



**NATIONAL REPORT OF LITHUANIA ON SOCIAL  
PROTECTION AND SOCIAL INCLUSION  
STRATEGIES**

**2008–2010**

**(NR – SPSIS)**

2008

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## INTRODUCTION

*Lithuania, as a Member State of the European Union (EU), has been taking part in the process of coordinating social protection and social inclusion policies pursued by EU Member States.* This process encourages EU Member States, which face such social challenges as population ageing, inequality of income distribution, long-term sustainability of social protection and health care systems, and social exclusion of certain groups, to constantly improve the pursued social policy, referring to the experience of other countries. Furthermore, it helps to achieve rapid economic growth and creation of new workplaces – the most important objectives of the Lisbon Strategy – and at the same time solve the most relevant social problems. Thus, effective coordination of social policies pursued by EU Member States helps to retain the most important aspects of the European Social Model and apply it in response to present challenges.

Shaping and implementing social protection and social inclusion policies in the European Union falls under the competence of EU Member States. At the EU level, these policies are coordinated through the Open Method of Coordination (OMC). *It implies that EU Member States agree on the common principles and goals of the implementation of policies, however, they individually choose implementing measures.* Through the application of the OMC, the policies of EU Member States are constantly improved taking into account the results achieved, new challenges, and practice of other countries. Every state taking part in the coordination process drafts strategic documents where they present the progress achieved and the plans of reaching the goals defined during the OMC process. The European Commission proposes guidelines to be followed in drafting these strategic documents, and submits evaluation of these documents as well as recommendations on policy improvement.

*Lithuania actively joined the process of coordinating social inclusion and social protection policies at the EU level after it became a member of the EU.* From 2004 to 2006 Lithuania implemented the National Action Plan against Poverty and Social Exclusion. The National Strategy Report on Social Protection and Social Inclusion 2006–2008 (National Report), which covered social inclusion, pension, health care and long-term care policies, was prepared and implemented in the period from 2006 to 2008. The National Report 2008–2010 has been drafted drawing on the experience and lessons of the implementation of the previous National Report and the Action Plan 2004–2006. The National Report 2008–2010 covers many goals provided for in the previous documents, but also introduces new initiatives. It takes into consideration new economic and social challenges faced both by Lithuania and other EU Member States. Moreover, it seeks to harmonise the strategic approach of Lithuania with the common EU social policy principles set forth in joint reports on social protection and social inclusion strategies and in other documents, highlighting the specific goals and needs of Lithuania.

*The most important strategic provision of the National Report 2008–2010 is that by implementing its social protection and social inclusion policy the Government of the Republic of Lithuania will continue working to ensure high quality of living for everybody in Lithuania. In this process the principles of equality between men and women will be taken into consideration.* The strategy envisages pursuing the policy of *active inclusion* where employment and social policies complement each other. In implementing *the employment policy* labour market flexibility and employment security (*flexicurity*) have to be combined. Active labour market policy measures will be further implemented, and they will help the labour force to adapt to labour market challenges and enable them to acquire skills valued in the labour market. *The social protection system* (services, benefits) will help those who cannot work or who are temporarily unemployed to ensure dignified life and protection from exclusion and poverty. Social policy will be pursued in such a way that would help economically inactive persons who are capable of working (e.g. persons suffering from social exclusion or belonging to social risk groups) to better integrate in the society and start actively participating in the labour market. A lot of attention will also be paid to

***eradication of child poverty and guaranteeing their rights*** in order to avoid poverty trap and passing of poverty from generation to generation.

***A properly functioning pension system is necessary to reduce poverty and increase social inclusion.*** Ensuring sustainability and inclusion of the system is particularly important because of such demographic changes as population ageing and decrease in population. Taking these changes into consideration, sustainability of the system (by increasing the retirement age), inclusion (by including groups of persons who are not covered with social insurance) and sufficiency (by increasing pensions) will be further improved. Measures which promote participation of elderly in the labour market will also contribute to sustainability of the pension system.

***Improvement of health care and long-term care policies will be aimed at increasing quality and accessibility of health care and social services.*** Better public health will enable more people to participate in the labour market, increase their productivity, and retain longer the elderly in the labour market. The funds allocated should be used more effectively, salaries of health care and social employees should be increased and their working conditions improved, the infrastructure should be used to the optimal extent and new technologies should be introduced. Considerable emphasis should be placed on disease prevention and reduction of morbidity and mortality from the most-widely spread diseases.

***The National Report 2008–2010 pursues a number of important horizontal principles: gender equality, fight against discrimination, increase in the participation of elderly in the labour market and sustainable regional development.*** In order to ensure ***gender equality*** the main issues of equal opportunities of men and women have to be identified so that to find appropriate solutions. The major aim is to mainstream the principles of gender equality in all areas of the public policy. The policy of ***reducing discrimination*** aims to gain a deeper understanding of the cases and reasons of discrimination and to develop public acceptance of differences related to gender, age, sexual orientation, racial and ethnic origin, religion and beliefs, and disability. The policies aimed at increasing the labour market ***participation of elderly*** will help them to retain their working skills. Services for the elderly will be further developed and the society and the employers will be encouraged to change their attitudes towards elderly. This Report also foresees important measures aimed at reducing ***regional differences*** and increasing accessibility and quality of services (including social, health care, culture services). These measures include the development of regional infrastructure of social services, implementation of local employment initiatives, support to increase internal labour migration and to encourage rural development, development of e-inclusion.

Finally, ***the Report emphasises strongly the importance of better governance of social protection and social inclusion policies and higher effectiveness.*** In improving governance, all stakeholders will be encouraged to take an active part in policy formulation and implementation. In order to ensure adequate publicity and transparency of this process, the wider public will be regularly informed, the role of local communities and non-governmental organisations will be encouraged and inter-institutional and interdepartmental cooperation will be further strengthened. The Working Group for Preparing and Monitoring the National Strategy Report on Social Protection and Social Inclusion 2008–2010 and Strategy Implementation Measures will oversee the implementation of the National Report. In 2009, a comprehensive assessment of the National Report 2006–2008 will be carried out. After the implementation of the National Report 2008–2010, its achievements will also be evaluated. When preparing the National Report, a reference has been made to various national strategic documents (first and foremost, the National Lisbon Strategy Implementation Programme). In improving governance, good practices of Lithuania and other states will be taken into consideration (e.g. taking advantage of the recommendations developed by the projects funded from the *Equal* programme, making use of the information provided by other Member States). Various analytical and statistical information will be used more consistently (e.g. through the website [www.socialmap.lt](http://www.socialmap.lt)), and cooperation of central and local authorities will be promoted.

## 1. GENERAL OVERVIEW

### 1.1. Overview of social situation

Currently, Lithuania is entering the transition period between the two stages of economic-social development. *For more than five years, particularly rapid growth of economy has been ensuring constant raise in the standard of living. Due to this, social situation has been gradually improving.* Recently, intensive development of Lithuania's economy started slowing down. Gross domestic product of Lithuania (hereinafter – GDP) that has been increasing on average by 7.5 % annually during the period of 2000–2007, in 2008, as forecasted, will go up by 6.1 % only, whereas in 2009 the growth of the GDP will slow down to 3.7 %.<sup>1</sup> In 2007, GDP per capita according to standards of purchasing power equaled 60 % of EU-27 average. It is forecasted that in 2008 it will grow up to 62.3 %. However, recently high inflation started diminishing economic welfare of the country's population, and this trend will continue at least in the short-term, too. In May 2008, average annual inflation comprised 8.6 %.<sup>2</sup> The changing economic situation can exacerbate the social status of many residents and the state policy in the areas of social protection and social inclusion will, therefore, aim at maintaining the current level of social protection as well as increasing it, while firstly attending to the most vulnerable groups of the population.

Further this overview discusses the major challenges and achievements in the social domain: demographic trends; situation on the labour market; income earned by the citizens and income inequality; poverty risk level and social exclusion; social aid to the citizens; tendencies of pension system; health care and long-term care of the citizens of Lithuania.

#### 1.1.1. The key demographic changes: decreasing population and ageing of society

Social situation of Lithuania is particularly heavily affected by *substantive long-term demographic changes: decreasing population and the related ageing of society.* Since the beginning of 1990 until the beginning of 2007, the population of Lithuania has gone down from 3.69 m to 3.38 m (by 8.4 %). This was determined by several factors. *Firstly*, low birth rate. Cumulative birth rate, which comprised 2.03 in 1990, went down to 1.24 in 2002. In the subsequent years, this indicator has slightly improved, but in 2006 it was still the lowest cumulative birth rate among the EU member states (1.31). It is true that the improvement tendency persists: in 2007, the cumulative birth rate increased to 1.35. *Secondly*, the non-lengthening life expectancy. In 1990, the average life expectancy was 71.46, and in 2006 – 71.12 years. In Lithuania, there is a particularly big difference between average life expectancy of males and females: women on average live for 77 years, whereas men – 65 years. Average life expectancy indicator of the latter is the lowest in the EU. *Thirdly*, relatively high level of mortality remains. The indicator of mortality, which reached its lowest point in 2000 – 11.1 of deaths per 1 thousand citizens, started increasing later on again and in 2007 comprised 13.5. Infant

Table 1. Average change of population in Lithuania over the day during 2002–2007

|                             | 2002       | 2003       | 2004       | 2005       | 2006       | 2007       |
|-----------------------------|------------|------------|------------|------------|------------|------------|
| Born                        | 82         | 84         | 83         | 84         | 86         | 89         |
| Died                        | 113        | 112        | 113        | 120        | 123        | 125        |
| Immigrated                  | 14         | 13         | 15         | 19         | 21         | 24         |
| Emigrated                   | 19         | 30         | 42         | 43         | 35         | 38         |
| <b>Change of population</b> | <b>-36</b> | <b>-45</b> | <b>-57</b> | <b>-60</b> | <b>-51</b> | <b>-50</b> |

Source: Department of Statistics under the Government of the Republic of Lithuania

<sup>1</sup> In the overview of social situation, statistical data provided by Department of Statistics under the Government of the Republic of Lithuania, Eurostat, Lithuanian Labour Exchange and State Social Insurance Fund Board are used.

<sup>2</sup> Inflation was estimated according to Harmonized Index of Consumer Prices (HICS), used for measuring inflation in the EU.

mortality, which has decreased by almost a half since 1995, still remains among the highest in the EU. *Fourthly*, particularly intensive emigration of Lithuanians. It was estimated that from 1990 to 2008 more than 450 thousand people left Lithuania. According to the current birth, mortality and migration tendencies (see Table 1), it is forecasted that in 2050 the population of Lithuania will be only 2.74 m. people. This shows that it is imperative to assume measures to increase the birth rate, to promote circular migration and improve public health.

In the structure of Lithuanian society, *elderly comprise an increasingly larger part of population*. Citizens over 65 in the beginning of 1996 comprised 12.5 % of population, whereas in the beginning of 2007 the number was already 15.6 %. Over the same period, share of children aged 0-14 decreased from 21.6 % to 15.9 %. Should the birth rate remain low in the future and the average life expectancy lengthen, the society will start ageing even more intensively. This implies that increasingly more funds will be needed from the state for old age pensions. Moreover, demand of services for elderly as well as the need for funding of their care will increase. At present, in Lithuania the share of GDP allocated for the care of elderly is one of the lowest in the EU. In 2005, it comprised 0.15 %, whereas the EU-27 average was 0.53 %.

### **1.1.2. Labour market situation: over the recent years, employment went up, whereas the level of unemployment was low; however, labour force and economic activity of population diminished**

The listed demographic changes of the society of Lithuania have particularly much impact on the labour market of Lithuania. In 1998–2007, *labour force in Lithuania decreased* from 1716 thousand to 1603 thousand. This was mostly determined by intensive emigration of the citizens of Lithuania of employable age, which caused the shortage of labour force in the country. *Together with the decrease of labour force, economic activity of the residents of Lithuania went down*. The labour force activity level<sup>3</sup> in Lithuania over the last decade has gone down from 72 % in 1998 to 67.9 % in 2007 (EU-27 average in 2007 was 70.5 %). The activity level of men declined more than that of women; however, economic activity of women (65 %) still remains lower than that of men (71 %). Labour force activity level has been dropping in all age groups, except that of elderly. Activity level of citizens aged 55–59 and 60–64 went up respectively by 13.5 and 12 per cent. A particularly obvious increase of economic activity can be observed in the group of women aged 55–59: from 42.2 % to 68.5 %. When striving to reduce poverty and improve social inclusion, Lithuania needs to promote the activity of labour force, by involving non-active citizens (young people who neither study, nor work, retirees, the disabled, convicts, etc.) in the labour market.

Contrarily to the labour force activity, *employment indicators in Lithuania have been improving over the period of 1998–2007*. The number of employed people increased from 1489 thousand to 1534 thousand (3 %). The number of employed women grew faster than that of men (3.9 % and 2.1 % respectively). The level of employment in Lithuania, which dropped from 62 % to 57 % during 1998–2001, eventually started rising and in 2007 comprised 64.9 %, almost matching the EU-27 average (65.4 %). Employment level of women increased to 62.2 % and exceeded the EU-27 average by 4 per cent. Furthermore, it was rising faster than that of men, but nonetheless remained lower by 5.7 per cent: employment of men in 2007 comprised 67.9 %, whereas that of women– 62.2 %. By age criterion, employment level has been increasing in all groups of population, except the youth (under 24 years) and people of retirement age (above 65). By employment level of women and of elderly (55–64 years), Lithuania has already achieved the goals, set in the EU's employment strategy for 2010. Nonetheless, Lithuania has not yet attained the planned overall employment level indicator (70 %). The opportunity to attain this objective is diminished by the exacerbating economic situation, which in turn results in the decreasing level of employment. In the 1<sup>st</sup> quarter of 2008, the level of employment dropped to 63.9 %. Thus, it is

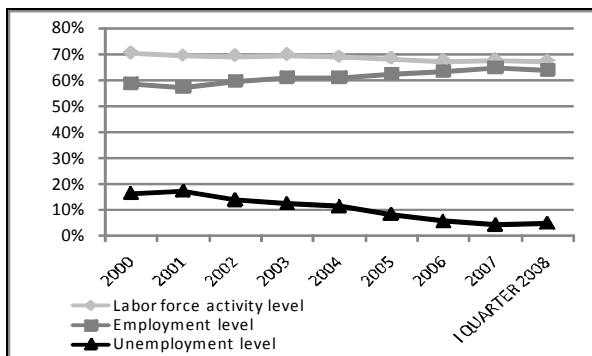
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<sup>3</sup> Labour force activity level equals the ratio of economically active population (labour force) aged 15–64 and the total number of population of that age group.

necessary to assume the measures to increase the employment, by paying the most attention to increase of youth employment as well as furthering employment of women.

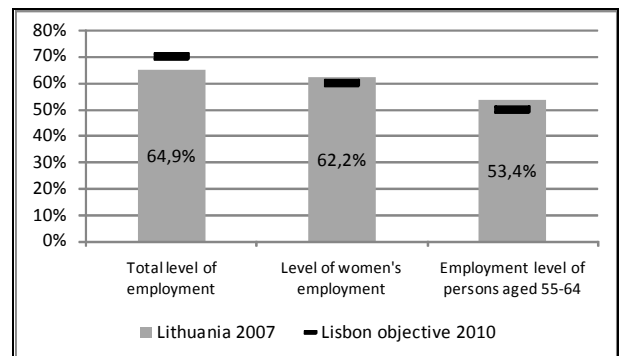
Intensive economic growth and emigration over the recent years **determined significant reduction in the level of unemployment**. The level of unemployment, which comprised as many as 17.4 % in 2001, in 2007 dropped to 4.3 % (EU-27 7.1 %). In Lithuania, the level of unemployment has been decreasing in all age groups, but remained relatively high among persons aged 15–24– 8.2 % (EU-27 15.5 %). Differences of unemployment between men and women in 2007 disappeared altogether. Long-term unemployment in the same year comprised 1.4 % and was in half lower than the EU-27 average. In general, over the last years, the so called structural unemployment prevailed in Lithuania, which remained due to the mismatch of labour demand and supply structures (in terms of profession, qualification or territory). However, in 2008 the level of unemployment in Lithuania started going up gradually again: in the 1<sup>st</sup> quarter of 2008 it comprised 4.9 %, whereas among the youth it was 10.1 %. Thus, in the foreseeable future it will be important to maintain the level of unemployment as low as possible, by paying particular attention to the youth unemployment problem.

Figure 1. Dynamics of labour force activity, employment and unemployment levels during 1998–2007 in Lithuania



Source: Department of Statistics under the Government of the Republic of Lithuania and Eurostat

Figure 2. Level of employment of women, people aged 55-64 and the entire population in 2007 in Lithuania



### 1.1.3. Income of citizens and income inequality: income of citizens increased, income inequality remains rather high and regional differences of income became bigger

Employment is an essential, but not sufficient precondition for good economic and social situation of citizens. **Welfare of the people depends directly on the level of their income and expenses**. In 2007, disposable household income per month comprised LTL 859.3. Average consumption expenses equaled LTL 748.8. During the period of 2005–2007, household disposable income per one member of household went up by 48 %, while the average consumption expenses increased by 30 %. Thus, the ratio of income and expenses over the last years has been improving. The citizens were provided the conditions to ensure better quality of living.

Nonetheless, **big regional differences** are inherent to Lithuania. In 2007, disposable income in cities comprised LTL 943, and in rural areas - LTL 691 (by 26 % less). Average expenses in cities totaled LTL 837.5, while in rural areas – LTL 570.5 (by 32 % less). It is noteworthy that although income of rural residents grew faster than that of urban residents, whereas the expenses – slightly slower, the structure of income and expenses remained worse in rural areas. Almost one third of rural citizen's income in 2007 (30.6 %) comprised social benefits, whereas in the cities this type of income totaled just 17.9 %. Income from employment in rural areas constituted 39.1 % only, while in the cities income of this type comprised 70.9 %. The major share of income rural households received from business, individual activities and agriculture. Thus, a comparatively small number of rural residents are employed; furthermore, they are very dependant on social benefits. This

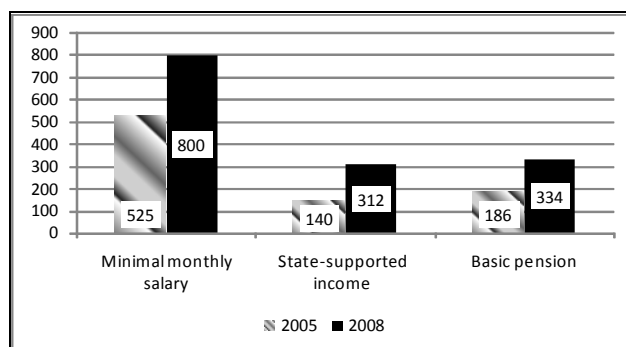


determines a relatively high level of poverty risk for the rural residents. The latter exceeds the poverty risk level in the cities by 2.6 times.

In Lithuania, *problem of income inequality between people also remains acute*. Gini coefficient, used to assess the income inequality, shows that although gradually decreasing, income inequality in Lithuania is still one of the highest in the EU member states. In 2006 in Lithuania this indicator equaled 35 (in 2005 – 36), whereas the EU-25 average was 30. Income of the one fifth of the population of Lithuania, earning the most, in 2006 exceeded that of the one fifth of the population earning the least by 6.3 times (the difference in 2005 was 6.9 times). In 2006, the EU-25 average was 4.8 times. Income inequality of men and women in Lithuania is not diminishing either. In the 1<sup>st</sup> quarter of 2008, average gross monthly earnings of women constituted approximately 80 % of men's earnings (in the 1<sup>st</sup> quarter of 2006, the figure was 84 %). The same ratio was in the public as well as private sector (without including private enterprises).

While seeking to ameliorate the situation of the people with the lowest income, *over the last years various minimal wages were being increased in Lithuania* (see Figure 3). Average annual minimal monthly salary during 2005–2008 went up from LTL 525 to 800 (52 %), minimal hourly wages – from LTL 3.12 to 3.93 (26 %). Average annual income supported by the state in 2005 comprised LTL 140, while in 2008 it increased to LTL 312– by 2.2 times (LTL 350 from 1 August 2008). Over the period of 2005–2008 average annual basic pension has been also increasing – from LTL 186 to 334 (LTL 360 from 1 August 2008).

Figure 3. Amounts of average annual minimal income in 2005 and 2008



Source: Department of Statistics under the Government of the Republic of Lithuania

When reducing the tax burden to the hard-pressed residents of the country, tax policy measures are used: basic income not subject to tax in 2006 was raised from LTL 290 to 320. Separate groups of residents – the disabled, persons raising children and others – are applied individual, i.e., higher income not subject to tax. From 2009, residents raising children will be applied the increased additional income not subject to tax: for the first child– 20, for the second – 50, for third and others – 100 % of the basic income not subject to tax. Nonetheless, the impact of many state fiscal policy instruments (e.g., income tax exemptions to those purchasing a dwelling or computer, preferential VAT and excise tariffs) on the groups with the lowest income is not sufficiently assessed.

The most important source of income of citizens– *salary* – *has substantially increased over the last decade in Lithuania*. Average monthly gross salary in Lithuania has increased from 1997 to 2007 by 2.33 times (in public sector – by 2.25 times, in private sector – by 2.47 times). During 2004–2006, low salary trap level decreased by 6 per cent (from 36 to 30 %)⁴ (EU-27 – 47.35 %). Nonetheless, in 2007, 7 % of full-time employed individuals still worked for a minimal salary (in 2005 – 10.3 %). In public sector, the number of such employees was 5.2 %, in private sector – 8 %.

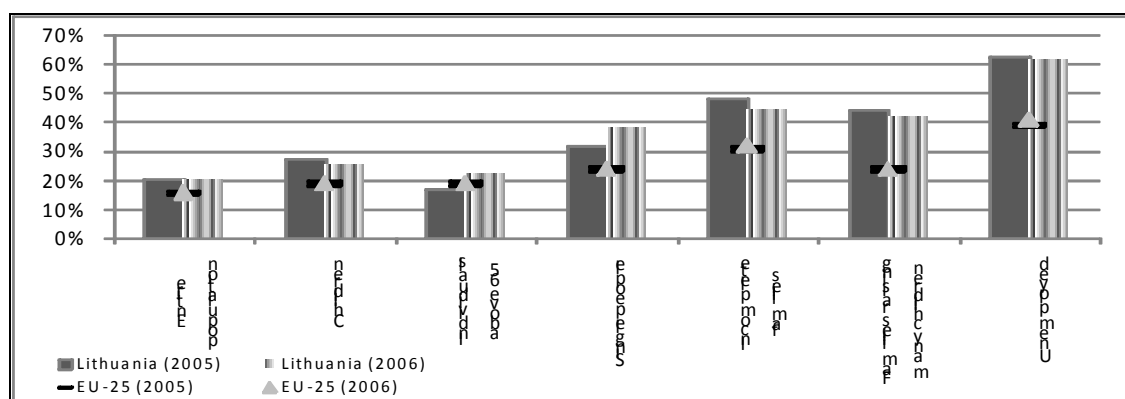
#### 1.1.4. Poverty risk level and social exclusion: poverty risk level (after social benefits) remains rather high, particularly for some social groups

<sup>4</sup> Low salary trap refers to a situation, when employed individuals do not assume more working hours or better paid jobs, because additional income would be too low. This indicator is calculated as a percentage share of gross income, of which the employee is deprived when paying income tax, social contributions and losing the exemptions, when their salary increases from 33 to 67 % of average salary. – Igor Vetlov, Ernestas Virbickas, “Lietuvos darbo rinkos lankstumas”. *Pinių studijos*, 2006/1, 9.

Regardless of the growth of income and salaries, **quite a large share of residents of Lithuania still faces the threat of poverty**. Poverty risk level before social benefits, except pensions, in 2005 constituted 26.1 %, and in 2006 – 26.6 % (men – 25.5 %, women – 27.5 %). Poverty risk level after social benefits in 2005 was 20.5 %, in 2006 – 20 % (men – 19.1 %, women – 20.8 %). Poverty risk level before social benefits in Lithuania does not differ substantially from the EU-25 average, but the poverty risk level after disbursement of social benefits is one of the highest among all EU countries. It exceeds the EU-25 average by 4 per cent. Poverty level of employed residents of Lithuania after social benefits is also by 2 per cent higher than the EU-25 average (employed men – by 3 per cent). The allocated funds are not sufficient for Lithuania's social benefit system. Expenditures for social protection per capita according to the standards of purchasing power in Lithuanian in 2005 were by 3.8 times lower than the average of EU-27. In view of this, allocating more funds for social protection is an important goal of national social protection policy.

**Poverty in Lithuania is perhaps the mostly threatening to unemployed individuals (children under 18, people above 65, the unemployed), as well as incomplete families and those raising many children and single people** (see Figure 4). By age criterion, risk poverty level in 2006 of the children under 18 and adults above 65 was respectively 25 and 22 %, while in other age groups it comprised about 18 %. Particularly high poverty risk is faced by incomplete families (one adult with one or more children) – 44 %, families raising many children (two adults with three and more children) – 41 %. Moreover, single people are also facing very high poverty risk – 38 %. Finally, particularly high poverty risk threatens the unemployed. At 62.8 % in 2005, their poverty risk level in 2006 decreased to 61.4 % only and remained by more than 6 times higher than that of the employed people. When pursuing social policy of the state, the named social groups need to paid special attention.

Figure 4. Poverty risk level in Lithuania and the European Union (EU-25) in 2005 and 2006



Source: Department of Statistics under the Government of the Republic of Lithuania and Eurostat

**Social exclusion is more likely for certain groups of the society than others. The disabled comprise one of such groups.** The number of disabled people in 2004–2007 went up from 243.5 thousand in 2004 to 253.2 thousand in 2007. During 2004–2006, the disabled started participating in the labour market slightly more actively. The number of registered disabled unemployed individuals increased from 9817 in 2005 to 10828 in 2006 (by 10 %). Furthermore, the number of employed disabled individuals went up by as much as 43 % (from 2665 to 3809). Colleges and universities enrolled more disabled students; however, their number still remains rather small: in 2006 there were 289 disabled students in universities and 238 – in colleges. Besides, the number of the disabled even decreased in vocational schools. It is also noteworthy that the disabled are not yet always ensured equal opportunities: for instance, only approximately one fifth of the people, who need adapted dwelling, are being provided this service. Hence, Lithuania needs to enhance social protection of the disabled and to provide to them more social services of better quality.

Ethnic minorities also have greater needs for social protection. **People of the Roma nationality get socially excluded particularly often.** Relatively many of them are not educated, have not

acquired any profession, do not know the official language. According to sociological surveys, almost 50 % of men and 70 % of women, belonging to this ethnic minority, are not employed. This is a particularly high obstacle for the Roma to integrate in the society. In 2007, ethnic minorities in Lithuania comprised 15 % of the population. In the future, this share might increase due to immigration. ***Immigration in Lithuania is a rather new phenomenon; however, it will demand increasingly more attention in the future and suitable conditions will have to be created for social integration of the immigrants.*** During 2003, 4728 individuals arrived to Lithuania, while in 2005 – 6789, and in 2007 – as many as 8609. Although in 2006 the majority of immigrants comprised citizens of Lithuania returning to their country (71.1 %), the numbers of immigrants from other countries (mostly – non EU states) are also going up. This is shown by the increasing number of work permits, issued to foreigners: in 2003, 609 work permits were issued, while in 2005 - 1565, and in 2007 – 5686.

#### **1.1.5. Social support and services to citizens: while seeking to reduce the poverty level, social support was being enhanced and more services were provided over the last years**

***Social benefits paid by the state represent one of the key measures when ensuring sufficient standard of living for the socially vulnerable groups.*** Children and families raising children constitute a very important group of recipients of social benefits. In 2007, they were assigned about 67 % of expenditures, allocated for social support in cash. In 2007 child benefits were paid to 350.66 thousand (in 2005 – to 323.3 thousand), one-time child benefits – to 30.13 thousand (in 2005 – 29.5 thousand), guardianship (custody) benefits– to 12.47 thousand (in 2005 – 11.3 thousand), other benefits for families– 9.74 thousand (in 2005 – 21.12 thousand). Funds allocated for all benefits, payable to families raising children, in 2007 increased by almost 10 % in comparison to 2005.

***Families and persons living alone, who cannot provide for themselves the sufficient funds for living are also entitled to social support in cash.*** They are assigned social benefits and/or compensations for the essential utilities. In 2005, there were 54.1 thousand, and in 2007 – 36.6 thousand recipients of social benefits. Although the number of recipients decreased by more than 30 %, funds allocated for benefits (which substantially decreased in 2006), in 2007 again reached the level of 2005: in 2005 – LTL 52.8 million, in 2006 – LTL 43.8 million, in 2007 – LTL 52.41 million. This shows that funds per one recipient of benefit increased. In 2007, for compensation of expenses for heating LTL 33.7 million were assigned, which represent an increase of almost 9 % in comparison to 2005. Over the recent years, efforts were intensified to provide support for schoolchildren from low income families. In 2007, state budget allocated LTL 8.9 million for provision with school accessories for the new school year which is by 4.45 times more than in 2005. Thus, the support was given to 57 thousand schoolchildren (in 2005 – 56 thousand, in 2006 – 79 thousand). On average, a sum of LTL 158 was assigned per schoolchild, whereas in 2005 the number was about LTL 36.

***The most substantial share of social protection system of Lithuania is comprised by social insurance benefits.*** Pension, sickness, maternity (paternal) allowances as well as unemployment social insurance benefits are the most important among them. Sickness and maternity (paternal) allowances over the recent years have been increasing in Lithuania. For that purpose, in 2006, LTL 621.4 million were assigned. This represents an increase of LTL 127.3 million or 26 % in comparison to 2005. Average maternity (paternal) social insurance allowance increased from LTL 708.18 (in 2005) to LTL 1370 (in 2007), i.e., by almost LTL 662 or 93 %. Average sickness allowance per one day during 2005–2007 went up by 43 %. Average unemployment social insurance benefit per month also increased: in the 2<sup>nd</sup> quarter of 2006 it comprised LTL 379.2, while by the 1<sup>st</sup> quarter of 2008 it attained the level of LTL 542, i.e., increased by 43 %. In 2007 in Lithuania 96 % of the employed people were covered with social insurance. In comparison to 2005, the coverage of social insurance system increased by 3 per cent.

While continuing the reform of provision of social services, commenced in 2002, during the recent years efforts were made to organize social services in such a manner as to ensure the basic personal needs and to encourage the people to get actively involved in helping themselves. **Provision of services alternative to stationary social care was intensified:** day or short-term social care in individual's home. In 2004–2006, the number of recipients of assistance at home increased from 10.5 thousand to 12.9 thousand (23 %). Number of individuals who were provided social services in day centers during 2004–2006 went up from 56 thousand to 91.5 thousand (63 %). Moreover, provision of social skills' development and support services at home to families at social risk has been substantially intensified. Their number increased from 4.3 thousand in 2006 to 23 thousand in 2007. On the other hand, all these efforts have not resolved the shortage of long-term stationary social care services: individuals who need such services (the disabled, elderly) still need to wait in queues to be provided them.

#### **1.1.6. Tendencies of pension system: pensioners' income have been increasing, pension system reform has been carried out**

*Over the recent years, pensions were being regularly increased; their purchasing power has been growing.* Over the period of 2005–2007, average old age pension increased by 42 %, and incapacity for work pension – by 29 % due to the raise of state social insurance basic pension and insured income of the current year. When increasing more rapidly the main share of pension that does not depend on previous salaries, differentiation of pensions should diminish. In 2006, income of the one fifth of the people above 65 with the highest income exceeded those of the one fifth of the members of this group receiving the lowest income by 3.6 times. The average score of EU-25 indicator was 3.9 in 2006. Furthermore, over the last years, the ratio of men's and women's pensions slightly improved. Until 2007, average pension of a woman comprised 81 % of man's pension; after 2007 – 83 %.

When increasing pensions at a faster rate than the average salaries, the ratio of average pension to average net salary also improved. The average social insurance old age pension with the necessary years of pensionable service in May 2008 was LTL 755.14 and comprised about 45 % of average monthly net salary in the country's economy (excluding individual enterprises). In 2004 and before that, the indicator was 40–41 %. After 1 September 2008, when social insurance basic pension and insurable income were raised, the average old-age pension with the necessary number of serviceable years will grow to LTL 830. However, regardless of the increase of pensions, they are still insufficiently high. This is determined by relatively low funds assigned for pensions. In 2005, the share of GDP allocated for social insurance pensions in Lithuania comprised 6.6 %, whereas the EU-25 average was 12.2 %. Furthermore, this share in Lithuania has been decreasing and in 2007 comprised just 6.3 %. Because of this, increase of the funds allocated for pensions is one of the top objectives of social protection policy.

*Several important changes occurred in the field of pensions over the last years. Firstly,* after carrying out the pension reform, in 2004 the second tier of the statutory pension started operating: a certain share of the funds of the State Social Insurance Fund budget collected from contributions is transferred to private pension funds. In 2004, 441 thousand people participated in pension accumulation, whereas in 2008– 880 thousand (69 % of those insured). Thus, future pension obligations of the state sector have been reduced; some of current surplus funds are being put away for the future, whereas the pension system itself becomes more sustainable and financially stable. *Secondly,* after carrying out the reform of survivor's pensions in 2007, a guaranteed amount of survivor's pension was introduced. This improved the situation for many of the lonely pensioners and reduced the previously existing tension among recipients of different survivor's pensions. The reform of survivor's pensions was particularly relevant to women of retirement age (they comprise 86 % of the recipients of these pensions). *Thirdly,* while seeking to improve the situation for those receiving the lowest pensions, in 2008 the weight of the main part of the pension within the composition of the pension was increased; disbursement of social insurance pension premium for

the number of serviceable years was started. This premium continues to increase of the main part of the pension even in cases when the number of serviceable years exceeds 30 years and therefore enhances the motivation for older people to remain in the labor market longer. *Fourthly*, in 2005 a reform for determination of working ability level was implemented. Since then, the lost working ability was being determined only for persons below retirement age.

### 1.1.7. Health care: budget funds for this area are being gradually increased, but life expectancy free of illness in Lithuania remains one of the lowest in the EU

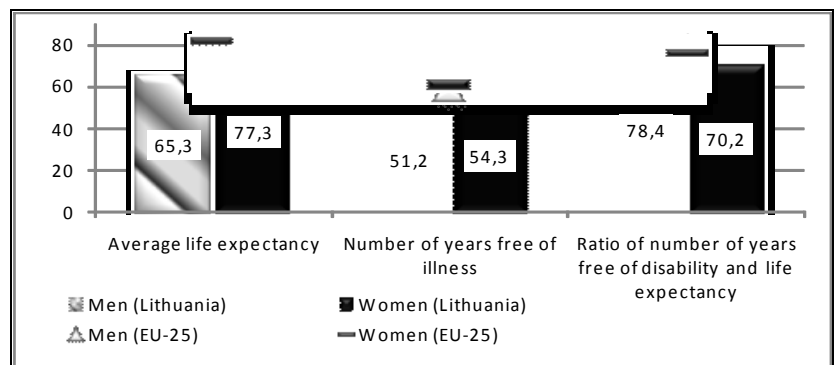
Health of population is a particularly important factor of social and economic welfare of Lithuania's society. Better public health would permit a larger number of the population to take part in the labour market as well as to increase their efficiency, to retain elderly in the labour market longer, etc., thus contributing to the economic development. One of important indicators, reflecting public health level, besides the

average life expectancy, is the number of years free of illness. In 2005, the average life expectancy of men free of illness in Lithuania was 51.2 (EU-25 – 60 years), whereas that of women - 54.3 (EU-25 – 61 year). These indicators are one of the lowest in the EU. Life expectancy free of disability in comparison to the life expectancy in the same year comprised 78.4 % for men and 70.2 % for women (EU-25 – 77.2 % and 75.2 % respectively). Hence, the average citizen of Lithuania lives healthy rather shorter than the average citizen of the EU (see Figure 5).

**High level of malignant tumor morbidity represents a big problem in Lithuania.** The number of those ill with malignant tumors per 100 thousand residents grew from 1998 to 2005 by 37 % and achieved 1998.7. Poor state of mental health of the society is shown by a very high number of suicides. In 2006, the number of suicides per 100 thousand in the age group of 15–19 was 16.4 (females – 4.6, males – 27.7), whereas in the age group of 50–54 comprised as many as 60 (females – 22.2, males – 104.8). Both indicators exceeded the EU-27 indicator by 3.3 times. Furthermore, the number of people suffering from addictions is increasing in Lithuania. This shows that it is necessary to assume measures for the improvement of public health. Particularly much attention should be paid to treatment of mental disorders, malignant tumors, cardiovascular diseases and other widespread illnesses.

**One of the objectives of state health policy is to strengthen the public health, while first of all ensuring qualitative health care services that would be available to everyone.** Health expenditure in Lithuania in 2006 comprised 6.2 % of GDP and exceeded that of 2005 by 0.3 per cent. Nonetheless, health expenditure in Lithuania does not match the EU-25 average, which in 2006 comprised 7.76 %. Approximately 70 % of health expenditure in Lithuania comprised expenses of the government sector, whereas the remaining – those of private sector. In 2006 in Lithuania there were 40 doctors, almost 7 odontologists and 80 beds in hospitals per 10 thousand of population. The number of beds is being constantly reduced – inpatient services are being replaced by outpatient services. Moreover, during 2006–2007 important changes occurred in primary health care: switching to the mixed model of payment for services was made; payments are made to the institution not for the enrolled residents only, subject to the age groups, but also additional funding

Figure 5. Public health indicators in Lithuania and the European Union (EU-25) in 2005



is allocated for the services provided; payments are made for carrying out of preventive measures and good performance.

## 1.2. Common strategic approach

Analysis of social inclusion has shown that *progress has been made* in 2006–2008 *in enhancement of employment and social inclusion*. Overall level of employment in the country has been increasing, while according to the level of employment of women and elderly Lithuania already exceeds the objectives stipulated in Lisbon strategy for 2010. The general level of unemployment, long-term unemployment level and youth unemployment in 2007 were substantially lower than the EU-27 average. Household disposable income and salaries continued noticeably growing; income of the citizens with the lowest income has increased. This was abetted by the mentioned measures of social policy, efforts of the Government in other areas as well as favorable macroeconomic conditions. Nonetheless, statistic data also shows that favorable tendencies have not yet sufficiently contributed to the reduction of poverty in the country and enhancement of social inclusion.

### **Many long-term challenges for 2008–2010 remain similar to those of previous years:**

- unfavorable demographic tendencies (low birth rate, ageing of society), intensive emigration;
- diminishing general level of labour force activity, insufficient activity of labour force of certain social groups (e.g., the disabled);
- high level of poverty risk, particularly of certain groups of population (children, people above 65, rural residents, the unemployed); large income inequality (in comparison to the EU average);
- large regional differences in standard of living, quality of life and social status;
- increasing need for social and health care services, insufficient accessibility and quality of these services;
- long-term sustainability of the pension system and ability to ensure suitable standard of living for all residents of the country of the retirement age.

*Not all the measures of the policy were sufficiently successful.* Firstly, it is essential to improve the financing and to increase the effectiveness of the social benefit system. Statistical data show that poverty risk level before and after the social benefits in Lithuania decreased not much in comparison to other states of the EU (old ones as well as newly accessed). Secondly, the links of social policy with the labour market need to be improved and the principle of “working pays off” needs to be introduced. Poverty risk level of the employed citizens (particularly that of men), when compared to many other EU member states, is high in Lithuania. Thirdly, it is important to work on improving the pension system, seeing as it does not yet sufficiently protects from poverty (poverty risk level of people of retirement age is still high).

### **More obvious and new challenges:**

- The slowing down boom of economy, determined by unfavorable global tendencies as well as exhaustion of the usual sources of country’s economic growth (borrowing is becoming more expensive, consumption is decreasing, prices of energy resources are going up, efficiency of labour force does not correspond to the growth of costs). This will diminish the possibilities of the state budget to finance the most important social initiatives and increase the need for using the state’s funds more effectively.
- High inflation, which first of all has negative impact on the residents with the lowest income. A steep increase of prices is forecasted in 2010 due to the decommissioning of Ignalina Nuclear Power Plant. This will rebound negatively on competitiveness of the country’s business and simultaneously – on employment and social status of population.
- New trends of migration. Quite many people who emigrated from Lithuania are interested in the opportunity to return and it is therefore necessary to ensure that they received all the necessary information and services. Furthermore, immigration of labour

force from foreign countries is increasing, thus necessitating urgent provisions for suitable integration of foreigners in the labour market and the society.

After assessing the experience of the report and lessons of 2006–2008 as well as economic and social challenges, and while pursuing its program provisions, the Government will continue striving through its social protection and social inclusion policy *that each citizen of the country would be provided the conditions for full-rate life, while taking into account the differences between the status of women and men:*

- those able to work would be ensured such life by income that is worthy of their work;
- those unable to work or temporarily unemployed – by well-developed and compatibly operating social protection (services and benefits provided by the state) system, flexibly adapting to challenges posed by life and newly emerging needs;
- all citizens of the country – by a well-developed network of qualitative and accessible health care services as well as sustainable pension system.

Lithuania plans to continue contributing consistently and constructively to the implementation of all three common objectives of the EU (objectives A, B and C) in the area of social protection and social inclusion. Below follows the presentation of the state's strategies when pursuing each one of these objectives.

*A. To promote social cohesion, equality of men and women and equal opportunities for everybody, and to ensure that social inclusion policies and social protection systems were suitable, accessible, operative (effective), financially reasonable and stable.*

When pursuing this objective, the Government plans to implement the social protection and inclusion, health care and long-term care policies in line with the main strategic documents of the state: State's Long-Term Development Strategy<sup>5</sup>, Long-Term Economic Development Strategy of Lithuania until 2015<sup>6</sup>, National Lisbon Strategy Implementation Program<sup>7</sup>, Strategy of Demographic Policy<sup>8</sup>, Sustainable Development Strategy<sup>9</sup>, Regional Policy Strategy until 2013<sup>10</sup> etc.

The analysis shows that poverty and social exclusion first of all threaten those citizens, who are unemployed (the unemployed, individuals inactive in the labour market). Because of this, it is necessary to continue enhancing the incentives to work, to get the employable persons, who for some reasons dropped out from it, better involved in the labour market. It is necessary to pursue the *active inclusion policy*, in which the *state's employment and social policy are closely related*. While implementing the employment policy, active labour market policy measures are being pursued, helping the citizens to adapt to the challenges of the labour market and to acquire skills valued in the labour market. However, the essential precondition of the employment policy is that the individual must actively search for the job. Social policy, therefore, must encourage the economically inactive, but employable individuals of the social exclusion and social risk group to get actively interested in employment opportunities.

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<sup>5</sup> Resolution No IX-1187 of the Seimas of the Republic of Lithuania of 27 November 2002 on state's long-term development strategy (The Official Gazette, 2002, No 113-5029).

<sup>6</sup> Resolution No 853 of the Government of the Republic of Lithuania of 12 June 2002 on long-term economic development strategy of Lithuania until 2015 (The Official Gazette, 2002, No 60-2424).

<sup>7</sup> Resolution No 1270 of the Government of the Republic of Lithuania of 22 November 2005 on approval of the national Lisbon strategy implementation program (The Official Gazette, 2005, No 139-5019; 2007, No 92-3699); draft program for implementation of the national Lisbon strategy 2008–2010 is being prepared.

<sup>8</sup> Resolution No 1350 of the Government of the Republic of Lithuania of 28 October 2004 on approval of the national strategy of demographic (population) policy (The Official Gazette, 2004, No 159-5795).

<sup>9</sup> Resolution No 1160 of the Government of the Republic of Lithuania of 11 September 2003 on approval and implementation of the national sustainable development strategy (The Official Gazette, 2003, No 89-4029).

<sup>10</sup> Resolution No 575 of the Government of the Republic of Lithuania of 23 May 2005 on regional policy strategy of Lithuania until 2013 (The Official Gazette, 2005, No 66-2370).

***Assurance of gender equality and non-discrimination are important horizontal principles.***

These will be ensured by assessing the influence of each measure of the policy to implementation of these principles and by applying targeted measures. It is planned to promote consistently the initiatives, which would help to change the discriminating stereotypes, still very strong in the society (roles of genders or certain groups within the family, society or labour market). Efforts to combine family and job obligations will be promoted by enhancing services and assistance to families, stimulating the development of family-friendly workplaces and application of flexible forms of work and thus reducing the load of family obligations, mostly borne by the women.

Further attempts will be made to ameliorate the status of different groups of citizens in the labour market. *Firstly*, measures increasing the ***labour force supply*** need to be implemented: provision of different services, aimed at assisting the people searching for jobs to select the suitable profession and to find the job that would match their needs. Because of this, much attention will be paid in the future to vocational training and informal education of the unemployed and employees who are threatened by unemployment. Professional rehabilitation system of the disabled will be further developed. *Secondly*, while promoting employment of citizens and inclusion of inactive citizens in the labour market, it is necessary to further ***increase the demand for the labour force***, particularly in the economically lagging regions. Due to this it is very important to improve the business environment and to give incentives to companies, creating new jobs (which are offered to the unemployed). Subject to this, social enterprises will be supported. Such support will be particularly important for the disabled and other target groups employed there (the long-term unemployed, unemployed people of pre-retirement age, etc.). A very important aspect, when striving to balance the demand and supply of jobs refers to ***the combination of labour market flexibility and employment guarantees (flexicurity)***. When increasing the flexibility, the most attention is being paid to active measures of the labour market and flexible forms of working. In the meantime, security of employees in the labour market will be enhanced by suitable regulation of employment relationships and unemployment insurance.

Measures of employment policy alone are not sufficient to overcome the social exclusion and to reduce the poverty and material inequality. ***Further development of social and other services (culture, legal, public transport)*** is needed. It should enable the vulnerable groups to live a full-fledged social life, and the groups experiencing social exclusion – to integrate more easily in the society and the labour market. Due to this it is vital to ensure that these services were well-directed, qualitative and available to all people who need them. Social services to persons being cared for in the families will help the citizens carrying out the function of care at home (the majority of whom are women) to return to the labour market. It is planned to further expand the infrastructure of social services, to improve the social services being provided and to create new ones, to improve the professional abilities and conditions of work of employees of the social system.

Measures of active labour market and social services alone cannot ensure suitable standard of living to individuals earning low income. Due to this, ***unemployment insurance and social benefit system will be further developed consistently***. It is aimed that a) these benefits would contribute to reduction of poverty level and ensured quality of life to all people, who need the support; and b) the benefits would build the motivation of employable individuals to search for jobs and their professional mobility when seeking qualitative employment.

While employing different measures of labour market and social policy, it is planned to further engage in pursue of ***consistent family policy, to ensure observance of children's rights and their protection from poverty***. It is essential to achieve that parents who retreated from the labour market to raise their children could return to it more easily: to help them update their professional knowledge and to create the conditions for employment. Effective system of benefits and services for families needs to be further developed (including the child care and services to members of families in need of care) and flexible forms of work need to be promoted. Children from socially disadvantaged groups have to be assigned aid that would ensure conditions, suitable for learning (aid to acquire the school materials, meals free of charge). It is planned to further improve the child care system and the work with families at social risk; to help the children with behavioral issues as



well as children under 16 (and older) who do not study any more and are unemployed, and children who were discharged from socialization centers and correctional homes to integrate in the society better. The child's rights protection organizational system will be further strengthened on the national and municipal levels: employment of specialists in children's care and education institutions (particularly in rural areas) will be stimulated, their work conditions will be improved and qualification improvement will be encouraged.

***When reducing the poverty and increasing social inclusion, a properly functioning pension system is of high relevance***, seeing as elderly face high risk of poverty. Moreover, effectiveness and sustainability of this system are particularly important when considering the previously discussed demographic and economic challenges. It is therefore necessary to improve the current financing pension system, to ensure higher social justness of benefits and equality by genders. Pension disbursements need to be directed in such a manner that all the individuals receiving pensions would have the income necessary to meet their most important needs. When seeking to overcome the financial consequences of the ageing society to the pension system, possibilities to raise the retirement age should be further considered, while simultaneously pursuing the measures for employment of people of older age and enabling them to change the qualification and to combine working with partial retirement. Survivor's pension reform will be continued. While seeking to ensure successful and financially stable functioning of contributory pension schemes, provisions of legislative acts on investment of pension assets, regulating the pension schemes as well as the model for deductions from pension assets will be further improved.

***Health protection and long-term care policy will undergo further improvements*** while seeking to make the health care and long-term care services qualitative, accessible and provided on time. When implementing this policy, it is essential to cooperate with the social protection sector in solving the health and social issues and thus reducing the social and economic differences of service accessibility and quality between the regions. It is aimed to initiate a consistent and well-directed reform of health system, while creating a more viable and competitive system. Plans are made to pay the most attention and financial resources on the state level to reduction of morbidity and mortality from the mostly prevalent illnesses (mental health disorders, malignant tumors, injuries and accidents, cardio-vascular diseases). It is necessary to continue consistent promotion of prevention and prophylaxis of illnesses, to raise the citizens' responsibility for their health. Efforts will be made to ameliorate the quality of life for those ill with chronic diseases.

***Through the improvement of health care and long-term care system effectiveness***, it is aimed to develop the partnership of public and private sector in this area, to introduce competition in the market of health care services' providers, to attract more private investments and to use the allocated funds more effectively. It is planned to increase the salaries of doctors, nurses and health care specialists, to improve the conditions of work for residents and to solve the issue pertaining to the shortage of health care specialists in regions. Day social care services will be developed, while seeking to send the individuals to long-term care establishments only when social services in their homes are not efficient and do not ensure the necessary supervision. It is planned to continue restructurization of the network of primary health care and outpatient services, to optimize stationary services, to develop alternative forms of activities and nursing and maintenance treatment services, to develop the palliative assistance and to introduce new technologies of medicine. It is necessary to continue integration of nursing and social services.

The analysis showed that in different regions the social status rather differs, whereas the accessibility and quality of social and health services are very uneven. Due to this, it is aimed to implement the social protection, social inclusion, pension, long-term care and health protection policy in such a manner as ***to reduce the regional differences***. The following measures have been assumed: state investments (including the EU aid) are being directed to more lagging regions, cooperation with municipalities is being tightened, support is being provided to local communities, partnership is promoted on national and local levels. When diminishing the regional differences in the area of health services, the priority will be given to the level of primary outpatient personal health care and development of primary health care infrastructure, in particular in rural areas. Equal

development of social, cultural and other services will be promoted in municipalities, vocational training and education system will be developed.

***B. To enhance the interaction of social protection and social inclusion strategies as well as compatibility with the objectives of Lisbon strategy (economic growth, more and better jobs, social cohesion) and the EU sustainable development strategy.***

Policies of social protection and social inclusion, pensions, health protection and long-term care consistently ***supplement and reinforce the implementation of the objectives of Lisbon strategy***. Actions stipulated in Lisbon strategy in turn contribute to implementation of strategies, set forth in this report. Objectives of social policy and good quantitative indicators can be attained by successfully combining and implementing both processes only.

In 2008, the new stage of Lisbon strategy implementation starts. It will continue until 2010. The key objective of the National Lisbon Strategy Implementation Program 2008-2010 (NLSIP) (hereinafter referred to as the Lisbon program project) is to increase the competitiveness of Lithuania. The priorities have been formulated in the areas of macro-economic, micro-economic and employment policy.

Social protection and social inclusion strategies consistently contribute to implementation of objectives, stipulated in NLSIP. ***Measures of active labour market policy, stipulated in this National Report, are important to achievement of objectives of Lisbon strategy in the areas of macro-economy, micro-economy and employment.*** They have to help (a) to increase economic activity of citizens; (b) the people searching for jobs to find the jobs that match their needs and (c) to promote adaptation of employees to the market needs and professional and regional mobility when seeking qualitative employment. When implementing the social inclusion policy, it is planned to enhance the activity of labour force and to urge the employable individuals who have withdrawn from the labour market (e.g., the disabled, elderly, individuals raising children, representatives of groups at social risk, persons discharged from correctional institutions) to start actively participating in it again. Various measures of vocational guidance, acquisition and improvement of professional qualification should help the individuals searching for jobs. Initiatives of life-long learning, entrepreneurship promotion and public transport will create better conditions for professional and regional mobility and promote qualitative employment. Target measures for specific groups of population will be implemented: those for women, youth, elderly, and the disabled, various groups at social risk or experiencing social exclusion.

The reformed pension system (particularly its contributory part) more clearly links the pensions with contributions. Because of this, it acts as an incentive to employable individuals to remain longer in the labour market (and thus ensure larger pensions in the future) and to fortify the financial sustainability of pension system in the long term, and in turn contributes to macro-economic and employment objectives of Lisbon strategy. The issue of raising the retirement age will be further considered – this would enhance the sustainability of pension system. Decisions of this field will be coordinated with the measures for employment of elderly and this will increase the number of the employed in the labour market, and consequently the economic potential of the country. Implementation of the Lisbon objectives will enhance economic potential of the country and work efficiency of employees. This will have positive impact on financing of pension system and help to ensure higher pensions for the unemployed.

When pursuing the health care and long-term care policy, such objectives of Lisbon strategy will be contributed to as the increase of employment and higher efficiency of work, which affects directly the competitiveness of the country's economy. Good public health is one of important factors when striving for these objectives. It is therefore planned to further improve the quality of health care and social services, prevention of illnesses and early diagnostics. Furthermore, such measures will be invoked as immunization of children, improvement of professional qualification and conditions of work of health care specialists and social workers. Effectiveness of health protection system will be further increased and mechanism for financing of social services will

undergo more improvements. This will help managing the need for financing from the state budget and further micro-economic stability of the state.

***Objectives and measures stipulated in NLSIP are in turn very important when striving towards objectives of strategies of social policy, discussed in this National Report.*** Economic growth and stability, enhancement of companies' competitiveness will help ensuring the demand of labour force and income for the employed people. This will act as positive incentives for economic activity and professional mobility of population to increase when searching for jobs of better quality. Favorable macro-economic and micro-economic conditions and increasing revenues from taxes also increase the state budget's capacities to deal with poverty problems while invoking social benefits, to develop social and health protection services and to pay higher pensions.

While increasing the supply of qualitative jobs in 2008–2010, NLSIP plans to enhance the measures intended for attraction of direct foreign investments and promotion of small and medium business. It is planned to improve the business environment (to reduce the administrative burden), to further develop the system of public services for business. In order to increase the added value created by the companies, business undertakings will be urged to introduce innovations, to expand the base of scientific research and to use the results in business. When striving to actuate the development of the labour market, it is planned to implement various entrepreneurship promotion measures for the youth and to support the entrepreneurship of women. Moreover, the importance of fostering entrepreneurship culture is emphasized, particularly among the youth and the women.

National strategies in the fields of social protection and reduction of social exclusion ***consistently supplement the provisions of state policy, set forth in the National Sustainable Development Strategy***<sup>11</sup>. Priorities of sustainable development stipulated in this strategy include the aspects of public health improvement, reduction of poverty and social exclusion, increase of employment and reduction of unemployment, fortification of the role of education and science. However, the key point is that the issues of life quality improvement and reduction of regional differences are being resolved in an integrated manner while following the Sustainable Development Strategy, thus creating the opportunities to attain overall welfare for the current and future generations, without overstepping the permissible environmental impact limits. This is a core precondition of high level social protection and social inclusion. Without having met this requirement, growth of segmentation of the society's standard of living by income can be expected only, which is not sustainable in the long-term.

***C. To improve the policy management and management transparency, and to include all stakeholders in the formation, implementation and supervision of policy.***

It is planned to ***further improve the management of social policy through effective use of limited resources and inclusion of all stakeholders in management and implementation of policy.*** Because of this, it is planned to continue infrastructure optimization of social, long-term care and health services. It is necessary to embrace the synergy opportunities between different areas (e.g., to use the infrastructure jointly), introduce modern technologies, improve methods of work and implement the operations' management systems. Simplification of service provision principles and benefit administration mechanisms to the highest extent possible as well as improvement of regulatory system and transparency, and cutting down of administrative costs are planned.

***A work group has been*** created for preparation and supervision of implementation of the National Report. It comprises representatives of responsible institutions, local municipal government, social-economic partners and nongovernmental organizations (NGO). This group approved the priorities of the National Report on Social Inclusion Strategies, presented suggestions when drawing up the text of the National Report. It is planned that in the course of implementation of the National Report this group will regularly meet to assess the strategy implementation progress and submit suggestions on amendments, as necessary.

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<sup>11</sup> Resolution No 1160 of the Government of the Republic of Lithuania of 11 September 2003 on approval and implementation of national sustainable development strategy (The Official Gazette, 2003, No 89-4029).

In order to ensure that ***decisions are adopted publicly and transparently*** in all areas of social policy, inter-institutional and interdepartmental cooperation will be further strengthened, the role of local communities and public organizations will be increased, information will be provided to the society about social and health services, reform of the pension system, prevention of illnesses, etc. A positive example in this area is the *Equal* program, implemented during 2004–2008. Its members presented quite many suggestions on how to develop the social policy. The mentioned suggestions were taken into account when preparing this National Report. Another important initiative in the area of publicity and interdepartmental cooperation refers to the pension calculator, showing possible effects if choosing one or another way of participation in pension system ([www.pensijusistema.lt](http://www.pensijusistema.lt)). E-health solutions being implemented in health protection will help to inform the citizens about lines, to optimize the provision of services and organize suitable exchange of information between the treatment institutions. It is planned to legitimize expertise of each submitted law as regards possible impact on social exclusion and poverty.

While seeking to improve the dissemination of information about social processes taking place in Lithuania, ***to promote awareness and cooperation of central government authorities and municipalities***, an information portal was developed at [www.socialmap.lt](http://www.socialmap.lt). It provides actual statistical information on measures and outcomes of social policy, social indicators and differences between municipalities (see the description of the good practice in Annex 1).

In view of the changing economic and social conditions, ***it is necessary to constantly assess the policy being implemented, to take into account the lessons learned and the good practice***, to learn from other states participating in the Open Method of Coordination and to unceasingly search for innovative solutions to improve the policy. Lithuania has prepared an assessment of the National Plan of Actions 2004–2006, the conclusions of which have contributed to improvement of the policy and preparation of this National Report. It is planned to draw up the implementation assessment report of the National Report 2006-2008 in 2009; however, the main data on implementation have been analyzed and used in this National Report. In comparison to the previous one, this National Report establishes substantially more comprehensively the quantitative indicators for measurement of the achievements. These indicators, in turn, are based upon National Lisbon Strategy Implementation Program, EU structural assistance use program and others, and supplement them.

## 2. NATIONAL ACTION PLAN FOR SOCIAL INCLUSION

### 2.1. Progress achieved in the area of social security and social inclusion in 2006–2008

In 2006–2008, four priority objectives were established in the National Report on the Strategies of Lithuanian Social Security and Social Inclusion: 1) to encourage the participation in the labour market; 2) to improve the access to quality services; 3) to eradicate the child poverty and increase the support for the family; 4) to diminish the shortcomings in education and teaching. The tasks were formulated and measures were specified in the Report for the achievement of each of the above-mentioned goals. The first part of the 2008–2010 National Action Plan for Social Inclusion provides generalised information about the progress achieved in the area<sup>12</sup> of social security and social inclusion in 2006–2008 according to the four established priorities. It also describes progress in the areas where the major challenges to Lithuania were specified by the European Commission 2007 Joint Report on the Social Security and Social Inclusion Strategies. Detailed information on the measures implemented in 2006–2008 and their results is provided in Annex 4.

#### 2.1.1. *The first priority: to encourage the participation in the labour market*

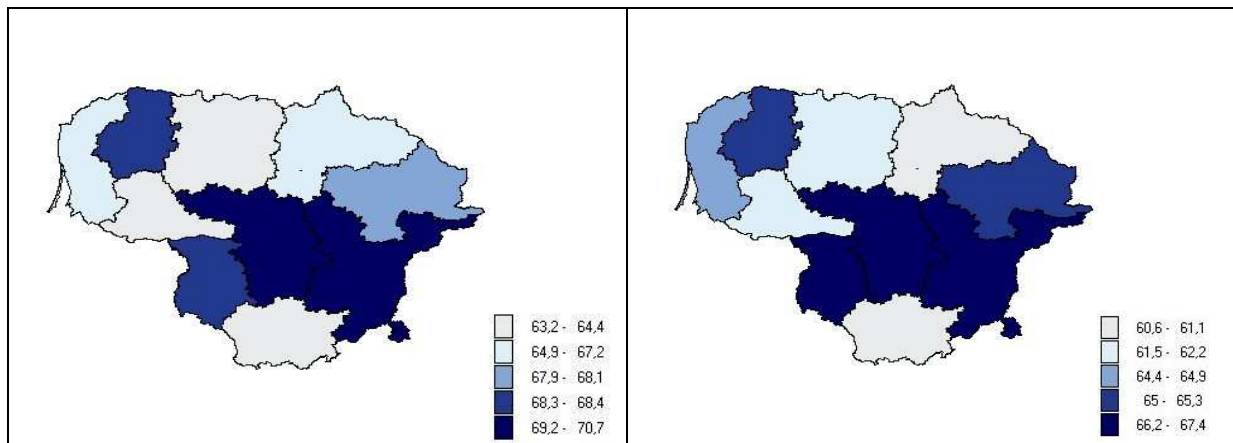
One of the most important indicators of the participation in the labour market – ***rate of employment and unemployment*** – were evidently on the increase in 2005–2007 in Lithuania. The rate of employment increased by 2.3 percent point in 2005–2007 in Lithuania (62.6 percent in 2005 and 64.9 percent in 2007). The rate of female employment raised by 2.8 percent during this period, which is higher by 0.9 percent point than that of male employment (the rate of male employment was 67.9 percent and the rate of female employment was 62.2 percent in 2007). The rate of the youth (aged 15-24) employment grew by 4.1 percent point (21.1 percent in 2005 and 25.2 percent in 2007). The rate of unemployment went down even faster. It decreased from 8.3 percent in 2005 to 4.3 percent in 2007. The rate of the youth unemployment also decreased almost twofold during this period (15.7 percent in 2005 and 8.2 percent in 2007). The number of the long-rate unemployed diminished to 22200 (70 percent) in 2007 (72900 in 2005). Nevertheless, in 2008, the employment rate began to go down, whereas the unemployment rate started going up.

The Lithuanian ***labour force activity rate was diminishing in 2005–2007***. It decreased to 67.9 percent in 2007 (68.3 percent in 2005). Female economic activity was undergoing almost no changes: 64.9 percent in 2005 and 65 percent in 2007. However, the youth economic activity has increased from 25 percent to 27.4 percent. It is noteworthy that great differences in the population's economic activity are represented by individual Lithuanian regions. In 2007, the labour force activity rate accounted for 70.7 percent and 69.2 percent in Vilnius County and in Kaunas County respectively, whereas it amounted to 64.4 percent in Šiauliai and Tauragė Counties and it reached 63.2 percent in Alytus County. The majority of inactive Lithuanian population is composed of the retirees persons (48,3 percent); the remaining inactive population includes learning and studying persons (30,6 percent), sick persons and the disabled persons (10,7 percent), persons who have domestic commitments (4 percent), persons who have lost hope to find a job (1,4 percent) and other persons. The employment rate in individual regions was also different: it reached more than 67 percent in Vilnius and Marijampolė Counties, whereas it amounted to 61 percent in Alytus and Panevėžys Counties (see Figure 6).

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<sup>12</sup> The progress in the area of social security and social inclusion is assessed on the basis of the 2005–2007 statistical data, as there was no access to the 2008 data at the time of drafting the National Re

Figure 6. Regional differences of the labour force activity and employment in Lithuania, 2007



Source: Department of Statistics under the Government of the Republic of Lithuania

*In the recent years, the employment rate of social groups who experience difficulties of integrating into the labour market – the disabled persons, older persons, former prisoners and other - has increased.* The number of registered unemployed disabled persons increased by 23 percent in 2006, as compared to 2005. Over the same period, the number of the employed disabled increased by 19 percent. In 2005–2007, the employment rate of older persons was rising: the employment rate in the group of persons aged 55–59, aged 60–64 and aged over 65 grew by 4,7 percent point, 1,9 percent point and 1,5 percent point respectively.

The growth of the Lithuanian population employment rate was mostly influenced by the intense economic development and shortage of the labour force caused by the emigration as well as by various measures for encouraging the participation in the labour market applied at national level. These measures were applied for the achievement of two objectives: 1) increase of the population employment and participation in the labour market; 2) enhancement of social inclusion by increasing the employment rate of the persons who experience difficulties of integrating into the labour market.

*With the increase of the population employment rate, in 2006–2008, measures of consulting and vocational orientation of the unemployed persons, including long-term unemployed persons, were implemented with the greatest intensity.* The unemployed persons were also provided with the services of obtaining qualification and improving qualification. An exceptional attention was devoted to the youth lacking in qualification. In order to provide the youth with as favourable conditions for the integration into the labour market as possible, in 2007, the amended Law on Vocational Education and Training legitimated the apprenticeship. It is envisaged that the application of this form of teaching will enable on-the-job teaching and the conclusion of labour contracts and vocational training contracts with the apprentice. By learning in such a way, young people will be integrated into the labour market. Much attention was paid to the young persons' entrepreneurship in the area of encouraging the population's entrepreneurship.

*Measures for increasing social inclusion in the area of employment were targeted towards the promotion of the employment of social groups who experience difficult ties of integrating in the labour market.* The majority of measures were applied in order to integrate the disabled persons into the labour market. With the founding of 11 social enterprises of the disabled in 2007, the number of such enterprises in Lithuania grew up to 40. The number of these enterprises accounted for more than 60 percent of all the social enterprises (see the description of best practise for social enterprises in Annex 1). Besides, in 2007, 87 new jobs were created for the disabled, 20 workplaces were adjusted and more than 2000 of the disabled were employed using subsidies. Measure for subsidy-based employment was also applied with regard to 9500 of other social risk persons – persons aged over 50, pregnant women, mothers, fathers or foster parents, etc. Persons released after the imprisonment were provided with the motivation to work and with services of qualification

improvement. The improvement of the legal basis resulted in the amended Law of 2007 on Support of Employment which provided for additional employment guarantees for social risk groups and groups in social exclusion.

***EU support has considerably increased the potential of the state budget to finance various measures for labour market.*** The new financial period for 2007-2013 envisages even more funds both for the measures of the active labour market policy and for the infrastructure. In 2007–2013, a total of LTL 951,6m from the EU funds and national budget was allocated for the increase of the population employment in rural areas. The use of some of the funds in 2006–2007 helped to retain 7651 jobs and to create new 2779 jobs in the agriculture. At the same time, alternative agricultural activities in rural areas were developed. About 7547 small and medium-sized enterprises are operating in rural areas which are engaged in a wide range of businesses and provide jobs. The rural tourism is being intensely developed: the number of farmsteads grew by 2.5 times in 2006–2007 and now it exceeds 500.

***The implementation of Equal programme in 2004–2008 resulted in the realisation of various projects by 28 development partnerships in cooperation with other partners.*** They developed and applied innovative methods for resolving the problem of the exclusion of socially vulnerable persons (see the description of the best practise in Annex 1 where the project *Integration of Hearing-Impaired Persons into the Labour Market* is presented). The objective of the 20 projects was to encourage the integration of various social risk groups into the labour market, for example, unqualified young people, pre-pension age persons, disabled persons, etc. Seven projects were aimed at strengthening equal opportunities for women and men, encouraging the adjustment of domestic and labour commitments and supporting the reintegration of women and men who gave up work into the labour market. One project was devoted to persons who sought asylum. Financial support of over EUR16 m was earmarked for the implementation of the projects.

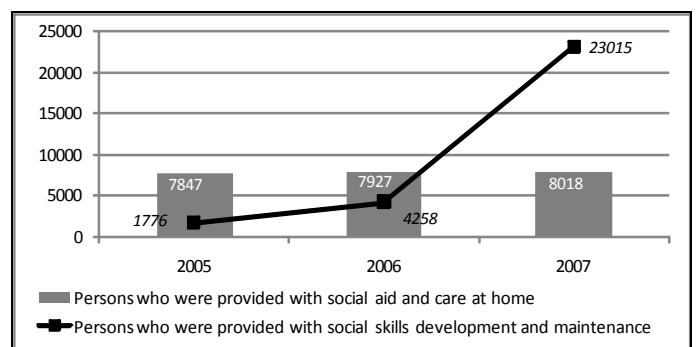
### 2.1.2 The second priority: to improve the access to quality services

Three types of services - social, legal and cultural - were identified in the 2006–2008 National Report. *The provision of social services over a few recent years in Lithuania was aimed at changing stationary services into ambulatory services, first and foremost, into social services at recipients' place and day centres.* In the area of developing the provision social services at home, most of the attention was paid to social risk families. In order to increase the intensity of the provision of such families with social skill development and support services, 612.5 positions of social workers were established in 2007–2008 for work with social risk families. This enabled to increase the number of social services recipients from 4300 in 2006 to 23000 in 2007 (see Figure 7). More intense provision of social services seems to have been contributing to the gradual decrease of the number of social risk families in Lithuania: 13500 of such families in 2006 and 12000 in 2007. In a few recent years, the number of persons provided with social care services at home has been growing. In 2004–2006, the number of persons provided with services at home went up from 10500 to 12900 (by 23 percent). Though the total number of workers for visiting care has diminished, the number of permanent staff has considerably increased. Such services have been already provided in by 20 municipalities. Due to the more intense provision of social services in day centres the number of persons who were provided with social services in 2004–2006 rose from 56000 to 91500 (by 63 percent). The number of day centre workers has accordingly grew by 43 percent.

The intensifying trend of the provision of ambulatory social services instead of stationary services is progressive. It should be also noted that *the amount of stationary services in Lithuania has remained insufficient, especially with regard to old people and the disabled.* In 2007, 85 percent of applications for the placement in homes for old people were satisfied (62 percent in 2005). The number of satisfied applications submitted by adult disabled persons for the placement in care institutions was even smaller – 72 percent (62 percent in 2005). Moreover, evident regional differences in the provisions of social services are observed. For example, by the number of old people placed in care institutions, Telšiai County (71 percent) and Alytus County (74 percent) fall behind and by the number of the disabled placed in care institutions, Alytus County (45 percent), Kaunas County (50 percent) and Šiauliai County (59 percent) stand behind. In order to increase the access to social care services, the market of social service providers has been recently created. To date, long-term social care services are provided not only by institutions under municipalities and counties but also by individual enterprises, private limited liability companies, public institutions, religious communities, community centres and foster families.

*Some of the services have been accessible so far only in certain regions (usually in the large towns).* For instance, as few as 5 enterprises providing the disabled with professional rehabilitation services are presently operable in Lithuania. In view of the total number of the disabled persons of working age who reside in Lithuania and the potential need of the disabled for the services of professional rehabilitation, Lithuania needs no fewer than 500 rehabilitation places. These places should be evenly distributed in each of the 10 counties. Besides, institutions delivering professional rehabilitation provide services only to persons with physical or mental disability. There are no institutions that would provide services to persons with psychological, sight and hearing disability.

Figure 7. Change in the number of persons who were provided with social services at home, 2005–2007.



Source: Internet webpage [www.socialmap.lt](http://www.socialmap.lt)



In order to create as favourable conditions for the provision of social services as possible, the **legal basis has been improved in 2006-2008**. In 2006, the Law on Social Services was adopted. The Law provides for that (1) municipality is the main entity responsible for the management of the provision of social services to a person; (2) social services shall be planned in municipalities in advance in cooperation with NGOs and other groups concerned; (3) social services shall be delivered not only to the person but also to the family; (4) social services shall be integrated with health care; (5) state subsidies shall be allocated to municipal budgets for strengthening social services; (6) a person (family) whose income (a family's average income per one family member) is less than three times the amount of state-supported income shall be provided social services and social attendance free of charge.

**In 2006 – 2007, 26 projects on the protection and public integration of human trafficking victims were financed.** More than 300 people took the benefit of this support (acquired education, integrated into the labour market, etc.). **In 2007, the number of people who took the advantage of state-guaranteed legal aid increased.** The number of persons who were provided with primary legal aid in 2007 rose by 19 percent compared to 2006 (30636 in 2006 and 36365 in 2007), the number of people who received secondary legal aid grew by 7,26 percent (40271 in 2006 and 43193 in 2007). Legal services have become more accessible in 2006–2008 with the creation of a favourable legal basis in Lithuania. In 2007, the Methodology on the Information of the Public about the State-Guaranteed Legal Aid was approved. With a view to making the legal aid more accessible, the Law of the Republic of Lithuania on State-Guaranteed Legal Aid was amended in 2008. The amended Law broadened the circle of persons eligible for secondary legal aid regardless of the property and income levels by six new groups of persons. Moreover, by the Government Resolution, persons' income levels for receiving the secondary legal aid were increased by 25 percent. The above-mentioned amendments should ensure the right of disadvantaged persons, persons receiving minimum income or other groups of socially vulnerable persons to the state-guaranteed secondary legal aid.

**In a few past years, cultural institutions have been visited more frequently.** In 2006, 73 visits in cinemas, 85 visits in museums and 29 visits in theatres per 100 people were registered. In 2007, the attendance rate to the mentioned cultural places increased: 99 visits in cinemas, 93 visits in museums and 30 visits in theatres per 100 people were registered. The number of library visitors has almost not changed: 761000 in 2006 and 752000 in 2007. Lithuanian population was encouraged to participate in cultural and self-education activities by implementing various projects. Fifty projects were implemented within the framework of the State Programme for the Development of Ethnic Culture. In order to diminish regional differences in the area of culture, the Programme for the Development of Regional Culture was implemented within the framework of which 60 more cultural projects were financed in 2007. Especially much attention was devoted to children's cultural education. In 2007, 131 projects on children's cultural education were implemented. Efforts were put in making cultural services more accessible to the disabled by supporting the publication of books in Braille and creating access point for the disabled in cultural places.

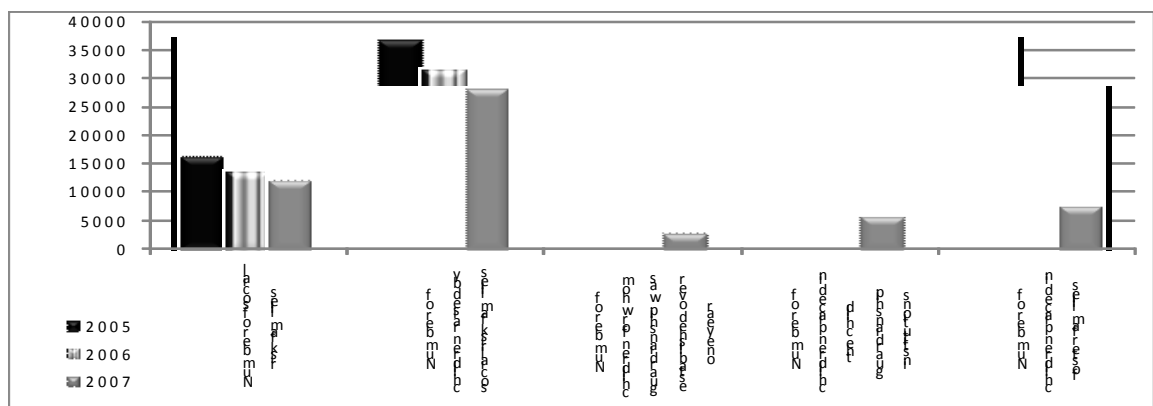
**In order to encourage purposeful recreation and health improvement of the Lithuanian population, various sporting events were actively arranged in 2006–2008.** A great number of events were organised for children and young people. Among one of the most exceptional events was Olympic Festival of Lithuanian Pupils arranged firstly in Lithuania in 2006 with the participation of more than 202000 pupils from 1435 Lithuanian schools in 17 sports and art contests. The number of festival participants grew up to 250000 and 260000 in 2007 and 2008 respectively. Moreover, 3762 sporting events for all the population, 193 various mass competitions and recreation camps were organised in 2006–2008 with the participation of 318000 sport lovers. Mass sporting events stimulated the development of sport clubs. The number of sport clubs in 2007 amounted to 1353 (1262 in 2005), they were attended by almost 92000 sportsmen and sport amateurs. Special sporting events were organised for women and rural population.

### 2.1.3 The third priority: to eradicate the child poverty and increase the support for the family

The 2006–2008 Lithuanian National Report identified a relatively acute problem of the child poverty and specified the measures for resolving it. **Statistical data show that the at-risk-of-poverty rate of children under 18 years went down to 25.1 percent (27.2 percent in 2005).** The child poverty rate prior to social benefits has also decreased: 33.9 percent in 2005 and 32.4 percent in 2006. The indicator of the at-risk-of-poverty rate was also improving with regard to the households with children. In 2006 as compared to 2005, it went down from 22.6 percent to 20.5 percent and approximated to the general at-risk-of-poverty rate of households (20 percent). Especially great poverty risk is experienced by one-parent families and large families. The at-risk-of-poverty rate of these families also diminished in 2005–2006. In 2005–2006, the at-risk-of-poverty rate of households where one adult person (usually woman) raises one or more children decreased by 4,2 percent point and the at-risk-of-poverty rate in households where two adult persons raise two and more children went down by 2,9 percent point. Though situation is improving, the at-risk-of-poverty rate of children remains to be high, especially in one-parent and large families (44.2 percent and 41.5 percent respectively).

The child poverty is closely related with their families' social status. **The number of children growing in social risk families remains large, notwithstanding the declining tendency** (36539 in 2005 and 27881 in 2007). The number of social risk children accounted for 7186 in 2006 and it went up to 9245 in 2007 (see Figure 8). Poverty especially impends over children deprived of parental care. The number of such children has been recently declining, though still remains rather high: 3267 in 2004 and 2824 in 2007. In 2007, 5692 children grew in child guardianship institutions (5838 in 2005) and 7560 children grew in foster families (7777 in 2005). In a few recent years, some children, though formally cared by parents, in reality have been left for some time without parental care while they are in emigration abroad. Such children are left alone or placed under guardianship of relatives (sometimes of non-relatives). This creates unfavourable conditions for children's development and social integration.

Figure 8. Change in the number of children under guardianship, social risk children and social risk families, 2005–2007



Source: Internet webpage [www.socialmap.lt](http://www.socialmap.lt)

**In order to diminish the child poverty in Lithuania, two types of measures were applied in 2006–2008. First and foremost, measures for the eradication of the child poverty and social exclusion were targeted directly towards children.** Among them, three most significant measures are identified. **By the first measure,** payment of the child benefit for children from families with one or two children under 12 years of age has been extended since 1 September 2007. Over 2005–2007, the number of recipients of the child benefit rose by 27000 or by 8.4 percent. Since 2008, the payment of the child benefit has been extended for all the children from one- and two-child families who are under 18 and those who are over 18 and attend general education schools. **By the second**

*measure*, a new kind of support – provision with learning resources - for pupils from disadvantaged families has been applied since 2007. More than 57000 (about 11 percent) pupils received such kind of support in 2007. Though the number of recipients has almost not changed since 2005, the funds earmarked for this purpose have increased five-fold: from LTL 2m to LTL 8m. *By the third measure*, free catering has been further arranged for pupils from disadvantaged families, though the number of children provided with free catering diminished almost by third in 2007 compared to 2005. Therefore, fewer funds were allocated for free catering. On the other hand, the amount of funds earmarked for the catering one child per one year went up from LTL 528 to LTL 659.

***Measures of the second type embraced support for families.*** The greatest influence on the improvement of life quality of destitute families was made by the bellow-enlisted measures. *Firstly*, state support for families raising children has been considerably increased. Since 1 July 2006, a new type of holidays - paternal leave before the child is one month - has been legalised. At the time of the paternity leave the parental social insurance allowance in the amount of 100 percent of the recipient's compensatory wage is paid. In 2006–2007, the maternity (paternity) social insurance allowances have been gradually increased from 70 to 100 percent of the recipient's compensatory wage. Since 2008, the maternity (paternity) social insurance allowance in the amount of 100 percent of the recipient's compensatory wage has been paid from the end of the maternity leave till the child is one year and the allowance in the amount of 85 percent of the recipient's compensatory wage has been paid till the child is two years. Moreover, if more than one child is born, the maternity or paternity social insurance allowance is increased taking into account the number of children born at the same time. Due to the mentioned and other changes, the expenditure of the State Social Insurance Fund for social insurance benefits related with maternity and paternity increased from LTL 211m in 2005 to LTL 396m in 2007, i.e. by LTL 185m or almost by 88 percent. The average maternity (paternity) social insurance allowance rose from LTL 708.18 in 2005 to LTL 1370 in 2007, i.e. by 93 percent.

*Secondly*, the number of persons eligible for receiving financial social support (socials benefits, compensations for heating of a dwelling, water expenses) was increased and imposed requirements for receiving this support were simplified. Therefore, the number of compensation recipients grew from 96000 to 100000 in 2007 compared to 2006. Though the number of persons who received social benefits decreased by 3,4 percent., the amount of social benefit per person increased from LTL 96 to LTL 119,3 in 2007 compared to 2006. *Thirdly*, the amount of the state social insurance orphan's pensions has been increased. The amount of funds allocated for orphan's pensions went up from LTL 61,5m in 2006 to LTL 91,7m in 2007 (by approximately 49 percent) and the average orphan's pension increased by 82 percent (from LTL 122.30 to LTL 222.3). *Fourthly*, guarantees for pensions and unemployment social insurance benefits payable to unemployed parents who raise children till three years and persons nursing family members at home have been improved. *Fifthly*, the provision of disadvantaged Lithuanian population with food has been organised. Destitute families (247 082 persons) were provided with food for LTL 8,6m and 266 240 persons were provided with food for LTL 11,3m in 2006 and 2007 respectively.

***On the other hand, social dwelling development in the area of supporting family has been implemented rather slowly.*** In late 2007, the social dwelling fund comprised about 26000 dwellings (about 2.8 percent of the total national dwelling fund (2.4 percent in 2004). In 2007, the annual increase of the social dwelling fund (in the number of apartments) amounted to 600. Over the year 2007, 963 persons (families) were provided with social dwelling, which is by 73 families (8 percent) more as compared to 2006. Since 2004, LTL 115 m from the state budget as been invested to the development of the social dwelling fund, though with the fast increase of the number of persons eligible for a social dwelling (about 8500 in 2004, about 20500 in 2008), the need for the social dwelling has not been satisfied. The additional amount of about LTL 2.5 billion should be invested for the purpose of the social dwelling development (construction prices of 2007).

*The development of the child is especially harmed not only by complex financial conditions but also by psychological and physical violence in the family.* With a view to achieving the objectives established in the 2006–2008 National Report, more active assistance for persons who suffered violence in the family has been recently rendered. Since 2005, national programmes for the prevention of violence against children and for providing aid to children have been implemented. In 2008, the 2008–2010 National Programme for the Prevention of Violence against Children and Providing Aid to Children was approved. The Programme aims at the development of public intolerance towards violence against children, comprehensive elimination of the causes of violence against children, creation of a system of preventive and aid measures for children who suffered violence and for their family members and decrease of the proliferation of violence against children. In 2006, the State Strategy of the Reduction of Violence against Women and the 2007–2009 Plan of Implementation Measures were adopted. Laws have been amended with a view to increasing liability for crimes against children. More than LTL 2m were allocated for the 2006–2008 projects which were aimed at providing aid for persons who suffered violence in the family and at reducing violence against women. In 2006–2007, 3083 persons who suffered violence in the family participated in a variety of the projects.

#### *2.1.4 The fourth priority: to diminish the shortcomings in education and teaching*

The 2006–2008 National Report names the diminishing of shortcomings in education and teaching as one of the objectives for the increase of social inclusion. *From the social inclusion point of view, the most important shortcoming in education is insufficiently active participation of the public (specific public groups) in both formal and informal education and training.* The 2006–2008 National Report emphasises the goal of ensuring the access to educational services for all the population groups. In 2006–2008, progress was achieved in the majority of educational areas. *According to the European Commission Report on the Progress towards the Lisbon Objectives in Training and Education of the EU Member States issued in July 2008, Lithuania has already implemented three of the five objectives set for the year 2010<sup>13</sup>.* Firstly, in 2007, 8,7 percent of Lithuanian young people aged 18-24 left schools earlier, whereas the Lisbon Strategy provided for the 9 percent rate to be achieved in 2010. Secondly, the percentage of young people aged 20-24 who acquired at least secondary education in 2007 in Lithuania (89 percent) exceeded the percentage (85 percent) set in the Lisbon Strategy objective by 4 percent points. Thirdly, the number of persons who acquired university degree in mathematics, science and technologies in 2000–2006 in Lithuania rose by 44 percent, exceeding the increase rate established in the Lisbon Strategy objective almost threefold. Besides, in 2000–2007, the indicator of life-long learning improved almost twofold – from 2.8 percent to 5.3 percent. Nevertheless, it remains noticeably smaller as compared to the EU-27 average which accounted for 9.7 percent in 2007 (see Table 2).

Table 2. Lithuania's achievements in attaining the Lisbon Strategy objectives in education

|    | Indicator  | Objective set in the 2005-2008 National Programme for the Implementation of the Lisbon Strategy for 2010 | EU-27        |               | Lithuania    |                     |
|----|--|--|--------------|---------------|--------------|---------------------|
|    |  |  | 2000         | 2007          | 2000         | 2007                |
| 1. | Percentage of young people aged 18–24 who did not acquire secondary education and do not learn | No more than 9 percent   | 17,6 percent | 14.8 percent. | 16,7 percent | <b>8.7 percent.</b> |

<sup>13</sup> The Report analyses the objectives and achievement indicators established in the 2005-2008 National Programme for the Implementation of the Lisbon Strategy.

|    |   |                     |                        |              |                           |                   |
|----|---|---------------------|------------------------|--------------|---------------------------|-------------------|
| 2. | Percentage of young people aged 20-24 who acquired at least secondary education                               | At least 85 percent | 76,6 percent           | 78,1 percent | 78,9 percent              | <b>89 percent</b> |
| 3. | The increase in the number of persons who acquired university degree in mathematics, science and technologies | At least 15 percent | 686200                 | 886100       | 6600                      | 8900 (2006)       |
|    |   |                     | Increase: 29 proc.     |              | Increase: <b>36 proc.</b> |                   |
| 4. | Percentage of persons aged 25-64 who learnt over the last 4 weeks (indicator of life-learning)                | 12,5 percent        | 7,1 percent            | 9,7 percent  | 2,8 percent               | 5,3 percent       |
| 5. | Decrease in the percentage of young people aged 15 who do not reach the minimum reading level                 | At least 20 percent | 21,3 percent           | 24,1 percent | No data                   | 25,7 percent      |
|    |   |                     | Decrease: – 13 percent |              | Impossible to assess      |                   |

Source: *Progress Towards the Lisbon Objectives in Education and Training: Indicators and Benchmarks*. Commission Staff Working Document, 2008.

[http://ec.europa.eu/education/policies/2010/doc/progress08/report\\_en.pdf](http://ec.europa.eu/education/policies/2010/doc/progress08/report_en.pdf)

**Gross learning inclusion<sup>14</sup> decreased from 90 percent to 88.1 percent in 2007 as compared to 2005 in Lithuania.** Differences remain to be evident with regard to gender: women's learning inclusion amounted to 93.1 percent and men's learning inclusion totalled 83.3 percent in 2007. However, gross learning inclusion of children and young people aged 5–24 grew from 86 percent to 88.8 percent in 2005–2006. As compared to 2005, the percentage of children aged 1–6 attending pre-school and pre-primary education grew by 2.3 percent point and reached 54.9 percent till the year 2007 m. As a matter of fact, especially marked regional differences continue to prevail: the percentage of such children in towns (74.6 percent) was 3.7 times larger than in the rural areas (20.4 percent) in 2006. The percentage of persons learning under vocational training programmes has slightly increased as compared to the number of secondary education pupils: it amounted to 25.7 percent in 2005 and 26.3 percent in 2007. Besides, the number of students who acquired university degree increased by 13 percent in 2005–2007.

**The objectives established by the 2006–2008 National Report in the area of education and science, first and foremost, are aimed at improving the quality and accessibility of services at each educational level:**

- **In the area of pre-school education**, 2007–2012 Programme for the Development of Pre-school and Pre-primary Education was drafted and approved. In 2007, LTL 852 000 were allocated for the acquisition of necessary resources for the implementation of programmes of pre-school education and early foreign language teaching. Moreover, LTL 800 000 were earmarked for the establishment of more than 90 positions of pre-school education teachers and over 30 positions of pre-school education pedagogues.
- With a view to improving the legal basis on **vocational education and training**, the new version of the Law on Vocational Education and Training was adopted. Furthermore, practical teaching facilities were increased and modernised in the area of vocational training and education by creating sectoral practical teaching centres. In order to create and implement a unified national system of vocational information, consulting and orientation, the projects – *Creation and Development of the Open System of Information, Consulting and Orientation (AIKOS)* and *Creation and Implementation of the Vocational Orientation System (POS)* - were implemented. The total budget of the projects accounted for LTL 16m.

<sup>14</sup> Gross learning inclusion is the ration between the number of persons learning at a certain educational level and the number of residents of typical age that corresponds to the age at this educational level. For example, primary education gross inclusion is the ratio between the number of all the children attending primary schools and the number of residents aged 7–10, in percentage.

- **In the area of secondary education**, in 2007, the Ministry of Education and Science drafted the Programme for Returning Children who do not Attend School back to Schools. In order to improve the access to educational services for children living farther from educational institutions, especially in rural areas, and to ensure a safe transportation of some pupils with great and very great special educational needs to general education schools, in 2007 the programme for the provision of schools with “yellow buses” has been further implemented: 46 new buses have been already bought and 16 more school buses will be provided to municipalities a little bit later. With a view to increasing children’s business in summer, in 2007 over LTL 10m were allocated for children’s summer recreation and socialisation. Furthermore, more aid was extended for children who experience difficulties due to behaviour problems. In 2006–2007, 261 additional positions of teacher assistants, 116 positions of special pedagogues and 28 positions of psychologists were established in schools.
- **In the area of higher education**, most of the attention was paid to the improvement of legal basis: in 2006 the 2006–2010 Plan of the development of the Higher education System was approved; in 2007 the draft Law on Science and Studies was submitted for consideration. LTL 44m was earmarked for the renovation of dormitories for students of higher educational institutions.
- In developing the **educational system for adults**, the Programme for Renovation and Provision with Modern Teaching Resources of Teachers’ and Adults’ Educational Centres has been implemented, the Model of Provision the Municipal Adult Educational Institutions with of Services of informal Adult Education has been created, initiatives of informal adult education have been supported, 177 informal education programmes have been developed, of which 12 programmes are designed for elderly and 36 programmes are designed for the disabled.

In order to achieve higher quality and effectiveness of education, *efforts were made to provide education institutions with appropriate working resources, to improve the competencies of using information and communication technologies by pupils, pedagogues and other citizens.* To this end, possibilities were, first and foremost, improved to use computer technologies in education institutions. This is especially relevant for less well-off persons with no possibilities of using computer technologies at home. In 2006–2007, Lithuanian general education schools had 6.5 computers per 100 pupils. Though, in 2007–2008 this indicator rose to 7.2, it has still stood well behind compared to the average indicator of the EU (11 computers per 100 pupils) and especially to that of the advanced countries such as Denmark (27 computers per 100 pupils). In 2005–2007, the percentage of persons aged 24–65 who use computers increased from 41.5 percent to 47.5 percent.

In increasing social inclusion in the area of education, *especially great attention should be paid to the problems of integration of persons with special need into the education system.* In 2005–2007, the number of special education pre-school institutions rose from 99 to 111. 3620 children attended these institutions in 2007 (4484 in 2005). The number of children with special needs integrated into general education groups of pre-school education institutions increased by 6 percent in 2006 compared to 2005. The percentage of children with special needs as compared to the total number of children participating in the pre-school education grew by 1.1 percent point in 2005–2006. The percentage of children with special needs as compared to the total number of pupils attending general education schools increased by 0,7 percent in 2006. In 2005–2006, the number of the disabled students attending universities and colleges rose by 6,6 percent and 19,3 percent respectively, though during the same period the number of students attending vocational schools went down by 7,4 percent. The percentage of pupils or students with special needs compared to the total number of pupils or students stood at 8.7 percent and 9.2 percent in 2005–2006 and 2006–2007 respectively. Implementing various measures of the programmes for improving the education system, exceptional attention was devoted to persons with special needs. For example, in order to improve the provision of pupils with relevant reading material, in 2007 more funds were allocated to pupils with special needs attending special schools and education

centres (almost 90 percent) and to pupils attending ethnic minorities schools (about 67 percent). Draft Law on the Amendments to the Articles on the education of pupils with special needs of the Law on Education has been developed.

### *2.1.5. Diminishing of regional difference and improving of management*

*In the 2007 Joint Report on the Social Security and Social Inclusion Strategies, the European Commission specified three most important challenges for Lithuania in the area of social inclusion:* 1) the child poverty; 2) regional inequality and rural poverty; 3) better management. The progress in decreasing the child poverty has been discussed above. This chapter discusses the progress achieved in the area of diminishing regional differences and improving management.

Differences in regional development have remained almost unchanged in a few recent years. Both in 2005 and 2006, the at-risk-of-poverty rate before the payment of social benefits in rural areas was higher by 2.3 times as compared to towns. The difference between villages and large towns, although, slightly declined compared to 2005, accounted for as much as 3 times. The gap between villages and towns has not been diminished by social benefits either. On the contrary, the difference of the at-risk-of-poverty rate between villages and towns after the payment of social benefits amounted to 2.6 times and that between villages and large towns accounted for as much as 3.95 times. In 2005–2006, at-risk-of-poverty gap<sup>15</sup> increased by 33 times in villages, 23,3 times in towns and 21,4 times in large towns in 2005 and by 33,9 times, 19,4 times and 20,0 times respectively in 2006. Relatively higher level of rural poverty is mostly influenced by the income disparity between rural and urban areas. In 2006 the average disposable income in rural areas accounted for 80 percent of the average disposable income in urban areas. In 2007, the average disposable income in rural areas declined to 73 percent. The income disparity was even greater between large towns and rural areas. The average disposable income in rural areas amounted to as little as 66.5 percent of the income disposable in large towns.

With a view to diminishing regional development differences, the Government of the Republic of Lithuania approved the Programme for Diminishing Regional Social and Economic Differences, identified problematic territories, approved the rural development plan, etc. Infrastructural, business development and social measures have been implemented and the investments have been made in human resources and the improvement of residential environment. Additional chances for encouraging regional development have been provided by the 2007–2013 EU support. More attention is devoted to the regional level: representatives of local governance authorities participate in taking some of the decisions on the allocation of support and in certain cases priority is given to the projects which stand behind as compared to the projects of large towns. Measures for encouraging internal mobility of employees were discussed and the Programme for Encouraging the Migration of Labour Force in the Country was approved in 2008. In order to decrease the e-exclusion, since 2002 public Internet access points have been developed with the close cooperation of the public and private sector (see the description of the best practice in Annex 1).

In the area of management, the European Commission indicated insufficient monitoring of the implementation of the strategy of social security and social inclusion and weak assessment systems as the most relevant problems for Lithuania. In the 2007 Joint Report on the Social Security and Social Inclusion Strategies, the European Commission pointed out that the selection procedure of members of the group for monitoring the implementation of the National Report is not appropriately defined and the activity of the group is not sufficiently publicised. The European Commission suggested that more top-level civil servants, social partners and representatives of municipalities should be included in the monitoring group. The Commission also stated that the evaluation system

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<sup>15</sup>At-risk-of-poverty gap is the difference between the income of persons below the at-risk-of-poverty line and the at-risk-of-poverty line.

of the implementation of the strategy must be strengthened and efforts should be put in making the social policy more public. Taking into consideration these remarks, measures have been taken to improve the management of the social policy (management is discussed in a more detail in Chapter 2.6).

## **2.2. The most important challenges, priority objectives and achievement indicators, 2008–2010 m.**

Reducing of poverty and social exclusion continues to remain one of the most important objectives of the Government. In formulating its policy in this area, the Government takes into consideration the EU general objectives in the area of social inclusion: (d) to ensure that all the population of the country has sufficient resources and is able to take advantage of services and rights which would enable it to participate in the public life and avoid discrimination and social exclusion; (e) active social inclusion measures based on everybody's encouragement to participate in the labour market and fighting poverty and social exclusion.

### ***2.2.1. The most important challenges, 2008–2010***

In view of the situation analysis, the 2006–2008 achievements and long-term challenges for the national economic and social situation (discussed when the general strategic approach was introduced), it is envisaged that most of the state efforts in the area of social inclusion should be put in the following challenges in 2008–2010.

#### ***1. Great child poverty, the child poverty trap***

The situation analysis showed that the poverty rate of children under 18 and one-parent and large families is considerably higher compared to other persons or families. A lot of children grow in social risk families and are often exposed to behaviour problems. Children under 16 and elder who neither attend schools nor work encounter serious problems. There are also a lot of children who are raised by one of the parents, placed in the child guardianship institutions or are deprived of parental care. Negative effect is made on the children by the intense immigration: the number of children living with one of the parents or left under the guardianship of grandparents, relatives or friends has been increasing. The implementation of children's rights has remained a relatively topical problem: the level of violence in the family (and violence against children) has not been declining. The problem of integration of immigrants' children will become acute in the nearest future. The issues of integrating the Roma children have been solved without success.

Solving the child poverty problem (material wealth) and ensuring the rights of the child (psychological wealth) poses a great challenge because this problem has a long-term social impact on the public. Children raised by destitute families and families who experience social exclusion or children placed in the child guardianship institutions often fail to acquire appropriate education (e.g., they early leave the school) and skills necessary for becoming fully-fledged members of the society and therefore they are trapped by the child poverty. Children whose rights are not respected (they experience violence, insecurity and taunts) are also often trapped by the child poverty. The child poverty trap preconditions difficulties in learning and social integration and reduces career prospects. With the adulthood all these factors usually condition long-term unemployment, absence in the labour market, poverty and exclusion. This exerts a negative effect on their family members and their children, of-course.

Reduction of the child poverty is an important challenge not only to Lithuania but also to the European Union. The 2008 Joint Report on Social Security and Social Inclusion defines the reduction of the child poverty as a priority direction. The implementation of this direction should be based on the coordinated efforts of all the EU member states (open method of coordination should be applied). The 2007 Joint Report on Social Security and Social Inclusion acknowledges that the



reduction of the child poverty remains one of the most significant challenges of the Lithuanian social inclusion policy. In the 2007 peer review of the social inclusion, it is also emphasised that it is necessary to reduce the child poverty, ensure the rights of the child as well as amend and resume the 2004–2006 National Action Plan and relevant measures for 2006–2008 provided for in the National Report.

## *2. Insufficient participation in the labour market, shortage of quality employment*

One of the most important causes of poverty and social exclusion is the absence of sufficient income. The statistical data show that at-risk-of-poverty rate of the unemployed is higher by 6 times compared to that of the employed. At-risk-of-poverty rate of the employed in Lithuania is rather high as well compared to the average EU rate. This demonstrates that workplaces are not of a sufficiently good quality.

As it has already been discussed in the analytical section, both positive and negative tendencies have been recently observed in the Lithuanian labour market. One of the negative tendencies represents the reduction of the total labour force and the activity of the labour force. In 2007, the labour force activity was lower not only than that of the leading EU member states but also than the EU average activity. The level of employment and economic activity of young people, older persons and the disabled were lower than the average national activity level and the level unemployment (including long-term unemployment) was higher than average national level of unemployment. Furthermore, the level of male economic activity was especially low compared to the average EU level. Regional differences in economic activity have remained to be distinct.

The reduction of economic activity is predetermined by two important factors. Some of the population withdraw from the labour market because they do not have skills and qualifications appreciable in the labour market; the disability or discrimination due to various social or cultural circumstances prevent them from working; or they have taken into care family members (children, old persons) who require it. Of-course, the problem of illegal employment has remained to be acute (though the degree of illegal employment has been diminishing over a few recent years).

Insufficient economic activity has a lot of negative effects not only on the persons who withdrew from the labour market but also on the state and the society. *Firstly*, knowledge and skills of the population who are capable of working are not exploited and they are threatened by poverty and social exclusion more than any other. *Secondly*, withdrawal from the labour market entails the loss of skills and qualifications, therefore, it is very difficult to return to the labour market again (e.g. for women who raise juvenile children and older persons who lost their job). *Thirdly*, the insufficient labour force is a considerable restraint restricting the development of the national economy. Finally, inactive population must be provided with social support and paid benefits from using the funds of the working tax-payers.

Insufficient economic activity of the population is one of the challenges of the labour market. With the fast economic development, the employment has been increasing and unemployment has been decreasing. In 2008–2010, though, the Lithuanian economy is likely to develop slower, therefore, the unemployment may grow and the tendency of diminishing employment may emerge. With this in mind, efforts should be put in the area of labour market, effectiveness of the labour market should be increased and new initiatives should be created at national level. The improvement of the quality of employment is an especially great challenge during the period of changing of the economic cycle. Presently, many employees are paid the minimum or low wages which does not ensure sufficient protection from poverty. Employees' professional mobility, training and qualification improvement (at the initiative of the employer or employee) have not been sufficient yet, though increasingly more attention have been paid to that recently.

## *3. Poor access to services, especially in some regions and rural areas*

The level of social exclusion and poverty in Lithuania (as compared to other EU member states) has remained rather high. It is impossible to solve this problem by benefits only. Active social inclusion policy measures should be implemented. One of the most important measures includes social, legal and cultural services. It has been acknowledged in the analytical section that despite of the recent progress social services in Lithuania have not been sufficiently developed yet. The quality of and access to services in various Lithuanian regions differs a lot; evident differences between the urban and rural areas as well as between large cities and other towns are observed. The participation of local communities, NGOs, volunteers and private sector in providing social services is insufficient, whereas demographic processes and ageing in society will increase the need for such services in future.

Appropriately developed and provided services contribute to reducing social exclusion and implement the exclusion prevention. Social services may help adjust domestic and professional commitments (for example, day centres may provide assistance to families the members of whom require permanent care). Such services are very relevant to women because they usually take into care their family members. Certain social services are devised for increasing the motivation and skill of using other state services of persons who experience social exclusion, (e.g. by way of active measures of the labour market policy) so that they gradually better integrate into the society and labour market. By comprehensively solving the issues of social exclusion and the exclusion prevention, it is essential to ensure that low income do not become an impediment to receiving other important services (e.g., cultural).

### ***2.2.2. General principles and priority objectives of the national social inclusion policy for 2008–2010***

In view of the above-discussed challenges and the experience in the implementation of the measures specified in the 2006–2008 National Report, **Lithuania identified the following priority objectives of the national social inclusion policy for 2008–2010:**

- 1) eradication of the child poverty and strengthening family assistance;
- 2) increasing of the participation in the labour market;
- 3) improvement of the access to services.

The above-mentioned three priority objectives correspond to the main national social inclusion policy direction – ***the state must implement the active social inclusion policy which would contribute to the creation of conditions for fully-fledged life for all the population of the country.*** This chapter of the Report discusses the state strategy of the social inclusion policy: *firstly*, ways of the achievement of the above-said priority objectives for 2008–2010 are overviewed; *secondly*, the reflection in the state policy of the priority objectives defined in the 2005 and 2006 Joint Reports, though not specified in this National Report, is examined; *thirdly*, ways of the implementation of horizontal principles such as gender equality advancement, reduction of regional differences and improvement of older persons' situation in the state policy are overviewed.

***Social exclusion is a comprehensive phenomenon. To solve this issue, an integrated approach including measures implemented by various institutions should be applied.*** Though, that requires the coordination of two activity directions: a) social inclusion policy as a unit of interrelated objectives and measures; and b) measures designed for specific target groups in order to adjust the state policy to resolving of their specific problems.

Social inclusion policy as a unit of objectives and measures encompasses three principles. *Firstly, measures of different areas* (“vertical” measures) should comprehensively supplement each other. In order to solve social problems, reduce poverty and increase social inclusion, it is planned to coordinate measures related with the labour market, social policy, education, economic development, rural development and infrastructure development. *Secondly, the main state policy tools* – active and passive labour market measures, services (social, cultural and legal) and social benefits – should be coordinated and directed towards the achievement of general objectives of the social policy. An important change in this area represents a new period (2007–2013) for the

provision of the EU financial support – yet more funds are planned to be allocated for the development of human resources and investment-related measures. *Thirdly*, the implementation of vertical measures requires the incorporation of **horizontal principles**: gender equality advancement, fighting against discrimination, integration of the disabled into society and labour market, creating conditions for the active ageing of older persons and supporting families, children and the youth.

It is planned that due to the implementation of the state social inclusion policy, at-risk-of-poverty rate after the payment of benefits will reach 17, 5 percent in 2010 (it will decrease by 2.5 percent point compared to 2006) (see Table 3).

Table 3. At-risk-of-poverty rate in 2006 and planned changes before 2010.

| Indicator  | Present value (year) | Future value (year) |
|--|----------------------|---------------------|
| At-risk-of-poverty rate after the payment of benefits, percent | 20 (2006)*           | 17.5 (2010.)*       |

\* 2008-2013 Lithuania's EU policy strategic directions. "More Europe in Lithuania and more Lithuania in Europe!" (the paper specifies that in 2013 at-risk-of-poverty rate should not be "higher than the EU average rate". Presuming that by 2013 the EU average rate will remain to stand at 16 percent, the indicator specified in the Table is intermediate in achieving the 2013 indicator)

### 2.2.3. State strategy for the implementation of the three priority objectives in the area of social inclusion

The above-specified three priority objectives direct the state efforts towards addressing specific and long-term challenges. The policy of social exclusion and poverty prevention is the most effective state policy in the area of social affairs and the eradication of the child poverty is an essential long-term objective in this area. Therefore, in achieving **the first priority objective – eradication of the child poverty and strengthening of family support** – efforts are put in the reduction of risk of being trapped by poverty and transferring poverty from generation to generation. The best results were obtained by the countries which effectively combine the support for families raising children and support provided direct for children. Moreover, in providing this kind of support the two more principles must be applied: 1) to ensure the child's material wealth; and 2) to guarantee children's rights in the family and society as well as protection from violence, taunts and coercion. It is essential to create conditions for all the children (including those who are deprived of parental care) to grow in a family environment or environment close to family environment which would enable them to appropriately prepare for self-dependent life in the family and society.

Therefore, **in order to eradicate poverty**, it is, first and foremost, envisaged to place yet more emphasis on the respecting of children's rights and protection from violence. Efforts must be put in making pre-school education and pre-primary education more accessible, to ensure flexible pre-school education and pre-primary education services and to guarantee excellent quality of these services. Further consistent efforts will be devoted to the improvement of children's situation in the general education system and to returning children who do not attend schools back to schools. The institutional child guardianship (ward) system is planned to be reorganised, in order to decentralise services for children and to effectively integrate children deprived of parental care into society. Measures will be taken so as to help children whose one of the parents or both parents emigrated. Along with the mentioned measures the family situation will be improved, i.e. financing will be allocated for the maintenance of income and the adjustment of domestic and professional commitments will be encouraged. State and municipal budgetary funds will be further earmarked for financing social, pedagogical and psychological support for children, the youth and their parents. (Measures of the first priority objective are discussed in a more detail in chapter 2.3.)

Persons capable of working, first and foremost, should ensure an appropriate living standard themselves; therefore, the state will encourage the activity of the population in the labour market and ensure conditions for quality employment by means of active social measures and measures related with the labour market policy. To this end, **the second priority objective is to enhance the**

***participation in the labour market.*** The aim is to encourage the participation of the persons who due to various reasons withdrew from the labour market or have difficulties in the integration into the labour market (e.g. the youth, persons who have taken into care other family members, long-term unemployed, older persons, discriminated persons). More active participation of the disabled in the labour market would help them ensure better life quality and avoid social exclusion. With a view to increasing the general employment level of the population, it is crucial to combine the flexibility of the labour market and employment guarantees (*flexicurity*) by implementing active labour market measures, encouraging flexible work forms and appropriately regulating labour relations. Finally, the improvement of the employment quality would help to considerably reduce the poverty of working people. The latter aspect is also very significant in coordinating the National Social Security and Social Inclusion Strategy with the implementation of the provisions of Lisbon Strategy because the quality employment would contribute to enhancing the efficiency of the labour force and enable favourable economic development tendencies to remain.

In 2008–2010, ***some earlier measures should be considerably strengthened and a couple of new initiatives should be launched*** in the area of enhancing the population's economic activity and employment. Greater financial allocation for this purpose is envisaged in the 2007–2013 EU Strategy for Using Structural Funds. It is planned to continue the implementation of the active labour market policy as well as the provision of general services - information, consulting and mediation in employment - for the maintenance of employment. Target measures will be applied in order to encourage certain social risk groups or groups experiencing exclusion to integrate to the society and labour market (for example, former prisoners, persons with dependence diseases, human trafficking victims, etc.). With a view to encouraging gender equality, actions designed for assisting women integrate (return) to the labour market, supporting women's entrepreneurship, prompting the principles of the same remuneration for the same work, etc. will be implemented. Besides, it is planned to implement measures which would help elderly persons to "actively age" and remain in the labour market.

Along with the implementation of the active labour market policy, ***the systems of education and training should be improved and life-learning should be encouraged.*** Therefore, it is planned to integrate primary vocational training and labour market training systems in 2008–2010, in order to achieve better quality and accessibility. The reform of financing higher education will be further carried out and measures for improving education quality will be implemented. Furthermore, with a view to retaining the labour force supply and demand as much correspondent to each other as possible, internal migration and returning of emigrants will be encouraged. It is intended to continue the implementation of e-inclusion measures by developing a broadband connection in rural areas and the network of free Internet access points. Finally, it is planned to support a dialogue among social partners and stimulate enterprises to apply the principles of socially responsible business. (The measures of the second priority objective are discussed in a more detail in chapter 2.4.)

With regard to people incapable of working the state must create conditions which would ensure them a dignified life and protection from exclusion and poverty. One of the most important measures in this area represents the state services for vulnerable groups and their family members. ***Thus, the third priority objective is the improvement of the access to quality services.*** These services embrace social, cultural and other services. The recent favourable tendency for more day care services to be provided and the number of recipients of social services in stationary institutions to be decreased will be further strengthened. As a matter of fact, the infrastructure of social services should be developed and better exploited. Social services provided by community, preventive services and rehabilitation services will be developed and efforts will be put in a more active involvement of NGOs, volunteers and private sector in the provision of services. It is envisaged to develop professional rehabilitation services for the disabled, so that by 2012 every county would have a centre of the professional rehabilitation for the disabled. Furthermore, guarantees for persons engaged in social work must be increased - this issue has been insufficiently addressed as yet. (The measures of the third priority objective are discussed in a more detail in chapter 2.5.)

#### 2.2.4. Other objectives of the state policy and implementation of horizontal principles

The 2005 and 2006 Joint Reports on Social Security and Social Inclusion suggest that a few more priority objectives might be implemented: a) modernisation of social security systems; b) diminishing of the education and training shortcomings; c) security of an appropriate dwelling; d) overcoming of discrimination and enhancing of the integration of ethnic minorities and immigrants. In order to concentrate the state efforts for taking on the most serious challenges, these objectives have not been given priority in 2008–2010. Nevertheless, measures related with these objectives are relevant and they will be implemented in accordance with each chosen priority. Lithuanian *social security system will be further modernised*, in order to ensure the system's sustainability and consistently relate the benefits and participation in the labour market (depending on the capability or working). *An appropriate dwelling* is one of the measures for both addressing the child poverty issues and encouraging a more active participation in the labour market. A network of social accommodation will be developed and measures for adjusting accommodation to the disabled persons will be implemented<sup>16</sup>.

*Diminishing of the education and training shortcomings* has been given priority by the 2006–2008 National Report; however, it was not included in the 2008–2010 Report. It was decided to integrate education-related measures into each of the 2008–2010 priorities, so as to ensure a better integrity of the state policy and inter-institutional cooperation. With a view to encouraging the child poverty prevention and reducing the child poverty (implementing the first priority of the plan), measures for the development of the pre-school and basic education system will be further implemented. In order to intensify the participation in the labour market (the second priority), actions should be taken in the area of life-learning. Finally, in order to improve the access to quality services (the third priority) the goal is to develop education-related services (e.g. various rehabilitation programmes, education services for persons released after the imprisonment, etc.).

*Overcoming of discrimination and enhancing of the integration of ethnic minorities and immigrants* is another important objective. It will be implemented according to each of the priorities of the plan. With a view to obtaining this objective, five essential activity directions are combined. *Firstly*, measures designed for specific target groups in view of their situation and causes for social risk are applied. *Secondly*, unjustified segmentation of the state policy measures should be avoided and where appropriate a consistent and a common policy with regard to all the groups should be carried out. *Thirdly*, stigmatisation of individual groups should be avoided which may take place as a result of applying political measures designed for specific groups, thus distinguishing them from others. *Fourthly*, it is crucial to ensure that discrimination is avoided not only by applying measures of material support but also by protecting the rights of vulnerable groups. *Finally*, it is essential to change public stereotypes about discriminated groups, for example, the Roma. The 2009–2011 draft National Anti-Discrimination Programme is currently being developed and discussed. One of the goals of the Programme is to comprehensively analyse manifestations and causes of discrimination in all the spheres of public life and to develop public tolerance and reciprocal understanding with regard to sex, age, sex orientation, race, ethnic origin, religion, beliefs and disability.

In implementing national social inclusion strategies, *three horizontal principles should be consistently applied*: 1) gender equality; 2) consistent regional development; 3) active ageing. These principles are integrated into the above-discussed priority objectives. They will be taken into account in implementing the planned measures.

The most significant objective of the state policy related with encouraging of *gender equality* is a systematic approach towards problems related with equal opportunities in all the spheres of life, ensuring the integration of gender aspect in the public policy as well as demonstrating and tackling

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<sup>16</sup> Order No. A1-111 of the Minister of Social Security and Labour of the Republic of Lithuania of 19 April 2007 On the Approval of Basic Requirements for the Adjustment of Accommodation to the Disabled Persons, Assessment Methodology of the Need of the Adjustment of Accommodation to the Disabled Persons and Procedure for the Financing of the Adjustment of Accommodation to the Disabled Persons (Official Gazette, 2007, Nr. 47-1822).

specific gender problems. This objective may be implemented only through the application of comprehensive measures embracing the areas of labour market, social security, education, etc. It is planned to continue the implementation of measures which would contribute to changing public stereotypes about the roles of men and women in the family, help create conditions for a facilitated returning to the labour market after maternity leave and encourage women's entrepreneurship and older persons' activity in the labour market. Discrimination in the labour market should be further decreased because differences in wages earned by women and men are rather large. Feminisation of old age is typical to Lithuania – *feme sole* constitute a considerably greater share of the total older population. Therefore, social services for older persons should be further developed and appropriate measures for paying social benefits should be applied. Furthermore, certain domestic and public problems must be effectively addressed otherwise women very often become victims (violence in the family, trafficking in human beings).

Social inclusion problems related with the shortage of services and insufficient quality and variety of services are very topical in the economically underdeveloped regions. Therefore, in 2008–2010 more attention will be devoted to ***diminishing differences between regions, rural and urban areas***. This problem is also specified in the chapter on Lithuania of the 2007 Joint Report on Social Security and Social Inclusion. It is planned to coordinate the implementation of measures related with labour market, social policy, education, rural development, business support and infrastructure development in order to comprehensively stimulate the development of underdeveloped regions and rural areas. Programmes were approved for diminishing social and economic differences of the regions<sup>17</sup> in 2008–2010 and paying more attention to territories where situation is more complex<sup>18</sup>. Regional infrastructure<sup>19</sup> of social services will be further developed, initiatives on local employment will be undertaken<sup>20</sup>, the youth's politics in municipalities<sup>21</sup> will be encouraged, migration of the labour force in the country will be advocated<sup>22</sup> and e-inclusion will be enhanced<sup>23</sup>. In order to encourage rural development, a considerable co-financing from the EU and national budget is allocated for 2007–2013.<sup>24</sup>

The 2008 Joint Report on Social Security and Social Inclusion states that one of the EU priorities in the social inclusion area is ***enhancing of elderly persons' participation in the labour market***. As compared to other EU member states, the level of older persons' activity and employment in Lithuania is sufficiently high. On the other hand, elder age remains one of the most important poverty and exclusion risk factors. Furthermore, more active involvement of elderly in the labour market would contribute to achieving the objectives of economic development (thus the objectives of the Lisbon Strategy). Adequate labour market and social security measures help elderly ensure higher living standards, avoid social exclusion and diminish the need for public

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<sup>17</sup> Resolution No. 1269 of the Government of the Republic of Lithuania of 28 November 2007 On the 2007-2010 Programme for Diminishing Social and Economic Differences of the Regions (Official Gazette, 2007, Nr. 127-5185).

<sup>18</sup> Resolution No. 112 of the Government of the Republic of Lithuania of 31 January 2007 on Problematic Territories.

<sup>19</sup> Resolution No. 719 of the Government of the Republic of Lithuania of 11 July 2007 On Approval of the Programme for the Improvement of Infrastructure of Social Regional Services (Official Gazette, 2007, No. 80-3236).

<sup>20</sup> Order No. A1-292 of the Minister of Social Security and Labour of the Republic of Lithuania of 22 October 2007 On Approval of the List of Territories of Municipalities and Municipality Wards Where Projects on Local Employment Initiatives will be Implemented in 2008 (Official Gazette, 2007, No. 110-4527).

<sup>21</sup> Order No A1-157 of the Minister of Social Security and Labour of the Republic of Lithuania of 19 May 2008 On Approval of the Methodology for Assessment of the Quality of the Youth Policy in Municipalities and the Calendar of the Quality Assessment of the Youth Policy in Municipalities (Official Gazette, 2008, No. 60-2273).

<sup>22</sup> Resolution No. 725 of the Government of the Republic of Lithuania of 9 July On the Programme for Encouraging the Migration of Labour Force in the Country and Approval of the Implementation of the 2008–2010 Action Plan.

<sup>23</sup> Resolution of the Government of the Republic of Lithuania of 16 November 2005 On Approval of the Strategy of Developing Lithuanian Broadband Infrastructure in 2005–2010 (Official Gazette, 2005, No. 137-4920); Resolution of the Government of the Republic of Lithuania of 21 June 2006 On Approval of the 2006–2008 Programme for the Development of Lithuanian Information Society (Official Gazette, 2006, No.71-2630).

<sup>24</sup> 2007–2013 National Rural Development Strategy (Ministry of Agriculture of the Republic of Lithuania, 18 July 2007); 2007–2013 Lithuanian Rural Development Programme (approved by the European Union Committee on Agriculture and Rural Development, 19 September 2007).

expenses on various social security tools. Efforts will be put in encouraging active ageing, helping elderly to retain their professional skills and improve qualification, supporting NGOs of elderly and changing the society's and employees' attitudes towards the elderly. A network of services for the elderly will be further developed and the quality of these services (both stationary and non-stationary) will be improved.

### **2.3. Priority objective (1): eradication of the child poverty and increasing family support**

#### **Goals**

- 2.3.1. To eradicate the child poverty and social exclusion and guarantee children's rights.
- 2.3.2. To seek to prevent families from joining the group of social risk families and increase support for social risk families.

The main institutions tasked to implement these goals: Ministry of Social Security and Labour, Ministry of Education and Science and Ministry of Environment. Regional and local governance institutions participate in this process within the scope of their competence by bringing forward proposals and directly implementing some of the measures. The role of social and economic partners, NGOs and local communities is especially important in carrying out measures for combating violence against children, integrating the aspect of gender equality and contributing to supporting destitute families. None of the mentioned measures will have a negative effect upon gender equality. Certain measures should also be implemented for the improving women's situation and addressing problems most often encountered by women.

#### **Measures**

##### ***2.3.1. To eradicate the child poverty and social exclusion and guarantee children's rights.***

This goal embraces both measures designed directly for children who are caught in the poverty or social exclusion trap and preventive measures designed for children.

##### *Follow-up measures*

- 2.3.1.1. In implementing the Strategy on the Child Welfare Policy and the 2005–2012 Action Plan for the Implementation of the Strategy, to ensure the access of comprehensive services (pre-school education, day activities, health and social, family consulting) to all the children according to their family's place of residence with a special focus on rural areas and children of pre-school age.
- 2.3.1.2. Implementing the 2005–2008 State Programme for the Support and Public Integration of Orphans and Children Deprived of Parental Care with a major focus on the children's placed in the child guardianship institutions development of preparedness for self-dependent life and creation of living conditions meeting the child's needs.
- 2.3.1.3. To approve and implement a comprehensive multi-measure Programme for Returning Children who do not Attend School back to Schools.
- 2.3.1.4. To ensure the payment of child allowance ("child money") to each child under 18 or elder children who attend full-time education institutions.

##### *New (updated) measures*

- 2.3.1.5. To implement the Strategy on the Reorganisation of the Child Guardianship (Ward) System and the 2007–2012 Action Plan for the Implementation of the Strategy by giving priority to the child guardianship (ward) in the family and implementing

measures for reorganising the institutional child guardianship (ward) system with the aim of decentralising child services.

- 2.3.1.6. To develop and implement the Model of Improving Life and Development Conditions for Children from Birth till the Start of Compulsory Education. To implement the 2007–2012 Programme for Developing Pre-School and Pre-Primary Education, to enhance the access to as well as quality and effectiveness of pre-school and pre-primary education.
- 2.3.1.7. To carry out comprehensive measures for eliminating violence and all violence manifestations against children by implementing the 2008–2010 National Programme for Preventing Violence against Children and Providing Aid for Children.
- 2.3.1.8. To provide Assistance to Children t whose Parents Emigrated.

**2.3.2. To seek to prevent families from joining the group of social risk families and increase support for social risk families**

This goal encompasses both prevention of exclusion experienced by families raising children and assistance for families exposed to exclusion.

*Follow-up measures*

- 2.3.2.1. To ensure that benefits allocated by the state for children from social risk families are used to satisfy their needs.

*New (updated) measures*

- 2.3.2.2. In implementing the 2008-2010 Plan of Measures for Implementing Family Welfare of the National Strategy on the Demographic (Population) Policy, to ensure that state support earmarked for families is increased; social benefits for the child and family are enhanced with a stronger focus on large families; more families raising children of school age receive support for the acquisition of learning resources and free catering at school is ensured (since 2008, to provide all the children with free catering who learn under pre-primary and primary education programmes).
- 2.3.2.3. To implement measures laid down in the 2008–2010 Programme for the Development of Social Accommodation Fund, in order to enhance possibilities of persons (families) having the right to social accommodation to provide themselves with accommodation.
- 2.3.2.4. To inform the public on women’s and men’s commitments in the family and the maternity/paternity leave as provided for in the 2008-2010 Plan of Measures for Implementing Family Welfare of the National Strategy on the Demographic (Population) Policy.

**Achievement indicators**

| <b>Indicator</b>   | <b>Present value (year)</b> | <b>Future value (year)</b> |
|--|-----------------------------|----------------------------|
| Percentage of children deprived of parental care of the total number of children in the country      | 1,7 percent (2006)***       | 1 percent (2012)***        |
| Percentage of children raised by social risk families of the total number of children in the country | 4 percent. (2006)***        | 2 percent (2012)***        |
| Percentage of children deprived of parental care who have been sent to foster (ward) families        | 43,5 percent (2006)***      | 55 percent (2012)***       |
| Percentage of children placed in the child guardianship (ward) institutions                          | 40 percent (2006)***        | 30 percent (201.)***       |
| Percentage of pupils who have been provided with support for the acquisition of learning resources   | 11 percent (2007)*          | 18 percent (2010)*         |
| Percentage of pupils who are provided with free  | 17 percent (2007)*          | 45 percent (2010)*         |



|  |                                 |                               |
|--|---------------------------------|-------------------------------|
| catering at schools  |                                 |                               |
| Percentage of children and persons over 18 who attend full-time education institutions and are eligible for allowances paid child allowances | 61 percent (2007)*              | 100 percent (2010)****        |
| Child care (under 3)   | 24,2 percent (2006)**           | 30 percent (2010)**           |
| Child care (from 3 to school age)  | 81,5 percent (2006)**           | 90 percent (2010)**           |
| Percentage of children aged 4 who participate in pre-school education programmes   | 64,9 (2007) <sup>xx</sup>       | 65,0 percent (2010)**         |
| Percentage of social accommodation fund of the total population accommodation fund in the country  | 2,4 percent (2004) <sup>x</sup> | 3 percent (2010) <sup>x</sup> |

\* Information of the Ministry of Social Security and Labour

\*\* 2008–2010 National Draft Programme for the Implementation of the Lisbon Strategy.

\*\*\* Resolution No. 1193 of the Government of the Republic of Lithuania of 31 October 2007 On the Strategy on the Reorganisation of the Child Guardianship (Ward) System and the 2007–2012 Action Plan for the Implementation of the Strategy (Official Gazette, 2007, No. 118-4817).

\*\*\*\* Resolution No. 948 of the Government of the Republic of Lithuania of 5 September 2007 On Approval of the 2008-2010 Plan of Measures for Implementing Family Welfare of the National Strategy on the Demographic (Population) Policy (Official Gazette, 2007, No. 98-3977).

<sup>x</sup> Resolution No 548 of the Government of the Republic of Lithuania of 5 June 2008 On Approval of the 2008–2010 Programme for the Development of Social Accommodation Fund (Official Gazette, 2008, 68-2589).

<sup>xx</sup> Information provided by the Department of Statistics under the Government of the Republic of Lithuania.

## 2.4. Priority objective (2): increasing of participation in the labour market

### Goals

- 2.4.1. Increasing of the population employment and participation in the labour market.
- 2.4.2. Enhancing of social inclusion.

The main institutions tasked to implement these goals: Ministry of Social Security and Labour, Ministry of Education and Science, Ministry of Economy and Ministry of the Interior. Regional and local governance institutions participate in this process within the scope of their competence by bringing forward proposals and directly implementing some of the measures. The role of social and economic partners, NGOs and local communities is especially important in carrying out a great number of measures, especially encouraging social partnership and the youth's and women's entrepreneurship by integrating more vulnerable persons into the labour market. None of the mentioned measures will have a negative effect upon gender equality. Certain measures – the incorporation of the gender equality issue into the education system, encouraging women's entrepreneurship, etc – will in turn make a direct contribution to the improvement of women's situation.

### Measures

#### 2.4.1. Increasing of the population employment and participation in the labour market

This goal embraces measures for encouraging quality and secure employment, facilitating the increase of general activity rate of labour force as well as the activity rate of women and older persons.

#### *Follow-up measures*

- 2.4.1.1. To implement measures of the active labour market policy and provide general services for supporting employment in order to ensure the labour force supply and demand as much correspondent to each other as possible as well as the adjustment of labour market flexibility, employment security and territorial mobility.

- 2.4.1.2. To encourage social partnership, develop social dialogue and change traditional stereotypes about men's and women's roles in the national economic activity. To ensure gender equality in the labour market and encourage the development of family-friendly workplaces.
- 2.4.1.3. To finance services related with financing, consulting, training and other public services for business. To develop population's entrepreneurship, to launch campaigns for encouraging entrepreneurship, to spread the idea of socially responsible business. To prompt women's entrepreneurship by organising events, analysing and disseminating information about success stories).
- 2.4.1.4. To seek to create a smooth rural and urban development and to develop alternative activity to agriculture. To improve the professional skill of farmers and other rural population whose activity is related with agriculture, forestry or alternative activity to agriculture and to enhance their capabilities of engaging themselves in the rural development process. To consult women from rural areas who have just started to develop or have been already developing business in rural areas.
- 2.4.1.5. To carry out the Strategy on Ensuring Life-Learning and the Action Plan for Implementing the Strategy by encouraging learning of elderly, creating professional standards, conducting construction and renovation of school buildings as laid down in the Life-Learning Action Plan and implementing the quality assurance system based on internal and external audit in all the sectors of the education system.
- 2.4.1.6. To incorporate gender equality issues into formal and non-formal education and arrange training for pedagogues on the issues of gender equality.

*New (updated) measures*

- 2.4.1.7. To implement the Plan of Measures for Integrating Basic Vocational Training and Labour Market Vocational Training and to develop an effective unified vocational training system embracing both primary vocational training and continuing vocational training.
- 2.4.1.8. To reform the financing of higher education studies, to implement the 2006–2010 Plan of the Development of the Higher Education System, to carry out the Programme for Renovation of Dormitories for Students of Higher Educational Institutions.
- 2.4.1.9. To implement measures for encouraging the youth's entrepreneurship (by supporting the youth's business days, nominating the best business plans developed by the young persons and prompting their implementation and draft all the relevant legal acts on the provision of support), to support projects for transferring business experience based on the partnership of enterprises and the youth organisations by implementing the 2008–2012 National Programme for the Development and Support of the Youth's Entrepreneurship.
- 2.4.1.10. To encourage the mobility of employees in the country in accordance with the Programme for Encouraging the Mobility of Labour Force in the Country and the 2008-2010 Plan of Measures for the Implementation of the Programme.
- 2.4.1.11. To encourage returning of emigrants in compliance with the Strategy on the Regulation of Economic Migration and the 2007–2008 and 2009-2010 Plans of Measures for the Implementation of the Programme.

**2.4.2. Enhancing of Social Inclusion**

These measures are designed for enhancing the employment of the unemployed, disabled, older persons and other persons for whom it is difficult to integrate into the labour market.

*Follow-up measures*

- 2.4.2.1. To support the employment and participation in the labour market of groups composed of mostly socially vulnerable persons, social risk persons and persons exposed to social exclusion (e.g., immigrants, the Roma, etc.). To create conditions for them to integrate into the labour market by providing necessary social services and combating against their discrimination in the labour market.
- 2.4.2.2. To implement various measures for psychological, social and professional rehabilitation and for motivation to work and/or train and to engage the participation of socially vulnerable persons and persons who withdrew from the labour market in these measures.
- 2.4.2.3. To develop the application of active labour force measures in order to encourage the economic activity of the disabled and make a better advantage of their capabilities in the labour market.
- 2.4.2.4. To organise training on encouraging the employment of older women and women who returned to the labour market after a longer period in compliance with the 2005–2009 State Programme for Equal Opportunities.

*New (updated) measures*

- 2.4.2.5. To increase digital inclusion (by implementing the 2006–2008 Lithuania's Programme for the Development of Information Society and the 2005–2010 Lithuania's Strategy on the Broadband Connection Infrastructure).

**Achievement indicators**

| <b>Indicator</b>  | <b>Present value (year)</b> | <b>Future value (year)</b> |
|---|-----------------------------|----------------------------|
| <b>Indicators of activity and employment of the population</b>  |                             |                            |
| Activity rate of the population aged 15–64  | 67,9 percent (2007)**       | 70,0 percent. (2010)**     |
| Activity rate of women aged 15–64   | 65,0 percent (2007)**       | 66,0 percent (2010)**      |
| Employment rate of the population aged 15–64  | 64,9 percent (2007)**       | 68,8 percent (2010)*       |
| Employment rate of women  | 62,2 percent (2007)**       | 63,5 percent***            |
| Employment rate of the population aged 15–24  | 25,2 (2007 m.)**            | 30,0 percent (2010)**      |
| Employment rate of the population aged 55–64  | 53,4 percent (2007)**       | 54,5 percent (2010)**      |
| Not to exceed regional differences in unemployment rate according to NUTS 3   | 19,7 percent (2007)***      | 13 percent (2010)**        |
| Percentage of young unemployed persons who have been offered “a new start” over 4 unemployment months (i.e. work , apprenticeship, additional training or any other measure for encouraging employment) | 77,1 percent (2007)***      | 100 percent (2010)***      |
| Percentage of unemployed adult persons over 24 who have been offered “a new start” over 12 unemployment months  | 95,5 percent. (2007)***     | 100 percent (2010)***      |
| Activity rate of long-term unemployed persons, percent  | 21,9 (2007)**               | 25,0 (2010)**              |
| Percentage of population aged 25–64 who have participated in educational and training activity over 4 recent weeks (the rate of life-learning)  | 5,0 percent (2006)**        | 8 percent. (2010)**        |
| Percentage of hired persons of the total number of employees, who would work part-time or under the fixed-term employment contract or self-employed, percent  | 19,5 (2007)***              | 25,0 (2010)**              |
| To seek to decrease the number of fatal accidents at work per 100000 employees  | 7,3 (2007)**                | 6,5 (2010)**               |
| To seek to diminish the actual number of occupational diseases  | 1123 (2007)**               | 1000 (2010)**              |

| <b>Business development indicators</b>   |                       |  |
|--|-----------------------|--|
| Administrative burden for business   |                       | To decrease by 10 percent compared to the 2007 rate (2010)** |
| Entrepreneurship rate: number of economic entities (enterprises and businessmen) per 1000 residents  | 59 (2007)**           | 60 (2010)**  |
| <b>Indicators of the education and science system</b>  |                       |  |
| Public expenditure for education as a percentage of GDP  | 5,18 percent (2006)** | 5,5 percent (2010)**   |
| Ration of average wages of teachers and civil servants   | 0,95 (2006)**         | 1,1 (2010)**   |
| Percentage of persons aged 20–24 who have acquired secondary education   | 88,5 percent (2006)** | 89,0 (2010)**  |
| Percentage of young persons aged 18–24 who have not acquired secondary education (ISCED level 3) and has not studied   | 9,5 percent (2005)*   | 9 percent (2010)**   |
| Percentage of pupils who learn under vocational training programmes (ISCED 2)  | 31,0 percent (2006)** | 32,0 percent (2010)**  |
| Percentage of vocational training programmes redesigned into module-based programmes   | 0 percent (2007)**    | 10 percent (2010)**  |
| Percentage of students of vocational training institutions who are provided with conditions for undergoing part of practical training in sectoral practical training centres | 0 percent (2007)**    | 20 percent (2010)**  |
| Percentage of profession teachers and lecturers who have acquired technological competencies and were awarded the certificates of non-formal education programmes            | 150 (2007)**          | 200 (2010)**   |

\* 2005–2008 National Strategy on the Implementation of Lisbon Strategy.

\*\* 2008–2010 National Draft Programme for the Implementation of Lisbon Strategy.

\*\*\* Information provided by the Ministry of Social Security and Labour

## **2.5. Priority objective (3): improvement of the access to quality services**

### **Goals**

- 2.5.1. To improve the quality of social services, develop progressive forms of social services in the order of priority and seek to make them more accessible. To reduce regional differences by providing social services.
- 2.5.2. To improve social integration of the disabled, older persons, victims of trafficking in human beings, victims of violence against women in the family, persons released after imprisonment, foreigners granted asylum in the Republic of Lithuania.
- 2.5.3. To activate the participation of all the population irrespective of their social status, age, income or nationality in cultural, sports, community and self-educational activity.

The main institutions tasked to implement these goals: Ministry of Social Security and Labour, Ministry of Culture. Regional and local governance institutions participate in this process within the scope of their competence by bringing forward proposals and directly implementing some of the measures. The role of social and economic partners, NGOs and local communities is especially important in terms of providing services, diminishing discrimination of certain groups and facilitating the integrate into society. None of the mentioned measures will have a negative effect upon gender equality. Certain measures – combating violence in the family, trafficking in human beings, etc – will in turn make a direct contribution to the improvement of women’s situation.

## Measures

***2.5.1. To improve the quality social services, develop progressive forms of social services in the order of priority and seek to make them more accessible. To reduce regional differences by providing social services.***

### *Follow-up measures*

- 2.5.1.1. To develop and implement a general mechanism of social care standards and quality assessment and control for all the providers of social care services irrespective of their subordination (municipal, NGO and other).
- 2.5.1.2. To support psychological aid agencies providing high quality psychological services by phone.
- 2.5.1.3. To develop the provision of day social care services for persons who need a permanent care at home.
- 2.5.1.4. To improve the social support informational system (SPIS): to store and analyse information about socially vulnerable families, composition of families, income, social benefits paid by the state and services.
- 2.5.1.5. To develop and promote voluntary activities: to motivate and train volunteers, to develop methodological measures in order to attract and train volunteers, to create a web portal with a database of voluntary activities.

### *New (updated) measures*

- 2.5.1.5. To develop progressive forms of the provision of social services at the community level by creating a network of social services in municipalities and regions, by ensuring the provision of social services for mostly vulnerable groups and by implementing the 2007–2009 Programme for the Development of Infrastructure of Social Services.
- 2.5.1.6. To activate and support social work with social risk families and destitute families and to enhance the performance quality of social workers by improving their operating conditions, encouraging new working forms and improving their qualifications (in compliance with the 2008–2011 Programme for Increasing Wages and Improving Social Guarantees of Long-Term Social Workers).

***2.5.2. To improve social integration of the disabled, older persons, victims of human trafficking, victims of violence against women in the family, persons released after imprisonment, foreigners granted asylum in the Republic of Lithuania.***

### *Follow-up measure*

- 2.5.2.1. To develop the infrastructure of ambulatory social services designed for persons with serious disability or mental disability, social risk children and other groups in order to increase the returning rate of such persons into the labour market.
- 2.5.2.2. To improve the system of the establishment and satisfaction of special needs.
- 2.5.2.3. To support projects of organisations designed for the rehabilitation and public integration of convicted persons and persons released after imprisonment. To store data about the number of persons released after imprisonment in municipalities and to analyse their needs for assistance. To improve qualifications of social workers and social pedagogues of municipalities and non-governmental organisations and to retrain them for working with convicted persons and persons released after imprisonment.
- 2.5.2.4. To implement the Procedure for the Provision of Support of the Republic of Lithuania for the Integration of Foreigners who have been Granted Asylum

*New (updated) measures*

- 2.5.2.5. To implement and develop the rehabilitation of the disabled; to adjust social services, public physical environment, dwelling, environment of residence and information environment to their needs; to develop training activities for the disabled; to enhance employment of the disabled, to raise public awareness so that it better perceives the needs of the disabled; to ensure that cultural, sports, recreation and community-based activities become more accessible to the disabled (the 2003–2012 National Programme for Social Integration of the Disabled; 2007–2011 Programme for Adjusting Dwelling to the Disabled; 2007–2012 Strategy on the Development of Professional Rehabilitation Services).
- 2.5.2.6. To consistently, comprehensively and systematically decrease violence against women in the family at national level – to implement the State Strategy on Decreasing Violence against Women and the 2007–2009 Plan of Measure for the Implementation of the Strategy (to finance a free hotline 24h a day for the provision of comprehensive assistance, to encourage the establishment of not less than one organisation in each county for the provision of social services for victims of violence in the family, to support projects of non-governmental organisations engaged in the area of combating violence against women, etc.).
- 2.5.2.7. To develop and implement National Anti-discriminatory Programme for 2009–2011.

***2.5.3. To activate the participation of all the population irrespective of their social status, age, income or nationality in cultural, sports, community and self-educational activity.***

*Follow-up measures*

- 2.5.3.1. In Implementing the Programme for the Development and Fostering of Cultural Traditions and Artistic Activity of Amateurs, to support projects of ethnic and regional culture.
- 2.5.3.2. To put efforts in making services provided by libraries, theatres and cultural centres more accessible to the disabled persons.
- 2.5.3.3. To organize as many sports events for the disabled as possible and encourage their participation in the events for healthy persons.
- 2.5.3.4. To support NGO projects designed for the creation of multi-facet non-stereotypical images of men and women through the mass media. To inform the public on the issues of equal opportunities through legal education programmes of the mass media.

**Achievement indicators**

| <b>Indicator</b>   | <b>Present value (year)</b> | <b>Future value (year)</b>                 |
|--|-----------------------------|--|
| At-risk-of-poverty rate after the payment of social benefits, percent  | 20 (2006)*                  | 17,5 (2010)*                               |
| The number of established enterprises for the provision of professional rehabilitation services  | 5 (2006)**                  | 10 (one enterprise in each County (2012)** |
| The number of the disabled persons participating in the professional rehabilitation programmes   | 206 (2006)**                | 600 (2012)**                               |
| Percentage of the disabled persons who graduated professional rehabilitation programmes and who have got work compared to persons who graduated professional rehabilitation programmes | 33 (2006)**                 | 66 (2012)**                                |
| Number of recipients of social services, thousand.   | 210 (2006)***               | 280 (2010)***                              |
| Number of social workers and assistants per 10 thousand people   | 21 (2006)***                | 27 (2010)***                               |

\* 2008-2013 Lithuania's EU policy strategic directions. "More Europe in Lithuania and more Lithuania in Europe!" (the paper specifies that in 2013 at-risk-of-poverty rate should not be "higher than the EU average rate". Presuming that by 2013 the EU average rate will remain to stand at 16 percent, the indicator specified in the Table is intermediate in achieving the 2013 indicator)

\*\* Order No. A1-157 of the Minister of Social; Security and Labour of the republic of Lithuania of 6 June 2007 On Approval of the 2007–2012 Strategy on the development of Professional Rehabilitation Services (Official Gazette, 2007, No. 65-2535)

\*\*\* Information provided by the Ministry of Social Security and Labour

## 2.6. Improved Management

**Process of drafting the National Report.** The Ministry of Social Security and Labour is responsible for the coordination of drafting the National Report. In the process of drafting the 2008–2010 National Report, efforts were put in achieving a more active participation in this process of institutions, organisations and various groups concerned that implement social security and social inclusion policy measures. A working group was set up for the development and monitoring of the National Report on the 2008–2010 Social Security and Social Inclusion Strategies and measures of implementation of the strategies. The working group included even more representatives of local governance authorities and NGOs as compared to that established for the development of the 2006–2008 Report. Both public and private sector organisations were invited to put forward proposals related with objectives, goals and measures established in the National Report and public discussions and considerations were held. The public at large was informed about the drafting of National Report on the Internet web portal [www.socialmap.lt](http://www.socialmap.lt). This web portal hosted a survey on Lithuania's priorities in the area of social security and social inclusion. The portal also provides relevant information about Lithuania's social policy, its achievements and best practices.

**Policy coordination and inclusion of groups concerned.** With a view to implementing an effective social security and social inclusion policy, it is essential to ensure its coordination with other related policies. This is achieved in two ways. *Firstly*, in implementing the 2008–2010 National Report, various Lithuanian strategies related with social insurance and social inclusion were taken into consideration (Lisbon Strategy, Sustainable Development Strategy, Strategy on the Regulation of Economic Migration, 2005–2009 State Programme for Equal Opportunities, etc.). *Secondly*, a "counter-current" process is also taking place: in developing various special strategies, the National Report objectives and goals in the area of social security and social inclusion are taken into consideration. It is planned to establish that all the draft provisions of legal acts to be adopted at national or local level are assessed from social security and social inclusion point of view.

In order to implement an effective social security and social inclusion policy, it is important to coordinate the activities of institutions responsible for the implement of the policy. The issue of concern here is that exchange of information is not always expedient, the Parliament insufficiently engages itself in the social inclusion processes and social partners and NGOs are often lacking skills and resources. Nevertheless, measures have been assumed to solve these problems. The Social Inclusion Division established in the Ministry of Social Security and Labour is responsible for ensuring better coordination of the policy. The above-mentioned working group includes representatives of both national institutions and local governance authorities. The group is set up for both horizontal (national level institutions) and vertical (national, regional or local institutions) coordination. Representatives of institutions operating in the social area also contribute to the activities of interagency working groups tasked to supervise the implementation of the Lisbon Strategy, Sustainable Development Strategy and other strategies. Institutions responsible for economic development and sustainable development also participate in establishing directions of social inclusion process and are provided with monitoring information.

Groups concerned should be involved into active development and implementation of social policy. Social and economic partners are involved in the coordination of the most significant decisions in the area of social policy (Three-party Council, various working groups). However, recent experience shows that a great number of organisations engaged in the social area are still

lacking skills and resources for active participation in the policy-related processes. Efforts are being put in addressing these problems. *Firstly*, support is provided for strengthening capabilities of NGOs operating in social inclusion area (for example, women's organisations, organisations of children's rights protection, Roma organisations, etc.). *Secondly*, the state contributes to some of the NGO initiatives and seeks to take into consideration these initiatives in improving the state policy (see below: "Inclusion of social best practise into the policy"). *Thirdly*, it is planned to promote the role of NGOs and communities in providing social services. Lithuania intends to actively engage in the European Year for Combating Poverty and Social Exclusion (2010). The year 2010 will provide new opportunities for informing the public about the most acute poverty and exclusion problems, facilitating Lithuanian organisations to more actively engage in international networks and exchanging expertise and best practise.

**Inclusion of social best practise into the policy.** The implementation of the 2004–2008 Equal Programme was especially useful. Twenty eight development societies developed innovative measures for resolving poverty and exclusion problems, provided recommendations on how to improve the state policy. Some of these recommendations were taken into consideration in drafting the National Report and other documents. More detailed description of one of the projects financed by the *Equal* Programme is provided in Annex 1 (description of best practise). *Equal* projects provide quite a few of proposals on how to improve the social policy process with a special focus on the importance of involving local communities, local governance authorities and representatives of vulnerable groups.

Funds from structural funds and national budget were allocated for strengthening organisations operating in the social area. *Firstly*, these organizations acquired valuable experience on the basis of which they will be able to participate in discussions on social policy. *Secondly*, they implemented initiatives parts of which could be implemented at national and municipal level as best practises. For example, project on *Social Psychological Rehabilitation, Social Exclusion Prevention and Social Integration of Persons aged 16-18 and Adult Persons with Psychoactive Drugs Dependence Diseases* was implemented in Panevėžys region. In 2008, this project was nominated as a regional leader. It was introduced to the public, government institutions and NGOs.

**Monitoring and assessment.** Monitoring of the implementation of the National Report will be carried out by the above-said working group set up for drafting and monitoring of the National Report on the 2008–2010 Strategies of Lithuanian Social Security and Social Inclusion and the measures for the implementation of the strategies. The group will monitor achievement indicators established in the National Report and submit proposals on specifying and updating of measures. In early 2009, it is planned to draft a comprehensive report on the implementation of the 2006–2008 National Report, though implementation data have been already taken into consideration during the development phase of the 2008–2010 Report. The Ministry of Social Security and Labour will annually provide the Government with a report on the implementation of measures laid down in the National Report.

Information for monitoring has been stored in the Social Support Information System (further - SPIS) operable since 2005. SPIS stores data on the social support provided to the population – social benefits, social services, etc. This system enables the Ministry of Social Security and Labour to smoothly exchange information with municipalities. Thus, it is easier to coordinate the implementation of social policies at different government levels. SPIS also opens an opportunity to provide clients with more diverse and higher quality social services, facilitates the service of clients, improves accounting and control of these services, decreases administration costs of rendered services, creates opportunity to manage and systemise information on every problematic family. It is foreseen to incorporate SPIS with information systems of other institutions (Lithuanian Labour Exchange, State Social Insurance Fund, etc). This would facilitate the dissemination of social information among institutions and would enable to develop e-services related with social support. Furthermore, it is planned to expand SPIS so that municipalities are able to use it.

The implementation of the National Report is assessed by independent experts. In 2006–2007, Lithuanian researchers engaged in the network of the EU social inclusion experts, in compliance



with the European Commission guidelines, conducted four assessments of the social security and social inclusion of the national policy<sup>25</sup>. The 2008–2010 Report will also be assessed by independent experts. The Ministry of Social Insurance and Labour and other institutions constantly commission researches for the analysis of the most relevant social and economic phenomena and state policy achievements and submit proposals on the improvement of the policy. For example, the surveys conducted in 2007 were aimed at identifying ways and measures for combating poverty and social exclusion; opportunities for encouraging the internal territorial mobility of the labour force; adjustment of women's and men's rights, commitments and opportunities in the family and work, etc. The majority of surveys may be accessed on the Internet website [www.socmin.lt](http://www.socmin.lt).

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<sup>25</sup> A. Poviliūnas, „Trends, recent Developments, Active Inclusion and Minimum Resources“: First Semester Report, 2006; A. Poviliūnas, „Feeding in“ and „Feeding out“, and Integrating Immigrants and Ethnic Minorities: A Study of National Policies“, November 2006; A. Poviliūnas, „Tackling child poverty and promoting the social inclusion of children: A Study of National Policies“, May, 2007. R. Lazutka, A. Poviliūnas, R. Žiliukaitė, „Trends, Recent Developments, „Feeding in“ and „Feeding out“: A Study of National Policies“, November, 2007.

### 3. NATIONAL REPORT ON THE PENSION POLICY STRATEGY

This report was elaborated having taken into account the key priorities of NP-SPSIS 2006–2008, which were the following:

1. to improve the pay-as-you-go (PAYG) system, ensure better social justice, increase pension benefits to make income received by the elderly sufficient to cover their vital needs;
2. to assess financial implications of aging on the pension system: implement measures aimed to ensure employment among the elderly;
3. to safeguard a successful and financially stable functioning of funded pension system.

#### 3.1. Progress achieved in the pension policy in 2005–2007

From 2005 to 2007 Lithuania successfully established a three-pillar pension system, consisting of PAYG, statutory private funded (accumulation of part of mandatory state social insurance contributions) and voluntary private funded pension pillars. In 2006 a legal framework was developed laying the foundation for occupational pensions to be available earlier exclusively to certain members of the population who, due to peculiarities of their profession, cannot work until they become eligible for an old-age pension and who have contributed to the said funds.

The currently effective PAYG state social insurance and pension system better reflected expectations of the population due to increasing absolute and relative social insurance benefits and expanding scope of the system.

Owing to decreased unemployment rate, growing economy as well as higher public trust in the social insurance system the number of insured persons and the scope of this system were growing in 2005–2007 (see Table 4).

Table 4. Statistics of population covered by social insurance in 2005–2007 (annual average)

|   | 2005   | 2006   | 2007   |
|---|--------|--------|--------|
| Insured (in thousands)  | 1369.7 | 1421.4 | 1467.2 |
| Working age population (15 to 64 years old) (in thousands)        | 2323.2 | 2321.1 | 2319.5 |
| Rate of the insured to the working age population (in percentage) | 59%    | 61%    | 63%    |
| Labour force (in thousands)                                       | 1606.8 | 1588.3 | 1603.1 |
| Rate of the insured to labour force (in percentage)               | 85%    | 89%    | 92%    |
| Employed population (in thousands)                                | 1473.9 | 1499   | 1534.2 |
| Rate of the insured to employed population (in percentage)        | 93%    | 95%    | 96%    |

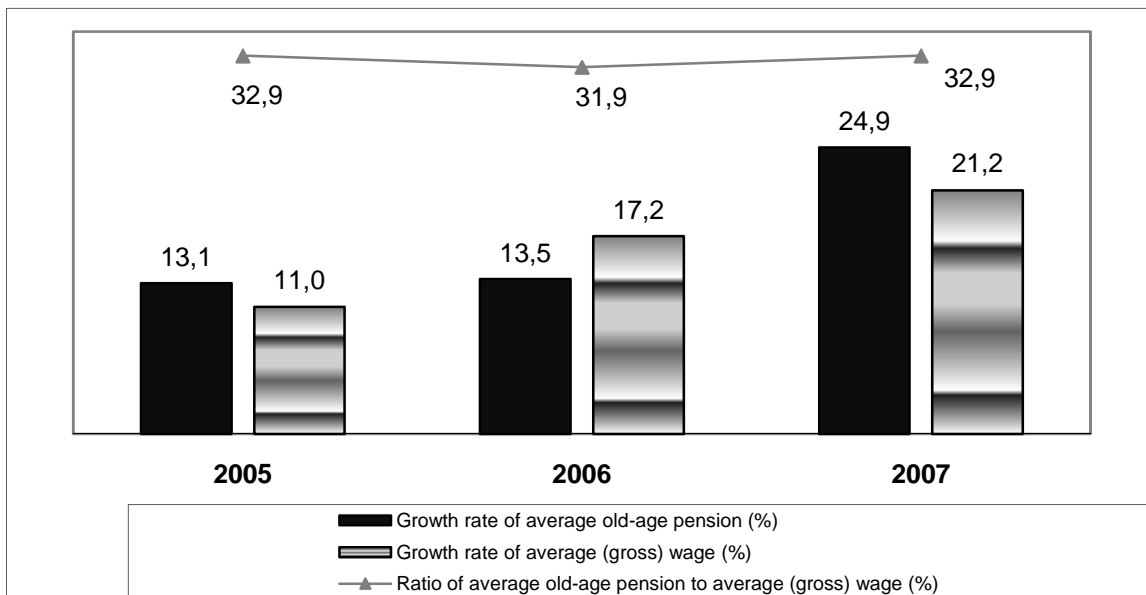
Source: Data of the Department of Statistics and the State Social Insurance Fund Board

The unemployment rate in Lithuania decreased from 8.3% in 2005 to 4.3% in 2007 and was below the EU average (EU-27 – 7.1%). Reduction in the unemployment rate resulted both from rapid economic growth (accounting for 7.9% of GDP in 2005 and 8.8% of GDP in 2007) and various measures aimed at increasing employment.

In the context of economic development, public trust in the social insurance system was growing: more attention was given to social guarantees offered by legal employment. To fight against shadow economy and to boost social responsibility various public institutions, such as the State Tax Inspectorate, or various non-profit organisations uniting entrepreneurs and civil society assisted in organising public and social campaigns striving to encourage social responsibility of employees and employers. Such campaigns as well as growing social insurance benefits for legally employed individuals covered by social insurance which were paid in time, helped to boost the public perception of social responsibility and trust in the social insurance system.

From 2005 to 2007 in order to maintain or slightly increase the effective pension replacement rate even in the context of very rapid growth of (gross) wages (from 11% in 2005 to 21.2% in 2007), social insurance pensions were increased at the rate equal to or higher than the growth rate of wages (from 13% in 2005 to 25% in 2007) (see Figure 9). The real old-age pension growth during this period accounted from 10% in 2005 to 19% in 2007. Since the launch of the income tax reform in 2006 (whereby income tax was to be gradually decreased from 33% to 27% on 1 July 2006 and until 24% in 2008), the real growth of net wages during the said period stood at 11.6%. Decisions to increase pensions were adopted on the basis of governmental resolutions, provided the funds were available. As of 1 July 2008 the Law of the Republic of Lithuania on the Indexation of Minimum Wages, Social Benefits and Basic Rates of Penalties and Sanctions came into effect. This law provides for indexation of all basic indicators used to calculate social benefits by the average inflation rate of the last two years, if an average consumer price growth during the reporting period is above 3 percent. Indexation will be made also with regard to basic pension which is used as the basis for calculating the major part of social insurance pension, social assistance pensions and targeted compensations for disabled, to , basic amount of a widow(-er) pension and to basis for calculation of state pension paid to victims or distinguished individuals.

Figure 9. Growth rate of average old-age pensions and average (gross) wage in 2005–2007 (%)



Source: Ministry of Social Security and Labour

The average social insurance old-age pension of individuals having the required obligatory work record increased by 66% from the beginning of 2006 to the beginning of 2008. One of the factors which had an impact on the growth of the average old-age pension was amendment of the national law on pensions which allowed taking into account a long-term presence of individuals on the labour market – a certain premium is paid to individuals with work record longer than 30 years (see the next chapter for more details). This amendment has not only increased social insurance pensions, it also encourages individuals to stay on the labour market longer.

In 2007–2008 the widow(er) pension reform was implemented which unified rates of widow(er) pensions and expanded the scope of eligible beneficiaries. Compared to 2006 (prior to the reform), in 2008 the number of beneficiaries of old-age widow(er) pensions grew by 14.6%. The widow(er) pension reform was mostly beneficial for women of retirement age, accounting for 86% of widow(er) pension beneficiaries. Since the majority of old-age pension beneficiaries are widows, this measure has also been instrumental in bridging the pension income gap between men and women (for more details see the next chapter on ensuring adequate pensions). When unifying the rates of widow(er) pensions it was decided that only orphan's benefits would be linked with the

pension amount of the deceased and would be further increased (from 25% to 50% of father's or mother's pension).

As a follow-up to the commitment to safeguard minimum pension guarantees to all citizens of Lithuania, as of January 2006 social assistance pensions are being allocated to individuals who have reached old-age retirement age, but are ineligible for higher social insurance or other state pensions. The rate of this social assistance pensions amounts to 90% of the social insurance basic pension. It is higher than the one which provides entitlement to a means tested social benefit. As of 2005 the latter have been allocated to the disabled. Compared to 2005, as a result of the said amendments the number of the disabled and individuals who have reached old-age pension age receiving social assistance pensions grew by 12.4% in 2007. Individuals whose social insurance or other type of state pension is lower than a social assistance pension receive a premium to the amount of a social assistance pension. Hence, it can be said that during this period minimum income was secured to all citizens in the event of old-age or disability, regardless of their participation in the social insurance system.

Moreover, the eligibility scope of the pension system was expanded by means of ensuring additional pension coverage to parents raising children and individuals nursing a disabled. As of 1 January 2008 an unemployed father or mother raising a child under 3 years of age as well as individuals nursing a disabled are covered by the full amount of social insurance pension, while pension contributions to the social insurance fund are paid by the state from the minimum wage (until the said date this coverage was only for the main part of the pension). This measure will allow taking into account periods when people could not take up employment due to objective reasons and will help to increase their pensions in the future.

The number of individuals participating in II tier of I pillar accumulation of pensions grew steadily from 2005 to 2007. In 2008 the number of the insured to accumulate part of their social insurance contributions in such pension funds accounted for 69% of all the population of Lithuania insured for the full amount of pension (880 thousand), while their contributions are likely to account for approximately 3% of GDP from the launch of the reform. The number of participants in pension accumulation grew largely due to involvement of younger population. The participation rate of young insured individuals (below 30 years of age) has almost reached its ceiling (accounting for 92% of all persons eligible to participate in accumulation of pensions). Since the pension accumulation system is soon to reach its saturation stage, the larger than average wages of participants (124.5%) compared to all the population covered by social insurance has almost reached a balance (103.1%).

The year 2005 marked the beginning of first payments from the pension accumulation system. These were lump-sum payments because the accumulation period was too short to accumulate an amount which would make annuity mandatory (the standard annuity calculated by the Insurance Supervisory Commission should equal at least 0.5 of the social insurance basic pension). However, in 2008 the first 2 annuity contracts have already been concluded. Due to a very small market it is not yet possible to give a general assessment of the impact of this system on income of retired population or on replacement rate.

As of 1 July 2007 several innovations have been introduced into the pension accumulation system. First of all, enhanced information to participants: at the moment of drawing a pension accumulation contract a pension accumulation company is obliged to inform a potential participant and the latter shall sign in acknowledgement the receipt of information comparing risks related to all controlled pension funds, and if a potential participant has less than 7 years remaining before old-age retirement age he has to be informed about a possibility to accumulate his pension in a conservative investment fund. Such reminders to switch to conservative pension fund must be enclosed with every annual report from the date a participant reaches the age 7 years before his retirement. In order to enhance responsibility of pension accumulation companies to form and implement investment strategies of pension funds, each pension accumulation company is now obliged to maintain and publish a comparative index of controllable pension fund. This index will

help participants to evaluate efficiency of asset management and choose the best performing asset managers.

The introduction of accumulation of pensions from mandatory social insurance contributions served as a major breakthrough towards a voluntary private accumulation of pensions. Compared to 2005, the number of participants in the third pillar of the pension system grew 4 times; it has to be admitted, though, that it remains very low accounting for mere 0.1% of the total labour force of Lithuania (21.6 thousand). Moreover, a legal regulation of voluntary private pension accumulation provides for a possibility to terminate contracts before reaching retirement age without sustaining substantial financial losses (but not earlier than 10 years after the beginning of accumulation), acquisition of annuity is not mandatory, thus, such participants can be called participants in “pension” accumulation only with certain reservations.

Therefore, in conclusion it can be said that, in view of the challenges highlighted in 2007 and 2008 joint reports, in 2005–2007 the eligibility scope of the pension system was expanded, incentives were made to stay on the labour market longer in the form of a premium paid with a pension. The reformed pension system (a combination of social insurance and accumulation) has been functioning for a relatively short period of time to allow for analysis of payments made from this system. However, a more detailed and appropriate legal regulation of payments from accumulated pensions is now under examination by an ad-hoc working group (read more in the chapter on the pension system modernisation). Commitments to modernise widow(er) pension system, reinforce minimum pension guarantees and guarantees to parents raising children, improve communication to participants in pension accumulation have been fully implemented. However, wider eligibility scope of the social insurance system still remains an issue, because there are still certain groups of population, such as artists receiving royalties or farmers who are not socially covered.

### **3.2. Ensuring sufficient level of income and standard of living**

One of the key challenges of social policy in light of aging population is to ensure a sufficient level of income to the elderly. The aim of adequate and sufficient pensions is a long-term objective of the Lithuanian social policy formulated in the context of Laeken objectives. In the context of Laeken objectives the aim of the Lithuanian pension policy is to ensure that a social insurance old-age pension of individuals with a mandatory work record (and of individuals participating in II tier of I pillar pension system – a joint social insurance and private pension) would correspond to 50 percent of an average net wages of the national level by 2015 (or 42% of gross wages) and that it should remain of the same level until 2050. Efforts will be made so that all individuals in old age or struck by disability or loss of the breadwinner would receive income sufficient to live above the poverty line, i.e. that all elderly or disabled would receive pensions higher than state supported income (hereinafter - SSI) which is an amount entitling individuals to claim social assistance for the destitute.

From 2005 to 2007 SSI were increased by 66%, whereas a state guaranteed social assistance pension, provided a person does not become eligible for a social insurance pension, by 33%. This difference is due to the fact that during the given period SSI was raised several times (until then SSI were not subject to increase so often). A social assistance pension, on the other hand, was growing gradually in parallel to the state social insurance basic pension. In 2005 a social assistance pension amounted to 116% of SSI. In 2006 social assistance pension accounted for 125% of SSI. At the end of 2007 SSI were increased 17%, while the pension base remained stable, thus a social assistance pension (0.9 of the basic pension) almost equalled SSI (101%).

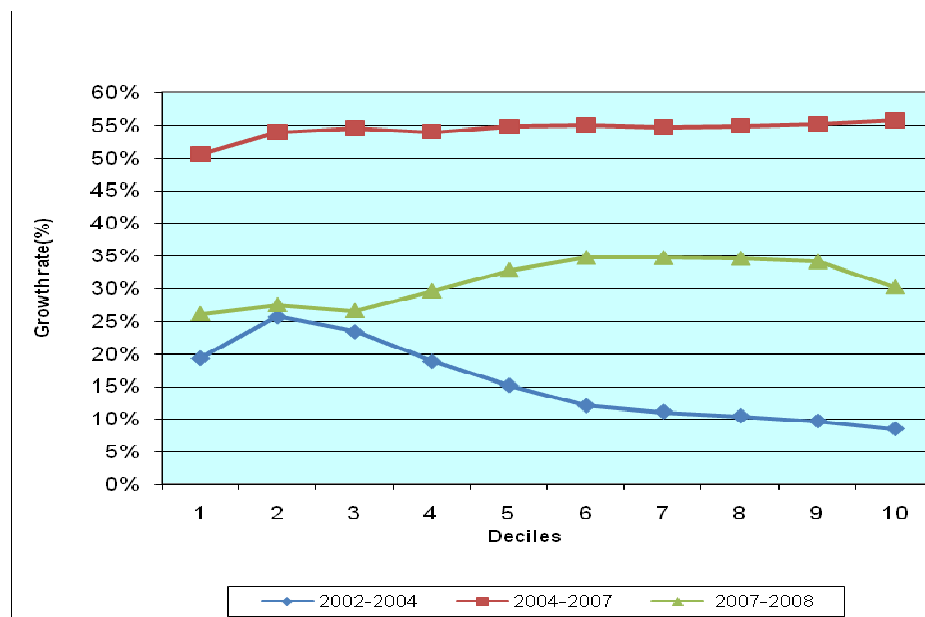
In 2005–2007 pensions increased both on the basis of governmental resolutions as well as on the basis of legal amendments adopted in 2007 which put more weight on a longer than 30 years work record covered by social insurance. During this period the ratio of an average old-age pension to an average (gross) wage grew by 1 percentage point. In 2006 and 2007 this ratio stood at 31.9% and 32.9% respectively (net – 43.8%).

In 2007 social insurance pensions were increased and, on the basis of governmental programme, a premium was introduced in the pension formula for long work record. This premium is calculated as follows: three percent of the basic pension is multiplied by the number of full year exceeding 30 years of work record. Due to that the main part of pension still grows after 30 years, because until then the basic part of pension could only be reduced proportionally in respect of individuals whose work record was below the required mandatory 30 years entitling them to a full pension. Increase of the basic part which does not depend on contributions paid is beneficial to individuals who worked for many years for low wages (in areas financed by the state budget or less qualified jobs).

As can be seen from growth of an average pension in deciles for 2007-2008 (see Figure 10), this premium mostly affected pensions whose amounts were below or equalled 1.5 of an average old-age pension, and had less impact on largest pensions. This premium will also encourage a long stay on the labour market. An average old-age pension has grown by approximately 8% due to the introduced premium for extensive work record.

In light of limited financial funds available, the Government set itself a priority in 2007 to increase smaller pensions at a more rapid pace in order to avoid poverty among the retired population. Therefore, on 1 January 2008 for the purpose of increasing pensions the national law on pensions was amended so that the basic part of pension equalled not 100%, but 110% of the basic pension. This was instrumental in reinforcing the impact of the basic part of pension on the final pension calculation formula and in a relatively more substantial increase of small pensions.

Figure 10. Growth of an average pension in deciles, 2002–2008



Source: the Ministry of Social Security and Labour

Such an affect was achieved having taken into account the specifics of the formula for calculating social insurance pension. A social insurance pension is made up of three elements – the basic, supplementary and premium for work record. When increasing pensions two constituent elements may be increased – the basic pension and annual insured income. The basic pension is a unit of measurement of the basic part of a pension and depends only on the work record of an individual, i.e. everyone with a mandatory work record is eligible to the same basic element of a pension which equals a basic pension. Whereas a supplementary part of a pension depends on a work record and on income as well on their ratio to the annual insured income as established by the government. Upon increase of annual insured income, a supplementary part of a pension increases individually, i.e. with regard to work record and income received. Individuals with a mandatory

work record who used to receive small wages get small pensions; upon increase of a pension base and insured annual income, they would increase at a slower rate compared to large pensions. Hence, in order to increase small pensions more substantially, a basic part of pension was equalled to 110 percent of a basic pension. In this way individuals with a mandatory work record would eventually get higher social insurance pensions.

Unfortunately, such results of the governmental social policy are not yet reflected in the 2006 survey of the population income and standards of living (neither in indicators assessing the pension system), because the 2006 survey was based on population income received in 2005 (see Table 5).

Table 5. At-risk of poverty rate by sex and age groups

| <i>Total</i> |      |     |     |     |
|--------------|------|-----|-----|-----|
|              | 0–64 | 60+ | 65+ | 75+ |
| 2005         | 21   | 17  | 17  | 23  |
| 2006         | 20   | 21  | 22  | 28  |
| <i>Men</i>   |      |     |     |     |
|              | 0–64 | 60+ | 65+ | 75+ |
| 2005         | 21   | 11  | 6   | 6   |
| 2006         | 20   | 12  | 10  | 10  |
| <i>Women</i> |      |     |     |     |
|              | 0–64 | 60+ | 65+ | 75+ |
| 2005         | 21   | 20  | 22  | 30  |
| 2006         | 19   | 25  | 28  | 35  |

Source: Eurostat database

disposable income of working age population (0-64 years) and that of the elderly (65+). This indicator illustrates that income at the disposal of the retired population and the standard of living guaranteed by this income relative to that of the population aged 0-64 slightly changed from 2005 in 2006: it dropped from 0.75 to 0.7 for women and from 0.9 to 0.82 for men. The change in this indicator was affected by a rapid economic growth when people of active age felt the impact of growing economy more intensively than pension beneficiaries.

An aggregate replacement ratio (the ratio between non-equivalised median personal income from pensions of persons aged 65-74 relative to non-equivalised median personal income from earnings of persons aged 50-59) also underwent changes: it changed from 0.5 to 0.47 for men (EU25-0.54) and from 0.44 to 0.42 for women (EU25-0.5).

One of indicators illustrating adequacy of future pensions is a theoretical pension replacement rate for a hypothetical worker (retiring at 65 after 40 years with average earnings). If pensions continue to be indexed at the growth rate of wages, a forecasted theoretical replacement rate (gross) for such worker should grow by 1 percentage point from 2006 to 2046.

A higher at-risk-of-poverty- rate of retirement-age women is linked with longer breaks (child raising periods) during periods of employment, lower wages and, hence, smaller social insurance pensions. According to the data of the State Social Insurance Fund Board, an average women's pension equals 83 percent of men's pension. Before 2007, the year the widow(er) pension reform was launched, this difference was even greater – women's pension accounted for approximately 81 percent of men's pension. The social insurance widow(er) pension reform implemented in 2007–2008 was aimed to harmonise widow(er)'s pension rates and facilitate eligibility conditions for people of retirement age. This reform was in particular favourable to women's income of retirement age.

Before 2007 widow(er)'s pensions were granted to individuals who had reached retirement age on the date of spousal death or within five years after the date of spousal death. Since 2007 this five-year limitation period has been abolished and widow(er)'s pensions are now granted to all

Changes in at-risk-of-poverty-rate in 2006 were affected by a slightly lagging growth of social insurance pensions compared to a very rapid growth of wages (wages grew 3.7 percentage point more than social insurance pensions; see Figure 9).

An indicator reflecting poverty intensity, namely relative median at-risk-of-poverty-gap in 2006, showed that median disposable income of the retired population of 65 and above (men and women alike) being at-risk-of-poverty receive income 13 percent below the poverty threshold, whereas the remainder of the population at-risk-of-poverty (younger than 64) receive income which is 31 percent below the poverty threshold.

One of vital indicators appraising pension adequacy is a comparison of equivalised

individuals who have reached a retirement age. As a result of the abolished age-related limitation widow(er)'s pensions were granted to roughly 29 thousand people. Another step of the reform – harmonisation of social insurance widow(er)'s pensions. Before 2007 Lithuanian social insurance widow(er)'s pensions used to be of three levels – one group of individuals used to receive the lowest fixed-rate social insurance widow(er)'s pensions that had been earmarked for people who had died before 1995, the second group used to get 50% of social insurance widow(er)'s pension of a spouse who had died after 1995 which would not be subject to increase, whereas the third group used to get 20% of the dead spouse's pension. In order to harmonise the rates of widow(er)'s pensions, a new fixed-rate widow(er)'s pension was introduced, by means of increasing the lowest widow(er)'s pensions up to the newly established rate. According to the data of the State Social Insurance Fund Board, widow(er)'s pensions were increased to 130 thousand people (or 60% of widow(er)'s pension beneficiaries).

The widow(er)'s pension system was changed in two directions – in the form of enhancing assistance to retirement-age single individuals widow(er)s and orphans until 18 or 24 years of age if they are studying. Therefore, since 2004 there has been a consistent increase from 25 to 50% of pension rate of a deceased allocated to one orphan (in the event of two or more orphans they would receive 100% of the state social insurance pension of the deceased). As a result of these measures and of the December 2007 indexation, an average monthly orphan's pension was three times higher than the one of December 2003 (from LTL 73.77 to LTL 222.30).

In 2005 a social integration reform for the disabled was implemented, which changed considerably the disability recognition procedure. Disability is now linked to capacity to work and not merely to health condition. A capacity for work level is established only in respect of working age individuals. Pensions of work incapacity thus replace only part of income lost due to disability, whereas for the purpose of reimbursing additional expenses certain supplementary targeted compensation benefits were introduced to compensate for nursing or attendance (assistance) services. Since these targeted compensations used to be integrated into a pension before the 2005 reform and their size used to be linked to a social insurance basic pension, it would be prudent to analyse income of the disabled drawn from the pension system by way of taking into account such compensations.

Payment of targeted compensations to the disabled were carried out in several stages: first of all such benefits were introduced to disabled children and disabled whose status of disability had been recognised before a person reached 24 years of age; since 1 January 2006 the eligibility for these compensations was expanded to include disabled of old-age pension age; and, lastly, as of 1 January 2007 – to all disabled, regardless of their age at the moment of disability recognition. Therefore, at present all the disabled who have been recognised in need of special nursing or attendance (assistance) services receive targeted compensations. A targeted compensation for nursing services amounts to 2.5 of a social insurance basic pension, whereas a targeted compensation for assistance services– 0.5-1 of a social insurance basic pension. These benefits are paid together with the payments of old-age or work incapacity pensions, which allows ensuring a higher level of income of the disabled. Unfortunately, the new system is still in the process of development and there is no central database yet, which, when connected to the social insurance database, could allow assessing a general level of income of the disabled.

It is expected that all these social security policy measures will have a positive impact on the level of income of people eligible for old-age pensions and of the disabled and on the adequacy of the income.

One of the key objectives while striving to ensure adequate pensions remains increasing of employment, expansion of coverage and improvement of the social insurance system administration, so that all employed people would participate in the social insurance pension system, thus resulting in a better financing of the pension system; another objective for the future is to make more elderly people eligible for a social insurance pension.

As has already been mentioned, extension of the social insurance coverage to certain groups of self-employed individuals not covered by a mandatory social insurance remains an issue. Due to



specifics of their professional activities (cultural workers, farmers) no solution satisfying all stakeholders have been found yet. The Seimas of the Republic of Lithuania has established a working group to analyse experience of other states and to seek possible solutions. Once an appropriate solution is found, the social insurance system would cover representatives of certain specific professional activities and a social insurance pension would be available to all employed people, regardless of the form of employment. For more information about a forecasted benefit of increased coverage for social insurance pension in terms of adequacy of benefits guaranteed by the PAYG pension system as well as the financial sustainability of the system itself, read the following chapter of the report.

### ***3.2.1. Measures aimed at ensuring sufficient income and standards of living***

The aim of sufficiency of pension income and bridging men vs. women pension income gap will be implemented with the help of the following measures:

1. A pension premium for single individuals is foreseen to be introduced. The recent years have witnessed a gradual shift towards such a system which will first of all harmonise widow(er)'s pension rates and focus eligibility criteria for people of retirement age. An introduction of a premium or higher pension for single individuals requires detailed administrative arrangements to rule out possibilities of abuse. On the basis of the currently effective procedure, part of single old-age pensioners do not receive widow(er)'s pension because they have never been married or have divorced before becoming eligible for a widow(er)'s pension. Since a majority of single individuals is mostly women, introduction of such a premium would increase women's income.
2. Amendment of the national pension law in order to better reflect periods of raising children until 3 years of age or nursing of the households when granting social insurance pensions. Before adoption of the 1995 pension law all periods of raising children used to be calculated into a work record but only in respect of working women. As of 1999 non working parents as well started to be insured for a basic part of pension with the state paying social insurance contributions, and as of 2008 they are insured for a full pension calculated on minimum wages. Carers started to be insured for a basic part of pension also only from 2000 and for the full pension – as of 2008. Hence, insurance from the state funds does not cover all periods; people who, due to objective reasons suspended their employment and were carrying out activities for the public good may, as a result, get smaller pensions. As a rule, women tend to grow children or care for members of their household for longer periods; a solution to this problem must decrease women vs. men pension income difference.

### **3.3. Financial sustainability of the pension system**

Social insurance pensions are financed from contributions paid from wages of people covered by social insurance and contributions of self-employed people. In 2008 employers pay 23.85% contribution from employees' wages and employees – 2.5% on their wages to the social insurance system. Self-employed people who are insured only for a basic part of a social insurance pension pay a contribution which equals half of the basic pension. A group of the self-employed who are obliged to insure also for a supplementary part of pension pay a 15% contribution from the declared income. Upon the launch of II tier I pillar pension system, as of 2004 part of contributions collected into the State Social Insurance Fund are being transferred to private pension funds. In 2004 2.5 percentage points of a contribution were transferred, in 2005 – 3.5%, in 2006 – 4.5%, in 2007 – 5.5%. No further increases of this part of the contribution are foreseen.

On the basis of the 2007 budgetary implementation report of the State Social Insurance Fund, expenditure of social insurance pensions accounted for 6.3% of GDP, while transfers into pension accumulation funds – 0.9% of GDP. The total social insurance pension budget was positive – 0.7%

of GDP. According to preliminary data of the Department of Statistics, expenditure on all pensions, including state and social assistance pensions, account for 6.8% of GDP.

Transfer of part of social insurance contributions into private pension funds in 2004–2007 was partially (by 50%) funded by state allocations (from the means of the Reserve (Stabilisation) Fund).

In 2004–2007, LTL 1864 million were transferred to personal pension accumulation accounts (0.3% of GDP in 2004, 0.4% of GDP in 2005 and up to 0.9% of GDP in 2007). The contribution rate to be transferred to private pension accumulation funds reached the ceiling of 5.5% in 2007, quite a large number of the insured participate in pension accumulation (by the end of 2007 the number stood at 880 thousand or 69 percent of the population of Lithuania insured for a full pension), thus, transfers into these funds have reached the stabilisation point.

It is forecasted that in 2008 1% of GDP (or LTL 1130.5 million) will be transferred, in 2009 – 1.1% of GDP (LTL 1337.5 million), in 2010 – 1.1% of GDP (LTL 1506.9 million). Such forecasts are subject to continuous adjustments due to larger than expected increase of wages and level of employment and pro-activeness of the insured in choosing pension accumulation.

Pension reform transition costs, which are about to reach the ceiling of 1% of GDP in 2020, will be financed from the social insurance sector surplus which would be generated by short-term improvement of the demographic situation and economic growth, as well as from the funds received from sold state assets, from the funds of the state budget and other financial resources. Drop in the costs is foreseen approximately in 2030, when almost half of pensioners will start receiving reduced state social insurance old-age pensions (a supplementary part of an old-age pension is reduced proportionally to the size of the contribution rate transferred to pension accumulation) together with annuities generated by the accumulated amount.

Although the implementation of the pension reform will call for additional expenses, in a long-term perspective commitments to future pensioners will be reduced and a negative impact of aging will be reduced. It is forecasted that from 2020 to 2050 expenses of PAYG pensions will gradually decrease by one percentage point of GDP.

From a long-term perspective (until 2050), it is projected that, on assumption that a real rate of return on pension funds would be 2.5% (3% real rate of return, 0.5% - administration fees), a theoretical pension replacement rate for worker retiring at the age of 65, having 40 years of work record with an average wage, would be 42%, of which 62% will be made up of a reduced social insurance pension (replacement rate – 26%) and 38% of the accumulated pension (replacement rate – 16%). Part of pension accumulated at pension funds should fully compensate the reduced part of a social insurance pension.

In 2005–2007 an average yield on pension assets achieved by pension funds accounted for almost 4%. Whereas an administration fee varied from 1% of controlled assets to 3% of a contribution paid. Obviously, such administration fees will have a major impact on a real return on investments (after deductions). Already now a tendency is observed of positive results achieved by those pension funds of pension accumulation companies which applied a minimal or zero administration fees, compared to other pension accumulation companies. Therefore, the

Government has submitted to the Seimas of the Republic of Lithuania legislative amendments to laws regulating pension accumulation system, providing for a reduction of an administration fee ceiling and promoting competitiveness among pension fund operators.

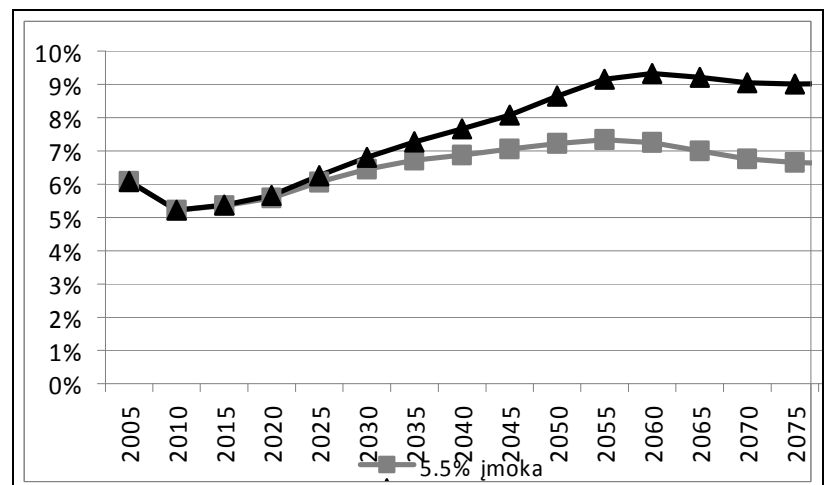
Sustainability of public finances in a long-term perspective is determined by demographic structural changes. In 2005 Lithuania drafted an integrated budgetary projection of sustainability of public finances (hereinafter referred to as the projection), which makes it possible to forecast impact of demographic changes on long-term sustainability of the pension system, health care system and educational systems and foreseeing appropriate actions to ensure stability of these systems.

According to projections made on the basis of demographic (projected dependence ratio of the elderly will grow from 22.3% in 2004 to 44.9% in 2050) and economic assumptions of the Aging Working Group (AWG) of the Economic Policy Committee (EPC) of the European Commission pension expenditure in 2005–2050 of the state pension system will grow by 1.9% of GDP.

On the basis of Eurostat's projection of Lithuania's demographic situation until 2061, the number of population in Lithuania is to drop down to 2.74 million from 2007 to 2050 or by 19.1%. Moreover, the number of population aged 0–14 is to decrease from 15.9% to 12.2%, working age population (aged 15–64) – from 68.5% to 58.1%, while the group of the elderly (aged 65 and older) is to increase from 15.6% to 29.7%.

The 2007 convergence programme presented a long-term pension sustainability projection for the period until 2050. The projection was developed on the basis of 2006 preliminary statistics as well as economic and employment projections for 2010–2050 submitted by the Directorate General of Economic and Financial Affairs of the European Commission.

Figure 11. Expenditure of state social insurance old-age pensions in 2005–2080 (% from GDP)



Source: Ministry of Social Security and Labour (the projection was made on the basis of 2005 preliminary statistics and economic/employment projections for 2011–2050 provided by the Directorate General for Economic and Financial Affairs of the European Commission)

Table 6. Pension expenditure (in % of GDP) in 2000 and 2005 and projection of changes thereof 2010–2050.

| Indicator   | GDP, % |      |      |      |      |      |
|---|--------|------|------|------|------|------|
|   | 2000   | 2005 | 2010 | 2020 | 2030 | 2050 |
| 1. Pension expenditure  | 7.8    | 6.67 | 5.99 | 6.37 | 7.22 | 8.65 |
| 1.1. to social security pensions                                    | 7.8    | 6.67 | 5.99 | 6.37 | 7.22 | 8.65 |
| 1.2. old-age and early old age pensions                             | 6.9    | 5.70 | 5.04 | 5.42 | 6.28 | 7.66 |
| 1.3. other pensions (disability, widow(er)'s and orphan's pensions) | 0.94   | 0.98 | 0.95 | 0.95 | 0.94 | 0.99 |

Table 6. Pension expenditure (in % of GDP) in 2000 and 2005 and projection of changes thereof 2010–2050.

| Indicator  | GDP, % |      |      |       |       |       |
|--|--------|------|------|-------|-------|-------|
|  | 2000   | 2005 | 2010 | 2020  | 2030  | 2050  |
| 1.4. occupational pensions (public sector)                               | –      | –    | –    | –     | –     | –     |
| 2. Pension contributions (or appropriate social insurance contributions) | 7.09   | 7.02 | 7.22 | 7.29  | 7.27  | 7.06  |
| The pension reserve asset fund   | 0.13   | 1.72 | N.A  | N.A   | N.A   | N.A   |
| • of which consolidated public pension asset fund *                      | 0.00   | 0.48 | 4.05 | 11.62 | 20.13 | 36.64 |

\*Financial assets accumulated in private pension funds of II tier I pillar pension system.

| Assumptions  | 2000 | 2005 | 2010 | 2020 | 2030 | 2050 |
|--|------|------|------|------|------|------|
| Labour productivity growth   | 9.7  | 7.1  | 5.3  | 3.6  | 2.7  | 1.7  |
| Real GDP growth  | 4.1  | 7.6  | 6.4  | 3.0  | 1.9  | 0.4  |
| Labour force participation rate, male (aged 20–64)   | 82.1 | 81.5 | 85.6 | 87.6 | 88.0 | 86.3 |
| Labour force participation rate, female (aged 20–64)                                       | 74.2 | 72.7 | 77.8 | 81.4 | 82.2 | 79.7 |
| Labour force participation rate, total (aged 20–64)  | 77.9 | 76.9 | 81.5 | 84.4 | 85.0 | 83.0 |
| Unemployment rate*   | 16.4 | 8.3  | 5.1  | 7.0  | 7.0  | 7.0  |
| Share of population aged 65 and older from the total population (at the start of the year) | 13.7 | 15.1 | 16.1 | 17.5 | 21.4 | 26.7 |

\*Based on recent data unemployment may be lower.

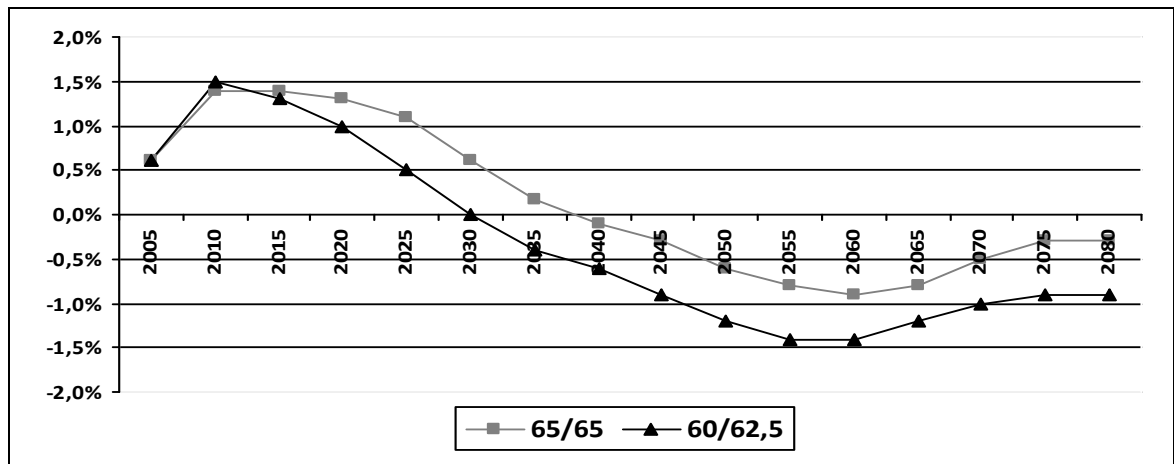
The table presents expenditure of social security pension systems: of social insurance and state pensions (including social assistance pensions) (excluding private pension funds controlled by pension accumulation companies) and income from social insurance contributions. In accordance with projections made, taking into account a growing share of aging population, decreasing share of children and working age population, budgetary expenditure of the public sector (GDP share) to pensions will grow by 1.98 percentage point of GDP.

Regardless of the successful launch of the pension system reform, the pay-as-you-go pension system will continue to dominate in Lithuania. Its financial sustainability in a long-term perspective will be affected by demographical structural changes of the population, which follow the negative trend as the remainder of Europe – a total fertility rate (the number of births per one woman) in Lithuania dropped from 2.03 in 1990 to 1.24 in 2002. On the other hand, an improving economic situation permitted taking into account the social needs of parents with children, resulting in appropriate measures in order to ensure sufficient income during periods of raising children and better reconciliation of family and professional life. One of the measures introduced was an increased rate of maternity (paternity) social insurance benefits. National birth rates were gradually reversed: the total fertility rate in 2006 grew to 1.31, while in 2007 (on the basis of preliminary data) it reached 1.35.

In light of a too low pension replacement rate in Lithuania, financial sustainability of this pension system cannot be achieved by means of reducing social insurance pensions. On the contrary, the aim is to increase these pensions. This aim makes it difficult to effectively ensure solution to financial stability issue of the pension system. An important measure which will be instrumental in decreasing the social insurance pension system deficit is a retirement age increase.

The issue of increasing retirement age is raised both by non-profit organisations and employers. It is forecasted to increase the retirement age as of 2012 by 2 months for men and 4 months for women every year, until the retirement age for both sexes reaches 65 years by 2026.

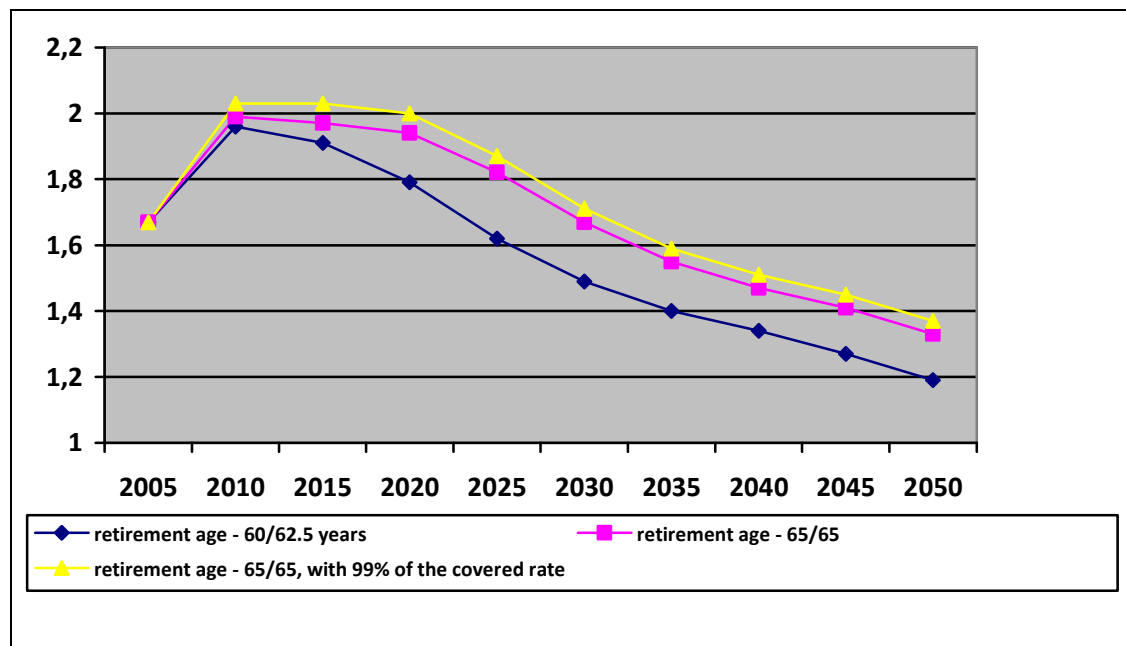
Figure 12. Projections of the impact of retirement age increase (2012–2026) on the balance of the state social insurance pension system for 2005–2080 (with assignments from state budget) (% of GDP)



Source: Ministry of Social Security and Labour

Figure 12 shows that retirement age increase will have a clearly positive result on the balance of state social insurance pension system (app. 0.6% of GDP) by means of delaying budget deficit by 7 years to as late as 2037. This projection was made on the assumption that the state would appropriate for the social insurance fund 50% of the total amount of all the contributions transferred to private pension accumulation funds. This positive effect will be achieved due to an improved ratio of contributors to pensioners.

Figure 13. Projection of the ratio of Contributors to pensioners



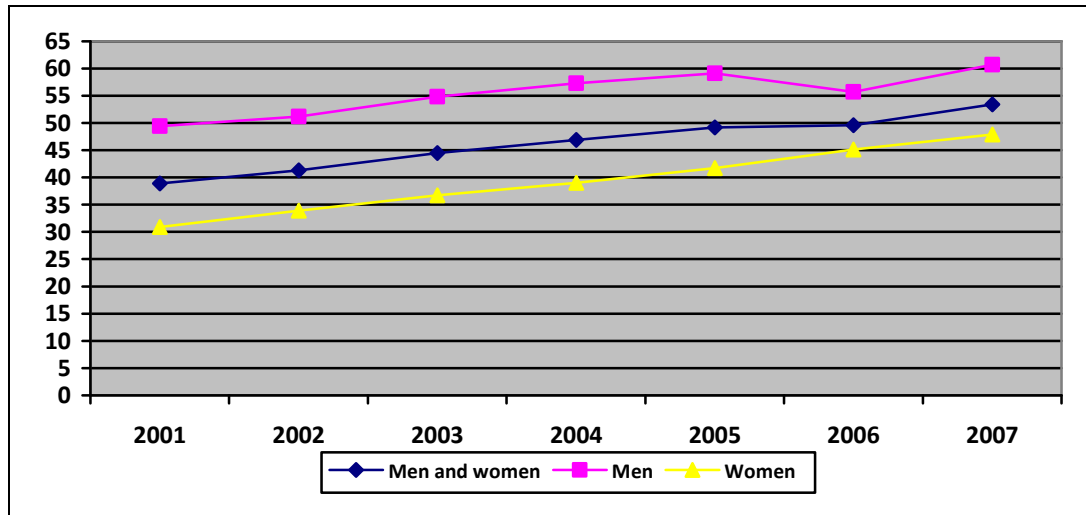
Source: Ministry of Social Security and Labour

One of the priorities stipulated in 2005 as well as 2006–2008 national reports was reconciliation of the aim to ensure adequacy of social insurance pensions with financial balance of the pension system without further increasing the social insurance taxation burden for the labour market but rather expanding the level of employment and participation in the social insurance system.

Lithuania has already successfully achieved one of the Lisbon strategy aim, i.e. that of increasing the employment rate among the elderly (aged 55–64). The Lisbon strategy foresees at

least 50% of the employment rate among the elderly aged 55-64 by 2010. In Lithuania the employment level in the group aged 54-64 has reached 53.4%, which is by 8.4 percentage point higher than the EU25 average. Whilst the level of women's employment was growing more rapidly than men's, the difference between men vs. women employment shrank by 5.7 percentage point during this period.

Figure 14. Employment rate in percentage among population aged 55-64 in 2001-2007, broken down by sex



Source: Ministry of Social Security and Labour

As mentioned above implementation of various policy measures to further the Lisbon strategy aims was instrumental in the growing level of employment. The adopted laws on Support for Employment and Vocational Training provide for various privileges to employers offering employment to the disabled and the elderly seeking employment. According to the Law on Support for Employment, in addition to general measures of active labour market applicable to the unemployed there is a measure of subsidised employment applicable to unemployed older than 50 years of age which is a population group benefiting from additional support. Employers who employ a person above 50 every month receive a subsidy to reimburse expenses of the employer of paying wages to that person and mandatory state social insurance contributions for that person.

Several other measures were implemented targeted for enhanced integration of persons from social risk groups, in particular, the disabled, into the labour market (a new procedure for establishing the level of capacity for work of a disabled person which allows for a more objective assessment of a person's abilities to work and help this person stay on the labour market with the help of professional rehabilitation programmes for the disabled, establishment of social enterprises, privileges for the employers foreseen in the Law on Support for Employment for having employed a disabled person). In 2007, 23 enterprises were granted the status of a social enterprise for support of most socially vulnerable persons, by the end of 2007 there were 64 social enterprises employing 2.476 staff members, of which 61% were the disabled.

As regards pension insurance of specific professional groups (working on the basis of copyright agreements, farmers, etc.) it has to be noted that if a legislative amendment was adopted to the Law on State Social Insurance that all farmers and their partners of a working age should be insured for a full pension, with contributions being calculated on minimum monthly wages (MMW), the revenues of the State Social Insurance Fund Board would increase by LTL 86 millions in 2008 (accounting for 0.08% of GDP). If farmers and cultural workers were included into the social insurance scheme, the social insurance coverage would grow from 96% to 99% of all the employed, resulting in the growth of the budget of State Social Insurance Fund Board by 0.24% of GDP.

Summarising, it can be said that all such changes of the pension system (additional inclusion of the insured, postponement of retirement age, enhanced employment level) is reflected in the developments of the ratio of contributors to pensioners. The higher the ratio the better opportunities there would be to maintain a balanced pension system.

Financial sustainability of the pension system could be ensured by means of expanding the financial resources of funding. At present social insurance pensions are financed from contributions on wages. With the aging population this burden on the labour force is to become heavier. It would be prudent to consider transferring the burden of funding of at least part of a social insurance pension, e.g. of the basic part which does not depend on contributions paid, to the state budget which enjoys many more sources of funding. This would allow preventing a possible increase in social contributions and even considering a decrease thereof, thus stimulating business competitiveness.

### ***3.3.1. Measures to ensure financial sustainability of the pension system***

In order to ensure financial sustainability of the pension system in parallel to increasing adequacy of pension benefits it is foreseen:

1. as of 2012 introduce a gradual postponement of retirement age for men and women until it reaches 65 years of age by 2026;
2. expand the coverage of the system through the involvement of new population groups not covered by social insurance;
3. increase the employment rate of pre-retirement age population, also with the support from the European structural funds.

### **3.4. Modernisation of the pension system**

The Lithuanian social insurance pension system is almost homogeneously applied to all persons insured for social insurance pensions, with only one exception – certain self-employed groups of population not insured for this type of insurance. Such people are insured either for a basic part of a social insurance pension and are not insured for a supplementary part of this pension (e.g. people working on the basis of a business certificate) or are insured for the full social insurance pension, provided that annual income from individual activity exceeds 12 minimal wages, or are not insured at all (farmers, people working on the basis of copyright agreements). From the point of view of duration of an employment contract, continuous and discontinued work record, part-time or full-time work is treated identically in the social insurance pension system. Thus, it can be concluded that this pension system does not exclude such persons nor does it limit in one or other way their choice to work or not. Staying on the labour market is encouraged by a statutory eligibility to a full pension, regardless of received insured income. A working pensioner who receives a full pension, upon completing an additional 1 year of his work record, may address the bodies in charge of reviewing his or her pension to take into account the new data on work record and received wages. No taxes are levied on pensions in Lithuania.

Since social insurance pensions are universal they cover the entire national territory and almost do not depend on the area of people's professional activities, they do not restrict geographical or professional mobility of individuals. There is only one exception – professional activities of certain groups of self-employed individuals. As mentioned above, part of such individuals are not covered by mandatory social insurance, another part is insured only for the basic part of a social insurance pension. However, in order to ensure population employment and improve financial sustainability of the pay-as-you-go pension system, certain measures have been foreseen to increase social insurance coverage.

In order to increase income of the elderly (women, in particular), a decision was made to insure for a full pension all individuals raising children or caring for patients at home. This decision will prevent longer breaks within employment activities when, due to objective reasons, an individual cannot work, receive wages and pay mandatory social insurance contributions. This

decision should be instrumental in minimising at-risk-of-poverty-rate for women of retirement age. At present the duration of an acquired work fails to take into account periods spent raising children and thus remains an issue for women receiving pensions. Social insurance pensions of women of (close to) retirement age are lower than men's pensions. As mentioned in the previous chapter, women pensions account for 83 percent of an average men's pension.

Certain measures have been foreseen in 2008–2010 targeted at minimising women vs. men old-age pension differences and thus contributing towards mitigation of poverty among elderly women. Once implemented, these measures will allow the social insurance pension system better reflect women's needs and, considering specific breaks within women's professional activities and the aim of the Lisbon strategy to reconcile professional and family life, they will be instrumental in ensuring higher women's pensions.

Since the launch of accumulation of part of pensions in II tier, I pillar pension funds in 2004, there is a very clear need for a more detailed regulation of pension benefits from such funds. The Insurance Supervisory Commission set up an inter-departmental working group for the purpose of adjusting the model of pension benefits. The key issues analysed within this working group are related to appropriate application of mortality tables in calculating annuities, development of a centralised system for selection and payment of benefits, identification of types of mandatory benefits, problems of annuity indexation. Application of appropriate mortality tables becomes an issue due to a lack of demographical data in Lithuania necessary for drawing exact mortality tables (in particular due to various life expectancy norms in rural vs. urban population and the size of population). Consequently, insurance companies established on the basis of foreign capital use mortality tables of their parent companies (e.g. based in Germany) for calculating their annuities which do not allow for a precise reflection of mortality forecasts of potential buyers of pension annuities in our country. Once the working group identifies the most appropriate solutions, the necessary legislative amendments will be initiated to implement the selected model of pension benefits.

By order of the Ministry of Social Security and Labour yet another working group was established to deal with more general issues, such as analysis of and improvements to the pension accumulation system. The working group includes representatives of the Ministry of Social Security and Labour, the Ministry of Finance, the State Social Insurance Fund Board, the Securities Supervisory Commission and the Insurance Supervisory Commission of the Republic of Lithuania, Association of Life Assurance Companies of Lithuania and the Association of Investment Management Companies. In order to ensure a safer and more effective functioning of pension accumulation system, the working group members examine the system and submit proposals for improvement.

The working group will mainly focus on improvement of the model of administrative deductions' from pension assets, better regulation of investments of pension assets, ensuring competition between pension accumulation companies and submission of quality information on the performance indicators of pension funds. As was mentioned in Chapter 1, several amendments to the Law on the Accumulation of Pensions related to improved information services to participants in pension accumulation have entered into force as of 2007. The Ministry of Social Security and Labour has already submitted for the Seimas' consideration legislative amendments to the Law on the Accumulation of Pensions on the basis of which the allowable ceiling for administrative deductions applied by pension accumulation companies will be lowered and the conditions for changing pension fund operator will be simplified. It is proposed reducing the ceiling of deductions from pension assets accumulated in conservative pension funds to 0.5% (instead of the currently effective 1%), and with regard to deductions from contributions paid into conservative funds – to 2% (instead of the currently effective 10%). Moreover, a zero fee should be applied in the event of change of pension fund operator (contrary to the current situation, where it is necessary to reimburse actual costs which, however minimal these might be, are not known in advance). It is expected that such amendments will strengthen competition among pension accumulation companies.



The key institution supervising the pension system in Lithuania remains to be the Ministry of Social Security and Labour. Data on the expansion of the state social insurance system, its financial status, rates of benefits and dynamics of the insured are forwarded to the Ministry by the State Social Insurance Fund Board on a regular basis or upon request. Data on activities of pension accumulation companies are submitted by supervisory bodies, namely the Securities Supervisory Commission and the Insurance Supervisory Commission. The Department of Statistics transmits data which are instrumental in analysing the general income level of the retired population, comparing it with income of other population groups, as well as demographical and general economic indicators. As a public information tool on all innovations and relevant issues in the pension system remain to be an annual publication of the Ministry of Social Security and Labour – the Social Report – which presents the aims of reforms, describes in detail the contents, legal measures and analysis of consequences, as well as the ministerial webpage ([www.socmin.lt](http://www.socmin.lt)). In addition to the Ministry of Social Security and Labour, the general public is informed about the situation in the social insurance pension system by the State Social Insurance Fund Board ([www.sodra.lt](http://www.sodra.lt)).

The Ministry of Social Security and Labour runs a specialised website [www.pensijusistema.lt](http://www.pensijusistema.lt) which provides an in-depth information on the pension system to individuals interested in the pension accumulation (transfer of part of their social insurance contribution to private pension funds), about operating pension accumulation companies, developments in their unit values, net assets and applied administration fees, participants broken down by age, wages and pension accumulation companies. The website has an on-line pension spreadsheet which allows calculating and comparing a forecasted pension with participation in pension accumulation or by means of staying with the state social insurance system. A possibility to choose the level of wages, return on the funds investments and administration fees permits a person of a certain age and sex to assess their potential risk and benefit of participation in pension accumulation and making an informed decision whether or not to participate in pension accumulation, which pension accumulation company or pension fund (of active investment, mixed or conservative type) to choose. The website presents the latest effective legislative amendments and advices of qualified specialists.

The State Social Insurance Fund Board is carrying a campaign on storing data about wages of the insured before 1994 when an electronic database of data submitted by employers had already been introduced. Every insured individual who can identify himself or herself in an electronic banking system may find out the amounts of their insured income which were subject to social insurance contributions after 1994 and before 1994, provided they have already submitted this data to the Board. For the moment a future pension can only be calculated within a territorial branch of the State Social Insurance Fund Board on the basis of a personal contact, however, it is foreseen to provide for such a possibility through an electronic banking system or electronic signature.

## **4. STRATEGY FOR THE NATIONAL HEALTHCARE AND LONG-TERM CARE POLICY**

The aim of the healthcare policy is to motivate people to lead healthy life and if they fall ill – to duly provide quality and accessible healthcare services efficiently using available resources. The healthcare system reform continues and one of the main elements thereof is restructuring of the healthcare system for the individual and the public. The network of healthcare institutions is further updated, the scope and structure of healthcare services provided is being optimised taking account of healthcare needs of people. The need for healthcare and long-term care is conditioned by the changing demographical and epidemiological situation, growing expectations of the public and patients' rights. Development of medical technologies and information systems and economic pressures create prerequisites for implementation of changes in accordance with the changing needs of the public. Given longer life expectancy the number of cases of chronic diseases increases, and the birth rate crisis and more rapid emigration deprive the country of people of the working age.

Grave chronic health disorders and traumas determine the increase in the number of the disable in the country. Research shows that usually ill people are taken care of by their relatives. With the society ageing, the number of those able to provide care will be decreasing and those taken care of – increasing. Given the increase in the number of long-term care cases and changes in abilities of the society to take informal care of their relatives, the need for long-term care becomes more urgent. One of the criteria of efficient long-term care is integrated healthcare and social services. Expectations of service recipients also change along with demographical and epidemiological changes. Due to information technology patients become better informed about their rights and options and require better services. To meet patients' expectations, it is necessary to improve accessibility of services, to ensure continuous expansion of variety of services and improvement of organisation and provision of services focusing more on prevention, rehabilitation and care.

In a broad sense the integrated policy strategy is an important measure able to reduce healthcare inequalities for such socially vulnerable groups of people as the poor, children, the young, the elderly, single parents, the unemployed, migrants, political refugees and the homeless. Persons in these groups face numerous social and healthcare problems which can be solved only by efficient system management and integrated approach.

In 2007 the goal was to improve accessibility and quality of healthcare services reforming the healthcare system, implementing prevention programmes, increasing salaries of medical staff, developing services at private healthcare institutions and modernising healthcare institutions.

The National Public Health Care Strategy of Lithuania is being implemented focusing on the following main goals: to improve health of people, particularly children and youngsters, to prolong life expectancy, to reduce morbidity with infectious and non-infectious diseases, mortality and disability. The public healthcare system is being reformed by separating public administration functions from provision of services. Resolution No. 1228 of the Government of the Republic of Lithuania of 13 November 2007 approved the State Programme of Public Healthcare Development in Municipalities for 2007-2010. Since 2007 there are 4 municipal public health offices (in 2008, 22 more municipal public health offices were established) which perform public health monitoring, community education in health issues, draft and implement public health programmes and strategies, encourage the community to act by involving it and other social partners in well-being activities.

To enhance mental health of the society, the Parliament of the Republic of Lithuania adopted Resolution No. X-1070 of 3 April 2007 approving the Mental Health Strategy. There is an implementation programme for the Mental Health Strategy drafted and approved by the Government of the Republic of Lithuania on 18 June 2008. Implementation of the programme is to increase accessibility of mental healthcare services for the public, to modernise inpatient psychiatry

services in accordance with the EU requirements, to establish crisis intervention centres, etc. Healthcare of children and young people remains an important priority. There is a draft State Programme for Strengthening of Children's Health submitted for approval to the Government. To improve health of schoolchildren in rural areas, there are plans to increase the number of public health specialists at schools by appointing one full-time specialist for twice as small a number of students (now one full-time public health specialist is appointed for 1,000 pupils, and according to the plan – one will be appointed per 500-600 pupils). In 2007 the Compulsory Health Insurance Fund allocated LTL 7.9 million to healthcare at schools.

In implementing the National Immunoprophylaxis Programme for 2006-2008 approved by Order No. V-682 of the Minister of Health of 8 August 2006, persons attributable to risk groups for the first time are vaccinated with seasonal flu vaccine funded by the state.

The Ministry of Health coordinates implementation of more than 50 programmes and strategies approved by the Parliament of the Republic of Lithuania, the Government of the Republic of Lithuania and Minister of Health. Particular attention is paid to programmes implemented in the area of preservation and improvement of health of children and young people, mental health and prevention of suicides and violence, prevention of traumas and accidents, dependency diseases and tuberculosis, prevention of non-infectious diseases such as cancer, diabetes mellitus and cardiovascular diseases, HIV/AIDS prevention and control and promotion of organ and tissue donorship.

In 2007 the National Drug Control and Drug Use Prevention Programme, the State Cancer Prevention and Control Programme, the State Injuries Prevention Programme, the State Tuberculosis Prevention and Control Programme, the State Mental Diseases Prevention Programme, the Diabetes Mellitus Control Programme, the State Alcohol Control Programme, the State Tobacco Control Programme, the Cerebral Stroke Control and Prevention Programme, Human Tissue and Organ Donorship Promotion Programme and other programmes were implemented. In 2007 about LTL 3 million were allocated to these programmes from the state budget.

Much attention is paid to implementation of prevention programmes. In 2007 LTL 16 million were allocated to funding of prevention programmes, i.e. LTL 2.5 million more than in 2006. Three cancer prevention programmes are being implemented: programmes of early diagnosis of cervix cancer, breast cancer and prostate cancer and the programme for selection of persons attributable to a high-risk group of cardiovascular diseases and funding of preventive measures. Since 2008 a new Large Intestine Cancer Prevention Programme will be initiated. At the same time there are plans to develop and implement a system of invitations for regular health checks.

In implementing the provision of the Programme of the Government of the Republic of Lithuania for 2006-2008 – to ensure free prosthetic dentistry services, to reduce the number of people on the waiting list for endoprosthesis replacement – prosthetic dentistry, expenses for which are compensated from the CSIF budget, in 2007 services were provided for the amount of LTL 27 million, i.e. 3.3 times more than in 2006. Services were provided to 16.5 thousand persons. In reducing the number of persons on the waiting list for endoprosthesis replacement, Minister of Health issued Order No. V-638 of 1 August 2007 approving the procedure for compensation of endoprosthesis joint replacement and purchase of endoprosthetic joints.

Taking account of the results of the first restructuring stage, in 2006 the Strategy of the Second Healthcare Institutions Restructuring Stage for 2006-2008 approved by Resolution No. 647 of the Government of the Republic of Lithuania was started and continued. The second stage of restructuring of healthcare institutions aims at further development of primary healthcare and making it more accessible for people, treatment of widely-spread diseases at healthcare institutions located nearer to patients and to concentrate state-of-the-art technologies in university hospitals and hospitals with the largest numbers of patients; development of the care and supporting care system and its integration with social (care) services; improvement of quality of rehabilitation services.

In 2007 for the first time in municipalities care and social services were integrated and provided to patients together. Order No. V-1026 of the Minister of Health of 14 December 2007 approved the Requirements to Provision of Care Services in Outpatient Healthcare Institutions and

at Home. As planned, in 2008 healthcare institutions will have 700 places created for care where elderly people unable to take care of themselves will be provided not only care but also medical services.

According to the data of the State Patients' Fund under the Ministry of Health, in 2007 as compared with 2006 provision of priority services (outpatient consultations, reception, day inpatient services, monitoring, short-term treatment, day surgery) was 10.1% more and the scale of inpatient services decreased by 11.0%. In 2008 the need for these services is expected to decrease, which will make it possible to improve accessibility and quality of healthcare services.

In 2007 the Ministry of Health continued implementation of Measure 1.4 Restructuring and Modernisation of Healthcare Institutions of the Single Programming Document of Lithuania for 2004-2006 (hereinafter referred to as the SPD). Particular focus is placed on development of primary healthcare infrastructure in rural areas. From 2004 until the end of 2007, 47 primary healthcare institutions were modernised and quality and accessibility of primary healthcare services were improved for 192 thousand people.

To initiate a consistent and targeted healthcare reform in implementing an efficient and competitive healthcare system, in 2007 the Ministry of Health together with representatives of the President's Office, the Parliament of the Republic of Lithuania, the Government of the Republic of Lithuania, the Free Market Institute, the Association of Private Medical Institutions and other institutions drafted the Outline of Further Healthcare System Development until 2015. It is a document specifying the main directions of further development of the healthcare system and solutions to existing problems.

#### **4.1. Main Challenges, Priority Goals and Objectives Covering Healthcare and Long-Term Care**

Because of significant social and regional differentiation, there still are obvious differences in healthcare between certain social and economic groups. Assessment of demographic indicators shows that the Lithuanian society continues to age. In 2006 the average life expectancy was 71.12 years (men – 65.31 years, women – 77.06 years). One of the strategic goals of the healthcare system is to increase the average life expectancy of all people from 72.06 in 2004 to the expected level of 72.82 years in 2009.

Because of external reasons in 2006 as compared to 2005 the average life expectancy of men became longer. It was greatly influenced by the smaller number of suicides. Meanwhile, external causes of death had a negative impact on the average life expectancy of women – in 2006 it shortened to 0.07 years as compared to 2005.

To prolong the average life expectancy of the Lithuanian population and make it approach the European Union average (in 2005 it was 78.29 years), it is necessary to concentrate not only the efforts of the healthcare system but also efforts of other public sectors.

The Government of the Republic of Lithuania shaping the healthcare policy follows relies on prerequisites that health of the Lithuanian population and conditions of its preservation determine stability of economic development of the country and social security of people. The condition of public health directly influences the quality of life, the number of labour resources and their productivity, and morbidity and mortality of middle-aged people means loss of the human capital. Improvement of health of the Lithuanian people and assurance of proper healthcare is an important prerequisite for economic growth of the country and one of the policy priorities of the Government. One of the most important goals is to guarantee accessible, quality and uninterrupted healthcare and long-term care services:

1. To ensure monitoring of public health strengthening prevention and control of diseases. To implement the reform of the public health system, to ensure efficient functioning of disease prevention and control, to reduce morbidity and mortality of the population caused by negative impact on people's working and living conditions and to recognise healthy way of life to be a social norm. Much concern is raised by the increasing morbidity of children and young people, which implies that in implementing the public wellbeing policy, particular focus must be placed on

preservation and improvement of health of children and youngsters. To protect the population of the country from newly registered or repeatedly intensifying dangerous and very dangerous contagious diseases, attempts will be made to ensure protection of the country's population from import and spread of these diseases, and should they emerge – to quickly organise anti-epidemic measures to localise and liquidate foci of these diseases. It is also still important to carry out active drug control and drug use prevention and early diagnosis of persons using narcotic, psychotropic and other substances influencing the mental condition and treatment thereof at individual healthcare institutions.

2. To ensure accessible and quality healthcare by improving activities of individual healthcare institutions. To improve safety and quality of services provided by individual healthcare institutions and to ensure their compliance with the EU standards. Given the increase in the number of elderly people, growth of morbidity of children and the young, morbidity with mental and dependency diseases, mortality from accidents, traumas, cardiovascular diseases, malicious tumours, medical expenses are growing, the public becomes more concerned with healthcare and quality of its services, which is why it is important to create equal conditions for all citizens of the country to get access to the healthcare services needed, particularly focusing on health of children and young people. An efficient system of healthcare institutions of the state, counties and municipalities will be formed.

Assurance of accessibility of services of healthcare and long-term care that the need for these services would not cause poverty and financial dependence; it would also solve the problems of unequal opportunities to get access to healthcare and long-term care services. To improve quality of healthcare and long-term care services and adjustment of these services to the changing needs and preferences of the public and individual members thereof by creating and developing a network of preventive measures and drafting service quality standards and a system to monitor them.

3. To ensure efficient healthcare by improving administration and financing of the health system.

To improve management, coordination and financing of the healthcare system, to carry out restructuring of the network of healthcare institutions giving priority to primary healthcare and outpatient services, especially in dispensaries in rural areas, ensuring quality, safety and accessibility of healthcare services for the population. In implementing practical research and investment healthcare programmes, to ensure implementation of new modern treatment methods and improvement of the treatment process. Improving administrative capacities of the health system, to efficiently use the funds, to rationalise resources, to optimise expenses on individual healthcare, to ensure professional development of the staff and development of social security for medical staff.

The National Healthcare and Long-Term Care Policy Strategy remains one of the most important parts of the healthcare policy. As the integrated supervision system is still a developing area and the majority of initiatives are local, it is understood differently. Attempts are made to unite the available health system resources, distribute, manage and organise them using the resources of institutions related to diagnosis, treatment, care, rehabilitation and wellbeing. The link between various financing, administration, organisation, service provision and clinical levels remains essential for promoting integration of the healthcare sector and the social sector, their integrity and cooperation.

## **4.2. Health care**

### **4.2.1. Progress in Meeting Challenges of NSASA Strategies for 2006-2008 and Joint Report for 2007**

There are visible changes in the health system, positive results in some health indicators have been reached – changes in newborn mortality, reduction of the number of premature newborns, tuberculosis morbidity (although the morbidity rate is still high as compared to the average of the European Union) and some other contagious diseases, high children immunisation level, implementation of cancer prevention programmes and other indicators. Improvement of the structure of healthcare services continues by promoting development of services of family doctors,

outpatient and day surgery and other alternative forms of provision of these services and refusing excessive and unjustified use of inpatient services, by modernising healthcare institutions, implementing new technologies which allow replacing some inpatient services with outpatient ones. Care and supporting care services are developed particularly focusing on healthcare of the elderly.

However, ministries and other state institutions remain insufficiently involved in the process of shaping and implementation of the public health policy. Development of various economic sectors is not coordinated with the requirements to preservation of a health environment, and in certain cases decisions made by other economic sectors create additional burden on the health sector. The ongoing social economic development does not reduce social health inequalities between urban and rural groups as well as separate social and economic groups of people. Economic social problems have negative impact on the birth rate and the number of mental disorders and suicides. There is a visible trend of dependency on alcohol, tobacco and drugs, especially among young people.

It is still important to continue to pay political attention and allocate resources to reduce morbidity and mortality caused by the most important diseases at the national level (mental and behavioural disorders, cancer, traumas and accidents, cardiovascular diseases, etc.) by promoting disease prevention, improving quality of life when having chronic diseases and increasing responsibility of the population for their health.

Given growth of the country's economy, there emerge more opportunities to ensure the right of people to healthy and rich life and to improve their quality of life and wellbeing. Such a trend in its turn would increase productivity of the society and contribute to further rapid growth of the economy. Programmes for preserving longer presence of people on the labour market and postponement of the retirement age implemented (to be implemented) during the recent years are based on the fact that medical progress ensures (must ensure) high capacity for work of elderly people, which is one of the essential solutions to the problem of understaffing. All these issues condition the need for priority development of the healthcare sector services, which is recognised to be one of the Governmental priorities.

So far the GDP share of expenses on healthcare in Lithuania is one of the lowest in the EU countries (in 2005 it was 5.9%). Moreover, these funds are not always used in a well targeted manner. A large number of inpatient treatment cases (exceeding the EU average by over 40%), the largest number of physicians per 1,000 people and one of the largest numbers of places in hospitals per 1,000 people show that functioning of the Lithuanian health system is still too oriented towards inpatient services and less attention is paid to outpatient treatment and care at home and preventive measures.

It is important to continue to shape attitudes to a healthy way of life among people and provide quality healthcare services; to prolong the average life expectancy; to reduce mortality; to improve the system of healthcare institutions by ensuring rightness of health relations and the patient's right to choose; to carry out prevention of contagious and non-contagious diseases; to prevent dependency diseases; to develop the public health development, strengthening and supervision system; to improve quality of healthcare services by implementing new medical technologies, ensuring professional development of employees and compliance of institutions with requirements.

The main causes of death are still diseases of the blood circulation system (53.3%), malicious tumours (18.2%) and external causes of death (11.5%). In 2007 they constituted 83% of all deaths (according to the Department of Statistics). There are visible trends of changes in male mortality from lung cancer but male mortality from prostate cancer, female mortality from malicious cervix and breast tumours which can be prevented by timely application of preventive measures are increasing. The following preventive programmes are carried out in Lithuania: the Prosthetic Dentistry Programme for the Elderly, the Programme for Funding Preventive Measures for Malicious Cervix Tumours, the Programme for Random Mammographic Checks for Breast Cancer, the Programme for Funding Selection of Persons Attributable to the High Cardiovascular Risk

Group and Preventive Measures, the Programme for Funding of Early Diagnostics of Prostate Cancer, the National Immunoprophylaxis Programme, etc.

Priority is given to primary healthcare and establishment of private institutions in primary healthcare is promoted.

In implementing the State Public Health Monitoring Development Programme for Municipalities for 2007-2010, since 2007 there are 4 municipal public health offices (in 2008, 20 more municipal public health offices are to be established) which perform public health monitoring, community education in health issues, draft and implement public health programmes, encourage the community to act by involving it and other social partners in well-being activities. Hence, shaping the attitudes towards healthy way of life among the population, it is essential to continue to strengthen public health structures in municipalities by establishing public health offices.

To sum up, it must be pointed out that the essence of changes in healthcare – to protect and strengthen human health from birth till death – is related to the transition problems of the health system reforms: the lack of resources allocated for healthcare and orientation of healthcare services to the inpatient and specialised sector.

#### ***4.2.2. Priority Policies Related to the Overall Goal (j)***

The composition of the Lithuanian population by age is changing, i.e. the number of children is decreasing and the number of elderly people requiring more healthcare services is increasing. According to the Department of Statistics, people over 65 years of age in 2005 accounted for 15.1%, in 2006 – 15.3%, in 2007 – 15.6% of the entire population. Demographical ageing signs continue to determine the increased need not only for social and economic but also for healthcare and care services. According to the State Patients' Fund under the Ministry of Health (2007), 28.1% more than in 2006 were allocated to supporting care and care services, which shows the still increasing need for these services.

Resolution No. 309 of the Government of the Republic of Lithuania of 26 March 2008 approved the Programme of Integration of the Roma into the Lithuanian Society for 2008-2010 which points out that the health condition of the Roma and their life expectancy are often conditioned by poor conditions of life, easily accessible narcotic and psychotropic substances spread whereof also increases the number of criminal offences. As the number of the Roma using narcotic and psychotropic substances is increasing every year, one of the results to be achieved by this programme is reduction of use of psychoactive substances among the Roma. There are also plans to organise health checks for the Roma having no compulsory health insurance and inform them about healthy way of life.

In implementing long-term scheduled preventive vaccination actions, the aim is to liquidate some contagious diseases, e.g. in 2002 the European region including Lithuania was certified as free from poliomyelitis virus agent. By 2010 the European region is to get rid of measles and prevent congenital rubella syndrome. In implementing the National Immunoprophylaxis Programme, in Lithuania more people are vaccinated and morbidity with vaccine-controlled contagious diseases is decreasing.

The state database of contagious diseases and agents thereof is continuously administrated collecting, analysing and storing data, drafting newsletters about morbidity with contagious diseases, stakeholders in Lithuania, the EU and neighbouring countries and international organisations are cooperated with and informed. The National Computerised System for Collection of Data on Contagious Diseases and Agents Thereof is to be implemented.

In implementing the State HIV/AIDS Prevention and Control Programme for 2003-2008 and other related programmes, not only general public preventive measures but also work with persons of risky behaviour (sex workers, drug users and others) is carried out. Health monitoring of persons suffering from HIV/AIDS, their psychological and social rehabilitation and reintegration into the society are ensured, and mother-to-child transmission prevention is carried out. In 2007 the National Drug Control and Drug Use Prevention Programme, the State Mental Diseases Prevention Programme, the Diabetes Mellitus Control Programme, the State Alcohol Control Programme, the

State Tobacco Control Programme, the Cerebral Stroke Control and Prevention Programme, Human Tissue and Organ Donorship Promotion Programme and other programmes were implemented.

There is a visible trend of increase of dependency on alcohol, tobacco and drugs, especially among adolescents. Priority will be given to implementation of the national programmes on mental health and children's mental health planning to implement modern mental health principles targeting prevention of suicides, violence and psychological crises and education of people in the area of healthcare, active prevention of dependency diseases is carried out, scientifically grounded and efficient preventive programmes targeting bad habits are implemented using state and municipal funds. Efforts of politicians, specialists, state institutions and the public are joined to tackle these problems.

In Lithuania as compared to health quality requirements applicable in other European Union countries prevention of diseases, health enhancement and outpatient help are underdeveloped, too many inpatient services are provided, healthcare institutions are concentrated in large cities and in rural areas there is a lack of specialists and public health monitoring is inadequate in municipalities. One of the main changes in the individual and public healthcare system is improvement of quality of individual and public healthcare services, better response to healthcare needs of people, better quality, more accessible and safer services and more rational use of resources in implementing the restructuring of the healthcare system, developing, improving and upgrading the network of healthcare institutions and optimising the structure of healthcare services provided. This would allow increasing efficiency of activities of healthcare institutions and improve working conditions of the staff.

To implement the health policy, it is necessary to continue to carry out changes in individual and public healthcare and implement mutually complementary goals:

To cooperate with the social security sector to solve health and social problems and to reduce social and economic health and healthcare differences.

To increase healthcare funds. To accelerate the reformation of healthcare institutions, at the same time planning for the need for specialists. To continue to raise salaries and social guarantees for healthcare specialists. To ensure professional development of healthcare specialists paying more attention to training, professional development and retraining of care specialists.

To seek to ensure that many health problems would be solved by outpatient services and to provide financial incentives for healthcare entities working in this area. To support development of health strengthening and training at the primary level using public health specialists and to develop community care. Particular focus is placed on development of primary healthcare infrastructure in rural areas, provision of financial incentives for family doctors and other healthcare specialists to work there.

To preserve the optimal number of state healthcare institutions. To promote establishment of private healthcare practice, especially in rural areas. To seek to create equal conditions for private and state healthcare institutions. Using allocations from the Structural Funds for restructuring and modernisation of healthcare institutions, to give priority to primary healthcare irrespective of the form of ownership of institutions engaging in these activities.

At regional healthcare institutions to develop supporting care and care services.

To develop information technologies to ensure quicker examination of patients and fast assessment of the results. To involve medical practitioners, research and business establishments and organisations in implementation and management of health and pharmaceutical information systems.

To promote establishment of community care homes. To formalise rates for care services: to set a higher payment rate for care for seriously ill patients, to promote voluntary support for these services and to cooperate with the social sector. To develop services of care at home.

To ensure the necessary rehabilitation and health restoration treatment services of good quality, to promote development of outpatient health restoration treatment services. To develop compensation for rehabilitation measures.



Taking account of the current problems of the system and given assessment of causes thereof, further development of the health system is to be carried out in the following main directions:

- political attention and financial resources to be used to reduce morbidity and mortality caused by the most important diseases at the national level (mental and behavioural disorders, cancer, traumas and accidents, cardiovascular diseases, etc.) by promoting disease prevention, improving quality of life when having chronic diseases and increasing responsibility of the population for their health;
- to increase state funds allocated for funding the health system and to improve the financing mechanism;
- to promote growth of the private part of the sector, development of partnership of the public and private sectors to increase competition on the market of healthcare service providers and attract more private investments;

to improve principles and methods of regulation of the public health sector to reduce waiting lists of patients and to improve quality and accessibility of services.

#### ***4.2.3. Priority Policies Related to the Overall Goal (k)***

The Healthcare Quality Assurance Programme for 2005-2010 is being implemented to ensure security of patients when receiving healthcare services. Continuous assessment of whether patients are satisfied with the services they receive is to be carried out and information materials on patients' rights and duties are to be drafted. There will be a joint system of registration, monitoring and prevention of unwanted events developed at institutions. In 2008 there are plans to draft and distribute information materials to patients about their rights and duties, to organise national forums on healthcare issues, to study the attitude of patients and healthcare specialists to unwanted events and causes thereof and to spread good practice of healthcare continuity and coordination among healthcare institutions.

The Primary Healthcare Development Concept approved in 2007 covers development of primary individual healthcare, primary mental healthcare, dentistry and care services, and there are directions for development of primary individual healthcare for 2007-2015 provided for. The Concept lists general provisions, situation analysis, development goals and objectives, service providers, assessment criteria, implementation and sources of funding of development and service expenses. The plan of implementation measures of the Concept for 2008 lists such measures as to improve integration of care and social services and integration of midwives into primary healthcare, to develop a range of care services at home, to start to provide complex palliative care services to terminally ill patients at hospitals and at home, etc.

The Family Health Programme approved by Order No. V-513 of the Minister of Health of the Republic of Lithuania of 29 May 2008 aims at improving family health, prevention of diseases and early diagnosis by providing timely and quality healthcare services accessible to all family members. There are plans to renovate the material facilities of healthcare institutions, to implement new diagnosis and treatment technologies and to make family medicine services closer to the family. Quality and accessibility of mother and child healthcare will be improved and the initiative of the newborn-friendly hospitals will be continued. More attention will be paid to mental health in families and issues concerning the elderly.

The State Tuberculosis Prevention and Control Programme for 2007-2010 is to reduce tuberculosis morbidity and spread of pharmacologically resistant form of tuberculosis and to promote development of directly observed therapy for tuberculosis (DOTS). There are plans to inform the population about ways to protect themselves from tuberculosis, to develop training of tuberculosis patients and to provide social assistance to patients treated at home, i.e. to provide food, to compensate expenses on medicines and travel expenses to a healthcare institution and back home. Inpatient treatment for patients suffering from pharmacologically resistant tuberculosis may continue as long as up to 24 months.

In 2007 the Ministry of Health of the Republic of Lithuania implemented the National Programme for Prevention of Violence against Children and Help to Children for 2005-2007

approved by Resolution No. 491 of the Government of the Republic of Lithuania of 14 May 2005 regarding the approval of the National Programme for Prevention of Violence against Children and Help to Children for 2005-2007 (*Official Gazette*, 2005, No. 58-2021) where one of the measures was “to organise seminars for healthcare specialists on issue of violence against children”. In 2007 there were 3 seminars organised for healthcare specialists of Kaunas, Marijampolė and Šiauliai Counties: for family doctors, children’s doctors, psychiatrists for children and young people, psychiatrists, public health specialists, psychologists, caregivers and social workers.

The State Public Healthcare Development Programme in Municipalities for 2007-2010 is continued to make public health approach the community, to carry out public health monitoring, education and training in health issues in the community, to draft and implement state public health programmes and strategies, to make the community more active and to involve the community and other social partners in wellbeing activities.

In implementing the State Programme for Equal Opportunities for Women and Men for 2005-2009, a study of inequalities in health of women and men of Lithuania was carried out to establish what determined large differences in life expectancy among men and women and recommendations on how to tackle this problem were provided.

In implementing the State Mother and Child Programme for 2007, the infrastructure of the Public Institution Žalgiris Clinic of Vilnius University Hospital was adjusted for service provision to the disable – the first Centre of Dentistry for the Disabled was opened in Lithuania providing the disabled people with urgent and scheduled dentistry services and continuous oral care.

#### ***4.2.4. Priority Policies Related to the Overall Goal (I)***

While managing factors of development of the economic environment and market elements, it is necessary to monitor their impact on accessibility and quality of healthcare services and other indicators, to continuously promote involvement of material and financial resources and specialists of other economic sectors in solving health problems of the Lithuanian population. It is important that management of information technologies would ensure opportunities for comprehensive monitoring of healthcare indicators and the course and changes of the healthcare reform, to compare indicators, to manage processes and assess the course thereof.

Planning of human resources in healthcare is one of priorities. The methodology for planning of the need for healthcare and pharmacy specialists approved by Order No. V-777 of the Minister of Health of the Republic of Lithuania of 26 September 2007 regarding the approval of the methodology for planning of the need for healthcare and pharmacy specialists (*Official Gazette*, 2007, No. 102-4188) is one of the new measures for planning and forecasting the need for healthcare specialists at institutions.

Organisation of individual healthcare service provision and payment for them are improved. It is important to create attractive working and professional development conditions for the Lithuanian healthcare specialists so that they would want to apply knowledge and experience gained in their native country.

Information technologies to ensure quicker examination of patients and fast assessment of the results are developed. Prerequisites for implementation of the e-prescription system are developed. Medical practitioners, research and business establishments and organisations are involved in implementation and management of health and pharmaceutical information systems.

In increasing the scope and accessibility of primary healthcare services, there are plans to develop training of patients in health issues at individual and public healthcare institutions providing the services of primary healthcare.

In 2007 the model of organisation of internship was essentially changed. The benefits will be felt not only by interns who acquired a totally new dual status – that of a doctor and of a student – but also by residents of regions. Now interns will be able to choose their institution for internship freely. A much bigger number of young specialists is expected to stay in regions thus ensuring quality healthcare services for people near their homes.

In 2007 it was the first time in the country to introduce a system of monitoring waiting lists for individual healthcare services. Every institution having an agreement with the territorial

patients' fund must monitor and publicise on its website how many patients are on waiting lists for certain services. Having taking that into account, the patient can choose the institution most suitable for them. This waiting list monitoring system allows shortening the waiting time for consultations with healthcare specialists.

In order to improve accessibility of services provided by individual healthcare institutions, in 2007 patients were provided with more opportunities to choose not only public but also private treatment institutions. In 2007 territorial patients' funds drew more than 400 agreements with private individual healthcare institutions.

### **4.3. Long-Term Care**

#### **4.3.1. Progress in Meeting Challenges of NR-SPSI Strategies for 2006-2008 and Joint Report for 2007**

Demographical changes and ageing tendencies create specific challenges for the long-term care sector such as increase of state expenses on long-term care, development of flexible forms of provision of long-term care (at institutions, day centres and at home), clearer coordination and cooperation of the health sector and the social sector, support of informal long-term care (by relatives, family members, neighbours, friends, non-governmental organisations and volunteers), life-long health education (children and youth, adults of the working age, elderly people) will help to raise a healthy society capable of working for a longer time and to avoid disability at an early age and to support healthy ageing and prolong healthy working age.

Demographical ageing signs determine the increased need not only for social and economic but also for healthcare and care services. At the beginning of 2007, 20.4% of the country's population were 60 and more years of age, i.e. 134 thousand more than children under 14. At the beginning of 2007, Lithuania had 3,384.9 thousand people, i.e. 18.4 thousand fewer than at the beginning of 2006. Given the decrease in the number of people, the ageing tendency is continued to be registered. As compared to previous years, the number of children aged 0 to 14 has decreased by 4% while the share of elderly people has changed just slightly (increased by 0.3%).

During the last several years Lithuania has seen positive changes in cooperation and coordination of the health sector and the social sector in organising primary individual healthcare and provision of palliative care and care at home.

In Lithuania palliative care is provided but before 2007 it was not regulated. Order No. V-14 of the Minister of Health of the Republic of Lithuania of 11 January 2007 regarding the approval of requirements to provision of palliative care services to adults and children formalised organisation and provision of palliative care in Lithuania. This order regulates provision of palliative care services at outpatient and inpatient individual healthcare institutions organising provision of these services under inpatient, day inpatient or outpatient conditions.

Palliative care services are provided by specialists having been trained in palliative care for at least 36 hours at a higher education institution and having a certificate confirming that. The order also lists a team of at least 3 palliative care specialists: a physician, a caregiver and a social worker. If need be, a patient may be counselled by a psychologist or psychotherapist and if the patient and/or their relatives – by a spiritual mission group: a chaplain and spiritual assistants. Managers of individual healthcare institutions are also recommended to accept volunteers in accordance with the procedure set out by the manager of the individual healthcare institution.

For the first time in Lithuania Order No. V-470 of the Minister of Health of the Republic of Lithuania of 16 May 2008 regarding the approval of the list of base prices of palliative care services for adults and children (*Official Gazette*, 2008, No. 59-2247) approved the base prices of palliative care for adults and children. In order to improve accessibility of services, the attending physician taking account of the patient's health condition and preferences of the patient and their relatives choose a form of provision of palliative care services: inpatient, day inpatient or outpatient. Where there are no conditions for provision of palliative care services at a day inpatient institution or at the patient's home, the attending physician proposes the inpatient form of care to the patient at an individual healthcare institution providing such services. Payment for services provided is differentiated and there are 14 prices approved by forms of provision of palliative care services.

Taking into account the number of the Lithuanian population, 180 inpatient palliative care places for adults and children are to be created. In 2008 the Compulsory Health Insurance Fund allocates LTL 10 million for inpatient palliative care services.

In Lithuania the need for care and social services at home has not been studied. Only knowing the need for these services, one can plan for structures and resources for providing them. To establish the need for healthcare and social services for elderly people, a study of this need was carried out in Kaunas Region. 390 persons were studied representing all elderly people of Kaunas Region. According to the respondents, 71.3% need care services and 58.2% need social services. The older the respondents, the more they need care and social services. Rural residents needed social services more (64.3%) than urban residents (49.6%). As many as 45.9% of respondents pointed out that they found it difficult to travel to visit a doctor. The majority (86.4%) respondents emphasized that persons taking care of them did not have medical background. In the group of fully or almost fully dependent persons by Bartel index 88.0% of respondents indicated that they needed social services and 96.0% needed care services. The majority (79.2%) of respondents would like to be cared for at home.

In 2007 the concept of “long-term care” was formalised in Lithuania for the first time. Long-term care is defined as an entirety of care and social services by providing which care and social needs of a person are met and continuous comprehensive help and supervision by specialists are provided. Order No. V-558/A1-183 of the Minister of Health of the Republic of Lithuania and of the Minister of Social Security and Labour of the Republic of Lithuania of 4 July 2007 regarding the approval of the general procedure for provision of care and social services aims at improving coordination of care and social services at the municipality level, improving cooperation between different institutions providing care or social services so as to meet the person’s needs for care and social services, providing comprehensive help and supervision by specialists as close to the place of residence of the patient as possible, i.e. to improve accessibility of these services for the Lithuanian people.

Care services at home are developed. Order No. V-1026 of the Minister of Health of the Republic of Lithuania of 14 December 2007 regarding the approval of requirements to provision of care services at outpatient individual healthcare institutions and at home aims at developing provision of care services at patients’ homes improving quality of patients’ life, preserving their independence in the home environment and promoting their ability to take care of themselves. Provision of care services at home is the responsibility of the primary outpatient individual healthcare institution where the patient is registered. A family doctor and a community caregiver organize provision of care services at home, i.e. the family doctor prescribes diagnosis and care treatments and the community caregiver assesses the individual needs of the patient by essential activities (e.g. maintaining a safe environment, i.e. whether the person can take care of themselves, whether they need others’ help, the need for auxiliary measures, etc.) and drafts and implements an individual care plan for the patient. Care services at home would receive persons whose special need for continuous care is established in accordance with the statutory procedure. There are more than 30 thousand of these people in Lithuania.

For the first time in Lithuania additional payment for provision of care services at patients’ homes has been legally regulated. Order No. V-476 of the Minister of Health of the Republic of Lithuania of 20 May 2008 regarding amendment to Order No. V-1026 of the Minister of Health of the Republic of Lithuania of 14 December 2007 regarding the approval of requirements to provision of care services at outpatient individual healthcare institutions and at home aims at specifying how territorial patients’ funds pay institutions providing care services at patients’ homes. This legal act also aims at solving the problems related to provision of and payment for care services to patients living at institutions providing social care services and registered with the primary outpatient individual healthcare institution. The project provides for conditions and requirements as to when the care institution may provide care services to persons with special needs for continuous care residing therein and receive payment by entering into an agreement with the individual healthcare institution. The amount allocated for the project implementation in 2008 is LTL 23 million.

The infrastructure of care and supporting care places is developed. According to the Lithuanian Health Information Centre (2007), Lithuania has 57 supporting care and care hospitals. According to the 2007 data of the State Patients' Fund under the Ministry of Health (hereinafter referred to as the SPF), 3,832 places, or 1.18 places per 1,000 people, were funded by the budget of the Compulsory Health Insurance Fund. Because of uneven distribution of these services and high demand for them, Order No. V-342 of the Minister of Health of 29 April 2008 regarding the number of care and supporting care places sets out that the number of care and palliative care places per 1,000 people, if need be, may reach 2.0. Integration of care services into general hospitals is promoted, which is why in 2008-2010 the total number of places may increase to 6,480. A decision regarding development of these services and the number of care places at individual healthcare institutions is made by their founders, i.e. municipalities taking account of the needs of the population.

The State Long-Term Development Strategy of the Republic of Lithuania emphasises health of the country's population which is dependent on social and economic conditions. This Strategy aims at creating a modern healthcare system ensuring accessibility and effectiveness of healthcare, rational use of funds and formation of a healthy way of life. The aim is to reduce mortality of the population and increase the average life expectancy creating equal conditions for all citizens of the country to receive healthcare services needed, to monitor and assess causes of death of the population. It is necessary to ensure accessible and quality inpatient and outpatient help for all people. The demographical structure of the Lithuanian population changing due to decreasing mortality and longer life expectancy (the number of people over 65 years of age will increase particularly) will have impact on the change in the need for healthcare services – the need for preventive health checks, care and social services efficiently improving the quality of life will increase. Therefore, there are plans to develop services for which the need is not adequately met at the moment.

The National Strategy for Overcoming Population Ageing Consequences of the Republic of Lithuania also raises the problem of the ageing population and emphasises the need for care and social services increasing together with ageing. Taking account of the population ageing, during several last years Lithuania has started to develop geriatric assistance focusing on cooperation between healthcare and social security which would help to organise long-term care for the elderly. Integrated care systems for the elderly must be organised based on the key principle – the person must live at their own home as long as possible. To apply this principle, services of care at home are to be developed which, if need be, would be provided 24/7. Given the ageing population, the need for integrated care is increasing and long-term care becomes still more a part of the social policy of modern states.

The National Programme for Implementation of the Lisbon Strategy is to ensure accessible, quality and safe healthcare services for all people living in the country. Priorities include development of primary healthcare and outpatient services, optimisation of inpatient services and development of alternative forms of activities, development of medical care and long-term and supporting care services. By 2008 care services are to be integrated into general hospitals and care at the patient's home is to be developed.

There are obvious trends of decrease in human resources (employees) for various reasons: low salaries, hard working conditions, emigration, etc. There are numerous discussions whether in the future there will be enough specialists to ensure long-term care services. Uneven distribution of specialists (caregivers, social workers and assistants) is seen in regions – in urban and rural areas. This can be solved in various ways: by increasing salaries, improving working conditions, modernising workplaces, implementing state-of-the-art modern medical technologies, providing more social guarantees, compensating expenses on professional development, etc.

Paragraph 17.3 of the Second Healthcare Institutions Restructuring Stage Strategy approved by Resolution No. 647 of the Government of the Republic of Lithuania of 29 June 2006 (*Official Gazette*, 2006, No. 74-2827) provides for development of a system of care and long-term supporting care services. The goal is that by 2008 at least 80% of these services should be provided

at general hospitals and at least 50% of care services should be provided together with social (care) services. Integrated healthcare is one of measures which can improve the system of primary healthcare services. Therefore, development of care and supporting treatment services would be one of efficient measures for development of provision of individual healthcare services.

One of the most vulnerable social risk groups and a group of service recipients is people with disability. In Lithuania there are about 7% of persons deemed disabled. According to the Ministry of Social Security and Labour, in 2007 the total number of the disabled was 253,159, of them: the disabled of the working age – 170,317 (67.3%), of retirement age – 67,030 (26.50%), children – 15,812 (6.20%).

Given the increase in the number of people with disability, the need for long-term care of such persons is also growing, which is why during the recent years social integration of the disabled has been given much attention and this direction of activities must be continued. Like other groups of service recipients, it is also important for the disabled to receive non-inpatient services which must be developed as a priority.

The National Programme for Social Integration of the Disabled for 2003-2012 approved by a resolution of the Government of the Republic of Lithuania lists important measures assigned to the Ministry of Social Security and Labour – to improve the procedure for provision of the disabled with the essential reimbursed personal hygiene products, to improve decentralised provision of the population with technical assistance measures, at all treatment and rehabilitation institutions to organise psychological assistance for persons experiencing spiritual crisis, short- and long-term mental disorders and having other disabilities. In 2007, training was organised for 332 specialists working with the disabled in the community and in a team (caregivers and social workers). Also, the funds of the Compulsory Health Insurance Fund are used to support target psychosocial rehabilitation programmes for the disabled in the community.

Social integration of the disabled covers healthcare, social, medical and psychological rehabilitation measures, social services, provision of medical products, etc. The country is dominated by the medical rehabilitation model with less prominent development of professional and social rehabilitation areas, thus the consistent process of rehabilitation of the disabled is not ensured. Effective rehabilitation is only possible if all the links are functioning consistently and medical, professional, social and other measures are used in accordance with the individual needs and special needs emerging are also met. The institutional rehabilitation system at rehabilitation centres, institutions and hospitals covers a small number of persons, is expensive and in fact just prolongs treatment but does not solve social adaptation problems of the person. Medical rehabilitation is carried out at multi-profile inpatient institutions, outpatient institutions, at home, rehabilitation departments of sanatoria where the disabled are rehabilitated within the overall flow of patients. Inpatient rehabilitation is rather expensive and it must be used for persons in serious condition, which is why the network of medical and social rehabilitation services at home must be developed.

The Ministry of Health participates in the process of ratification of the UN Convention on the Rights of Persons with Disabilities and its Facultative Protocol which is to promote, protect and ensure comprehensive and equal exercise of all human rights and fundamental freedoms by all disabled persons and to promote respect for inherent dignity of these persons.

Timely integrated care does not only improve the quality of life of socially vulnerable groups but is also a preventive measure to tackle mental health problems of family members and reduces the need for inpatient services. In Lithuania the strategic direction of improvement of public mental health matches the recommendations of the World Health Organisation – gradual decentralisation and deinstitutionalisation of mental healthcare services strengthening community-level services.

In implementing the National Lisbon Strategy, the Programme for Continuity of the Healthcare System Reform and Optimisation of the Healthcare Infrastructure is approved to restructure healthcare institutions, i.e. to renovate the network of healthcare institutions, optimise the range and structure of healthcare services provided taking account of healthcare needs of the population. Another goal is to efficiently appropriate the funds of the EU Structural Funds and co-

financing funds for the programming period of 2007-2013 allocated to improvement of quality and accessibility of healthcare services by directing investments to development of outpatient services, optimisation of inpatient services, development of supporting treatment and care services, development of public health monitoring and improvement of quality of public healthcare services.

Long-term social care services in Lithuania are organised through social services and the healthcare system. Long-term social care is provided by social care institutions (public limited liability companies, private limited liability companies, individual enterprises, public institutions, state institutions and families).

The key responsibility for optimisation of long-term social care is borne by municipalities. Long-term social care services are provided by social care institutions for the elderly, social care institutions for adults with mental disabilities, social care institutions for children and youth with mental disabilities and child care homes when these persons cannot take care of themselves and require continuous supervision by specialists.

Not all municipalities have long-term care institutions or have not enough of them, and county-controlled institutions are distributed unevenly (some counties have relatively many care homes while there is a lack thereof in other counties). Due to the underdeveloped structure of alternative services long-term social care institutions are fully accommodated and there are long waiting lists of persons willing to get a place therein. At present municipalities having evaluated the need for social care start to provide alternatives to inpatient care (day social care at home or day social care at an institution).

The Law on Social Services also legalised licensing of social care institutions to come into force from 2010. Since 2007 universal social care norms have been drafted. Social care norms set out social care quality requirements which must be met by social care institutions. This will help to control quality of social services and eliminate quality inequalities in social services provided between individual regions and institutions.

To make more rational use of the state budget funds, persons themselves contribute to payment for social care provided thereto using not only their income but also their property. Persons partially contribute to subsistence costs and the other part of the person's accommodation at a social care institution is covered by the municipality.

#### ***4.3.2. Priority Policies Related to the Overall Goal (j)***

There are three priority directions in the approved National Strategy for Overcoming Population Ageing Consequences for 2005-2013:

1. To ensure that elderly people would be active participants and implementers of the economic and social development process and would be able to use the opportunities provided on equal grounds with others. Elderly people must be provided with full conditions for participation in political, social, economic and cultural activities. They must be given opportunities to efficiently work, study and improve while they want to and can do it.
2. To ensure wellbeing and health of elderly people whose number will be increasing and to provide them with essential social services. Elderly people as well as all community members must be guaranteed the right to healthy life and healthcare services.
3. To create a living environment supporting elderly people and enabling them to be active – the necessary housing, adaptation and other conditions so that even very old persons would be able to live independently; also, to prevent discrimination and violence against elderly people, taking particular care of specific problems of elderly women.

The approved Primary Healthcare Development Concept lists such measures as to improve integration of care and social services and integration of midwives into primary healthcare, to develop a range of care services at home, to start to provide complex palliative care services to terminally ill patients at hospitals and at home, etc.

The healthcare system must try to integrate programmes for individual diseases into the existing structures and services to achieve better, more consistent and sustainable results. The draft

State Programme for Prevention and Control of HIV/AIDS and Sexually Transmitted Infections is one of examples of integrated programmes aimed at complex solution of healthcare problems. There are also more integrated programmes such as the State Traumatism Prevention Programme for 2008-2010, the State Programme for Preparation for Flue Pandemic, the Programme for Implementation of the International Healthcare Rules of the World Health Organisation (2005) in Lithuania for 2008-2012 but these programmes are not enough.

It is purposeful to continue to improve and clearly define care and social services provided at healthcare institutions which must be paid by the social sector funds by coordinating decisions with the Lithuanian Association of Local Governance Institutions and the Ministry of Social Security and Labour. It is necessary to create a funding mechanism which would facilitate the integration of care services and to look for other flexible forms of provision of services oriented towards patients' needs (day care centres, etc.). Cooperation with other economic sectors of the country is strengthened. The contribution of other ministries to solving problems of healthcare and social wellbeing is significant.

#### ***4.3.3. Priority Policies Related to the Overall Goal (k)***

Assurance of accessibility of quality healthcare services. Patients want without hindrance to receive quality services and have trust in the best medicine based on sound evidence. Proper technologies guarantee efficiency and safety of patients. The MoH is to ensure accessible and quality healthcare by improving activities of individual healthcare institutions. It seeks to improve safety and quality of individual healthcare services. Given the increase in the number of elderly people, growth of morbidity of children and the young, morbidity with mental and dependency diseases, mortality from accidents, traumas, cardiovascular diseases, malicious tumours, medical expenses are growing, the public becomes more concerned with healthcare and quality of its services, which is why it is important to create equal conditions for all citizens of the country to get access to the healthcare services needed, particularly focusing on health of children and young people.

Order No. V-711 of the Minister of Health of the Republic of Lithuania of 31 August 2007 regarding amendment to Order No. V-642 of the Minister of Health of the Republic of Lithuania of 14 September 2004 regarding the approval of the Healthcare Quality Assurance Programme for 2005-2010 (*Official Gazette*, 2007, No. 95-3864) approved the Healthcare Quality Assurance Programme for 2005-2010 aiming at the following: to ensure good quality of health and life of the country's population, to shape a systemic approach towards the quality of healthcare, assurance and continuous improvement thereof and to coordinate activities in this area. In implementing measures of this programme, in 2007 the State Medical Audit Authority organised surveys of patients and assessed whether patients were satisfied with services they received and prepared information materials about patients' rights and duties. Another goal is to create a joint system of registration, monitoring and prevention of unwanted events developed at institutions.

Lithuania has a system of licensing and certification of healthcare institutions and specialists which is one of quality assurance measures. Also, in order to ensure quality of the services provided, requirements to provision of healthcare services were drafted.

Although in Lithuania morbidity with breast cancer is lower than in other countries of the European Union, during the last decade morbidity with this disease in our country has increased by about 30%. Since 2004 the Programme for Funding Random Mammographic Checks for Breast Cancer has been implementing. It provides free mammographic examination for every woman aged 50 to 69. More than 60% of women of this age group are expected to be examined within 5 years.

The Programme for Funding Early Diagnosis of Prostate Cancer is continued for men aged 50-75 and men from 45 years of age if their fathers or brothers have prostate cancer history. More than 80% of men of this age group are expected to be examined within 5 years.

It has been a year since the Cardiovascular Diseases Prevention Programme started in Lithuania. Cardiovascular examinations are performed free of charge for the insured by compulsory health insurance: men aged 40 to 55 and women aged 50 to 65.



Since 2008 a new Large Intestine Cancer Prevention Programme will be initiated. At the same time there are plans to develop and implement a system of invitations for regular health checks.

State expenses on healthcare are to grow at least as fast as the Gross Domestic Product and to the extent it is reasonable assuming a larger financial burden of disease risk and ensuring accessibility of healthcare services to the population. Due to larger funding, primary healthcare is to be developed further and made closer to the population and the system of financial incentives for preventive work and good performance is to be improved. There are plans to improve healthcare for elderly people and chronic patients, to develop a system of care and long-term treatment services, to expand the range of these services and to improve forms of provision thereof.

#### ***4.3.4. Priority Policies Related to the Overall Goal (I)***

To avoid unreasonable increase of the state expenses on healthcare and negative impact thereof on the macroeconomic stability, it is necessary to ensure efficiency, accessibility and quality of the healthcare system and services. To this end, further restructuring of healthcare institutions will be carried out, the national medicine policy will be implemented and the health insurance system will be developed. The reforms implemented will enable more efficient use of the state funds allocated to healthcare, better working conditions and higher work efficiency. Development of the health insurance system aims at improvement of quality and accessibility of healthcare services for all people in the country, higher efficiency of the health system and implementation of more efficient forms of use of funds.

Development of the health insurance system promotes voluntary health insurance which will attract additional private funds and contribute to additional funding of healthcare. Funds of the Compulsory Health Insurance Fund are distributed by statistical demographical indicators of the population, i.e. account is taken of the number of people residing in the region in question, their gender and age.

It is also important to continue to improve health of the population by strengthening the health system. Like in all European countries, in Lithuania too demographical changes, social and economic disparities, limited resources, technological advance and increasing costs are factors having impact on the health policy. The health policy is integral to creation of social wellbeing and is affected by economic development. Investments in human resources and social wellbeing are an inevitable part of development of the health system. It is vital to continue to strengthen health, develop prevention of diseases and involve other sectors in the health policy. The health system must respond to the country's political and economic changes preserving the values of solidarity and justice and making evidence-based decisions.

Proper healthcare and long-term care services of high quality must remain accessible (affordable) and be financially sound by promoting rational use of resources, particularly motivating recipients and providers and improving management and activity coordination between supervisory authorities and state and private institutions.