MINISTRY OF SOCIAL SECURITY AND LABOUR

SOCIAL REPORT

2001
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LITHUANIA Vilnius
2002
The Ministry of Social Security and Labour (MSSL) presents its fifth Social Report. It provides a detailed overview of the developments in the Lithuanian social security and labour policy in 2001, and highlights social problems and the ways in which we tried to tackle them.

The social security of Lithuanian residents is the highest priority for our Ministry. The year 2001 marked the improvement of the overall economic situation, which in itself, together with the proper application of social and labour policy measures, served as a good basis for ensuring the social security of Lithuanian residents and providing more help to social risk groups.

One of the most significant achievements in 2001 was the introduction of the 2001-2004 Programme for Increasing Employment, developed in cooperation with other ministries. It contains the strategy for the employment and labour market policy and provides for specific actions against unemployment.

In 2002 the European Commission and the MSSL approved and signed the Joint Assessment of Lithuanian Employment Policy Priorities of the Government of the Republic of Lithuania and the European Commission. It was developed according to the requirements of the European Commission together with specialists from other relevant ministries. The Joint Assessment Paper sets out the objectives of the employment and labour market policy in line with the coordination of the EU employment policy.

The implementation of the amendments to the Law on Support for the Unemployed in 2001 provided for decreased unemployment, and improved income security for the unemployed of pre-pensionable age.

Moreover, in the year 2001 the efforts of the MSSL to balance the budget of the State Social Insurance Fund Board (SSIFB) had a positive outcome. Following two unsuccessful years in a row, the revenues of the SSIFB exceeded the expenditure, which allowed pensions to be increased. It should be noted that the 2002 SODRA budget is also managed successfully.

In 2001, recommendations were made to reform the social cash assistance system in coordination with the existing family support schemes.

We focused on the European integration and closed the chapters in the areas relevant to the MSSL.

The above are only a few headlines about the activities of the MSSL in 2001. The Social Report gives a detailed overview of the activities of the Ministry in improving the system of social security and labour.

I hope this publication will be useful for all interested in social security and labour policy.

Minister of Social Security and Labour  

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In Lithuania the year 2001 was marked by economic growth. This is shown by the macroeconomic indicators of the Lithuanian economy, which improved considerably in 2001:

- the actual Gross Domestic Product (GDP) rose by 5.9 per cent during 2001, the GDP per capita increased by 6.4 per cent. The GDP generated per resident of the State equals the average GDP of the applicant countries of the European Union, but is nearly 3 times lower than that of the EU Member States;

- in 2001, the annual inflation on average amounted to 1.3 per cent;

- during 2001, the volume of production, both manufactured and sold by the mining and processing industry increased by 17 per cent compared to year 2000;

- in 2001, the deficit of the current account decreased by 1.2 per cent and totalled 4.8 per cent of GDP.

- in 2001, direct foreign investments increased by 18 per cent; this amounted to LTL 1783.3 million;

- in 2001, exports of goods increased by 20.3 per cent, and imports rose by 15 per cent.

The economic and social development of Lithuania in 2001 is distinguished by the fact that, despite relatively rapid economic growth, the social situation and the standard of living did not improve. During 2001, the actual average monthly wage and monthly wage decreased by 2 per cent, the actual old-age pension dropped by 0.3 per cent, and the actual minimum standard of living decreased by 2 per cent.

The industrial companies of Lithuania gradually adapted themselves to the complex economic conditions in the international market place. The distinct growth in the exports of industrial production is evidence of their increased competitiveness. The negative foreign trade balance, however, shows insufficient capacities of certain manufacturers to compete with imported products.

The country’s main energy sources are electricity, oil and gas.

In 2001, Lithuania produced 14.73 TWh of electricity or 28.9 per cent more compared to 2000. There were almost no changes in the structure of electricity production in comparison with 1999 with the exception of the Ignalina Nuclear Power Plant, whose production rose by almost 35 per cent. Electric power plants of AB Lietuvos Energija produced 437 Tcal of heat energy in 2001 (448 Tcal in 2000). Over the year, AB Mažeikių Nafta sold 6845 thousand tons of oil products. In 2001, the supply of natural gas to Lithuanian consumers accounted for 2.681 billion m³, an increase of 3.8 per cent compared to 2000.

The value of work performed by Lithuanian construction companies and enterprises during 2001 amounted to LTL 2.5 billion. In comparison with 2000, this was an increase of 3.2 per cent.

The volume of many types of transportation decreased, with the exception of transportation of domestic and export cargoes by railways, transit cargoes by road vehicles via of Lithuania, carriage of passengers and cargoes by air transport, the number of arriving and departing passengers in airports, loading and unloading of certain cargoes, containers and roll-on-roll-off materials at Klaipėda harbour.

The agricultural production estimated in comparative prices fell by 13.9 per cent (according to preliminary data) in 2001 compared to 2000 and amounted to 91.5 per cent of the year 2000 level. The state support and the larger purchase prices of the agricultural produce halted the decrease in the farmers’ income in 2001.

The promotion of economic development and progress is largely related to the wider use of information and telecommunication technologies. According to the data of the Department of Statistics, at the beginning of 2001, one hundred workers shared 21.7 computers, and the Internet could be accessed via 60.4 per cent of all computers equipped in companies and enterprises.

Small and medium-sized enterprises represent the most dynamic group of companies; able to deal with constant changes they have a vital impact on the economic growth and social stability of the country. In 1999 - 2001, the percentage of such companies (95%) within the total number of all companies operating in Lithuania remained stable, their number, however, decreased considerably.
In 2001, the number of operational small and medium-sized enterprises increased by 4 per cent compared to the previous year, the number of micro companies rose 3 times. Privatisation is an essential precondition for the functioning of market relations. In 2001, the privatisation list covered more than 3000 objects, whose total value amounted to LTL 2.4 billion; out of these 842 objects for LTL 467.9 million were privatised.

According to preliminary data of the Department of Statistics, during 2001, tangible investments totalled LTL 6.5 billion. In comparison with 2000, tangible investments rose by 28.1 per cent. There was a significant increase in investments financed by the national budget. The majority of investments was spent on the construction and repairs of buildings and engineering works, acquisition of machinery and means of transport.

In 2001, the total national debt rose by LTL 178.7 million and on 31 December amounted to LTL 12.9 billion, or 26.9 per cent of the expected GDP (LTL 48 billion).

According to Bank of Lithuania data, in 2001 the deficit of the current account totalled LTL 2.3 billion, and in comparison with 2000 dropped by LTL 404.6 million or 15 per cent.

In 2001, there was only a slight increase in the consumer prices with an annual average inflation rate of 1.3 per cent. However, deflation was registered three times during the year (the prices in January dropped by 0.2 per cent, in July by 0.8 per cent, and in September by 0.2 per cent). The low inflation was caused by a limited demand on the domestic market and a relatively large supply of consumer goods.

According to preliminary data, in 2001, the net average monthly wage in the Lithuanian economy (including the income of the self-employed) rose by 1.8 per cent in comparison with 2000 and amounted to LTL 705.10, with the gross average monthly wage increasing by 2 per cent up to LTL 991.20.

The minimum monthly wage did not change in 2001 and accounted for 430 Lt, the basic wage totalled LTL 105.

The minimum standard of living, established by the Government, did not change either and amounted to LTL 125.

In 2001, the average state social insurance old age pension for retirement pensioners rose by 1.6 per cent compared to 2000 and totalled LTL 317.61. Its actual amount (in December 2001, compared to the same period of 2000) decreased by 0.3 per cent. There was an increase in the amount of social assistance granted from the state and municipal budgets. In 2001, LTL 369.2 million were spent on benefits for families with small children, residents with low income and death benefits.

The average annual unemployment rate in 2001 if compared to 2000 rose by 1 per cent to 12.5 per cent; its growth for the year, however, was slower.

Survey results of the household budgets show that the disposable income of households (in cash and in kind) totalled LTL 409.5 per month per household member. Cash income totalled LTL 346 or 84 per cent of all disposable income. The remaining income was received in kind (farm produce and others). In 2001, all disposable nominal income decreased by 1.5 per cent in comparison with 2000, and increased by 25.3 per cent compared to 1996. Since consumer prices increased by 1.3 per cent over the year, the disposable actual income decreased by 2.7 per cent (in comparison with 1996, the actual income increased by 6.2 per cent).

Consumer expenditure per household member in 2001 amounted to LTL 411 per month including LTL 348 of cash income. The average consumption expenditure rose by 1.7 per cent over 2001. One of the reasons for the increase in the household expenditure, when the average household income decreased, was the increased use of loans.

The grouping of households according to the level of consumption expenditure revealed that the consumer expenditures of the richest 10 per cent of the population were 8.2 times larger than those of the poorest 10 per cent (7.9 times in 2000). Consumer expenditure fell in all deciles. The expenditure for food differed 3.8 times, though the poorest 10 per cent spent 63 per cent of their consumption expenditure for food (the richest – 29 per cent). These figures show an increased differentiation in the standard of living in 2001. The level and the depth of poverty rose slightly. The Programme for the Implementation of the Poverty Reduction Strategy was developed in 2001.
Labour policy

Labour Market

Employment

Due to the intensive restructuring of Lithuania’s economy during the past decade radical changes have occurred in employment. Tendacies in the labour market are characterised by the growth of unemployment, illegal work, new forms of employment and the decrease in total employment. According to data of the Department of Statistics, the general employment level decreased from 52.8 per cent in 1997 to 48.9 per cent in 2001. The employment level of males decreased accordingly - from 60.3 per cent in 1997 to 52.6 per cent in 2001. The employment level of females that accounted for 48.7 per cent in 1997-1999 later also decreased and accounted for 45.8 per cent in 2001.

During the period of economic restructuring the distribution of territorial employment changed, especially in urban and rural areas. According to data of the Population Employment Survey, employment rates in rural areas are increasingly lagging behind the urban areas. According to employment rates three territorial groups have formed in Lithuania: 1) in agricultural areas where the employment level is lowest; 2) in industrial areas, where industrial and construction enterprises have re-oriented their production and operate comparatively efficiently, and where employment rates are average; 3) in large cities where employment rates are highest.

In 2001, the average number of the employed population amounted to 1521.8 thousand, a decrease of 4 per cent compared to the year 2000. During this year the number of employed decreased most significantly in agriculture and forestry - by about 6 per cent, in processing industry - by 3 per cent, in the health care and social work - by 6 per cent.

Unemployment

In 2001 the unemployment rate, which was 12.6 per cent in January, increased up to 13.2 per cent in March-April, and in October fell to 12 per cent. At the end of the year the unemployment rate was 12.9 per cent (0.3 per cent higher than that at the beginning of the year).

In 2001 the unemployment rate of males traditionally remained higher than that of females. In 2000 males constituted a larger part of the employed: in industry - 54 per cent, in agriculture - about 60 per cent and in construction - 91.6 per cent. It was in these spheres of economic activity that the largest number of the unemployed was registered in 2001. The gap between the male and female unemployment rate in 2001 decreased from 1.9 to 1.3 percentage points. At the end of the year the male unemployment rate was 13.5 per cent, that of females - 12.2 per cent and that of young people - 18.7 per cent.

Great territorial differences in unemployment remained. The difference between the areas of the highest and lowest unemployment rate was 3.7 times. The areas of the highest unemployment have been the same for several years already - Druskininkai, Lazdijai, Šalčininkai, Akmenė, Pasvalys.

249.7 thousand unemployed (46 per cent of whom were females) were registered with territorial labour exchanges in 2001. However, compared with the year 2000, 3.2 per cent fewer unemployed were registered. With the decreased number of the unemployed, the growth of the unemployment level was determined by the decreasing level of the country’s labour force: the labour force decreased by nearly 53 thousand. Almost every fourth unemployed registered at the labour exchange was under 25. However, in 2001 the share of young people in the total number of unemployed decreased from 15.2 per cent to 12.8 per cent. The problem of long-term unemployment further remains. The first long-term unemployed, whose unemployment exceeded 12 months, were registered in 1993. A large part of these unemployed has no professional qualification, more than three quarters of them are not prepared for the labour market. In 2001 the share of the long-term unemployed increased by one fifth of the total of the unemployed. At the end of the year the long-term unemployed accounted for 30 per cent of the total unemployed population. Persons close to pensionable age accounted for 30 per cent of the total unemployed population, young people - for 7 per cent, and the individuals whose unemployment lasted for two years or more - for 35 per cent.
**Legislative Changes in 2001–2002**

The Lithuanian Programme for Increasing Employment for 2001-2004 formulated the strategy of the state employment and labour market policy, its medium-term priority objectives and actions (measures), which are planned to be taken in order to increase the population’s level of employment. The implementation of the Programme will encourage business development and investments, which will ensure the creation of new jobs.

In order to reform the system of unemployment insurance and co-ordinate it with the system of social cash assistance, the concept of the restructuring of unemployment insurance was developed.

The amendments of the Law on Support of the Unemployed that were adopted, legalised equal opportunities for both parents to combine employment with obligations to the family, expanded the range of persons needing additional support including young people aged 16-25 starting out in working life, and the long-term unemployed; a compulsory mechanism of employing individuals who are within the most socially vulnerable groups of society, and the creation of new jobs, was replaced by economic incentives; the payment of unemployment benefit to the individuals who are close to pensionable age and who are within two years of their retirement age was extended; the newly implemented programme of intensive integration into the labour market for graduates reduced their motivation to register with the labour exchange in order to get unemployment benefits.

A mechanism was created, and improved, to encourage local employment initiatives. In 2001 the Ministry of Social Security and Labour, through the Lithuanian Labour Exchange, introduced 16 local employment initiative pilot projects in the areas of highest unemployment (in the town of Druskininkai, in Akmenė, Pasvalys, Šakiai, Jonava, Šiauliai, Jurbarkas, Pakruojis, Širvintai districts). Nearly 50 per cent of projects were service-related, 40 per cent were devoted to industry and 12 per cent to agriculture. The use of LTL 1.2 million of the state budget led to the creation of 151 new jobs. Employers and sponsors contributed 60 per cent to the total value of all projects. In order to increase the distribution of local employment projects and effectiveness of assistance provided by the state to their implementation, the new Procedure for Implementing Projects of Local Employment Initiatives was approved.

In improving the functioning of the local labour market the responsibility of territorial labour exchanges for the situation on the labour market was increased at the same time, giving them more independence. In this way better conditions were created to respond directly to changes in the labour market.

In order to mitigate the social consequences of structural changes, measures were prepared relating to the decommissioning of Block I of the Ignalina Nuclear Power Plant. A mini labour exchange was opened at the Ignalina Nuclear Power Plant, and the Centre for Information and Consulting was opened in Visaginas where self-search services for information and professional consulting are provided and access to the Internet has been made available.

The new procedure for issuing licences to offer employment opportunities to Lithuanian nationals seeking work abroad aims to maximise legal security and social guarantees for Republic of Lithuania citizens willing to be employed in foreign countries.

Amendments of the Regulations of the Ministry of Social Security and Labour obliged the Ministry to co-ordinate the implementation of the equal opportunities policy in all spheres of work as well as in social security provision. In the summer of 2001 the international conference “Equal opportunities in a democratic society. Reykjavik-Vilnius” was held. The main attention at the conference was focused on trafficking of people. Following this conference a number of projects were initiated in gender equality field.

In February 2002 the Joint Assessment Paper of Lithuanian Employment Policy Priorities was signed by the Government of the Republic of Lithuania and the European Commission in Brussels. It specifies the priority areas of Lithuanian employment policy, where the progress needs to be made, and where monitoring is needed taking into consideration the principles of the Employment Policy Review. This joint assessment is the first stage of the Employment Policy Review. In future it is planned to co-operate in monitoring the implementation of measures identified in that document in accordance with regular reports submitted by Lithuania.
Active and Passive Labour Market Policy Measures

The implementation of active labour market policy programmes helped job-seekers to integrate into the labour market. In 2001 over 5 million consultations were provided to these job-seekers, and individual employment plans were devised. Over 106 thousand individuals or 42.6 per cent of the unemployed registered with territorial labour exchanges participated in active labour market policy programmes (vocational training, public works, works financed from the Employment Fund, setting up their own business, job clubs, and job creation). Through of the efforts of the labour exchanges 134 thousand persons were placed into jobs. Young people who were only starting their working lives accounted for 34 per cent of the total number of the unemployed participating in the active labour market policy programmes; the long-term unemployed, ie persons who are in most need of the help of the labour exchanges, accounted for 39 per cent. Therefore, employment prospects were improved for every second unemployed. Active Labour Market measures enabled the unemployment level in the country to be reduced by 1.3 percentage point.

Unemployment benefits were paid on average to 31.6 thousand persons (14.1 per cent of the total unemployed) in 2001. The average unemployment benefit amounted to LTL 182, the average duration of payment of the unemployment benefit was 4.1 months. The minimum unemployment benefit was LTL 135, ie the amount of the state supported income, the maximum unemployment benefit totalled two minimum standards of living - LTL 250.

The amendments of the Law on Support of the Unemployed which came into effect at the beginning of 2002, aimed at improving social security of the unemployed who are close to pensionable age. Unemployment benefit can now be paid to those individuals who find it most difficult to integrate into the labour market, ie those who are close to pensionable age and who are within not more than two years of their retirement age and who have a state social insurance record of no less than 15 years. About 7 thousand people made use of this possibility at the end of the first quarter of 2002.

Labour Relations

In 2001 much attention was devoted to the improvement of labour relations and perfection of their legal basis. The main objective was to liberalise this sphere, to grant more rights to the participants in labour relations. In 2001 new labour laws were prepared and adopted, and those in effect were amended and supplemented. Another significant process was the preparation of the Labour Code. The Seimas of the Republic of Lithuania adopted the Labour Code on 4 June 2002 - it will come into effect on 1 January 2003. To implement it new legislation will have to be adopted and old legislation requires adjustment.

In order to create more favourable conditions for partnership, at the beginning of 2001 Ministry of Social Security and Labour specialists in co-operation with the bilateral commission consisting of trade union representatives and employers’ organisations, prepared the draft Law on the Amendment of Chapter I of the Law on Collective Agreements and Contracts, which was adopted by the Seimas on 18 October 2001. The Law legalises the activity of tripartite and bilateral institutions of social partners, and regulates legal issues in relation to drawing up, signing and implementing collective agreements and other issues regulated by law.

To strengthen the fight against illegal work, a draft of the Action Plan to Strengthen the Prevention and Control of Illegal Work drawn up in co-operation with the State Labour Inspectorate, was approved by the Government of the Republic of Lithuania on 19 July 2001. SoDra, the Tax Police, the Public Police, the Economic Police, and the State Labour Inspectorate were engaged in the implementation of these measures.

The prevalence and frequency of strikes, as the last resort of settling collective labour disputes, have characterised the situation in the sphere of collective labour relations. Therefore the relevant chapter presents a brief overview of statistical data about strikes staged in Lithuania.

The prevention of illegal work has a great importance for the improvement of labour relations. It is believed that the Action Plan to Strengthen the Prevention and Control of Illegal Work, that has been adopted, will help reduce the level of illegal work activities.

Voluntary work, during which socially useful activities are performed free of charge, has recently become more
popular. Therefore the Ministry of Social Security and Labour prepared a Government resolution regulating the procedure of organising voluntary work activities. This legal act outlines legal conditions and guarantees for organising and performing voluntary work activities.

Historically people have made use of help offered by other people in carrying out land or household tasks in Lithuania. However, it is quite common that such assistance is used as a cover to carry out illegal work and exploit unpaid workers. The Ministry of Social Security and Labour has prepared a Resolution “On the Conditions and the Procedure for Carrying out Assistance (Help) Works” regulating the procedure and conditions under which natural persons can agree among themselves to provide assistance in carrying out land or household tasks.

**Payment for Work**

In 2001 certain changes took place in Lithuania in the area of payment for work. The system of payment for work was improved in order to achieve equality in relation to conditions of payment for work for civil servants, officials and other workers of institutions financed by the state and municipal budgets. From 1 October 2001 civil servants were paid for work according to the provisions laid down in the Law on Public Service, and since 1 July 2002 they have been paid according to the Law on the Amendment of the Law on Public Service.

The laws of the Republic of Lithuania also provide for guarantees for payment for work to the workers of bankrupt enterprises and enterprises in bankruptcy. The Guarantee Fund was established on 7 June 2001. In implementing the provisions of the Law on Guarantee Fund, the needs of 20.6 thousand workers in relation to outstanding wages and other payments were satisfied in 2001.

**Safety and Health of Workers**

**Working Conditions at Enterprises**

In 2001 inspectors of the State Labour Inspectorate inspected 10.6 thousand enterprises, in order to control the observance of the safety and health of workers in enterprises. The number of workers at the enterprises inspected and their branches working in a very harmful and harmful labour environment accounted for 4.4 per cent and 0.03 per cent of the total number of workers respectively. Compared with the year 2000, working conditions at inspected enterprises were better in 2001.

**Accidents at Work and Cases of Occupational Diseases**

79 fatal, 164 serious, 2274 minor accidents were identified as being related to work, occurred in Lithuanian enterprises in 2001. The total number of accidents at work has been on the decrease since 1998, however, in comparison with the year 2000, the number of serious and fatal accidents at work has increased by 16 per cent and 27 per cent, respectively.

570 cases of occupational diseases were registered in the Register of Occupational Diseases in 2001, with 374 people suffering from such diseases. The number of cases of occupational diseases in Lithuania in 1999-2001 decreased from 606 to 570. The ratio of adult males to females suffering from such diseases remained almost unchanged during that period.

**Legislative Changes in 2001–2002**

In implementing the Law on Safety and Health at Work and the Law on the Amendment of the Law on Supervision of Potentially Dangerous Equipment, a great number of accompanying legal acts was prepared in 2001 and the first half of 2002, including Regulations of Safety and Health at Work Services of Enterprises, Lithuanian Hygiene Norm HN 23;2001 “Limit Values of Concentrations of Hazardous Chemical Substances in Work Environment Atmosphere. General Requirements”, Regulations of Instructing, Training and Attesting on the Issues of Safety and Health at Work, Regulations of the Register of Potentially Dangerous Equipment, Regulations of Occupational Risk Assessment. Also, the Occupational Risk Assessment and Management Manual” was prepared, which is available on the website of the State Labour Inspectorate to interested parties.

**State Programme of Safety and Health at Work**

In order to improve the safety and health conditions of workers in Lithuania, the State Programme of Safety and Health at Work providing for 2002-2003 measures was approved by the Government in 2001.
Participation in the Activities of the European Agency of Safety and Health at Work.

In the fourth quarter of 2001 the Focal Point of the European Agency for Safety and Health at Work was established at the State Labour Inspectorate, which developed an international network between the Agency, workers’ bodies and establishments of Occupational Safety and Health in Lithuania, social partners and training institutions. The Internet home page of the Focal Point has been developed and was opened to the public in summer 2002.

Social Insurance and Pensions

State social insurance constitutes the largest and most important part of the social security system. It covers almost all the residents of Lithuania: some pay social insurance contributions, others receive social insurance payments (pensions or benefits). The principal objective of the state social insurance system is to guarantee income for the insured, people who lost capacity for work due to illness, maternity, old-age, disablement or in other cases specified in the Republic of Lithuania Law on State Social Insurance.

In the more than eleven years of Lithuania’s independence, the principles on which the social insurance system is based have not only withstood the first challenges but have also ensured social stability and income of a large part of the population.

Currently a new stage of pension insurance is developing in Lithuania. The Law on Pension Funds adopted in 1999 provides the legal basis for establishing principles of accumulation and voluntariness. The objective of social insurance based on the principles of accumulation and voluntariness is to supplement the present state social insurance system and create the possibility to improve the pension provision in the future. In addition, in 2001 the draft law on the reform of the pension scheme, whose objective is to form the legal basis for creating compulsory accumulative pension insurance, was submitted to the Seimas of the Republic of Lithuania for consideration.

The budget of the State Social Insurance Fund, whose plan and report is approved by the Seimas every year, reflects the changes of the funding of the State Social Insurance Fund. The SSIF has a separate budget, which is not included into the composition of the state and municipal budgets.

In 2001 the general contribution rate of state social insurance remained unchanged compared to 2000 and accounted for 34 per cent of the wage (31 per cent for employers and 3 per cent for workers). The expenses of the SSIF budget exceeded the planned expenditure by LTL 34.1 million. However, due to stricter control of contribution collection the amount of revenue was also larger than planned at 103 per cent of the intended amount. Thus, in 2001 both revenues and expenses were 0.7 per cent higher than in 2000.

It should be noted that in 2001 much attention was focused on organisational reform of the major areas of the SSIF activities: the information system was developed, handling of the database of the records of the insured was improved, the organisational structure of management of the SSIF Board and its institutions were reorganised, and customer service was improved. Also, many legislative amendments relating to social insurance and pensions were prepared.

1.061 million state social insurance pension payments were made in 2001. State social insurance pensions accounted for 60 per cent of that number, state social insurance invalidity pensions accounted for 17 per cent and state social insurance survivor’s and orphan’s pensions accounted for 20 per cent.

Apart from state social insurance old age, invalidity and survivor’s and orphan’s pensions, loss of breadwinners’ pensions (2.8 per cent of the total state social insurance pensions) and pensions of the served time (0.2 per cent of the total state social insurance pensions) awarded under the laws that were in effect until 1 January 1995, and other legal acts were paid from the funds of the SSIF budget.

The Law on State Social Insurance that came into effect on 1 January 1995 does not provide for awarding loss of breadwinner pension and the pension of the served time, but these pensions are only now paid to those individuals to whom they were awarded before 1 January 1995.
From the beginning of 1995 to the end of 2001 the total number of state social insurance pensions payments increased by as much as 24.3 per cent. Due to the increase in pensionable age the number of old age pension recipients decreased during that period by 3.3 per cent, or 19.9 thousand persons. However, old age pensioners continue to constitute the largest part of pensioners.

Apart from the pensions listed above the following pensions paid from the State budget are established in the social security system: state pension to the President of the Republic, first and second degree pensions of the Republic of Lithuania, state pensions to persons who are victims, state pensions to officials and military personnel and state pensions to scientists.

Apart from these state pensions, first and second degree state survivor’s and orphan’s pension, victim’s state pensions for survivors and orphans, as well as survivor’s and orphan’s of officials and military personnel pensions of the Republic of Lithuania are also awarded and paid.

LTL 14.1 million was spent on payments for accidents at work and occupational diseases in 2001, which is LTL 6.4 million (2.2 times) more than in 2000.

LTL 362.3 million was paid to recipients of sickness and maternity benefits.

The control of SSIF expenses is vital to balancing the SSIF budget, therefore in 2001 much attention was devoted to this. Following a tendering exercise for the delivery of pensions to their recipients, costs of delivering pensions, benefits and compensations decreased considerably. Moreover, to reduce costs, the payment of social insurance payments by postal orders was terminated - now they are transferred through banks. Since 1 January 2001 funeral grants and compensations for transport expenses have not been paid from the SSIF budget.

By the end of 2001 SODRA had fully settled accounts with the budget of the Compulsory Health Insurance Fund.

In 2001 and at the beginning of 2002 discussions about amendments of laws related to the implementation of the reform of administration of state social insurance contributions were held, in order to reduce expenses related to contributions collection. It was planned to centralise administration of taxes and collection of state social insurance contributions at the State Tax Inspectorate so that a single institution should be responsible for collection of funds into the State and municipal budgets, the State Social Insurance Fund and the Compulsory Health Insurance Fund. The Board of SSIF and the State Tax Inspectorate carry out the same functions and apply the same methods in controlling and collecting the amounts of contributions and taxes to be paid. Therefore it was proposed that administration of SODRA contributions should be handed over to the State Tax Inspectorate, whose chief function is to ensure collection of all taxes and contributions, whereas the principal purpose of social insurance institutions is to ensure provision of social guarantees to the insured.

In planning the SSIF budget it is important to ensure its long-term financial balance. The ageing of society, changes in the fertility rate and migration processes are major factors leading to an ever-increasing financial pressure on the pension scheme and the increasing duration of obligations. Therefore long-term forecasts of the state social insurance pension scheme were studied by simulating demographic and economic development indicators, as well as variants of the development of social policy.

The main conclusion of this analysis is as follows: in 2005-2025 the SSIF budget will be a surplus budget, however, later a long period of the budget deficit will set in. It is necessary to provide in advance for measures which would help to reduce this deficit.

Social Assistance

Social and economic changes taking place in Lithuania, higher unemployment and differences in wealth particularly affect families: the fertility rate is declining, the number of socially weak and poor families is increasing. Therefore, one of the main goals of social assistance is to help satisfy the essential needs of those persons on a low income, whose ability to take care of themselves is insufficient on account of objective reasons that are beyond their control. To this end, families and children are paid social benefits and they are granted social guarantees and privileges.
Social Assistance to Families and Children

The current system of state assistance to families and children is composed of two major components: non means-tested benefits paid to families and means-tested assistance paid to low-income families. In 2001 the expenditures on non means-tested benefits consisted of 54 per cent of the total expenses for social assistance paid to families and children; the remaining part (46 per cent) went to the assistance to the needy.

Social assistance to families and children in 2001 was improved by coordinating it with the other relevant legislative changes and by taking due account of the problems to be tackled.

Amendments and supplements to the regulations on the granting and paying of state benefits to families raising children equalized the father’s and mother’s rights to receive these benefits (prior to that, the priority right belonged to the mother); assistance for the maintenance and settlement of foster children was coordinated with the provision of the new Civil Code stipulating that children from 14 to 18 are placed under wardship rather than guardianship, in order to avoid cases when the benefit is received by those who, according to the principles of granting the benefit, are not entitled to it, the provision regulating the granting of the family benefit and the orphans’ student’s allowance were revised.

The calculation and disbursement of benefits and compensations for heating, hot and cold water, as prescribed by respective laws, is the function of the state (delegated to the municipalities). According to this legislation, from 2002 funds for the payment of benefits have been allocated from the state rather than municipal budgets and are transferred to the municipalities as the special subsidy.

In 2001-2002, the Ministry of Social Security and Labour is carrying out the EU PHARE Twinning Project Social Assistance Reform and Implementation of Social Acquis ¾ Consensus III, the aim of which is to assist Lithuania in the period of accession to the European Union to improve its social assistance policy.

The current system of social cash assistance lacks efficiency. In general families are only provided assistance in the form of benefits, rather than receiving more comprehensive assistance. In order to coordinate the system of the state benefits to families raising children with other forms of assistance (increase of the non-taxable minimum, social cash assistance to needy families, development of services), it is planned to develop the concept for the restructuring of the system of state benefits to families with children as well as its implementation plan in 2003.

For the purpose of providing social assistance to families in greatest need after the assessment of their actual living conditions and property status, a new draft Law on the Social Cash Assistance to Law-Income Families (Individuals Living Alone) was developed.

In 2002, scientific research was carried out for the purpose of assessing the efficiency of the allocation of the state budget funds to municipalities for the organisation of free school meals at schools of general education and its effectiveness. According to the information collected in the course of the research, measures are going to be taken in order to use effectively the funds allocated for this particular purpose.

Social Services

The annual increase in need for social services very frequently exceeds the resources available; therefore it is of vital importance to look for more effective ways for the organization and provision of such services. Having created the basis for the infrastructure of social services, the necessity arose to take account not only of quantitative, but also of qualitative aspects of the organisation of social services.

In the provision of social services to different social groups, several factors are encountered, which restrict efficient development of the services. In order to diminish the influence of factors limiting the efficiency of social services, the beginning of 2002 saw the launch of the Reform of the Provision of Social Services. The Concept of the Reform of the Provision of Social Services was approved, which defines future development trends of social services corresponding to the needs of today and creating possibilities for more efficient development and maintenance of the social services system in our country. It provides for a reform of social services funding and implementation of purchasing models as well as setting forth the creation of the social services standards and quality assessment and control mechanisms.
An important precondition of improving the quality of social services is the upgrading of the social worker qualifications. In 2001, training courses were continued for social workers-practitioners without professional background, and the granting of qualification categories of expert social workers and leading social workers was launched. Certification of social workers is planned to be continued into the future.

In improving the status of social services institutions and in order to smooth the disparities within the social services infrastructure, the Ministry has been updating the material and technical basis of social services institutions. In the implementation of the Social Services Infrastructure Development Programme, in 2001 the financing of social services entities was continued from the state funds, Council of Europe Development Bank and municipalities.

In pursuing the state social assistance policy and ensuring that its functioning, regulation and improvement it is of fundamental importance to continue cooperation between the Ministry of Social Security and Labour and municipalities; therefore the Strategic Partnership Programme was recommenced for the period of 2002-2006. According to the agreed programme, it is planned to create a social assistance information system, which will help in the more efficient implementation of the measures within the Programme’s framework.

**Child Guardianship and Adoption**

The issues of child guardianship and adoption occupy an important position within the social assistance system since the number of dysfunctional families (families facing social problems) in Lithuania is growing annually. This to a large extent depends on the economic and social status of the country as well as on the family’s ability to participate in the labour market.

During the last four years the number of dysfunctional families (families facing social problems) recorded by municipal Children’s Right Protection Agencies has increased by 25 per cent, and the number of children living in such families - by 20 per cent. At the beginning of 2001 state guardianship was established to 2863 children. This is 266 children more than in 2000. Yearly, on average 10 per cent of children are placed under guardianship because of the death of the child’s parents (or of the only parent). However, recently there has been a tendency to place a child under guardianship because one or both of the parents go to work abroad and the child is left to grandparents. Annually, an increasing number of children is placed under guardianship because of the restriction of parental authority. In 2001 this number, as compared with 2000, increased by 58 per cent. At the beginning of 2001, there was a decrease in the number of cases when guardianship is established for a child over one after the parents renounced their children. At the end of 2001, in Lithuania 13452 children under 18 were under state guardianship. 7717 children lived in the families of their guardians, 5379 - in different types of care homes, the number of which amounts to 188, and 356 children lived in foster family type homes.

Since 1 July 2001, adoption issues are regulated by Book Three of the Civil Code of the Republic of Lithuania “Family Law”. In 2001 there were no substantial changes in the area of child adoption. A few more children were listed for adoption compared to 2000, but more children were also adopted. At the beginning of 2001, only 270 children were listed for adoption, and at the end of the year the number was 313.

Citizens of the Republic of Lithuania are not active enough in adopting children deprived of parental care. This is due to material difficulties, fears about psychological difficulties, their wish to conceal the fact of adoption from neighbours, as well as the shortage of information on the adoption procedures and possibilities.

In 2001 foreign citizens of eight countries adopted 43 Lithuanian children (in 2000 - 40). The greatest number of children (26) was adopted by USA citizens, 8 - by French citizens. As many as 6 pairs of siblings were adopted.

Two foreign families each adopted three children from one family.

In 2001, attention was focused on the development of legal acts regulating child guardianship and adoption corresponding with the entry into force of the new Civil Code.

The annually increasing number of dysfunctional families (families with social problems) and the number of children living in such families, bearing in mind the decreasing fertility rate, visibly demonstrates that the social assistance policy to families lacks effectiveness since it is primarily oriented towards “saving” of children rather than elimination of the basic reasons leading to the social exclusion of families.
Integration of the Disabled into the Society

Over the last year Lithuania has seen an increasing trend in the number of the disabled. During 2001 their number increased by 3.4 per cent. The total number of the disabled was 212.9 thousand. 86.2 per cent of these are recipients of the State Social Insurance Disability pension and 7.3 per cent are social pension recipients while 6.5 per cent are children.

These changes were caused by ineffective prevention of chronic health disorders, limited rehabilitation possibilities, growth in unemployment, also the fact that following the establishment of disability, people have a right to receive pensions, privileges and social security measures.

In order to make the rehabilitation potential more effective, in 2001 the preparation of the National 2003-2012 Programme of Social Integration of the Disabled was started.

The findings of research carried out by the Labour and Social Research Institute in 2001 (the Evaluation of Environmental Adaptation to Individuals with Physical Disability in Cities and Rural Areas) showed that there was no common regional policy, independent activities were carried out to adapt the physical environment, needs identified exceeded financial possibilities, the physical environment was better adapted in cities than in rural areas, disability NGO’s developing individual programmes were incapable of solving environmental adaptation problems in a consistent and systematic manner, and municipalities were trying to avoid any additional expenses. Therefore, in providing for possibilities for solving the existing problems, a need has arisen to prepare the national concept of the adaptation of physical environment to disability.

In 2001, in co-operation with ten orthopaedic appliance enterprises, the Ministry of Social Security and Labour carried out the Programme for the Provision of the Population with Orthopaedic Appliances and Compensatory Equipment, which aimed at improving the medical, professional and social rehabilitation of the disabled, and their medical, social and technical service provision, in order to implement the Law on the Social Integration of the Disabled. Including state budget funds the programme for the provision of orthopaedic appliances was allocated LTL 22 million.

The Analysis of the Evaluation of the System of Compensatory Equipment Provision of to the Disabled in Lithuania in Terms of Needs Satisfaction, Availability and Costs showed that the important problems in 2001 were the following: insufficient funding; lack of information; absence of direct contacts between the responsible institutions involved in the process of compensatory equipment provision and equipment users; ineffective structure of the system of provision and organizational forms, which restrict the identification of the specific equipment needs and their satisfaction. In order to solve the existing problems and reform the system of compensatory equipment provision, it is intended to decentralize the organizational structure of the system, focusing on the rationalization of the system costs, separation of functions among individual provision stages, and possibilities for a more flexible provision.

In the area of transport infrastructure development, the most acute problem was that the public transport system did not meet modern requirements for the adaptation to the needs of the disabled. Therefore, the transfer of special mini-buses to local self-government institutions and disability NGO’s developed the infrastructure of special transport on a regional level in 2001. Using state budget funds, transport privileges were granted to individuals with mobility problems according to the relevant procedure.

In order to solve the problems of manufacturing enterprises that appear to be in a critical situation, run by disability NGO’s, the Ministry of Social Security and Labour implemented appropriate measures in 2001, to identify the reasons for the ineffective operation of such enterprises. The inter-institutional working group set up for this purpose was assigned to thoroughly analyse the problems related to the employment of the disabled and develop a draft conception of the activities and status establishment of enterprises employing individuals of restricted working ability.

In carrying out the delegated functions to ensure the proper administration of the state budget funds, the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania was allocated LTL 20.4 million out of the state budget in 2001 for the implementation of medical, professional rehabilitation and social integration programmes of the disabled in 7 priority areas.
To implement the rights of the disabled in 2001, the vision of the reform of the integration model of the disabled was aimed at consistent activities to ensure independence, social integration and full involvement in public life.

**Social Assistance to Victims and Social Risk Groups**

In 2001, in carrying out the Action Programme of the Government, social assistance was continued to victims and social risk groups.

The Programme of Return of Deportees and Political Prisoners and their Families to Lithuania and their Provision with Flats and Employment, which is aimed at creating conditions for deportees and their families to return to the Motherland, continued to be implemented. In 2001, 78 such families were provided with flats (which amount to merely 8.2 per cent of the total number of families registered as willing to return to Lithuania), they were provided with social guarantees, and received help in relation to employment and integration into public life.

Over the previous ten years (1992-2001), the total amount of funds allocated and used to purchase flats for the returnees has amounted to LTL 60.2 million, out of which LTL 43.2 million were state budget funds and LTL 17 million are part of the CESDF loan. Using these funds, 1427 families were provided with flats.

In 2001, the Ministry of Social Security and Labour carried out 5 measures of the National 1999-2003 Programme for Drug Control and Drug Addiction Prevention, and carried out research on the Efficiency of Projects on the Rehabilitation of Drug Addicts and Prevention of Drug Addiction. LTL 736 thousand was allocated for that purpose out of the state budget funds.

The main measure was the support of projects on the prevention of drug addiction and rehabilitation of drug addicts run by various organizations. The Ministry of Social Security and Labour supported the 37 best projects and allotted LTL 460 thousand for their implementation.

The purpose of the second measure of the National Programme for Drug Control and Prevention of Drug Addiction is to support projects on the prevention of drug addiction of non-governmental youth organizations. 51 youth organizations were supported and LTL 200 thousand was allocated to them.

In implementing this Programme, seminars were held to train 192 persons performing social work with persons from risk groups in the institutions providing social services, educational, police, medical institutions, non-governmental organizations and organization for the protection of the rights of the child.

Another social risk group that needs assistance includes people released from imprisonment. In 2001, the 2001-2004 Programme of Social Adaptation of Convicted Individuals who were Released from Places of Imprisonment, Institutions of Correctional Labour, Social and Psychological Rehabilitation was carried out. The Ministry of Social Security and Labour commissioned research to be carried out on the ‘Needs for Social Assistance of Former Convicts and Needs of Organizations and Institutions Providing It’.

The trafficking of women is currently regarded as one of the main profit sources in the world of organized crime. According to the latest data, Lithuania has the highest rate of trafficking of women among the Baltic States. In 2000 in Germany, the number of victims of people trafficking from Lithuania was much greater than the number of victims from neighbouring countries with greater populations.

Considering the importance of the problem of people trafficking, the Government of the Republic of Lithuania approved in its Resolution No. 62 of 17 January 2002 the 2002-2004 Programme for the Control and Prevention of People Trafficking and Prostitution. The implementation of this Programme will lead to a more effective fight against specialized criminal groups; creation of a social assistance system preventing new people falling into prostitution; creation of social, psychological and legal support for victims of prostitution and people trafficking; improved search for missing persons; creation of a prevention, investigation and information disclosure system for victims of people trafficking; wider international co-operation, and support to non-governmental organizations.
Integration into the European Union and International Co-operation

Lithuania’s aspiration of membership of the European Union and integration into international organisations determines enhancement of bilateral and multilateral relations of the Ministry of Social Security and Labour. the MSSL has an important role to play in the process of Lithuania’s preparations for membership of the European Union. The Ministry is actively participating in activities of international organisations, is rapidly establishing bilateral contacts between institutions of Lithuania and foreign countries, concludes new international agreements on employment abroad and social guarantees. Foreign experts assistance and taking over of foreign experience make a positive impact on the quality of social and labour policy issues, improves the work of institutions.

**Integration into the European Union**

In 2001, the implementation of the action plan of measures for the adjustment of legislation and Acquis implementation action plan of Lithuania’s programme for 2001 for the preparation for membership of the European Union (EU) continued. In the same year, negotiations on the negotiation chapters on Social Policy and Employment and Free Movement of Persons were concluded (in March and November 2001, respectively). Following the decision by EU Member States to introduce transitional periods in respect of new Member States with regard to free movement of workers, it became necessary to conclude bilateral agreements with the current and future EU Member States. In 2001, negotiations on the agreement on free movement of workers were started with Latvia, options were discussed on the conclusion of similar agreements with Nordic countries, and later proposals for such agreements were submitted to Italy, France, Norway and Spain; consultations with Germany are still ongoing. It is likely that from the moment of Lithuania’s accession to the EU, Ireland, Denmark, Netherlands and Sweden will open up their labour markets to the citizens of Lithuania, within certain restrictions.

On 22 October 2001, the EU-Lithuania Sub-Committee Meeting No 7 On Regional Development and Social Policy took place in Brussels. As in previous years, the Ministry of Social Security and Labour participated in the drafting of An Annual report on the Progress of Lithuania towards Accession to the European Union for the period from July 2000 - June 2001 which was drafted by the European Committee of the Government of the Republic of Lithuania.

In 2001, impact assessments of Lithuania’s membership of the European Union continued and studies were carried out on the implementation of specific EU legal acts in Lithuania.. At the end of 2001, The study ‘Sprinter’ by I. Zokas carried out the research project Evaluation of Potential Free Movement of Labour to European Union Countries and its Impact on Lithuania, whose objective was to assess the effect of potential free movement of workers to European Union Member States.

**International Organisations**

Specialists of the Ministry of Social Security and Labour actively participated in the activities of various international organisations. Out of these, most attention to social issues is devoted by the Council of Europe, the International Labour Organisation, the United Nations and the Organisation for Economic Co-operation and Development.

**The Council of Europe**

The year 2001 was significant in that the most fundamental instrument of the Council of Europe - the 1995 European Social Charter (as amended) - was implemented in Lithuania. Lithuania ratified the Charter in May 2001 and from 1 August 2001 became a fully-fledged member of the Charter. By acceding to the Charter, Lithuania has committed itself to improve in all fields of social life, consistently enforce national legislation and improve the social policy for the benefit of the citizens of the whole country.

In 2001 analysis started on the possibility to adopt the European social security standards embedded in another key instrument of the Council of Europe - the European Code of Social Security.
The Ministry of Social Security and Labour drew up a detailed report on the conformity of the Lithuanian social security system to the requirements of the European Social Security Code. In December 2001, this report was presented for expert evaluation of the Council of Europe and International Labour Bureau. Preliminary conclusions of experts read that the legislation and practice of the Lithuanian social security system are largely in line with the Code’s requirements and allow Lithuania to accede to this instrument. On the basis of expert recommendations, Code’s requirements will be further analysed.

The Council of Europe encourages member states to exchange information on social security systems. The Ministry of Social Security and Labour, following the suit of counterpart ministries of other member states of the Council of Europe, joined the information exchange system on social security (MISSCEO - Mutual Information System on Social Security) developed by the Council of Europe. With regard to this, the Ministry is obliged to regularly inform and update the Council of Europe on the social security funding, organisation, types of benefits and beneficiaries, etc. Summarised information on social security in the Council of Europe member states may be found on the Council of Europe website.

**The United Nations**

In 2001 the Ministry of Social Security and Labour initiated the establishment of an interdepartmental working group for drafting an inception report on the implementation of the UN International Covenant on Economic, Social and Cultural Rights in Lithuania. In November 2001 this report was finalised and presented to the Government. In January 2002 the Government approved the inception report and decided to submit the report to the Office of the United Nations High Commissioner for Human Rights.

In 2001 the MSSL presented an inception report on the implementation by Lithuania of the UN Convention of the Rights of the Child to the UN Headquarters in Geneva. MSSL implemented (or has prepared for implementation) the following UN-funded projects:

1) support for the implementation of the national poverty reduction strategy: drafting of the action plan;
2) social exclusion and poverty in the transitional period;
3) integration of gender equality into Lithuania’s policy;
4) monitoring and evaluation of social policy.

**Organisation for Economic Co-operation and Development**


In May 2001, OECD experts together with MSSL organised the conference “Pension Reform: Implementation Experience” which took place in Vilnius.

**International Labour Organisation**

In 2001 activities with the International Labour Organisation (ILO) were continued. Since Lithuania was elected deputy member in the governments’ group of the ILO Governing Body, the Ministry’s specialists played an active part during sessions of the Governing Body in solving urgent issues relating to the improvement of international labour standards, technical co-operation and future plans for the organisation.

During the 89th ILO conference in 2001, attention was focussed on the reduction of decent work deficit, and a new convention and recommendation was adopted with regard to the occupational safety and health of agricultural workers.

In order to discuss co-operation between Lithuania and the ILO, Jean Pierre Lavie, ILO Director for Central and East European Countries, paid a visit to Lithuania in November. He met with representatives of employers’ organisations and trade unions, and MSSL specialists.

All issues related to the implementation of international labour standards and technical co-operation in this field involved consultations with social partners. Reports on the implementation of the ratified conventions in Lithuania were drawn up for the International Labour Office.

**Development of International Contacts**

As many as 57 international agreements effective in Lithuania fall within the competence of the Ministry of
Social Security and Labour: 43 multilateral agreements (conventions and other international instruments) and 14 bilateral agreements, of which 8 are in the field of social security and 6 in labour migration.

In 2001 social security agreements were concluded with Finland and the Ukraine, negotiations on a similar agreement were finalised with the Netherlands. Negotiations with Latvia have started on the conclusion of an agreement on the free movement of workers, possibilities were discussed to conclude similar agreements with the Nordic countries, identical proposals were submitted to Italy, France, Norway, Spain; consultations with Germany are ongoing.

In 2001 bilateral relations with institutions of foreign countries were actively developed. New and revised co-operation agreements were signed between the Ministry of Social Security and Labour and the Danish Ministry of Labour, Belgian Ministry of Labour, Irish Ministry of Social, Community and Family Affairs, Dutch Ministry of Social Affairs and Employment, and an agreement with the Danish Ministry of Social Affairs was prepared for signature.

The implementation of new international projects as well as previously launched projects continued, aiming to improve the legal framework and institutions.

**Multilateral Technical Assistance**

In 2001, as in previous years, the Ministry of Social Security and Labour received significant technical assistance from the European Union and individual countries. Previously started EU PHARE projects continued and new projects were launched; the EU Youth programme also continued. Out of 7 million euros allocated from the Phare national programme for 1999-2000, the following projects of the Ministry of Social Security and Labour were funded:

1) Strengthening of the occupational safety and health policy implementation;

2) Support to social policy development and administration of social assistance benefits and allowances - consensus III;

3) Preparation for participation in the European Employment Strategy;

4) Support to the development of the integrated information technology system for SODRA (the State Social Insurance Fund Board) - phase 2;

5) Support to the monitoring unit to oversee the development of an integrated information technology system in SODRA.
2. Mission and Strategic Goals of the Ministry of the Social Security and Labour

The mission of the Ministry of Social Security and Labour is to develop and implement an effective system of social assistance, social insurance and employment harmonised with the EU standards which will strengthen the social security of the country’s residents.

The Ministry of Social Security and Labour is implementing its mission in 2002 to achieve the following strategic goals:

1) Assist residents in their integration into the labour market and ensure fair labour relations and safe working conditions;

2) Develop an effective social assistance system and ensure the social integration of socially vulnerable groups of the society;

3) Achieve balance in the social insurance system and plan for the pension reform, introducing saving in pension funds, thereby securing stability of the current social insurance payments.
The Ministry’s strategic action plan for 2002 was drafted in accordance with the Governmental Resolution\(^1\). Allocations to the Ministry for year 2002 were approved by the law\(^2\), and allocations to the programmes implemented by the Ministry were approved by the Governmental Resolution\(^3\).

The strategic action plan is a document which defines the institution’s mission, goals and programmes in relation to the environment it operates in. The strategic action plan describes how the institution intends to implement the strategic goals and priorities of the Government, by implementing the programmes with the existing budget allocations.

The goal to Assist residents in their integration into the labour market and ensure fair employment relations and safe working conditions is being achieved by implementing 6 programmes:

1) vocational training and counselling in the labour market, increasing opportunities for youth employment and skills development of social workers;
2) reducing unemployment;
3) research into the living standards, employment, social insurance and social assistance systems in Lithuania;
4) prevention of occupational accidents and diseases and improvement of safety at work;
5) programme for the usage of the Guarantee Fund;
6) special skills development programme for social workers.

The goal to Develop an effective social assistance system and ensure the social integration of socially vulnerable groups of the society is being achieved by implementing 6 programmes:

1) provision of residents with orthopaedic prosthetics and compensatory equipment;
2) development of social services in the institutions reporting to the Ministry;
3) support to socially vulnerable groups of society and other relevant activities of the Ministry;
4) development of the social services infrastructure;
5) operation of loan and social security network projects
6) provision of social services at children’s day care centres of non-governmental organisations.

The goal to Achieve balance in the social insurance system and plan for the pension reform, introducing saving in pension funds, thereby securing stability of the current social insurance payments is being achieved by implementing two programmes:

1) state and social (assistance) pensions and state social assistance;
2) support to the monitoring unit for assessment of the development of the information technology system for the State Social Insurance Fund Board (PHARE project No. L19911.02.01)

National budget funds are used for the achievement of the strategic goals. In 2002, LTL 6,848 thousand has been allocated for the implementation of the first strategic goal, LTL 112,853 thousand - for the second strategic goal, and LTL 404,205 thousand for the implementation of the third strategic goal (cf. Chapter Annexes, Annex 2, table P.2.1).

The management structure of the Ministry of Social Security and Labour is set forth in Annex 1. The programmes implemented by the Ministry of Social Security and Labour for the achievement of the strategic goals are specified in Annex 2.

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3. Economic and Social Development of Lithuania in 2001

The social situation of the country and its development depends not only on the social policy, but also on the country’s economic potential and its further growth. Higher levels of the country’s economic development result in the better social status and social security of the country.

The country’s economic boom that commenced in 2000 continued into 2001 as well. According to Ministry of Economy specialists, the year 2001 was marked by a boom in the Lithuanian economy. This is shown by the macroeconomic indices of the Lithuanian economy which increased considerably in 2001.

According to preliminary data, the Gross Domestic Product generated in 2001 amounted to LTL 48 billion estimated in market prices, or LTL 30.1 billion estimated in comparative 1995 prices. The actual GDP rose by 5.9 per cent during 2001 (3.8 per cent during 2000) and exceeded all expectations.

GDP per capita, calculated taking into account preliminary census data of 2001, totalled LTL 13.8 thousand in 2001 estimated in market prices, or LTL 8.6 thousand estimated in comparative 1995 prices. In comparison with 2000, this figure increased by 6.4 per cent. GDP generated per Lithuanian resident equalled the average GDP of the applicant countries of the European Union, but is about 3 times lower than the average GDP of the European Union.

The average annual inflation in 2001 was low and amounted to 1.3 per cent.

The volume of production manufactured and sold by the mining and processing industries in 2001 was 17 per cent larger than in 2000.
In 2001, the current account deficit dropped by 1.2 per cent and accounted for 4.8 per cent of GDP.

In 2001, direct foreign investments rose by 18 per cent and amounted to LTL 1783.3 million.

Exports increased by 20.3 per cent and imports went up by 15 per cent in 2001.

Although general production and export indices increased in 2001, an insufficiently rapid investment process and high unemployment level were the main problems of the economic development.

According to preliminary data of the Department of Statistics, tangible investments over 2001 decreased by LTL 26 million and totalled LTL 6527 million. The average annual unemployment rate rose by 1 per cent and reached 12.5 per cent; however, in comparison with 2000, the unemployment growth became slower.

According to data of the Department of Statistics, on 1 January 2002, the register of economic entities of Lithuania contained records on more than 167,000 economic entities (five thousand more than on 1 January 2000), out of which 41 per cent were operational.

In 2001, the economic and social development of Lithuania was distinguished by the fact that a relatively quick pace of economic growth did not result in the improvement of the social situation and the standard of living.

During 2001, the average actual monthly wage and direct pay decreased by 2 per cent, the actual old age pension dropped by 0.3 per cent, and the actual minimum standard of living by 2 per cent.

This can be explained by the characteristics of the economic and social development that the changes in the economic situation do not result in the changes of social conditions and the living standard. Therefore, improvements in the social situation and the respective indices should be expected in the future.
3.1. Economic Situation

Manufacturing and Processing Industry

Lithuanian industrial companies gradually adapted themselves to the complex environment of international economic markets. The obvious growth of industrial exports proves their increasing competitiveness. The negative foreign trade balance, however, speaks about yet insufficient capacities of certain manufacturers to compete with imported products.

Natural advantages contributing to the competitiveness of the Lithuanian industry, such as a cheaper workforce in comparison with the EU Members States, a good geographical location, inherited capital with lower demands on profitability are no longer of essential importance. An ever-growing value is attached to the basic and specific advantages (acquired technologies, the reputations of companies, trademarks, different patents, etc.). To be able to take advantage of the EU market and explore the opportunities presented in it, it is necessary to promote the competitiveness of companies and to produce more articles of high added value.

The scientific research and high-tech industry sector which employs a highly skilled workforce, featured a slow growth in the overall outputs produced by the Lithuanian industrial companies. This is a negative factor (the global economy is becoming increasingly knowledge-based) which can diminish the competitiveness of Lithuanian industry in the future.

In 2001, the volumes of manufactured and sold production were rapidly rising in the industrial sector of the country. According to preliminary data of the Department of Statistics, in 2001, the sales of industrial production (calculating in prices of that period) amounted to LTL 26.65 billion (excluding VAT and excise duties). According to chart 3.1-1, the growth in sales of industrial production (16.9 per cent - estimated in comparative prices) during 2001 exceeded that of the year 2000 and was the largest over the recent six years.

Changes in the Sales of Industrial Production Compared to the Previous Year (in per cent)

Data provided by the Department of Statistics of the Government of the Republic of Lithuania
The sales of products of the mining and processing industry (MPI) (LTL 23.57 billion or 88.4 per cent) made up the largest segment in the total sales of the country’s industrial production. In 2001, the growth of MPI product sales also considerably exceeded the levels of 2000. In comparison with 1999, the sales volume in the MPI sector increased by 8.8 per cent in 2000, and by 17 per cent in 2001. On a month-by-month basis in 2000, increases in sales ranged from 8.8 per cent to 20.5 per cent, and in 2001, from 3.6 to 35.3 per cent.

The major share in the production of the mining and processing industry belongs to the production of foodstuffs, drinks and tobacco (22.5 per cent), production of refined oil products (21.8 per cent), and light industry products (15.7 per cent). Lithuanian industrial companies export the largest share of their produce. According to preliminary data of the Department of Statistics, in 2001, exports made up 61.3 per cent of all sold MPI production, and in some individual branches of the industry, exports exceeded 80 per cent.

**Energy Sector**

The main energy sources of the country consist of electricity, oil, and gas.

In 2001, Lithuania produced 14.73 TWh of electricity or 28.9 per cent more than in 2000. In comparison with 1999, the structure of the electricity production mainly has not changed with the exception of the Ignalina Nuclear Power Plant whose production rose by almost 35 per cent. Electric power plants of Lietuvos Energija AB produced 437 Tcal of heat energy in 2001 (as compared to 448 Tcal in 2000).

The increase in the production of electricity in 2001 was due to the increased (almost three times) level of exports of electricity in comparison with 2000. Exports to Belarus made up 2055 GWh of electricity in 2001 (716.6 GWh in 2000). Electricity was also exported to Latvia, Russia and Estonia. The Belarus debt for the exported electricity amounted to USD 30 million at the end of 2001.

In 2001, 7.16 TWh of electricity was sold to domestic consumers (6.18 TWh in 2000). 10.24 TWh were purchased from Ignalina NPP. The average tariff for electricity for domestic consumers was 18.62 ct/kWh, and the export tariff stood at 5.22 ct/kWh.

The end demand for electricity during 2001 increased by 3 per cent, and accounted for 1830 kWh per inhabitant. During 2001, Ignalina NPP operated safely and produced 77 per cent of the total volume of electricity in Lithuania.

In preparation for the decommissioning of the 1st block of Ignalina NPP, the Government by Resolution No. 172 of 19 February 2001 approved the programme for the decommissioning of the first block of the Ignalina Nuclear Power Plant. The programme covers the period of 2001-2004 and is aimed at securing the safe operation of Ignalina NPP during the preparations for, and in the process of, the decommissioning of the first block. In addition, it is important that the negative social and economic consequences of the decommissioning of the first unit of Ignalina NPP are reduced for Lithuania, in particular for the residents of Ignalina NPP region, by creating a favourable environment for the sustainable social and economic development of this region.


In 2001, Mažeikių Nafta AB sold 6845 thousand tons of oil products. Sales to Lithuanian consumers amounted to 1841 thousand tons (88 per cent of the overall demand for oil in the country), and exports totalled 4527 thousand tons of oil (66 per cent of the production). The majority of the exports went to Poland, Latvia, Estonia and certain countries of CIS and Western Europe.

According to the non-audited data, in 2001, the company incurred losses amounting to LTL 277.2 million. (in 2000, the company’s activities resulted in losses totaling LTL 179 million).

In 2001, Lithuanian consumers were supplied with 2.681 billion m3 of natural gas, i.e. 3.8 per cent more than in 2000. The sales of liquid gas to Lithuanian consumers accounted for 205,800 tons, of which 155,700 tons were produced by Mažeikių Nafta AB (in the year 2000, 196,900 tons were sold, of which 128,100 tons were received from Mažeikių Nafta).
CONSTRUCTION INDUSTRY

In 2001, the value of work carried out by national construction companies and enterprises accounted for LTL 2.5 billion. In comparison with 2000, the value of completed work increased by 3.2 per cent. Work performed in Lithuania amounted to LTL 2.4 billion (98 per cent of the total volume), or 3.2 per cent more than in 2000. Work performed outside Lithuania accounts for LTL 58.4 million (2 per cent of the total volume) or 36.1 per cent more than in 2000.

In 2001, tangible investments in the construction and repairs of buildings and engineering facilities totalled LTL 3380.3 million (and in comparison with 2000 increased by 22.4 per cent), investments in the construction of residential houses made up LTL 472.6 million (reduced by 1.02 per cent). 6 per cent of all investments originated from the public sector, and 94 per cent from the private sector.

TRANSPORT

In 2001, the volume of carriage with the major transportation types decreased with the exception of transportation of domestic and export cargoes by railways, transit cargoes by road vehicles via Lithuania, passenger carriage and cargoes by air transport and loading and unloading of certain cargoes, containers and roll-on-roll-off materials at Klaipėda harbour.

In 2001, cargoes loaded at Klaipėda harbour totalled 17.3 million tons or 10 per cent less than in 2000. The main causes for the decreasing load are the Russian policy to re-direct mass and profitable cargoes (in particular those containing metals and oil products) to Russian harbours, and tough competition among the harbours on the Eastern shore of the Baltic for the Eastern-Western transit. Decreased discharge of minerals (apatites) was due to the downtime of Lifosa AB, the cement exports having been reduced due to the complicated situation on the international cement market.

Over 2001, the volume of cargoes loaded at the harbours of Lithuania totalled 22.4 million tons or 2.5 per cent less than in 2000. This was influenced by the accident on the Būtingė terminal.

According to preliminary data, in 2001, sea transport carried 4.7 million tons of cargo (or 4.2 per cent more than in 2000), and 68,800 passengers (7.2 per cent more than in 2000).

In 2001, the carriage of railway cargoes dropped by 5 per cent, and the turnover by 13.2 per cent in comparison with 2000. Transit cargoes made up the largest portion of transportation (51.9 per cent); their carriage, however, decreased by 15.8 per cent in comparison with 2000. The main reason for this is the lack of balance in the policy of cargo tariffs resulting in a significant decrease in volumes of cargoes transported along transit routes in the direction of Klaipeda.

The volume of such cargoes dropped by 4.6 million tons or 40.5 per cent in 2001. At the same time, transits in the direction of the Kaliningrad enclave rose by 1.8 million tons or 29.6 per cent.

During this period, the number of passengers travelling by rail continued to decrease. In 2001, this type of transport was used by 7.7 million passengers, which is 1.13 million or 12.8 per cent fewer than in 2000. 6.3 million people or 81.7 per cent of all railway passengers travelled on local routes (1.1 million or 15.1 per cent less than in 2000). Changes to railway schedules and considerable competition from road traffic contributed to the decrease in passenger numbers.

In 2001, the total number of flights in the airports of Palanga, Kaunas and Vilnius increased by 1.8 per cent, the number of passengers grew by 11 per cent, and the volume of transported cargoes and mail increased by 13.6 per cent in comparison with 2000. These airports were profitable in 2001.

In 2001, the aviation companies Lithuanian Airlines and Airline Company Lietuvu carried out a total of 11,100 flights (1.9 per cent more than in 2000) transporting 363,100 thousand passengers (by 6.2 per cent more than in 2000), 3302.7 tons of cargoes and mail (1.5 per cent more than in 2000). Nevertheless, both these companies incurred losses in 2001.

AGRICULTURE

According to preliminary data, the agricultural production of the country (estimated on the basis of comparative prices) decreased by 13.9 per cent in 2001 and reached only 91.5 per cent of the 2000 levels. Horticultural production declined by 13 per cent, and cattle production dropped by 1 per cent.
Due to State support and increased purchase prices for agricultural produce, farm income stopped to decrease in 2001. According to preliminary data, in 2001, payments for produce sold (along with direct payments) increased by LTL 170 million in comparison with 2000, and the total value was LTL 1.7 billion.

In 2001, the value of net exports of Lithuanian agricultural produce and foodstuffs amounted to LTL 1.7 billion, the value of net imports made up LTL 1.8 billion. In comparison with 2000, exports increased by 22 per cent or LTL 375 million, imports rose by 9 per cent or LTL 169 million. The negative foreign trade balance dropped by LTL 206 million in comparison with 2000 and totalled LTL 97 million.

**INFORMATION TECHNOLOGIES**

The increased use of information and telecommunication technologies has a considerable impact on the economic development and progress. According to the data of the Department of Statistics, at the beginning of 2001, one hundred workers shared 21.7 computers, and 60.4 per cent of all computers possessed by companies and enterprises had internet access. In terms of the number of computers per one hundred workers, the largest number of computers is possessed by the companies employing 1-9 and 10-19 people (52 and 35 computers per one hundred workers, respectively). In January 2001, the internet was used at work by 16.3 per cent of all workers (approximately 21 persons in each company or organisation), however, more than one quarter used the internet only for e-mail operations. At the beginning of 2001, 41.6 per cent of all companies with internet access operated their own internet websites, nearly one third of them (30.4 per cent) performed different financial operations via the internet, and more than one fifth (20.9 per cent) carried out electronic trade operations.

According to survey data, information technologies in Lithuania are used by a small percentage of population - mostly young people, employed as managers of companies, students or specialists residing in the largest cities, with higher education, a relatively large income and who have a high social status.

During 2001, progress was made in the computerisation of schools, however, Lithuania is still noted for its low indices of school computerisation - according to the number of computers per one hundred pupils, Lithuania has only a third of the average number of the European Union: in 2001, 100 pupils of Lithuanian schools shared on average 2.5 computers, whereas this figure in the European Union stands at 8.6.

**SMALL AND MEDIUM-SIZED ENTERPRISES**

Small and medium-sized businesses (SME) are the most dynamic and constantly changing group of companies with a decisive impact upon economic growth and social stability.

Low levels of capital, a quick response to the market changes and flexibility in adapting to these changes, occupation of new markets or niches, competition with public enterprises, servicing large enterprises, development of new products and services, frequently of much better quality, the appropriate form for family business - these are the main advantages of small companies underlying their effectiveness and importance. The establishment of small and medium-sized companies and promotion of their activities constitute the basis for economic growth and serve as an important factor for the creation of new jobs.

The percentage of SME in the structure of companies operating in Lithuania during 1999-2001 was stable and amounted to 95 per cent, their number, however, decreased considerably. From the beginning of 1999 to the end of 2000, the number of operating SME decreased by more than 36 per cent and in December 2000 they totalled 52,100 (as compared to 76,200 in May 2000). The largest decline affected small and micro companies, since these companies had to face the greatest competition. During 2000, the number of micro companies dropped as much as 8 times. In 2001, the number of operating SME became stable and by the end of the year had risen by almost 4 per cent. This was influenced by the improved general economic situation, reflected by the increase in macroeconomic indicators. In 2001, the number of operating micro companies increased as much as three times. That means that business people started to give preference to the family business and wished to rely only on the efforts of their family members. In 2001, as in previous years, personal companies (62.3 per cent) and joint stock companies (34.7 per cent) were most numerous among all SME operating in Lithuania.
In 2000, the number of registered SME fell sharply in comparison with 1999, but increased by 3 per cent in 2001, to 8196 companies. In the same year, 9848 companies were liquidated.

At the end of 2000, companies employing up to 9 persons made up 79.4 per cent of all SME, companies employing from 10 to 49 people amounted to 16.2 per cent, those employing from 50 to 249 persons accounted for 3.8 per cent, and companies with more than 250 workers made up 0.6 per cent. The recent trend is that increasingly more small companies reduce the number of their workers, whereas the percentage of enterprises employing from 10 to 49 people is constantly rising.

Relevant knowledge is very important for the development of small business, therefore, business people starting their business and representatives of companies expanding their business were granted subsidised consultations and trainings.

People who start up a business were granted support of 80 per cent of the price for these services, representatives of companies expanding their business received 70 per cent of the total price.

Increasingly, the development of small and medium-sized business receives more attention. The Government Programme of the Republic of Lithuania for 2001-2004 foresees further improvement of the business environment. According to experts, bureaucracy, a large tax burden, lack of funds, difficulties in access to loans, lack of legal and managerial knowledge serve as the main impediments for the commencement and development of business.

**Procedure of Enterprise Bankruptcy**

From 1993 to 31 December 2001, 14 banks and 1604 enterprises were declared bankrupt. Bankruptcy procedures were completed for 439 enterprises (412 liquidated, 4 reorganised, 9 rehabilitated, in 14 enterprises bankruptcy cases were either closed or arrangements with the creditors were concluded).

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**Dynamics of Enterprises in Bankruptcy and Bankrupt Enterprises during 1993 –2001**

![Chart 3.1-2](image)

*Data provided by the Department of Statistics of the Government of the Republic of Lithuania*
Over the same period, the majority (27.8 per cent) of bankruptcies were initiated by the Board of the State Social Insurance Fund. Administration heads of enterprises initiated 18.1 per cent, and shareholders - 9.4 per cent of all bankruptcies.

During 2001, bankruptcy was initiated for 587 enterprises, 573 of which had bankruptcy cases were taken to court, and 14 enterprises were subjected to extrajudicial bankruptcy procedures. Of the total number of bankruptcy cases initiated during 2001, 240 enterprises have already applied the liquidation procedure, a decision has been made to apply the reorganisation procedure for one enterprise, and to rehabilitate one more enterprise. In 2001, bankruptcy procedures were completed in 225 enterprises - among them in 14 enterprises where the bankruptcy process started the same year.

In comparison with 2000, the number of enterprises in the bankruptcy process increased by 42 per cent, and the number of completed bankruptcy procedures rose by 123 per cent in 2001.

As it is shown in illustration 3.1-2, the number of bankruptcy procedures has been rising steeply since 1998. From then until 2001, the number of enterprises where the bankruptcy procedures were launched increased six times, and the number of enterprises where the bankruptcy processes were completed grew 6.6 times.

**Privatisation**

Privatisation is an essential precondition in ensuring functioning market relations. Therefore, the list of privatisation objects approved by the Government is being regularly supplemented with owned by the State (or municipalities). The privatisation list of 2001 included nearly 3000 objects, where the value of State (or municipal) property amounted to LTL 2.4 billion. This list included 137 enterprises controlled by the State (or municipalities) - the value of their assets owned by the State (or municipalities) totalled LTL 1.9 billion. This list also covered more than 2000 objects of real estate, where the value of assets owned by the State (municipalities) totalled LTL 184 million.

During 2001, 842 objects were privatised for LTL 467.9 million (in 2000, 947 objects for LTL 906.8 million were sold).

Vilniaus Vingis AB (a share package of 23.34 per cent owned by the State) was privatised for LTL 10.7 million, and Ragutis AB (a share package of 5.5 per cent owned by the State) privatised for LTL 1.5 million were among the largest objects sold at the Security Exchange in 2001. In addition to these, in 2001, the State Property Fund sold two large stock companies - Lithuanian shipment company (LISCO) and the Lithuanian Savings Bank. The 76.36 per cent of LISCO shares owned by the State were purchased by the Danish company DFDS Tor Line A/S, which paid LTL 190.4 million and committed itself to invest LTL 240 million in the company. The Estonian Bank Hansapank purchased the 90.73 per cent of shares of the Lithuanian Savings Bank owned by the State for LTL 150 million and committed itself to invest in the company another LTL 150 million.

In all transactions concluded during 2001, the purchasers committed themselves to invest more than LTL 397 million and retain and (or) create 3594 jobs in stock companies and joint stock companies controlled by the State.

During the same year, four objects were sold to foreign legal entities, other objects were privatised by Lithuanian natural and legal entities.

**Foreign Trade**

In comparison with 2000, the volume of Lithuanian foreign trade turnover increased by 17.3 per cent and amounted to LTL 43.5 billion in 2001. Exported goods accounted for LTL 18.3 billion, which is 20.3 per cent more than in 2000; imports made up LTL 25.1 billion, or 15.1 per cent more than in 2000. Compared to 2000, the foreign trade deficit increased by 3.1 per cent and equalled LTL 6.8 billion in 2001.

Lithuania’s main foreign trade partners in 2001 were Russia (exports made up 10.9 per cent of total export, imports amounted to 24.7 per cent of total import), Germany (12.5 and 19.4 per cent, respectively), Latvia (12.6 and 4.3 per cent, respectively), Great Britain (14 and 3.2 per cent), Poland (6.3 and 6.5 per cent).

**Investments**

According to preliminary data provided by the Department of Statistics, in 2001, all tangible investments in Lithuania accounted for LTL 6.5 billion. Compared to 2000, tangible investments increased by 28.1 per cent,
and by 5.1 per cent within the public sector. The own funds of economic entities amounting to 71.1 per cent of all investment constituted the main financing source. Investments financed from the national budget considerably increased (3.3 times). Comparing the figures for 2000 and 2001, the amount of investments financed from State and municipal budgets increased 6.5 times (28.4 per cent). In 2001, investments to the public sector made up 32.6 per cent of total investments.

The majority of investments were used for repairs and construction of buildings and engineering facilities (53.5 per cent), and for the acquisition of installations, machines and transport (46.2 per cent). Very few investments were used for the development of land (reclamation, etc.) - 0.3 per cent. According to the types of economic activities, investments were made as follows: 19.2 per cent for the processing industry, 11.2 per cent for transport and warehousing, 7.2 per cent for the construction of homes, 9.5 per cent for the supply of electricity, gas and water, 8.7 per cent for post and distance communication.

On 1 October of 2001, direct foreign investments amounted to LTL 10.4 billion and made up LTL 3000 per capita. The major part of investments went to the processing industry (26.8 per cent of the total direct investments), trade (20.4 per cent), financial mediation companies (19.2 per cent), and communication services (15.4 per cent).

The main countries investing were: Denmark - LTL 1881.8 million (18.1 per cent), Sweden - LTL 1631.7 million (15.7 per cent), Estonia - LTL 1057.7 million (10.2 per cent), Germany - LTL 962.8 million (9.2 per cent), USA - LTL 943 million (9.1 per cent). In comparison with the data of 1 January 2001, direct investments from Estonia increased by 77 per cent, direct investments from Germany grew by 39.7 per cent.

In 2001, the major share of direct foreign investments came to Lithuania through the privatisation of individual objects, whereas the levels of investments on the open market remained rather low.

The State Debt

In 2001, the total State debt increased by LTL 178.8 million and amounted to LTL 12.9 billion or 26.9 of the expected GDP (LTL 48 billion) on 31 December. At the end of 2000, the debt totalled LTL 12.7 billion or 28.1 per cent of GDP (LTL 45.2 billion).

Direct State liabilities (assumed on behalf of the State) during the year increased by LTL 182 million and totalled LTL 10.7 billion at the end of the year, indirect liabilities (State guarantees for granted loans) decreased by LTL 3.3 million down to LTL 2.2 billion.

The total (direct and indirect) long-term debt made up LTL 12.1 billion or 93.8 of the total State debt, and short-term debt amounted to LTL 804.4 million or 6.2 of the total debt.

The total State debt decreased by LTL 41.1 million over the year and at the end of the year accounted for LTL 9.9 billion or 76.4 per cent of the total debt. Domestic debt increased by LTL 220 million and reached LTL 3047.3 million or 23.6 per cent of the total debt.

Balance of Payments

According to preliminary data of the Bank of Lithuania, in 2001, the current account deficit was LTL 2.3 billion. In comparison with 2000, it decreased by LTL 404.6 million and was 3.3 per cent of GDP (5 per cent in 2000).

The decrease in the current account deficit was due to the increase in the favourable balance of services and decrease in the adverse income balance. Seasonal factors, such as a considerable increase in the export of travel services and decrease of dividends for the ownership securities, also made a considerable impact.

Consumer Prices

In 2001, the average annual inflation in Lithuania was 1.3 per cent and was the lowest among the Baltic states and the majority of other European countries (5.8 per cent in Estonia, 2.5 per cent in Latvia, 8.2 per cent in Bulgaria, 4.8 per cent in the Czech Republic, 6.1 per cent in Poland, 8.8 per cent in Slovenia, 9.8 per cent in Hungary).

The increase in prices was mainly due to higher prices for foodstuffs and non-alcoholic beverages in February, March, June and December (1.2 per cent, 1.1 per cent, 1.1 per cent and 2.2 per cent, respectively), higher prices for alcoholic beverages and tobacco in June and August (1.1 per cent and 4 per cent, respectively), increased prices for transport goods and services in March, May and June (1.8 per cent, 3.9 per cent and 1.9 per cent, respectively).
The price for transport goods and services was influenced by 10.6 per cent increase in prices for liquid gas for vehicles in March, and increased prices for petrol (increase by 2.9 per cent in March and by 9.1 per cent in May). Besides, in May and June the price of diesel fuel rose (by 6.4 per cent and 1.7 per cent, respectively). Prices for clothes and footwear rose in September, October and November (by 1.4 per cent, 1.1 per cent and 0.8 per cent, respectively). During this period, however, deflation occurred three times - in January prices dropped by 0.2 per cent, in July - by 0.8 per cent, and in September - by 0.2 per cent. Low inflation was due to a limited demand on the domestic market and a relatively high supply of consumer goods.

### 3.2. Social Situation

The social situation of the country depends on the economic potential, as well as respective legislation affecting the social standard of living.

#### Demographic Indicators

According to 2001 census data, on average the population of Lithuania was 3,481 million or 18,200 less than in 2000. 47 per cent of the population were men, 53 per cent were women. 2,330 million people resided in towns, and 1,151 million people lived in rural areas. The growth of the population was negative totalling 88.9 thousand.

The workforce consisted of 1,745 million people, of these employed persons amounted to 1,521 million. The private sector employed 1,066 million people, and the public sector employed 455,000 workers.

#### Main Social Indicators

According to preliminary data, in 2001, the average monthly net wage in the country’s economy (including the self-employed) increased by 1.8 per cent as compared to 2000 and amounted to LTL 705.1. The average monthly gross wage increased by 2 per cent up to LTL 991.2.

In 2001, the minimum monthly wage did not change and was set at LTL 430, with the basic wage being LTL 105.

The minimum standard of living approved by the Government amounted to LTL 125 and did not change either.

In comparison with 2000, the average old-age pension for non-working pensioners from the State Social Insurance Fund increased by 1.6 per cent and made up LTL 317.61 in 2001. Its actual value dropped by 0.3 per cent in December of 2001 as compared to the respective period of 2000.

#### Labour Market

In comparison with 2000, the average annual unemployment rate increased by 1 per cent and was 12.5 per cent in 2001. The pace of unemployment growth was slower: in 1999, the unemployment rate increased by 2 per cent compared to 1998, and in 2000, it grew by 3.1 per cent in comparison with 1999.

During 2001, territorial labour exchanges registered 249,700 unemployed persons or 3.2 per cent fewer than in 2000. The growth of the unemployment rate at a time when the number of unemployed persons decreased was the result of the reduced (by 53,000) workforce of the country.

At the end of 2001, the highest unemployment rates were registered in Druskininkai (29.9 per cent), districts of Mažeikiai (25.4 per cent), Akmene (23.7 per cent), Lazdijai (23.3 per cent); the lowest unemployment rates were in the districts of Anykščiai (7.3 per cent), Kretinga (7.6 per cent) and Trakai (8.5 per cent).

Unemployment benefits were paid to 29,700 persons or 13.3 per cent of the total number of unemployed.

Registered job vacancies amounted to 137,000, out of which 65 per cent offered permanent jobs and 35 per cent offered jobs on the basis of a fixed-term contract for up to 1 year. In comparison with 2000, the supply of permanent jobs increased by 17 per cent, the supply of temporary jobs by 44 per cent.

In 2001, territorial labour exchanges contributed to the employment of 134,000 unemployed persons or by 34 per cent more than in 2000.

#### Social Insurance and Pensions

The State social insurance is the most important element of the social security system involving almost all residents...
of Lithuania. More than one third of them receive social insurance benefits securing a certain amount of income for the insured who are not working because of illness, maternity, disabilities, retirement and other cases.

The State social insurance consists of two types: compulsory and voluntary insurance. Voluntary social insurance makes up a relatively minor part. The number of the insured in the compulsory social insurance amounted to 1.274 million in 2001; 25,500 fewer than in 2000.

In 2001, the budgetary revenues of the State Social Insurance Fund amounted to LTL 4438 million, and the expenditure accounted for LTL 4451.4 million. Thus, the budget deficit of the State Social Insurance Fund was LTL 13.4 million. The general rate of the contributions to the State Social Insurance Fund was set at 34 per cent of the estimated wage, out of which 31 per cent were paid by the employers, and 3 per cent by the insured. The major share of the contribution rate (22.5 per cent) is for pension insurance.

In 2001, the social insurance system was marked by two trends:
1) decline in the average annual number of old-age pensioners (636,900) subject to the State social insurance - their number decreased by as many as 7,600 people;
2) increase in the average annual number of disability pensioners (181,100) subject to the State social insurance - their number grew by 7,700 people.

In 2001, the expenditure for the pensions amounted to LTL 3.6 billion or 7.4 per cent of GDP.

**Social Assistance to Families**

Social assistance to families and children is a part of the social security financed from the national and municipal budgets. Social assistance is implemented in two forms - benefits and services.

The state system for the support of families and children consists of two parts:
1) non-means tested benefits for families;
2) support to low-income families on a means-tested basis.

Non-means-tested benefits (for families with children, for children deprived of parental care, for funeral grants) accounted for LTL 278 million in 2001.

In 2001, means-tested benefits made up LTL 91.2 million or 24.7 per cent of all funds from the municipal budgets allocated for these benefits. Monthly, on average LTL 30.8 million of benefits were paid.

In 2001, social benefits were allocated on a monthly basis on average to 117,000 persons (approximately 3.3 per cent of the permanent residents of Lithuania), and about 41,000 persons were granted single benefits. Social benefits in total covered LTL 88 million or 24 per cent of all funds allocated for these benefits during the year.

Compared to 2000, the number of benefit payments for children deprived of parental care increased by 9 per cent in 2001. The number of the recipients of foster-care benefits increased due to the growing number of children requiring care.

The changing number of benefit recipients led to relevant changes in the expenditure for these benefits.

In addition, since 1 January 2001, in the event of death of a Lithuanian resident, his family members or persons who buried him are paid a fixed funeral grant amounting to 6 MSL. As a result expenditure for funeral grants increased by LTL 1.7 million (6 per cent), although the number of recipients did not change considerably.

In 2001, the second phase of the Programme for the Development of Social Services Infrastructure was being implemented: funds of the national budget of Lithuania and of the Council of Europe Development Bank are used for continuing or starting reconstruction or preparatory activities for ten social services objects, which have been planned as far back as 1998.

**Household Income and Expenditure**

Household budgets survey results show that in 2001 disposable income (in cash and in kind) of households calculated per household member, accounted for LTL 409.5 per month. Income in cash made up LTL 346 or 84 per cent of all disposable income. The remaining income was received in kind (eg produce of the home farm). In 2001, all disposable nominal income decreased by 1.5 per cent compared to 2000 and increased by 25.3 per cent in comparison with 1996. Since consumption prices rose by 1.3 per cent over the year, the actual disposable income dropped by 2.7 per cent (in comparison with 1996, the actual income increased by 6.2 per cent).
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<td>360.4</td>
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<td>71.9</td>
<td>72.1</td>
<td>67.6</td>
<td>66.0</td>
<td>64.0</td>
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</table>

Data provided by the Department of Statistics of the Government of the Republic of Lithuania

In 2001, urban disposable nominal income amounted to LTL 455 per household member per month, while rural disposable income made up LTL 311 (32 per cent lower). In comparison with 2000, urban disposable income decreased by 2 per cent and the income of the rural population remained unchanged (urban income in cash decreased by 1.9 per cent, and income of rural residents increased by 0.9 per cent). Consumer prices in urban and rural areas underwent equal changes, urban actual disposable income dropped by 3.3 per cent, and rural income decreased by 1.3 per cent.

The main source of disposable income was employment, i.e. payment for work and income from non-freelance work. According to household research data, income from employment amounted to 65 per cent of all disposable income (67 per cent of income in cash, and 54 per cent of income in kind), different pensions and benefits made up 24 per cent, the remaining income (alimony, support by relatives, lottery winnings, etc.) amounted to 11 per cent of all disposable income. In comparison with 2000, the share of employment income increased by one per cent. There was a considerable difference in the proportion of the sources of urban and rural household income. In urban households income from employment amounted to 67 per cent of all disposable income, rural income from employment accounted for 58 per cent. Pensions and benefits in urban areas made up 21 per cent, and in rural areas they amounted to as much as 33 per cent.

The composition of households had a considerable impact upon the level and the structure of disposable income. According to survey data, the largest disposable income was possessed by single persons and married couples without children. The lowest income was characteristic to other households, consisting of several generations, parents with underage and grownup children, etc.

In 2001, the average consumer expenditure per household member amounted to LTL 411 per month, out of which LTL 348 was in cash. Monthly consumer expenditure of a city dweller made up LTL 451 including LTL 404 in cash; that of the countryside dweller were LTL 327 and LTL 227, respectively. The average consumer expenditure of 2001 increased by 1.7 per cent compared to 2000. One of the sources funding the increase in expenditure could have been the use of credit for purchasing goods. The difference between credits taken out and paid back accounted for LTL 7.5 per person per month.

In 2001, the households analysed spent 42.4 per cent of all consumer expenditure on food (excluding money spent in canteens, cafés, restaurants). The share of the expenditure for food in the total consumer expenditure decreased by 2 per cent in comparison with 2000. Although urban and rural expenditure for food (including consumption in kind) were almost the same, in towns they amounted to 38 per cent of all consumer expenditure, and made up 54 per cent in rural areas. In comparison
### Distribution of Disposable Income according to the Household Composition in 2001

<table>
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<tr>
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<th>Single person</th>
<th>One adult with children under 18</th>
<th>Couple of spouses without children</th>
<th>Couple of spouses with children under 18</th>
<th>Other households with children under 18</th>
<th>Other households without children</th>
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</thead>
<tbody>
<tr>
<td>Disposable income for one member of the household per month (LTL)</td>
<td>542.2</td>
<td>336.1</td>
<td>520.3</td>
<td>369.8</td>
<td>329.4</td>
<td>445.1</td>
</tr>
</tbody>
</table>

Table 3.2-2

Data provided by the Department of Statistics of the Government of the Republic of Lithuania

with 2000, there was a rise in the expenditure on communication services; in towns more expenditure went on home maintenance.

After grouping household members according to the level of consumer expenditure, it became clear that the consumer expenditure of the richest 10 per cent households was 8.2 times higher than that of the poorest 10% (7.9 times in 2000). Consumer expenditure dropped in all deciles. The amount of expenditure on food differed 3.8 times, although the poorest 10% spent 63 per cent of their consumption expenditure on food (the richest one spent 29 per cent).

**Poverty and its Reduction**

In 2001, the differentiation in the living standard increased - this is shown by the poverty level indicators.

According to the data presented in Table 3.2-3, calculating the relative poverty margin to be 50 per cent of the average consumer expenditure, estimated according to the equivalence scale\(^1\), the level of poverty was 16.4 per cent in 2001 (16 per cent in 2000). According to the relative poverty margin of 1996, indexed by the consumer price index and amounting to LTL 267, the poverty level has risen even higher over the recent years and accounted for 16.8 per cent in 2001.

The poverty depth, i.e. deviation of expenditure of those living in poverty, was 24 per cent in 2001 or 1 per cent larger than in 2000.

As in previous years, poverty occurs mostly among the unemployed, persons living on social benefits, persons raising three or more children, and in farmers’ households. The poverty level in large families exceeds 30 per cent. The highest poverty level was in the countryside; the lowest level was recorded in the largest cities.

In mid 2000, the Poverty Reduction Strategy was developed. Its provisions, however, were not taken into account properly, and the poverty level continued to rise. Therefore, in its Action Plan of the [Government] Programme for 2001 - 2004, the Government committed the Ministry of Social Security and Labour to developing the Programme for Implementing the Poverty Reduction Strategy in 2002-2004. The drafting of the Programme was started in 2001 and was submitted to the Government in 2002.

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\(^1\) In the calculations, the OECD equivalence scale was used, according to which, figure 1 is allocated for the first adult member, 0.7 for every subsequent adult, and 0.5 for children of up to 15 years of age. For example, a four-member family consisting of 2 children is equalled to 2.7 per cent of an equivalent consumer.
### Dynamics of Relative Poverty Margin and Poverty Level during 1996 –2001

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Relative poverty equal to 50 per cent of the average consumer expenditure for an equivalent consumer of the respective year (LTL)</td>
<td>226.2</td>
<td>248.6</td>
<td>276.7</td>
<td>274.6</td>
<td>260.0</td>
<td>264.8</td>
</tr>
<tr>
<td>Poverty level (per cent)</td>
<td>18.0</td>
<td>16.6</td>
<td>16.0</td>
<td>15.8</td>
<td>16.0</td>
<td>16.4</td>
</tr>
<tr>
<td>Relative poverty level equal to 50 per cent of the average consumer expenditure of 1996, indexed by the price index for an equivalent consumer (LTL)</td>
<td>226.2</td>
<td>246.4</td>
<td>258.9</td>
<td>261.0</td>
<td>263.6</td>
<td>267.0</td>
</tr>
<tr>
<td>Poverty level (per cent)</td>
<td>18.0</td>
<td>16.3</td>
<td>13.2</td>
<td>13.1</td>
<td>16.6</td>
<td>16.8</td>
</tr>
</tbody>
</table>

Table 3.2-3

*Data provided by the Ministry of Social Security and Labour*

This Programme includes measures within the responsibility of not only the Ministry of Social Security and Labour, but also of other ministries and institutions reporting to them. The following guidelines for poverty reduction have been set out:

1) provision of incentives for residents to participate in the labour market;
2) favourable economic development;
3) development of social services;
4) income security

The Programme lays down priorities for active poverty reduction measures, i.e. professional training, education, increased employment opportunities and better opportunities for economic activities of the workforce. Direct financial support to residents living in poverty, or facing the threat of poverty is considered an extreme measure, for times when there are no other means of improving a person’s ability to work and providing opportunities of earning a living. The Programme sets forth funding sources and the means necessary for the implementation of specific measures.

The Programme for the Implementation of the Poverty Reduction Strategy in 2002-2004 was drafted by a joint working group consisting of specialists of different ministries and representatives of social partners. The group was supported by a local and foreign expert team financed through the United Nations Development Programme.
4. Labour Policy

Labour policy is the policy relating to the labour market, labour relations, remuneration for work, safety and health of the workers and equal opportunities, as well as the activity of social partners. It is aimed at encouraging employment of the population of Lithuania, integrating the unemployed into the labour market, creating legal conditions for proper labour relations to develop, ensuring remuneration for work, work and rest regime, safe and healthy working conditions, equal opportunities in the labour market and increasing the contribution of social partners in the sphere of labour and labour relations.

In 2001, in order to to stop the growth of unemployment and implement the objectives and measures of the programme of increasing employment of the republic of Lithuania, the greatest attention was focused on the implementation of local employment initiatives, the increase in the effectiveness of labour market policy measures, and the mitigation of the negative consequences of structural changes. Having increased the responsibility of territorial labour exchanges for the labour market, better conditions were created for responding to changes in the labour market. The amendments to the law on support of the unemployed adopted at the end of the year introduced new social security provisions of social security to persons of pre-pensionable age, and equal opportunities. The compulsory mechanism of employing individuals who are within the most socially vulnerable groups of society, and the creation of new jobs, was replaced by economic incentives..

At the beginning of 2002 the joint assessment of Lithuanian employment policy priorities of the government of the republic of Lithuania and the European Commission was signed. The country's progress in formulating and implementing the employment policy has been analysed and assessed in the document. The objectives of the employment and labour market policy, which are necessary to achieve...
IN ORDER TO SPEED UP CHANGES IN THE LABOUR MARKET OF THE COUNTRY IN PREPARING FOR PARTICIPATING IN THE CO-ORDINATION PROCESS OF THE EUROPEAN UNION EMPLOYMENT POLICY HAVE BEEN SET FORTH.

A GREAT NUMBER OF CHANGES IN THE SPHERES OF LABOUR RELATIONS AND REMUNERATION FOR WORK TOOK PLACE IN 2001 ON ACCOUNT OF THE POLICY OF IMPROVING BUSINESS CONDITIONS PURSUED BY THE GOVERNMENT, ONE OF THE OBJECTIVES OF WHICH WAS THE LIBERALISATION OF LABOUR RELATIONS. IN IMPLEMENTING THESE OBJECTIVES SOME LABOUR-RELATED LEGISLATION WAS AMENDED AND SUPPLEMENTED AND DRAFTS OF NEW LEGAL ACTS WERE PREPARED. ONE OF THE MOST SIGNIFICANT DRAFTS THAT WAS PREPARED IN 2001 IS THE LABOUR CODE - A COMPREHENSIVE LEGAL ACT REGULATING ALL LABOUR RELATIONS AND MATTERS RELATING TO IT.

MUCH ATTENTION WAS PAID TO ENSURING THE SAFETY AND HEALTH OF WORKERS. IN 2001 LEGAL ACTS DEVOTED TO THE IMPLEMENTATION OF LAWS ON SAFETY AND HEALTH OF WORKERS AND SUPERVISION OF POTENTIALLY DANGEROUS EQUIPMENT WERE ADOPTED. THE STATE PROGRAMME OF SAFETY AND HEALTH AT WORK PROVIDING FOR MEASURES TO PREVENT ACCIDENTS AT WORK AND OCCUPATIONAL DISEASES WAS ADOPTED, TRAINING FOR INSPECTORS, EMPLOYERS AND WORKERS IN RISK ASSESSMENT AT ENTERPRISES WERE ORGANISED, AND A PROFESSIONAL RISK ASSESSMENT AND MANAGEMENT MANUAL WAS PREPARED.

THE FOCAL POINT OF THE EUROPEAN AGENCY FOR SAFETY AND HEALTH AT WORK WAS OPENED AT THE STATE LABOUR INSPECTORATE WHOSE AIM IS TO ACCUMULATE AND PROVIDE TECHNICAL, SCIENTIFIC AND ECONOMIC INFORMATION ON ISSUES OF SAFETY AT WORK AND OCCUPATIONAL HEALTH TO INTERESTED PARTIES.

THE ACTIVITY OF SOCIAL PARTNERS HAS RECENTLY INTENSIFIED, THEIR IMPACT ON SOLVING IMPORTANT LABOUR AND SOCIAL ISSUES HAS INCREASED. THIS IS ATTESTED TO BY THE RESULTS OF THE TRIPARTITE COUNCIL OF THE REPUBLIC OF LITHUANIA AND OTHER TRIPARTITE COMMISSIONS, VARIOUS TRAINING PROGRAMMES AND WORKSHOPS INTENDED FOR SOCIAL PARTNERS.

THIS CHAPTER DEALS WITH THE 2001-2002 LABOUR POLICY, ITS CHANGES AND THE LEGISLATIVE IMPROVEMENTS
4.1. LABOUR MARKET

4.1.1. Employment

Major changes that took place in Lithuania’s economy during the past decade lead to radical changes in employment. Unemployment trends reveal the growth of unemployment, illegal work, new forms of employment and the decrease in total employment. According to data of the Population Employment Survey conducted by the Department of Statistics, the total employment level decreased from 52.8 per cent in 1997 to 48.9 per cent in 2001; the level of male employment decreased accordingly. The employment level of females increased in 1997 and reached 48.7 per cent in 1999, however, later it also decreased (see Chart 4.1.1-1).

![Employment levels in 1997–2001 (in per cent)](chart)


During the period of economic restructuring the distribution of territorial employment changed, especially in urban and rural areas. According to data of the Population Employment Survey, employment rates in rural areas are increasingly lagging behind the urban areas (see Chart 4.1.1-2). According to employment rates three territorial groups have formed in Lithuania:

1) in agricultural areas where the employment level is lowest;
2) in industrial areas, where industrial and construction enterprises have re-oriented their production and operate comparatively efficiently, and where employment rates are average;
3) in large cities where employment rates are highest.
The average number of employed people in the country in 2001 was 1,522 million and, compared with the year 2000, decreased by 64,200 (4 per cent). The greatest decrease in employment during this year was registered in agriculture and forestry - by about 16,000 (6 per cent), processing industry - by about 7,000 (3 per cent), and in health care and social work - by 6,000 (6 per cent).

The Chart 4.1.1-3 shows that 20.4 per cent of the employed worked in industry and 6.2 per cent in the sector of construction in 2001. The services sector, in which 55.5 per cent of the employed individuals worked, expanded further. 17.9 per cent of the employed worked in agriculture, though only 7 per cent of the Gross Domestic Product was created in that sector in 2001. Since plots of land privatised by the majority of farmers are small, it is difficult to apply modern technologies and ensure productivity. Alternative activities (tourism, production of ecological products, various services, growing of medicinal herbs, etc.) that are slowly being developed in rural areas have yet failed to create conditions for increasing employment in the production of non-agricultural products.

The number of individuals who are not fully employed, ie who work part-time, or whose work has temporarily stopped due lay-offs or unpaid holidays, decreased from 12,200 at the beginning of 2001 to 6,500 at the end of the year (Labour Exchange data). The largest number of individuals not fully employed was registered at small and medium-sized enterprises in the food processing industry and services sector (the number of workers totalling 200), and in agricultural partnerships.
4.1.2. Unemployment

Unemployment is characterised by the number of unemployed and unemployment level indicators. The Department of Statistics and the Labour Exchange of Lithuania announce the unemployment level. However, due to different definitions of what constitutes 'the unemployed', the unemployment level according to Population Employment Survey data does not match the data presented by the Labour Exchange. According to International Labour Organisation recommendations, 'the unemployed' shall be considered as persons of the relevant age who were unemployed during the survey week, those who have found a job and were prepared to start work within the next two weeks, those who have been intensely looking for a paid job for four weeks in every possible way: by applying to the state or private labour exchanges or directly to employers, asking their friends and relatives to help them, in their job search visiting construction sites, market places, unofficial labour markets, as well as looking for premises to set up their own business, tried to obtain a patent, a license or a credit. Under the Law on Support of the Unemployed, which applies to the Labour Exchange, unemployed individuals within working age capable of work are considered as unemployed if they are not full-time students at educational institutions and have registered with the national Labour Exchange of their place of residence as persons looking for jobs and ready to go into vocational training.

Restructurisation, the privatisation of the economy, the development of the market relations, other internal and external factors determined the growth of unemployment. As in the previous year (see Chart 4.1.2-1) the Population Employment Survey conducted by the Department of Statistics in 2001 showed a higher unemployment level than that registered by the Labour Exchange.

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The 12.6 per cent unemployment level that was officially registered at the beginning of January 2001 reached the peak of 13.2 per cent in March-April and in October fell to 12 per cent. At the end of the year the unemployment level again rose to 12.9 per cent - compared to that at the beginning of the year it has increased by as much as 0.3 per cent. The average annual unemployment level exceeded that of the year 2000 by one point and accounted for 12.5 per cent.

Traditionally in Lithuania male unemployment is higher than that of females. This tendency remained unchanged in 2001. According to statistical data, in the year 2000 males constituted the largest part of the employed population in the following areas: 54 per cent in industry, about 60 per cent in agriculture, and 91.6 per cent in construction. In 2001 the largest number of unemployed was registered in these areas of the economic activity. Moreover, males remain unemployed for longer than females. Nonetheless, in 2001 the gap between the male and female unemployment levels decreased from 1.9 to 1.3 points. At the end of the year male unemployment accounted for 13.5 per cent, whereas that of females - for 12.2 per cent, and youth unemployment accounted for as much as 18.7 per cent.

Significant territorial differences in unemployment remained. The gap between the areas of the highest and lowest unemployment level was 3.7 times. Regions of the highest unemployment level have remained the same for several years: Druskininkai, Lazdijai, Šalčininkai, Akmenė and Pasvalys. Since the beginning of the year unemployment has increased by more than 5 points in Mažeikių.

THE UNEMPLOYED

According to Population Employment Survey data, 299,000 persons sought jobs in 2001: males accounted for 60 per cent of that number. The survey data showed that the unemployed have increasing confidence in state labour exchanges - in their search for a job most of these individuals make use of Labour Exchange services (see Chart 4.1.2.2).

The number of the unemployed registered with territorial labour exchanges totalled 249,700 in 2001: females accounted for 46 per cent. Compared to the year 2000, the number of unemployed registered was 8,300 less (3.2 per cent). At the end of 2001 there were 2,000 unemployed fewer than at the beginning of the year, however, the unemployment rate increased. This was the result of a reduction in the labour force of the country - the labour
force decreased by nearly 53 thousand (the labour force indicator of the Department of Statistics is the basis on which the unemployment level is calculated).

224,000 unemployed were registered at the end of 2001. During that year, the share of females within this group increased by 2 percentage points and reached 47.5 per cent; the share of males decreased to 52.5 per cent accordingly.

Nearly every fourth unemployed, who applied to the Labour Exchange, was under 25 years of age. The number of young unemployed registered in 2001 amounted to 58,800. The share of young people among the unemployed decreased from 15.2 per cent to 12.8 per cent during the year; by the end of the year 28,700 young unemployed were registered with the labour exchanges in the country.

The Long-term Unemployed

The problem of long-term unemployment is especially acute in Lithuania. The first long-term unemployed whose unemployment exceeded 12 months were registered with labour exchanges in 1993. A large proportion of these unemployed have no professional qualification, over three quarters of them are not prepared for the labour market at all.

Chart 4.1.2-3 shows that the share of the long-term unemployed increased considerably as a proportion of all unemployed in 2001 (by 5.7 percentage point). At the end of the year 75,000 long-term unemployed were registered. This accounts for 30 per cent of the total unemployed population. This means that nearly every third unemployed registered with the labour exchange has been searching for a job for over a year. Males account for a larger part (51 per cent) in the group of the long-term unemployed than females. Only a very small proportion of them has a higher or high education, a somewhat larger proportion has a special secondary education. 10 per cent of all long-term unemployed have no basic education and those who have no vocational education account for nearly half of the long-term unemployed population. Individuals of pre-pensionable age account for 30 per cent of the long-term unemployed, young people account for 7 per cent and the individuals whose unemployment has lasted for two years account for 35 per cent.
VACANCIES AND PLACEMENT

The fact that in 2001 labour demand increased and as a result 134,000 persons were placed into jobs should be mentioned as a positive tendency. The greatest labour demand was still in the sectors of services (52 per cent), industry (30 per cent), construction (12 per cent), and only 5 per cent in agriculture.

135,000 job vacancies were registered in 2001. Permanent jobs accounted for 65 per cent and work under fixed-term contracts up to one year constituted 35 per cent.

Compared with the year 2000, the supply of permanent jobs increased by 17 per cent and that of fixed-term jobs - by as much as 44 per cent.

When assessing by qualification, 58 per cent of jobs were for workers who had a professional qualification, 26 per cent for unqualified persons, 16 per cent for individuals with higher and high education. In 2001 demand for specialists with higher education increased by almost one percentage point, for individuals with high and vocational education - by 2 percentage points, and demand for unqualified workers decreased by 5 percentage points. The largest number of jobs was registered for specialists in the following fields: trade, business management and administration; accounting, audit, finance and banking; technical sciences; teaching foreign languages and primary education teachers; mathematicians and computer specialists; as well as for qualified workers - tailors, health care workers, carpenters, food specialists, welders, builders, interior trimmers, cooks.

Through the efforts of the Lithuanian Labour Exchange, about 900 people have been employed abroad. The Ministry of Social Security and Labour, which is responsible for for issuing licenses to act as employment agencies to Lithuanian nationals wishing to work abroad issued 39 licenses granting the right to organisations (enterprises) to offer employment to such Lithuanian nationals. The largest number of licenses has been issued for agencies offering employment in Ireland (21), also the USA, Cyprus, Germany and Canada. About 3,100 Lithuanian citizens, including 2,000 students, were employed abroad through the intervention of these licensed enterprises.

Employment of highly qualified foreign specialists in Lithuania continued thus raising the possibility to absorb the experience of other countries, to train our own specialists and to encourage investments. In implement-
ing the Procedure for Employment of Foreigners in the Republic of Lithuania under the Employment Contract. 599 work permits were issued in 2001. The largest number of work permits have been issued in the spheres of telecommunications, oil refining, aviation engineering from Sweden, the USA, Belarus (17 per cent), and for cooks and bakers from China, Nepal, India, Armenia (16 per cent).

**4.1.3. Improvement of Legal Basis Regulating the Labour Market**

The Lithuanian Programme for Increasing Employment for 2001-2004\(^1\) defined strategic objectives for the employment and labour market policy aimed at dealing with the consequences of the economic restructuring and its impact on employment and the labour market, increasing employment (and reducing unemployment), and balancing the labour market. The Programme provides for steps to be taken in five directions in the implementation of the unemployment reduction policy:

1. the development of the job creation system (the development of a work placement system, encouragement of local employment initiatives);

2. improved employment support (activating the labour market policy, increasing employability, improvement of vocational training, strengthening of employment and social cohesion);

3. increasing adaptability to changes (the development of flexible work organisation and remuneration forms, upgrading of qualifications of workers, mitigating consequences of structural changes);

4. increasing equal opportunities on the labour market (providing access to the labour market for everyone, ensuring equal opportunities on the labour market, support of the disabled);

5. increasing integration of employment policy (improvement and restructuring of the system of employment and labour market management, development of the open labour market, the development of the system of private employment agencies).

The concept of restructuring unemployment insurance, which was considered at the meeting of the Committee on Strategic Planning of the Government\(^2\), has been developed. The main aim of restructuring unemployment insurance is to develop a financially stable and reliable unemployment insurance system, which will guarantee a sufficient income to insured people insured when they lose their job and when they are looking for a job in their usual occupation or following re-training. It is planned to stop paying unemployment benefit to people who are not insured with unemployment insurance, and to direct them to the system of social assistance and to grant them, within the realm of possibility, the right to make use of the measures of the active policy of the labour market, which are financed by the State Budget. Taking into account the comments presented by the Government concerning the draft Law on Social Cash Assistance of the Republic of Lithuania\(^3\) the amended concept of restructuring unemployment insurance is co-ordinated with the relevant institutions.

The mechanism of encouraging local employment initiatives has been created and improved. According to the Procedure for the Implementation of Local Employment Initiatives\(^4\), approved in 2001 through the Lithuanian Labour Exchange, the Ministry of Social Security and Labour implemented pilot projects to encourage local employment initiatives in the districts of highest unemployment whose aim it was to provide the state’s assistance to employers creating new jobs. 87 projects were prepared which would create 644 jobs. 16 pilot local employment initiative projects were selected on a tender process.


\(^2\) Minutes No. 22 of the meeting of the Committee on the Strategic Planning of the Government of the Republic of Lithuania held in June 2001.

\(^3\) Considered at the meeting of the Committee on the Strategic Planning of the Government of the Republic of Lithuania held on 26 February 2002.

basis and implemented in the areas of highest unemployment (in the districts of Drukininkai, Akmenė, Pasvalys, Šakių, Jonava, Šiauliai, Jurbarkas, Pakruojis, Širvintos). Nearly 50 per cent of the projects were intended for providing services, 40 per cent for production and 12 per cent for agriculture. To select and assess the projects on the basis of relevant criteria Commissions on Implementing Projects were set up at territorial labour exchanges in those territories where the projects are implemented.

The use of about LTL 1.2 million from the State Budget for these projects led to the creation of 151 new jobs. Employers and sponsors contributed 60 per cent of the total value of the projects.

This experience was used in the preparation of the concept of a further development of local employment initiative projects, and proposals were introduced for the improvement of the implementation procedure of such projects. They were discussed at the meeting of the Employment Council under the Ministry of Social Security and Labour.

The implementation of pilot projects revealed difficulties which need to be eliminated in order to ensure an effective application of the budgetary funds. The main difficulties were related to the quality of preparation of projects, identification of funds for their implementation and control of implementation. In order to increase the effectiveness of projects and to improve their implementation, the new implementation procedure for Local Employment Initiative projects was approved. In 2002 it is planned to increase the number of territories on which such projects will be implemented, by including all territories where the unemployment level exceeds the average level of unemployment by one and a half times or more. It was also specified which economic entities have the right to claim state assistance of this type, the maximum amount of assistance provided was set, and the nature of expenses, as well as other requirements necessary to the projects for creating new jobs, were specified.

Additional measures were taken at the municipal level too. A training programme and the methodology of organising the preparation of projects for the staff of territorial labour exchanges, as well as a training programme for the organisers of programme projects were prepared. Experience gained by project administrators and their organisers should be useful in the future when seeking support from the European Union economic and social cohesion, and business support programmes.

In improving the functioning of the labour market the responsibility of territorial labour markets for the situation on the labour market was increased, at the same time providing them with more independence. Hence, better conditions were created to effectively respond to the changes in the labour market. Territorial labour exchanges were granted the right to independently redistribute the funds received from the Employment Fund to finance separate active labour market policy programmes without exceeding the amount of expenses allocated for these purposes in 2001.

In mitigating social consequences of structural changes, measures related to decommissioning of Block I of the Ignalina Nuclear Power Plant were prepared. In co-operation with the Ministry of Labour of Denmark the project of monitoring the labour market of the region of the Ignalina Nuclear Power Plant is being carried out, and methodological material to conduct monitoring of the region was prepared. In carrying out the joint project of the Ministry of Social Security and Labour of the Republic of Lithuania and the Ministry of Labour of Denmark, in October 2001 a mini labour exchange was opened at the Ignalina Nuclear Power Plant and provided with a computerised programme in Lithuanian, Russian and English to assess the professional needs of the workers and their labour market opportunities. Through joint working with the Ministry of Social Security and Labour, the Municipality of Visaginas and the International Migration Organisation, the Information and Consultation Centre was established in Visaginas in December. It provides information and professional consultation services, as well as information about the employment and training opportunities, through self-search access to the Internet.

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1 Order No. 59 of 24 April 2002 of the Minister of Social Security and Labour of the Republic of Lithuania (Official Gazette No. 45-1735, 2002).
2 Order No. 100 of 26 July 2001 of the Minister of Social Security and Labour of the Republic of Lithuania.
In order to maximise the safety and social guarantees of the citizens of the Republic of Lithuania seeking employment abroad, the new Procedure for Issuing Licenses to Mediate in Employment of Lithuanian Nationals Abroad has been approved, which regulates the issue of licenses, refusal to issue them, cancellation of the validity of licenses and repealing their validity, as well as conditions of the licensing activity. The new procedure regulates the obligations and duties of license holders to jobseekers more strictly and clearly, and obliges the license holder to provide services and support to them till they become employed.

This procedure also provides for the responsibility of the license holder for the accuracy of information provided and legal data protection requirements of the persons seeking for job. In order to ensure the supervision of the activity of license holders and to receive the information necessary for labour market management, license holders are obliged to submit monthly data to the Labour Exchange of Lithuania about the employment mediation activity that they carry out.

In November the 2001 PHARE Twinning Project "Preparation for European Employment Strategy" started, which aims to improve Lithuanian employment policy and to build capacity in the relevant institutions. Project measures are being realised in different areas: "Improvement of Employment and the Labour Market Policy", "Strengthening of Labour Market Institutions", "Preparation for Administration of the European Social Fund", "Improvement of Information Management Monitoring", "Training Programmes".

Amendments of the Law on Support of the Unemployed adopted at the end of 2001 legalised the following provisions:

1) to ensure equal opportunities for both parents to combine employment and family care, it has been established that either parent of a child under 8 years of age, shall have equal rights to supplementary support of employment and the unemployment benefit specified by the Law. The labour market shall additionally support one of the parents, whose skills level has been reduced as a result of child care commitments. Employers who employ such individuals placed with them by the Labour Exchange shall be reimbursed to cover job creation expenses.

2) in order to meet the most pressing needs of individuals who have no income from work due to objective reasons beyond their control and who find it difficult to integrate into the labour market, the range of the persons needing additional support was expanded to include young people between the age of 16 and 25 at the start of their working life, and individuals who have been unemployed for more than two years - the long-term unemployed;

3) the compulsory mechanism of employing and creating jobs for the individuals who fall within the category of most socially vulnerable on the labour market was replaced by economic incentives. Depending on the category of the individuals to be supported, employers will be paid employment support subsidies of the established amount, the so-call "support basket of the employment of the unemployed", when employing an unemployed person needing additional support. This employment support measure, by agreement with the labour exchange, will apply to all enterprises, which employ such unemployed people independently of the size of the enterprise.

Employment quotas are applied to disabled individuals of Disability Group I and II as a group of persons who are most difficult to integrate into the labour market. The maximum size of their employment quota - 5 per cent - has been established. Employers who employ disabled people belonging to these groups into the additional jobs established by quotas, shall be paid employment support subsidies for the first 1.5 years of their employment, to cover job creation or workplace adaptation expenses. Such subsidies will also be paid for up to 1 year to employers who, following intervention by the labour exchange, employ the disabled people belonging to Disabil-

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2 The Law on the Amendment of Articles 5, 7, 8, 11, 13, 14, 16, 161, 19, 201, 22 of the Law on Support of the Unemployed of the Republic of Lithuania, No. IX-887, 21 December 2001 (Official Gazette No. 2-51, 2002)
ity Group III and other unemployed who need additional support in the labour market.

4) Improvements to the social security of unemployed individuals who are within two years of becoming eligible to receive the full old-age pension, and who prior to registering with the state labour exchange had at least 15 years of the social pension insurance period, mean that with their agreement, the payment of unemployment benefit is extended till they reach old-age pension age. Those unemployed who do not receive unemployment benefit, will receive the unemployment benefit in the amount of the state supported income for the same period.

5) In order to increase the motivation of graduates to look for jobs, and to reduce unemployment benefit payments, the beginning of payment of the unemployment benefit for graduates of higher and high schools is postponed by three months. During that period of intensive integration measures into the labour market will be applied to people in this group.

Moreover, in order to avoid inconsistencies relating to their status, which often occur, the concept of the "graduate" has been defined and the limits determined when a person is regarded as the "graduate".

Taking into account the new provisions of the Law on the Amendment of the Law on Support of the Unemployed, the following accompanying legal acts were prepared: the Procedure for Registering the Unemployed, Allocating and Paying Benefits to them was amended accordingly, the Procedure for Supporting Employment of the Unemployed Needing Additional Support in the Labour Market was approved. New wordings of the Procedure for Employing the Unemployed in the Works Financed from the Employment Fund and the Procedure for Registering Vacancies with the Labour Exchange were prepared. In order to assess in time the possible socio-economic consequences and to ensure international comparability of statistics, standardised forms of statistical accountability of the labour market were approved.

International co-operation of the Ministry of Social Security and Labour in the field of Equal Opportunities is being strengthened. On 15-17 April 2001 the international conference "Equal Opportunities in a Democratic Society. Reykjavik-Vilnius" was held in Vilnius, which gained great international acclaim. The special attention of the conference was focused on the issues of trafficking in people. Following this conference projects in various spheres of gender equality were initiated. Ministers of Social Security and Labour, and the Interior of the Republic of Lithuania, and the Minister of Social Security of Denmark intend to sign the Memorandum on co-operation in the spheres of prevention of trafficking in women and victim reintegration. In addition, the meeting of the Ministers of the Baltic and Nordic countries who are responsible for issues relating to equal opportunities approved the organisation of an information campaign of the Northern Baltic States against trafficking in women in all Baltic and Nordic countries in 2002.

By Resolution No. 1404 of the Government of the Republic of Lithuania of 26 November 2001 amendments to the Regulations of the Ministry of Social Security and Labour were approved according to which the Ministry was authorised to co-ordinate the implementation of the equal opportunity policy in all spheres of activity and to implement it in the sphere of social security and labour.

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1 Order No. 5 of 15 January 2002 of the Minister of Social Security and Labour of the Republic of Lithuania (Official Gazette No. 6-248, 2002).


3 Order No. 55 of 18 April 2002 of the Minister of Social Security and Labour of the Republic of Lithuania (Official Gazette No. 43-1637, 2002).

4 Order No. 48 of 3 April 2000 of the Minister of Social Security and Labour of the Republic of Lithuania.
4.1.4. Active and Passive Labour Market Policy Measures

**Active Measures of the Labour Market**

In order to reduce unemployment and mitigate its consequences, active and passive measures of the labour market policy are applied. The greatest attention is being devoted to active labour market measures. In 2001, in order to stop the growth of unemployment and to implement the objectives and measures of the Lithuanian Programme for Increasing Employment, attention was focused on the following:

1) the implementation of local employment initiative projects, increasing the effectiveness of labour market policy measures, improvements to the system of individual work with the unemployed, organisation of training programmes for target groups of the unemployed including young people, the long-term unemployed, former prisoners, the development of job centres for the young, measures to mitigate the negative consequences of structural changes;

2) strengthening the role and responsibility of the territorial labour exchanges by improving the functioning of the local labour market;

3) compliance of labour market vocational training programmes and services provided by labour market vocational training centres with the demands of the labour market.

As each year, tasks were assigned to labour market institutions, funds of the Employment Fund were planned, the implementation of tasks was constantly monitored. The implementation of the active labour market policy programmes helped individual jobseekers to integrate into the labour market.

In 2001 labour exchanges provided over 5 million consultations to the people seeking for jobs. During such consultations individual employment plans were devised, or participation of the unemployed in active labour market policy measures was planned. Over 106,000 people took part in active labour market policy programmes; young people and people at the start of their working lives accounted for 34 per cent, and the long-term unemployed accounted for 39 per cent. Thus employment possibilities were increased for every second unemployed person. On average, active labour market policy measures contributed to a reduction in the possible unemployment rate in the country by 1.3 percentage points.

Vocational training provided by the labour exchange system created opportunities for jobseekers to acquire training, to change their qualification or to re-qualify. In 2001 public tenders for educational institutions and enterprises to provide training services were started to be organised. 114 institutions, which offered 496 programmes of formal and informal training (including 104 qualification development programmes) participated in these tenders. The range of training programmes being offered expanded, they became more accessible to the unemployed, and opportunities developed to co-ordinate labour demand and supply more flexibly. The number of unemployed who participated in the vocational training programme totalled 17,000 people, 24 per cent of whom completed a course in the basic business organisation.

The unemployment prevention programme is aimed at helping the workers who are threatened with redundancy. Nearly two thirds of the workers (5,800) who faced redundancy were engaged in active labour market policy programmes, 1,100 of whom were re-employed. After mini labour exchanges were established at enterprises where groups of workers faced redundancy, over one thousand consultations were provided and 300 persons were directed to participate in various programmes. In improving services for employers and workers, the Internet manual "Recommendations in the Case of Dismissal of a Group of Workers" was devised.

Job clubs became one of the key measures of orienting the unemployed towards the labour market, increasing motivation to independently solve the employment problems, providing information and teaching the unemployed to look for work. Every sixth unemployed person registered with the labour exchange was engaged in job clubs in 2001. The activity of job clubs embraced the following aspects:

1) motivating and orienting young people without vocational training to acquire profession meeting the labour market demands (young people account for 41 per cent of job club participants);
2) orienting the rural population to create their own jobs as an alternative to unemployment (the rural population accounts for 37 per cent of all participants);

3) social and psychological rehabilitation of the long-term unemployed (the long-term unemployed account for 39 per cent of all participants).

In order to provide the participants of job clubs with more practical skills in the search for information and for jobs, the duration of courses was increased. Also, new courses were introduced - teaching the participants to make use of Information Technology. Through the public works programme and through works financed from the Employment Fund over 38,000 temporary employment jobs were created.

Public works are socially useful works that are organised by local government and employers’ organisations seeking to help people who became unemployed to earn some income. Priority groups of participants of this programme are the long-term unemployed, who constitute more than half of the individuals from the "families of the unemployed people", as well as the rural unemployed. After performing public works about 50 per cent of participants became entitled to receive social benefit, 7 per cent remained in work permanently.

Following the decision of the Employment Council under the Ministry of Social Security and Labour, in 17 areas with the highest unemployment levels the Employment Fund financing for individual public works projects was increased by up to 100 per cent. This programme helped reduce a possible unemployment level on average by 0.8 percentage points per month in these areas.

'Works Financed by the Employment Fund' is the programme aimed at acquiring primary working skills, developing them at a place of work and settling down to permanent work. Priority was given to young people, graduates in particular, who had no working skills. 78 per cent of the total works were organised in the private sector in 2001, mainly in small and medium-sized enterprises. As before, every third participant of this programme worked in trade and public catering enterprises, every fifth - in non-production sphere, and every sixth - in industrial enterprises.

The objective of the 'Business Start-up Programme' is to orient people towards private initiative. The setting up of a business by taking out preferential patents is the most common choice among the unemployed.

Following labour exchange advice on obtaining a preferential patent, 14,400 persons created temporary jobs for themselves. Individuals with additional employment guarantees are particularly concerned about their employment; they constitute one fourth of all the individuals who have taken out preferential patents. Every fifth person who has obtained a preferential patent is a rural resident. The most popular sectors are as follows: trade, construction and repair works, wood processing, the provision of everyday services. 59 persons made use of financial assistance provided by the labour exchange, - an interest-free loan of LTL 4,000. The main spheres of their activities are trade, business, growing and processing of agricultural products.

The 'New Jobs Creation Programme' is aimed at helping individuals who fall within the category of most socially vulnerable (having additional employment guarantees specified in the Law on Support of the Unemployed), who cannot compete on an equal basis and integrate into the labour market. Partial compensation for expenses of the new job creation developed the opportunity for employers to create 1,200 jobs for the disabled, women raising children under 14 years of age, the unemployed who are close to pensionable age, persons who have been released from places of imprisonment, etc. For example, the Kaunas Labour Exchange created 40 jobs for the unemployed with impaired hearing.

The 'Programme of the First Step in the Labour Market' intended for people who join the labour market for the first time was extended, 31,800 jobseekers who have never worked before applied to the labour exchange in 2001, including 84 per cent of young people; 51 per cent of whom had no professional education. In increasing the employment possibilities for young people, 90 per cent of individuals seeking their first job were engaged in the active labour market programmes. Attention was focused on teaching jobseek skills, on supported employment and on increasing the level of professional competence. This enabled the proportion of such individuals within the total number of the unemployed to be reduced from 8.4 to 7.5 per cent.

The 'Talent Bank Programme', which helps satisfy the demand for highly qualified workers and creates conditions for young people to look for a professional career is being expanded. In 2001 priority was given to creating a
labour force data base for graduates striving for a professional career. The number of programme participants during the year increased from 700 to 2,900; every fifth participant is a specialist in management and engineering, and two thirds are people with higher education.

In order to improve the situation of young people in the labour market, to help those who are looking for their first job, after assessing the experience accumulated by Vilnius Youth Job Centre, the concept of the Development of Youth Job Centres and basic principles of their activities is being prepared. To create this Centre, jointly implemented project together with the Ministry of Labour of Denmark, State budget funds were used, and Danish experience and recommendations were adapted. In 2001 youth job centres were started to be set up in Klaipėda and Šiauliai. The latter was opened on 7 March 2002. By using the most advanced information technologies work is being carried out with all youth groups and information about vacancies, training possibilities, active search for work is provided, together with the provision of professional consultation and information.

Furthermore, programmes were devised and implemented to help persons, who have temporarily left the labour market, to return to it, such as soldiers and convicts who serve a term of imprisonment.

The Professional Orientation Centre for Soldiers was established at Vilnius Labour Market Training Consultation Service. The information brochure "How to Choose a Profession? How to Look for Work?" was published. 360 soldiers participated in 22 group classes in 2001.

A specialised mobile professional orientation centre was set up at the Panevėžys Labour Market Training Consultation Service for persons who complete their term of imprisonment. 300 convicted individuals participated in four programmes in 2001. The project "The Formation of Skills Necessary for Social Adaptation in Youth Groups in the Penal Colony" was implemented in Panevėžys. Its objective is to help women under 30 who are in places of imprisonment and have been convicted for the first time to acquire skills necessary for social adaptation. In Pravieniškiai treatment and corrective labour colony a course was run on "Active search for job and preparation for changes in life".

The number of labour exchange centres and branches was increased in particular in new local government areas and remote settlements. In developing open information, consulting and employment services, the needs of the customers were taken into account. In 2001 five information and consultation centres were set up at territorial labour exchanges and a job centre was established in Panevėžys.

**Passive Labour Market Measures - Unemployment Benefits**

Unemployment benefit is a passive labour market measure, a temporary material assistance to persons who have become unemployed. Unemployment benefit is payable on a monthly basis but not more than 6 months in a 12-month period. Excluded from the period of entitlement to unemployment benefit is the period the unemployed individual worked in public works, performed work financed by the Employment Fund, or is enrolled in a vocational training programme. For individuals close to pensionable age (who are within five years of becoming eligible to receive full old-age pension) the payment of unemployment benefit is extended for two more months. On 9 January 2002 amendments of the Law on Support of the Unemployed came into effect, which are aimed at improving social security of the unemployed of pre-pensionable age. The opportunity to receive pre-pensionable unemployment benefit was introduced for individuals within two years of becoming eligible to receive full old-age pension, who find it most difficult to integrate into the labour market and who have the obligatory state social insurance period of not less than 15 years. During the period of paying this benefit active labour market policy measures are not applied to these individuals, and payment of the benefit stops when they find a job. At the end of the first quarter of 2002 about 7,000 persons made use of this possibility.

The amount of the unemployment benefit depends on the unemployed individual’s state social insurance period and reasons for their job loss. In 2001 the minimal unemployment benefit was LTL 135 (in the amount of state supported income), and the maximum benefit amounted to LTL 250 (the amount of two minimum standards of living). The amount of the average unemployment benefit is LTL 182.9. In 2001 unemployment benefits were paid on average to 31,600 persons (14.1 per cent of total number of the unemployed). The average duration of payment of benefit was 4.1 months.
**FINANCING**

Labour market policy measures are financed from the Employment Fund, whose guarantor is the State. The means of the Employment Fund are used for active labour market policy measures - vocational training of the unemployed, public works, works financed from the Employment Fund, loans granted to the unemployed to set up their own business, employment support subsidies to employ the unemployed who need additional support, as well as for passive measures - to finance unemployment benefits and to maintain labour market institutions. 1.5 per cent of the approved 31 per cent of the standard rate of state social insurance contributions of the insured was allocated to the Employment Fund in 2001. This amounted to LTL 178 million. 34 per cent of the total funds was allocated to finance active labour market policy measures, 41 per cent - to passive labour market measures (unemployment benefit).

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**Employed Population by Types of Economic Activity in 2001 (in per cent)**

- **legislators, senior officials and managers**: 7.4
- **specialists**: 15.5
- **junior specialists and technicians**: 9.0
- **junior employees**: 4.3
- **employees in service and trade spheres**: 12.9
- **qualified agricultural and fisheries workers**: 14.1
- **qualified workers and craftsmen**: 17.6
- **equipment and machinery operators and assemblers**: 10.2
- **unqualified workers**: 8.7
- **armed forces**: 0.3

Chart 4.1.4-1

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It should be noted that in 2001 the unemployment level remained high and differences in territorial unemployment levels were great. Seasonal fluctuations in the unemployment level were characteristic of agricultural regions and resort territories. Unemployment levels in the largest cities of the country, which had been on the decrease since April, changed more evenly and remained more stable.

Long-term unemployment in particular grew significantly. During the year the number of long-term unemployed increased by one fifth.

Positive changes, however, are noticed on the labour market. The number of the unemployed applying to the labour exchanges, that had increased for four years in a row, decreased in 2001. At the end of the year the number of the unemployed registered with the labour exchange has decreased for the first time since 1996. The demand for labour, which was greatest in the services sector, has increased for two years in a row.

The number of young people who applied to labour exchanges decreased. After the programme of intensive integration into the labour market started to be applied to the graduates and school leavers, their motivation to register with the labour exchange only to receive unemployment benefit decreased. Active information and the provision of consultations helped reduce the share of young people among the unemployed. Nevertheless, the youth unemployment level remains higher than the total unemployment level in the country.

**JOINT ASSESSMENT OF LITHUANIAN EMPLOYMENT POLICY PRIORITIES**

The Government of the Republic of Lithuania following the provisions of the EU Partnership Agreement, in cooperation with the Directorate General of the European Commission on Social Affairs and Employment prepared the joint assessment of the short-term priorities of the Lithuanian employment and the labour market policy. On
12 February 2002 the Joint Assessment of Lithuanian Employment Policy Priorities was signed by the Government of the Republic of Lithuania and the European Commission. The main objective of this document is to analyse and assess the country’s progress in formulating and implementing the employment policy, to set forth the harmonised employment and labour market policy objectives, which are necessary to be achieved in order to speed up changes on the labour market, and to carry on the restructuring of the institutional system to prepare for participation in the co-ordination process of the European Union employment policy. The document defines the spheres of the employment policy in which it is necessary to make progress: constant efforts to successfully implement educational reform, encouragement of favourable changes in wage policy, the reform of unemployment benefit and the provision of social assistance to the unemployed, which provides incentives for the search for work.

This is the first stage in carrying out review of the employment policy of the Republic of Lithuania. In the future it is planned to co-operate in implementing measures and recommendations specified in the Joint Assessment Paper.

### 4.2. Labour Relations

In 2001 much attention was devoted to improving labour relations and perfecting the legal basis of labour relations. The main objective was to liberalise this sphere and to give more rights to the participants of labour relations. In 2001 new legislation and laws on the amendments and supplements to existing legislation were prepared and adopted. Another highly significant process was the preparation of the initial draft of the Labour Code. The social partners took an active part in preparing this draft, and many of their proposals were taken into consideration. Special attention was paid to the Conventions of the International Labour Organisation and the Directives of the European Union on legal issues. The Seimas of the Republic of Lithuania adopted the Labour Code on 4 June 2002, it will come into effect on 1 January 2003. New legal acts must be prepared and current legislation needs to be reviewed to implement the Labour Code.

In order to create more favourable conditions for social partnership, at the beginning of 2001 specialists of the Ministry of Social Security and Labour together with the Bilateral Commission consisting of the representatives of the trade unions and employers’ organisations prepared the draft Law on Amending and Supplementing Chapter I of the Law on Collective Agreements and Employment Contracts, which was adopted by the Seimas of the Republic of Lithuania on 18 October 2001. The draft aims at setting out in law the activity of the tripartite and bilateral institutions of social partners and legally regulating the issues of drawing up, signing and implementing regional and branch collective agreements.

To strengthen the fight against illegal work, in co-operation with the State Labour Inspectorate, the draft of the Action Plan to Strengthen the Prevention and Control of Illegal Work was prepared, which the Government approved on 19 July 2001. SoDra, the Tax Police, the Public Police, the Economic Police, and the State Tax Inspectorate were involved in the implementation of these measures.

#### 4.2.1. Bilateral and Collective Labour Relations

Bilateral and collective labour relations, whose regulation is equally important to both employers and workers, play an important role in the system of labour relations.

Though relations regulated by labour law are in essence collective relations, it should be noted that they are often in conflict with civil relations and priority is given to individual employment contracts (ie bilateral labour relations). Therefore one can maintain that bilateral labour relations are more common in Lithuania. However, contrary to civil relations, the participants of labour relations are equally balanced, and
the employee, no matter how qualified or educated he/she is, will always be a weaker party compared to the employer who organises the work, and who owns the equipment used by right of ownership or trust. Therefore in Western countries priority is given to collective labour relations because it is collective labour relations that can ensure equal position of the both parties involved in labour relations, to defend rights and interests of both parties.

In 2001 much attention was devoted to collective labour relations because on integration into the European Union the principle of collective autonomy, which has been widespread and applied in the European Union countries, will become established in Lithuania. This principle means that when regulating labour relations increasing importance must be attached to agreements concluded between the social partners (i.e. representatives of employees and employers’ organisations). Tendencies in the regulation of labour relations in recent years show that the Government of the Republic of Lithuania has tried to regulate legal labour relations less and less, and to hand over more and more issues to the agreements of social partners.

At present collective labour relations in Lithuania are regulated by collective agreements. Agreements are concluded at the level of separate enterprises or their branches. Unfortunately, there are no accurate data on the number of collective agreements currently in effect. Less popular are collective agreements concluded by trade unions and employer’s organisations to regulate labour relations, as well as related social and economic issues. They are signed at branch, regional or national level. By Order No. 32 of the Minister of Social Security and Labour of 14 March, since 1 January 2002 collective agreements have been registered with the Ministry of Social Security and Labour1. 13 collective agreements were signed in 2001, whereas in 2000 this figure stood at only 8. 31 collective agreements were registered at the beginning of 2002; 9 of them are invalid. The reasons why so few collective agreements are signed are as follows:

1) the historical position which required that labour relations must be regulated by the Government;
2) the small number of functioning regional and branch organisations of social partners and their inactivity.

In order to increase the number of collective agreements being concluded, at the beginning of 2001 specialists of the Ministry of Social Security and Labour together with the bilateral commission consisting of representatives of the trade union and employers’ organisations prepared the draft Law on the Amendment of Chapter I of the Law on Collective Agreements and Employment Contracts, which was adopted by the Seimas of the Republic of Lithuania on 18 October 20012. This Law aims at setting out in law the activities of the tripartite and bilateral institutions of social partners and lawfully regulating the issues of drawing up, signing and implementing regional and branch collective agreements, i.e. the aim is to create legal conditions as favourable as possible for the signing and implementation of collective agreements.

**Collective Labour Disputes and Ways of Resolving them**

The prevalence and frequency of strikes, as the last resort of resolving collective labour disputes, characterise the situation in the sphere of collective labour relations and the condition on the labour market.

According to data of the Department of Statistics3 34 strikes, including 29 token strikes took place in 2001; this was a reduction compared with the year 2000, when 56 strikes occurred.

Strikes were staged at state sector educational institutions and processing industry enterprises in the private sector. They took place in 25 educational institutions in Telšiai district, three institutions in Anykščiai district, one educational institution in Palanga district and one Kaunas municipal enterprise of processing industry. 94 per cent of total number of strikes occurred at educational institut-

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1 Order No. 32 of 14 March 2002 of the Minister of Social Security and Labour on the Approval of the Procedure for Registering Collective Agreements (Official Gazette No. 31-1166, 2002).
tions in 2001 (93 per cent in 2000), including 82 per cent at secondary education institutions, 12 per cent at primary education institutions (75 per cent and 18 per cent in 2000, respectively).

The number of token strikes during the year increased by as much as 38 per cent (29 token strikes were staged in 2001, and 21 - in 2000). Token strikes accounted for 85 per cent of total number of strikes that were organised in 2001. All token strikes that occurred in 2001 were staged at educational institutions. They accounted for 91 per cent of the number of strikes that took place in the educational system.

1703 workers participated in the strikes in 2001, with 65 per cent of them taking part in token strikes. In 2001, compared with the year 2000, the number of persons on strikes decreased by as much as 48 per cent. 1465 workers (86 per cent of total number of all strikers) went on strike at educational institutions.

Some workers participated in strikes directly (that is, having stopped work temporarily on their own initiative), others went on strike under compulsion (that is, having stopped work under compulsion due to the strike staged in another division rather than on their own initiative). The average number of persons who went on strike under compulsion totalled 46 in 2001. As compared with the year 2000, their number decreased by 28 per cent.

The total number of days lost through strikes was 2167 working days, including 392 working days lost due to token strikes. In 2001, as compared with the year 2000, the number of days lost through strikes decreased by as much as 79 per cent.

The workers who went on strike directly lost 2029 working days through strikes, including 392 working days lost through token strikes. This is 80 per cent less than in 2000. Days lost through being on strike under compulsion were 148 working days; compared with the year 2000, this is 87 per cent more.

The average duration of a strike in working days was 1.27 days; for workers who went on strike directly the average duration was 1.22 days and for the workers on strike under compulsion it was 3.22 working days.

The major reason for staging a strike is conflict about the late payments of wages.

VIOLATIONS OF LABOUR RELATIONS IN 2001

The State Labour Inspectorate (SLI) that exercises control over enterprises carries out prevention of violations of legal acts regulating labour relations.

In controlling the observance of labour legislation, in 2001 the State Labour Inspectorate inspected 13,300 enterprises and organisations, including 6,155 enterprises with respect to illegal work. It should be noted that the share of labour law violations increases with the total number of violations. Over one third of the checks to control illegal work was carried out in co-operation with other institutions - SODRA, the Tax Police, the Public Police, the Economic Police, the Tax Inspectorate. Over 25,000 incorrectly registered employment contracts were identified, and 1090 workers were found working without written employment contracts in 560 enterprises. 659 protocols of administrative law violations were drawn up. Compared with the year 2000, four times more illegally working individuals were found in 2001. The largest number of people working illegally was found in construction, trade, wood processing enterprises, and working for farmers.

MEASURES AND SANCTIONS IMPOSED BY THE STATE LABOUR INSPECTORATE AND COURTS

In 2001 labour inspectors instructed employers to eliminate violations in 25,000 employment contracts, and obliged them to conclude employment contracts with 1,100 workers and ensure the provision of relevant social guarantees. Labour inspectors adopted 805 decisions to impose penalties (their total amount is LTL 0.56 million), initiated 7 bankruptcy cases (since 1 July 2001 this right has been eliminated from the functions of the State Labour Inspectorate), and handed over to the Prosecutor’s Office the material of 171 violations.

Courts investigated 382 administrative law violation cases (233 cases were initiated against employers for 459 illegally working individuals).
4.2.2. Regulation and Improvement of Labour Relations

The newly developed market economy relations in Lithuania require more a flexible, clear, comprehensive and liberal legal regulation of labour relations. All countries of Eastern and Western Europe have already reformed their labour law, therefore it is necessary for Lithuania, which is seeking accession to the European Union, to do this according to the agreed international obligations.

The regulation and improvement of labour relations are important to both employees and employers, therefore in 2001 the draft of the new Labour Code approved by the Government was prepared. In preparing it experience of Eastern and Western European countries that have already reformed their labour law (Hungary, the Czech Republic, Poland) was made use of. Besides, a large part of provisions of the Directives of the European Union were included into this draft. Hence, by adopting this Labour Code Lithuania has in essence implemented its obligations in the sphere of harmonising labour legislations with European Union requirements and established provisions outlined in International Labour Organisation requirements and the Social Charter of Europe (as amended). In addition, taking into consideration the importance of the principle of social partnership that is increasing throughout Europe and in Lithuania, this Code should become an essential document in co-ordinating the interests of social partners.

THE LABOUR CODE

The Labour Code consists of three parts: general provisions, standards regulating collective and individual labour relations.

The first part lays down basic principles regulating labour law, establishes the relationship between this Code and other valid international and national labour legislation, and presents the definitions of the concepts of the parties relating to labour relations - the employee and the employer. The Code sets out the legal status of a collective of workers and its representatives as the subjects of legal law, and establishes the right of the collective of workers when no trade union organisation functions in the enterprise, and the workers did not transfer rights of their collective representation to the trade union of a corresponding branch. In this case the collective of workers forms the Labour Council of the enterprise from its representatives.

The second part is devoted to the regulation of collective labour relations, that is, issues of concluding and carrying out collective agreements and contracts, liability for their non-fulfilment or improper fulfilment, as well as conditions and procedure for settling collective labour disputes. This Code attaches special importance to collective labour relations and mutual agreements between the parties of labour relations. The concept of social partnership, its principles, parties and levels is defined in this part of the Code, the principle of tripartite co-operation is established and the legal status of the Tripartite Council of the Republic of Lithuania and the basis for its activity is formed. Besides, the possibility to set up bilateral or tripartite councils/commissions of other levels (branches, territories) by agreement of social partners or on the basis of laws that are in effect is set down in law. A new introduction is the right to sign the collective agreement of the enterprise by elected representatives of the collective of workers, that is, the Labour Council.

The third part of the Labour Code regulates individual labour relations: employment, issues related to the employment contract, conditions of work and rest time, payment of wages and other guarantee payments, as well as compensations, work discipline, material responsibility, safety and health guarantees of workers, and the procedure for settling individual labour disputes. The list of employment contracts is supplemented. Alongside fixed-term, long-term and seasonal labour contracts, contracts of temporary, additional, self-employed work, as well as contracts for the provision of separate services (nursing, driving, etc. when the employer is a natural person) are laid down in law.

The list of the reasons for terminating the employment contract (contained in the current Law on the Employment Contract), that are unsubstantiated theoretically and are difficult to apply in practice, was not carried forward. The Labour Code establishes that the employment contract may be terminated on the basis of sound reasons only, related to the qualification of the
employee, his/her professional skills, behaviour at work, as well as due to economic and technological circumstances, structural reorganisation of the work place, etc. The principle of severance money (payments) has been changed in the Labour Code: the amount of the severance payment depends on the total length of service at that enterprise rather than on the reasons of dismissal.

It was specified that the Government, taking into consideration the opinion of the Tripartite Council of the Republic of Lithuania, may establish different amounts of the minimum monthly wage (MMW) for separate branches of economy or separate groups of workers. It is also specified that bonuses shall not be paid to those workers who work under other than normal working conditions. In such cases a higher tariff rate than that received when working in normal working conditions shall be paid to them, whose specific amounts shall be established in collective agreements or employment contracts. Laws and other standard legal acts regulate classification of working conditions and allowable concentrations and levels of factors harmful to health.


**Prevention of Illegal Work**

The prevention of illegal work is of paramount importance to the improvement of labour relations. In 2001, as in the previous year, illegal work constituted a great problem of labour relations. Illegal work is a commercial, economic, financial, professional activity that is carried out without establishing an enterprise in the procedure established by laws or without obtaining a patent necessary for engaging in a corresponding activity, as well as when a certain part of wages is paid in “envelopes”, when people work in legal enterprises without employment contracts being concluded with them, or when people work longer hours than has been officially agreed upon in the employment contract.

In 2001 the Action Plan to Strengthen the Prevention and Control of Illegal Work aimed at reducing the level of illegal work was adopted. The State Labour Inspectorate is responsible for the formation of a uniform control system, and co-operation of officials from monitoring institutions and offices in organising joint inspections, preparation and analysis of methodological material for the improvement of the legal basis. All this will permit to better identify illegal work. In order to achieve this the Government of the Republic of Lithuania adopted Resolution No. 1500 "On Approval of Conditions and the Procedure for Carrying out Assistance (Help) Works" 2 December 2001 and Resolution No. 1511 "On Approval of the Procedure for Organising Voluntary Work" 3 on 13 December 2001.

**Regulation of Voluntary Work**

In Lithuania in recent years there has been an increasing level of voluntary work, during which individuals perform socially useful works free of charge. Therefore the Ministry of Social Security and Labour prepared Resolution No. 1511 "On Approval of the Procedure for

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1 Minutes No. 34 of the meeting of the Government of the Republic of Lithuanian held on 19 July 2001.
Organising Voluntary Work” of the Government of the Republic of Lithuania of 13 December 2001. The Resolution establishes that voluntary work is work that is performed of one’s own will for the purposes specified in the Law on Charity and Sponsorship. Wages are be paid to the volunteers, natural persons, who perform socially useful work of their own free will without being forced by anyone. This legal act creates legal conditions and guarantees to organise and perform voluntary works.

ASSISTANCE (HELP) WORKS

Historically people have made use of help offered by other people in carrying out land or household tasks in Lithuania. However, it is quite common that such assistance is used as a cover to carry out illegal work and exploit the free workforce. Therefore the Ministry of Social Security and Labour prepared Resolution No. 1500 "On Approval of Conditions and the Procedure for Carrying out Assistance (Help) Works" of the Government of the Republic of Lithuania of 11 December 2001. This legal act establishes the procedure and conditions under which natural persons can agree among themselves to provide assistance in doing land or household works. However, taking into account the established traditions and popularity, as well as frequency of such services, this Resolution regulates the procedure and conditions for carrying out assistance (help) works to the minimum only.

LIBERATISATION OF LABOUR LEGAL RELATIONS

In implementing the Plan of Measures of Improving Labour Market Conditions devised by the Commission on Labour Market Liberalisation, laws on amendments and supplements of the current legal acts were adopted.

The Law on the Amendment and Supplement of Appendices of Articles 8, 10, 17, 24-1, 30, 33, 34, 41 of the Law on the Employment Contract⁰. Some essential amendments were made in this law to regulate labour relations:

1) the typical form of the employment contract was replaced by the model form;
2) the list of conditions for payment for lay-offs, in cases when the lay-off is considered to be the result of natural and other causes that have not been specified in this Law;
3) supplementation of the list of requirements, which must be followed if during lay-offs an employee is transferred to another job. It is specified that the new work must not only comply with the profession, speciality, and qualification of the employee but also with his/her state of health. It has been established that in the event of the employee’s refusal to carry out the new work complying with his/her profession, speciality and qualification, or to do work, which does not require special professional training and which he/she could perform without doing any harm to his/her health, he/she shall be paid not less than 0,3 minimum hourly wages for every idle hour. Prior to making this amendment the workers were paid not less than 1 minimum hourly wages for every idle hour.
4) the amount of compensations paid to the workers who are dismissed on the initiative of the employer;
5) guarantees to members of trade unions were changed - it was established that the consent of the elected body of the trade union functioning at the enterprise is necessary only when on the initiative of the employer or in reducing the number of workers at the enterprise due to reorganisation of production or work a member of the elected body of that trade union is being dismissed;
6) amendments to the provision concerning late payment of wages following dismissal - it was established that the average wages for a three-month period should be paid to the employee, rather than for the entire delayed period, as was the case earlier.

The Law on the Amendment of Articles 4 and 26 of the Law on the Employment Contract². This Law specifies that a permanent resident of Lithuania who is 16 years old may be a party to the employment contract. The employ-

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ment contract with children under 16 may be concluded only to perform light work that corresponds to their physical abilities, whose list is approved by the Ministry of Social Security and Labour and the Ministry of Health, and in accordance with the employment conditions established by the Law on Safety and Health of Workers of the Republic of Lithuania. The requirement of the child himself or one of his parents, or the guardian, or the physician taking care of the child’s health may form the basis for the termination of the employment contract.

1. The Law on the Amendment of Articles 2, 9, 11 of the Wages Law. Amendments related to the provisions of the Law on the Employment Contract were made in this Law, which regulate the following:

1) conditions for payment for the hours of lay-off;
2) conditions and procedure for payment of wages; when there is a written application of the employee, the wages can be paid not less often than once a month rather than twice per month.

2. The Law on the Amendment and Supplement of Articles 8, 13, 21 of the Law on Trade Unions. New introductions in this Law are as follows:

1) only those trades unions, which function on the territory of one town or district and do not unite into larger trade union organisations must register their Statutes with the executive institution of the local government;
2) the right was granted in the collective agreements to allocate funds from the wages-fund in the established procedure for the education of the trade union members;
3) at the request of the employee and the trade union the employer must give three days of unpaid leave per year to education and training.

3. The Law on the Amendment and Supplement of Article 23 of the Law on Holidays. This Law establishes the possibility for the employee to receive up to three days of unpaid leave for education and training.

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4.3. Payment for Work

In 2001 certain changes in the sphere of payment for work took place in Lithuania. The system of payment for work was improved in order to achieve that conditions of payment for work for civil servants, officials and other workers of institutions financed from the state and municipal budgets were based on criteria and principles of equality. From 1 October 2001 civil servants were paid for work according to the provisions laid down in the Law on Public Service¹ and since 1 July 2002 they have been paid under the Law on the Amendment of the Law on Public Service².

4.3.1. Wages in 2001

Minimum Wage

The Wages Law stipulates the provision that the State shall establish a minimum hourly pay rate and a minimum monthly wage (MMW), which is guaranteed to every employee. This provision complies with the conventions and recommendations of the International Labour Organisation whereby it is sought to create national systems to establish a minimum wage and ensure equally applied guarantees of the minimum wage for all workers. Its establishment is considered as one of the elements of the policy aimed at fighting against poverty, whose main objective is to ensure minimum economic guarantees to working people and their family members.

The last increase to the minimum monthly wage in Lithuania was in 1998 - from LTL 400 to LTL 430 (accordingly, the minimum hourly pay rate increased from LTL 2.36 to LTL 2.53). According to the Tripartite Agreement of 11 February 1999, social partners must sign an agreement on the amount of the minimum monthly wage by 1 December of every year. However, in 1999 this was not done due to unfavourable conditions in the country’s economy and the State Budget.

The issue of increasing the minimum monthly wage was again raised at the meeting of the Tripartite Council held on 3 October 2000. The proposal was put forward to increase the minimum monthly wage up to LTL 450. However, after assessing all the circumstances and the possible threat that some small and medium-sized enterprises, who have no possibilities to pay larger minimum monthly wages, will start reducing the number of workers, the minimum monthly wage was left unchanged.

Basic Tax-free Minimum

The Law on the Amendment of Article 5 of the Provisional Law on Income Tax of Natural Persons³, which came into effect on 1 April 2002 was adopted on 13 December 2001. It established new tax-free amounts of income. The basic tax-free minimum of income related to the main place of work is different for various categories of people:

1) for the disabled people of Disability Group I - LTL 430;
2) for the disabled people of Disability Group II - LTL 379;

3) for the disabled people of Disability Group III - LTL 283;

4) for mother (foster mother) or parent (foster parent) who have no spouse and raise one child (foster child) under 18 years of age - LTL 335; for those who raise two or more children (foster children) under 18 years of age for every second following child (foster child) the tax-free minimum is increased by LTL 53;

5) for workers of enterprises manufacturing agricultural produce, when the income (revenues) of the enterprises for the agricultural produce sold per year accounts for more than 50 per cent of the total income (revenues) from the sold production, as well as for workers hired by farmers whose farms are registered in the procedure established by the Law on the Farmers’ Farms of the Republic of Lithuania - LTL 325.

For all other persons the basic tax-free minimum is LTL 250.

**Average Monthly Wage**

Two quantities illustrate the indicators of this wage:

1) **the average monthly gross wage** (AMGW) is the wage from which the income tax of natural persons is not deducted and the social insurance contribution not paid by the employee;

2) **the average monthly net wage** (AMNW) is the wage received after the income tax of natural persons and the social insurance contribution paid by the employee are deducted from the AMGW.

According to data of the Republic of Lithuania Department of Statistics, the average monthly gross wage in the fourth quarter of 2001 in the country’s economy amounted to LTL 1087.1; in the state sector it was LTL 1128.4, and in the private sector it was LTL 10471. Compared with Quarter IV of the year 2000, the average monthly gross wage increased by 1.3 per cent, 0.5 per cent and 3 per cent, respectively.

In Quarter IV of 2001 the average monthly net wage in the country’s economy was LTL 766.4; in the state sector it was LTL 792.9, and in the private sector LTL 740. Compared with Quarter IV of the year 2000 it increased by 1.2 per cent, 0.5 per cent and 2.7 per cent, respectively.

As the figures presented indicate, the average wage in 2001 increased most significantly in the private sector, as the result of the development of production and services.

**Violations of Payment for Work Legislation**

In 2001 the State Labour Inspectorate inspected 9757 enterprises (4 per cent more than in the year 2000) for payment for work offences. In one quarter of the enterprises violations were identified. Compared with the year 2000, the number of violators decreased by nearly 6 per cent, and the number of violations - by as much as 27 per cent. In the year 2000 the number of enterprises identified in which the minimum monthly wage was not paid amounted to 32 (0.3 per cent of all the enterprises inspected), in 2001 it was 46 (0.5 per cent), and during the first quarter of 2002 it was 12 (0.5 per cent). Violations due to non-payment of the minimum wage account for 2 per cent of total violations recorded with respect to payment for work.

In 2001 labour inspectors submitted 3605 instructions to eliminate violations of payment for work legislation. According to Paragraph 1 of Articles 41-4 of the Administrative Code, on account of violations of the calculation of wages and the procedure for paying them, 130 administrative cases were decided upon and fines totalling LTL 9,100 were imposed. Also, complaints and applications of 3726 citizens were investigated, more than 40 per cent of which were related to payment for work. In 65 per cent of cases the facts indicated in the complaints proved correct.

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4.3.2. Regulation of Payment for Work

**Payment for Work at Institutions Financed from the State and Municipal Budgets**

To improve the system of payment for work and in order to achieve that conditions of payment for work to the civil servants, officials and other workers of the institutions financed from the State and municipal budgets are based on criteria and principles of equality, from 1 October 2001 the work of civil servants was paid according to the provisions of the Law on Public Service. Since 1 July 2002 work of civil servants has been paid according to the Law on the Amendments of the Law on Public Service.

The Law on Public Service stipulates that the remuneration of a civil servant shall be composed of: the basic salary (or hourly or daily pay rate), seniority bonuses and an additional pay.

The basic salary is calculated by multiplying the appropriate coefficient of the basic salary, which depends on the grade of the civil servant (approved in Annex 3 to this Law) by the amount of the minimum monthly salary approved by the Government. The basic salary below LTL 1000 is be rounded up to the next Litas, and the salary above LTL 1000 is rounded in such a way that the last digit is either 5 or 0.

Paragraph 5 of Article 69 of the Law on Public Service establishes that during the transitional period, that is, by 1 January 2007, due to lack of funds in the State and municipal budgets, the Government may approve a rate of the coefficient base that is lower than the minimum monthly wage.

Civil servants are paid the following seniority bonuses:

1) for the number of years in the service to public servants of public administration and civil servants of Category A and B. The seniority bonus shall is 3 per cent of the basic salary for every three years. The amount of the bonus may not exceed 30 per cent of the basic salary.

2) seniority bonuses for a degree, grade, rank, qualification category can be paid to statutory public servants only.

The amount of this bonus may not exceed 30 per cent of the basic salary (with the exception of a bonus for a diplomatic rank whose amount is established by the Law on the Diplomatic Service).

The Law on Public Service provides for the possibility to pay additional amounts to all grades of civil servants. Their amounts and payment conditions were established by Resolution No. 1159 of the Government of the Republic of Lithuania of 25 September 2001. Civil servants are eligible for additional pay if:

1) they perform work on days off and holidays;
2) they work at night;
3) they perform work in the environment specified in Paragraphs 3, 4 and 5 of Part 1 of Article 67 of the Republic of Lithuania Law on Safety and Health of Workers, provided that these conditions have not been assessed in establishing the categories and grades of the position of the civil servant;
4) they perform duties beyond the scope of their normal job description or duties, which exceed the usual work load because of a temporary disability of another staff member or because of additional assignments (however lasting not less than one working day). Additional assignments that attract additional pay must be established in writing and be performed outside the normal working hours.

Article 69 of the Law on Public Service establishes the procedure for the implementation of the new conditions of remuneration for work for civil servants during the transitional period.

The remuneration of civil servants calculated in the procedure established by the Government must be adjusted in the procedure established by the Law on Public Service by 1 January 2007. Taking into account the fact whether the amount of the new salary is smaller or larger than the previous one, the relevant provisions of Paragraphs 2 or 3 of Article 69 will apply.

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GUARANTEES OF PAYMENT FOR WORK TO THE WORKERS OF BANKRUPT ENTERPRISES AND ENTERPRISES IN BANKRUPTCY

The Guarantee Fund was established on 7 June 2001 by Resolution of the Government of the Republic of Lithuania\(^1\). The same Resolution lead to the reorganisation on 15 June 2001, into the Administration of the Guarantee Fund under the Ministry of Social Security and Labour, of the Fund to satisfy the requirements related to the labour relations of the workers of bankrupt enterprises and enterprises in bankruptcy, as well as the Secretariat of the Council of this Fund under the Ministry of Social Security and Labour. On the same day by Order of the Minister of Social Security and Labour the composition of the Council of the Guarantee Fund was approved\(^2\).

Paragraphs 1 and 5 of Article 5 of the Republic of Lithuania Law on the Guarantee Fund\(^3\), taking into account the recommendation of the Council of the Guarantee Fund, the Government of the Republic of Lithuania by Order "On Payments from the Guarantee Fund"\(^4\) of the Government of the Republic of Lithuania of 6 August 2001, established the maximum amount of payments intended for covering the debt of payment for work, compensating for the harm done, and to pay for the lay-off time, as well as the procedure for applying provisions of the Law on Guarantee Fund (implemented on 10 August 2001) to the enterprises in which the bankruptcy process had been started prior to the implementation of this Law.

The following payments from the Guarantee Fund that have not been paid before applying to the Fund, are allocated to the enterprises in which the bankruptcy process started after 1 October 2000:

1) for wages due to the employee, however, not larger than the amount established by the Government on recommendation of the Guarantee Fund. The amount established by the Government cannot be smaller than the amount of the minimum monthly wage;

2) for severance pay in the amount established in Paragraph 1 of Article 1 of the Law on the Employment Contract (that is, a severance pay based on the average wage of one or two months, taking into account the reasons of dismissal without increasing it on account of the length of service at the enterprise);

3) monetary compensation for the annual holiday that has not been used, but not longer than the holiday of the minimum duration established in the Law on Holidays and not exceeding one year;

4) compensation for damage due to accidents at work in the amount established by the Provisional Law on Accidents at Work and Occupational Diseases;

5) compensation for damage due to accidents at work or occupational diseases when this liability is not transferred to the State in the procedure established by the above Law;

6) payments for lay-offs; the amount of this payment cannot exceed the amount established by the Government, that is, one minimum monthly wage.

Only payments related to unpaid wages and compensation for damage due to accidents at work or occupational diseases is guaranteed to the workers of the enterprises in which the bankruptcy process started prior to the implementation of this Law.

The Guarantee Fund started its direct activities on 11 August 2001; applications to the Council of the Guarantee Fund were accepted, consultations on the issues of the allocation of funds were held for enterprises, information was provided through the mass media. The first applications filed by enterprises for the allocation of funds were considered at the meeting of the Council of the Guarantee Fund held on 29 August 2001. At the request of 2614 workers of 7 enterprises the total of LTL 27.16 thousand was allocated to payments.

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\(^2\) Order No. 75 of 15 June 2001 of the Minister of Social Security and Labour on the Approval of the Composition of the Guarantee Fund Council (Official Gazette No. 82-2478, 2000).

\(^3\) The Law on the Guarantee Fund of the Republic of Lithuania No. VIII-1926, 12 September 2000 (Official Gazette No. 82-2478, 2000).

In implementing the provisions of the Guarantee Fund, LTL 25.1 million was allocated from the Guarantee Fund to 250 enterprises in 2001. Thus, it partly met the requirements of 20,600 workers with respect to arrears of payment for work and other payments.

Paragraph 2 of Article 1 of the Law on Guarantee Fund stipulates that enterprises (including public agencies, banks and credit unions) to which a bankruptcy process is applied, must make contributions from 15 March 2001. The amount is 0.2 per cent of the workers’ wages from which contributions of compulsory state social insurance are calculated. They are collected according to the Law of Tax Administration. Enterprises calculate and pay the contributions on the day on which payment for work is begun to be calculated for the workers. Payments to the Guarantee Fund must be paid once a month not later than by the 15th day of the following month. The State Tax Inspectorate and its local divisions administer the collection of the contributions.

About one million Litas is paid to the Guarantee Fund each month.

Conclusions

In 2001 much attention was devoted to the improvement of the legal basis of labour relations in Lithuania with the aim of liberalising the sphere of labour relations by granting more rights to social partners. New laws and amendments and supplements of the laws already in effect were prepared and adopted. One of the most significant processes is consideration of the Labour Code at the Seimas of the Republic of Lithuania. To create as favourable as possible conditions for social partnership, at the beginning of 2001 specialists of the Ministry of Social Security and Labour together with the bilateral commission consisting of representatives of trades unions and employers’ organisations prepared the Law on the Amendment and Supplement of Chapter I of the Law on Collective Agreements, which was adopted by the Seimas of the Republic of Lithuania on 18 October 2001. The law lays down in law the activities of tripartite and bilateral institutions of social partners, legally regulates issues of drawing up, signing and implementing regional and branch collective agreements.

Seeking to strengthen fight against illegal work, MSSL prepared in co-operation with the State Labour Inspectorate the draft of the Action Programme to Strengthen the Prevention and Control of Illegal Work, which was approved by the Government on 19 July 2001. SODRA, the Tax Police, the Public Police, the Economic Police, the State Tax Inspectorate were involved in the implementation of these measures.

In 2001 changes in the sphere of payment for work took place in Lithuania. In improving the system of payment for work and seeking to achieve that conditions of payment for work to workers, officials and other workers of state and municipality-funded institutions were based on criteria and principles of equality, the provisions of the Law on Public Service were adjusted. Since 1 July 2002 the work of civil servants has been paid in accordance with the Law on the Amendment of the Law on Public Service.

The draft Law on the Fundamentals of Payment for Work to the Workers Working under Contracts at State and Municipal Institutions and Establishments was prepared and co-ordinated. The objective of the Law is to establish a general system of payment for work to those who work under contracts at state and municipal institutions and establishments.

4.4. Safety and Health of Workers

The safety and health of workers is an important area of labour policy whose objective is to ensure safe and healthy working conditions by implementing preventive measures intended to preserve the health and life of workers, as well as eliminating or minimising the occupational risk at all stages of the work of an enterprise. This is regulated by the Law on Safety and Health at Work1 and other legal acts.

This Chapter deals with the conditions of safety and health of workers in the country in 2001, legal changes introduced in 2001-2002 and the problems arising when implementing legal acts on safety and health of workers.

4.4.1. Safety and Health of Workers in 2001

**Working Conditions at Enterprises**

The State Labour Inspectorate controls the prevention of violations of safety and health legislation in order to protect workers at enterprises.

In 2001 with this end in view labour inspectors inspected 10,600 enterprises (according to Department of Statistics data, the number of operating economic entities in Lithuania in 2001 totalled 68,400) and revealed 44,800 violations of safety and health at work legislation. This accounted for 66.3 per cent of the total number of violations of labour law and safety and health of workers legislation. 78.6 per cent of these were violations of the requirements for labour organisation and 21.4 per cent were violations of technical requirements.

As the data presented in Table 4.4.1-1 show, the number of workers in inspected enterprises who worked in very harmful working conditions and harmful working conditions in 2001 respectively decreased by 4.4 per cent and 0.03 per cent of the total workers compared to the previous year. It was established that 5 employees worked even when harmful factors exceeded very harmful values. Compared to the year 2000, working conditions at inspected enterprises in 2001 had improved.

In response to these violations, state labour inspectors documented the requirements to improve working conditions, and stopped work or forbade the use of unsafe working equipment at 236 enterprises.

<table>
<thead>
<tr>
<th>Year</th>
<th>Workers who worked in a harmful environment</th>
<th>Workers who worked in a very harmful environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>6.6</td>
<td>0.2</td>
</tr>
<tr>
<td>2000</td>
<td>7.4</td>
<td>0.6</td>
</tr>
<tr>
<td>2001</td>
<td>4.4</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Table 4.4.1-1

**Data provided in the State Labour Inspectorate Report for 2001**

**Accidents at Work**

79 fatal, 164 serious, 2274 minor accidents, which were identified as being related to work, occurred in Lithuanian enterprises in 2001.

The largest number of fatal accidents at work (16 per cent) took place due to improper work organisation, whereas serious accidents (27 per cent) and minor accidents (43 per cent) occurred due to failures to observe the requirements of standard acts.

Analysis of accidents at work that occurred in 1998-2001 (see Table 4.4.1-2) shows that on the whole the number of accidents at work is on the decrease. However, the number of serious and fatal accidents at work in 2001, compared to 2000, increased by 16 per cent and 27 per cent, respectively. Compared with 1998, the number of serious accidents did not change in 2001, whereas the number of fatal accidents decreased by as much as 18 per cent.
Number of Accidents at Work Related to Work in 1998-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Minor accidents</th>
<th>Serious accidents</th>
<th>Fatal accidents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>2989</td>
<td>164</td>
<td>96</td>
<td>3249</td>
</tr>
<tr>
<td>1999</td>
<td>2681</td>
<td>154</td>
<td>68</td>
<td>2903</td>
</tr>
<tr>
<td>2000</td>
<td>2577</td>
<td>141</td>
<td>62</td>
<td>2780</td>
</tr>
<tr>
<td>2001</td>
<td>2274</td>
<td>164</td>
<td>79</td>
<td>2515</td>
</tr>
</tbody>
</table>

Data provided in the State Labour Inspectorate Report for 2001

**OCCUPATIONAL DISEASES**

570 cases of occupational diseases were registered in Lithuania in 2001. The number of persons suffering from occupational diseases totalled 374. As in the year 2000, males accounted for 87.9 per cent and females accounted for 12.1 per cent of the total number of people who had occupational diseases.

The number of cases of occupational diseases (see Table 4.4.1-3) decreased from 606 in 1999 to 570 in 2001. The ratio of adult males and females remained almost unchanged in 1999-2001.

Cases of Occupational Diseases in 1999-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Total number of registered cases of occupational diseases</th>
<th>Number of cases diagnosed in males (share in the total number in per cent)</th>
<th>Number of cases diagnosed in females (share in the total number in per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>606</td>
<td>530 (87.5 %)</td>
<td>76 (12.5 %)</td>
</tr>
<tr>
<td>2000</td>
<td>572</td>
<td>503 (87.9 %)</td>
<td>69 (12.1 %)</td>
</tr>
<tr>
<td>2001</td>
<td>570</td>
<td>501 (87.9 %)</td>
<td>69 (12.1 %)</td>
</tr>
</tbody>
</table>

Data provided in the State Labour Inspectorate Report for 2001

In 2001, as in 1999-2000, the largest number of cases registered related to the effects of vibration (41.4 per cent) and ear diseases (38 per cent).

As is the case each year, in 2001 most of the victims of occupational diseases were in the age range of 50-59 years (57.5 per cent) whose length of service is on average 20-39 years.

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1. When one or more harmful factors of the working environment or total quantities of factors having a similar effect during the day time constantly exceed allowable values established by safety and health legislation (The Law on Safety and Health at Work).

2. When one or more harmful factors of the working environment or total quantities of factors having a similar effect during the day time at different time periods exceed allowable values established by safety and health legislation (The Law on Safety and Health at Work).
4.4.2. Legislative Amendments in 2001–2002

LEGAL ACTS SUPPLEMENTING THE LAW ON SAFETY AND HEALTH AT WORK

In implementing the Law on Safety and Health at Work the following legal acts were prepared and approved:

1) Regulations of the Commission on Safety and Health at Work of the Republic of Lithuania¹ (came into effect on 17 January 2002 and replaced the Regulations of the Commission on Safety and Health at Work that were in effect until then);

2) Regulations of the County Local Commission on Safety and Health at Work² (came into effect on 1 January 2002);

3) General Regulations of Committees on Safety and Health of Enterprises at Work³;

4) Lithuanian Hygiene Norm HN 23:2001 "Limit Values of Concentrations of Harmful Chemical Substances in Work Environment Atmosphere. General Requirements"⁴ (came into effect on 30 December 2001 and replaced the hygiene norm that was in effect up till that time);

5) A list of tasks that can be performed on holidays⁵ (came into effect on 1 March 2002);

6) The Procedure for Establishing Working Time of the Workers of State and Municipal Institutions and Establishments⁶ (came into effect on 7 June 2001);

7) Regulations of Instructing, Training and Certifying Workers on Health and Safety at Work Issues⁷ (will come into effect on 1 January 2003);

8) Regulations of Services of Safety and Health at Work of Enterprises⁸ (will come into effect on 1 January 2003).

In addition, several legislative drafts were prepared.

In implementing new legislation, at the beginning of 2002 the Commission on Safety and Health of Workers of the Republic of Lithuania was set up according to the new adjusted procedure, and 10 county local commissions on safety and health at work composed on the tripartite principle were established, whose objective is to co-ordinate interests of the state, employers and workers in counties.

The previously used concept of "the highest allowable concentrations" was excluded from the Lithuanian Hygiene Norm HN 23:2001 "Limit Values of Concentrations of Harmful Chemical Substances in Work Environment Atmosphere. General Requirements".

According to European Union Directives it was replaced by the new concept of "the limit value" (hereinafter referred to as LV), which may be long-term, short-term and that can not be exceeded; limit values of chemical substances were also established. The LV of a long-term effect is established for the majority of

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² Order No. 137/573 of 29 October 2001 of the Minister of Social Security and Labour and the Minister of Health at the Republic of Lithuania on the Approval of the Regulations of the County Local Commission on Safety and Health at Work (Official Gazette No. 95-3369, 2001).

³ Minutes No. 65 of 11 April 2002 of the Commission of Safety and Health at Work.


⁵ Order No. 108 of 29 December 2001 of the Minister of Social Security and Labour of the Republic of Lithuania on the Approval of the List of Works that can be Performed on Holidays (Official Gazette No. 4-146, 2002).


⁷ Order No. 76/260 of 10 June 2002 of the Minister of Social Security and Labour and the Minister of Health of the Republic of Lithuania on the Approval of Regulations of Instructing, Training and Attesting on the Issues of Safety and Health at Work (Official Gazette No. 69-2849, 2002).

⁸ Order No. 77/262 of 10 June 2002 of the Minister of Social Security and Labour and the Minister of Health of the Republic of Lithuania on the Approval of Regulations of Services of Safety and Health at Work of Enterprises (Official Gazette No. 69-2850, 2002).
chemical substances. At such a value, a chemical substance should not cause health disorders in an employee. The LV of a short-term effect is not a separate independent LV. It supplements the LV of a long-term effect and was established for those cases when a short-term increase in the concentration of a chemical substance can be harmful to the employee’s health. The LV that can not be exceeded is established for chemical substances of acute effect, and it cannot be exceeded even for a second.

Depending on the number of workers at an enterprise, safety at work and occupational medical services shall be established at enterprises or other organisations hired for the supervision and control of health and safety and labour hygiene issues, preventive measures, consultations and health care of workers. From 1 January 2003 it will be possible to establish a single safety and health at work service at enterprises, which will organise preventive measures of safety and health of the workers. Specialists of these services shall be directly accountable to the employer.

Starting with the beginning of 2003 all the workers will have to be instructed, trained and certified in the procedure established by The Regulations of Instructing, Training and Certification on Health and Safety at Work Issues.

LEGISLATION SUPPLEMENTING THE LAW ON SUPERVISION OF POTENTIALLY DANGEROUS EQUIPMENT

In implementing the Law on the Amendment of the Law on Supervision of Potentially Dangerous Equipment “The List of Potentially Dangerous Equipment (specifying their parameters) that is Supervised by the Institutions Inspecting Technical Condition of Equipment and that is Registered in the State Register” was prepared and approved, three public institutions were granted authorisation to inspect the technical condition of potentially dangerous equipment, the Regulations of the Register of Potentially Dangerous Equipment were prepared and approved and the State Register of Potentially Dangerous Equipment was established. The State Labour Inspectorate was appointed to manage the Register.

4.4.3. Problems Relating to the Implementation of Safety and Health of Workers Legislation, and their Solution

ASSESSMENT OF OCCUPATIONAL RISK AT ENTERPRISES

In implementing the Law on Safety and Health at Work that was prepared on the basis of the provisions of the main Directive of the European Union 89/391/EEC, employers are obliged to assess an occupational risk, that is, all risk factors in workplaces. Until now, only a hygiene assessment of workplaces has been made: the quantities of only those harmful factors of workplaces were measured and assessed, which can be measured. However, a worker may also be affected by other factors, which are impossible to measure (for example, a

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2 Order No. 124 of 26 September 2001 of the Minister of Social Security and Labour of the Republic of Lithuania on the Approval of the List of Potentially Dangerous Equipment (specifying their parameters) that are Supervised by the Institutions Inspecting Technical Condition of Equipment and that are Registered in the State Register (Official Gazette No. 85-2978, 2001; Official Gazette No. 106-3824, 2001).
5 ‘Occupational risk’ means the possibility of a trauma or any other harm done to health of a worker due to a harmful and (or) dangerous effect of the factor (factors) of the work environment (Law on Safety and Health at Work).
slippery surface, the height, a danger of explosion, etc). Hence, the problem arose at enterprises of how to assess these factors. Since the European Union countries have experience in assessing occupational risk, assistance of foreign experts was sought. In April and May of 2001 experts from Germany and France organised workshops on the issues of occupational risk assessment for labour inspectors, specialists of public health institutions, and representatives of trades unions and employers’ organisations. In addition, experts prepared the "Occupational Risk Assessment and Management Manual" (available on the website of the State Labour Inspectorate http://www.vdi.lt/risk/). Seeking to regulate the general organisational principles of the assessment of an occupational risk, Regulations of Occupational Risk Assessment were prepared and approved.

**Implementation of Technical Regulations (Certifications Problems)**

In implementing the provisions of Technical Regulations (hereinafter referred to as TR), all products that are placed on the market, must be checked to establish whether they comply with the requirements of the Regulations, and labelled with the CE mark. However, no infrastructure of conformity procedures (test laboratories, certifying institutions) has yet been created in Lithuania. There is not a single laboratory and certification institution, which is accredited in the sphere of machinery and personal protective equipment. In carrying out measures of the Development of Conformity Assessment Infrastructure Programme, funds from the State budget were allocated in 2001 to accredit laboratories and certifying institutions, and to purchase technical equipment. In July 2001 tripartite agreements on the allocation of funds were signed by the Ministries of Economy, Social Security and Labour and public institutions: with the Technical Supervision Authority - to carry out the conformity assessment procedures in accordance with the Technical Regulations "Lifts"; with the Institute of Technology Systems Diagnostics of Kaunas Technological University and with the State Machinery Testing Station - to carry out conformity assessment procedures according to TR "Safety of Machinery". It is planned to allocate funds to Kaunas Textile Institute and Kaunas Technological University in 2001 to carry out the conformity assessment procedure according to TR "Personal Protective Equipment".

It is necessary to devote more attention to providing information to manufacturers on the the application of Technical Regulations. Therefore in May 2002 a workshop was organised for the manufacturers, importers and market surveillance specialists on TR "Personal Protective Equipment". It is planned to organise similar workshops on the issues of applying TR "Safety of Machinery" and TR "Lifts" in the second half of 2002.

**4.4.4. State Programme of Safety and Health at Work**

In order to improve the conditions of safety and health at work the State Programme of Safety and Health at Work was prepared in 2001. It obliges employers, after assessing the conditions of safety and health of workers, to prepare and implement in 2002-2003 preventive measures against accidents at work and occupational diseases. The programme provides for the following:

1) improvements of the legal basis of safety and health at work, first and foremost, by preparing legislation regulating occupational risk assessments;
2) Studies to be carried out on safety and health conditions at work, and based on these studies, with the participation of social partners, to prepare and implement measures for improving workplaces and work equipment;

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1 Order No. 86/307 of 26 June 2002 of the Minister of Social Security and Labour and the Minister of Health of the Republic of Lithuania on the Approval of the Regulations of Occupational Risk Assessment (Official Gazette No. 69-2852, 2002).
3) improvements to legislation regulating the safety and health at work training system, and reorganisation of the procedure for training specialists on safety and health at enterprises and other workers in the sphere of safety and health;

4) improvements to the system of management of safety and health at work, and strengthening state institutions and establishments of safety and health at work.

In implementing the programme, co-operation with social partners in the sphere of improving safety and health at work will be further developed. The measures planned will help the employers ensure safety and health at work of all aspects to work, and will provide the opportunity for workers to use the right enshrined in the Constitution of the Republic of Lithuania to have safe and healthy working conditions. The implementation of the Programme measures will create preconditions to fulfil completely the obligations of the Republic of Lithuania in relation to the European Union in the sphere of safety and health at work.

4.4.5. Participation in the Activity of the European Agency for Safety and Health at Work

The European Agency for Safety and Health at Work is established to accumulate and provide technical, scientific and economic information on the issues of safety at work and occupational health to the institutions of the European Community, member states and interested states.

Every candidate country, seeking to participate in the activities of the Agency, must establish a focal point whose basic objectives are as follows:

1) engagement of corresponding safety and health at work institutions and social partners in the national network;

2) participation in the process of information dissemination and the creation of new information;

3) the creation and maintenance of the website of the Agency in Lithuania.

The European Union shall provide material assistance through the Agency to the candidate countries to establish focal points.

In the fourth quarter of 2001 the Focal Point was established at the State Labour Inspectorate, which created the information network between the Agency, safety and health at work institutions and establishments in Lithuania, social partners and educational institutions. The website was opened in the summer of 2002. In the future it is planned to create an effective system of exchanging information between the networks partners.

4.4.6. Co-operation with Foreign Partners in the Sphere of Safety and Health at Work

In 2001 co-operation with foreign partners was carried on. The PHARE Twinning project "Strengthening Enforcement of the Occupational Safety and Health Policy" that was completed in March was extended, the project "Sector Integrated Assistance of the Baltic Region to the Environment. Safety and Health at Work. Asbestos" is being implemented further. The Ministry is taking part in the project "Work Life and EU Enlargement".

PHARE Twinning Project "Strengthening Enforcement of the Occupational Safety and Health Policy"

In carrying out this project foreign experts analysed Lithuanian safety and health at work legislation; became acquainted with the practical activity of the State Labour Inspectorate; organised workshops on occupational risk assessment and practical training to labour inspectors, representatives of trade unions and employers'
**Project "Sectorintegrated Assistance of the Baltic Region to Environment, Safety and Health at Work. Asbestos"**

In 2001, in co-operation with the Labour Environment Agency of Denmark, recommendation material about asbestos, its harmfulness, safety measures and use in various sectors was prepared and published, and seminars to labour inspectors and representatives of other interested institutions about the implementation of legislation regulating work with asbestos were organised.

**Project "Work life and EU enlargement"**

In March 2001 a three-year project financed by the Government of Sweden aimed at supporting labour market policy and improving conditions of safety and health at work in candidate countries started to be implemented. In 2001 and at the beginning of 2002 meetings and workshops took place during which preparations for the practical implementation of the project were made. It was decided to organise the seminar "Assessment of the Occupational Risk at Wood Processing Enterprises of Lithuania" and to publish the book "Dictionary of Terms of Occupational Health and Safety" in 2002.

**Conclusions**

In 2001 the State Labour Inspectorate identified 44,800 violations of safety and health at work legislation. Compared with 2000, the number of hired workers working at the inspected enterprises and their subsidiaries, working in harmful and very harmful working environment decreased, and working conditions improved.

Cases of occupational diseases registered in Lithuania in 1999-2001 decreased from 606 to 570. As in the previous year, the most common occupational diseases were vibration-related and ear diseases.

In 2001 and the first half of 2002 further legislation supplementing the Law on Safety and Health at Work and the Law on Potentially Dangerous Equipment was prepared. The implementation of the Law on Safety and Health of Workers identified the problem of risk assessment at enterprises. In order to to solve that problem, workshops for employers, representatives of trade unions and labour inspectors took place; the "Occupational Risk Assessment Manual" was prepared (available on the internet); Occupational Risk Assessment Regulations defining general organisational risk assessment principles were prepared.

Following the implementation of the Regulations of County Local Commissions on Safety and Health at Work, 10 local commissions on safety and health at work were set up whose objective it is to co-ordinate the interests of the state, employers and workers according to principles of tripartite co-operation in the sphere of safety and health of workers.

In order to improve the condition of safety and health at work in 2001 the State Safety and Health at Work Programme was prepared, which provided for preventive measures against accidents at work and occupational diseases.

The Focal Point of the European Agency for Safety and Health at Work was established in the State Labour Inspectorate, which established relations with safety and health at work institutions, establishments and social partners. In the summer of 2002 the internet website of the Focal Point was opened.

Hence, in 2001 and at the beginning of 2002 a large amount of legislation regulating safety and health of workers were prepared, measures for their implementation were planned.
5. Social Insurance and Pensions

State social insurance constitutes the largest and most important part of the social security system. It covers almost all the residents of Lithuania: some pay social insurance contributions, others receive social insurance payments (pensions, benefits). The principal objective of the state social insurance system is to guarantee income for the insured, people who lost capacity for work due to illness, maternity, old age, disability or in other cases specified in the Republic of Lithuania law on state social insurance.

Social insurance, like the whole social security system, is based on the fundamental principles of universality, solidarity of generations, continuity and fulfilment of mutual obligations. There are no special privileges and rights for separate social groups or representatives of certain professions in the social insurance system.

The state social insurance system functions on the pay-as-you go principle. This means that social insurance contributions are not accumulated by capitalising them. They are immediately applied to cover social insurance payments.

An independent system of state social insurance has been created in Lithuania, that is, the social insurance budget is separated from the state budget, and its funds are applied exclusively to the payments specified in the law on state social insurance. Moreover, a tripartite social insurance management system has been formed.
IN THE MORE THAN ELEVEN YEARS SINCE LITHUANIA’S INDEPENDENCE, THE PRINCIPLES ON WHICH THE SOCIAL INSURANCE SYSTEM IS BASED HAVE NOT ONLY WITHSTOOD THE FIRST TESTS BUT ALSO ENSURED SOCIAL STABILITY AND INCOME OF A LARGE PART OF POPULATION.

CURRENTLY A NEW STAGE OF PENSION INSURANCE IS DEVELOPING IN LITHUANIA. THE LAW ON PENSION FUNDS ADOPTED IN 1999 PROVIDES THE LEGAL BASIS FOR ESTABLISHING PRINCIPLES OF ACCUMULATION AND VOLUNTARINESS

THE OBJECTIVE OF SOCIAL INSURANCE BASED ON THE PRINCIPLES OF ACCUMULATION AND VOLUNTARINESS IS TO SUPPLEMENT THE PRESENT STATE SOCIAL INSURANCE SYSTEM AND CREATE THE POSSIBILITY TO IMPROVE THE PENSION PROVISION IN THE FUTURE.

IN ADDITION, IN 2001 THE DRAFT LAW ON THE REFORM OF THE PENSION SCHEME, WHOSE OBJECTIVE IS TO FORM THE LEGAL BASIS FOR CREATING COMPULSORY ACCUMULATIVE PENSION INSURANCE, WAS SUBMITTED TO THE SEIMAS OF THE REPUBLIC OF LITHUANIA FOR CONSIDERATION.

5.1.1. Finances of State Social Insurance

The purpose of the State Social Insurance Fund, which has been in existence since 1990, is the collection of state social insurance and health insurance contributions, and awarding as well as paying pensions and benefits.

The budget of the State Social Insurance Fund (hereinafter referred to as SSIF) whose plan and report is approved by the Seimas, reflects the funding available to State Social Insurance and its changes. Until 1 January 2002 the Provisional Law on the Structure of the Budget of the State Social Insurance Fund\(^1\) regulated the procedure for drawing up the SSIF budget, the indicators on whose basis the SSIF budget is approved and the report of its execution. Since the beginning of 2002 the Law on the Structure of the Budget of Social Insurance Fund\(^2\) has taken over the regulation of these matters.

The SSIF budget of 2001, state social insurance contribution rates and their amounts for different types of insurance were approved at the end of the year 2000\(^3\) and adjusted in November 2001\(^4\).

The state social insurance contribution rate of the insurer (employers) and the insured (workers) remained unchanged in 2001 compared to 2000, and accounted for 31 per cent and 3 per cent. The general 31 per cent state social insurance contribution rate of the insurers and its allocations for different types of insurance was set at:

1) for pension insurance - 22.5 per cent;
2) for sickness and maternity social insurance - 3 per cent;
3) for unemployment insurance - 1.5 per cent;
4) for accidents at work and occupational diseases insurance - one per cent;
5) for health insurance - 3 per cent.

The three-per cent state social insurance contribution rate of the insured and its amounts for different types of insurance was set at:

1) for pension insurance - 2.5 per cent;
2) for sickness and maternity insurance - 0.5 per cent.

In 2001 the SSIF budget revenue amounted to LTL 4438 million - 103 per cent of planned revenue, or 0.7 per cent more than in the year 2000. In 2001 the average wage of the insured on which social insurance contributions were calculated was LTL 893 - 3 per cent higher than in the previous year.

Social insurance contributions by the insurers and the insured constituted the largest part of the SSIF budget revenue (96.2 per cent). The amount of contributions paid by the insurers totalled LTL 3896.8 million (87.8 per cent of total revenue), and the contributions of the insured amounted to LTL 373.7 million (8.4 per cent of total revenue). The actual amount of these contributions made was by 1.4 per cent less than planned.

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In 2001 the amount of contributions of the insurers and the insured was determined by the following circumstances:

1) the number of individuals insured with social insurance was 25,000 less than planned. As a result, the amount of actual contributions was LTL 96.1 million less.

2) the average wage of individuals insured with social insurance was LTL 6.80 higher than planned, therefore the amount of contributions made was LTL 30.8 million more;

3) the wage-fund was LTL 21.8 million smaller than it had been planned and as a result the amount of contributions made was LTL 5.5 million less;

4) having strengthened rules relating to non-working mothers of children from 1 to 3 years of age, their number appeared to be larger than forecast, and after including contributions made for the previous periods, the amount of pension insurance contributions increased by LTL 8.8 million.

The addition of compulsory state social insurance contributions of self-employed people and similar individuals totalled LTL 74 million: 51.4 per cent more than planned, and 53.8 per cent more than in the year 2000. This is the result of the procedure of state social insurance of the individuals who have obtained patents approved by the Government, according to which all the patent holders had to pay compulsory additional contributions for previous periods. Following reviews of the files of owners of private enterprises, contributions were added on for those owners of personal enterprises, who had failed to pay them earlier.

Expenses of the SSIF budget in 2001 totalled LTL 4451.4 million. Expenses were by LTL 31.4 million, or 0.7% more than planned. The sum of LTL 157.7 million for unrecoverable and doubtfully received funds, which had not been planned for in accordance with the Provisional Law on the Structure of the Budget of the State Social Insurance Funds, was entered into the expenses in 2001. Without assessing these unplanned expenses, the expenses of the 2001 SSIF budget would have been LTL 126.3 million less than forecast. In 2001 the expenditure of the SSIF budget, compared to that of the year 2000, decreased by LTL 129.3 million (2.8 per cent). The new Law on Sickness and Maternity Social Insurance, the new procedure for paying pensions to working pensioners and measures to reduce costs of the SSIF activities determined the decrease in expenses.

Pension insurance expenditure amounted to LTL 3245.9 million - 72.9 per cent of the total expenditure of the SSIF. The amount of additional pension insurance expenditure was 1.2 per cent smaller than that of 2000, and 0.2 per cent smaller than had been planned.

In 2001 the average monthly number of the pension payments made from the SSIF was 1,061 million - 0.7 per cent higher than that in the year 2000. In 2001, compared with the year 2000, the number of individuals who received old age pensions decreased by 7,600 (1.2 per cent), and the number of individuals receiving disability pensions increased by 7,500 (4.3 per cent). The number of individuals who received survivor’s and orphan’s pensions increased by as much as 11,000 (5.5 per cent).

In 2001 the average annual social insurance pension of all categories was LTL 248.69, 1.1 per cent less than planned; the average annual old age pension of a non-working pensioner was LTL 317.61, 0.2 per cent lower than planned. Due to newly awarded larger pensions and on account of the fact that people who left work in 2001 receive comparatively large old age pensions, the latter pension increased by 1.7 per cent, or by LTL 5.15.

In 2001 sickness and maternity social insurance benefits totalled LTL 343.5 million - 7.7 per cent of all expenses. This is 18.7 per cent less than planned. Sickness and maternity social insurance expenditure, compared with the year 2000, decreased by as much as 21.7 per cent. The decrease in these expenses was the result of the obligatory social insurance period for sickness of maternity benefit, which was established by the new Law on Sickness and Maternity Social Insurance. It is difficult to foresee exactly the effect of these provisions in the first year of their implementation.

In 2001 the number of sickness days per insured person was 5.11 days, or 13.4 per cent less than planned and 14 per cent less than in 2000. The average sickness benefit for one day was LTL 33.74; 4.6 per cent less than planned, and 2 per cent less than in the year 2000. Therefore sickness benefit expenditure totalling LTL 191.8 million was LTL 45.4 million less than the amount planned. 19,600 mothers received maternity benefits, that is, 6.2 per cent fewer mothers than planned, and 8.8 per cent fewer than in 2000. In 2001 maternity (paternity) benefit was paid
to 17,200 individuals: 9.4 per cent less than planned, and 15.5 per cent less than in the year 2000. The total amount of maternity (paternity) benefits amounted to LTL 151.5 million; it was 18.1 per cent smaller than the planned one and 18.9 per cent smaller than that in 2000.

In 2001 the amount paid for insurance against unemployment totalled LTL 177.2 million, or 97.4 per cent of the amount planned. This accounted for 4 per cent of all the SSIF expenditure, one per cent more than in 2000.

In 2001 expenditure on accidents at work and occupational diseases social insurance constituted LTL 12.5 million, or 0.3 per cent of total expenditure: 39.8 per cent of the funds planned. Compared to 2000, expenditure on accidents at work and occupational diseases increased by as much as 31.6 per cent. These changes were the result of the lack of statistical information on accidents at work and occupational diseases, the lack of a database and assumptions that had to be made when planning this expenditure.

The amount of funds transferred into the *Compulsory Health Insurance Fund* totalled LTL 355.6 million - 97.2 per cent of the amount planned. This accounted for 8 per cent of the SSIF expenditure, or 0.5 per cent more than in 2000.

Expenditure used for the normal activity of the SSIF exceeded the general revenue by LTL 63.2 million, because in 2001 debts in the amount of LTL 81.1 million that have been formed since 1999 were repaid; LTL 54.5 million of that amount was paid to the Compulsory Health Insurance Fund, LTL 20.4 million to benefit recipients, and 6.2 million - to the SSIF institutions. The funds used for other activities commissioned by the SSIF, exceeded the revenue of these activities by LTL 0.1 million. Although in 2001 the amount of commercial loans increased by as much as LTL 79.5 million (having benefited from a positive change in the exchange rate - LTL 9.8 million), the debts of the SSIF budget decreased from LTL 462.3 million to LTL 456.6 million (the amount of the loans that were not repaid totals LTL 444.4 million, and the amount that has not been transferred to the Employment Fund is LTL 12.2 million).

Apart from the above expenditure, SSIF institutions, in carrying out State functions, each month paid 43,200 compensation payments to people suffering from diabetes, 45,300 compensations for transport expenses, 92,500 thousand state pensions to persons who are victims, and 2,300 pensions to scientists.

In summary it can be said that although in 2001 the general state social insurance contribution rate remained unchanged and accounted for 34 per cent of the wage (31 per cent for employers and 3 per cent for workers), as the result of wages levels and other measures the revenues of the SSIF budget calculated exceeded the planned ones by 3 per cent in 2001. However, expenses of the SSIF budget were LTL 34.1 million greater than planned. In 2001 both revenues and expenses were 0.7 per cent higher than those in 2000.

### 5.1.2. Administration of State Social Insurance

In 2001 the SSIF activities were regulated by the Law on State Social Insurance1 and the Law on the Structure of the Budget of the State Social Insurance Fund, as well as accompanying legislation. Other pieces of legislation2 regulating labour relations are also devoted to addressing issues of payment of benefits.

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The Law of the Republic of Lithuania on Social Insurance of Occupational Accidents and Occupational Diseases, No. VIII-1509, 23, December 1999 (Official Gazette No. 110-3207, 1999);
The Law of the Republic of Lithuania on Sickness and Maternity Social Insurance, No. IX-110, 21 December 2000 (Official Gazette No. 111-3574, 2000);
Resolution No. 530 of 15 April 2002 of the Republic of Lithuania on the Approval of Rules of Drawing up and Executing the Budget of the State Social Insurance Fund (Official Gazette No. 41-1535, 2002);
The SSIF has a separate, independent budget, which is not included as part of the state and municipal budgets. The assets of the SSIF consist of long-term tangible and intangible financial assets, as well as advance payments and the amounts of debts receivable and recoverable. Under the laws of the Republic of Lithuania the State funds do not have a status of a legal person, they do not carry out any transactions on their own behalf. The SSIF Board and its local divisions use, manage and dispose of the SSIF assets by the right of trust.

The Council consisting of fifteen members supervises the activities of the SSIF. The Council is made up of an equal number of members representing the interests of the organisations defending the rights of the insured, employers’ organisations and state government and administration institutions. The Government of the Republic of Lithuania approves the composition of the Council, which is headed by the Minister of Social Security and Labour. The SSIF Board (SODRA) administers the SSIF, which has the status of a legal person. The Government appoints the Director of SODRA. The activity of SODRA is financed from the funds of the SSIF, and its rights and duties are specified in the Law on State Social Insurance and the Regulations of the Institutions of the State Social Insurance Fund1.

The organisation of the main parts of SSIF activity was improved in 2001:

1) the information system was developed. To fulfil the information needs of the SSIF Board, the number of newly created and adjusted programmes is over 30. Programmes were adjusted mainly taking into account the adopted amendments of laws and resolutions of the Government;

2) handling of the data of the record of the insured was improved taking into consideration decisions taken by the Seimas and the Government;

3) the organisational management structure of the SSIF Board and its institutions was improved. Studies were carried out into issues of labour efficiency and structure of the Payment Administration Divisions of County Inspectorates of the SSIF Board and the Unemployment Control Department within the jurisdiction of County Services. Posts of county inspectorates and county services, as well as functions that they carried out were handed over to the local divisions of the SSIF Board on 30 June 2001. The Centre for Handling Information Systems Data was reorganised into the Information System Data Management Department of the SSIF Board. Standards of establishing staffing levels of the institutions of the SSIF Board were reconsidered and, following approval of the SSIF Council, adopted by Resolution No. 217 of the Director of the State Social Insurance Fund of 8 March 2001;

4) Customer Service is being improved: The SSIF Board, following the programme2 of the second stage of the reform of administrative units of the Republic of Lithuania - establishment of new municipalities, as well as carrying out the Assignment “On Addressing the Organisational Issues of Establishing New Municipalities” of the Government of the Republic of Lithuania of 8 March, established local customer service subdivisions (remote working places) at the municipalities of Elektrėnai, Rietavas, Pagėgiai, Kazlų Rūda and Kalvarija. These subdivisions accept documents from the customers residing in the municipality for pensions and awarding of benefits, serve the insurers and the insured, and provide consultations on state social insurance questions. Moreover, in order to to improve conditions for customers to submit applications for benefits and pensions, heads of local subdivisions of the SSIF Board have been instructed to increase the opening hours of their offices;

Resolution No. 506 of 8 May 2000 of the Republic of Lithuania on the Approval of Regulations of Social Insurance Payments of Occupational Accidents and Occupational Diseases (Official Gazette No. 38-1065, 2000);


1 Resolution No. 249 of 15 February 1995 of the Republic of Lithuania on the Approval of Regulations of the State Social Insurance Fund (Official Gazette No. 16-378, 1995);

2 Resolution No. 515 of 3 May 1999 of the Republic of Lithuania on the Programme of the Second Stage of the Reform of the Administrative Units of the Territory of the Republic of Lithuania - the Establishment of New Local Governments"(Official Gazette No. 40-1268, 1999);
5) new unified forms of applications for benefits, compensations and pensions have been prepared.

In 2001 the costs of the SSIF activities amounted to LTL 159 million - 94.8 per cent of the planned amount. These costs accounted for 3.6 per cent of total expenses of the SSIF budget. Compared with 2000, the costs of activities decreased by 14.6 per cent. LTL 53.3 million was applied for payment of wages, which accounted for 100 per cent of the amount planned for these purposes. The average monthly wage of the employee in the SSIF system was LTL 1268.

5.1.3. Expanding the Scope of State Social Insurance

The Government Programme of the Republic of Lithuania for 2001-2004 aims to increase the range of payers of social insurance contributions. Therefore at the end of 2001 the Law on the Amendment and Supplement of the Law on State Social Insurance was adopted specifying that from 1 January 2002 owners of sole proprietorships (personal enterprises), leaseholders of sole proprietorships (personal enterprises), lawyers, assistant lawyers, notaries, members of general partnerships and acting members of limited partnerships will have to insure themselves not only for basic pensions but also for the supplementary part of the pension.

This draft Law specifies that contributions (15 per cent) for the supplementary part of pension must be paid from the taxable income if the annual taxable income of the self-employed individuals equals 3 to 60 times average monthly insured income confirmed by the Government. If the taxable income of these persons is less than the amount of three times the average monthly insured income confirmed by the Government, contributions must be paid for the basic pension only (50 per cent of the amount of the basic pension). No contributions need to be paid for the supplementary part of pension from that part of the amount of the taxable income exceeding the amount of 60 times the average monthly insured income confirmed by the Government. The Law stipulates that all social insurance and social assistance pensioners are exempt from paying contributions for the basic pension and the supplementary part of pension.

However, at the beginning of 2002, when discussion started on the amendment of the Law on State Social Insurance, the Seimas members proposed amendments of this Law, which changed the procedure of social insurance of self-employed individuals. The Seimas Board asked the Government to present conclusions on the amendments proposed.

The Government, having assessed all the amendments of Article 34 of the Law on State Social Insurance, in essence approved the opinion of the Seimas members and taking into account the ideas presented by small businessmen and the inhabitants, proposed to the Seimas that the Law should be improved.

First and foremost, it was proposed to specify more exactly the income from which state social insurance contributions are calculated for the supplementary part of pension, and to establish that social insurance contributions should be calculated from income (profit), which remain after the income (profit) tax has been subtracted. In this way double taxation of the same income (profit) would be avoided.

The Government proposed that a higher margin of income should be established (from 3 to 5 times the amount of average monthly insured income confirmed by the Government on the basis of annual data) from which state social insurance contributions must be paid for the supplementary part of pension. This would enable the self-employed individuals on lower incomes to insure themselves for the basic pension only.

Also, the Government proposed that a distinction should be introduced between the group of self-employed indi-

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viduals whose income is taxed in accordance with the Law on Taxes of Profits and that of the individuals whose income is taxed according to the Provisional Law on Income Tax of Natural Persons. The income of owners (leaseholders) of sole proprietorships (personal enterprises), lawyers, assistant lawyers, members of general partnerships and acting members of limited partnerships should be established on the basis of the Law on Taxes on Profits, whereas taxes of notaries - by the Provisional Law on Income on Profits of Legal Persons. Such a proposal is based on the fact that the Law on Taxes on Profits came into effect on 1 January 2002, which established the obligation of a certain group of self-employed individuals to pay taxes.

Furthermore, the Government proposed that the groups of persons who have the right to be exempt from paying state social insurance contributions should be defined more exactly. In order to equalise conditions of exemption from paying contributions and to avoid double insurance for the basic pension, it was proposed that self-employed persons who are insured with state social insurance in accordance with the laws of the Republic of Lithuania, or by the funds of the State for the basic pension, need not pay contributions for the basic or supplementary parts of pension if the annual amount of their income declared for social insurance is smaller than the amount of 5 average monthly insurance income confirmed by the Government.

The same condition should apply to those self-employed persons who are social insurance or social assistance pensioners or have the status of an enterprise under liquidation.

The Seimas of the Republic of Lithuania, having considered the proposals put forward by the Government, in July 2002 adjusted the Law on State Social Insurance and established that all self-employed individuals without reservation would insure themselves for social insurance basic pension or the supplementary part of pension only if their annual income exceeds 12 minimum monthly wages (MMW) per year. These individuals will be able to choose the amount of income from which they will insure themselves for the supplementary part of pension, however, it cannot be smaller than 12 MMW per year.

The Seimas also held discussions about changing the procedure for state social insurance of priests. It was proposed that social insurance of priests at state expense should be refused. However, this provision remained unchanged, and therefore priests of religious communities recognised by the state and monks working at monasteries will only be insured at the expense of the state for the state social insurance pension.

5.1.4. State Social Insurance Payments, State Pensions and Social Assistance Pensions

State Social Insurance Pensions

State social insurance old age, disability, survivor’s and orphan’s pensions constitute the largest part state social insurance payments.

Chart 5.1.4-1 illustrates that expenses on social insurance pension constitute more than a half of the expenses of the SSIF budget.

In 2001 one million 61 thousand state social insurance pensions payments were made. As Chart 5.1.4-2 shows, state social insurance old age pensions accounted for 60 per cent of these payments, state social insurance disability pensions for 17 per cent and state social insurance survivor’s and orphan’s pensions accounted for 20 per cent.

Apart from state social insurance old age, disability, survivor’s and orphan’s pensions, of breadwinner loss pension (2.8 per cent of all state social insurance pensions) and the served time pension (respectively 0.2 per cent) awarded in accordance with pension laws, which were in effect until 1 January 1995, and other legal acts,

\footnote{Recipients of the state social insurance pension, together with the state social insurance old age or disability pension, may also receive the state social insurance survivor’s pension. Therefore the number of state social insurance pensions paid that is mentioned in the text does not coincide with the number of individuals receiving these pensions.}
were paid from the funds of the SSIF budget. The Law on State Social Insurance Pensions that came into effect on 1 January 1995 no longer provides for awarding breadwinner loss pensions and the served time pensions, however, these pensions continue to be paid to those individuals to whom they were awarded before 1 January 1995.

In addition, compensations for exceptional working conditions are also paid from the SSIF budget. 6618 persons received them in 2001.

State social insurance old age, disability, survivor’s and orphan’s pensions and compensations for extraordinary working conditions are awarded according to the Law on State Social Insurance Pensions, which came into effect on 1 January 1995.

**State Social Insurance Old Age Pensions**

State social insurance old age pensions are the most important type of social security in old age.

Individuals who satisfy the established age and state social pension insurance period requirements are entitled to draw state social insurance old age pensions. These criteria are:

1) they have reached pensionable age. In 2001 pensionable age for women was 57 years 6 months, for men - 61 years 6 months (for more details about pensionable age see Chapter 5.2.3);

2) they were insured with pension insurance for not less than 15 years. To receive the full old age pension it is necessary to have the obligatory state social pension insurance period. In 2001 it was 27 years for women and 30 years men for men.

The state social insurance old age pension consists of two parts: the basic part and the supplementary part.

The **basic part of the state social insurance old age pension** is equal to the state social insurance basic pension and is the same for all persons who have the obligatory state social insurance pension period (if the person has no obligatory state social pension insurance period for old age pension, the basic part of the state social insurance old age pension is calculated in proportion to the
### Distribution of Recipients of State Social Insurance Pensions by Types of Pensions in 2001

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age</td>
<td>60%</td>
</tr>
<tr>
<td>Invalidity</td>
<td>17%</td>
</tr>
<tr>
<td>Survivor's and orphan's</td>
<td>20%</td>
</tr>
<tr>
<td>Loss of a bread winner</td>
<td>2.8%</td>
</tr>
<tr>
<td>Served time</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Data of the State Social Insurance Fund Board

With comparatively low pensions, not all individuals who have reached pensionable age stop working. In 2001 every ninth old age pensioner worked (11 per cent of the total number of old age pension recipients).

### State Social Insurance Invalidity Pensions

State social insurance invalidity pensions are awarded and paid only to those persons who are recognised as Group I, II and III disabled and who have at least the minimum state social pension insurance period to receive the invalidity pension (the minimum pension insurance period, depending on the age of the individual, is from one to five years). The invalidity pension also consists of two parts: the basic part and the supplementary part. The basic part of Group I invalidity pension is equal to 1.5 basic pension for the persons who have the obligatory state social pension insurance period for the invalidity pension, and the basic part of Group II invalidity pension is equal to the basic pension. The supplementary part of the invalidity pension is calculated in the same manner as the supplementary part of old age pension. The state social insurance invalidity pension for the disabled of Group III is calculated in the same manner as that for the disabled of Group II, which then is reduced by 50 per cent.

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person’s insurance period). The payment of the same amount (basic pension) related to the obligatory insurance period aims to re-distribute funds for the benefit of worse-off persons in order to equalise income between the people of older age. The basic pension can not be less than 110 per cent of the minimum standard of living. In 2001 this amount was LTL 138.

The supplementary part of the state social insurance old age pension is a payment that is related to the insured income, which reflects the principle of individual fairness because its amount is proportional to the state social pension insurance contributions paid by the person. The supplementary part of pension is calculated for each individual person separately and depends to a great extent on the insured income earned (payment for work).

In 2001 the average state social insurance old age pension was LTL 306; as compared with 1995, it increased by 2.1 times. The average pension of a working pensioner was LTL 213 in 2001, and that of a pensioner who does not work totalled LTL 318. In 2001 more than half the old age pensioners (about 60 per cent) received smaller than the average old age pension.
In 2001 the average state social invalidity pension was LTL 278; it has doubled in comparison with 1995. The average invalidity pension of a working disabled person was LTL 216 in 2001, and that of the non-working disabled individuals amounted to LTL 289. For over half the recipients of invalidity pensions (about 59 per cent) lower than the average invalidity pension was paid. Every sixth pensioner 15.8 per cent of all the recipients of invalidity pensions worked.

**State Social Insurance Survivor’s and Orphan’s Pensions**

The purpose of paying survivor’s and orphan’s pensions is to ensure continuity of the obligation of a spouse to maintain a spouse or an heir (a child) who is unable to work.

In 2001 survivor’s and orphan’s pensions were paid to 211.8 thousand persons. Compared to 1995, the number of recipients of these pensions increased by as much as 38 times. The average amount of the survivor’s and orphan’s pension was LTL 61 in 2001.

In summing up the statistical data presented in Table 5.1.4-1, it is clear that the total number of recipients of state social insurance pensions increases with every year. From the beginning of 1995 to the end of 2001 their number increased by as much as 24.3 per cent. Due to the increase in pensionable age the number of the recipients of old age pensions decreased by 3.3 per cent or 19,900 persons from 1995 to 2001. However, old age pensioners still constitute the largest part of all the recipients of pensions.

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<td>158.8</td>
<td>165.9</td>
<td>173.6</td>
<td>181</td>
</tr>
<tr>
<td>Working</td>
<td>19</td>
<td>22</td>
<td>24</td>
<td>27.5</td>
<td>30.5</td>
<td>31.2</td>
<td>28.5</td>
</tr>
<tr>
<td>non-working</td>
<td>120</td>
<td>125</td>
<td>128</td>
<td>131.3</td>
<td>135.4</td>
<td>142.4</td>
<td>152.5</td>
</tr>
<tr>
<td>Widowers and orphans</td>
<td>5.6</td>
<td>27.3</td>
<td>88.2</td>
<td>172.9</td>
<td>188.7</td>
<td>200.8</td>
<td>211.8</td>
</tr>
</tbody>
</table>

Table 5.1.4-1

The increase in pensionable age and unemployment were major factors due to which the number of the recipients of invalidity pensions increased by 42,000 persons (30.2 per cent) and the expenditure of the budget of the SSIF on payment of pensions increased too. No doubt the policy of privileges pursued by the State impacted on this when granting of privileges is related to disability groups. The increase in the number of the recipients of survivor’s pensions was determined by the fact that since 1 July 1997 survivor’s pensions have been started to be awarded for the spouses who died prior to 1 January 1995.

It should be stated that due to changes in the payment procedure of in 2001 (these changes are described in Chapter 5.2.4) the number of working pensioners and the number of the recipients of old age pensions, compared to 2000, decreased by as much as 48.9 per cent, and the number of working invalidity pension recipients decreased by 9.3 per cent.
**STATE SOCIAL INSURANCE BENEFITS**

**Accidents at Work and Occupational Diseases**

Under the Law on Social Insurance of Accidents at Work and Occupational Diseases, which has been in effect since the beginning of the year 2000, corresponding benefits are paid to the insured who has suffered a temporary work disablement due to an occupational accident or occupational disease.

The amount of the sickness benefit is 100 per cent of replacement income. The replacement income is calculated on the basis of the income received by the person in all work places in which the person has been insured. The replacement income for calculating the benefit cannot exceed the amount of three and a half average monthly insured income in effect that month when the insurable occurrence happened.

The amount of the lump sum payment of benefit for work disablement, if the insured lost up to 20 per cent of working capacity, is 10 per cent of his/her replacement income for 24 months. If the insured has lost between 20 per cent and less than 30 per cent of the working capacity, he/she is paid a one-time payment of 20 per cent of the amount of his/her 24-month replacement income.

Periodic payment of benefit for work disablement is paid if the insured has lost 30 and more per cent of work ability. Replacement income is paid on a monthly basis.

Its amount depends on the degree of loss of working capacity, the amount of insured income of the insured and the monthly average insured income.

A funeral grant upon the death of the insured is equivalent to 100 average monthly insurable income. It is paid out to the family of the deceased.

Upon the death of the insured a periodic insurance benefit is paid to disabled persons who were dependents of the deceased. It is equivalent to a periodic payment of benefit for work disablement divided by the number of the dependants increased by one person.

LTL 14.1 million, or 2.2 times more than in 2000, was allocated to payments for accidents at work and occupational diseases in 2001. According to the data presented by the Benefits and Work Disability Control Department of the SSIF Board, in 2001 local divisions of SODRA registered 4999 accidents at work (4702 accidents were minor, 190 accidents were serious and 107 accidents were fatal) and examined and established 333 cases of occupational diseases. Compared with 2000, this is 16 per cent and 12 per cent more, respectively.

92 per cent of all accidents at work and 56 per cent of cases of occupational diseases were recognised as insurable occurrences. In other cases occupational diseases were not recognised as insurable occurrences in essence due to the fact that on the day of diagnosing the disease the person was not insured with state social insurance.

Minor accidents at work (95 per cent) constitute the largest part of accidents at work. Most of these have been recognised as insurable occurrences - 93 per cent. The insufficient accuracy of the Law on Social Insurance of Occupational Accidents and Occupational Diseases and accompanying acts posed quite a number of difficulties in establishing insurable occurrences. This became most evident in examining and studying accidents en route to and from work (41 per cent of total number of accidents).

In analysing serious and fatal accidents assistance by other state institutions such as the State Labour Inspectorate, the Road Police, etc. is being provided. Witnesses also help investigate the circumstances of the events. However, they are often lacking when minor accidents at work occur.

The most frequent reasons due to which accidents at work are not recognised as insurable occurrences were drunkenness of victims, general illness, work undertaken on the insured’s own initiative that has not been provided for in the employment contract, work that was not performed for the benefit of the insurer.

The most dangerous spheres of activity were in service provision (29 per cent of total number of accidents at work), construction, manufacture and light industry (12 per cent), wood processing (8 per cent) and transport (7 per cent). In terms of age the risk of accidents at work was the greatest for the individuals aged 45 (40 per cent of the total number of accidents at work).

**Sickness and Maternity Social Insurance**

At the end of the year 2000 the Seimas of the Republic of Lithuania adopted the Law on Sickness and Maternity Social Insurance. This is another independent legal act regulating only one type of compulsory state social
insurance - sickness and maternity social insurance. The Law identifies the persons who are insured with this type of insurance and who are entitled to receive sickness and maternity, maternity (paternity) benefits, establishes the conditions of providing these benefits, the amounts of these benefits and the procedure for calculating them.

The objective of the Law is to strengthen the basic insurance principle: to allocate payments from the funds of the social insurance budget to only those persons who paid social insurance contributions for that type of insurance for a certain period of time. In addition, it was intended to apply the funds of state social insurance more rationally and to avoid widespread abuse by benefit recipients when by agreement with the employer they are employed only for the purpose of drawing maternity (paternity) benefits. There are many examples when persons went on a maternity leave after a few days of employment. Such contracts were usually concluded by the owners of sole proprietorships (personal enterprises), farmers and separate natural persons. They would employ their pregnant wives, daughters and acquaintances, pay a symbolic amount of social insurance contribution and in this way a woman would become entitled to the full maternity leave until her baby was one year old. Another widespread form of abuse occurs when the three months, on whose the income the amount of maternity benefit will be based, are identified in advance, and a higher salary is paid for those three months only, in order to maximise entitlement to maternity benefit.

There are also cases when employers register employment contracts with illegally working persons only when the latter become work disabled due to sickness or an accident.

The Law on Sickness and Maternity Social Insurance stipulates that only those insured individuals who have been insured socially for a certain period prior to the loss of their working capacity, pregnancy, maternity or child care leave for children under one, shall be entitled to receive benefits according to that Law. Sickness and maternity social insurance payments are of a short-term nature, therefore in establishing the right to receive the benefit only the social insurance period acquired during the most recent 12 or 24 months prior to the beginning of a sickness, pregnancy, maternity or child care leave for children under one, will be of importance.

The sickness and maternity social insurance period consists of work periods during which social insurance contributions were paid for a working person for that type of insurance, as well as the periods during which the person received sickness benefits, including the days of sickness paid for by the employer, as well as maternity, maternity (paternity) or unemployment benefits. Periods during which social insurance contributions are paid for the insured or when the insured themselves pay these contributions just for pension insurance, must not be included into the period of sickness, maternity social insurance period on which the right to receive benefits will be based. The Law adopted establishes the following obligatory insurance period: to receive sickness, as well as maternity benefit for pregnancy and child-birth leave - not less than 3 months for the past 12 months or 6 months during the past two years; to receive maternity (paternity) benefit - not shorter than 7 months during the past 24 months. Requirements for the insurance period in awarding a benefit also apply in some countries of Western Europe. For example, in Belgium 6 months of the insurance period are required to receive sickness or maternity benefit, in Greece - 100 insurance days during the past 12 months, in Germany - 12 weeks of the insurance period prior to a pregnancy or child-birth leave, etc.

The Law on Sickness and Maternity Social Insurance establishes that benefits should be calculated according to the average insured income received for the quarter immediately before the quarter when sickness, pregnancy, child-birth or maternity (paternity) leave started. Newly introduced by the law is the point that the replacement income also includes unemployment benefits paid to the insured who has been insured against unemployment.

Prior to the implementation of this law the amount of sickness benefit paid from the social insurance funds depended on the duration of treatment. For the first 30 days of sickness 80 per cent was paid and beginning with the 31st day - 100 per cent of replacement income was paid. Under the new Law sickness benefit in the amount of 85 per cent of replacement income shall be paid for the whole period of sickness. The amount of maternity benefit for a maternity leave is 100 per cent, and maternity (paternity) benefit for child care leave of a child under one year is 60 per cent of replacement income.

New minimum amounts of benefits have been established or the old ones have been changed. The minimum one-
month sickness or maternity benefit cannot be smaller than one quarter of monthly average insured income confirmed by the Government that was in effect at the beginning of a sickness or maternity leave, and the amount of maternity (paternity) benefit cannot be smaller than one third of the monthly average insured income. The maximum amounts of benefits have been changed. The monthly average replacement income of the recipient of benefit from which sickness, maternity and maternity (paternity) benefits are calculated cannot exceed the amount of 3.5 last monthly average insured income confirmed by the Government. In 2001 the monthly average insured income totalled LTL 886.

In some cases the Law provides for other periods of payment of benefits than has been established before. In taking care of a seriously ill child under 16 years of age in the in-patient department sickness benefit for that period can be paid for up to 120 calendar days per year. It has also been established that persons, who receive state social insurance invalidity pensions, are entitled to receive sickness benefits for not longer than 30 calendar days per year.

It is important to note that individuals who have no necessary insurance period and are not entitled to receive maternity or maternity (paternity) benefit under the Law on Sickness and Maternity Social Insurance, will have the right to receive payments established in the Law on Social Benefits to Families Raising Children.

This Law establishes payments to mothers, where the conditions of payment do not depend on any social insurance period. There is pregnancy benefit to studying mothers of 0.75 minimum standards of living (MSL) and family benefit of 0.75 MSL paid monthly for each child from his/her birth till he becomes three years old. By co-ordinating the insurance principle and social assistance in this manner it is sought, as far as financial capabilities of the State allow, to ensure social guarantees for mothers raising children.

In 2001 the amount of sickness and maternity benefits paid totalled LTL 362.3 million, including LTL 20.4 million allocated to payment of benefits for which documents were submitted (ie claims were made) after 31 December 2001.

Hence, in summing up the above said it can be stated that the new Law ensures that both the insured and the insurers take care of sickness and maternity social insurance.

STATE PENSIONS AND SOCIAL ASSISTANCE PENSIONS

Apart from state social insurance pensions and benefits, state pensions and social assistance pensions, which are paid from the State budget, are established in the social security system.

The following state pensions constitute the system of state pensions:

1) state pensions to the President of the Republic;
2) first and second degree pensions of the Republic of Lithuania;
3) state pension to persons who are victims;
4) state pensions to officials and military personnel;
5) state pension to scientists.

Apart from these state pensions, first and second degree of the Republic of Lithuania state survivor’s and orphan’s pensions, victims’ state pensions for survivors and orphans, state survivor’s and orphan’s pensions of officials and military personnel are awarded and paid.

Since state pensions to the President of the Republic of Lithuania, first and second degree pensions of the Republic of Lithuania, state pensions to persons who are victims and state pensions to scientists belong to the sphere of competence of the Ministry of Social Security and Labour we restrict our review to these.

First and second degree state pensions of the Republic of Lithuania, as well as state pensions to individuals who are victims are awarded and paid in accordance with the Law on State Pensions of the Republic of Lithuania1. The state pension to the President of the Republic, state pensions to officials and military personnel, as well as state pensions to scientists are awarded and paid under special laws.

First and second degree state pensions of the Republic of Lithuania are awarded and paid to the following indi-

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viduals who have reached old age pension age or have been recognised as disabled of Group I or Group II:

1) Citizens of the Republic of Lithuania, particularly those who have achieved merit in establishing and developing the statehood, economy, culture, science, art and sport of Lithuania, defending the independence of the state, territorial integrity and constitutional order;

2) participants of armed resistance - military volunteers;

3) the most distinguished participants in the resistance against the 1940-1990 occupations;

4) mothers who have given birth to and have raised 10 or more children and have provided them with a good upbringing;

5) soldier participants in the 1918-1920 armed struggles (resistance) for independence;

6) signatories of the Act on the Independence of Lithuania;

7) individuals who had occupied the posts of Chairman of the Seimas of the Republic of Lithuania, Prime Minis-
ter, Supreme Court Chairman and the Constitutional Court Chairman.

Until 1 January 2001 first and second degree state pen-
sions were paid irrespective of income earned by the recipients of these pensions. Since 1 January 2001 first and second degree state pensions that have been awarded have not been paid to those individuals who earned income following the award of these pensions from which state social pension insurance contributions are calculated and paid, or who receive social insurance sickness (including days of sickness paid for by the employer), maternity, maternity (paternity) or unemployment benefits. This provision does not apply to recipients of first degree state pensions, ie participants of armed resistance and military volunteers, as well as to recipients of second degree state pensions, who are mothers who have given birth to and have raised 10 or more children and provided them with a good upbringing.

State pensions to persons who are victims are awarded and paid to:

1) defenders of the independence of Lithuania and other persons who became victims as a result of the USSR ag-
gression perpetrated during January 11-13 1991 and sub-
sequent events;

2) political prisoners, deportees and persons for whom the legal status of a victim of occupation as a political prisoner or deportee has been granted;

3) members of the resistance and participants in the 1940-1990 opposition to the Soviet occupation who are par-
ticipants in the struggles for freedom;

4) participants in the Second World War;

5) participants in the elimination of the consequences of the accident at the Chernobyl Nuclear Power Plant;

6) individuals who in the course of World War II were deported for forced labour purposes or were committed to ghettos and concentration camps;

7) persons who became disabled as a result of compul-
sory military service or military training in the Soviet Army, or were later certified as disabled due to illnesses incurred in connection with military service.

Also entitled to state pensions for victims are the parents, spouses and children of the individuals who perished as a result of aggression perpetrated during January 11-13, 1991 and subsequent events, individuals who perished in the course of actions of resistance to the 1940-1990 oc-
cupations or individuals who perished during or as a result of compulsory military service in the Soviet Army.

State pensions to persons who are victims and state pen-
sions of all types for survivors and orphans are paid irre-
spective of the income earned by the person.

State pensions to scientists are paid to persons who have a scientific title or degree and whose length of service as a Doctor or Doctor Habilitatus is not less than 10 years, who have reached old age pension age or have been recognised as Group I or Group II disabled and who do not work under employment contract. State pen-
sions to scientists who work under employment con-
tact are not paid.

One more payment that is similar to a pension should be mentioned - the 'rent'. It is paid exceptionally from the State budget to actors of state musical theatres and concert organisations. In 2001 'rents' were paid to 30 persons.

As the data presented in Table 5.1.4-2 show, in 1996-
2001 the number of pensions of all types increased. Dur-
 ing this period victims constituted the largest part of all the recipients of state pensions.
**Social assistance pensions and compensations to people who take care of the disabled, as well as to mothers who have many children** are also paid from the State budget. These payments are awarded and paid on the basis of the Law on Social Assistance Pensions\(^1\). Social assistance pensions are awarded to the persons who, due to objective reasons (disability since childhood, taking care of disabled children, or people disabled from childhood who have small children) could not work and acquire the obligatory state social pension insurance period in order to receive state social insurance pension.

These pensions could be characterised as state assistance payments. Awarding a social assistance pension in the cases specified by the Law is related to old age or disability.

As the data presented in Table 5.1.4-3 indicate, the number of the recipients of social assistance pensions increased by as much as 13 per cent from 1998 to 2001 and amounted to 48,000. The number of the recipients of social pensions decreased to 8,700. The need for funds to pay these pensions and compensations changed accordingly.

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**Change in the Number of the Recipients of State Pensions in 1996-2001**

<table>
<thead>
<tr>
<th>Types of state pensions</th>
<th>Number of the recipients of pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>First and second degree pensions</td>
<td>2133</td>
</tr>
<tr>
<td>Pensions to persons who are victims (in thousand.)</td>
<td>72,4</td>
</tr>
<tr>
<td>Pensions to scientists</td>
<td>1538</td>
</tr>
<tr>
<td>Total (in thousand.)</td>
<td>76</td>
</tr>
</tbody>
</table>

*Table 5.1.4-2*

**The Number of the Recipients of Social Assistance Pensions and the Need for Funds in 1998–2001**

<table>
<thead>
<tr>
<th>Type of payment</th>
<th>Number of recipients (in thousand.)</th>
<th>Need for funds per year (LTL million.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social assistance pensions</td>
<td>39,63</td>
<td>43,78</td>
</tr>
<tr>
<td>Social pensions</td>
<td>11,39</td>
<td>10,37</td>
</tr>
<tr>
<td>Compensations</td>
<td>0,49</td>
<td>0,88</td>
</tr>
<tr>
<td>Total</td>
<td>51,51</td>
<td>55,03</td>
</tr>
</tbody>
</table>

*Table 5.1.4-3*


5.2.1. Aim to Balance the Budget of the State Social Insurance Fund

Improving Collection of State Social Insurance Contributions

In 2001, in order to balance the budget of the State Social Insurance Fund, the legal basis providing for expansion of the groups of the insured and the payment base was improved (for more detail see Part 5.1.3).

Moreover, the control of collecting state social insurance contributions was made stricter.

Sanctions specified in the laws were imposed on those insurers who failed to settle accounts with the SSIF budget on time. 4153 accounts of the country’s insurers were either arrested in 2001 or instruction were given to banks to block accounts and make transfers from these accounts whose total amount was LTL 31.3 million. Property of 32 114 insurers to a value of 140.7 million was arrested. Collection demands were sent to 70 893 insurers for amounts totalling LTL 382.3 million, the commercial activity of 10 722 insurers was restricted. Having applied these sanctions, LTL 260.8 million of income was received in 2001, including the following: by letters of collection - LTL 206.9 million, by arresting and blocking the accounts - LTL 26.3 million, by arresting the insurers’ property - LTL 14.5 million, due to bankruptcy proceedings - LTL 13.1 million.

The number of the insurers against which bankruptcy proceedings were initiated in 2001 increased from 753 economic entities at the beginning of the year to 1029 at the end of the year, an increase of as much as 36.6 per cent. The debt of enterprises under bankruptcy to the SSIF budget decreased by 14.6 million (3.7 per cent); its amount was LTL 391.6 million on 1 January 2002. This accounts for 60.6 per cent of the total debt of the insurers.

In carrying out the Agreement of 20 October 2000 of the State Labour Inspectorate and the Board of the State Social Insurance Fund, joint raids were organised to discover illegally working persons. During these raids 144 illegally working individuals were discovered. The workers of the Board of the SSIF themselves identified 444 illegally working persons. Moreover, having established cases of incorrect calculation of state social insurance contributions, LTL 1.5 million of additional contributions were charged to insurers. The Board of the SSIF initiated inspections of the insurers to ascertain whether the author’s agreements with the persons performing hired work are validly concluded on the basis of current legislation. 243 insurers were inspected and it was established that LTL 0.4 million had been concealed.

Adjustment of the Rules of Drawing Up and Executing the SSIF Budget

In the middle of 2001 a review of the rules of drawing up and executing the SSIF budget (hereinafter referred to as the Rules) relating to payments from which state social insurance contributions are not calculated, lead to the creation of clearer and more equal conditions for agricultural partnerships and farmers to pay contributions for hired workers. In order to encourage employers to take greater care of their workers’ health, the Rules establish that the employers do not have to pay social insurance contributions from the expenses paid for vaccination of their workers against infectious diseases and for obligatory preventative check-up of their workers.

Simplified Procedure for Removing Enterprises from the Register

Until 1 January 2002 the Provisional Law on the Simplified Procedure for Removing Enterprises that have no Status of a Legal Person from the Register of Enterprises by Releasing them from Unpaid Taxes and other Payments, and Removing Enterprises that do not Engage in any Activity for Violations Committed in Declaring Taxes, adopted on 13 July 2000, was in effect. It estab-
lished a simplified procedure for removing enterprises from the Register to be applied to sole proprietorships, (personal enterprises), general and limited agricultural partnerships. If they comply with the criteria specified in that law, they can also be exempt from debts (payments, penalties, fines) to the state and municipal budgets, the budget of the State Social Insurance Fund (excluding payments paid for the workers working under employment contracts), the budget of the Compulsory Health Insurance Fund.

The Law also established the procedure for removing from the Register enterprises, which did not carry out any activities at all or who carried them out only until 1 January 1995, and who violated the procedure for declaring taxes. If these enterprises failed to submit, in the procedure established by the Law, income tax declarations for at least two previous years, the deadline for submitting of which has expired, they are removed from the Register automatically.

If the enterprise is not placed on the list of the enterprises, which are automatically removed from the Register but its owner or co-owner wants to close it down, he has to register the status of the enterprise under liquidation with the Register Service of the municipality and then apply to the local State Tax Inspectorate.

According to this law nearly 5,000 enterprises were released from paying LTL 6 million of payments, fines and penalties in the local divisions of SODRA in the first quarter of 2000 and the first half of 2001.

**Procedure for Payment of Contributions Toughened for Farmers**

In 2001 farmers and agricultural partnerships had the opportunity to receive funds for the implementation of their projects in accordance with the Special Agriculture and Rural Development Programme (SAPARD).

Applicants who wished to receive this financial assistance had, alongside other documents, to submit a certificate about settling accounts with the SSIF budget. Local divisions of SODRA issued such certificates. If the deadline for paying back debts of social insurance contributions was postponed, this was specified in the certificate issued by the local division.

According to the procedure for implementing the SAPARD programme, assistance is provided only if farmers have paid compulsory social insurance contributions, fines and penalties for themselves and their adult family members working on the farm, and in agricultural partnerships for those persons working on the basis of membership.

**Support of the State Budget to The SSIF Budget**

In 2001 the possibility was considered to pay for bank loans taken out by the Board of the SSIF with budgetary funds, and in the future to take out such loans in the name of the Government, in order to reduce the interest rate. These provisions were included when approving the State budget for 2002.

### 5.2.2. Control of Expenses of the Budget of the State Social Insurance Fund

In order to balance the SSIF budget, the control of expenses of the State Social Insurance Fund plays a paramount importance. This was given especially great attention in 2001.

Following a tendering exercise for the delivery of pensions to their recipients, the delivery costs of pensions, benefits and compensations were considerably reduced. Furthermore, payment of social insurance payments by postal orders was terminated and they were started to be paid via the banking system. As a result in 2001 costs of delivering payments were reduced nearly LTL 6 million, or 17.7 per cent, compared to the year 2000 and LTL 1.9 million, or 6.3 per cent less than had been planned for 2001.

After the implementation on 1 January 2001 of the Law on the Amendments of the Law on Social Insurance and Transport Privileges, compensations for transport expenses are no longer paid to pensioners from the SSIF budget. In 2001 funeral grants and compensations for transport expenses were paid only for the period up till 31 December 2000.
By 10 December 2001 the budget of the State Social Insurance Fund had completely settled accounts with the budget of the Compulsory Health Insurance Fund. LTL 22.6 million of the debt that had developed in 1999 was transferred and the whole debt, which amounted to about LTL 54 million, was repaid.

In order to reduce the costs of collecting contributions, in 2001 and early 2002 discussions took place about drafts of amendments of laws related to the reform of administration of state social insurance contributions. These amendments and supplements of the laws are intended to centralise the administration of taxes of the State Tax Inspectorate and state social insurance contributions, so that a single institution is responsible for collection of funds into the State and municipal budgets, the State Social Insurance Fund and the Compulsory Health Insurance Fund.

The Board of the State Social Insurance Fund and the State Tax Inspectorate, in administering taxes and contributions duplicate the same functions and use similar methods in controlling and calculating the amounts due.

Therefore it is proposed that administration of social insurance contributions should be handed over to the State Tax Inspectorate whose principal function it is to ensure the collection of all taxes and contributions. The main purpose of state social insurance institutions is to ensure social guarantees to the insured.

At the end of 2001 the Seimas of the Republic of Lithuania approved the SSIF budget for 2002 (income - LTL 4584.3 million, expenses - LTL 4618.6 million, working capital - LTL 37, 237,000), as well as the state social insurance contribution rate (unchanged from 2001). Besides, the Seimas permitted to cover a temporary shortfall in funds in the SSIF budget with borrowed funds and planned for the amount of the 2002 State budget to finance the loans to be repaid.

It is planned to reduce the amount of long-term loans by LTL 115 million, however, LTL 34.3 million of short-term loans will be additionally taken out to cover the deficit of the current year. Having assessed the results of the year 2001, the debts of the SSIF budget accumulated at the end of 2002 will amount to LTL 480.3 million.

<table>
<thead>
<tr>
<th>Country</th>
<th>New old age pension age</th>
<th>The year in which it will be reached</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>Lithuania</td>
<td>62.5</td>
<td>60</td>
</tr>
<tr>
<td>Latvia</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Estonia</td>
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<tr>
<td>Hungary</td>
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<td>62</td>
</tr>
<tr>
<td>Slovenia</td>
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</tr>
<tr>
<td>Germany</td>
<td>65</td>
<td>65</td>
</tr>
<tr>
<td>Great Britain</td>
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<tr>
<td>USA</td>
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<td>67</td>
</tr>
<tr>
<td>South Korea</td>
<td>65</td>
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</tr>
<tr>
<td>Australia</td>
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<td>65</td>
</tr>
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<td>65</td>
</tr>
<tr>
<td>Armenia</td>
<td>65</td>
<td>63</td>
</tr>
<tr>
<td>Kuwait</td>
<td>55</td>
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</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Data provided by the Ministry of Social Security and Labour</td>
<td></td>
</tr>
</tbody>
</table>
5.2.3. Faster Increase in the Old Age Pension Age Limit

The Law on State Social Insurance Pensions that was current from 1 January 1995 established the new age limit for receiving old age pension (60 years for females and 62.5 years for males). The same Law also established a gradual transfer to the new old age pension age by increasing it annually by 4 months for females and by 2 months for males till 2009 when the new age limit for receiving old age pension has been reached.

Since 1 January 2001 the old age pension age limit has been annually increased both for females and males by 6 months. Males will reach the established age for receiving old age pension in 2003 (62 years 6 months), females - in 2006 (60 years).

An ever increasing disproportion between the insured and pensioners make it necessary to speed up the increase in the old age pension age limit: society is becoming older because people live longer and the fertility rate is on the decrease. This process is characteristic of many developed countries (see Table 5.2.3-1).

5.2.4. Amendment of the Procedure for Paying Pensions to Working Pensioners

From 1 January 1995 to 1 January 2001 according to then current regulations a full pension that had been awarded could only be paid to old age pensioners if they earned less than 1.5 MSL (in 2001 - LTL 645). A full pension could also paid to 65-year old and older working old age pensioners. However, if the wages of the working old age pensioners who were under 65 exceeded 1.5 MSL, only the basic state social insurance pension was paid to them.

Since 1 January 2001, the basic state social insurance old age pension has been paid to pensioners who earn income, after the state social insurance pension has been awarded to them from which compulsory state social pension insurance contributions are calculated and paid, or who receive state social insurance sickness (including days of sickness paid for by the employer), maternity, maternity (paternity) or unemployment benefits (hereinafter referred as the insured income), if they have the obligatory state social pension insurance period for old age pension. Moreover, if their insured income is less than 1.5 MSL they shall be entitled to the supplementary part of old age pension (hereinafter referred to as the supplementary part) awarded to them, which consists of the following amounts:

1) 50 per cent of the supplementary part which does not exceed LTL 100;

2) 20 per cent of the supplementary part which is from LTL 100.01 to LTL 200;

3) 10 per cent of the supplementary part which is from LTL 200.01 to LTL 300.

Invalidity pensions are paid in the same manner upon reaching old age pension age and if the disabled have insured income.

For working disabled individuals who are below old age pension age the earlier procedure for payment invalidity pension shall be applied. That is, the disabled who, after being awarded state social insurance invalidity pension, have insured income and have not reached pensionable age, are paid invalidity pension provided that they have the obligatory state social pension insurance period for invalidity pension, except the disabled of Group I to whom the obligatory insurance period requirement does not apply when paying a pension. This pension shall be paid to:

1) the disabled of Group I - the full granted state social insurance invalidity pension irrespective of the insured income;

2) the disabled of Group II and III whose insured income does not exceed 1.5 minimum monthly salaries - the full awarded state social insurance invalidity pension;
3) the disabled of Group II and III whose insured income exceeds 1.5 minimum monthly salaries - the basic part of the awarded state social insurance invalidity pension and 50 per cent of the supplementary part.

The new procedure for paying pensions does not apply to recipients of old age or invalidity pensions who are owners of sole proprietorships (personal enterprises) and self-employed individuals, farmers or persons who acquired patents in the procedure established by the Government. Under the Law on State Social Insurance pensioners of SSIF who engage in the above activities, or the disabled of Group I or II who are disabled since childhood and who draw the social assistance pension, as well as individuals who are insured with state social insurance in accordance with Republic of Lithuania legislation, or have the obligatory state social insurance period for old age pensions, need not pay social insurance contributions. Hence, these individuals are considered to have no insured income. Persons who receive royalties are also considered as persons who have no insured income because state social insurance contributions are not calculated from these royalties.

The amendment of this Law caused particularly great dissatisfaction amongst the public. Therefore, following long discussions, the Seimas of the Republic of Lithuania adopted the variant of paying pensions that is more favourable to the pensioners who have insured income.

Since 1 July 2001 the new procedure for paying state social insurance old age and invalidity pensions to working pensioners has come into effect. Since that date full pensions are paid to working old age pensioners and to the disabled who have reached pensionable age and whose insured income do not exceed 1 MSL. If insured income of these persons exceeds 1 MSL, but does not exceed 1.5 MSL, they are paid the basic old age pension and the supplementary part of the awarded old age pension calculated in the procedure that was in effect from 1 January 2001 to 1 July 2001 (that is, 50 per cent of the supplementary part which does not exceed LTL 100. 20 per cent of the supplementary part which is from LTL 100.01 to LTL 2000, etc.). If the insured income of working old age pensioners, as well as invalids who have reached pensionable age, exceeds 1.5 MSL, they are paid only the basic old age pension.

The procedure for paying invalidity pensions to the disabled who have not reached pensionable age still remained unchanged.

The implementation of these two measures (the faster increase in the old age pension age limit and the amendment to the procedure for paying pensions to working pensioners) the budget of the State Social Insurance Fund saved up LTL 55.3 million in 2001.

5.2.5. Problems of the State Pension System and Projected Ways of Solving them

All state pensions are awarded and paid to the persons who receive state social insurance pensions (with the exception of state pensions paid to officials and military personnel who have not reached pensionable age or have not been recognised as disabled and thus are not entitled to receive state social insurance pension). This means that the state applied double pension guarantees to the individuals of certain professions or social groups in the case of invalidity or widowhood. Hence, social justice is violated, and privileges for certain groups of inhabitants are created.

In the course of seven years that have passed following the 1994-1995 pension scheme reform, the state pensions scheme was artificially expanded:

1) additional groups of persons who have the right to draw these pensions have been included into the number of the recipients of state pensions;
2) the amounts of paid pensions have been considerably increased for some groups of recipients of state pensions;
3) another new professional group - artists of musical theatres and concert organisations - acquired the right to draw payments similar to pensions by nature from the State budget (these persons are awarded payments in the form of a rent).

The comparison of the need for funds in 1996 with that in 2001 for state pensions (see Table 5.2.5-1) shows that it increased by as much as 1.7 times. Funds allocated to
**Need for Funds to Pay State Pensions (with the exception of officials and military personnel) in 1996–2001**

<table>
<thead>
<tr>
<th>Types of pensions</th>
<th>Need for funds (in million LTL.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First and second degree pensions</td>
<td>4,5</td>
</tr>
<tr>
<td>Pensions to persons who are victims</td>
<td>89</td>
</tr>
<tr>
<td>Pensions to scientists</td>
<td>5,4</td>
</tr>
<tr>
<td>Total</td>
<td>98,9</td>
</tr>
</tbody>
</table>

Data provided by the Ministry of Social Security and Labour

pay pensions to persons who are victims increased especially significantly.

It should be said that in the current economic climate when state social insurance pensions fail to sufficiently ensure compensation for the funds lost due to old age, disablement or widowhood, and with no pension funds available in Lithuania, it is rather difficult to review the existing state pension scheme. There is no doubt that in the future, when the pension scheme reform has been implemented in Lithuania, and persons who have paid contributions into pension funds will start receiving payments from these funds in case of old age or disability, the problem of state pensions will lose its acuity.

In order to gradually phase out state pensions as the phenomenon that distorts the essence of the pension scheme and violates social justice, state bodies must take resolute, perhaps even unpopular, measures.

The Action Implementing the 2001-2004 Government Programme approved by Resolution No. 1196 of the Government of the Republic of Lithuania on 4 October 2001, foresees the re-consideration of the state pension scheme, and the stopping of ungrounded privileges and payments that violate social justice. In order to achieve this a working group has been set up at the Ministry of Social Security and Labour, which formulated the concept of reorganising the state pension scheme.

The objective of the draft of the Concept is to stop the expansion of state pension scheme and to reduce differences in the amounts of state pensions, as well as ensure that these pensions should be gradually phased out. This objective can be achieved by speeding up the reorganisation of the whole pension scheme. The introduction of compulsory insurance in accumulative pension funds will provide the opportunity for the residents of Lithuania to have greater pension guarantees in case of old age, disability and widowhood.

The following is proposed in the draft of the Concept:

1) to cease adding to the recipients of state pensions;
2) to refuse all additional state pensions provided for in other legal acts;
3) to gradually phase out groups of individuals who have the right to draw state pensions;
4) to stop increases to the base of state pensions on which the amounts of some types of state pension depend;
5) to stop paying overlapping survivor’s pensions, ie to pay only one survivor’s pension to a person - either state social insurance pension or state pension.

In addition, taking into account the fact that state pensions paid to officials and military personnel awarded after 1 January 1995 are considerably larger than all other state pensions, it is proposed that conditions of awarding and paying state pensions to officials and military personnel should be made stricter.

The final decision on the reorganisation of state pension scheme has not been taken yet.
5.2.6. Problems Related to Persons not entitled to Receive State Social Insurance or State Pensions and Proposals to address these

The number of persons who are not entitled to receive state social insurance pensions (that is, who have not acquired the obligatory state social insurance period) or state pensions increases year by year. According to data presented by Municipality Social Assistance divisions, in the third quarter of 2001 the number of individuals not in receipt of state social insurance pensions, though they have reached pensionable age or have been recognised as disabled, totalled 2959. They all are in need of social assistance. Two thirds of these individuals receive social benefits. Their largest numbers are in Kaunas (242), Vilnius (181), Alytus and Panevėžys (144 each), Šiauliai (139), Varnė (137) Radviliškis (105) and Ignalina (97) districts.

It is likely that the number of individuals who do not receive state social insurance pensions is larger, however, since not all these persons apply for social assistance.

The 2001-2004 Government Programme and the Plan of Measures of the Implementation of that Programme stipulate the setting down in law of the social assistance pensions award to those disabled who have reached the age of 65 years and who are in need of social assistance. Therefore in the first quarter of 2003 relevant draft law on the amendment of the Law on Social Assistance Pensions must be prepared. Once it has been adopted by the Seimas, the new amendments should come into effect on 1 January 2004.

5.3. Long-term perspectives of balancing the pension scheme budget

In the ideal social insurance pension scheme that operates on the principle of pay-as-you-go contributions and payments, the social insurance budget should balance at all times: when the amount of collected contributions increases, payments (pensions) should also be increased, and if the amount of contributions collected is smaller, payments should also be decreased accordingly. However, in Lithuania the amount of pensions usually is not decreased, and the social insurance contribution rate is unchanged. Therefore the budget of the State Social Insurance Fund is usually not balanced; it is either in deficit or in surplus.

The problem of a short-term imbalance (5-10 years) is resolved without any difficulty: the deficit of the budget of the state social insurance fund is compensated for by subsidies from the State budget, which are repaid during periods of budget surplus.

The problem of a long-term imbalance (10-50 years) is much more complicated: subsidies from the State budget may become a heavy burden on the Treasury, and long-term bank loans would be too expensive and would make the condition of the budget of the state social insurance fund even worse.

The major factors influencing long-term fluctuations in the budget of the state social insurance fund are demographic and economic changes in the country and the state social policy.

5.3.1. Demographic Forecasts

The demographic conditions of the country are determined by three main factors:

1) total fertility rate (it is characterised by the total fertility rate indicator specifying the average number of children that each female gave birth to);
2) mortality rate (the death rate indicator or life expectancy);
3) ratio of immigration and emigration of the population.

After the Second World War the total fertility rate (TFR) in many European countries started to increase and having peaked in 1965-1970 later began to decrease. The
The total fertility rate was higher than 2 births per woman in Lithuania for a long time, which guaranteed the stability of the population, however, during the past decade this indicator decreased considerably (see Chart 5.3.1-1). These changes in the total fertility rate have influenced greatly the corresponding age distribution of the total population of the country, and the number of the working people and the people insured with state social insurance in 2000 (see Chart 5.3.1-2).

**Chart 5.3.1-1**

_V. Stankūnienė et al. Forecasts of the Population of Lithuania. -V., 1998_

**Chart 5.3.1-2**

_Data provided by the Department of Statistics of the Government of the Republic of Lithuania and the State Social Insurance Fund Board_
As the data presented in Chart 5.3.1-2 illustrate, the short-term prospects of the social insurance system may be treated optimistically: it is likely that due to a higher TFR in 1980-1990 the number of individuals capable of work within working age will increase, hence the number of working people who pay social insurance contributions will also increase.

In order to assess the long-term prospects, it is necessary to make assumptions about the long-term trends of changes in the TFR.

Three TFR forecasts were formed to simulate indicators of the social insurance budget:

1) pessimistic - the TFR in Lithuania will decrease further, only at a slower rate and in 2050 the total fertility rate indicator will be 1.1;
2) conservative - the TFR indicator will stabilise and remain at the present level of 1.3.
3) optimistic - the TFR indicator will start to increase and in 2050 it will reach 1.75 (such an indicator is forecast for many European countries in 2020).

The mortality rate or the average life expectancy related to it are determined by a number of reasons: work culture,

<table>
<thead>
<tr>
<th>Countries</th>
<th>1995</th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>1.56</td>
<td>1.68</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.8</td>
<td>1.77</td>
<td>1.84</td>
<td>1.85</td>
</tr>
<tr>
<td>Germany</td>
<td>1.26</td>
<td>1.29</td>
<td>1.33</td>
<td>1.32</td>
</tr>
<tr>
<td>Greece</td>
<td>1.4</td>
<td>1.59</td>
<td>1.68</td>
<td>1.7</td>
</tr>
<tr>
<td>Spain</td>
<td>1.26</td>
<td>1.25</td>
<td>1.43</td>
<td>1.7</td>
</tr>
<tr>
<td>French</td>
<td>1.78</td>
<td>1.79</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.84</td>
<td>1.93</td>
<td>1.76</td>
<td>1.75</td>
</tr>
<tr>
<td>Italy</td>
<td>1.18</td>
<td>1.31</td>
<td>1.46</td>
<td>1.45</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Holland</td>
<td>1.53</td>
<td>1.64</td>
<td>1.69</td>
<td>1.7</td>
</tr>
<tr>
<td>Austria</td>
<td>1.4</td>
<td>1.32</td>
<td>1.34</td>
<td>1.47</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.45</td>
<td>1.52</td>
<td>1.6</td>
<td>1.67</td>
</tr>
<tr>
<td>Finland</td>
<td>1.81</td>
<td>1.75</td>
<td>1.75</td>
<td>1.75</td>
</tr>
<tr>
<td>Sweden</td>
<td>1.73</td>
<td>1.61</td>
<td>1.78</td>
<td>1.83</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1.71</td>
<td>1.73</td>
<td>1.79</td>
<td>1.8</td>
</tr>
<tr>
<td>Iceland</td>
<td>2.14</td>
<td>–</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>1.39</td>
<td>1.5</td>
<td>1.57</td>
<td>1.6</td>
</tr>
<tr>
<td>Norway</td>
<td>1.87</td>
<td>1.81</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.48</td>
<td>1.52</td>
<td>1.56</td>
<td>1.56</td>
</tr>
</tbody>
</table>

Table 5.3.1-1

*European social statistics. Demography. – Luxembourg, 2000*
environmental pollution, the quality of medical services, accidents at work and at home, violent deaths, etc. However, the average life expectancy is a variable quantity, therefore it may be forecast that the average life expectancy in Lithuania will evenly increase and come closer to that of Western European countries. It is likely that the average life expectancy, which was 67.6 years for men and 77.9 years for women in Lithuania in 2001, will increase to 75 years for men and 80 years for women in 2050.

The experience of Western European countries shows that migration processes have a great impact on the number of workforce and the TFR level of the population. If people from countries with a high total fertility rate immigrate into the country, it is quite common, at least in the first generation of immigrants, that a high fertility rate level is preserved. At present processes of legal migration in Lithuania are insignificant, therefore there are no strong assumptions for making quantitative forecasts. However, at a qualitative level it is possible to forecast that with the opening of the labour markets of Western European countries, many young and qualified residents of Lithuania will emigrate to those countries. The shortage of workforce that will form will be compensated for by immigrants from Asian and African countries. The fertility rate is high in those countries, consequently the optimistic forecast of the fertility rate in Lithuania could be realised in this way.

5.3.2. Forecasts of the Development of Lithuania's Economy

Long-term forecasts of the development of Lithuania’s economy are based on examples of other countries where a destroyed economy was rebuilt (post-war Western Europe) or when the change to democracy and a free market economy was resolutely made in less developed countries with a conservative economic system (South-eastern Asia, South American countries). Low levels of technology, a cheap workforce and the distribution of profit between capital and the workforce in favour of capital are characteristic of the starting period of these countries and of Lithuania’s economy as well. At first the growth of economy is fast, however, several years later, with the workforce becoming more expensive and coming closer to the structure and the standard of living of more developed countries, the growth rate slows down.

On the basis of these qualitative presumptions three variants of the possible development of Lithuania’s economy were simulated (see Chart 5.3.2-1):

![Growth Rate of GDP (in per cent)](chart)

*Chart 5.3.2-1*

*Results of Computer Simulation of the Ministry of Social Security and Labour*
1) slow economic growth. Labour efficiency would increase by 2.5 per cent each year. This variant would comply with the expected growth rate of more developed European countries during the same period;

2) intensive growth. In 2005-2020 labour efficiency would increase on average by 4.5 per cent, and later it would fall to 3.5 per cent in 2070. The growth of GDP would be about 5.5 per cent in 2005-2015, and then would fall to 2.5 per cent;

3) hyper-intensive growth. In 2005-2020 labour efficiency would annually increase on average by 7 per cent, and then would gradually slow down to 3.5 per cent in 2070. In all cases it is assumed that inflation rate will be 2.5 per cent per year. Since social insurance pensions are indexed at least to the inflation level, an inflation indicator of 1-4 per cent is not significant to the analysis of the pension scheme.

Considering the unemployment level of the average European Union countries, it is forecast that unemployment will decrease from 15 per cent to 10 per cent in Lithuania in 2000-2015, and then will consistently decrease to 8 per cent.

5.3.3. Computer Simulation of the Lithuanian Pension Scheme

On the basis of the demographic and economic forecasts defined, a computer simulation was carried out of the pension scheme in Lithuania. Although the pension scheme constitutes a subsystem of the general social insurance system, the contributions of the insured are allocated to different types of social insurance. Expenses on the different insurance types are calculated separately in the social insurance fund. Therefore the pension scheme can be studied separately from other types of social insurance.

Computer simulation of the pension scheme was made at the Ministry of Social Security and Labour with the help of the programme PROST-10 created by the World Bank and the programme PRISM-2 created by Patrick Wiese. The initial data about pension recipients and payers of social insurance contributions were taken from the computer database of the State Social Insurance Fund.

<table>
<thead>
<tr>
<th>Ratio between the Number of Contributors of Social Insurance and Pensioners</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image-url" alt="Chart 5.3.3-1" /></td>
</tr>
</tbody>
</table>

Results of Computer Simulation of the Ministry of Social Security and Labour

One of the major and most obvious indicators of the possibilities of balancing the budget of the social insurance fund is the ratio between the number of contributors and pensioners. The curves in Chart 5.3.3-1 show...
that due to the demographic structure of the society (decreased TFR, increased life expectancy at birth), the ratio between the number of contributors and pensioners will decrease considerably, which without doubt will have an impact on balancing of the budget of the social insurance fund. It is important to note that even in the case of optimistic growth of the TFR the ratio between the number of contributors and pensioners will stabilise and stand at one, that is, the number of contributors will be approximately the same as that of pensioners.

However, not only the number of working individuals and pensioners but also changes in the amount of payment for work, as well as in that of the social insurance contributions and pensions are of importance to pension budgets of the social insurance fund. Changes in payment for work are determined by general changes in the country’s economy, therefore in making forecasts of the balance of the pension budget of the state social insurance fund it is necessary to assess the future growth rates of the country’s economy.

**Balance of Pension Budget of the Social Insurance Fund Depending on the TFR Level if Growth Rates of Economy are Intensive (GDP in per cent)**

![Chart 5.3.3-2](image)

*Results of Computer Simulation of the Ministry of Social Security and Labour*

**Balance of Pension Budget of the Social Insurance Fund Depending on the TFR Level if Economic Growth Rates are Slow (in per cent of GDP)**

![Chart 5.3.3-3](image)

*Results of Computer Simulation of the Ministry of Social Security and Labour*
It has been assumed in these simulations that the ratio between the average pension and the average payment for work (Replacement Rate (RR)) is constant even though according to the provisions of the Law on State Social Insurance this ratio should gradually decrease because the basic pension should be indexed by the inflation quantity only. In the simulation, the assumption was made that the basic or the supplementary part of pension would be indexed so that replacement rate should remain constant.

The period between 2005 and 2040 is to be distinguished in these charts. Until 2030-2040 the social insurance budget would be in surplus and would in essence depend on the growth rates of the economy, and later it would depend on the fertility rate indicator. Since individuals who were born in 1985-1990 would start joining the labour market in 2005, this demographic wave would determine the surplus of the social insurance budget in 2005-2030. However, the wave of the low fertility rate that will follow them and the increase in the average life expectancy would create a budget deficit in 2040-2100. These indicators could become worse if the emigration of young people intensified in 2005-2015. In that case the surplus of the social insurance budget would be smaller than it is forecast here, and the deficit of the later period would remain the same or would increase significantly.

5.3.4. Possible Trends in the Pension Scheme Reform

It is not Lithuania alone that is threatened with the forecast long-term deficit of pension budgets of the social insurance fund: similar situations are forecast in more developed countries too. Attempts have been made to solve this essentially demographic problem in various ways: by increasing the pensionable age and the contribution rate of social insurance, or reducing the replacement rate or creating accumulative pension funds.

However, Lithuania and other post-soviet countries differ from more developed countries in that the larger or smaller improvement in the budget of the social insurance fund, expected before the crisis period and related to a demographic bulge, will later be replaced by a huge deficit. Therefore the described ways of resolving the pension scheme crisis, which other countries undertake or intend to undertake, would not be effective enough in Lithuania.

One of the additional problems typical of the Lithuanian social insurance pension system is a low replacement rate, compared to that in other countries, ie a small average pension in relation to the average wage. Hence, pensions should be increased because they are so small, but from a demographic point of view they should be decreased. As the analysis and practice of other countries show, one of the most effective ways of resolving this problem is to divide the current pension scheme into two subsystems: one part of the pension would be paid from the subsystem of pay-as-you-go contributions - payments based on the redistribution principle, and the other part would be paid from the subsystem of accumulative pension funds. This means that every working individual in accordance with his/her employment contract should transfer a part of the social insurance contribution to accumulative pension funds. A long-term analysis of the labour and financial market shows that the increase in the capital invested in the financial market is larger than the growth rate of wages. Therefore after a part of the contributions has been transferred to investment-based pension funds, within 20-40 years it would be possible to accumulate quite a large amount - much larger than the amount guaranteed by the current pension scheme.

The analysis of the computer simulation indicates that based on the optimistic forecast of demographic and economic indicators, the costs of the pension scheme reform would be covered from the budget surplus of the social insurance fund, and the transformed pension scheme would be balanced.

Based on the pessimistic forecast the surplus of the social insurance fund would not be sufficient to cover the costs of reform, and the budget of the new pension scheme would be a deficit budget. Nevertheless, that deficit would be nearly by 50% smaller than that in the case of unreformed pension scheme.

If the replacement rate were increased, that is, if pensions were increased with respect to wages, it would be
unavoidably necessary to take additional measures to balance the pension budget of the social insurance fund - to increase both pensionable age and the contribution rate of social insurance.

It is important to note that decisions must be taken immediately on transferring a part of contributions to accumulative pension funds and increasing pensionable age, while the pension budget is still balanced. When the pension scheme starts moving towards a budget deficit, the cost of postponing decisions will be much higher.

Conclusions

Each year the budget of the State Social Insurance Fund, the contribution rates of state social insurance and their allocations for different types of insurance are approved in the Law on the Approval of the Indicators of the SSIF Budget. In 2001 the tariff rates of the state social insurance contributions of the insurers (employers) and the insured (workers) remained the same as in the year 2000: 31 per cent and 3 per cent, respectively.

State social insurance contributions of the insurers and the insured constituted the largest part of the revenue (96.2 per cent) of the SSIF budget in 2001. The insurers’ contributions totalled LTL 3896.8 million (87.8 per cent of total revenue) and those of the insured - LTL 373.7 (8.4 per cent of total revenue).

In 2001 expenses of the SSIF budget totalled LTL 4451.4 million. They were as much as LTL 31.4 million higher than planned, therefore the plan was fulfilled to a level of 100.7 per cent.

Pension insurance expenditure amounted to LTL 3245.9 million, or 72.9 per cent of the total expenditure of the state social insurance fund. LTL 343.5 million, or 7.7 per cent of the total expenditure were needed to pay sickness and maternity social insurance benefits. LTL 177.2 million, or 97.4 per cent of the planned amount was spent on unemployment insurance. This accounted for 4 per cent of the total SSIF expenditure. In 2001 expenditure on social insurance of accidents at work and occupational diseases amounted to LTL 12.5 million, or 0.3 per cent of total expenditure. The amount of funds transferred to the Compulsory Health Insurance Fund totalled LTL 355.6 million, or 97.2 per cent of the planned amount, - 8 per cent of total SSIF expenditure.

In 2001 organisational improvements of the most significant spheres of SSIF activities were carried out: the information system was developed, the database of the record of the insured, and the organisational structure of the management of the SSIF Board and its institutions were perfected, customer service was improved. Attempts were made to resolve social insurance problems of self-employed individuals.

1,062 million state social insurance pension payments were made in 2001. State social insurance pensions accounted for 60 per cent of that number, state social insurance invalidity pensions accounted for 17 per cent and state social insurance survivor’s and orphan’s pensions accounted for 20 per cent.

Apart from state social insurance old age, invalidity and survivor’s and orphan’s pensions, breadwinner loss pensions (2.8 per cent of the total state social insurance pensions) and pensions of the served time (0.2 per cent of the total state social insurance pensions) awarded under earlier laws (in effect until 1 January 1995) and other legal acts were paid from the funds of the SSIF budget. Moreover, compensations for extraordinary working conditions (6618 recipients) were also paid from the funds of the SSIF budget.

Alongside state social insurance pensions and benefits, state pensions and social assistance pensions, paid from the state budget, also belong to the social security system. The following pensions constitute the state pension scheme: state pensions to the President of the Republic, first and second degree pensions of the Republic of Lithuania, state pensions to persons who are victims, state pensions to officials and military personnel and state pensions to scientists. Also, first and second degree state survivor’s and orphan’s, victim’s state pensions for survivors and orphans, as well as survivor’s and orphan’s of officials and military personnel pensions of the Republic of Lithuania are awarded and paid.

In order to balance the SSIF budget, in 2001 legislation was amended in order to expand the number of groups of the insured and the payment base; also the control of the collection of state social insurance contributions was made stricter.

The procedure for removing enterprises from the register was simplified. According to the Law on the Simplified Procedure for Removing Enterprises that have no
Status of a Legal Person from the Register of Enterprises, nearly 5 thousand enterprises were released from paying LTL 6 million of payments, fines and penalties in the local divisions of SODRA in the first quarter of 2000 and the first half of 2001.

The procedure for paying contributions was made stricter for farmers.

According to the procedure for implementing the SAPARD programme, assistance is provided only if farmers have paid compulsory social insurance contributions, fines and penalties for themselves and their adult family members working on the farm, and in agricultural partnerships for the persons working on the basis of membership.

In 2001 the possibility was considered to pay for bank loans taken out by the Board of the SSIF with state budgetary funds, and in the future to take out such loans in the name of the Government in order to reduce the interest rate. These provisions were included when approving the State budget for 2002.

Following tendering exercises for the delivery of pensions to their recipients, the delivery costs of pensions, benefits and compensations were considerably reduced.

By 10 December 2001 the budget of the State Social Insurance Fund had completely settled accounts with the budget of the Compulsory Health Insurance Fund. LTL 22.6 million of the debt that had formed in 1999 was transferred and the whole debt, which amounted to about LTL 54 million, was repaid.

In order to reduce the costs related to contributions collection, at the beginning of 2002 the principal decision was adopted on the implementation of the reform of administration of state social insurance contributions. It was planned to centralise administration of taxes and the state social insurance contributions collection at the State Tax Inspectorate, so that a single institution should be responsible for collection of funds for the State and municipal budgets, the State Social Insurance Fund and the Compulsory Health Insurance Fund. The main purpose of state social insurance institutions is to ensure social guarantees to the insured.

Computer simulations of the state social insurance pension scheme create the possibility to project the most basic processes of the society, which are likely to have an impact on the pensions scheme, and to formulate the long-term strategy of the pensions scheme.
6. Social Assistance

Social and economic changes taking place in Lithuania, increased level of unemployment and property differentiation amongst population particularly affect families: the fertility rate is declining, the number of socially weak and poor families is on the increase. Therefore, one of the main goals of social assistance is to help satisfy the essential needs of those persons, whose income is inadequate and whose ability to take care of themselves is insufficient on account of objective reasons that are beyond their control. Therefore, families and children are paid social benefits and granted social guarantees and privileges.

In accordance with the possibilities of the state budget and irrespective of the family’s means, families raising children are paid state benefits. Residents, whose income is insufficient due to objective reasons, are granted means tested social assistance.

6.1. Social Assistance to Families and Children and its Development

The current system of state assistance to families¹ and children is composed of two major components: non-means-tested benefits paid to families and means-tested assistance paid to low-income families (see Chart 6.1-1). This chapter gives a short description of the current system of support for families and children, statistical data about social assistance to families and children; it also looks into the problems, which have arisen in the area of social assistance and assesses the activities performed in 2001 with a view to improving the system. The chapter also gives an overview of the measures and policies of social assistance to families and children to be carried out in the immediate future.

¹ For the purposes of social assistance, a family is considered to be spouses or persons not married to each other but living together, who are related by joint household, or lone parents, their children and foster children under 18 and more non-working unmarried schoolchildren or students of day-time departments of educational establishments, also persons above 18 living alone, who do not have a spouse.
Classification and Types of Assistance to Families and Children

Social assistance to families and children

Non-means-tested

To families with children

Family benefit
Benefit to families with 4 children
Benefit to children of conscripts
Maternity (pregnancy) benefit for studying women

For the maintenance and settlement of foster children

Foster care benefit
Orphan student's allowance
Settlement grant to orphans and foster children
Child birth grant

Means-Tested

Assistance in the event of death

Social benefit
Compensations for heating, cold and hot water
Free school meals
Lump sum benefit
Benefit to families with 3 children

Funeral grant

Chart 6.1-1

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1 The Chart has been based on:

The Law of the Republic of Lithuania on State Benefits to Families Raising Children, No. I-621 of 3 November 1994 (Official Gazette, 1994, No. 89-1706);


The Law on Income Guarantees for Residents of the Republic of Lithuania, No. I-618 of 27 September 1990 (Official Gazette, 1990, No. 30-711);

The Law of the Republic of Lithuania on Reimbursement of the Expenditures on Heating of a Dwelling (Individual House), Cold and Hot Water to Low Income inhabitants, No. VIII-1131 of 8 April 1999 (Official Gazette, 1999, No. 36-1062);

Order of the Minister of Social Security and Labour No. 64/955 of 16 August 1999 On the Procedure for Organising Free school meals at Schools of General Education to Schoolchildren from Low-Income Families (Official Gazette, 1999, No. 72-2245).
6.1.1. Non-Means Tested Assistance

**The Current Assistance System**

Irrespective of a family’s means, certain benefits are paid for the greatest needs of family life including for families raising children, maintenance and settlement benefits to orphans and foster children, as well as funeral grants (see Chart 6.1-1).

Benefits to families raising children and benefits for the maintenance and settlement of foster children are paid according to the Law on State Benefits to Families Raising Children.1

The benefit to families with 3 children is allocated after means testing the family’s income. For the eligibility to

<table>
<thead>
<tr>
<th>Benefit title</th>
<th>MSL1 as set by the Law</th>
<th>Benefit amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child birth grant</td>
<td>6 MSL</td>
<td>750 LTL</td>
</tr>
<tr>
<td>Family benefit</td>
<td>0.75 MSL</td>
<td>93.75 LTL</td>
</tr>
<tr>
<td>Benefit to families with three and more children</td>
<td>1 MSL + 0.3 MSL for the fourth and each subsequent child</td>
<td>125 LTL + 37.5 LTL for the fourth and each subsequent child</td>
</tr>
<tr>
<td>Benefit to children of conscripts</td>
<td>1.5 MSL</td>
<td>187.5 LTL</td>
</tr>
<tr>
<td>Foster care benefit 2</td>
<td>4 MSL</td>
<td>500 LTL</td>
</tr>
<tr>
<td>Settlement grant to orphans and foster children</td>
<td>50 MSL</td>
<td>6250 LTL</td>
</tr>
<tr>
<td>Orphan student’s allowance 3</td>
<td>4 MSL</td>
<td>500 LTL</td>
</tr>
<tr>
<td>Maternity (pregnancy) benefit to studying women</td>
<td>0.75 MSL</td>
<td>93.75 LTL</td>
</tr>
<tr>
<td>Funeral grant</td>
<td>6 MSL</td>
<td>750 LTL</td>
</tr>
</tbody>
</table>

1 MSL is a minimum standard of living subsistence level, the amount of which is approved by the Government of the Republic of Lithuania (from 1 May, 1998, the MSL=125 LTL).

2 When a child under guardianship is granted the orphans’ pension and (or) alimony, the benefit is equal to the difference between the amount of 4 MSL and the amount of these payments.

3 When a schoolchild (student), who has been placed under guardianship before the age of majority, receives the orphans’ pension, the allowance is equal to the difference between the amount of 4 MSL and the amount of the orphans’ pension received.

Table 6.1.1-1

The table has been compiled according to the Law on State Benefits to Families Raising Children and the Law on Assistance in the Event of Death.

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1 The Law of the Republic of Lithuania on State Benefits to Families Raising Children, No. I-621 of 3 November, 1994 (Official Gazette, 1994, No. 89-1706);
receive this benefit, a comparatively high limit has been set - the income per family member cannot exceed three amounts of the state supported income (SSI) (currently, this amount to LTL 405); for example, a family of 5 raising 3 children would not be entitled to receive this benefit if the monthly income of each of the parents is in excess of LTL 1013.

The payment of funeral grant following the death of a permanent Lithuanian resident, and upon a still-birth, is regulated by the Law on Assistance in the Event of Death.

The fixed benefit amounts are given in Table 6.1.1-1. In 2001 a total of LTL 289.4 million was spent for the payment of non means-tested benefits (see Table 6.1.1-2). The major part of this expenditure (69 per cent) was spent on benefits paid to families raising children. For the assistance provided to foster children 21 per cent of this expenditure for benefits was used, and 10 per cent was used for funeral grants.

Closer examination of the structure of recipients of such benefits shows that the major part consists of recipients of family benefits for a child under 3 (85.200 individuals).
and recipients of benefits paid to families with 3 and more children (45,900 families). Accordingly, the amount spent on these benefits is the largest.

This assistance was funded by municipal budget funds, except for the orphan student’s allowance and maternity (pregnancy) benefit for studying women; the latter are paid from the state budget allocations to educational establishments.

**CHANGES IN THE SYSTEM OF ASSISTANCE**

According to the Law on State Benefits to Families Raising Children, before 1 July, 2001, the priority right to be paid benefits for children (the Child birth grant, the family benefit and benefits to families with three and more children) was conferred to the mother of the child.

In order to provide equal opportunities to families to receive the above benefits, following the supplement and amendment of this Law, from of 1 July, 2001, benefits are paid upon the application of both parents (or the lone parent raising the child), with an indication of who the recipient of the benefit should be.

According to the procedure that was in force prior to the amendment of this Law, when benefits were paid to the mother of the child, the right to receive benefits could have been lost by families where the mother is a foreigner without a permit or permanent residence in Lithuania, even if the entire family lived in Lithuania and the father of the child and the children themselves were citizens of the Republic of Lithuania. From 1 July, 2001, families with children living together in Lithuania, where the father is a citizen of the Republic of Lithuania and the mother is a foreign citizen without a permit or permanent residence in Lithuania, are also entitled to receive benefits as set out by the laws.

In order to match the Law on State Benefits to Families Raising Children with the Civil Code and the Law on Local Self-Governance, and considering the amendable provisions of this law, the Law on the amendment and supplement of the Law of the Republic of Lithuania on State Benefits to Families Raising Children was passed, which entered into force on 1 June 2002.

-In view of this, the supplement of the Law on State Benefits to Families Raising Children, respectively introduced the notion of guardianship alongside the notion of care as used in the Law.

According to the Law on State Benefits for Families Raising Children, a natural person, a family type care home or non governmental guardianship institution, which in accordance with legal provisions was appointed as the guardian (ward) of the child deprived of parental care, is paid a monthly child care benefit for the support of the child, until the extinction of the child guardianship (wardship) on the grounds as established by the Civil Code.

Where a child, who has been placed under guardianship (wardship) until the attainment of his/her age of majority, continues studying in a day-time school of general education after reaching this age, the foster care benefit is paid to him directly until graduation from this school and until 1 September of the same year following graduation, provided he or she at that time is unemployed. However, foster care benefit is not granted to persons of the full legal age deprived of parental care, who, after the attainment of their majority, begin studying at a school of general education.

According to the Civil Code, a father or a mother cannot renounce their right and duties to their under-age children. It is however possible to restrict parental authority

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1. This section deals with assistance to families and children provided irrespective of the family’s means
or to separate the child from the parents by law. These provisions amended the notion that parents could renounce their children contained in the Law on State Benefits to Families Raising Children.

Benefits according to this Law are granted and paid by municipalities to permanent residents within their territories; maternity (pregnancy) benefit for studying women and orphan student’s allowances are paid by the educational establishments.

The experience of paying benefits has demonstrated that it is essential to specify more precisely the provisions of granting the family benefit paid for each child under 3 years of age and the orphan student’s allowance.

After the amendment of the wording of the Law on State Benefit to Families Raising Children, which defines the right to a family benefit, it was laid down that family benefit is paid on a monthly basis to the mother (father) for every child from his/her birth until the child reaches the age of three in the periods when the mother (father), according to the Law on Social Insurance of Sickness and Maternity, is not entitled to receiving maternity and (or) maternity (paternity) benefit or respective payments according to legislation regulating their professional activities.

Thus, there remains no possibility to receive at the same time family benefit for those parents who, according to the Law on Social Insurance of Sickness and Maternity or legislation regulating their professional activities (officials of the defence or interior ministries, etc) receive such payments to which they are entitled in the period of maternity leave as well as child care leave. Prior to the amendment of the Law [on State Benefits for Families Raising Children], it was solely prescribed that the family benefit is not paid to individuals in the period when they, according to the Law on Social Insurance of Sickness and Maternity, receive maternity (paternity) benefit. Maternity (paternity) benefit is paid during period of child care leave from the day of extinction of the mother’s maternity leave (after 56 or 70 days following the birth of the child), until the child reaches the age of three.

The orphan student’s allowance is paid to students who are not working and are aged above 18 but under 24, who have been placed under guardianship (wardship) before the attainment of their majority, and who are acquiring a profession or a speciality for the first time in the day-time department of vocational and higher-than-secondary schools as well as the bachelor’s or master’s degree in the day-time department of higher educational establishments. At the same time they are entitled to receive scholarships according to their performance. The orphan student’s allowance is not granted to individuals, who enter an educational establishment of the same level repeatedly as well as to state-maintained individuals (whose housing and food costs are supported).

To sum up, the following amendments were introduced in the provisions regulating allocation of an orphan student’s allowance:

1) the maximum age for receiving the orphan student’s allowance has been restricted to 24 years;
2) it has been laid down in law that the orphan student’s allowance shall not be granted to individuals who have repeatedly entered an educational establishment of the same level.

The orphan student’s allowance is not granted to an orphan or a schoolchild (student) deprived of parental care, who has acquired education of a particular level and who has entered an educational establishment of the same level, or who did not graduate from an educational establishment of a respective level and has repeatedly entered the same educational establishment or an educational establishment of the same level (for example, the orphan student’s allowance is not granted to young persons, who graduated from or dropped out of a vocational school and who have again entered a vocational school, etc.).

An orphan or a student deprived of parental care, who graduated from an educational establishment and acquired education of a particular level, and who has entered an educational establishment of a higher level, is paid the orphan student’s allowance while he or she acquires this education of the higher level (for example, the orphan student’s allowance is paid to an orphan or a student deprived of parental care, who graduated from a vocational school and who has entered a higher-than-secondary school,

\[1\text{ The Law on Social Insurance of Sickness and Maternity, No. IX-3574 of 21 December 2000 (Official Gazette, 2000, No. 111-3574).}\]
etc.). It may happen that the same school renders higher-level education; in such cases, the payment of the orphan student’s allowance does not cease.

The amendments outlined above have been introduced for the purposes of eliminating the risk to abuse the orphan student’s allowance, when orphans, who did not graduate from an educational establishment and did not acquire a speciality, the following year would repeatedly enter another educational establishment in order to extend the time of eligibility to the orphan student’s allowance.

The calculation and payment of all of the above benefits as prescribed by laws in accordance with the Law on Local Self-Governance is the function of the state (delegated to the municipalities). Therefore, from the year 2002, funds for the payment of benefits are allocated from the state rather than municipal budgets and are transferred to the municipalities by special subsidy.

**Development Trends of the Assistance System**

The current social cash assistance system lacks efficiency. In general, families are only provided assistance in the form of benefits, rather than receiving more comprehensive assistance. In developing further social cash assistance, it is necessary to coordinate it with other forms of social and economic assistance to the family, covering the most sensitive areas of family life. These include the parents’ employment, housing provision, tax privileges, state assistance, the safety and education of children, family health and family planning, the development of social services to families, etc.

One of the measures for the implementation of the 2001-2004 Government Programme is the development in 2003 of the Concept for the restructuring of state benefits to families raising children, as well as its implementation plan. This measure aims to reform the system of state benefits to families by ensuring the conformity of the support of families raising children with other forms of assistance (increase of the non-taxable minimum, social cash assistance to needy families, development of services); to improve parents’ responsibility for the use of the benefits granted; and, where necessary, to replace benefits by assistance in kind or social services.

### 6.1.2. Means Tested Assistance to Low-Income Families

**The Current Assistance System**

Low-income families are paid means tested social benefit, lump sum benefits, and in addition such families are granted compensations for the costs of heating, cold and hot water. Children of low-income families attending schools of general education are granted free school meals (see Chart 6.1-1).

For the purpose of ensuring the minimum subsistence of needy residents, the Law on Income Guarantees for Residents provides for social benefit to be paid when the income does not exceed the state supported income (SSI) level as established by the Government, i.e. LTL 135 per person per month. The amount of the benefit is 90 per cent of the difference between the SSI for the family and the average monthly income of the family.

Given the more rapid increase of energy and public utilities prices in comparison with the residents’ income, another sensitive problem of needy residents is their inability to pay for the most necessary services (heating, cold and hot water). These residents are entitled to compensations according to the Law of the Republic of Lithuania on Reimbursement of Expenditures to Low Income Individuals for the Heating Costs of a Dwelling Area (Individual House), Cold and Hot Water.

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1. This section deals with means tested assistance to families and children.
Families pay for the heating of their apartment not more than 25 per cent of their income, having subtracted from the minimum family income (MSL per person), for cold water during the heating and non-heating season ¾ not more than 2 per cent of the family income, for hot water ¾ not more that 5 per cent of the family income.

Municipalities, after inspecting the living conditions of families and after drawing up a report on these living conditions, have the right to award at their own decision social benefit and compensations for heating and hot and cold water costs also to those families, who are not entitled to such benefits or compensations in accordance with the established procedure.

If families misuse the benefits received, social assistance can be provided by purchasing the most necessary products or consumer goods.

In order to support schoolchildren of low-income families, each year the state budget allocates special purpose funds for the organisation of free school meals in schools of general education for such children. The use of these funds is regulated by the Procedure on the Organisation of Free School Meals in Schools of General Education of Schoolchildren from Low-Income Families¹. The Ministry of Social Security and Labour annually allocates these funds to the providers of general education schools (municipalities, counties and the Ministry of Education and Science), responsible for the organisation of free school meals.

There is a single criterion for the eligibility to free school meals ¾ this is the income level of the family. Free school meals may only be granted to schoolchildren from families where the income per family member does not exceed 1,5 of the SSI per month (LTL 202.5). The amount allocated for the meals per schoolchild does not exceed LTL 3 per day.

Lump sum benefits may be granted in the cases of poverty, homelessness, disease, disablement, natural disasters and others. The procedure of granting and the amounts of lump sum benefits for the residents in their respective territories are established by municipalities in accordance with the possibilities of their budgets.

The amount of LTL 250.1 million was spent (see Table 6.1.2-1) for means-tested assistance provided to low-income families in 2001. The major part of these expenses was allocated for compensating expenditures on heating hot and cold water (39 per cent), as well as to social benefit payments (35 per cent). Funds for the organisation of free school meals of schoolchildren in general education schools composed 24 per cent, for lump sum benefits ¾ 2 per cent of these expenses.

During the 2001 heating season, 470,000 persons received compensations of expenditures for heating, hot and cold water, i.e. 13.5 per cent of the total number of permanent residents of Lithuania.

In 2001, social benefit was granted to 116,500 persons, i.e. to 3.3 per cent of the total number of permanent residents of Lithuania. The average payment per family member per month of social benefit is LTL 63.

All this assistance was provided from the funds of municipal budgets, except for free school meals of schoolchildren, for whose organisation municipalities received funds from the state budget.

In 2001, 159,700 schoolchildren of general education schools received free school meals, i.e. 27 per cent of the total number of Lithuanian schoolchildren. On average, the amount allocated for the meals per schoolchild per day was LTL 2.1. Approximately 1 per cent of all schoolchildren also received free breakfast. During summer holidays, in day-time summer camps organised in general education schools approximately 2 per cent of the schoolchildren received free school meals.

The amount spent on means-tested benefits for low-income families is similar to that spent on non-means tested benefits (see Chart 6.1.2-1). The 2001 expenditures on the assistance to the needy was 46 per cent of the total amount of expenditures on social assistance provided to families and children (on types of assistance, see Chart 6.1-1); the remainder (54 per cent) went to non-means tested benefits (to families raising children, for the maintenance and settlement of foster children and the funeral grant).

¹ Order No. 64/955 of 16 August 1999 of the Minister of Social Security and Labour on the Procedure for the Organisation of Free school meals in Schools of General Education for Schoolchildren from Low-Income Families (Official Gazette, 1999, No. 72-2245).
Number of Recipients and Expenditures on Assistance Rendered to Low-Income Families in 2001

<table>
<thead>
<tr>
<th>Types of assistance</th>
<th>Number* of recipients thousand people</th>
<th>Expenses million litas</th>
<th>Percentage of total expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Total</td>
<td>–</td>
<td>250.1</td>
<td>100</td>
</tr>
<tr>
<td>1.1 Social benefit</td>
<td>116.5</td>
<td>88.1</td>
<td>35</td>
</tr>
<tr>
<td>1.2 Compensations for heating, hot and cold water</td>
<td>470.1*</td>
<td>98.3</td>
<td>39</td>
</tr>
<tr>
<td>1.3 Free school meals of schoolchildren</td>
<td>159.7</td>
<td>60.5</td>
<td>24</td>
</tr>
<tr>
<td>1.4 Lump sum benefits</td>
<td>41.2</td>
<td>3.2</td>
<td>2</td>
</tr>
</tbody>
</table>

* the number of individuals granted compensations during the heating season

Data provided by the Ministry of Social Security and Labour

Structure of Expenses for Assistance to Families and Children in 2001 (percentage)

- 46% To families raising children
- 37% For maintenance and settlement of children deprived of parental care
- 6% Funeral grant
- 11% to low-income families after means testing

Chart 6.1.2-1

Data provided by the Ministry of Social Security and Labour

The calculation and disbursement of all the above benefits is the function of the state (delegated to the municipalities). From 2002, funds for the disbursement of benefits and respective compensations are allocated from the state rather than municipal budgets and are transferred to the municipalities by special subsidy.

Development of the Assistance System in 2001

About 16 per cent of Lithuanian residents lost their sources of income due to high unemployment and found themselves below the poverty line.

Shortage of funds limits the provision of social assis-
tance to the residents. The eligibility to social benefit is solely enjoyed by families of those who receive unemployment or student's benefits and those who perform public works or work supported by the Employment Fund during these periods and for 6 months after that. Families of the long-time unemployed individuals can not claim assistance. Social benefit is received only by 3 per cent of the residents.

Another equally important problem is the fact that, when calculating the entitlement to social benefit, only the income of the family is assessed (remuneration, pensions, etc.) with no account of the property possessed; therefore, there is no possibility to establish the actual situation of the family's living conditions.

Given the spread of illegal employment of residents, when income sources are concealed, it is impossible to avoid abuses. Part of the assistance does not reach families who are in urgent need.

For the purpose of providing social assistance to the most needy families, following the assessment of their actual living conditions and property status, it is envisaged in the plan of the measures for the implementation of the 2001-2004 Government Programme to develop a new draft Law on Social Cash Assistance to Low-Income Families (Individuals Living Alone). In 2001 the draft has been corrected taking into consideration remarks and proposals made by other ministries and the Government. It is planned to enact this law from 1 July 2003.

Following the enactment of this Law, assistance will be provided to all families (individuals living alone) on a low income for objective reasons, including the families of unemployed individuals, who have been registered with the Labour Exchange for at least 6 months, where the property of such families does not exceed the standard property value as prescribed by this Law, and their average income in the three preceding months of the application for the benefit is lower than the SSI.

Following the implementation of the payments of social benefit to families of unemployed individuals, who have been registered with the Labour Exchange for at least 6 months, the right to the social benefit will be additionally enjoyed by 63 thousand people.

In order to encourage family members capable of working to seek work, reduce social exclusion of the recipients of social cash assistance and avoid the payment of benefit to families with illegal sources of income, a proposal has been put forward to increase the rights of municipalities. In addition certain obligations of the recipients of assistance have been specified in law.

Family members registered with the Local Labour Exchanges are required to carry out obligations specified in the individual employment plans of the local labour exchanges, whereas unemployed family members capable of working are required to participate in social integration measures organised by the municipality. Such a provision will confer the right to municipalities to request the services of those social assistance recipients who are capable of carrying out public works.

Municipalities also have the right to:

1) require additional information to confirm why family members capable of working are not employed and do not earn sufficient income;

2) inspect the living conditions and employment of the family (individual), and draw up a report;

3) grant social services instead of payments to families, who misuse the benefits received;

4) grant social benefit in cash to families (individuals) from their own budgets in accordance with the procedure established thereby, also in other cases not provided

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2 A family is considered to be spouses or persons not married to each other but living together, who are related by joint household, or lone parents, their children and foster children under 18 and more non-working unmarried schoolchildren or students of day-time departments of educational establishments under 24. Children, who have been placed under guardianship or wardship in accordance with the laws, are not included into the composition of families taking care of them.

An individual living alone is an individual over 18, who lives alone and does not have a spouse, with the exception of unemployed unmarried schoolchildren and students of the day-time departments of educational establishments, under 24, as well as unmarried pregnant women under 18, when there are less than 70 calendar days left prior to the childbirth.
for in the law (to cover housing loans, to reimburse the maintenance costs of the dwelling, which are not specified in the law or where the expenses for the heating of the dwelling area larger that the standard dwelling area allowed, to grant lump sum benefits, etc.)

Since recent years witnessed the increases in the number of the unemployed, the number of schoolchildren in need of free school meals increased, too. Each year individual municipalities apply to the Ministry of Social Security and Labour for additional resources for the organisation of free school meals in general education schools of schoolchildren from low-income families. However, funds provided from the state budget are limited: the amount allocated for this purpose has remained the same since 1998 ¾ LTL 60 million.

For the purposes of evaluating the efficiency of indicators in relation to the allocation of state budget funds to municipalities as well as the effectiveness of such funds, in 2002, the Ministry of Social Security and Labour requested the Social Policy Group to conduct a scientific investigation: “Survey on the Identification of Indicators Relating to the Allocation of the State Budget Funds to Municipalities for the Organisation of Free School Meals of Schoolchildren and the Effectiveness of the Utilization of such Funds”.

The results of the survey demonstrated that the indicators of the allocation of funds to municipalities used by the Ministry of Social Security and Labour are correct, since the Ministry allocates funds by evaluating the same indicators as indicated by municipalities (the number of the unemployed, recipients of social assistance, families with 3 and more children, etc.). The differences in the need for the funds for the organisation of free school meals become more apparent at the level of individual schools rather than of municipalities. At the state level, in planning the allocation of funds to municipalities, it is difficult to precisely assess these differences and to provide for specific situations and aspects related to the fluctuation of the need in individual schools of municipalities.

According to the survey’s data, the costs of free school meals per schoolchild are fluctuating to a great extent between municipalities. In 2001, the sum allocated for lunch was from LTL 1.3 to LTL 3, the sum allocated for breakfast was from LTL 0.5 to LTL 1.5 per day. In Lithuania, on average 90 per cent of schoolchildren in need of free school meals receive them. More than half of the total numbers of municipalities satisfy 100 per cent of this need, and approximately 11 per cent of municipalities satisfy only 40 - 70 per cent of this need. Substantial differences in need do not solely exist between municipal schools in the countryside (55 per cent of all schoolchildren in the countryside are in need of free school meals) and towns, regional centres (22 per cent of all schoolchildren of towns and regional centres in the countryside are in need of free school meals), but also between different countryside or town schools. These differences are predetermined to a great extent by the social background of schoolchildren of that particular school (in the countryside, there are more unemployed people, families with 3 and more children or families with social problems) as well as the efforts by school officials to select the schoolchildren in need of free school meals (in some of the schools free school meals are granted only on the basis of certificates about the family income without trying to find out the social status of the family).

Thus, the efficiency of the organisation of free school meals of schoolchildren depends to the largest extent on the point of view of municipalities, their adaptation to the changing conditions and their responsibility in using the funds allocated for the organisation of free school meals. Municipalities need to be more flexible in adjusting to the differences in the number of schoolchildren with this need in different schools (to analyze the reasons for this and to pay due attention to changes in funding need), as well as to constantly improve the organisation of free school meals. For example, some of the municipalities plan the organisation of free school meals and the costs of meals per day per schoolchild for one or even a few years, therefore, they cannot react flexibly to changes and, as a result, the allocation of funds to individual schools lacks efficiency. The costs of meals per schoolchild per day should be adjusted by municipalities according to the specific situation, taking the obligation to ensure the provision of free school meals for children from the most socially vulnerable families.

The results of the survey revealed that it is necessary to further improve the organisation of free school meals of schoolchildren. Following the information obtained in municipalities during the survey and taking into consideration the conclusions drawn, a decision will be made on the measures for more efficient and more effective use of the state budget funds allocated for the organisation of free school meals of schoolchildren.
6.1.3. The EU Phare Twinning Project Social Assistance Reform And Implementation of Social Acquis III

In 2001, the Ministry of Social Security and Labour and the Governments of Great Britain and Northern Ireland (the latter is represented by Nicare, Northern Ireland Health and Social Services Agency) signed an Agreement on the EU PHARE Twinning Project Social Assistance Reform and Implementation of Social Acquis III. The Project will be finished at the end of 2002.

The basic goal of this Project is to assist Lithuania in the pre-accession to the European Union period to improve the social assistance policy. To this end it is envisaged to:

1) review the current social assistance policy;
2) assess the existing system of payments in cash and privileges (the legal framework, funding, interrelations, etc.);
3) assess the efficiency of the administration of payments;
4) demonstrate the experience of EU countries;
5) develop recommendations aimed at the rationalization of the system of social assistance payments and privileges;
6) assist the Ministry of Social Security and Labour to implement the drafted recommendations.

The Twinning Project means that foreign experts, the Ministry of Social Security and Labour and municipalities work as partners and together search for ways of dealing with the problems. The Project is carried out both at ministerial and municipal levels.

In 2001, in the implementation of the project, specific targets were set to help to strengthen the administration and efficiency of the Lithuanian social assistance system.

Foreign experts have submitted their reports according to different activities within the social assistance system (means testing, payment control, administration and funding, etc.). The Ministry of Social Security and Labour will analyse the reports and take decisions as to the introduction of the recommendations proposed to the Ministry.

A computerised Forecasting Model for Social Assistance Cash Needs has been designed, which will help to provide much more accurate planning of funds for social assistance in local governments. Currently local governments follow the Provisional Recommendations in Developing the Calculations of State (Delegated to Municipalities) Functions in assessing the need of funds for the calculation and payment of benefits and compensations for the coming year, which is submitted to the Ministry of Social Security and Labour. The installation of this Model requires a higher level of computerization. Given the financial constraints, it will be a lengthy and complicated process to reach the necessary computerization level in all municipalities. There is hope that the solution to this problem will be facilitated by the World Bank loan for creating a uniform information system of social assistance (for more details, see the Chapter on Strategic Partnership).

In cooperation with the foreign experts a methodology has been developed in three parts on risk management, active case management, and information use in taking decisions and in controlling the provision of social assistance, which will help municipalities to detect with greater efficiency cases of abuse. In addition, a means testing methodology has been drawn up, which will serve as an investigatory tool for the municipality specialists, who are responsible for carrying out means tests and granting benefits (social benefit, compensations for heating, hot and cold water, and free school meals). This methodology is expected to be useful also to specialists, who have not previously granted social assistance after means testing.

In the year 2002 it is planned to publish a booklet (brochure) and to create a homepage about the existing system of social assistance in Lithuania on the Ministry website.

One of the Project’s activities is training, which is aimed at improving skills levels. After organising training courses for individual officials of the Ministry of Social Security

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1 Order No. 101 of 12 April 2001 of the Minister of Finance of the Republic of Lithuania on the Provisional Recommendations in Developing the Calculations of State (Delegated to Municipalities) Functions (Official Gazette, 2001, No. 34-1139).
and Labour and municipalities, local trainers, after taking over of the experience, will be ready to continue in a consistent manner with the application of progressive training methods upon the after the Project ends.

The training will include topics like issues relating to social assistance methods, means testing, payment control methods, etc.

Alongside the above Twinning Project, a project run by Lithuanian experts ’Social Assistance/Long-Term Unemployed’ is being implemented. This project creates the possibility to resort to the help of local experts and to tackle problems relating not only to the provision of assistance to long-term unemployed individuals, but also to the upgrading of the entire system of social payments and privileges. Local experts work in close cooperation with foreign experts in discussing the implementation issues of the both projects. Lithuanian experts review the quality of the reports drafted by their foreign counterparts by analysing the information collected by them and by supplementing it with their own data.

In the last implementation stage of the project, practical implementation of the tasks as proposed by the project will be carried out in selected pilot municipalities. This will be of great benefit to the work of the Ministry of Social Security and Labour and municipalities in assessing and introducing the proposals within the project’s framework. It is planned to finish the assessment of pilot activities in experimental municipalities at the end of 2002. After the discussions of piloted and justifiable activities, decisions will be taken as to the rapid implementation of these in all municipality social assistance departments.

Conclusions

One of the main goals of social assistance is to help satisfy the essential needs of those persons, whose income is inadequate and whose ability to take care of themselves is insufficient on account of objective reasons that are beyond their control. To this end, families and children are paid social benefits and they are granted social guarantees and privileges.

The calculation and disbursement of benefits and compensations for heating, hot and cold water, according to the relevant legislation, is the function of the state (delegated to the municipalities), therefore from the year of 2002, funds for the payment of benefits are allocated from the state rather than municipal budgets and are transferred to the municipalities by special subsidy.

In 2001, the Regulations for Granting and Payment of State Benefits to Families Raising Children were supplemented and amended. The Law on State Benefits to Families Raising Children was harmonised with the provision of the Civil Code, which became effective as of 1 July, 2001, stipulating that children form 14 to 18 are placed under wardship rather than guardianship. The experience of paying social payments has demonstrated that, in order to avoid cases of abuse, it is essential to specify more precisely the provisions of granting the family benefit and the orphan student’s allowance. The right to receive family benefit is granted solely to those parents who at the same time do not receive any other payments according to other legislation. The age of the orphan student’s allowance recipients has been limited to under 24 and it has been set forth that the orphan student’s allowance shall not be granted to persons who have repeatedly entered an educational establishment of the same level.

With a view to ensuring the conformity of the system of state benefits to families raising children with other forms of assistance (increase of the non-taxable minimum, social cash assistance to the needy families, development of services provided to such families), it is planned to develop the conception for the restructuring of the state benefits to families raising children as well as the plan of its implementation measures in the year of 2003.

So far in granting social assistance to families only their income is assessed (remuneration, pensions, benefits, etc.), but no account is taken of their property. Part of the assistance does not reach the family who are in greatest need. On the other hand, due to the shortage of funds the provision of social assistance is subject to certain limitations, no assistance is granted to the families of long-term unemployed individuals. To ensure that social assistance reaches the inhabitants in greatest need the draft Law on Social Cash Assistance to Law-Income Families (Individuals Living Alone) has been developed.

In 2002, a survey was carried out to assess the effectiveness of the allocation and use of the state budget funds to municipalities for the organisation of free school meals at schools of general education. As the results of the survey revealed, the indicators of the allocation of funds to municipalities used
by the Ministry of Social Security and Labour (the number of the unemployed, recipients of social assistance, families with 3 and more children, etc) are correct. The effectiveness of the organisation of free school meals depends largely on the efforts of municipalities, their ability to adapt to the changing conditions and their responsibility in using the funds allocated for free school meals.

In 2001-2002, the Ministry of Social Security and Labour is carrying out the EU PHARE Twinning Project Social Assistance Reform and Implementation of Social Acquis ¾ Consensus III, the basic aim of which is to assist Lithuania in the accession period to the European Union to improve the social assistance policy.

6.2. Social Services

Social services are one of the composite parts of the social assistance system. The basic goal of the social services system is to provide social assistance in different non-cash forms and care allowances to those who are not able to take care of themselves. Different groups are in need of social services: old people living alone, families facing social problems, children deprived of parental care, orphans, persons released from imprisonment institutions, alcohol or drug abusers, etc. The system of social assistance is organised in order to encourage people to actively take on the responsibility for themselves and their families.

Social services in Lithuania were introduced on a statutory basis in 1994, following the approval of the social assistance concept, which divided social assistance to three parts:

1) assistance in cash;
2) assistance in terms of goods;
3) assistance in services.

The statutory basis for the further development of social services was created by the Law on Social Services¹ and subsequent secondary legislation. The types of social assistance are identified in the Catalogue of Social Services. Having created the basis of an infrastructure for social services, the necessity arose to take account not only of quantitative, but also of qualitative aspects of social services organisation.

6.2.1. Development of Social Services in Lithuania

Current Situation

Given the social and economic changes, Lithuanians face new sensitive problems, which the existing infrastructure of social services cannot solve. The need for new types of social services and new forms of social work is increasing. The increasing need for social services frequently exceeds the available resources, therefore, it is necessary to search for more effective ways of organising and providing services in kind. It is no less important to ensure the good quality of the services provided.

At the end of 2001, in Lithuania there were some 500 different types of institutions of social services (residential care institutions, temporary residence institutions, day care institutions, institutions of mixed-type social services, etc.), targeted at different social groups (old people, the disabled, children deprived of care, individuals belonging to risk groups). The services of these institutions were enjoyed by 20,000 individuals, and, additionally, services were provided to 7,300 individuals at their homes. Moreover, municipalities provided free meals, assistance with the most necessary goods (footwear, clothes), and per-

sonal hygiene services, transportation and other types of services to 227,400 residents.

Social services have been organised by Heads of counties, municipalities, non-governmental and other organisations; the institutions receive funding from different sources (state or municipal budgets, state funds, funds of the organiser, charity, etc.). The main organiser of community social services is the municipality, which analyses the needs of different society groups, and plans resources for the funding of social services. The municipality bears the responsibility for the provision of social services to the permanent residents of its territory; therefore, it is the organiser of the majority (57 per cent) of institutions providing social services.

The currently ongoing administrative reform in Lithuania has also adjusted the system of social services. The basic task of the municipality, as a public administrative institution, is to create possibilities for receiving social services and to organize their provision to the residents living in its territory, instead of providing the services by itself. For this purpose, the majority of municipalities have organised and are still providing institutions supplying social services: social services agencies, social services centres, etc.

PROBLEMS IN THE DEVELOPMENT OF SOCIAL SERVICES AND WAYS OF SOLVING THEM

In the provision of social services to different social groups, several factors are encountered, which restrict the effective development of the services.

First of all, the respective financial responsibilities of the state and municipalities are not clearly specified, and the functions of these levels in the provision of social services are not coordinated. Responsibility for the provision of social services to some social groups (old people, children and the disabled) lies at several administrative levels. Municipalities, who have within their territories residential care institutions financed from the state budget, frequently refer people to these to without providing funds, in this way transferring the responsibility to the state budget. The results of an inquiry carried out by Ministry of Social Security and Labour specialists indicate that approximately 44 per cent (in some other institutions the number amounting even to two thirds) of the inhabitants of the old people care institutions of county subordination are individuals from the municipalities, within whose the territory such care homes are located. As a result, the disparities among municipalities are increasing, and the state is overburdened.

Secondly, insufficient attention is paid to planning and prioritisation of social services: social services are pro-
vided based on poor knowledge of the needs of society, and priorities are not always identified in accordance with financial resources available.

The financial limitations of municipalities hamper the creation of a network of different social care institutions to satisfy the requirements of all social groups. It is essential to develop community social services, since their provision is scarce. It would be useful to pool municipality funds and to finance institutions from several sources, or to create conditions for municipalities to purchase services for their residents in another municipality.

In the process of implementing the ultimate objective of social services - to return to individuals the ability to take care of themselves with honour and dignity and to integrate into the society - the necessity emerges to define future trends of social services development, which would conform with current needs and current tendencies, and which would facilitate the more efficient development and maintenance of the social services system. Therefore, it is vitally important to plan the types of services, identify the priorities and provide services, for which there is the greatest need, and which are most appropriate and most cost-efficient.

Not all municipalities allocate sufficient attention and funds to social services. In this context, the disparities between different regions and municipalities are glaring. According to Ministry of Social Security and Labour data, in 2001 expenses for social services comprised on average 2.05 per cent of the total budget of municipalities and in individual municipalities ranged from 0.15 to 7.37 per cent.

### Distribution of Municipalities According to Part of the Budget Allocated for Social Services in 2001

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Number of Municipalities</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1%</td>
<td>15</td>
</tr>
<tr>
<td>1.1–2%</td>
<td>20</td>
</tr>
<tr>
<td>2.1–3%</td>
<td>10</td>
</tr>
<tr>
<td>3.1–4%</td>
<td>11</td>
</tr>
<tr>
<td>More than 4%</td>
<td>4</td>
</tr>
</tbody>
</table>

*Data provided by the Ministry of Social Security and Labour*

As shown in Chart 6.2.1-2, in a quarter of municipalities the funds allocated for social services amounted only to 1 per cent, in a third it was up to 2 per cent of the municipal budget funds. Only four municipalities allocated more than 4 per cent of the common municipal budget for this purpose. In such a situation, it is necessary to search for ways how, according to the resources available in the municipalities, to organize the provision of effective social services in a more rational and efficient way. A third factor limiting the development of effective social services is the prevalence of residential care; insufficient attention is being given to alternative forms of care. *The number of recipients of social services in residential care institutions is rising each year.*

The Chart below (6.2.1-3) very clearly demonstrates that the majority of social services recipients use services supplied by institutional agencies.
Alternative forms of residential services (assistance at home, day care and temporary residential services) in municipalities are underdeveloped. Home help agencies have been set up only in a small section of municipalities, and as many as 9 municipalities have no staff social workers providing personal care services. Personal care services in these municipalities are provided by social workers hired under service contracts or public works’ programmes of the Labour Exchange.

However, there are positive changes, too: in some areas home help services have been integrated with the provision of community primary health care services. In 2001, the provision of nursing services together with home help services was organised in 11 municipalities.

It should be noted that the results of research\(^1\) carried out by the Labour and Social Research Institute show that after the evaluation of the independence level of old people care institution inhabitants as many as one third of the people in such homes could be living in the community. Consequently, municipalities, in granting social services to an individual, should first of all offer him/her communal or home help services rather than referring the individual to a care institution.

The effective development of social services is also obstructed by the current funding procedure, which does not create any possibilities for the creation of a social services market place by introducing competition between its suppliers. In addition, charges for services are not subject to any differentiation according to the financial possibilities of the service recipient or the character of such services (whether they are basic or additional services).

The existing form of ownership (budgetary institutions) of the state (or municipal) residential care institutions and the relevant funding scheme applied, where funds are according to the estimate for all expenses (to finance the institution’s activities) only consolidate the actual structure of care expenses, but do not relate the costs to the price and quality of the services provided. The budget estimate financing system fails to encourage the administrations of institutions to economize

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\(^1\) The Methodology of Composing the Basic Services Basket, Establishing its Price and Prices of Additional Services in Care Homes for Old People and Research into the Activities of Residential Social Services Institutions for Old People
and use funds efficiently, or to improve the quality of services. It is largely due to this that the costs of residential care institutions are high and a large amount of funds is spent not on direct service provision but rather on other matters of the institution which are not always necessary.

An individual who lives in an residential care institution on his/her income covers only an insignificant part of all costs. Care institutions lack the flexibility to apply a possible subdivision of services into base and additional services, as well as the ability to supply to individuals who have property and income additional services at full cost, to satisfy the individual needs of the residents and improve the quality of life at care institutions (for example, providing a better dwelling, special catering, various free-time activities, employment services, etc.).

It is essential to change the procedure of financing of the institutions by providing maximum independence and complete financial responsibility to these for their property and performance. The procedure for the payment for social services should allow for the differentiation of payment according to the type of service, and according to the property and income of the individual.

Moreover, in order to ensure the quality of services it is of vital importance to evaluate the current level of quality, and to establish a mechanism for the evaluation and control of quality. Municipalities should inform community residents more widely about the conditions of the organisation and provision of social services, and cooperate more closely with other municipalities, non-governmental organisations, and other suppliers of social services.

**Reform of the Provision of Social Services**

In order to reduce the influence of factors limiting the efficiency of social services, the beginning of 2002 saw the launch of the Reform of the Provision of Social Services.

In carrying out paragraph 25 of the measures¹ for the implementation of the 2001-2004 Government Programme, the Concept of the Reform of the Provision of Social Services² was developed and approved by Government resolution.

This document defines future development trends of social services corresponding to current needs and creating possibilities for a more effective development and maintenance of the social services system in our country, provides for a reform of the funding of social services and implementation of purchasing models as well as sets forth the creation of the system of social services standards including quality assessment and control mechanism.

The reform is aimed at creating the legal, administrative and financial preconditions for the more effective planning, provision and organisation of social services by ensuring the necessary needs and by encouraging the individual to actively search for ways of self-help.

The stages in the implementation of this reform include:

1) in 2002-2004, development of the basic measures ensuring the implementation of the reform;

2) in 2005, based on these measures, the development of the plan for 2005-2010 of further measures ensuring the implementation of the reform. Therefore, the exchange of information, the recording of the situation and changes as well as the design of the future updated model of social services become points of fundamental significance to the Ministry of Social Security and Labour and municipalities as the principal implementers of the reform.

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6.2.2. Improving the Quality of Social Services

**Upgrading the Qualification of Social Workers**

An important precondition of improving the quality of social services is the upgrading of the qualification of social workers.

The primary certification of social workers has been carried out since 1999, in the course of which social workers-practitioners who did not have professional qualifications were provided with basic social work knowledge, and their professional competence was assessed conferring one or another qualification category.

The analysis of training courses carried out at the beginning of 2001 demonstrated that during the period from 1999 to 2000 only two thirds of the total number of those willing to participate took part. 99 per cent of the participants assessed the training courses as very necessary. The importance of such courses is also manifested by the fact that 57.4 per cent of those asked had not previously attended any qualification courses for social workers although they have been working as social workers for more than 5 years.

Though the certification of social workers was planned to be completed in 2000, considering the pressing need to attend such courses, it was extended to the year 2003.

In 2001 a tender was organised for the continuation of the programme for the training of social workers-practitioners without professional background. During the tender, 13 educational establishments were selected, which organised qualification upgrading courses for social workers-practitioners in different regions of Lithuania.

In 2001, 1127 social workers-practitioners attended qualification upgrading courses. The High Certification Commission has conferred qualification categories to 21 workers (14 workers the qualification category of an expert social worker, and to 7 workers the qualification category of a leading social worker).

**Social Services Infrastructure Development Programme**

In order to improve the status of social services institutions and to smooth the disparities within the social services infrastructure, the Ministry has been updating the material and technical basis of social services institutions.

The implementation of the Social Services Infrastructure Development Programme launched in 1998 was continued into the year 2001. During the first project stage in 1998, in line with projects submitted by municipalities and non-governmental organizations, 29 social services institutions were set up. A total of LTL 5 million was allocated for the implementation of the project.

During the second stage, the implementation of 10 projects received financing from the joint funds of the state budget, Council of Europe Development Bank and municipalities. The year 2001 saw the continuation of the funding of these social services entities. Information about the entities financed is provided in Chart 6.2.2-1.

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### Performance of social services entities financed within the framework of the 2001 Social Services Infrastructure Development Programme

<table>
<thead>
<tr>
<th>No.</th>
<th>social services entities</th>
<th>Activities</th>
<th>Number of recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Markučiai Day-Time Activities Centre for Mentally Handicapped People</td>
<td>From March 2001: employment in the workshops of the Centre and in arts</td>
<td>92</td>
</tr>
<tr>
<td>2</td>
<td>Jurbarkas Learning Disabled Youth Labour Centre</td>
<td>From June 2000: provision of social and psychological rehabilitation, organization of professional training</td>
<td>30</td>
</tr>
<tr>
<td>3</td>
<td>Marijampolė Social Assistance Centre</td>
<td>From February 2002: employment and psychological consultations</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>Vilnius Disabled Youth Training Centre &quot;We are&quot;</td>
<td>Centre operational from June 1998, its jworkshops from April 2002: employment in the workshops of the Centre, search for jobs</td>
<td>108</td>
</tr>
<tr>
<td>5</td>
<td>Kaunas Disabled Youth Employment Centre</td>
<td>From August 2002: services addressing social, psychological, and cultural needs, formation of working skills</td>
<td>60</td>
</tr>
<tr>
<td>6</td>
<td>Druskininkai Care Centre for the Elderly</td>
<td>From May 2001: provision of social assistance services</td>
<td>66</td>
</tr>
<tr>
<td>7</td>
<td>Linkuva Social Services Centre</td>
<td>From October 2001: provision of home help, day care and social care</td>
<td>45</td>
</tr>
<tr>
<td>8</td>
<td>Klaipėda Care Home</td>
<td>From June 2002: provision of social assistance services</td>
<td>75</td>
</tr>
<tr>
<td>9</td>
<td>Kaunas Crisis and Rehabilitation Centre for Children</td>
<td>From February 2001: employment, From February 2001: employment,</td>
<td>40</td>
</tr>
<tr>
<td>10</td>
<td>Vilnius Children's Crisis Centre</td>
<td>From June 2002: employment, provision of psychological help</td>
<td>40</td>
</tr>
</tbody>
</table>

Table 6.2.2-1

Data provided by the Ministry of Social Security and Labour

In 2001, in the social services entities financed, the amount for the work carried out totalled LTL 3,296,900 (LTL 2,451,700 from the state budget, LTL 845,200 from the Council of Europe Development Bank). In 2001 there was no new tender announced for the projects within the framework of the Social Services Infrastructure Development Programme, instead the implementation of the 1999 tender winner projects took place, as well as the assessment of their remaining relevance; also decisions were made on the future targeting of funds allocated from the state budget for the 2002 Social Services Infrastructure Development Programme.
**Strategic Partnership**

One of the most important tasks of the Ministry of Social Security and Labour is to implement the state social assistance policy and to ensure its functioning, regulation and improvement. The strategic partnership agreement model ensures the cooperation between the Ministry and municipalities in the implementation of the agreement’s terms and conditions, and guarantees regular data exchange on social assistance. Partnership-based cooperation will help municipalities to plan, administer and supply social assistance more efficiently, whereas the ministry will be assisted in assessing, analyzing and improving social assistance implementation policy. It is important to ensure constant monitoring of the provision and organization of social assistance in municipalities, collecting and analysing data and controlling of the usage of resources, etc. The strategic partnership agreement between the Ministry and municipalities was signed in 1998 during the implementation of one of the components of the Social Policy and Communal Social Services Development Project financed by the World Bank. In fulfilling the conditions of the strategic partnership agreement, problems emerged related to the limits of the municipal data transfer equipment as well as those related to the shortage of funds. These problems were brought to light by research on the 1999 results, carried out in 2000. On the basis of this research, recommendations were developed for the improvement of the strategic partnership agreement. The principal conclusion of the research was the following: until the municipalities do not have the designed software and cannot ensure the functioning of the computer network according to the actual needs, it is impossible to reach the objectives as defined in the agreement. This has been demonstrated once more by the results of the research project ‘Assistance Information Systems’ carried in the form of a questionnaire in 2001 at the social assistance departments in municipalities and at children’s rights’ protection agencies. In discussions during seminars on the implementation of the strategic partnership agreement, representatives of municipalities and specialists of the Ministry with one accord expressed their opinions in favour of continuation of the agreement. Also, the issues of social assistance administration system improvement were analysed, and a data collection methodology was developed to enable reliable and uniform registration of information about social assistance to be provided to the Ministry. The World Bank has approved the proposal of the Ministry of Social Security and Labour to use the remaining part of the World Bank loan for the Social Policy and Communal Social Services Development Project for the purposes of strengthening strategic partnership. It is planned to renew the strategic partnership agreements with municipalities for the period of 2002-2006 and to create a social assistance information system, which will help to more effectively implement measures for the improvement of the social assistance system.

**Conclusions**

The existing social services infrastructure is insufficient to solve the social problems. The need for new types of social services and social work is on the increase. The increasing need for social services frequently exceeds the available resources, therefore, it is essential to look for more effective ways of organising and providing such services, to amplify the diversity of social services, to expand their market, to decrease the costs of social services and ensure good quality services provision. These tasks are intended to be carried out by the consistent implementation of the reform of provision of social services with the ultimate objective of the reform being the provision of the necessary social services in accordance with the assessed needs of the recipients to create as favourable conditions as possible for the promotion of their independence, and to encourage the recipients to look for active ways of self-help. The upgrading of qualification of social workers constitutes an important precondition for improving the quality of social services. The professionalism of social workers predetermines the development of the social assistance system as well as the growth of the role of the social worker. In order to improve the status of social services institutions and in order to smooth the disparities within the social services infrastructure in municipalities, the Ministry of Social Security and Labour is carrying out the Social Services Infrastructure Development Programme. In the implementation of the state social assistance policy and in ensuring its regulation and improvement, the Ministry aims to ensure the effective functioning of the social assistance system and its accessibility by those individuals who need it. Therefore, the implementation continues of the strategic partnership agreements with municipalities, to provide an integrated social assistance system corresponding to the needs of all Lithuanian residents rather than to those of individual regions.
6.3. Child Guardianship and Adoption

6.3.1. Children Deprived Of Parental Care

The issues of child guardianship and adoption occupy a rather important position within the social assistance system since the number of dysfunctional families (families facing social problems) in Lithuania is growing annually. This to a large extent depends on the economic and social status of the country as well as on the family’s ability to participate in the labour market. As shown in Table 6.31-1, within the last four years the number of dysfunctional families (families facing social problems) identified by the municipal Children’s Right Protection Agencies has increased by 25 per cent, and the number of children living in these families by 20 per cent.

<table>
<thead>
<tr>
<th>Number of dysfunctional families in 1998-2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
</tr>
<tr>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>Number of dysfunctional families (families facing social problems)</td>
</tr>
<tr>
<td>Number of children in these families</td>
</tr>
</tbody>
</table>

Data provided by the Ministry of Social Security and Labour

Out of the total number of children living in dysfunctional families, the highest proportion of them in 2001 lived in the counties of Marijampole (6.5 per cent) and Kaunas (6.3 per cent), the smallest number lived in the counties of Šiauliai and Vilnius (3.6 per cent) and in Telšiai (3.9 per cent). The analysis of individual municipalities shows that the highest proportion of children living in families facing social problems in 2001, out of all children, was in Širvintai (13.2 per cent), Molėtai (12.6) districts and the town of Druskininkai (12.4 per cent), i.e. where long-term unemployment or agricultural employment is prevalent. The relatively smallest number of such children lived in the town of Alytus (1.5 per cent) and the city of Vilnius (2.4 per cent), Jurbarkas (1.7 per cent) and Mažeikiai (2.2 per cent) districts, and the municipality of Neringa (2.1 per cent).

Data in Table 6.3.1-2, submitted by the municipal Children’s Right Protection Agencies, indicate that at the beginning of 2001 state guardianship was established to 2863 children. This is 266 children more than in 2000. Yearly, on average 10 per cent of children are placed in different childcare facilities when they become orphaned. However, a new trend is observed when a child is left in the custody of his grandparents as his parents go abroad to look for work. Annually, a greater and greater number of children is placed under guardianship because of the restriction of parental authority. In 2001 this number, compared with 2000, increased by 58 per cent. At the beginning of 2001, there was a decrease in the number of cases when guardianship is established due to abandonment by his parents.

At the end of 2001, in Lithuania 13452 children under 18 were in state care. 7717 children lived in foster families, 5379 children lived in different types of child care institutions (a total of 188 subordinate to different bodies), and 356 children lived in foster family type institutions.

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### Number of Children Deprived of Parental Care due to the Loss of Parental Care in 1997-2001

<table>
<thead>
<tr>
<th>Reasons for the loss of Parental Care</th>
<th>Number of children</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>3175</td>
</tr>
<tr>
<td>Orphaned</td>
<td>317</td>
</tr>
<tr>
<td>Restriction of parental rights</td>
<td>362</td>
</tr>
<tr>
<td>Long-term illness of parents</td>
<td>142</td>
</tr>
<tr>
<td>Parents imprisoned</td>
<td>184</td>
</tr>
<tr>
<td>Place of residence of parents not traced</td>
<td>117</td>
</tr>
<tr>
<td>Dysfunctional families (families with social problems)</td>
<td>843</td>
</tr>
<tr>
<td>Parents themselves renounced their children</td>
<td>236</td>
</tr>
<tr>
<td>One of the parents is missing, the other does not care for the children</td>
<td>396</td>
</tr>
<tr>
<td>poverty</td>
<td>462</td>
</tr>
<tr>
<td>Domestic Violence</td>
<td>30</td>
</tr>
<tr>
<td>Parents living abroad and not maintaining their children</td>
<td>…</td>
</tr>
<tr>
<td>Due to disability</td>
<td>25</td>
</tr>
<tr>
<td>Other reasons</td>
<td>16</td>
</tr>
<tr>
<td>Child guardianship changed because:</td>
<td>…</td>
</tr>
<tr>
<td>Guardians died</td>
<td>…</td>
</tr>
<tr>
<td>Guardians refused to take care of the children</td>
<td>45</td>
</tr>
</tbody>
</table>

*Table 6.3.1-2*

Data provided by the Ministry of Social Security and Labour

The distribution of children in terms of the place of care is shown in Table 6.3.1-3. The 1999 rise in guardianship by other family members was influenced by the increase in child care benefit (4 MSL per month), established by the law; this child care benefit was paid from the state budget as a special subsidy to municipalities. From 2000 the child care benefit was paid from the municipal budget. For this reason the number of children under guardianship within one year fell by more than 700, although during 2000 the number of dysfunctional families increased almost by 1,000, and in 2001 - by 3,000 (see Table 6.3.1-1). When in 2001 the guardianship benefit was again paid from the state budget, the total newly established number of guardianship places, as compared to 2000, changed insignificantly, but the number of children placed under guardianship of families decreased further, since a greater number of such children were settled in child care institutions. This means that the amount of the child care benefit and the source its payment (whether the benefit is paid from the state or municipal budget) were not decisive for the municipal Children’s Right Protection Agencies dealing the question where to settle a child deprived of parental care.
## Number of Children according to the Form of Guardianship in 1997-2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The total number of children deprived of parental care directed to child care institutions, family-type care homes and individual families</td>
<td>3175</td>
<td>3516</td>
<td>3553</td>
<td>2834</td>
<td>2863</td>
</tr>
<tr>
<td><strong>Out of them:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To county infant homes</td>
<td>252</td>
<td>266</td>
<td>265</td>
<td>232</td>
<td>239</td>
</tr>
<tr>
<td>To county child care homes</td>
<td>460</td>
<td>382</td>
<td>301</td>
<td>348</td>
<td>410</td>
</tr>
<tr>
<td>To general boarding schools</td>
<td>232</td>
<td>193</td>
<td>133</td>
<td>80</td>
<td>76</td>
</tr>
<tr>
<td>To specialized boarding schools</td>
<td>78</td>
<td>79</td>
<td>53</td>
<td>96</td>
<td>54</td>
</tr>
<tr>
<td>To vocational, higher educational institutions where they are maintained by the state</td>
<td>35</td>
<td>50</td>
<td>27</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>To care homes for children with disabilities</td>
<td>30</td>
<td>14</td>
<td>21</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>To municipal child care homes</td>
<td>309</td>
<td>328</td>
<td>244</td>
<td>170</td>
<td>249</td>
</tr>
<tr>
<td>To municipal child care groups</td>
<td>380</td>
<td>432</td>
<td>296</td>
<td>232</td>
<td>252</td>
</tr>
<tr>
<td>To specialized educational and care homes</td>
<td>...</td>
<td>...</td>
<td>63</td>
<td>65</td>
<td>16</td>
</tr>
<tr>
<td>To guardianship of non-governmental organizations</td>
<td>70</td>
<td>102</td>
<td>84</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>To family-type care homes for children (foster families)</td>
<td>56</td>
<td>59</td>
<td>74</td>
<td>45</td>
<td>32</td>
</tr>
<tr>
<td>To parish care homes for children</td>
<td>3</td>
<td>61</td>
<td>25</td>
<td>80</td>
<td>59</td>
</tr>
<tr>
<td>To temporary care homes for children</td>
<td>...</td>
<td>...</td>
<td>123</td>
<td>131</td>
<td>170</td>
</tr>
<tr>
<td>To other child care institutions</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>To families</td>
<td>1236</td>
<td>1545</td>
<td>1844</td>
<td>1287</td>
<td>1274</td>
</tr>
</tbody>
</table>

Table 6.3.1-3

Data provided by the Ministry of Social Security and Labour

According to the law, the purpose of temporary child guardianship is to return the child to his/her biological family. In analysing the reasons for the cessation of temporary child care, it transpires that within three recent years, following the start of social work with the families, more children were returned to their parents, but the percentage rate has not increased. In 1999, in 48 per cent of cases temporary guardianship ceased because children were returned to their biological families, whereas in 2001, only 37 per cent of children returned to live with the parents. The positive reason for this is that more children were adopted during this period.

The reasons for the cessation of temporary guardianship are shown in Table 6.3.1-4.
6.3.2. Adoption

From 1 July, 2001, adoption issues are regulated by Book Three of the Civil Code of the Republic of Lithuania "Family Law". Thus the provisions of the Matrimonial and Family Code of the Republic of Lithuania, which previously regulated adoption, became void, and the Adoption Procedure Record in the Republic of Lithuania\(^1\) is valid as long as it is not in contradiction with the Civil Code.

The new Civil Code has introduced new conditions for adoption, the most important of which are the following:

1) for the adoption of a child, the written consent of the adoptive child’s [biological] parents is necessary, which has to be approved by the court (Part 1 of Article 3.212 of the Civil Code);

2) if the adoptive child has a guardian (warden)\(^2\) appointed according to legal procedures, the written consent of the guardian (warden) is required, which has to be approved by the court (Part 2 of Article 3.212 of the Civil Code);

3) an assessment of the future parents’ ability to adopt a child and the relevant decision on the eligibility of the adopters to become adoptive parents are required (Article 3.217 of the Civil Code);

4) an age limit of under 50 years of age has been set for the adopters. Persons older than that can adopt a child only in exceptional cases (Part 1 of Article 3.210 of the Civil Code); an unmarried person is also allowed to adopt a child only in exceptional cases;

5) foreign citizens can adopt a child only in cases when during six months from entering the child in the List of Adoptable Children no applications from Republic of Lithuania citizens have been received to adopt the child or place the child under their guardianship. (Part 2 of Article 3.224 of the Civil Code).

The new Civil Code does not lay down the grounds for the annulment of child adoption, in this way protecting to a greater extent the rights of the adoptee. According to Part 2 of Article 3.227 of the Civil Code, adopters are

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\(^3\) According to the Civil Code, guardianship is established and a guardian is appointed until the child is under 14, wardship is established and a warden is appointed to a child above 14.
considered parents of the child from the very moment of entry into force of the court decision and they are not entitled to request the repeal of adoption as was stipulated previously by the Matrimonial and Family Code. The same Article of the Civil Code stipulates that adoption nullifies the personal and property rights and duties between biological parents as well as his relatives by origin, and the child’s personal and property rights and duties between adoptive parents and a adopted child are established, as between the relatives by origin.

The implementation of the Civil Code changed the legal status of some of the children placed on the List of Adoptive Children, i.e. they were no longer eligible for adoption. This happened because the consent for adoption given by the biological parents of the child was endorsed by a notary but not by court order, as required by the Civil Code. Therefore, parents, whose consent for the adoption of their children was endorsed by a notary, have to apply to the court to get the consent approved by court order. The number of such children at the end of 2001 was 72.

The new Civil Code and the amendments of articles regulating adoption\(^1\), which came into effect on 1 July, 2001, assigned to the competence of the Adoption Agency under the Ministry of Social Security and Labour certain functions of the organization of the adoption procedure, including those related to the records of adopted children, the selection and assessment of the future adoptive parents, the certification of social workers having the right to assess the motivation of the future adoptive parents to adopt a child, etc. This facilitates data processing and allows the smoother organization of the very adoption procedure. The Adoption Agency manages 3 registers: the List of Children for Adoption, the List of Citizens of the Republic of Lithuania wishing to adopt a child and the List of Foreign Citizens wishing to adopt a child.

\(^1\) The amendments of articles regulating the adoption procedures of the Code of Civil Procedure of the Republic of Lithuania were published in the Official Gazette, 2001, No. 55-1947.
In 2001 there were no substantial changes in the area of child adoption. Compared to 2000, a few more children were placed on the list, but on the other hand more children were adopted. At the beginning of 2001, only 270 were on the list of children for adoption, and at the end of the year the number was 313.

As shown in Charts 6.3.2-1 and 6.3.2-2 presented by the Adoption Agency, in 2000-2001 the majority of children available for adoption were above 6 years old and more than half of them lived in child care institutions. Both Lithuanian and foreign citizens prefer to adopt younger children since older children find it more difficult to adapt themselves in the new family, and sometimes psychological help is needed. Moreover, often such children have serious health disorders. In 2001, the number of 1 year-old children available for adoption fell since children of this age are adopted within the shortest period.

As shown in Chart 6.3.2-3, in 2001, out of the 313 children placed on the List of Children for Adoption, as many as 93 children had serious health disorders, which considerably reduced their chance to join a permanent family.

Citizens of the Republic of Lithuania are not active enough in adopting children deprived of parental care. This is preconditioned by material difficulties, fears about psychological problems, their wish to conceal the fact of the adoption from their neighbours, as well as the shortage of widely available information on the adoption procedures and possibilities. Most frequently, families wishing to adopt a child learn about such opportunities only from the media; however, the information provided in the media is not always correct and precise. In 2001, citizens of the Republic of Lithuania adopted 137 children (119 in 2000), out of them 81 children were adopted by new spouses of the mother or father (82 in 2000). Therefore in 2001 the number of adopted children deprived of parental care, who most need a family most, had increased.

Citizens of the Republic of Lithuania predominantly adopted children aged between 6 months and 4 years, spouses adopted children from 6 to 17 years of age from the previous marriage.

The greatest number of adopted children was in the largest Lithuanian cities - Vilnius, Kaunas, Klaipėda, and...
Šiauliai. However, bearing in mind that the number of residents in these cities is also larger than in other Lithuanian cities, the number of adoption there corresponds to general trends. Only Visaginas can be singled out, where it is almost a tradition to adopt more children than in other towns of the same size.

In 2001 by order of the Adoption Agency sociological research was carried out in order to identify the most common reasons for Lithuanian families not wishing to adopt a child. The research demonstrated that the decision to adopt a child is hampered by the following obstacles:

1) doubts about their own ability and opportunities to properly raise an adopted child, also the fear of problems relating to psychological compatibility. It is necessary for a child deprived of parental care to join a family as early as possible, however, the interests of such a child are best of all protected by adoption rather than guardianship, since adoption, alongside the daily care, also gives to the child legal guarantees to remain in that family forever. A solution to this problem is offered by Article 3.222 of the Civil Code, which provides for the transfer the child to the family even prior to his/her adoption if there are doubts as to the child’s adaptation within the family. On the other hand, families seeking to adopt a child should undergo adequate preparation and psychological consultations. This procedure is also laid down in the Civil Code but such a tradition of preparing to become an adoptive parent is only starting to develop;

2) the state pays foster care benefit for a child placed under guardianship, whereas a family, who have adopted a child, does not receive such financial assistance since assistance of families who bring up children (and who do not act guardians to the children) is significantly smaller;

3) child adoption is impossible due to the unsettled legal status of the child (the mother or father of the child have given their consent with only notarial endorsement; when parental rights are temporarily restricted; or when the living place of parents is not traced).
The Adoption Agency also bears the responsibility for inter-country adoption of children. According to its data, on 31 December, 2001, 278 families of foreign citizens (individuals) wishing to adopt children from Lithuania were registered (on 31 December, 2000 the number was 400). The majority of these were USA and French citizens. More than half those registered expressed their wish to adopt children of 1 to 4 years of age. Some 50 foreign families wanted to adopt children aged 5 to 6, and only 20 families wanted to adopt children above the age of 7.

As indicated by the data in table 6.3.2-4, in 2001 foreign citizens of eight countries adopted 43 Lithuanian children (in 2000 - 40). The greatest number of children (26) was adopted by the USA citizens, 8 were adopted by French citizens. As many as 6 pairs of siblings were adopted. Two foreign families each adopted three children from one family.

<table>
<thead>
<tr>
<th>State</th>
<th>Number of adopted children</th>
<th>Number of adoptive individuals</th>
<th>Age of adopted children</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Families</td>
<td>Unmarried</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>USA</td>
<td>26</td>
<td>16</td>
<td>2</td>
</tr>
<tr>
<td>France</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Israel</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>The Netherlands</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Foreign citizens currently</td>
<td>4</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Table 6.3.2-1

Data provided by the Adoption Agency under the Ministry of Social Security and Labour

The time taken by the Adoption Agency in organizing pre-trial adoption procedures very often depends on the activities of municipal Children’s Right Protection Agencies: on their time taken to solve the questions of legitimate separation of a child from the parents, the organization of guardianship, also, on questions relating to the legal status requisite for child adoption, on the time taken to provide information about children available for adoption, etc. For various reasons (financial resources, shortage of qualified social workers in municipalities, insufficient attention of municipal administration bodies to the questions of children’s rights protection) this process has not always been smooth.
6.3.3. Changes Planned in the Area of Child Guardianship and Adoption

In 2001, attention was focused on the development of legislation regulating child guardianship and adoption relating with the entry into force of the new Civil Code.

The annually increasing number of dysfunctional families (families with social problems) and the number of children living in these families, bearing in mind the fertility rate, which is also decreasing each year, visibly demonstrates that the social assistance policy to families lacks effectiveness since it is primarily oriented towards "saving" of children rather than towards the elimination of the basic reasons influencing the social separation of families. Social work together with social services, the responsibility for which is carried by municipal social assistance departments and municipal Children’s Right Protection Agencies, is predominantly oriented towards the satisfaction of needs of individual groups of people (old people, the disabled, children deprived of care). Assistance to children deprived of parental care, especially if the child is separated from the family and settled at a care institution, also does not substantially encourage social work with the biological family and does not create grounds for returning the child to the family. This is also affected by the parents’ poor motivation and willingness to take care of the child. Subsequently, a vicious circle is formed promoting even greater instability of families. Childless families living in Lithuania are more prone to take up guardianship of a child instead of adoption.

As indicated in the research of the Labour and Social Research Institute commissioned by the Ministry of Social Security and Labour and carried out in 2001 "The Assessment of the Organization and Funding System of the Activities of Regional (County, Municipal) Different Types of Child Care and Special Education Institutions", there is a serious shortage of community based social services for families and children, especially those in their teens and having behaviour problems, even though in Lithuania the number of different types and subordination of child care institutions is especially plentiful.

In consideration of this, in implementing the 2001-2004 Government Programme, the following measures are planned:

1) development of the concept of the reorganisation of the child care system and its financing, as well as the development of the strategic plan of this reorganization, in order to optimize the network of child care institutions and encourage the development of new social services for families and children;

2) development of the procedure for granting foster care benefit and establishing its amount in order to differentiate the amount of foster care benefit accordingly to the age of the child under guardianship, the familial relationship (if any) between the child and his/her guardian (warden), and the guardian’s (warden’s) income. In addition it will be proposed to provide for the possibility to appoint the child’s legitimate representative without paying foster care benefit. This is particularly relevant in cases where the child is left in the guardianship of grandparents with the agreement of the parents who then go abroad for an indefinite period of time;

3) drawing up of the programme to improve the activities of municipal Children’s Right Protection Agencies, which would strengthen their capacity to act quickly and effectively in helping families or children in difficulties;

4) encouragement of social work with future adoptive parents and development of social services provision for adoptive families;

5) drafting and implementation of the national programme for NGO day-care centres for children and encouraging the development of social services to families with children in social risk groups.

Conclusions

The number of dysfunctional families (families with social problems) is increasing annually. This is influenced to a large extend by the economic and social status of the country as well as by the family’s ability to participate in the labour market. Such opportunities are particularly limited for people living in the country-side (32 per cent of the total number of Lithuanian residents).

Currently social assistance is oriented more towards provision of cash assistance and granting of privileges to poor families. Child guardianship is usually understood as "separation of the child from parents with social problems", therefore, there is a lack of community based services to families with children in social risk groups.
Approximately half of the children deprived of parental care are settled in families of guardians or family-type care homes, the remaining part is receives institutional care. The ratio between child care in families and institutional child care has stabilized within the recent years, but the total number of children who are placed under guardianship is not decreasing.

In 2001, following the implementation of the new Civil Code, adoption conditions have been partially changed inasmuch as there are stricter requirements of the biological parents of the child relating to their renouncement of the child, and there is a better protection of the adoptee’s personal and property rights. Moreover, similar requirements have been introduced for future adoptive parents living in Lithuania, to identify their motivation for adoption. In order to promote family stability and the capacity of parents to raise their own children, it is essential to orient the social assistance to families towards the development of community services to families and children. Adoption should be promoted as an alternative to institutional child guardianship.

### 6.4. Integration of the Disabled: Main Aspects and Trends

#### 6.4.1. Evaluation of the Current Situation

Over the last decade, Lithuania saw an increase in the number of the disabled. According to the data shown in Table 6.4.1-1, the number increased by 3.4 per cent in 2001. The total number of the disabled was 212 881. 86.2 per cent of these are recipients of the State Social Insurance Disability pension, 7.3 per cent receive the social pension, and 6.5 per cent are disabled children.

These changes were influenced by the ineffective prevention of chronic health disorders, limited rehabilitation possibilities, growing unemployment, and by rights to pensions, privileges and social security measures that are granted only to those identified as disabled.

### Table 6.4.1-1

<table>
<thead>
<tr>
<th>Characteristics of the indicator</th>
<th>Number of individuals</th>
<th>Change in per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of disabled individuals</td>
<td>205 890 – 212 881</td>
<td>+ 3.4</td>
</tr>
<tr>
<td>Social Insurance Disability pensions recipients</td>
<td>177 327 – 183 504</td>
<td>+ 3.5</td>
</tr>
<tr>
<td>Of these children under 16</td>
<td>13 857 – 13 797</td>
<td>- 0.4</td>
</tr>
<tr>
<td>Individuals disabled since childhood (16 years old and older)</td>
<td>14 706 – 15 580</td>
<td>+ 6.0</td>
</tr>
<tr>
<td>Individuals with total disability</td>
<td>7739 – 8917</td>
<td>+ 15.2</td>
</tr>
<tr>
<td>Of these children under 16</td>
<td>942 – 813</td>
<td>- 13.7</td>
</tr>
</tbody>
</table>

Data provided by the State Medical Social Expert Examination Commission
In 2001, the increase in the number of individuals with total disability was influenced by the fact that they were given priority in withdrawing rouble deposits. According to the data given in Table 6.4.1.-2, as the total number of individuals recognized as disabled increased by 3.7 per cent in the country over the analysed period, their number in different disability groups also grew. The fastest growing group was Group III while Group II made up the greatest part of all the disabled - 65 per cent.

<table>
<thead>
<tr>
<th>Characteristics of the indicator</th>
<th>Number of individuals</th>
<th>Change in per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of disabled individuals in Groups I, II, III</td>
<td>192 033</td>
<td>199 084</td>
</tr>
<tr>
<td>Group I</td>
<td>26 242</td>
<td>26 798</td>
</tr>
<tr>
<td>Group II</td>
<td>124 593</td>
<td>129 173</td>
</tr>
<tr>
<td>Group III</td>
<td>41 198</td>
<td>43 123</td>
</tr>
</tbody>
</table>

Table 6.4.1-2

The general country’s disability structure shows a small decrease (0.1 per cent) in the number of primary disability cases. The comparison of the findings of expert evaluation over recent years shows that in the structure of primary disability the number of the disabled in Groups I and II decreased, while the number of individuals recognized as disabled of Group I increased. Moreover, the number of persons of retirement age who were recognized as disabled increased by 2.7 per cent, while the number of disabled individuals of working age decreased by 1.6 per cent. The attempts and motivation of persons of working age to participate in the labour market were triggered off by lower social security system privileges.

As before, individuals with mobility, mental and personal care disabilities made up the majority of the primary disability structure in 2001. However, the number of individuals with recognized visual disability decreased substantially (by 26.2 per cent).

In 2001, the greatest number of newly registered disabled was in the counties of Kaunas (6 379) and Vilnius (6 304). As regards the largest country’s cities, this indicator was highest in Vilnius (3 840) and Kaunas (3 405) and lowest in Alytus (693) and Marijampole (579). In counties, the figure fluctuated between 174 (Skuodas county) and 641 (Vilnius county).

In solving the issue of integration of the disabled into the society, the following important problems were stressed in 2001:

1) The necessity to decentralize the infrastructure of social institutions and concentrate social services provision within society by creating better opportunities for ensuring basic assistance for individual needs;

2) in the disability assessment system, the medical, professional, social and psycho-social rehabilitation elements remain separate, unintegrated in a complex rehabilitation system that could ensure an uninterrupted passage from one rehabilitation element to another while providing to disability-establishing institutions detailed conclusions necessary for evaluating personal functions, activities and abilities. The medical social expert analysis is the only element in the complex personal assessment which establishes disability groups and the right to various social security measures in order to meet the specific needs arising owing to disability;

3) in Lithuania, contrary to globally-accepted practice, the medical criterion is stressed in establishing an individual’s degree of disability and insufficient account is taken of factors such as work disablement, loss of income from work, and rehabilitation.
Attempts to solve the above problems create conditions for starting the reform of social assistance by providing for the development of a complex model for the assessment of the disabled and their social integration possibilities.

6.4.2. Concept of the Reform of the Establishment of the Disability Status, and Social Security Measures for the Disabled

In prioritizing public social policy in the area of disability and in developing an implementation strategy, the adoption of the Regulations-Recommendations for the Provision of Equal Opportunities for the Disabled passed by the Assembly of the United Nations Organization (UN), the International Classification of Impairments, Activities and Participation prepared by the World Health Organization, and the application of EU standards as well as other general principles of international law provided the basis to adopt the new Concept of the Reform of Disability Establishment and Social Security Measures.¹

The aim of the new disability policy concept is to change the procedure of the establishment of the disability status to

create pre-conditions for a fairer and more effective application of social security measures for the disabled in order to improve their ability to work, their independence and integration into the society.

According to the current procedure, the recognition of disability is the main regulated element of the personal evaluation system that establishes recommendations in relation to work and the right to meet any specific needs due to disability by means of various social security measures. The establishment of disability is solely based on medical evaluation criteria and insufficient attention is paid to factors such as partial work disablement, loss of income from work, and rehabilitation.

The new procedure for establishing disability is aimed at creating conditions which would allow the assessment and meeting of specific needs resulting from restrictions of functions, activity, participation, and other circumstances, and would allow the presentation of detailed recommendations by specialists to institutions which establish the level of disability to assess the degree of work disablement. The amount of replacement income when paying a disability pension depends on the degree of work disablement. The degree of work disablement is established only for individuals of working age. There are no plans to introduce this measure for the unemployed and individuals receiving old-age pensions (their specific needs will be met).

While developing a strategy for the implementation of the prepared concept, the Reform of theEstablishment of Disability and Social Security Measures for the Disabled is intended to be carried out according to the following guidelines:

1) the establishment of the degree of work disablement and specific needs (the Reform intends to separate the establishment of the degree of specific needs and to which degree these can be met, from the establishment of the degree working capacity);

2) pensions provision to the disabled (in solving the issues of pension allocation, it is intended to link social insurance pensions and insurance against accidents at work compensations with the degree of work disablement and the loss of earnings from work);

3) solving employment problems (in order to solve employment problems, attempts will be made to develop various forms of employment such as hiring, therapeutic work and general employment);

4) replacement of privileges with special assistance measures (it is planned to replace the majority of the existing privileges with various social security measures aimed at meeting the specific needs of the disabled, which will help to provide more effective social security for the disabled and enhance their opportunities for their full integration into society).

In implementing Government Resolution No. 160 of 12 February 2001, according to the Order of the Minister of Social Security and Labour No. 29S of 28 February 2001, the Inter-institutional Commission for Coordinating the Implementation of the Concept of the Reform of Disability Establishment and Social Security Measures for the Disabled was set up.¹ In order to ensure a more effective implementation of this Reform, the Inter-institutional Commission prepared, and the Government approved, the Action Plan of Implementation Measures of the Reform of Disability Establishment and Social Security Measure for the Disabled in its Resolution No. 604 of 23 June 2001.² It outlines the main implementation measures of the concept, including the terms of reference and those who are responsible. According to the Order of the Minister of Social Security and Labour No. 150 of 12 November 2001, inter-institutional working groups have been established for the implementation of each measure; they have been assigned to prepare respective legal acts and their implementation measures.³ It is proposed to draw up legislation by 2003 and implement it after adoption by 2005.

6.4.3. National Programme of the Integration of the Disabled into the Society for 2003-2012

In recent years, much attention was paid to the preparation of a new model for the complex rehabilitation of the disabled. The purpose of establishing new priorities was to seek equal opportunities for disabled individuals by developing public policy in the areas of rehabilitation and integration, and to plan a long-term strategy for the implementation of this policy.

In order to use the rehabilitation facilities in more effectively and better, the preparation of the National Programme of the Integration of the Disabled into the Society for 2003–2012 was launched in 2001. This programme provides for the following:

1) creating a complex personal assessment system (objectively evaluating the measures of the applied complex rehabilitation as well as those that should be applied, taking into account the person’s level of disability and his/her ability to participate in all areas of life);

2) creating a complex rehabilitation system (improving continuity between medical, professional, social, psychosocial rehabilitation, and training and reinforcement of independent life skills);

3) creating a system for meeting the specific needs resulting from disability (while ensuring, in the process of complex rehabilitation, consistent links between all parts and at the same time ensuring that specific needs are met);

4) creating equal opportunities for the disabled to actively participate in all areas of public life (improving training and employment systems; ensuring equal opportunities for involvement in various life activities).

The draft National Programme for the Integration of the Disabled into the Society for 2003–2012 has been prepared by the working group set up by the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania, in co-operation with the Ministry of Social Security and Labour as well as other ministries, municipalities, and disability NGO’s.

6.4.4. Specific Needs and Special Assistance Measures

The Standard Rules on the Equalization of Opportunities for Persons with Disabilities passed by the United Nations Organization Assembly contain a provision that states shall consistently take care of the development of areas such as legal, medical, and professional rehabilitation; training; compensatory equipment and prosthetics; adaptation of environment and apartments; culture; sports and leisure; information provision and communications; transport system services; compensation of lost income; social guardianship and other social services; and training of specialists to ensure the rights and equal opportunities of the disabled.

While establishing measures for the implementation of solutions based on the new disability policy principles, the Concept of the Reform of Disability Establishment and Social Security Measures for the Disabled contains definitions of the terms “specific need” and “special assistance measure”, which are based on a new and more widely integrated understanding of the needs of a disabled individual.

In 2001, based on established methods and newly created preconditions for ensuring the more effective integration of the disabled, guarantees relating to equal opportunities and rights of the disabled were oriented towards special assistance measures, equally considering the specific needs of each person, planning the life of the disabled according to their priorities, and ensuring equal rights and opportunities for everybody through social resources.

**Adaptation of Environment**

Public and domestic environments directly affect the degree of integration of a disabled individual and the possibilities for his/her participation in public life.

In 2001, the adaptation of the physical environment for the disabled was regulated by legislation; however, con-
sidering current needs and realities, it is necessary to modify this by changing the distribution of functions and funding on the regional level.

The main coordinators of the adaptation of the physical environment for the disabled have been the Ministry of Social Security and Labour (responsible for the policy of the adaptation of environment to disability in the country) and the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania (coordinating the activities of NGO’s of the disabled and financing special environmental adaptation projects). Unfortunately, the majority of functions delegated to county governor administrations were not effectively implemented and the main executors of environmental adaptation projects were municipalities and various social partners of towns (districts).

In 2001, commissioned by the Ministry of Social Security and Labour, the Labour and Social Policy Research Institute carried out research - Evaluation of Environmental Adaptation to the Physically Disabled in City and Rural Municipalities. Its conclusions state that since there is no common regional policy, the adaptation of physical environment was mostly based on single actions, the need exceeded financial possibilities, the environment was better adapted in cities than in rural areas, the management by NGO’s of the disabled of individual programmes was not able to solve environmental adaptation problems in a sustainable and consistent manner, and the municipalities tried to avoid any additional expenses.

Therefore, the establishment of solutions to the existing problems leads to a need to prepare the state’s concept of the adaptation of the physical environment for the disabled aimed at specifying the indicators of such activities, responsibility levels and the likely funds requirements, assessing service needs and their availability in different country’s regions. In order to control more effectively the environmental adaptation work, current legislation is insufficient. It is necessary to create a mechanism for controlling the costs of domestic adaptation works and evaluating their quality.

**Technical Aids Measures**

In chapter ‘Technical Aids for Disabled Persons. Classification’ of the European Standard ISO 9999:1998, prepared by the European Committee for Standardization and adopted by the Lithuanian Standardization Department as a state standard, the term “technical aids measures” includes, in its wider sense, compensatory equipment, prosthetic measures and orthopaedic appliances.

In 2001, in co-operation with ten orthopaedic appliance enterprises the Ministry of Social Security and Labour carried out the Programme for the Provision of the Population with Orthopaedic Appliances and Compensatory Equipment, which was aimed at improving the medical, professional and social rehabilitation of the disabled, their medical, social and technical service provision in order to implement the Law on the Social Integration of the Disabled. Including state budget funds, the programme for the provision of orthopaedic appliances was allocated LTL 22 million.

The National Centre for Compensatory Technique carried out investment programmes to acquire compensatory equipment in 2001. Over LTL 500,000 was spent on compensatory equipment costing less than LTL 500 per unit, and over LTL 2 million was spent on compensatory equipment priced over LTL 500 per unit. About LTL 200,000 was spent from state budget funds for purchasing repairs and adaptation services.

In 2001, commissioned by the Ministry of Social Security and Labour, the Labour and Social Policy Research Institute carried out research - Evaluation of the Provision System of the Disabled with Compensatory Equipment in Lithuania in Terms of Needs Satisfaction, Availability and Costs. The findings of the research show that the most acute problems remain the same: insufficient funding; lack of information; absence of direct contacts between equipment users and the responsible institutions involved in the provision process of compensatory equipment; an ineffective structure of the provision system and organizational forms, which restrict the identification of specific needs for equipment and their fulfilment. In implementing measures to solve the existing problems and planning the reform of the system of compensatory equipment provision, it is intended to decentralize the organizational structure of the system, focusing on the rationalization of system costs, separation of functions among individual provision stages, and developing opportunities for a more flexible provision.
TRANSPORTATION SERVICES

One of the most important conditions for ensuring the independence of the disabled is the adaptation of the transport infrastructure and allocation of appropriate means of transport.

On the national and municipal level further attempts were made to improve the pre-conditions for developing the system for meeting transportation services needs in 2001. The Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania carried out an investment programme, the Acquisition of Transport Specially Designed for the Disabled, which was financed out of the funds of the Privatisation Fund and which included the transfer of purchased special mini-buses to NGO’s, and the further development of the special transport infrastructure on the regional level.

Transportation privileges were granted, and using funds of the state budget the disabled with mobility disabilities had part of their travelling expenses reimbursed, as well as the costs of acquisition of a special motor vehicle. Table 6.4.4-1 shows that in 2001, after having modified the provisions governing the reimbursement of the acquisition costs of special motor vehicles (the term for a repeated acquisition of the right to the reimbursement amounting to 32 MSL of the purchase costs of special motor vehicles and their technical adaptation costs was shortened from 8 to 6 years), the number of individuals who were reimbursed travelling expenses increased by 17.6 per cent.

<table>
<thead>
<tr>
<th>Characteristics of the indicator</th>
<th>Number of individuals</th>
<th>Change in per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disabled who were reimbursed their travelling expenses</td>
<td>41,492</td>
<td>+17.6</td>
</tr>
<tr>
<td>Disabled who were reimbursed the purchase expenses of special motor vehicles</td>
<td>368</td>
<td>+141</td>
</tr>
</tbody>
</table>

Table 6.4.4-1

To implement the provisions of the Law on Transportation Privileges of the Republic of Lithuania and in order to ensure a more effective control of the reimbursement of the acquisition expenses of special motor vehicles, the Order of the Minister for Social Security and Labour partially changed the Procedure for Paying Compensations to Individuals with Mobility Disabilities for Travelling Expenses and Acquisition of Special Motor Vehicles, Their Technical Adaptation Expenses in 2001. It contains a provision that individuals wishing to receive such compensations have to submit, together with other documents, a certificate issued by an accredited independent property assessor about the market value of the special motor vehicle; it also establishes that the compensations paid may amount to 32 MSL but not more than the actual expenses or the market value of the special motor vehicle. Moreover, in order to simplify the recording of the purchase of a special motor vehicle, the list of documents to be submitted is supplemented with a certificate-invoice that the special motor vehicle is bought as a second-hand car from an individual seller.

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1 Order No. 92 of 20 October 2000 of the Minister of Social Security and Labour of the Republic of Lithuania on the Approval of the Procedure for Paying Compensations to Individuals with Motion Disabilities for Travelling Expenses and Acquisition of Special Motor Vehicles, Their Technical Adaptation Expenses (Official Gazette, 2000, No. 96-3049).
6.4.5. Occupational Employment of the Disabled

In order to provide possible solutions for problems related to the activities of manufacturing enterprises belonging to NGO’s of the disabled, that appear to be in a critical situation, the Ministry of Social Security and Labour implemented measures in 2001, to identify the reasons of the ineffective operation of such enterprises. The main reasons are the following:

1) inflexible requirement for the minimum monthly salary and minimum hourly rate;

2) restriction of non-interest loans for the introduction of new technologies, and interest obligations in regard of loans received earlier;

3) difficulties in selling the production on the local market owing to unequal competition with similar imported production;

4) payment of severance payments to the workers that are laid off.

The above main reasons also determined other negative consequences: arrears to the state (municipal) budgets, and the budget of the State Social Insurance Fund; bank accounts of some enterprises were arrested owing to defaulted settlements with the budgets and outstanding default payments; idle time was forced on enterprises owing to cash flow problems.

In order to establish ways for solving the existing problems and to implement more effective measures for the employment of the disabled regulated in the provisions of the Programme for Increasing Employment in 2001-2004 of the Republic of Lithuania\(^1\), a working group was set up following the Order of the Minister of Social Security and Labour No. 151 of 12 November 2001 for Preparing the Concept of the Activities and Status Establishment of Enterprises Employing Individuals of Restricted Working Ability.\(^2\) This working group was assigned to analyse the employment problems of the disabled in a more detailed manner and draw up a draft concept of the activities and status establishment of enterprises employing individuals of restricted working ability by June 1, 2002.

6.4.6. Activity of the Lithuanian Council for the Affairs of the Disabled

In order to implement the provisions of the Law on the Social Integration of the Disabled of the Republic of Lithuania\(^3\) and the delegated functions to ensure the appropriate administration of the state budget funds, the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania (hereinafter referred to as the Council) was allotted LTL 20.4 million out of the state budget in 2001 (15.7 per cent less than in 2000) for the implementation of programmes of medical and professional rehabilitation and social integration of the disabled in 7 priority directions. Taking into account the applications of NGO’s of the disabled, relevant funding was approved according to their needs:

for the training programme for the disabled - approximately LTL 2.7 million, occupational employment programme for the disabled - approximately LTL 7.2 million, environmental adaptation programme for the disabled - approximately LTL 1.8 million, programme for developing the independent life of the disabled - approximately LTL 4.2 million, information and communications programme - approximately LTL 1.8 million, and medical rehabilitation programme - LTL 2.2 million. According to these directions, the Council financed 29 programmes of NGO’s of the disabled, healthcare institutions and one programme related to educational institutions. In 2001, the Council received LTL 22.1 million from the state bud-

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get and the Privatisation Fund, which was used for implementing rehabilitation and integration programmes for the disabled according to the above estimates.

In 2001, in accordance with the revised activity regulations, the Council implemented, relevant measures within its competence ensuring better opportunities for guaranteeing the rights of the disabled and for the disabled to be involved in public life on an equal basis. While implementing its previous obligations and principal activity directions, the Council submitted target proposals to the Seimas, Government, ministries and other institutions of the Republic of Lithuania concerning the implementation of normative acts; it also initiated the preparation of relevant legislative drafts and was actively involved in solving issues related to the rehabilitation and integration of the disabled on both national and international level.

Conclusions

The last decade saw a trend of increasing number of the disabled.

According to data of the State Medical Social Expert Analysis Commission, the number of the disabled increased to 212,881 in 2001. 86.2 per cent of these were recipients of the State Social Insurance Disability pension and 7.3 per cent received social pension; 6.5 per cent were children. The increase in the number of the disabled was determined by ineffective prevention of chronic health disorders, restricted rehabilitation possibilities, growth in unemployment, and the fact that being assessed as disabled provides access to pensions, privileges and social security measures. In prioritising public social policy in the area of disability and in providing for their implementation strategy, the adoption of the Standard Rules on the Equalization of Opportunities for Persons with Disabilities passed by the Assembly of the United Nations Organization, International Classification of Impairments, Activities and Participation prepared by the World Health Organization, and the application of EU standards as well as other general principles of international law allowed to develop and adopt the new Concept of the Reform of Disability Establishment and Social Security Measures. The purpose of the Concept is to change the procedure of disability establishment to create a fairer and more effective application of social security measures for the disabled in order to help them recover their ability to work, their independence, and help them integrate into the society.

In order to use the rehabilitation facilities more effectively, the preparation of the National Programme of the Integration of the Disabled into the Society for 2003-2012 was started in 2001. This programme is aimed at defining the model of the development of complex rehabilitation methods of the disabled, paying particular attention to their medical, professional, social and psychosocial rehabilitation, the development of independent life skills and adequate satisfaction of their specific needs.

The findings of the research on the Evaluation of Environmental Adaptation to the Physically Disabled in City and Rural Municipalities carried out in 2001 indicate that because there is no common regional policy relating to physical environmental adaptation, many individual actions were carried out, the need for services exceeded funding possibilities, the environment was better adapted in cities than rural areas, the management by NGO’s of the disabled of individual programmes could not solve environmental adaptation problems consistently and systematically, while the municipalities tried to avoid any additional expenses and their contribution to this process was limited.

In 2001, in co-operation with ten orthopaedic appliance enterprises, the Ministry of Social Security and Labour carried out the Programme for the Provision of the Population with Orthopaedic Appliances and Compensatory Equipment, for which about LTL 22.5 million was allocated out of state budget funds. Over LTL 500,000 was spent on compensatory equipment costing less than LTL 50 per unit and over LTL 2 million was spent on compensatory equipment priced over LTL 500 per unit. About LTL 200,000 was spent out of state budget funds for purchasing repairs and adaptation services.

According to the findings of the Research On the Evaluation of the Provision System of the Disabled with Compensatory Equipment in Lithuania in Terms of Needs Satisfaction, Availability and Costs carried out by the Labour and Social Research Institute in 2001, the important problems of this system remain to be insufficient funding, absence of information availability and direct contacts between equipment users and the responsible institutions involved in the provision process, and ineffective structure of the system of compensatory equipment provision, and ineffective organizational forms.
In analysing the changes in the special transport infrastructure development in the country, we can see that the problem of adaptation of public transportation services and means to the needs of the disabled is still important - the transport does not meet current requirements. In 2001, therefore, the special transport infrastructure was developed on a regional level by transferring special minibuses purchased to the local municipal authorities and NGO’s of the disabled. Transport privileges were granted, and state budget funds partially reimbursed individuals with mobility disabilities for their transport expenses and the acquisition expenses of a special motor vehicle according to the modified procedure.

In order to solve problems related to the activities of manufacturing enterprises of NGO’s of the disabled that appear to be in a critical situation, relevant measures were implemented in 2001, which allowed the identification of the reasons for the ineffective operation of such enterprises. The inter-institutional working group set up for this purpose was asked to more thoroughly analyse the problems related to the employment of the disabled and draw up a draft concept of the activities and status establishment of enterprises employing individuals of restricted working ability.

In carrying out the delegated functions to ensure the appropriate administration of state budget funds, in 2001 the Lithuanian Council for the Affairs of the Disabled under the Government of the Republic of Lithuania was allocated an estimated LTL 20.4 million out of the state budget for the implementation of programmes of medical, professional rehabilitation and social integration of the disabled in 7 priority directions.

To implement the rights of the disabled in 2001, the vision of the reform of the integration model of the disabled was oriented at consistent activities in order to ensure independent, social integration and full participation in public life. Implementing the decisions will require substantial resources, but the projected changes allow to expect more positive results in this area.

6.5. Social Assistance to Victims and Social Risk Groups

In 2001, in implementing the Action Programme of the Government, social assistance was continued to victims and social risk groups. Social assistance was developed in two directions: preparation of and improvements to legislation, and the implementation of social programmes for groups of victims - political prisoners and deportees, participants of armed opposition (resistance), volunteer soldiers, individuals who suffered as a result of the clean-up of the Chernobyl Nuclear Power Plant accident, individuals who served in the Soviet Army and were injured or killed there and social risk groups - individuals addicted to psychotropic substances, individuals released from imprisonment institutions, victims of forced prostitution and trafficking in people.

6.5.1. Legislative Improvements for Separate Victim Groups

On June 13, 2000 the Seimas of the Republic of Lithuania passed the Law on Compensation of Damage Resulting from Occupation of the USSR on June 13, 2000, in accordance with the generally accepted international legal norms and principles, and the international practice of compensating for damages resulting from occupations, including the compensation of damages inflicted by the German occupations during World War II on other states and their citizens. It contains a provision according to which the Russian Federation has to compensate the Republic of Lithuania for damages inflicted by the USSR occupation, including its repressive structures and military activities during the period between 1940 and 1993. The Government of the Republic of Lithuania was obliged to establish the Fund for the Return to the Motherland of persons deported to the USSR. This task was assigned to the Ministry of Social Security and Labour. To implement the Resolu-
tion of the Government of the Republic of Lithuania No. 1375 of 8 November 2000, the Order of the Minister of Social Security and Labour No. 71 of 11 June 2001 approved the composition of the Council of the Fund for the Return to the Motherland of persons deported to the USSR as well as its terms of reference. The Order of the Minister of Social Security and Labour No. 171 of 14 December 2001 approved the procedure for paying the expenses of return to the Motherland of persons deported to the USSR by using the resources of the Fund for the Return to the Motherland of USSR Deportees, while the Department for the Supervision and Audit of Social Institutions under the Ministry of Social Security and Labour was assigned to administer the financial aspects of the expenses of return of persons deported to the USSR and their descendants to the Motherland. This procedure defines the deportees and their descendants and establishes that upon the return to Lithuania the persons are reimbursed the expenses related to their return to Lithuania out of the Fund (if available), they are allocated one-off benefits for settling back into Lithuania, and they are reimbursed any expenses related to Lithuanian language, professional training courses and courses for changing qualification. It is laid down in law that the Fund includes proceeds from foreign states according to their special repatriation and compensation programmes, money gifted (contributed) by legal as well as natural entities, interest on the Fund’s bank deposits, and other legal income.

In order to resume the payment of compensations to political prisoners, former prisoners, the Government has submitted a draft Resolution On Partial Amendment of the Resolution of the Government of the Republic of Lithuania No. 327 of 12 August 1991 On the Compensation of Material Damage to Persons who were Deported for Forced Labour during World War II, were in Ghettoes and other Places of Imprisonment, and Persons who were Illegally Evicted from Certain Lithuanian Places to Other Places in 1951-1952, according to the established procedure. When the Law is adopted, the payment of compensations to political prisoners and former prisoners will be resumed, since the Resolution of the Council of Ministers of the Lithuanian SSR No. 160 of 24 July 1989, according to which compensations used to be paid, has not been valid since 31 December 1999, since it is an act passed during Soviet times. Since about 10 persons could apply for such compensations in 2002, the additional need for state budget funds would amount to about LTL 20,000 per year (if the period of imprisonment is 8 years). The draft resolution provides that compensations to relevant persons shall be paid for the time spent in imprisonment institutions, ghettoes, other detention institutions, also for forced labour until 31 December 2001.

6.5.2. Implementation of Social Programmes for Victims

The Programme of Return of Deportees and Political Prisoners and their Families to Lithuania and their Provision with Flats and Employment, which aims to create conditions for deportees and their families to return to the Motherland, continued to be implemented. In 2001, 78 such families were provided with flats (which amounts to merely 8.2 per cent of the total number of families registered as willing to return to Lithuania), they were ensured social guarantees, their employment issues and questions relating to their integration into public life were being addressed. Although by its Resolution No. 19 of 11 January 1992 the Government of the Republic of Lithuania provided for the main measures, which, if implemented, would

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2 Resolution No. 160 of 24 July 1989 of the Council of Ministers of the Lithuanian SSR on the Compensations of Damages to Rehabilitated Individuals, Individuals who were Detained or Convicted Between 15 June 1940 and 1 June 1981.
ensure that the vital needs of the returnees are met, when addressing specific issues the need arose to specify in a detailed manner the methods of addressing these issues, how to implement these and the cost of implementation. Therefore, at the end of 2001, the Government was presented with the draft Resolution of the Government of the Republic of Lithuania On the Approval of the Programme of Return of Families of Political Prisoners and Deportees to Lithuania for 2002-2007 and the Procedure for the Provision of Rented Accommodation to the Families of Political Prisoners and Deportees Returning to Reside in Lithuania.

### Application of Funds to Purchase or Build Flats for Deportee Families in 1992-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of registered families willing to return to Lithuania</th>
<th>Amount of funds allocated</th>
<th>Number of flats given</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>250</td>
<td>34.15 million roubles</td>
<td>95</td>
<td></td>
</tr>
<tr>
<td>1993</td>
<td>750</td>
<td>310 million coupons</td>
<td>101</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>850</td>
<td>LTL 3.1 million</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>833</td>
<td>LTL 3.1 million</td>
<td>112</td>
<td></td>
</tr>
<tr>
<td>1996</td>
<td>717</td>
<td>LTL 8.6 million</td>
<td>246</td>
<td>Temporary Accommodation Centre was built</td>
</tr>
<tr>
<td>1997</td>
<td>656</td>
<td>LTL 8.122 million</td>
<td>224</td>
<td>State budget funds; Deportees' care home was built using a CEDB* loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LTL 4 million</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>654</td>
<td>LTL 11.33 million</td>
<td>121</td>
<td>State budget funds CEDB loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LTL 10 million</td>
<td>148</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>710</td>
<td>LTL 2.63 million</td>
<td>88</td>
<td>Funds of the Privatisation Fund</td>
</tr>
<tr>
<td>2000</td>
<td>836</td>
<td>LTL 0.80 million</td>
<td>25</td>
<td>Funds of the Privatisation Fund</td>
</tr>
</tbody>
</table>

* Council of Europe Development Bank

Over ten years (1992-2001), the total amount of funds allocated and used to purchase flats for the returnees amounts to LTL 60.2 million, out of which LTL 43.2 million come from state budget funds and LTL 17 million are part of the CEDB loan. Using these funds, 1427 families were provided with flats. As we can see in Table 6.5.2-1, in 2001, compared to 2000, much more funding was allocated for that purpose (a LTL 3 million loan was received from the CEDB; LTL 390 thousand was allocated from the state budget), therefore, a much greater number of families was provided with flats (in 2001 - 78 families while in 2000 - merely 25). However, as it has been mentioned above, the number of families on the waiting list for flats is 12 times greater.
6.5.3. Implementation of Social Programmes for Social Risk Groups

SOCIAL ASSISTANCE TO PERSONS ADDICTED TO PSYCHOTROPIC SUBSTANCES

In 2001, the Ministry of Social Security and Labour continued implementing the National 1999-2003 Programme for the Drug Control and Drug Addiction Prevention, which was approved by the Resolution of the Government of the Republic of Lithuania No. 73 of 23 January 2001¹ (The State Commission on the Control of Narcotic Drugs, chaired by the Minister of Health, is responsible for co-ordinating and implementing the Programme.)

In 2001, the Ministry of Social Security and Labour carried out 5 measures of the National Programme for the Drug Control and Drug Addiction Prevention in addition to researching the Efficiency of Projects on the Rehabilitation of Drug Addicts and Drug Prevention.

LTL 736,000 was allocated from state budget funds for the implementation of these measures. The greatest part of these funds was devoted to supporting projects prepared by organizations working in the area of prevention of drug addiction and rehabilitation.

Thus the main measure was the support of projects prepared by various organizations working in the area of prevention of drug addiction and rehabilitation. LTL 460,000 was devoted to that purpose. The Ministry of Social Security and Labour announced an open tender for such projects and received 58 proposals. The Evaluation Commission selected the 37 best proposals. Priority was given to the rehabilitation of drug addicts, also the continuation of those projects started last year which yielded quite good results. Among the tender winners were the ‘Vilties zingsnis’ (Step of Hope), the public enterprise established by the Deguciai Community of the Centre for Social and Labour Rehabilitation of Convalescing Drug Addicts; the project of the ‘Sugrizimas’ (Comeback) public enterprise called the “Rehabilitation of Men Addicted to Drugs and Alcohol”; and the project of the Lithuanian Fund for Supporting Drug Addicts called ‘Pirmieji zingsniai-2’ (First Steps-2). It should be noted that recovering addicts undergo not only psychological therapy but they are also engaged in improving their interpersonal skills and working activities. Following the Swedish example, the Lithuanian recovering addict communities also employ the principle of self-help.

In order to evaluate the effectiveness of the tender procedure for projects on the rehabilitation of drug addicts and the prevention of drug addiction, the above research was carried out in 2001. Its conclusions and suggestions were taken into account while organizing a similar tender in 2002.

The main conclusions of the research on the Efficiency of Projects on the Rehabilitation of Drug Addicts and the Prevention of Drug Addiction are the following:

1) the creation of rehabilitation programmes for drug addicts is a spontaneous process. There are no common standards regulating the establishment of rehabilitation centres, their services, personnel;

2) there is no information about rehabilitation programmes being implemented. The communities do not know about each other, there is no co-operation between them;

3) rehabilitation programmes are created and centres are established without taking into account the country’s needs. Certain districts do not have rehabilitation centres at all while others have several;

4) the purpose of rehabilitation is not only to show drug addicts how to abstain from drugs but also to help them recover normal physical, psychological, emotional, economic state and social status. Many rehabilitation centres restrict themselves to dealing with social isolation and providing labour therapy;

5) long-term rehabilitation centres often face difficult problems such as maintaining studies at schools of school-age individuals, and relationships between men and women;

6) tensions about the uncertainty of further re-integration into the society (after leaving the rehabilitation centre), etc.;

¹Lietuvos Respublikos Vyriausybės 2001 m. sausio 23 d. nutarimas Nr. 73 “Dėl Lietuvos Respublikos Vyriausybės 1995 m. vasario 28 d. nutarimo Nr. 282 ir 1999 m. rugėjo 6 d. nutarimo Nr. 970 dalinio pakeitimo” (Žin., 1999, Nr. 76-2291; 2001, Nr. 8-235).
lack of help for teenagers addicted to narcotic substances; absence of a consistent, gradual (step-by step) assistance system (motivation, rehabilitation, integration into the society). Therefore, teenagers often fail to complete the rehabilitation course and after such incomplete rehabilitation they are faced with problems of re-integration into the learning process or integration into labour activities;

7) lack of co-operation between public institutions, centres of dependency diseases or mental health centres, and non-governmental institutions engaged in the rehabilitation of drug addicts;

8) the personnel of rehabilitation centres is badly in need of knowledge, skills and support of specialists. Social workers are often persons without any special training. Some social workers possess a university degree while others have merely completed 2-month or 2-week courses;

9) Lack of public policy on the prevention of drug addiction. The majority of the providers of prevention programmes can only use their own understanding and experience;

10) there are no prevention plans for cities or districts, therefore work is inconsistent and fragmentary: often these are merely individual events. Some districts or even individual schools have many such events while other do not have any prevention at all.

Based on these findings, the following recommendations were made:

1) to prepare at least minimum specifications and recommendations for founders of rehabilitation communities for drug addicts and their rehabilitation centres (relating to their services, methods applied, personnel, work procedure, etc.);

2) to organize special courses for rehabilitation community personnel so that the workers can acquire the necessary knowledge, skills and a certificate allowing to work in such centres or communities, or establish them;

3) to initiate a professional association for people working in the area of rehabilitation of drug addicts;

4) to develop co-operation between centres for dependency diseases and mental health centres, and rehabilitation communities of drug addicts and their day-care centres. Such co-operation would assist with the more effective solving of problems currently arising in the area of rehabilitation of drug addicts in order to provide access to specialist consultations, offer complete help to drug addicts, assist with gradual rehabilitation and re-integration of drug addicts into the society, etc.;

5) to create a consistent, gradual (step-by step) assistance system for teenagers (motivation, rehabilitation, integration into the society);

6) to propose to municipalities or their education authorities the development of prevention plans by co-ordinating the work of individual institutions and organizations;

7) to disseminate best rehabilitation practice. For that purpose, it is recommended to issue a special publication which would introduce all successful rehabilitation communities and centres in Lithuania. This would be useful not only to the specialist working in the field but also to those searching for help. It is also important to organize the dissemination of best practice in the area of prevention.

The purpose of the second measure of the National 1999-2003 Programme for the Drug Control and Drug Addiction Prevention is to support projects of non-governmental youth organizations on the prevention of drug addiction. According to the Resolution of the Government of the Republic of Lithuania No. 73 of 23 January 2001, the institution responsible for its implementation was the Council of Youth Affairs, which ran a tender for projects on the prevention of drug addiction. 104 projects were submitted and 51 of them were selected as winners. Agreements have been signed with the executors and funds have been allocated for the implementation of the projects - LTL 200,000.

The third measure, for whose implementation the Ministry of Education and Science was responsible, organized psychological and pedagogical rehabilitation camps for children and youth within the risk groups who have been involved in taking narcotic drugs. Also after school events on the prevention of drug addiction were organised, as well as leisure time activities for children and young people.

The Ministry of Social Security and Labour contributed to the implementation of this measure and supported three winning projects by devoting LTL 20,000 to these.

As referred to in the research on the efficiency of projects, during the establishment of new communities and centres for drug addicts, particular attention should be paid to the qualifications of the personnel working with drug addicts and their family members. In 2001, LTL 56.100 was allocated for the training and re-training of social workers to work with the representatives of risk groups and their fam-
ily members. Training programmes of various lengths were carried out by the Social Workers Training Centre under the Ministry of Social Security and Labour in co-operation with other educational institutions. In implementing this programme, seminars provided training to 192 persons performing social work with persons belonging to risk groups in institutions providing social services, educational, police, medical institutions, non-governmental organizations and children’s rights protection organisations. It should be noted that attempts were made that different peoples would participate in 2001 compared to 2000.

In implementing this programme, the Ministry of Social Security and Labour was obliged to prepare the concept of the integration of drug addicts into the society in 2001. In implementing this measure, the Concept of Integrating Persons Addicted to Psychotropic Substances into the Society was drafted and approved by Order of the Minister of Social Security and Labour of the Republic of Lithuania and the Minister of Health of the Republic of Lithuania No. 129/518 of 4 October 2001.

The main message of the Concept of Integrating Persons Addicted to Psychotropic Substances into the Society is that "the process of integration of persons addicted to psychotropic substances into the society includes the system of integrated healthcare and social services, which is made up of services provided by county, municipal subordinate institutions, non-governmental organizations or self-help groups." Currently the rehabilitation process lacks a system. The scheme of help to patients has to be the following: identification - treatment - rehabilitation (social and psychological) - social integration. The first two steps are related to medical rehabilitation. General practitioners, centres of dependency diseases and other institutions engaged in the identification and treatment of persons addicted to psychotropic substances have to pass on data to mental health centres and municipal social assistance departments, which must take care of the rehabilitation and social integration of such persons. Mental health centres and municipal social assistance departments, working in close co-operation, maintain links with rehabilitation centres, labour exchanges, services for children’s rights protection, family crisis centres, police, imprisonment and other institutions. These units, while continuing medical rehabilitation by providing their services, have to ensure social rehabilitation until the complete integration of such persons into society and the labour market is achieved.

The provision of social services to drug addicts and their family members is one form of social assistance for this risk group. The Ministry of Social Security and Labour is preparing the Concept of Reform of the Provision of Social Services; one of whose main purposes is the provision of directions for the reform of the funding of social services. Both the current budget-estimate-based funding of the institutions providing social services and the funding of projects submitted for social programmes does not encourage the effective use of the available resources or cost-cutting, and does not create conditions for the development of competition among institutions providing social services. Therefore, it is intended to employ the purchasing-model for social services in the future, applying the principle that funds for the provision of social services has to be used as rationally as possible and directed at satisfying the individual needs of a service user for such services.

The provision of social services to drug addicts in the future should not be carried out by providing funding according to various programmes and projects, whose implementation is difficult to control and co-ordinate, because often the services fail to reach those who need them most. In providing social services, for this social group, choices have to be made of the model of purchasing social services: financing individual social services rather than the institutions providing them. Therefore, it is necessary to set the rates of rehabilitation services for drug addicts and set minimum requirements for institutions providing such services.

The ultimate purpose of providing social services to persons addicted to psychotropic substances is to return to those persons their ability to take care of themselves, and to integrate in society. Only the rational use of available resources, the effective organization of the provision of social services and involvement of the wider community in this process makes it possible to achieve the real effectiveness of social services - to help a person to recover, gain strength, and come back to the real life.

**Social Assistance to Persons Released from Places of Imprisonment Places**

Another social risk group that needs assistance is that of persons released from places of imprisonment. Their social adaptation is very important because, according to statistical data, without the necessary social assistance these persons will return to committing crimes. In 2001,
the 2001–2004 Programme of Social Adaptation of Convicted Individuals who were Released from Places of Imprisonment, Institutions of Correctional Labour, and their Social and Psychological Rehabilitation was carried out. The aims of the Programme were to assist convicts who were released from places of imprisonment in order to adapt better to the changed society, provide them with more possibilities to study and improve qualifications both in places of imprisonment and following release, also to create better living conditions for former convicts who are living alone and sick. In 2001, upon the commissioning of the Ministry of Social Security and Labour, the Law Institute carried out research on the Needs for Social Assistance of Former Convicts and Needs of Organizations and Institutions Providing It. It defines the persons serving an imprisonment sentence in a detailed manner, lists the needs of former convicts and analyses the problems of the institutions providing them with social assistance.

**Persons Serving Imprisonment Time**

- Since 1997 the number of convicts in places of imprisonment in Lithuania has increased. In 1997-1999, the average number of persons released from places of imprisonment was about 5,000 per year while in 2000, following an amnesty, the number was 9727.
- The majority of convicts (two thirds) were sentenced to an average of 4.5 years. About one third of them were sentenced to 3 to 5 years, another one third - to 5 to 10 years. The time actually served is about half - about 2.3 years on average.
- The majority of imprisoned convicts (about 90 per cent) serve this punishment in correctional labour institutions.
- The majority of convicts (about 71 per cent) are persons between 21 and 40 years old. Of these about 41 per cent are persons aged between 21 and 30 and about 28 per cent are persons aged between 31 and 40 years old. About 14 per cent of all convicts are persons under 21 years old.
- Less than one half of all convicts (45 per cent) have secondary education and 46 per cent have lower than secondary education. In 2000, 19 per cent of all convicts were students (the figure was 18 per cent in 2001): 9 per cent in secondary schools, 7 per cent in vocational training schools. Only 8 per cent of all convicts in places of imprisonment have received education certificates: 7 per cent from vocational schools, 1 per cent from secondary schools.
- Only less than 25 per cent of all the convicts have the possibility to work in a place of imprisonment.
- In 1999-2000, 8.7 per cent of all the convicts were drug addicts, 7 per cent were alcoholics, 20.3 per cent had various mental problems, and 2 per cent were disabled.

**The Needs of Former Convicts and how These are met**

- Not all former convicts apply for social assistance (only about 60 per cent of all the persons released from places of imprisonment places).
- Varying numbers of former convicts contacted municipal social assistance departments: 19 municipalities which were surveyed were contacted by 2 to 5 persons per month on average, other 19 were contacted by 6 to 11, and the remaining 9 were contacted by 15 to 120 former convicts.
- Municipalities and non-governmental organizations (NGO’s) specified the following key problems of former convicts: difficulties in finding work - 98.1 per cent of municipalities and 76.6 per cent of NGO’s; lack of money to live on - 96.2 per cent of municipalities and 83.3 per cent of NGO’s; lack of accommodation - 66 per cent of municipalities and 66.6 per cent of NGO’s.
- While providing social assistance 58.5 per cent of municipalities and 56.6 per cent of NGO’s encounter convicts who are addicts; 41.5 per cent of municipalities encounter convicts sick with tuberculosis; 26.6 per cent of NGO’s encounter mentally ill convicts.
- In 1998-2001, the most frequent form of social assistance was one-off benefits (in 2000, this form of social assistance amounted to 57 per cent and in the first half of 2001 - to 53 per cent of all social assistance provided). The second most frequent form of social assistance was...

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food vouchers (in 2000, 15 per cent; in the first half of 2001 - 12 per cent). Other forms of social assistance according to their frequency include: charity (on average 10 per cent), and provision of temporary accommodation (8 per cent). The employment of such persons amounts to only 7 per cent on average of all social assistance provided.

- In 2000, social assistance departments satisfied 95.2 per cent of the applications of former convicts for one-off benefits (96.3 per cent in the first half of 2001), 99 per cent for free food, 95 per cent for charity, 100 per cent for hygiene services, 88.6 per cent for the provision of temporary accommodation, and 7.9 per cent for employment.

- The number of persons paid one-off benefits by municipalities is increasing each year. They are often smaller than 1 MSL.

Temporary accommodation is provided in 18 municipalities (34 per cent) of those who took part in the survey (53). Apart from the city of Vilnius the municipalities providing such services satisfy the accommodation needs of almost all former convicts. The number of persons applying to Vilnius city municipality for temporary accommodation amounts to more than a half of all the former convicts applying for this service. 12 municipalities have hostels.

**Problems Related to the Activities of Social Assistance Institutions**

- 22 (41.6 per cent) municipal social assistance departments do not have a specific worker for providing social assistance to former convicts, in 28 (52.7 per cent) social assistance departments these duties are assigned to one of the social workers, in three municipalities (5.7 per cent) there is more than one worker working with former convicts. Vilnius city municipality has three such specialists.

- More than one half, which is 30 municipalities (56.6 per cent), indicated that the qualifications of their workers were essentially sufficient; 16 (30.2 per cent) municipalities indicated that their qualifications were insufficient, of which about one tenth (9.4 per cent) asserted that the qualifications were definitely insufficient. 15.1 per cent indicated the lack of qualified personnel as one of the obstacles preventing effective social assistance.

- Most often NGO’s provide charity (72.4 per cent) and information on various issues (62.14 per cent), provide free food to former convicts (44.8 per cent), provide consultations on various issues (48.3 per cent), provide temporary accommodation services (48.3 per cent), assist in finding employment (24.1 per cent), and perform other forms of social work (20.7 per cent).

**Conclusions of the Research and Recommendations**

The evaluation of the research findings leads to the following main conclusions and suggestions:

1. Former convicts make up a substantial and specific group of persons in need of social assistance. In 1997-1998, an average of 3,500 former convicts contacted the country’s municipalities for social assistance per year; in 2000, the figure was almost 6,000. The bulk of these are likely not to address the municipalities, not because they do not need assistance, but because there is a lack of information, unwillingness to ask something from the state, or simply because they do not expect to receive the assistance needed. If problems of the lack of information and motivation to apply for social assistance are appropriately solved, the number of persons applying for assistance might increase.

To improve the system of social assistance for former convicts, it is necessary to gather information about all institutions and organizations providing social and psychological services to former convicts in a centralised manner and at local level, and to develop co-operation among the service providers. Sufficient and comprehensive information about such services would facilitate the improvement of the existing system, and make it more effective: 1) it would be possible to consistently eliminate gaps in social assistance; 2) it would be possible to avoid their overlap when the same person uses assistance of several institutions or organizations.

2. One of the most acute problems relating to the social integration of former convicts is employment after being released form an imprisonment place. The majority of former convicts are persons of potentially most active and working age. According to their education, they fall within the groups of the unemployed for whom it is most difficult to find a job. Considering the fact that the majority of convicts have quite long sentences and that the majority of them do not have the opportunity to work in the place of imprisonment, we may conclude that the majority of those
persons, even if they had acquired appropriate professional training before, do not possess work skills or have lost them.

3. Health care issues are important to former convicts, since often it is necessary to treat them for tuberculosis, or dependency diseases. Also, many need psychological or psychiatric support.

4. Having compared the social assistance provided by the municipalities and the applications of former convicts for social assistance, it may be concluded that in 1998-2000 the actual social assistance provided met the basic survival needs of former convicts relatively well, but not the actual social integration needs. The municipalities satisfied the applications of former convicts for social assistance almost to the maximum, except for the requests of such persons relating to employment and the provision of temporary accommodation.

Attention should also be paid to the fact that the greatest part of social assistance provided in 1998-2001 was in the form of one-off monetary benefits and not social services. Thus the current state of social assistance is more oriented at short-term direct satisfaction of the physical existence needs of former convicts rather than at the solution of the problems related to the long-term meeting of the needs of such persons i. e. the system of social integration.

5. The majority of the municipalities are unable to solve these problems and ensure an effective system of social assistance and integration also because currently there is no system of specialised institutions. The majority of municipalities do not have any specialized institutions and social assistance is only provided by social assistance departments. In terms of specialised institutions, the municipalities have hostels, charity canteens, etc.

It should also be noted that quite a number of institutions are currently engaged in identifying and satisfying the social needs of present and former convicts (Ministry of Social Security and Labour, Ministry of Justice, Ministry of Education and Science, labour exchanges, social assistance departments, etc.); however, these institutions insufficiently co-ordinate their activities, which often leads to a lack of a systematic look at the social needs of such persons and how these can be met. In view of the former comments, it is necessary for both public and non-public institutions to essentially improve their co-operation, for example, by organizing and implementing joint re-socialisation programmes, projects, and other measures.

6. Some problems are related to legal difficulties. The provision of social assistance to former convicts is regulated by quite a number of pieces of general national legislation. They establish that social assistance to former convicts is provided according to the same procedure as to other groups of people in need of social assistance. A few special legal acts regulate the provision of social assistance only to former convicts, but they establish only one form of social assistance exclusively provided to this group of persons - i. e. one-off benefit. Such social assistance is necessary but it fails to satisfy other, specific needs of former convicts, in that is it does not solve their social integration problems: different methods of social work have to be used for that purpose.

It should also be noted that international legislation governing the provision of social assistance do not contain any special provisions concerning the provision of social assistance to persons who were released from places of imprisonment, except for certain international documents regulating various aspects of the implementation of punishments alternative to imprisonment. The latter recommend implementing social integration measures for former convicts involving private companies and non-public organizations providing training and employment programmes of former convicts. It is also noteworthy that the policy of the European Union is oriented at encouraging social security and integrating persons living "on the margins of society".

7. To improve the system of social assistance, re-integration and re-socialisation of former convicts, the following measures should be implemented:

1) criminal policy has to be in line with social policy; often the fact of imprisonment makes the later integration of former convicts difficult; the modification of the criminal policy with amnesties later-on becomes a heavy burden on the social assistance system, because many convicts are released at the same time while the municipalities are not prepared for this and they are incapable of targeting their activities to this, and at the same time conditions are created for an unfavourable attitude in society towards former convicts;

2) the adoption of legal acts which would clearly regulate the system and competence of the institutions providing assistance to former convicts as well as the types and nature of the assistance provided;

3) state and municipal budgets should provide financial
reserves for ensuring the optimal functioning of the institutions and the provision of assistance; it is obvious that it is (and will always be) too big of a burden for the state and municipal budgets alone; therefore, it is necessary to introduce new, project-based forms of funding attracting money from various funds and private entities (this is successfully done in other countries); it is necessary to create a system whereby municipalities are interested in providing social assistance to former convicts (for example, they must maintain persons who are repeatedly imprisoned, which would cost much more than social assistance in freedom);

4) to start working with a convict while he is still imprisoned; social integration and employment programmes that are carried out in imprisonment institutions and outside should be closely inter-related and be aimed at the same goal; such a system requires not only professional social workers but also appropriately harmonised legislation (for example, the law provides the possibility for a convict whose imprisonment time is coming to an end to work outside the place of imprisonment);

5) to carry out information-provision (educational) work in places of imprisonment as well as in the institutions and organizations providing social assistance to convicts (organizing lectures, seminars, courses in places of imprisonment, attractive provision of information, preparation of visual material, etc); considering the future, particular attention should be paid to the creation of the re-socialization system for minors and young people, which should be part of the Programme of Justice for Minors;

6) day-care centres should be encouraged, where individuals released from imprisonment places could receive complex assistance, such as consultation by a social worker or psychological advice. In such centres ex-prisoners could meet in self-help groups, in order to help each other re-socialise after analogous experience. The establishment of hostels is insufficient to ensure the minimum social needs of former convicts are met, because it is necessary to solve the issue of employment of such individuals;

7) each person released from a place of imprisonment must have a possibility to participate in an individual social integration programme, including the labour exchange where a job can be found; a mental health centre for psychological consultations; social assistance and care department for the assistance of a social worker, etc.;

8) in establishing hostels, social assistance centres, adaptation centres and similar institutions, it is necessary to consider the territorial distribution of former convicts. Since the majority of former convicts plan to live in cities (which is not altogether undesirable trend, as cities can offer more opportunities), such institutions should be respectively concentrated there at the moment;

9) social workers have to be trained to work with former convicts, because this category of people has specific needs, specific experience, which must be understood and assessed by social workers, and based on such knowledge and the assessment of the client’s condition specific social assistance should be provided; graduate and higher schools preparing social workers should offer courses on the specifics of assistance to former convicts, issues relating to its provision etc.

**SOCIAL ASSISTANCE TO VICTIMS OF FORCED PROSTITUTION AND TRAFFICKING IN PEOPLE**

Today trafficking in people is a social phenomenon and an international problem, as every year tens of thousands of women leave their homes in search of work and better life abroad. Criminals force women, by deceit, force or other means (threats, blackmail) to work like slaves, often they take away their documents, personal freedom; and make them work as servants, nurses, baby-sitters, dancer, waitresses and or in forced prostitution. Women fall into unregulated spheres of business and other services, where they suffer physical and psychological coercion, bullying by the employer, do not receive a salary - in other words, their rights are constantly being violated.

Trafficking in women is currently regarded as one of the main sources of profit for the organized crime world. For the purposes of sexual or other exploitation about 700,000 people are trafficked abroad per year in the world, most of whom are women and children, and profits received from this criminal business amount to billions of US dollars.

According to the Europol data, in Western Europe alone over 120,000 women and children are sold per year. According to the non-governmental organizations of the European Union, the real number is a few times higher. About 2,000 women are thought to be trafficked from the Baltic States to foreign brothels per year.

According to the latest data, the scale of trafficking in women in Lithuania is the highest among the Baltic States. Although the real numbers of trafficking of women for pros-
titution are unknown and Lithuania does not have precise statistics, the experts agree that more and more Lithuanian girls are sold to foreign brothels every year. In Germany alone Lithuanian girls are most frequently mentioned in cases of trafficking in women; according to the number of such cases Lithuania is well ahead of such long-term leaders [of the league table] as Russia, the Ukraine and Poland, which are larger states. According to data of Germany’s criminal police, presented in the Overview on Trafficking of People, in 2000 the number of Lithuanian victims of trafficking in people in Germany was much higher than the number of victims from other countries with much greater populations: from Lithuania - 162, from Russia - 140, from the Ukraine - 115, from Poland - 74, from the Czech Republic - 74. According to border guard officers of Vilnius Airport, girls suspected of prostitution are found on every second flight from Germany.

Therefore, it is not accidental that the Council of Europe announced that priority issues in the area of gender equality in 2002 are the fight against violence against women and the fight against trafficking in women for the purpose of sexual exploitation.

Considering the importance of the problem of trafficking in people the Government of the Republic of Lithuania approved in its Resolution No. 62 of 17 January 2002 the 2002-2004 Programme for the Control and Prevention of Trafficking in People and Prostitution. Trafficking in people and prostitution are a social phenomenon; therefore, it is intended to organize a system of control and prevention which would include a complex of educational, socio-economic, medical, national and international legal, scientific, organizational, tactical, information, analytical, financial and other measures.

Lithuania currently does not have a functioning joint rehabilitation programme for victims of trafficking in people and forced prostitution or a linked institutional system which could provide complex legal, medical, social and other assistance to victims of trafficking in people. The 2002-2004 Programme for the Control and Prevention of Trafficking in People and Prostitution provides for creating social, psychological and legal support systems for victims of people trafficking and prostitution in 2002-2004. The implementation of this Programme will lead to a more effective fight against specialized criminal groups; creation of a social assistance system reducing the involvement of new people into prostitution; creation of conditions for victims of prostitution and trafficking in women to receive social, psychological and legal support; improved search for missing persons; creation of prevention, investigation and disclosure information systems for victims of trafficking in people; wider international co-operation, and support to non-governmental organizations. Also, it will lead to the implementation of the preventative educational programme in schools; creation of a computer database of persons detained with forged documents, suspected of procurement, missing persons, persons deported from foreign states and from the Republic of Lithuania by the State Border Guard Service under the Ministry of Internal Affairs; implementation of international legislation and recommendations presented by the international organizations in the area of the control of trafficking in people and prostitution.

The Ministry of Social Security and Labour contributed to the preparation of the Programme. It is intended to develop the assistance system for victims of forced prostitution, which would help to victims of trafficking in people and prostitution integrate into the labour market.

6.5.4. Conclusions and Further Guidelines of Social Policy

After having passed the Law on Compensation of Damage Inflicted by the USSR Occupation, its Repressive Structures and Military Activities in 1940-1993 to the Republic of Lithuania, Lithuania took the first important step to be compensated for the damages inflicted on the state during the Soviet occupation. The Ministry of Social Security and Labour took care of the preparation and approval of legal acts concerning the establishment of the Fund for the Return to the Motherland of USSR Deportees and payment procedures.

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The payment of compensations to former political prisoners for the time spent in places of imprisonment was resumed, which means that the state’s obligations are continuous in providing social assistance to unlawfully repressed individuals.

The implementation of the Programme of the Return of Deportees and Political Prisoners and their Families to Lithuania, and their Provision with Flats and Employment is continuing. Since the number of families willing to return to Lithuania amounts to about 1000 and is increasing, it is necessary every year to allocate more funds for the implementation of this programme, and at the same time to be more decisive in supporting the unlawfully repressed individuals willing to return.

In implementing the measures of the National Programme for the Drug Control and Drug Addiction Prevention in 2003, considering the recommendations of the research carried out in 2001 on the efficiency of projects on the prevention of drug addiction and rehabilitation of drug addicts, it is intended to set the minimum standards for institutions providing rehabilitation services to drug addicts in the year 2002. These requirements would help to more effectively evaluate the quality of the provided rehabilitation services and the effectiveness of the funds used. This is necessary for the transition to the reform of social services, that is, for the transition to the purchase of social services, because it is necessary to establish standards and norms for social services. In the area of the rehabilitation of drug addicts, it is a very important issue, because the provision of such services is increasing but there are no governing normative requirements.

The implementation of the National Programme for the Drug Control and Drug Addiction Prevention will be completed in 2003. Therefore, it is necessary to prepare for further work on drug addiction problems which are not going to disappear so quickly. For that purpose, the National Drug Policy Plan is going to be prepared and the Ministry of Social Security and Labour will contribute to that.

In carrying out the 2001-2004 Programme of Social Adaptation of Convicted Individuals who were Released from Places of Imprisonment, Institutions of Correctional Labour, and their Social and Psychological Rehabilitation, the information gathered during the research carried out by the Law Institute of the Needs for Social Assistance of Former Convicts and Needs of Organizations and Institutions Providing It, and the conclusions and suggestions based on it will not only help the Ministry of Social Security and Labour to further improve the system of social assistance to former convicts, but will also be useful to practitioners and experts. In 2002, the Lithuanian Labour Exchange and the Labour Market Training Service will prepare the professional training and employment programme for former convicts, while the Labour Market Training Service will prepare psychological measures for improving their social and professional adaptation. In 2002-2004, counties and municipalities together with non-governmental organizations, while preparing their draft budgets, and identifying the necessary funds out of the state budget, are obliged to establish social adaptation units for individuals released from places of imprisonment in counties and establish social adaptation institutions for former convicts, providing various services, hostels, day centres by providing for that purpose.

The solution of the problem of the integration of former convicts much depends on the initiative of the municipalities themselves and their understanding that sooner or later attention will have to be paid to that. For example, the burst of AIDS cases in Alytus Strict Regime Correctional Labour Institution already demonstrates that much effort and money will be required to ensure the integration of former convicts with HIV into society after they are released from imprisonment places.

In 2002, the Ministry of Social Security and Labour will implement individual measures of the 2002-2004 Programme for the Control and Prevention of People Trafficking and Prostitution, for which it is responsible:

1) by supporting projects of both governmental and non-governmental organizations aimed at social assistance to victims of forced prostitution and their integration into the society;

2) by preparing and implementing special programmes of psychological rehabilitation, professional orientation and employment (in 6 municipalities) for victims of people trafficking and prostitution;

3) by preparing measures for implementing the statements of the 4th Global United Nations Women’s Conference.

The projected measures will develop the system of social assistance to victims of forced prostitution and will help victims of people trafficking and prostitution integrate into the labour market.
7. Integration into European Union and International Co-operation

Lithuania’s aspiration of membership of the European Union and integration into international organisations influences the enhancement of international relations of the Ministry of Social Security and Labour and the intensity of its activities. The Ministry has an important role to play in the process of Lithuania’s preparations for membership of the European Union: it co-ordinates the negotiation process in the areas of social policy and employment, free movement of workers, recognition of professional qualifications, and co-ordination (including health care) of the social systems. Specialists of the Ministry of Social Security and Labour more and more actively participate in activities of international organisations, such as the International Labour Organisation, the Council of Europe, the United Nations, the Organisation for Economic Co-operation and Development, etc. In light of ever increasing flows of Lithuanian citizens departing abroad, the issue of international agreements on employment abroad and social guarantees becomes highly relevant.

The development of international relations, rapidly establishing bilateral contacts between Lithuania and foreign institutions, assistance of foreign experts and absorption of experience of foreign countries make a positive impact on the quality of social and labour policy decisions and facilitate improvement of institutions administering this policy. This, in turn, increases the workload of the Ministry.

This chapter reviews the most significant events of 2001 and the beginning of 2002 related to the preparation for integration into the European Union, and activities in international organisations, conclusions of international agreements, development of bilateral relations with foreign countries, and technical assistance received.
7.1. **Integration into European Union**

In 2001, the implementation of the Law Approximation Action Plan and Acquis Implementation Plan for 2001 were continued; a meeting of the EU-Lithuania Sub-Committee No 7 on Regional Development and Social Policy took place in Brussels; an annual report on the progress of Lithuania towards accession to the European Union from July 2000 to June 2001 was drafted. During meetings of chief negotiators, the negotiation chapters on Social Policy and Employment and Free Movement of Persons were closed (in March and November 2001, respectively), i.e. negotiations on these chapters have been concluded.

### 7.1.1. Important events in the European Commission

On 22 October 2001, EU-Lithuania Sub-Committee meeting No 7 on *Regional Development and Social Policy* took place in Brussels. The Lithuanian delegation presented developments in the areas of labour law, equal opportunities, occupational safety and health, social assistance, co-ordination of social security systems, anti-discrimination, social dialogue and employment. Representatives of the European Commission assessed positively the progress made by Lithuania, presented the latest EU legal acts as well as current or planned EU programmes in the field of social policy and employment. On 12 February 2002, V. Blinkevičiūtė, Minister of Social Security and Labour, signed in Brussels the Joint Assessment of Lithuanian Employment Policy Priorities prepared by the Government of the Republic of Lithuania and the European Commission (see chapter 4 for more detail). Prior to the signature of this paper, a brief meeting took place between V. Blinkevičiūtė and A. Diamantopoulou, the European Commission’s Commissioner for Employment and Social Affairs. The Commissioner expressed interest in the progress of the pension reform, work carried out on the Labour Code, issues of youth employment and unemployment in regional areas, solutions of social problems resulting from the decommissioning of Ignalina NPP, and readiness for administration of the European Social Fund.

### 7.1.2. Report on Progress of Lithuania


The European Commission, having familiarised itself with the report, on 13 November 2001 published the Regular Report from the European Commission on Lithuania’s Progress Towards Accession (Progress Report). It was already the fourth annual assessment of Lithuania’s legal, economic and administrative reforms. In its Progress Report, the European Commission provided proposals with regard to free movement of persons and social policy. *In the field of free movement of persons*, it was proposed: 1) to complete alignment of mutual recognition of professional qualifications and diplomas and further develop the required administrative structures, education and training programmes.

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2) in respect to professional qualifications obtained before the law harmonisation, Lithuania should give priority to introducing measures that ensure that all its professionals can, from accession, meet the requirements laid down by the directives.

3) to strengthen the administrative capacity in the coordination of social security.

*In the field of social policy* it was proposed:

1) to complete the implementation of the social acquis, notably through the adoption of the new Labour Code, and ensure its proper implementation through the appropriate enforcement structures, including the labour inspectorates, according to the agreed timetable.

2) to complete the alignment in the field of equal opportunities, to adopt legislation against discrimination and develop a timetable for its implementation.

3) to continue to support capacity building efforts of the social partners with a view to the elaboration and implementation of the EU employment and social policy, including the European Social Fund, notably through autonomous social dialogue.

4) to adopt the law on Public Health and continue the implementation of the public health care reform, and in particular to further develop the health monitoring system; finalise the development of measures in the field of health surveillance and control of communicable diseases.

5) continue preparations for a national strategy, including data collection, with a view to future participation in the European strategy on social inclusion.

As in 2000, in addition to annual assessments of each individual candidate country, the European Commission published a comparative document - the Strategy Paper "Making a Success of Enlargement". In addition, the European Commission published a revised draft of the Accession Partnership with Lithuania, which laid down short and medium-term priority areas where further work is needed (the Accession Partnership with Lithuania of 28 January 2002 was adopted by EU Council Decision 2002/89/EC).

Such proposals and priorities set by the European Commission were assessed at the end of 2001, at the moment of drafting Law Approximation Action Plan and Acquis Implementation Action Plan of the Lithuania’s EU Accession Programme for 2002.

### 7.1.3. Development of Provisions for Workforce Liberalisation

During the process of Lithuania’s EU accession negotiations, it was hoped that upon accession of Lithuania to the EU, citizens of our country would have the freedom of establishment in the current EU member States. The situation has changed, however, after the EU member States decided to introduce a transitional period with respect of new member states. It is likely that upon Lithuania’s accession to the EU, citizens of our country will be given free entry, subject to certain limitations, to the labour markets of Ireland, Denmark, Netherlands and Sweden. Meanwhile, other current EU member states will apply a transitional period from two to seven years.

Since application, shortening or non-application of a transitional period becomes a bilateral matter, it is important to conclude bilateral agreements with the current EU member states and candidate countries. In 2001 negotiations on the elaboration of agreements on free movement of workers started with Latvia, possibilities were discussed on conclusion of similar agreements with the Nordic countries, and at a later stage proposals to draft such agreements were submitted to Italy, France, Norway, Spain, consultations with Germany are still ongoing.

The issue of free movement of workers was discussed in various meetings which took place in 2001. In one of these meetings, which took place in October 2001 in the town of Himenlinna (Finland) in the format of labour ministerial meeting of Nordic and Baltic countries, the discussion focused on the perception of countries of the movement of workers between Nordic and Baltic countries before and after EU enlargement, possibilities were discussed on the

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1 *OJ L 044, 14/02/2002 P0037–0044.*
enhancement of workers’ mobility, co-operation needs between labour market institutions of Nordic and Baltic countries in the field of workers mobility, etc. Sweden and Denmark are determined to accept to their labour markets workers from new member states of the EU on an equal footing. Iceland and Norway intend to do the same within the European Economic Area. During the meeting in Finland the following decisions were made:

1) it was decided to accede to the sustainable development policy of the labour market, by taking into account the specific conditions in each Nordic and Baltic country;

2) a need was identified to focus attention on development of labour market and labour environment policy in Baltic and Nordic countries, as well to intensify co-operation between these countries;

3) to recommend that senior government officials, in consultation with social partners, promote co-operation and exchange of information between administrative institutions of Baltic and Nordic countries;

4) to explore the possibilities for a more intensive exchange of information about regional and national development plans which may have a significant impact on the demand for labour;

5) to encourage co-operation in the field of research of workforce mobility;

6) to expand actively a bilateral and multilateral dialogue at all levels on common problems of labour market policy.

At the beginning of 2002, proposals to conclude agreements were submitted to Italy, France and Spain. During the meeting last February between Bernard Ugucioni, Ambassador extraordinary and plenipotentiary of the Republic of Italy to Lithuania, and representatives of the Ministry of Foreign Affairs of the Republic of Lithuania, the possibilities of concluding a bilateral agreement with Italy on labour market liberalisation were discussed. Since in its relations with candidate countries with regard to free movement of workers Italy has adopted a bilateral approach, in April 2002 the Italian Minister of Labour and Social Policy received a letter with a proposal to conclude an agreement on the liberalisation of employment for the nationals of both countries. It was Lithuania’s wish that Italy, even at a pre-accession stage of Lithuania’s membership of the EU and during the transitional period, would provide for possibilities for a limited number of Lithuania’s nationals to be employed in Italy. The employment quota could be subject to negotiations. Lithuanian nationals could work in industry, construction, service sectors requiring certain qualifications (as cooks, waiters, nurses and carers), as well as seasonal works in agriculture and other areas. In summertime, temporary employment would be desirable by students who would have a possibility to study Italian and get to know the nation’s culture. An agreement could stipulate means of job search and employment (direct application to employers or via employment agencies), as well as laying down any other cases of mutual employment of nationals. A favourable reply from Italy is expected to this proposal by Lithuania’s.

In March 2002, the French Ministry of Labour and Solidarity initiated a consultative meeting in Paris for representatives of EU candidate countries in charge of social issues. During the meeting French reassured the participants that France, one of the founding states of the European Community, adheres to the fundamental freedoms published in the Treaty of the European Community. France is planning to apply a one-year transitional period only to free movement of workforce, but it has committed itself in two years’ time to summarise the results of this period and to determine the impact of such limitation on the national labour market, and what the future prospects are. The next three years will determine the duration of the transitional period which France plans to introduce in respect of all new EU members. It was noted
that bilateral agreements on students and specialists exchange as well as seasonal work could be signed right now. The Ministry of Social Security and Labour, having taken into consideration the proposal from the French ministry, has already drafted a project for students and young specialists exchange which is being co-ordinated with relevant Lithuanian institutions.

Possibilities of legal employment of Lithuanian nationals in Spain (as well as reduction of illegal migrants from Lithuania) were discussed during the meeting with experts of the Ministry of the Interior of the Kingdom of Spain and other institutions which took place in Madrid in May 2002. Spain has effective employment and readmission agreements with Columbia, Morocco, Ecuador and Romania. A draft agreement with Poland was elaborated which is yet to be signed. The texts of these agreements are rather similar, the only difference between them being different implementing agencies in respective third countries. Lithuania’s representatives expressed a wish to conclude an agreement similar to the one which Spain intends to sign with Poland.

However, the Spanish representatives immediately responded to that saying that they adhered to the principle to apply such agreements only to such countries whose nationals are present in Spain in large numbers. In addition, they also underlined the need to additionally assess the situation in Lithuania. Upon mutual agreement, the Ministry of Social Security and Labour has prepared a draft co-operation agreement between the National Labour Institute of Spain and Labour Exchange of the Republic of Lithuania which is being co-ordinated through competent institutions.

As regards agreement with Germany, consultations are taking place with representatives of the Embassy of the Federal Republic of Germany to Lithuania. In the June 2002 conference of the International Labour Organisation, the principles of liberalisation of free movement of workers were discussed with representatives of the Luxembourg Ministry of Labour. Still relevant remains the regulation of bilateral relations with the UK in the field of labour migration, since the labour market of this country is extremely attractive for Lithuania’s nationals.

It is expected that the active activities and efforts of the MSSL will mitigate consequences of the transitional period, reduce the level of illegal labour migration and, by the same token, remove the related negative impact on social security.

**7.1.4. Impact Assessment of the Integration into the European Union**

In 2001 impact assessments of the integration into the European Union were continued, and impact assessments were made of the implementation in Lithuania of the following EU legal acts:

1) Council Directive 93/103/EC concerning the minimum safety and health requirements for work on board fishing vessels (thirteenth individual Directive within the meaning of Article 16 (1) of Directive 89/391/EEC);


At the end of 2001, the study ‘Sprinter’ by I. Zokas conducted the research project ‘Evaluation of Potential Free Movement of Labour to European Union Countries and Impact Thereof on Lithuania’, whose objective was to assess the potential free movement of workforce to EU member states. During the research 1003 respondents were questioned in the age group from 15 to 55 years. The total number of respondents was split equally according to the number of population in the regions. The study was conducted in such a way that every resident of Lithuania could have had an equal chance to be included in the study.

On the basis of the number of people who have departed from households, at the moment of study about 204 000 people have left to work abroad. Over half of them left for abroad for a short term (up to 1 year). A very strong determination to leave for abroad within the coming years was reported in 16.2 per cent of the respon-
dents, i.e. more than 320,000 permanent residents of Lithuania intend to migrate for labour purposes for a short or medium term in the coming years. The tendency to leave was reported more often among people of the younger generation, who have a higher educational background and are single. The key reason for leaving Lithuania are poverty and the high level of unemployment. Since short-term migration is prevalent (jobs of less than half a year duration on average), a large part of those “departing” replace the ones coming back, which is why the overall number of population in Lithuania remains rather stable.

Based on sociological studies and experience of experts from other countries, the researchers, having assessed the indicators stimulating and discouraging real migration, have elaborated forecasts until 2006, when, as it is expected, Lithuania will be member of the EU. It is forecast that in the coming few years the overall number of Lithuanian nationals working abroad will increase by approximately 40 per cent and will reach the figure of 240,000. Two scenarios of the forecast are provided - an optimistic and pessimistic. According to the former, this number would increase to 280,000 over five years, and in the case of the pessimistic scenario - up to 320,000.

At the time of the study, 57 per cent of people absent from Lithuania had left to work in EU countries. It is believed that during the process of Lithuania’s EU integration, this indicator will increase further, but in no event will it reach the level of 60 per cent, because there is already another country of attraction - the USA. In the medium term North America will receive 35 per cent of all the migrating workforce. Upon Lithuania’s accession to the EU, the impact of forms of workforce movement will further increase as a result of the more active export of services from Lithuania, the number of enterprises established abroad, etc. In such cases people will remain to live in Lithuania. It is anticipated that the aggregate number of people engaged in such forms of employment will increase to 30,000 - 40,000.

7.1.5. Conferences

**EU Conference 'Work Life 2000'

In 21 - 25 January 2001, Malmo (Sweden) hosted the EU Conference ‘Work Life 2000’ organised by the Swedish Government. This was one of the most significant EU events in the field of social security and labour organised during the Swedish Presidency over the Council of the European Union. The conference analysed issues of promotion of steady economic growth and universal employment, possibilities of increasing the EU employment level to 70 per cent (against the current level of 61 per cent), working quality (good working conditions, flexible working system, diversification of qualifications, removal of discrimination at work). Lithuania’s representatives also took part in the conference.

**International Conference "Equal Opportunities for Women and Men in a Democratic Society. Reykjavik - Vilnius"

On 15–17 June 2001, the Ministry of Social Security and Labour, together with the Ministry of Foreign Affairs, organised the international conference "Equal Opportunities for Women and Men in a Democratic Society. Reykjavik - Vilnius". This was the first high-level international event hosted in Lithuania on the issue of gender equality. The conference involved participation from 12 countries, including Soren Christensen, Secretary General of the Nordic Council of Ministers, and Anna Diamantopoulou, European Commission Commissioner in charge of employment and social affairs. Participants of the conference were greeted by V. Adomkus, President of the Republic of Lithuania, a report was read by the Latvian President V. Vyke - Freiberga. In this conference, delegates from national institutions and public organisations of Nordic and Baltic countries, USA, Poland, Russia and Germany reviewed developments, achievements after the Reykjavik Conference, topical problem issues related to equal participation of women and men in democratic processes and strategies for their solution.
Conference "Latvian Welfare Reform - The Present and the Future" and Informal Meeting of Baltic Sea State Ministers in Charge of Social Policy

On 19 October 2001, the Social Security and Labour Minister V. Blinkevičiūtė, together with other delegates from the Ministry, took part in the "Latvian Welfare Reform: the Present and the Future" conference organised by the Latvian Welfare Ministry. Parallel to this event, an informal meeting of Baltic Sea State ministers in charge of social policy took place in Riga during which issues of social policy improvement, pension reform, funding of social insurance schemes, the implementation of employment programmes and bilateral agreements on free movement of labour were discussed.

7.2. Participation in International Organizations

The Ministry of Social Security and Labour actively participates in the activities of international organisations. Of these, most attention to social issues is devoted by the

Council of Europe, the International Labour Organisation, the United Nations, and Organisation for Economic Co-operation and Development.

7.2.1. Council of Europe

The Council of Europe unites 44 European countries protecting civic, political, social and economic human rights and democracy, promoting cultural development, solving social and other societal problems of European countries (discrimination of minorities, environmental protection, AIDS, etc.). Lithuania joined the Council of Europe in 1993. Within the field of competence of the Ministry of Social Security and Labour, the Council of Europe focuses on access to social and economic rights, co-ordination of social security systems, application of minimum social security standards, promotion of employment, equal opportunities for women and men.

The Social Charter

The European Social Charter is deemed to be one of the most vital and extensive international agreement in the field of social and economic human rights. In May 2001 Lithuania ratified the revised Social Charter¹, and since 1 August 2001 it has been a Contracting Party to the Charter.

By acceding to the Charter, Lithuania has committed itself to enshrine European values. The assumption of international obligations is a guarantee of security in developing and securing the economic and social rights of people, because their development will no longer be affected by frequent changes of political power. Regardless of its economic and social orientation, no government will be able to limit the rights guaranteed by the Charter to workers, all citizens or individual civil groups. For instance, the shortening of minimum annual paid leave, a decrease of the age limit for night shift work of hired teenagers, the worsening of the social and health care system as well as limitations of other social rights would be deemed as violations of the international obligations assumed. Moreover, the Charter abolishes discrimination on grounds of nationality. Hence, Lithuania’s nationals residing in a territory of the Contracting Parties will have equal rights as the ones enjoyed by the nationals of that other country.

The Charter foresees strict control of the obligations assumed. Every two years a national report has to be submitted to the Secretary General of the Council of Europe reflecting how the national laws and practice are in line with the obligations laid down in the Charter. The drawing up of large-scale and comprehensive regular reports will increase the workload of the Ministry of Social Security and Labour. The first such report will have to be prepared already in 2003.

In preparation for the first report, the Ministry of Social Security and Labour organised a seminar in Vilnius in October 2001 entitled "The European Social Charter: First National Report". Participants of the seminar had the opportunity to discuss with the Chairman of the independent Committee of Experts assessing the alignment of the national laws and practice with the obligations assumed, as well as with other experts of the Social Charter.

**European Social Security Standards**

The Council of Europe devotes a large degree of attention to the application of minimum social security standards as well as encouraging its member states to accede to standard-setting instruments.

By ratifying the revised Social Charter, Seimas has assumed an obligation to "endeavour to raise progressively the system of social security to a higher level". The specific requirements of this paragraph of the Charter are laid down in the Council of Europe standard setting instrument - the European Code of Social Security - while the commitments assumed oblige Lithuania to adhere to the higher level standards than the ones stipulated in this Code or in Convention No 102 of the International Labour Organisation. So far Lithuania has not signed or ratified these instruments.

In 2001 for the first time the feasibility of applying the European Social Security Standards laid down in the Code of Social Security was analysed. The Ministry of Social Security and Labour initiated a study to assess the compatibility of national social security legislation with the provisions of the European Code of Social Security and to identify the key problems. The goal of this study was to identify the contingency, personal and material scope of application, legal conformity criteria, such as waiting periods, amount of benefits thereof, the requirements for the period of employment or years of residence in the country, calculation of periodical payments, etc. The summary of the findings has revealed that one of the issues of most difficult implementation under the Code requirements relates to the levels of benefits.

Following a request by the Council of Europe, the Ministry of Social Security and Labour drafted a Detailed Report on the Application of the European Code of Social Security for the Period from 1 July 2000 to 30 June 2001. This Report is prepared in the same manner as the detailed annual reports by the States which have ratified the Code. In December 2001, this report was presented to the Council of Europe and transferred to the International Labour Organization for examination. After having reviewed the Compatibility Report and the appropriate legislation, the experts consider that Lithuania has in place social security legislation and practice which brings it into a position to ratify parts of the European Code of Social Security. On the basis of the experts’ recommendations, Lithuania’s possibilities to satisfy the Code’s provisions will be further analysed.

**Information System on Social Protection**

The Council of Europe encourages member states to exchange information on social security systems. For the purpose of mutually beneficial exchange of information, the Council of Europe has developed an information exchange system on social protection (MISSCEO - Mutual Information System on Social Protection of the Council of Europe). With regard to this, competent ministries of member states of the Council of Europe have appointed national correspondents, who, taking into account amendments to national legislation, must regularly update the Council of Europe on the social protection system financing, organisation, types of benefits and beneficiaries, conditions of entitlement to benefit, etc. MISSCEO is a useful source of information not only to policy makers, but also to implementing institutions, experts, students and any other groups interested in the European social protection policy. MISSCEO presents the up-to-date information on the basis of which it is possible to make an international comparison. This information may be found on the Council of Europe website (www.coe.int). EU member states have a similar mutual information system on social protection -MISSOC (Mutual Information System on Social Protection in the Member States of Europe). Upon its membership of the EU, Lithuania will be integrated into the MISSOC network.
7.2.2. United Nations

The United Nations (UN) is an international organisation protecting human rights through its own institutions and through international conventions. One of the most important instruments of the United Nations in the field of social and economic rights is the UN International Covenant on Economic, Social and Cultural Rights and the UN Convention on the Rights of the Child. The UN Committee of the Rights of the Child noted that the report was submitted in time and that Lithuania had adopted very significant legislation on the issues of protection of the rights of a child during the reporting period, and that Lithuania had ratified the 1993 Hague Convention on Protection of Children and Cooperation in respect of Intercountry Adoption. The new Criminal and Civil Codes include special provisions aimed to protect the rights and statutory interests of the child, a Consultancy Council for the Rights of the Child has been established, the National Programme for the Prevention of Sexual Abuse and Sexual Commercial Exploitation has been adopted. Particularly underlined was the fact that in Lithuania there is an operational institution of an Ombudsperson for Children’s Rights. In 2004 Lithuania will present the next regular report on the implementation of the provisions of UN Convention on the Rights of the Child.

UN International Covenant on Economic, Social and Cultural Rights

Lithuania is a Party to this UN Covenant. Like all the other States who are Parties, it has to submit a regular report every fifth year on the measures which it has adopted and the progress made in achieving the observance of the rights recognized.

In 2001 the Ministry of Social Security and Labour initiated the establishment of a working group for drafting an inception report on the implementation of the provisions of the UN International Covenant on Economic, Social and Cultural Rights in Lithuania. In November 2001 this report was finalised and presented to the Government.

In January 2002 the Government approved the inception report on the implementation of the provisions of UN International Covenant on Economic, Social and Cultural Rights in Lithuania\(^1\) and decided to submit it to the Office of United Nations High Commissioner for Human Rights. Information provided in this report covers the implementation of rights to work and the enjoyment of just and favourable conditions of work, right of everyone to an adequate standard of living, social security, education, cultural life, etc.

UN Convention on the Rights of a Child

While implementing its obligations, the Ministry of Social Security and Labour in 2001 in the UN Headquarters in Geneva presented an inception report of Lithuania on the implementation of the UN Convention of the Rights of the Child. This programme is the main financing and information source of the UN to promote human development in the world. The key goal of the UN Development Programme (UNDP) is to ensure human welfare and a secure environment. In Lithuania UNDP seeks to facilitate Lithuania’s integration into UN, provide technical assistance which will stimulate transition of the country into market economy, assist in assessing Lithuania’s needs for foreign assistance and to attracting it, and familiarise Lithuania with UN policy and activities.

Since 1994, UNDP has been providing assistance to the Government of the Republic of Lithuania, and the Ministry of Social Security and Labour, by means of financing or otherwise assisting in various projects. UNDP has drafted priorities of financing for 2001-2003 which have been established on the basis of UN conventions and declarations. The key priorities are as follows: strengthening of civil rights, improvement of economic and social

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7.2.3. Organisation for Economic Co-operation and Development

Lithuania seeks membership of Organisation for Economic Co-operation and Development (OECD) which is significant for the development of global economy. OECD accepts countries which have achieved sustainable level of economic development and political stability. Among member states of this organisation are 30 developed countries of the world (e.g. USA, Japan, Canada, Australia, all EU member states, as well as the Czech Republic, Hungary, Poland, Slovakia). Lithuania is implementing the programme for preparation for membership of OECD. It is a Baltic Regional Programme which creates preconditions for the Baltic states (Lithuania, Latvia and Estonia) to absorb the practice of Western countries and promotes the pace of reforms. When assessing the readiness of countries for OECD membership, much attention is devoted to the social policy development (employment, labour relations, social dialogue, workforce mobility, systems of pensions and social benefits, and other aspects). Economic reviews drawn up and statistics compiled by OECD are highly valued by potential investors, scientists and analysts.

In 2001, OECD experts carried out a Review of Labour Market and Social Policies of the Baltic States. To this end, the Ministry of Social Security and Labour received several OECD missions in 2001. For the purpose of the better reflection of the social situation in Lithuania, meetings with scientists, representatives from various national agencies, municipalities, banks, employers and workers were organised during the mission of OECD experts in November 2001. The Labour Market and Social Policy Review was presented in July 2002 in Vilnius during a conference which also involved participants from Latvia and Estonia. Specialists of the Ministry of Social Security and Labour took part in various conferences organised by OECD and seminars of the Joint Vienna Institute. In May 2001 OECD experts took part at the conference organised by the MSSL "Pension Reform: Implementation Experience" which took part in Vilnius. Another similar conference about pension reform is planned to be organised in Vilnius in autumn 2002.

7.2.4. International Labour Organisation

During the many years of its existence, International Labour Organisation (ILO) has developed and improved a system for supervising the observance of international labour standards which is considered to be one of the most effective supervisory systems in the world, where all activities of the organisation take place in accordance with the established procedure which is regularly improved. ILO’s activities and the activities of Lithuania within this organisation have been described in a broad outline in previous Social Reports. Therefore, in the present report we will mention only the most significant events of 2001.
THE 89TH SESSION OF THE INTERNATIONAL LABOUR CONFERENCE

Lithuania’s delegates have regularly participated in the work of ILO conferences since 1994, and have acquired working experience in this field, and actively participated in discussions of all relevant issues. In the 2001 conference Lithuania was represented by a delegation formed on a tripartite principle.

During the 89th session that took place in June 2001 in Geneva, a report by ILO Director-General on Reducing the Decent Work Deficit was discussed. The report underlined that it was necessary not only to take care of the reduction of unemployment, but also to ensure that work is safe, provides adequate remuneration, and is not degrading or discriminatory against the employee. The ILO has recently attached considerable importance to the solution of these issues.

During the conference a discussion of a general nature was held on the needs of social security, and developments and trends in this field were reviewed. The Social Security Committee invited the ILO Governing Body to take into consideration the thoughts voiced in when planning its future actions in the field of social security and developing the programme and a budget for 2004-2005. During sessions of Financial Committee extremely long discussions were devoted to the issue of determining the size of contribution of ILO member states for 2002-2003. The Conference adopted a new Convention No 184 and Recommendation No 192 concerning safety and health in agriculture.

280TH - 282ND SESSIONS OF THE ILO GOVERNING BODY

In 1999 Lithuania was elected a deputy member of the ILO Governing Body (GB) in the governments’ group (all ILO activities are based on a trilateral principle - representatives of governments, trade unions and employers’ organisations work on equal rights). GB meets three times per year to discuss issues relevant to the organisation’s activities, and submit its proposals to the highest body - the conference).

During the 280th session of GB, the Committee on Legal Issues and International Labour Standards discussed how to improve the drafting of regular annual reports on the implementation of the ILO Declaration on fundamental principles and rights at work. Discussions took place on the issues of improvement of the supervisory system of the implementation of international labour standards. Amendments to the regional meetings procedure were discussed, although though its was decided to postpone the consideration of this issue until the 282nd session. A report was provided by the International Labour Standards Revision Working Group, as well as other reports about the ratification status of the main conventions, about ILO’s actions aimed to abolish discrimination at work, a joint report of ILO/UNESCO Committee of Experts on the Recommendation Concerning the Status of Teachers, and preparations for a world conference against racism were discussed.

The Committee of Technical Co-operation discussed the progress of the International Programme on the Elimination of Child Labour, as well as preparations for a third UN conference on the issues of the least economically developed countries; a report was presented on the activities of American and European ILO offices, and several projects implemented by ILO were evaluated.

The Programme, Financial and Administrative Committee considered the issues of programmes and budget for 2002-2003. It was planned to continue the reforms that were started in 2000-2001 when, upon the initiative of the new ILO Director-General J. Somavia, a review of ILO’s goals, indicators and measures for efficiency improvement of activities was made, and attention was focussed on the four key strategic objectives aimed at abolishing poverty and providing a right to decent work.

Lithuania’s delegates are actively participating in the work of GB and voicing their position on the most relevant issues of ILO activities. During sessions regional meetings for the countries of Central and Eastern Europe take place to discuss issues of regional importance to be raised at the Governing Body.

CONSULTATIONS WITH SOCIAL PARTNERS

As it has been stipulated in the ILO Statute, one of the key principles of ILO’s activities is trilateral co-operation. The 144th Convention (ratified in Lithuania) and the 152nd Recommendation require consultations with social partners to be carried out.

The Ministry of Social Security and Labour transmits to social partners copies of all reports to the International Labour Office, new conventions for Seimas approval, ILO questionnaires and other documents related to the implementation of international labour standards in order to
enable them to voice their opinions and comments on the contents of these documents. Comments may also be sent directly to the International Labour Bureau.

The most urgent issues are discussed at the Standing Tripartite Consultations Commission on the Implementation of the International Labour Standards, which is chaired on a rotation principle by delegates of employers, trade unions and ministries. In 2001 the Commission was chaired by a representative of the employers’ organisations. One meeting of the Commission took place which, in addition to other issues, discussed the urgency and possibilities of ratification of the 156th ILO convention on equal opportunities for men and women and uniform attitude towards them on the labour market, as well as the 183rd Maternity Protection Convention. In both cases some doubts were expressed, and staff of the ministry was asked to carry out a more extensive analysis of these conventions.

**Technical Co-operation**

In 2001 the technical co-operation programme of ILO and Lithuania was continued, and an agreement on this was adopted in 2000. In May the city of Heidelberg (Germany) hosted the seminar "Vocational Training and Rehabilitation" which involved participation of representatives from the Ministry of Social Security and Labour and the Lithuanian Labour Market Training Authority. In Prague in November the ILO-EU conference was held on the topic of "Social Dialogue in Associated Countries" which invited a representative of the MSSL. The Conference carried out an in-depth analysis of the current situation and topical, common and specific issues in EU candidate countries. ILO funded the translation of statutes of a number of tripartite institutions in Lithuania which were then submitted to ILO for expert analysis and recommendations. In Geneva in November ILO hosted the Global Employment Forum to discuss urgent employment issues; Lithuania was represented at this forum by the Viceminter of the Ministry of Social Security and Labour.

The more effective implementation of international labour standards and ratification of key international labour conventions in Lithuania was hindered by the shortage of funds necessary for the translation of these documents into Lithuanian, which made it difficult to analyse in greater detail the provisions of these documents. Upon the Ministry’s request, the Budapest ILO office allocated funds necessary for the translation of key twelve conventions into the Lithuanian language.

In November Lithuania was paid a visit by Jean Pierre Liviec, ILO Director for Central and East European Countries. The key goal of his visit was to assess the implementation of technical co-operation agreement and to discuss prospects for future co-operation. He met with representatives of employers organisations and trade unions, staff of the Ministry of SSL, listened to their views, comments and proposals; an agreement was reached on the areas for future technical co-operation.

**7.3. Development of the International Contacts**

International contacts of the Ministry of Social Security and Labour are developed in the form of new bilateral international agreements on social security and labour migration (employment), and in the form of signing and implementing various co-operation agreements with counterpart ministries abroad.

**7.3.1. International Agreements**

As many as 57 international agreements effective in Lithuania are within the competence of the Ministry of Social Security and Labour: 43 multilateral agreements (conventions and other international instruments) and 14 bilateral agreements, of which 8 are in the field of social security and 6 - in labour migration. The year 2001 was significant in a sense that the most fundamental instrument of the Council of Europe - the 1995 European Social Charter (Revised) - took effect in Lithuania.
SOCIAL SECURITY AGREEMENTS

The increasing migration of people and the workforce requires that social guarantees of migrants are secured in every possible way. According to data of the Department of Statistics, 162,800 persons left Lithuania in the period covering 1990-2000. At present the territorial scope of migration from and to Lithuania covers 42 countries. Moreover, social security is also relevant to persons who have departed or arrived before this period. The social security issues of such individuals are considered by Seimas by means of ratifying bilateral agreements.

When preparing international agreements, consideration is given to the interests of the state, population migration trends, and the costs of enforcement of such agreements. However, it is not currently realistic to expect such agreements to be concluded with all countries in the short term.

In accordance with the flows and trends of population migration, attempts were made to give priority to agreements with those neighbouring and other countries characterised by a large degree of migration. International agreements on social security have already been concluded with Latvia, Russia, Belarus, Ukraine, etc. - with 8 countries in total, to which or from which 136,500 individuals migrated in the period covering 1990-2000. This figure makes up 84.3 per cent of the total number of migrants over this period. Such a migration indicator covered by international agreements on social security is rather high. In 2001 agreements with Finland1, and the Ukraine2 were concluded, and negotiations with the Netherlands were finalised.

Since 1990 Lithuania has been member of European Social Security Interim Agreements ETS 12 and ETS 13. The essence of these agreements, to which 18 countries are parties, is to guarantee equal rights and duties to citizens in the field of social security. For instance, if any party to the agreement pays pensions abroad only to its citizens but not to foreigners, the pension abroad will also be paid and transferred to Lithuanian citizens (their rights are equal to the rights of the citizens of that particular state). Since Lithuanian laws provide for payment of pensions abroad to its citizens, it follows that pensions have also to be paid to citizens of member states party to these agreements.

The majority of social security agreements cover all social security benefits. The most important part among these are pensions, because these are usually related to the period of social pension insurance, which are calculated for a couple of decades. It is, therefore, important that such periods of insurance would not disappear anywhere and should be rewarded by adequate benefits.

Bilateral agreements on social security concluded by Lithuania are based on the following principles of international law and practice: pro rata (proportional - only the period of pension insurance acquired in both states is calculated) and integrational (territorial - the period of social insurance acquired in both states is calculated, while pension is paid by the state in which the individual has established his residence).

APPLICATION OF SOCIAL SECURITY AGREEMENTS

Social security agreements are applied not only in respect of individuals who have departed from Lithuania to live abroad or who have moved from abroad to Lithuania, but also to migrant workers. If a person has a temporary legal job and is covered by insurance in another state which is party to the agreement, the period of insurance is continued and provides an entitlement to a pension. In those states with whom no such agreements have been made, the period of insurance is lost because the duration of only a few years does not provide entitlement to pension according to the laws of a foreign country while our state does not recognise this period. As a result, persons who have worked in foreign states, particularly in those with high levels of social security contributions, suffer huge losses.

Following Lithuania’s accession to the EU, our citizens will retain the right to social security, and will be able to

receive pensions also for that period of insurance during their work in EU member states. Whereas those citizens who have had or still hold a legal job (for example, under the "green card" system) in the United States and are not entitled to a pension there do not sum up periods of employment, because the USA refuses to approve Lithuania's proposal to conclude an agreement whereby the periods of employment accumulated in both states would be summed up and this would entitle individuals to a certain proportion of pension. USA proposes an agreement whereby only the rights acquired would be preserved, i.e. pensions would be paid only if the period of employment has been accumulated under the laws of one state.

Following Lithuania’s accession to the EU, social security matters of migrant workers and their family members will be regulated by the EU law (Regulation 1408 EEC and Regulation 584 EEC). EU law will be applicable also to those citizens of our country who prior to the moment of Lithuania’s accession to the EU have already departed or will depart to live in the territories of current EU member states and candidate countries.

In addition to the agreement with USA, it is important to conclude an agreement with Australia and Canada. It is believed that agreements will be needed with Kazakhstan and Moldova as well as with other states located in the territory of former USSR (Kazakhstan was proposed to conclude an agreement in 1992 and 1994, and Moldova - in 1994), when these states are ready for this. Considering the positive migration balance and trends (a larger number of citizens of these countries arrive in Lithuania than the number of the Lithuanian population departing to these countries, and it is forecast that this trend will continue), agreements should be based on a pro rata principle (principle of pension export).

**Bilateral Labour Migration Agreements**

In the field of labour migration (mutual employment of citizens, exchange of interns), international agreements have been concluded with 6 states: the Czech Republic, Poland, Russia, Sweden, Ukraine and Germany. However, these agreements do not have a major effect on labour migration: the level of exchange of interns is limited by exchange quotas laid down in agreements with Czech Republic, Sweden and Germany, whereas the labour markets of the remaining states have lost their attraction. Priority should be given to those states whose labour markets are attractive to our citizens (see subdivision 7.1.5. for more).

### 7.3.2. Bilateral Relations with Institutions of Foreign Countries

In 2001 bilateral relations with institutions of foreign countries were actively developed. New and revised co-operation agreements were signed between the Ministry of Social Security and Labour and the Danish Ministry of Labour, Belgian Ministry of Labour, Irish Ministry of Social, Community and Family Affairs, the Netherlands Ministry of Social Affairs and Employment, and an agreement with the Danish Ministry of Social Affairs was prepared for signature.

The implementation of new international projects as well as previously launched projects aimed at improving the legal framework and institutions continued.

**Denmark**

In March 2001 MSSL was paid a visit by Ove Hugum, Danish Minister of Labour.

During the visit a Memorandum of Understanding was signed between the Danish Ministry of Labour and the Lithuanian Ministry of Social Security and Labour, according to which both countries foresee further strengthening of labour market administrative capacities, functional efficiency and integration into the labour market structures of the EU and the Baltic Sea region, assistance in the development of an adequate labour market policy. The assistance of the Danish Ministry of Labour will be channelled to Lithuania via several sectoral programmes: the Baltic Sea States sectoral labour market programme; sectoral Environment, Labour Environment and Employment Programme; Assistance Programme for the Countries of Central and Eastern Europe during Preparation for Membership of the EU; Sectoral programme for Lithuania.
**Belgium**

In June 2001 a Common Declaration between the Ministry of Social Security and Labour of Lithuania and the Ministry of Employment and Labour of the Kingdom of Belgium concerning Co-operation in the Field of Labour was signed. Taking into account the joint interest to promote economic and social advancement in both countries, the countries seek to maintain close co-operation in compliance with the Community’s social security standards. On the basis of this Declaration co-operation is planned to be expanded in the labour area both on a bilateral level and within the context of international organisations by complying with international labour and employment regulations. Co-operation will take place on matters of employment contracts, safety and health requirements, health of workers, labour relations, employment and unemployment, promotion of work, equal opportunities for women and men and non-discrimination at work, solution of social problems of companies being sold; protection of certain groups of workers, inspection of the informal economic and labour sector. It is planned to exchange specialists, organise additional training courses for workers of the Belgian Labour Ministry and MSSL and subordinate institutions, participate in scientific conferences and other international events, exchange information on labour market and working conditions, exchange representatives of workers and employers for training purposes, promote social dialogue.

In October 2001 Belgium hosted a meeting of labour ministers of Belgium’s partner countries. The meeting discussed the impact of the European Employment Strategy on EU candidate countries, labour mobility in Europe, as well as prospects for bilateral co-operation.

**Ireland**

In October 2001, during the visit of the MSSS secretary to Ireland an agreement was signed between the Irish Ministry of Social, Community and Family Affairs and the Lithuanian Ministry of Social Security and Labour on co-operation in social policy matters. It was decided to continue the co-operation between these two institutions that was started in 1995, to exchange information and consultations, organise joint seminars and conferences on issues of pensions, benefits, social assistance, family policy, poverty reduction programmes, social security administration, and implementation issues of new policy initiatives.

**The Netherlands**

In November 2001, representatives of the Lithuanian Ministry of Social Security and Labour and the Netherlands Ministry of Social Affairs and Employment, signed a co-operation agreement recognising a common interest in developing bilateral co-operation in the fields of social policy and labour. It provides for the promotion of links between Lithuanian and Dutch public authorities and other structures who develop labour and social policy in an exchange of knowledge, experience and information on the decision-making process, improvement of legislation, infrastructure and services, and implementation of labour and social policy at national, regional and local level. The parties agreed to develop co-operation in the fields of improvement of professional qualifications of workers, improvement of the image of social security, development of local employment initiatives, establishment of social employment entities, promotion of new labour market initiatives, and exchange of methodological and technological assistance. Representatives of the Dutch ministry promised to share their experience of the application of principles of social security co-ordination and relevant regulations, as well as the experience acquired while establishing new structures of various levels and applying new methods aimed at improving the co-operation between institutions of labour market and social security administration.

Ministerial co-operation is planned to be developed in the form of an exchange of documentation, organising seminars and meetings, hosting bilateral discussions between specialists and job descriptions for respective workers of public authorities.
7.4. **MULTILATERAL TECHNICAL ASSISTANCE**

In 2001 as in previous years, the Ministry of Social Security and Labour received a substantial amount of technical assistance from the European Union and individual countries. EU PHARE projects launched earlier were continued as well as new projects launched, and the EU Youth programme was further continued.

### 7.4.1. EU PHARE Projects

7 million euros were allocated from the PHARE National Programme for 1999-2000 for the following projects of the Ministry of Social Security and Labour:

1) Strengthening of the occupational safety and health policy implementation;

2) Support to social policy development and administration of social assistance benefits and allowances - Consensus III;

3) Preparation for participation in the European Employment Strategy;

4) Support to the Development of the Integrated Information Technology System for SoDra (The State Social Insurance Fund Board) - Phase 2;

5) Support to MSSL: Activities of the Monitoring Unit to oversee development of the Integrated Information Technology System in the State Social Insurance Fund - Phase II.

**STRENGTHENING OF THE OCCUPATIONAL SAFETY AND HEALTH POLICY IMPLEMENTATION**

The Lithuania - Germany - France twinning project was further continued to assist in the co-ordination of Lithuanian occupational safety and health legislation with EU norms and to increase the effectiveness of the enforcement of occupational safety and health policy. Assistance was provided to the Ministry of Social Security and Labour and the Ministry of Health in drafting secondary legislation in the fields of occupational safety and health, in training workers of the State Labour Inspectorate (SLI) and Occupational Medicine Centre. Foreign experts analysed Lithuanian legislation on occupational safety and health, familiarised themselves with the practical activities of SLI, conducted seminars and workshops in occupational risk evaluation organisations for labour inspec-tors, representatives of trade unions and employers; moreover, seminars were conducted for labour inspectors, producers and representatives of monitoring institutions on the safety of machines and elevators and personal safety measures. Delegates of MSSL and SLI familiarised themselves with the practical work of German and French institutions of occupational safety and health, and learned the experience of occupational risk assessment. The foreign experts prepared an 'Evaluation and Management Manual of Occupational Risk' which is publicly available on the SLI’s website. Improved software for the database of SLI inspection and risk ratings, and a description of a database recording accidents at work was elaborated.

**SUPPORT TO SOCIAL POLICY DEVELOPMENT AND ADMINISTRATION OF SOCIAL ASSISTANCE BENEFITS AND ALLOWANCES – CONSENSUS III**

The key goal of the project assisting the social assistance reform was to help Lithuania prepare for membership of the European Union through the development of social assistance policy and submit recommendations for its improvement. Experts from Great Britain and Ireland evaluated the social assistance in cash system, the relevant legislation and submitted recommendations on new draft laws under preparation. A report was drawn up on the compatibility of the social assistance system with the employment policy, a seminar on European Union Legislation was organised, the conformity of social assistance legislation to the EU legal standards was assessed, and the scope and coverage of social assistance benefits and allowances were described.

Also analysed were systems of budgetary planning, management of expenses and financial control in municipalities and MSSL. Under preparation is a model to forecast the potential needs for social assistance funding, which
will introduce a more precise planning methodology of social assistance funds in municipalities. After an in-depth analysis of benefits payment procedures and control of allowances, recommendations were submitted on how to improve the latter. A three-part methodology was elaborated on risk, information management, and active case management system. This will help municipalities to identify cases of abuse much more efficiently.

Having evaluated the management and administration of institutions in charge of social assistance provision, training courses were held on the following topics: Change Management, Basic Communication Skills, Advanced Communication Skills, Basic Client Service. Moreover, a Trainers Training Programme was implemented under which 7 trainers and instructors were trained (two each from Klaipėda and Vilnius municipalities, one each from Druskininkai and Jonava municipalities and MSSL) who will be in a position to to provide to others the benefit of their training after completion of the project.

The project covered also public information issues. Methods for dissemination of social assistance information, scope of information provision, gaps and capacities were evaluated. Recommendations were developed on future development of public information system.

An analysis was carried out of the current appeals filing and handling procedure, and conclusion was that it fails to meet the EU practice. Proposals were made on improving the appeals procedure, the establishment of an independent appeals handling institution, and its structure, administration, accountability and appeals handling procedures.

Preparation for Participation in the European Employment Strategy

The preparation for participation in the co-ordination process of the European Employment Strategy is foreseen as one of the key employment and social policy priorities under the Accession Partnership with Lithuania, acceding to EU membership. This means that already Lithuania’s employment strategy has to be brought in line with the EU employment trends. Another less important goal for Lithuania is to prepare for the utilisation of assistance, the establishment of necessary structures and implementation of procedures for EU Structural Funds.

In November 2001 the EU PHARE twinning project "Preparation for Participation in the European Employment Strategy" was launched with the aim to help Lithuania harmonise its employment strategy with European employment trends and practice, as well as to prepare for the administration of the European Social Fund.

The project, which will be completed in September 2003, consists of five components:
1) Integration of labour market and employment policy;
2) Reorganisation of Lithuania’s labour market administration;
3) Capacity building in preparation for participation in European Social Fund activities;
4) Improvement of information management in labour market institutions, including the specifications of monitoring, analysis and forecasts systems for labour market trends;
5) Organisation of staff training relating to the above four components.

The project is being implemented smoothly; so far the following results have been achieved:
1) An analysis of strengths and weaknesses of policy integration and labour market institutions was carried out, relevant recommendations on possible improvement were drafted;
2) Proposals were elaborated with regard to the administration of assistance under the European Social Fund and establishment of relevant institutions;
3) The current information system of the labour market was evaluated, recommendations for improvement were proposed, and technical specifications for hardware to be purchased were provided.

Support for the Development of the Integrated Information Technology System in the State Social Insurance Fund – Phase II

This project continues the development of an integrated information technology system for the State Social Insurance Fund that will enhance the efficiency of implementation and administration of social insurance policy. In addition, this system will facilitate discharging of integration commitments assumed by Lithuania in relation to the co-ordination of the social security system and social security of migrant workers under EU Regulations No. 1408/71 and No. 574/72.
During the implementation of this project, strategic forecasts on the future environment for SoDra activities were drafted which were presented to the management of SoDra and MSSL specialists during an initial seminar dedicated to the creation of a future vision for SoDra. After the final co-ordination of the vision, the development of a detailed definition of the environment for future activities will be started. Moreover, the creation of systems for the unified collection of contributions, active billing and registration systems were finalised. This system was installed in all territorial SoDra offices and is now being used by over 1,680 clients. The preparation of the central hardware setting necessary for the installation of the benefits part of the centralised clients database in the actual working environment lead to the successful installation of the benefits part of the system in the Mažeikiai SoDra office.

Support to MSSL: Activities of the Monitoring Unit to oversee the development of the Integrated Information Technology System in Social Insurance Fund - Phase II

In this project, support continues to be provided to the Monitoring Unit established in the Ministry of Social Security and Labour which is responsible for the monitoring of the development of the information technology system for the social insurance fund, and for the organisation of training courses on project management, activity-related processes and similar issues for the staff of MSSL and SODRA. The key goal of the project is to transfer skills to the members of the Monitoring Unit so that they will be able to perform large share of monitoring activities on their own, without the assistance of foreign experts in the final third phase of the project for the development of an Integrated Information Technology System in State Social Insurance Fund.

7.4.2. The EU Youth Programme

In 2001, the EU Youth programme was further continued; it incorporated the previous two programmes Youth for Europe and European Voluntary Service. The new programme will continue for seven years. Over 520 million euros will be allocated for the needs of the programme for these seven years (2000-2006).

The programme offers young people from 15 to 25 years of age to make an active contribution to the creation of the Europe of the third millennium, the "Knowledge Europe", as well as seeks to provide necessary preconditions for the promotion of European youth policy based on non-formal educational principles. The programme instils the life-long learning concept and helps to develop active citizenship and competence skills. In addition to these goals, the programme seeks to maintain a balance between personal development and activities common to all sectors of the society. The programme dedicates particular attention to those young people who enjoy fewer opportunities due to economic, social or geographical factors, or who through lack of education or disability have no access to opportunities for non-formal development.

The supported activities fall within 5 sub-programmes:

Sub-programme 1 - Youth for Europe: the international youth exchange provides an opportunity to meet with groups of young people aged 15 to 25 years from various countries. Such meetings have an educational value, serving the goal of non-formal education.

Sub-programme 2 - European Voluntary Service: conditions are put in place for young people from 18 to 25 years of age to spend up to 12 months in a foreign country working as European Volunteers implementing local projects in various fields (e.g. social, ecological and environmental, art and culture, new technologies, leisure time, sport, etc.);

Sub-programme 3 - Youth Initiatives: support is given to the implementation of projects prepared by young people of 15-18 to 25 years of age. The goal of such support is to provide young people with an opportunity to realise their initiatives and use their creativity.

Sub-programme 4 - The joint projects: EU programmes Socrates (education), Leonardo da Vinci (vocational training), and Youth (non-formal education) are treated as one, hence support may be given to any projects reflecting the spirit of these three or other similar programmes (e.g. Culture 2000).

Sub-programme 5 - Information, co-operation, training: other additional sub-programmes are supported, their benefit is made more effective by means of continuing and expanding youth activities which promote new ideas,
and improving the quality of such activities (e.g. exchange of useful experience, training of project managers, etc.).

Each year the European Commission publishes tenders for projects aimed at developing specific priority fields of co-operation and partnership, training and information. These are the so-called 'tenders for major projects'.

In 2001, 262 applications were received, and 98 projects were supported. A clear increase in the number of applications testifies not only to effective information activities. The implementation of the Youth programme also strengthens the project management and organisational skills of youth organisations.

Moreover, the programme offers an opportunity to establish, keep and strengthen new international relations, exchange information and experience. Quite a few youth leaders not only participate in seminars and training courses organised abroad, but are also invited to organise and conduct them.

The EU Youth programme is very useful for Lithuania: it promotes participation of young people in the process of creation of a multicultural Europe, and develops awareness of key European values, youth solidarity and tolerance to other cultures in the future Europe.

Conclusions
The year 2001 was very significant for EU integration and the development of international co-operation in the fields of social security and labour. Those negotiation chapters on Social Policy and Employment and Free Movement of Persons which fall within the MSSL’s competence were closed; impact assessments on integration into the EU were initiated; an important document by the Council of Europe - the Social Charter (as Amended) - was ratified and implemented. MSSL analysed and submitted to the Council of Europe a detailed report on the possibility of the application in Lithuania of the social security standards laid down in the European Social Charter. In addition, the MSSL drafted an inception report on the implementation in Lithuania of the provisions contained in UN International Covenant on Economic, Social and Cultural Rights, as well as an inception report on the implementation of the UN Convention on the Rights of the Child. Co-operation agreements were signed with ministries in Ireland, Netherlands, Denmark, Belgium, new projects were developed for funding by EU PHARE and the United Nations.

These as well as other activities testify to an ever-increasing international role of the Ministry of Social Security and Labour alongside an increasing share of responsibility for the discharge of international obligations.
8.1. Management Structure of the Ministry of Social Security and Labour

**MINISTER**

- Viceminister
- Internal Audit Unit
- Permanent Secretary of the Ministry
- Adviser to the Minister
- Press Representative to the Minister
- Assistant to the Minister

**Secretary of the Ministry**
- Social Integration Department
- Family, Children and Youth Department
- Family Support Division
- Children and Youth Division
- Social Insurance and Pensions Department
- Social Insurance Division
- Pensions Division
- Pensions System Reform Division
- Secretariat of 1st and 2nd Degree State Pensions
- Labour Department
- Labour Market and Equal Opportunities Division
- Labour Conditions Division
- Labour Relations and Remuneration Division
- Finance and Accountancy Division
- Social Policy Analysis and Forecasting Department
- European Integration and International Relations Department

**General Affairs Department**
- Law and Personnel Division
- Information Technology Division
- Secretariat of Public Relations
- Reception
- Chanceller
- Maintenance Division

**Institutions Under the Ministry**

- State Social Insurance Fund Board (48 regional units)
- Department of Supervision and Audit of Social Institutions at the MSSL
- State Commission of Medical Social Expert Examination at the MSSL (25 territorial and 5 republican commissions)
- Lithuanian Labour Exchange at the MSSL (National and 46 regional labour exchanges)
- Secretariat of the Tripartite Council of the Republic of Lithuania at the MSSL
- National Centre of Labour Protection
- Adoption Agency at the MSSL
- State Labour Inspection of the Republic of Lithuania (13 units)
- State Centre of Compensatory Technique for the Disabled
- Administration of Guarantee Fund at the MSSL
- Institute of Labour and Social Research
- Lithuanian Labour Market Training Authority at the MSSL (6 services and 14 centres)
- Social Workers Training Centre at the MSSL
- Technical Supervision Service
- Refugees Reception Centre
8.2. Programmes Undertaken by the Ministry of Social Security and Labour for Implementation of its Strategic Goals

In 2002, seeking to achieve its strategic goals the Ministry implemented 14 programmes.

In order to accomplish the strategic goal To assist residents in their integration into the labour market and ensure fair labour relations and safe working conditions, the Ministry has launched the following programmes:

1.1. Vocational training and counselling in the labour market, increasing possibilities for the youth employment and skills development of social workers.

The funds of the programme are allocated to the following two institutions: Social Workers’ Training Centre and Youth Employment Centre of Vilnius Labour Exchange.

The aim of the Social Workers’ Training Centre is to systematically coordinate the development of social workers’ skills, provide them with basic and specialised professional knowledge, analyse and disseminate the know-how to social practitioners employed in the fields of social security, education, health care, etc.

The Youth Employment Centre is the first open information centre in Lithuania aimed at the target group of young persons who are in the process of choosing occupation and in search of employment. With regard to the high unemployment rate among young people (in 2001, the average annual unemployment rate was 12.5 per cent, among young people it was 15.3 per cent) and special needs and capabilities of this target group, the Centre provides assistance in strengthening links between vocational training and employment of young people. The Centre directs its activities in the following key directions: provision of open information, counselling, vocational information and guidance services; organisation and provision of group teaching; establishing links between the labour market and social partners; involvement of young highly-qualified specialists into the Talent Bank programme; preparation of new information and methodological material; provision of mediation and counselling services for the target groups of the unemployed.

The funds of the programme are also allocated to the professional guidance of imprisoned persons. These steps are being taken to implement the measure "Preparation and Implementation of Professional Guidance Projects of Young Imprisoned Persons", part of the Employment Promotion Programme for 2001 - 2004 approved by the Resolution of the Government No. 529 dated 8 May 2001. This measure is being implemented by the Labour Market Training Agency.

1.2. Reducing unemployment

The programme is implements the measure “Ensuring of Local Employment Initiatives in Lithuanian Regions”, part of the Programme for Increasing Employment for 2001 - 2004 approved by the Resolution of the Government No. 529 dated 8 May 2001. The funds of the programme are planned to be allocated to the creation of about 190 new jobs in regions with a higher unemployment rate in the year 2002. Job creation projects are put out to tender. The funds for the creation of jobs are granted in the form of subsidies. Local employment initiatives launched by labour exchanges should become an effective measure of the employment and labour market policy, contributing to the addressing of regional unemployment problems and assisting local communities in their adjustment to rapid economic changes.

1.3. Research into living standards, employment, social insurance and social assistance in Lithuania.

The funds of the programme are allocated for financing competitive scientific work within the specific areas of social security and labour. The research intends to assess the effectiveness of the Ministry’s policy in such fields as social insurance, social assistance and employment, and to establish the new priority areas. Research is being conducted on relevant and problematic topics. It is expected not only to analyse the existing problem and suggest a solution, but also to work out methods for further activities in that area. In 2002, the following pieces of research commissioned by the Ministry were undertaken: "Assessment of the Child Care Arrangements in Non-governmental Child Care In-

1.4. Prevention of occupational accidents and diseases and improvement of safety at work

The funds of this programme are allocated to the Centre of Labour Protection for implementation of the measures provided for in its action plan for the year 2002 (working out draft legal acts, investigation of effects of implementation of the legal acts related to the safety and health at work drafted in accordance with European Union directives, etc.) and implementation of the measures provided for in the State Safety and Health at Work programme approved by the Resolution No. 730 dated 24 May 2002. On 1 July 2002 the Centre was reorganised into a public institution.

1.5. Programme for the usage of the Guarantee Fund

The funds of the programme are used for paying legally guaranteed salaries and other work-related benefits to those workers, who have terminated their employment with bankrupt companies or companies under bankruptcy, as well as to those workers, who continue their employment with the companies under bankruptcy, when these companies have not paid their outstanding claims.

1.6. Special Skills development programme for social workers

In 2002, special funds of the programme will be allocated to the initial training arranged by the Social Workers' Training Centre for career public servants employed in social institutions as well as to specialised training courses for workers working in agencies for protection of children's rights.

Seeking to achieve the strategic goal To develop an effective social assistance system and ensure the social integration of socially vulnerable groups of society, the following programmes have been undertaken:

2.1. Provision of residents with the orthopaedic prosthetics and compensatory equipment

The purpose of the allocation of the programme’s funds is to supply residents with orthopaedic prosthetics and compensatory equipment. In accordance with the programme, contracts have been signed with ten companies providing residents with orthopaedic prosthetics. Following the procedure prescribed by the Resolution of the Government No. 430 On the Procedure of Compensation for Supplying the Population with the Orthopaedic Prosthetics dated 14 April 2000, residents are provided with orthopaedic prosthetics free of charge, or at partial cost.

The compensatory equipment is necessary not only for rehabilitation purposes but also for the prevention of disability and for treatment. Currently disabled persons, disabled children, old age pensioners and patients with distinct signs of disability undergoing treatment in health care or rehabilitation institutions are provided with the compensatory equipment for free, apart from expensive
equipment (over 1,000 litas). The provision of disabled people with compensatory equipment is regulated by the Order No.57 of the Minister of Social Security and Labour On Approval of the Procedure for Provision of the Compensatory Equipment and Nomenclature List of Compensatory Equipment Aids for the Persons Suffering from Mobility Disabilities dated 18 April 2002. The provision of disabled persons with electric wheelchairs is regulated by the Order No.152 of the Minister of Social Security and Labour On Approval of the Procedure for Reimbursement of the Costs of Purchasing Electric Wheelchairs for the Disabled dated 27 November 1996.

2.2. Development of social services at the institutions reporting to the Ministry.

The funds of the programme are allocated to the following institutions reporting to the Ministry: Refugee Reception Centre, State Commission of Medical Social Examination, State Centre of Compensatory Equipment for the Disabled, Department of Supervision and Audit of Social Institutions, Lithuanian Secretariat of Tri-partite Board and the Adoption Agency.

2.3. Support to socially vulnerable groups of society and other activities of the Ministry.

The funds of the programme are allocated for the following purposes:

1. Construction and purchase of flats for returning deportees, coverage of relocation expenses, courses of the Lithuanian language, retraining courses and employment schemes. These measures are introduced following the Resolution of the Government No.320 On the 2002-2007 Programme for the Return to Lithuania of Political Prisoners and Deportees and their Families and Approval of the Procedure for Provision of Political Prisoners and Deportees and their Families Returning for Permanent Residence to Lithuania with Housing under the Lease Agreement dated 5 March 2002. This programme is implemented using the state budget and the loan granted by the European Council Development Bank.

2. Integration of refugees and foreigners, who for humanitarian reasons have obtained the temporary residence permit in the Republic of Lithuania, into the country’s society. Social integration is a process of creating equal opportunities to foreigners, who have been granted asylum, to earn a living and be involved in public life together with other members of society. The trends of integration are as follows: to provide temporary housing, to deal with employment and education-related issues, to ensure availability of social security and health care and to inform the general public on the foreigners who have been granted asylum. The state support is given for one year with a possibility of extension for another 12 months if the individual integration programme has not been completed through no fault of the refugee, who has been granted asylum. Social integration of the refugees, who have been granted asylum, is regulated by the Resolution of the Government No.572 On Approval of the Procedure for Social Integration of the Refugees who have been Granted Asylum dated 17 May 2001.

3. Providing Ministry workers with modern office equipment and efficient software applications; providing its technical maintenance; introducing a system of work organisation and document handling at the Ministry; operating the state budget, accounting and payment sub-system VBAMS; developing the centralised accounting sub-system of the recipients of orthopaedic prosthetics.

4. Introduction of 2002 Acquis implementation measures approved by the Resolution of the Government No.300 dated 27 February 2002. In 2002, there are plans to increase the possibilities of the Ministry of Social Security and Labour to perform its new functions; to determine the macroeconomic, structural and institutional effect of free movement of persons on Lithuania; to work out recommendations on eliminating the negative effects of free movement of persons; to strengthen the Professional Competence Appraisal and Acknowledgement Coordination Commission under the Ministry.

5. Competence development and appraisal of social workers. The main purpose of appraisal is to provide social workers with basic professional knowledge, to assess the existing situation in the social work area and appraise the personal competence of social workers as well as provide them with constant development opportunities. The training programmes are undertaken by educational institutions who were successful in the Ministry’s tendering exercise. The initial appraisal of social practitioners is carried out in accordance with the appraisal procedure approved by the Order No.31 of the Minister of Social Security and Labour dated 29 January 1998.

6. The year 2002 measures used for the implementation
of the national drug control and drug addiction prevention programme for the years 1999-2003 introduced with participation of the Ministry of Social Security and Labour. In 2002, there are plans to support projects connected with the prevention of drug addiction and rehabilitation of drug addicts prepared by organisations and drug addiction prevention projects of non-governmental youth organisations, and to train and retrain the workers working with high-risk persons and their family members. The programme was approved by the Resolution of the Government No. 73 On Partial Amendments to the Resolution No.282 dated 28 February 1995 and Resolution No. 970 dated 6 September 1999 of the Government of the Republic of Lithuania dated 23 January 2001.

7. The year 2002 measures used for implementation of the social adaptation programme for the imprisoned persons and those who have been held in custody, reformatory, social and psychological rehabilitation institutions. The Ministry is responsible for introduction of the measures approved by the Resolution of the Government No. 1438 On Partial Amendment to the Resolution of the Government of the Republic of Lithuania No.1179 of 25 October 1999 On Approval of the 1999-2003 Programme of Social Adaptation of Imprisoned Persons and Those who have Returned from the Place of Imprisonment, Reformatory, Social and Psychological Rehabilitation Institutions dated 17 December 1999. The year 2002 saw the development of vocational training and employment schemes for former prisoners as well as psychological measures for improvement of their social and professional adaptation.

8. Measures used for the implementation of the national programme against commercial and sexual abuse of children and sexual violence against children, which were approved by the Resolution of the Government No.29 On the National Programme against the Commercial Sexual Exploitation and Sexual Abuse of Children dated 11 January 2000. In 2002, there are plans to work out general and specialised programmes for the basic training and development of specialists; to arrange training according to the prepared specialist development programmes; to carry out recommendations of the Baltic States Council on the issues related to the fight against sexual abuse of children, i.e. to determine the scope of activities for public servants working at local municipalities, etc.

9. Payment of the annual fee for Lithuania’s participation in the EU Youth programme and allocation of funds for administration of the programme. The annual fee makes up a part of the expenses of implementation of the programme in Lithuania. The remaining part is allocated from the PHARE national budget funds. Lithuania’s participation in the Youth programme was approved by the Resolution of the Government No.1464 On the Draft Decision of the European Union and Republic of Lithuania Association Council Legalising the Conditions for Lithuania’s Participation in the Community’s Youth Programme dated 18 December 2000. The main aim of participation in the Youth programme is to develop responsible, resolute and proactive individuals by helping young people to gain the necessary knowledge, skills and competence, and by ensuring equal participation opportunities. The Implementation of the programme is administered by the Youth International Cooperation Agency;

10. Provision of psychological assistance to residents by phone. By its Resolution No.857 dated 9 July 1998 On Telecommunications Services Benefits, the Government approved the list of agencies providing psychological assistance to residents by phone (phone calls for residents are free of charge). The costs of calls to the agencies providing psychological assistance are covered from the state budget;

11. Informing the general public on social and labour policies. Funds are allocated for working out draft legal acts, the arrangement of workshops and conferences, participation in conferences of the International Labour Organisation, publishing informational material, translations, and the membership fee in international organisations;

12. Development and implementation of the social security policy for the country’s population. The funds are allocated for the Ministry’s management;

13. Free meals to students from low-income families studying at basic education schools. Catering arrangements are regulated by the Procedure of Organisation of Free Meals to Schoolchildren from Families with Low Income at the Basic Education Schools approved by the Order No.64/955 of the Minister and Social Security and Labour and Minister of Education and Science dated 16 August 1999. In 2002, there are plans to provide free meals to 26 per cent of schoolchildren from basic education schools.
2.4. Development of the social services infrastructure.

The funds of the programme are allocated for the development of the social services network in communities by establishing institutions for the most vulnerable groups of society such as people with mental or physical disabilities, neglected children, families facing social problems and members of high-risk groups, etc. Within the framework of the programme, the best projects developed by municipalities and non-governmental organisations are selected by way of tender and are partially financed by the state budget. The projects are financed by bringing together the funds provided by the state, municipalities, non-governmental organisations, international foundations and private persons. In 1999, the programme was expanded and continued in cooperation with the European Council Development Bank according to the Resolution of the Government No. 782 On Partial Amendment to the Resolution No. 202 of the Government of the Republic of Lithuania dated 19 February 1998 On the 1998-2000 Programme for Social Services Infrastructure dated 3 July 2000. The implementation of the programme has been extended to the year 2003.

2.5. Operation of loans and social security network projects.

The funds of the programme are allocated for repayment of the World Bank loan, interest on the loan, the liability fee, and covering the service costs of the coordination group of the World Bank project. Pursuant to the agreement No.4135-LT as of 1 December 1997, the World Bank extended a 3.7 million USD loan to Lithuania for implementation of the development project related to the social policy and social services for communities. The funds of the loan have been used for establishment of 14 social services centres in the following six municipalities: Anykščiai, Molėtai, Utena, Švenčionys, Vilnius and Šiauliai. Part of the funds allocated for this programme is used for covering the costs related to competitive research of the Policy Evaluation Fund (according to the loan agreement with the World Bank).

2.6. Provision of social services at children’s day care centres of non-governmental organisations.

Funds of the programme are allocated for implementation of the National Programme for Children’s Day Care Centres of Non-governmental Organisations for the Years 2002-2004. The funds are planned to be allocated for financing the programmes submitted by children’s day care centres of non-governmental organisations and selected by way of public tender. The programme is targeted at solving the social and educational problems faced by pre-school and school-age children from problematic families, involving them into extra-curricular activities, and social work with parents in order to create conditions for children to return and be brought up in their biological families.

3.1. State and social (assistance) pensions and state social assistance.

The funds of the programme are allocated for payment of the pensions to the President of Lithuania, personal pensions, state pensions of the first and second degree, state pensions to deprived persons, pensions to research workers, social (assistance) pensions. The funds of the programme are also used for insuring the following persons thus entitling them to the basic pension: mothers raising children up to 3 years of age, clergymen, carers looking after totally disabled persons. Besides, the funds are used for covering part of basic pension contributions paid by farmers from economically weak farms, who have been insured for the basic pension. One-time benefits are paid to participants of the armed resistance and to family members of deceased participants of the resistance to the 1940-1990 occupations. Reimbursement for transport expenses are paid to the persons with mobility disabilities (25 per cent of the MSL); expenses related to the acquisition of special cars and their technical adjustment are also reimbursed; nursing benefits are paid to persons with total disability and damages are compensated to the persons who have suffered an accident at work or occupational disease in those cases when the liability is passed to the state.

3.2. Support to the monitoring unit for assessment of development of the information technology system for the State Social Insurance Fund Board (PHARE project No.LI9911.02.01).

The funds are allocated for financing the joint PHARE 1999 National Programme Project. The reason for this is the Financial Memorandum LI9911.02.01 signed between the Government of the Republic of Lithuania (represented by the Minister of Foreign Affairs) and the European Commission (represented by Head of the European Commission Delegation to Lithuania) on 17 December 1999. Under the project agreement No.LI9911-02-01-0002, part of the project implementation costs should be covered from the state budget.
### Expenditures for Programmes of the Ministry of Social Security and Labour in 2001

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<tbody>
<tr>
<td>Objectives of the allocations manager: to assist residents in their integration into the labour market and ensure fair labour relations and safe working conditions</td>
<td></td>
</tr>
<tr>
<td>1.1. Vocational training and counselling in the labour market, increasing possibilities for the youth employment and skills development of social workers</td>
<td>942</td>
</tr>
<tr>
<td>1.2. Diminishing unemployment</td>
<td>2500</td>
</tr>
<tr>
<td>1.3. Research on the living standard, employment, social insurance and social assistance in Lithuania</td>
<td>365</td>
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<tr>
<td>1.4. prevention of occupational accidents and diseases improvement of safety at work;</td>
<td>742</td>
</tr>
<tr>
<td>1.5. Programme for the usage of the Guarantee Fund</td>
<td>2000</td>
</tr>
<tr>
<td>1.6. Special skills development programme for social workers</td>
<td>299</td>
</tr>
<tr>
<td>Objectives of the allocations manager: to develop an effective social assistance system and ensure the social integration of socially vulnerable groups of society</td>
<td></td>
</tr>
<tr>
<td>2.1. Provision of residents with orthopaedic prosthetics and compensatory equipment.</td>
<td>23 066</td>
</tr>
<tr>
<td>2.2. Development of social services at the institutions reporting to the Ministry</td>
<td>6589</td>
</tr>
<tr>
<td>2.3. Support to socially vulnerable groups of society and other activities of the Ministry</td>
<td>76 356</td>
</tr>
<tr>
<td>2.4. Development of the social services infrastructure</td>
<td>2176</td>
</tr>
<tr>
<td>2.5. Operation of loans and social security network projects</td>
<td>4066</td>
</tr>
<tr>
<td>2.6. Provision of social services at children’s day care centres of non-governmental organisations</td>
<td>600</td>
</tr>
<tr>
<td>Objectives of the allocations manager: Achieve balance in the social insurance system and plan for the pension reform, introducing saving in pension funds, thereby securing stability of the current social insurance payments</td>
<td></td>
</tr>
<tr>
<td>3.1. State and social (assistance) pensions and state social assistance</td>
<td>404 017</td>
</tr>
<tr>
<td>3.2. Support to the monitoring unit for assessment of development of the information technology system for the State Social Insurance Fund Board (PHARE project No.LI9911.02.01)</td>
<td>188</td>
</tr>
<tr>
<td>Total expenditure of the programmes of the Ministry of Social Security and Labour</td>
<td>523 906</td>
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