



# SOCIAL REPORT

**LITHUANIA VILNIUS**

**2000**





*It is difficult to make a simple assessment of the development of the Lithuanian Ministry of Social Security and Labour of the Republic of Lithuania in 1999. The decline in the economy of the state, bankruptcies of enterprises, growing unemployment and a sharp increase in the state social insurance budget deficit undoubtedly had an effect on the social security system. Such situation has called for the attempts to search for new solutions of the issues related to social insurance, social assistance and labour market policies, to improve the activity of the institutions implementing those policies and strengthen social partnership.*

*On the other hand, the tasks and reforms initiated have been successfully carried on and preparations for the European Union membership have been made.*

*Year 1999 was announced the International Year of Elderly People. Therefore a programme was drawn up and implemented to actualise and solve the problems of elderly people. The Poverty Reducing Strategy of Lithuania was worked out, the Law on Work Remuneration of Civil Servants, Politicians, Judges and other Officials was drawn up, the Law on the Social Insurance against Accidents at Work and Occupational Diseases was passed, as well as many international programmes and projects aimed at harmonising Lithuanian and the European Union laws, and the development of the social security system were successfully implemented. Seeking to improve the child's rights protection system, the Republic of Lithuania Law on the Ombudsman of the Child's Rights Protection was drafted.*

*It should be noted that irrespective of the economic decline in the country, the real average wages in the country increased by 7.2 per cent in 1999 and the real average old-age pension – by 6.9 per cent.*

*The present Social Report is the third publication of this type reflecting the most urgent issues in the social and labour market sphere in the country in 1999. Information provided, problems addressed and possibilities of their solution provided in the publication will undoubtedly be of interest not only to specialists in this sphere, researches and students, but also to everyone who comes in contact with the system of social security and labour.*

*I suppose this Social Report will command attention of the public, help it better understand social problems and encourage it to take an active part in their solution.*

Minister of Social Security and Labour

A handwritten signature in black ink, appearing to read 'Irena Degutiene', written in a cursive style.

Irena Degutiene

## THE FOLLOWING PERSONS CONTRIBUTED TO THIS REPORT

---

### **Chapter II: Key activity trends and objectives of the Ministry in 1999**

*Gražina Jalinskienė*

### **Chapter III: Economic and social conditions specific to the Lithuanian economy in 1999**

*Vita Sajjan - Doctor of Social Sciences, head of Group*

### **Chapter IV: Labour Policy**

*Gintarė Bužinskaitė*

*Daiva Petrylaitė*

*Jolanta Šliužienė*

*Irena Vasiliūnienė*

### **Chapter V: Social Insurance**

*Vaidotas Kalinauskas*

*Aušra Kanclerienė*

*Rima Paplauskaitė*

*Irma Juknelytė*

### **Chapter VI: Social Assistance to the Family**

*Violeta Murauskaitė*

*Audra Mikalauskaitė*

*Rita Zilnienė*

*Eglė Čaplikienė*

*Aldona Karčiauskienė*

*Ramutė Jočytė*

*Vida Leonienė*

### **Chapter VII: Eurointegration and International Co-operation**

*Vytautas Žiūkas - Doctor of Social Science*

*Rita Mackonytė*

*Reda Jakučionytė*

*Julija Stankevičiūtė*

*Vilmantė Miškinytė*

*Rita Žemaitytė*

*Diana Rudokienė*

*Vytautas Levickis*

#### **Expert:**

*Franziska Gassmann*

*Mindel van de Laar*

#### **Editor:**

*Leonilija Perminienė (Lithuanian version)*

*Doctor of Social Science*

### **Chapter VIII: Social Policy Implementation Programmes**

*Gražina Jalinskienė*

*Almira Gecevičiūtė*

#### **Layout, cover page design:**

*Virginija Martinkėnaitė-Stankevičienė*

*Officials of the Ministry of Social Security and Labour are thankful to the group of authors of this Report for their sincere work, also to the Government of the Netherlands and to the United Nations Development Program for financial support, as well as to the experts of Maastricht University for their methodological assistance in preparing this Report.*

## CONTENT

---

1. SUMMARY.....	7
2. KEY ACTIVITY TRENDS AND OBJECTIVES OF THE MINISTRY IN 1999.....	16
3. ECONOMIC AND SOCIAL CONDITIONS SPECIFIC TO THE LITHUANIAN ECONOMY IN 1999.....	19
4. LABOUR POLICY.....	26
5. SOCIAL INSURANCE.....	56
6. SOCIAL ASSISTANCE TO FAMILIES.....	68
7. EUROINTEGRATION AND INTERNATIONAL CO-OPERATION.....	93
8. SOCIAL POLICY IMPLEMENTATION PROGRAMMES.....	115
8.1. POVERTY REDUCTION STRATEGY IN LITHUANIA AND ITS IMPLEMENTATION.....	115
8.2. PROGRAMME OF THE INTERNATIONAL YEAR OF ELDERLY PEOPLE.....	122
ANNEX 1. THE MANAGEMENT STRUCTURE OF THE MINISTRY.....	124
ANNEX 2. TABLES, ILLUSTRATIONS.....	126
ANNEX 3. INTERNATIONAL AGREEMENTS.....	133
ANNEX 4. THE LAW APROXIMATION ACTION PLAN FOR 1999.....	135
ANNEX 5. THE PLAN OF MEASURES FOR AQUIS IMPLEMENTATION FOR 1999.....	140



## 1. SUMMARY

### ECONOMIC AND SOCIAL CONDITIONS SPECIFIC TO THE LITHUANIAN ECONOMY IN 1999

In 1999 the Gross Domestic Product (GDP) during all four quarters of the year was 1.4 - 6.7 per cent lower than during respective quarters in 1998. According to the preliminary data of the Department of Statistics, in 1999 the annual GDP decreased by 4.1 per cent compared to 1998 (in Latvia it grew by 0.1 per cent, and in Estonia dropped by 1.5 per cent). Economic decline was caused by significant decrease in export - by 19.3 per cent, as well as a decrease of the solvent demand in the domestic market.

Despite the general decline of industry, some of its businesses (comprising approximately 38 per cent of the total MQI sales), by improving production quality and expanding sales in foreign markets, managed to increase the volume of their production and sales. According to the preliminary estimations of the Department of Statistics, the total agriculture production in 1999, as compared to 1998, reduced by 12 per cent. During 1999 the number of privatised entities totalled 703 for the amount of 572,9 million LTL. Comparing the total number of privatised entities with the one in 1998, it increased 2 times. In 1999 all tangible investments on the territory of Lithuania amounted to 5376,7 million LTL. In 1999 the biggest investments were made in such spheres as transport, quarrying industry, electric power, gas and water supply, post and distance communication and housing construction.

During 1999 (comparing December 1999 to December 1998) consumer prices increased by only 0.3 per cent, and in March, June, July, August and October the same year deflation was observed. The most significant price growth was in the following spheres: communications (16.9 per cent), transport (15.8 per cent), and educational goods and services (5.3 per cent), and the most significant decrease (after the reduction of excise rates in October) was observed in the prices of alcohol beverages and tobacco goods (9.3 per cent).

Expenditure on social security in the national budget in 1999 amounted to 11.2 per cent. The said expenditure in the state budget accounted for 9.7 per cent and in the municipal budgets to 13.5 per cent. According to ESSPROS grouping, expenditure on so-

cial security in Lithuania in 1998 accounted for 15.9 per cent of the Gross Domestic Product, and social expenditure (including health care) per one inhabitant amounted to 1847 LTL. Expenditure on old age pensions comprises the major share of the state budget expenditures on social security as well as of the State Social Insurance Fund budget. Expenditure on families (children) comprised the biggest share of social security expenditure in municipal budgets.

The increase of the actual wage in the state economy in 1999, as compared to 1998, accounted for 5.8 per cent. The minimum monthly wage did not alter during 1999 and amounted to 430 LTL. The actual average annual size of the minimum monthly wage in 1999, as compared to 1998, grew by 2.1 per cent. The average state social insurance pension of an unemployed pensioner in 1999 amounted to 310.16 LTL. The actual old age pension in 1999, compared to 1998, increased by 6.9 per cent. The size of the minimum subsistence level in 1999 did not alter and accounted for 125 LTL.

According to the data provided by the Labour Exchange, the unemployment level in 1999 increased from 6.9 per cent at the beginning of the year to 10 per cent at the end of the year, and the number of unemployed - from 122.8 thousand to 177.4 thousand respectively. The average annual unemployment level accounted for 8.4 per cent and was by 2 per cent point higher than in 1998. During 1999 territorial labour exchanges employed 88.3 thousand people, who were seeking for a job, which is 1.4 thousand more than in 1998. A bigger part of those people were employed in the services sector.

In 1999 the calculated income of the State Social Insurance Fund budget amounted to 4,2 billion LTL. Pension insurance accounted for the biggest share of the expenditure of the State Social Insurance Fund budget (71.3 per cent).

In 1999 the number of different benefits paid to families raising children, children left without parents' care and families with low income (monthly average) amounted to 255.7 thousand. The annual allocation for those benefits was 324.3 million LTL, out of which 286.3 million LTL was allocated from municipal budg-

## 1. SUMMARY

ets and 38 million LTL from the state budget.

According to the data of the household budget survey conducted by the Department of Statistics in 1999, the disposable income of households calculated per household member was 428 LTL. Total disposable income in 1999, as compared to 1998, increased by 1.3 per cent and cash income by 2.9 per cent. At the same time, with the increase of consumer prices, the actual disposable income increased by only 0.5

per cent and the actual cash income by 2 per cent. In 1999 the share of expenditure on food in the total household expenditure decreased by 2.4 per cent point as compared to 1998. The decrease in expenditure on food and at the same time in its share in total expenditure was determined by the decrease of product prices. As compared to 1998, there was a slight growth in expenditure on education, communications, transport and housing.

## LABOUR POLICY

### *Employment and Unemployment*

#### *Development of Employment*

In 1999, the labour market of the country showed negative tendencies: the number of the employed population decreased, the number of the unemployed increased, the level of unemployment was on the increase too. This was determined by a general economic recession of the country related, first and foremost, to the financial and economic crisis in Russia, which started in 1998. The enterprises, which used to export their production to the CIS countries began to decrease their production volumes, partially employing their labour force. The greatest number of employees were partially employed, others worked with idle time periods or were on forced unpaid holidays.

Not only did the share of the employed individuals decrease among the population but also the number of economically active individuals (labour force) became smaller. This determined the decrease in the level of activity of the population by 0.4 per cent during that period.

#### *General Dynamics of Employment*

In 1999, the greatest number of the population of the country was employed in the sphere of services (39.4 per cent), industry (21.4 per cent), agriculture, hunting and forestry (19.2 per cent) and trade (14.2 per cent). In some spheres of the economic activity the number of the employed decreased considerably throughout 1999. Comparing November of 1998 with November of 1999, the number of individuals employed in agriculture and in construction decreased significantly (-13.3 percentage points and -5.7 percentage points, respectively). The number of persons employed in the sphere of services increased but insignificantly (1.2 percentage points).

#### *Partial Employment*

In 1999, forced partial employment, i.e. when a person works fewer hours than has been provided for in the Law (a shortened working day, a shortened week, or is on unpaid holidays) on account of lack of work, increased. This was determined by a complicated financial condition of enterprises, problems related to the realisation of production, the financial crisis in Russia and other factors. In 1999, there were constantly over 15 thousand partially employed workers in 300 enterprises on average. The greatest number of the partially employed individuals worked in industry (66 per cent), their number in construction and agriculture was on the increase too. At the end of 1999, the largest amount of enterprises facing the problem of partial employment was in Kėdainiai and Pakruojis (24 enterprises in each town), Kaunas (22 enterprises), Plungė (18 enterprises) Kelmė and Švenčionys (16 enterprises in each town).

#### *Unemployment*

##### *The Unemployment Level*

In 1999, officially registered unemployment reached the highest level since 1990. It increased in all regions of the country, however, at a different rate. The highest unemployment level was in Pasvalys (8.6 percentage points), Marijampolė and Radviliškis regions (5.2 percentage points in each region). The lowest unemployment rates were registered in Kretinga (1.3 percentage points) and Kaišiadorys (1.6 percentage points) regions. Great differences were observed in the unemployment level among different regions of the country. They exceeded 2-3- times. The unemployment level among the young people was higher than the total unemployment level in the country (13.5 and 10.0 per cent, respectively).

### ***The Unemployed***

In 1999, the number of the unemployed registered with labour exchanges totalled almost 250 thousand, i.e. 40 thousand more than in 1998. At the end of 1999, the number of the unemployed registered in the country was by 44.5 per cent greater than that at the beginning of the year. Having compared 1999 with 1998, the share of the unskilled unemployed within the structure of the unemployed increased. At the end of the year almost 60 thousand unskilled unemployed or those with elementary professions, or 33.8 per cent of the total number of the unemployed, were registered (at the end of 1998 their number stood at 25.8 per cent). As little as 4.6 per cent of the unemployed had higher education at the end of the year (in the previous year this number accounted for 5.7 per cent), and the unemployed with high education constituted 16.2 per cent (in the previous year - 16.8 per cent).

### ***The Labour Market Policy***

The labour market policy was being implemented by means of the active and passive measures. The passive measure of the labour market policy was the unemployment benefit aimed at providing temporary material assistance to the individuals who have lost a job. The objectives of the active labour market policy were to raise possibilities of temporary employment for the unemployed, to create conditions for them to acquire necessary work experience, to help them maintain their qualification, update and improve it or acquire a new profession, which met the needs of the labour market. The final objective of the application of measures of the active labour market policy was the integration of the unemployed into the labour market. Main attention was devoted to the extension of the scope of measures of the active labour market policy and the increase in their effectiveness seeking to integrate young people, the unemployed of the pre-retiring age and other socially vulnerable groups of individuals into the labour market. The following active labour market policy programmes were implemented:

○ *harmonisation of unemployment prevention and labour supply and search (a group search for labour - job clubs, independent search for vacancies, supply of work in another place, prevention vocational training and vocational guidance, and psychological consultations, etc);*

○ *support of unemployment (programmes of public works, setting up one's own business, creation of new jobs, supported works);*

○ *vocational training of the labour market.*

### ***Improvement of the Legal Basis***

With the situation in the labour market of country and its priorities changing, laws and other legal acts regulating the labour market were amended and improved by adapting them to the needs of the new employment strategy.

On 7 July 1999, the Seimas of the Republic of Lithuania adopted the Law on the Amendment and Supplement of Articles 10 and 16 of the Republic of Lithuania Law on Support of the Unemployed No. VIII-1291. The amendments and supplements of Article 10 established the obligations of the employer when dismissing a group of employees, and Article 16 was supplemented with the provision stipulating that the payment of the unemployment benefit to the unemployed who are close to retirement age (who are within five years of becoming eligible to receive a full old-age pension) should be extended for two more months, and the payment of the unemployment benefit to the unemployed who are within less than a year of becoming eligible to receive a full old-age pension - till they are granted the right to receive such a pension.

In 1999, Point 2 of the Procedure for vocational training and financing of the unemployed and the employees notified of the termination of the employment contract from the Employment Fund was amended. The essence of Point 2 is to increase mobility of the unemployed that have acquired a profession within the system of vocational training of the labour market. Point 1.2 of the Procedure for employing in works supported by the Employment Fund was also amended and its new provisions created more favourable conditions for young people to take up a work activity and provided incentives to the employers employing young people. In 1999, the Procedure of examination to obtain licence to train in accordance with the curriculum of the vocational training of the labour market, which established requirements for the documents submitted by enterprises, organisations, educational institutions, as well as their material training basis, was approved.

## 1. SUMMARY

### ***Labour Relations***

#### ***Legal Guarantees of Payment for Work***

The Law on Wages establishes basic principles of payment for work. Payment for work cannot be less than the minimum wages (MW) set by the state. The minimum wages is expressed through the minimum monthly wages (MMW) or through the minimum hourly wages (MHW).

#### ***Minimum Wages***

In 1999, the Ministry of Social Security and Labour adjusted the principles and the procedure for establishing the minimum wages, which was approved by the Government of the Republic of Lithuania. In 1999, the minimum wages was not increased. According to the data of the Department of Statistics, the minimum monthly wages in 1999 accounted for 430 LTL and the minimum hourly wages - 2.53 LTL.

#### ***Average Monthly Gross Wages (AMGW)***

In 1999, as compared to 1998, the average monthly gross wages in the economy of the country increased by 6.5 per cent, in the state sector it increased by 8.6 per cent and in the private sector - by 6.2 per cent. In 1999, the total AMGW in the economy of the country was 1074.8 LTL. The AMGW in the state sector amounted to 1150 LTL and in the private sector - 993.7 LTL.

#### ***Control of Labour Relation in Enterprises***

In 1999, the State Labour Inspectorate checked over 13 thousand enterprises, which employed over 788 thousand people, revealed over 92 thousand cases of violations of the requirements of legal acts on safety and health at work.

In answer to all the said violations, inspectors of the State Labour Inspectorate submitted over 11 thousand requirements to eliminate drawbacks, put a stop to work in 894 enterprises, terminated the activity of 64 enterprises and their branches, adopted over 1.5 thousand decisions to impose penalties, initiated 35 bankruptcy cases.

#### ***Accidents at Work***

In 1999 the State Labour Inspectorate investigated and established that 68 fatal and 154 serious accidents that took place at work, were related to work and it registered 2681 minor accidents that occurred at work.

### ***Incidence of Occupational Diseases***

In 1999, the Register of Occupational Diseases registered 606 cases of occupational diseases that 411 individual had. 530 cases were diagnosed for men and 76 - for women.

#### ***Changes in Payment for Work at Budgetary Institutions***

In August 1999, by Resolution of the Government of the Republic of Lithuania, salaries of civil servants and other officials employed in the sphere of public administration that were increased in 1997-1998, were cut down. Furthermore, payment of additional benefits, bonuses, material benefits was restricted to this category of employees.

#### ***Reimbursement for Damage to Health due to Accidents at Work or Occupational Diseases***

In 1999, the Provisional Law on the Compensation for Damage to Health due to Accidents at Work or Occupational Diseases was amended supplementing it with the cases when the obligation of compensating for the damage to health is transferred to the State.

#### ***Improvement in Collective Relations and Social Partnership***

The Agreement "On Tripartite Co-operation" was signed on 11 February 1999 between the Government of the Republic of Lithuania and social partners - trade union organisations and employers' organisations.

#### ***Harmonisation of the Legal Basis with the EU and ILO Legal Acts***

In 1999, special attention was paid to the development of the legal basis of labour relations harmonising them with the requirements of the EU legal acts and the ILO Conventions and Recommendations. In accordance with the provisions of these legal acts, the draft of the Labour Code of the Republic of Lithuania, legal acts of safety and health at work were designed in 1999.

#### ***Equal Opportunities in Labour Policy***

The Law on Equal Opportunities of the Republic of Lithuania, which came into force on 1 March 1999, encourage many state and private institutions to pay more attention to the position of women and men in the society and in the labour market. In 1999, the level of female employment increased a little, however, it still remained lower than that of men. The concentration of the female and male labour force in different spheres of economic activity is still quite

## 1. SUMMARY

pronounced. Women constitute the majority in the structures of management and decision-making.

The economic crisis in Russia had the most pronounced effect on the industrial sector of Lithuania, as well as on small and medium-size business where mostly

men are employed, therefore significantly more men than women lost jobs and appealed to labour exchanges. The State should pay more attention to preparing women who were on the child care leave for returning to work and the problems of women of the pre-retiring age in the sphere of labour.

### SOCIAL INSURANCE

Lithuania has chosen the social insurance model, which prevails not only in Europe, but also in most countries of the world. It is based on the generations solidarity principle: when employed persons allocate part of their earned funds to those, who due to old age, disability, sickness or the loss of job cannot work and earn money. Social insurance benefits are allocated from the funds collected from the currently working people. The right to receive state social insurance payments is granted only to those, who for a certain period provided for in the law were working and paying state social insurance contributions. Persons, who did not pay such contributions, can expect support from the state, but not from social insurance. The Lithuanian state social insurance system is universal covering almost the whole population in the country.

Two social insurance systems are functioning in Lithuania: compulsory and voluntary. Hired employees and self-employed persons are insured with compulsory insurance.

Hired employees are insured with the following insurance schemes: pension insurance (old age, disability, survivors' pensions), sickness and maternity insurance (sickness, maternity (paternity) and funeral benefits), health insurance (compensations for treatment and prophylactic costs), unemployment insurance (unemployment benefits), insurance against accidents at work (injury at work benefits and occupational disease benefits). In 1999 hired employees paid social insurance contributions amounting to 1 per cent from the calculated wage, and employer paid 30 per

cent of the calculated wage. After a new type of insurance was introduced on 1 January 2000 (social insurance against accidents at work and occupational diseases), hired employees will have to pay contributions amounting to 3 per cent, and employers 31 per cent from the calculated wage.

State social insurance in Lithuania is executed by the State Social Insurance Fund. It is one of the largest and most important institutions implementing the social policy developed by the Ministry of Social Security and Labour. The Fund has an independent budget, to which compulsory social insurance contributions are collected. The contribution rate is determined by Seimas and the Government. (From 1991 to the end of 1999 the contribution rate was 31 per cent, and from 1 January 2000 - 34 per cent). The collected funds are used for the payment of pensions, benefits and compensations to the population.

The Ministry of Social Security and Labour performs the supervisory function in relation to the social insurance system. The key functions of the Ministry belong to the sphere of social policy, including social insurance, employment and labour relations. It is the analysis of the current social situation, drafting laws and Government resolutions, submitting them to Seimas and the Government, maintaining international and public relations. Universality and solidarity are the main principles of the Lithuanian social policy. Universality means that all people living in Lithuania are entitled to the benefits provided by social security.

### SOCIAL ASSISTANCE TO THE FAMILY

#### ***Benefits in Cash***

*In 1999, the priority was given to support of waif children. Seeking to decrease a social exclusion risk of*

orphans and children deprived of parental care and to create equal opportunities for them to be taken care of in families or family-type care homes, resi-

## 1. SUMMARY

dential care institutions established by non-governmental organisations rather than in large institutions, as well as to improve social integration of waif children upon their coming of age, the provision of the Law on Child Guardianship were being implemented in 1999 by making legal and economic conditions for alternative guardianship of children equal.

Seeking to guarantee necessary social assistance to low-income families, the system of compensation for expenses on heating of the living space and water is being improved.

One of the most important measures of direct assistance to needy families is free of charge catering provided to children of these families. In 1999, organisation of free of charge catering at schools of general education was regulated.

In 1999, after the study of the economic effectiveness of the social assistance applied has been carried out, the situation of families raising children was analysed and recommendations for the improvement of that system were prepared on the basis of which the programme for support of families raising children will be drawn up.

### ***Assistance to Families Raising Disabled Children or Nursing Individuals with Severe Disabilities***

Seeking to create better material conditions to nurse people with severe disabilities at home, amendments of the Law on Social Integration of the Disabled and other laws related to disability - the Law on Social Assistance and the Law on State Social Insurance Pensions were adopted.

Since 1999 the amounts of pensions to disabled of Group I and Group II have been differentiated. The Law provides for paying the whole pension to disabled of Group I who have insured income. When working they are entitled to the whole pension together with the former carer's allowance, which is calculated together with the basic pension. Main criteria on the basis of which severe disability is recognised for the disabled of Group I and the disabled child under 16 years of age were established. They receive the nursing benefit equal to the amount of one basic pension per month.

Seeking to improve the material condition of the

families raising children, according to the Law on Social Pensions, children who became disabled before they were 18 years of age or older, if they became invalids of Group I, II and III in their childhood or before they were 18 years old, have the right to receive the pension amounting to the social basic pension (138 LTL).

The Ministry of Social Security and Labour, seeking to better provide the inhabitants of the Republic of Lithuania with orthopaedic equipment has prepared the new procedure for the provision of the population with the orthopaedic equipment.

### ***Social Services***

The system of social services was aimed at decentralising of social services in 1999. Decentralisation was being carried out by drawing up and implementing state and municipal social services programmes. With this end in view needs of different social groups are being assessed in local governments taking into account the fact that the network of the provision of social services in communities is being created:

○ *decentralisation of the provision of social services. The principle that priority is given to extending services provided at home and the establishment of other non-stationary social services rather than to stationary social service enterprise is followed;*

○ *involvement of different non-governmental organisations as equal partners in a common system of social services. One of the most essential features of such a system is integration of the state and municipal, as well as non-governmental social care institutions;*

○ *improvement of the quality of social services and the increase in their efficiency. This is done by analysing and assessing the results of social service programmes being implemented, by organising the development of qualification of social workers, by improving the activity of stationary care institutions.*

### ***The State Assistance to Victims and Social Risk Groups***

In 1999, legal acts were prepared regulating the provision of assistance in cash to the groups of victims – political prisoners and deportees, participants of the resistance movement, those who suffered during the 11-13 January events in 1991.

### EUROINTEGRATION AND INTERNATIONAL CO-OPERATION

#### ***Significant International Events in 1999***

In 1999, the Ministry of Social Security and Labour represented Lithuania in the events organised by the United Nations, the European Union, the International Labour Organisation, the Council of Europe, the Council of Ministers of the Baltic States, Sweden, Norway, Germany, Denmark and Governments of other countries. In 1999, important international events were held on the issues of the social development and demographic problems, women's rights, child and family, the labour policy and integration into the European Union.

#### ***The Course of Eurointegration***

In 1999, the Ministry of Social Security and Labour further carried out the work related to the preparation for accession to the European Union assigned to its competence.

In the spring of 1999, the new version of the National Acquis Adoption programme (NAAP) was begun to be prepared and it was approved by the Government in September 1999.

In March meetings of the second bilateral analytic screening of the EU *Acquis*<sup>1</sup> started during which Lithuania's preparation to transpose separate parts of *Acquis* was presented, the condition of the legal basis of Lithuania as the candidate-state was elucidated, problems to be resolved were identified. The Ministry of Social Security and Labour is directly responsible for two negotiation chapters: "Free Movement of Persons" and "The Social Policy and Employment".

In December of 1999, the Ministry drew up primary drafts of the position papers of "Free Movements of Persons" and "The Social Policy and Employment". It is planned to start negotiations in these spheres in the second half of 2000.

The necessity to assess consequences of integration is closely related to the preparation of the position papers of Lithuania for the EU membership, information of the public and business, as well as the for-

mation and implementation of the rational economic policy. In March 2000, questionnaires of the chapters "The Social Policy and Employment" and "Free Movement of Persons" were filled in on the basis of which the primary assessment of consequences of Lithuania's integration in the EU has been prepared.

In its 1999 Annual Report on Lithuania's progress in preparing for the EU membership the Ministry of Social Security and Labour presented material about the social development of Lithuania, the labour policy, the social assistance reform, social security and the provision with pensions, occupational safety and health at work, labour law, equal opportunities and free movement of employees.

#### ***Representing Lithuania in the International Labour Organisation (ILO)***

The Ministry of Social Security and Labour, authorised by the Government of the Republic of Lithuania to represent the Government of the Republic of Lithuania in the relations with the International Labour Organisation, constantly prepares and submits accounts about the application of the ILO Conventions, which have been ratified, other necessary information, analyses the possibilities of ratifying Conventions that have not been ratified yet, takes part in the ILO conferences, co-ordinates technical assistance provided by the International Labour Organisation.

During the 87<sup>th</sup> International Labour Conference Lithuania was elected for the first time a substituting member of the management Board for the period of 1999-2002 and it has taken part in the activity of the ILO Management Board since 1999. The regional Group of Central and Eastern European countries elected Lithuania a co-ordinator of the Group.

These achievements allow Lithuania to make an active contribution to the creation of the international labour standards, as well as the to formation of the further policy trends of the International Labour Organisation.

<sup>1</sup> *Acquis* - legal system of the Communities including laws and their application practices and covering everything that has been achieved in implementing the Treaties Establishing the Communities

## 1. SUMMARY

### *Interstate Relations in the Sphere of Labour and Social Policy*

The regulation of interstate relations in the sphere of the labour and social policy plays an important role in international co-operation. In 1999 the following documents of the Council of Europe were ratified and came into force in Lithuania – Provisional European Agreements on Social security and their Protocols, bilateral agreements on social security were signed and with Belarus and the Czech Republic, bilateral agreements on the provision with pensions and temporary employment of citizens were signed with Russia and ratified, an agreement on the exchange of stagiaires was signed with ratified the Czech Republic, negotiations with Poland and Finland for concluding agreements on social security were started.

In 1999, great attention was devoted to preparing to co-ordinate the systems of social security applying Regulations 1408/71 EEC and 574/72 EEC. They are very complicated documents and the European Commission adopted over 100 decisions, investigated over 350 cases in order to apply them. Supplements to the Regulations were preliminarily prepared which must specify exceptions with respect to the application of the Regulations to Lithuania. Also, the study “Detailed Preparation and Planning in Implementing Harmonisation Rules of the European Community” was carried out. The main responsibility in implementing the Regulations will rest with the Board of the State Social Insurance Fund, the National Labour Exchange and the State Patients’ Fund. Thus far it has not been decided what secondary institution will be responsible for administration of family benefits in accordance with the Regulation.

### *International Assistance*

Seeking to ensure effective and qualitative implementation of international projects for social security and labour the Council of International Assistance and the Board of International Assistance were established at the Ministry of Social Security and Labour.

In 1999, the most significant international bilateral assistance was provided to the development of the infrastructure of social services, the development of the labour market system, strengthening the implementation of occupational safety and health policy, monitoring and assessment of the social policy, assessment and reduction of poverty.

In 1999, projects that were carried out in the previous year were further implemented and the new ones were begun to be drawn up. The project “The Development of Social Services Infrastructure” financed by the Council of Europe Development Bank was started. In carrying out the United Nations projects the National Report on the Implementation of the Copenhagen Declaration in Lithuania, was prepared, the Poverty Reducing Strategy was started to be worked out, the Social Report was prepared. On the basis of the agreement between the Ministry of Labour of Denmark and the Ministry of Social Security and Labour of Lithuania, the sector programme on the labour market field was started to be implemented. Lithuanian and Danish institutions signed the Agreement on the Development of Social Initiative in Lithuania. In 1999 the sector programme of the labour market of the Baltic Sea States was commenced.

## SOCIAL PROGRAMMES IMPLEMENTED IN 1999

### *Poverty Reducing Strategy in Lithuania and its Implementation*

Strengthening social security of the population, the Poverty Reducing Strategy (hereinafter referred to as the Strategy) was worked out in 1999. The Strategy contains a short concept of poverty and its indicators characterising poverty in Lithuania. The Strategy devoted main attention to the public policy measures of reducing poverty, the implementation of the Strategy and its monitoring.

The Strategy was worked out in implementing the Declaration signed at the World Summit Meeting held in Copenhagen in 1999 - to address the issues of poverty, unemployment, as well as other problems related to the said phenomena. Lithuania committed itself to preparing a National Report on the implementation of the consequences adopted at the World Summit Meeting and to working out the Strategy.

The National Report, which was submitted to the

## 1. SUMMARY

United Nations and the public of the country in 1999, reflects the progress achieved and the review of problems that had not been solved in reducing poverty since 1995. In preparing the National Report the following conclusions were arrived at:

- *in eradicating poverty it is impossible to achieve positive results by means of social security alone;*
- *it is necessary to formulate a complex policy to enhance the social policy of the Lithuanian society without expecting to receive immediate results;*
- *a well thought of poverty reducing strategy should help Lithuania make use of the available resources, human resources, in particular, more rationally;*
- *in working out the Poverty Reducing Strategy Lithuania's aspirations for Eurointegration and models of social development that have been formed in the European Union should be taken into consideration.*

In working out the Poverty Reducing Strategy these conclusions were taken into consideration and experience in preparing the National Report has been made use of. The Strategy presented poverty reducing "targets" and provided for the measures of the social policy to achieve them. However, the Strategy contained no concrete programmes as they will be

drawn up in the future.

To work out this Strategy the Social Committee by the decree of the President was set up headed by the Minister of Social Security and Labour Irena Degutienė. To implement it, as has been provided for in the Strategy, the President set up the Commission on the Implementation of the Poverty Reducing Strategy

### ***The Programme of the International Year of Elderly People***

After the year 1999 has been declared the International Year of Elderly People, the Government of the Republic of Lithuania approved the action programme in Lithuania aimed at formulating a long-term and comprehensive state policy capable of helping to improve social, health care and economic conditions of elderly people. In the course of the implementation of the programme certain laws and amendments of other normative legal acts have been drawn up, four publications devoted to elderly people were issued, the international conference was organised, and many other cultural events were held. All this actualised problems of elderly people and drew attention of the society to this group of the population.

### 2. KEY ACTIVITY TRENDS AND OBJECTIVES OF THE MINISTRY IN 1999

*In 1999 the Ministry of Social Security and Labour, implementing the programme of the Government of the Republic of Lithuania and fulfilling its mission - to develop and implement an effective social insurance and social assistance system co-ordinated with European Union standards, ensuring social protection of state residents - directed all its efforts and activities towards the formation and implementation of the social security and labour policy. The key activity trends of the Ministry in 1999 are provided in the Ministry's strategic plan, which is focused on the medium-term perspective.*

*Activity trends and objectives of the Ministry for 1999 were being formed taking into account the strategic*

*goals and principles of the social policy and the purpose of the Ministry itself - to strengthen its role as the formulator of the social and labour policy. In order to implement this goal, it is necessary to develop the skills of the staff, strengthen the Ministry's organizational structure, improve administration work and relations with partners and customers, increase the effectiveness of social policy and improve its analysis, organization of its implementing and supervision.*

*The management structure of the Ministry (ref. Annex 1) corresponds to its key activity trends in the formation and implementation of the social security and labour policy.*

#### **Labour policy**

In the strategic plan of the MSSL the following key trends relating to the labour policy were distinguished: employment and the labour market, working conditions, labour relations and payment for work.

#### **Employment and Labour Market**

Decreasing unemployment and increasing employment were and are the prioritised key activity trends of the MSSL. In 1999, the Ministry strongly prioritised the active employment and labour market policy, whose final goal is the integration of the unemployed into the labour market. Implementing the active employment and labour market policy and paying due attention to the situation in this sphere, the Ministry devoted special attention to young, long-term unemployed persons, as well as to those have additional employment guarantees, by increasing their opportunities in the labour market.

In the employment and labour market policy more and more attention was paid to the measures helping to promote co-operation between the institutions, which have an influence on employment, and the local partners with the aim of increasing effective-

ness and integrity of employment and the labour market policy and reducing territorial deviations in unemployment levels.

To formulate a more effective regional employment and labour market policy, in 1999 the labour market database was improved and expanded, more attention was paid to the analysis and forecast of the results of the labour market policy.

Seeking to achieve greater flexibility and a quicker response of the labour market institutions to the changes in the labour market, much attention was paid to the improvement of their management system.

#### **Working Conditions**

In implementing the safety at work policy, in 1999, priority was given to the improvement of prevention of violations of laws on accidents, safety and labour, the improvement of management and control of occupational health and safety at work. To achieve these goals the valid legal acts were updated and new ones were drafted, by co-ordinating them with social partners and respective legal acts of the European Union.

***Labour Relations and Payment for Work***

Improving the labour relations and payment for work policy, priority was given to the liberalisation of these relations, providing more rights to the participants of the labour relations, systematic readjustment of payment for work among different employees of state institutions by branches and positions, the consolidation of the principle of equal opportunities for men and women, co-ordination of valid legal acts as well as their compliance with the EU and ILO Conventions.

***Social Insurance***

The social insurance policy was developed taking into consideration the fact that year 1999 was announced the International Year of Elderly People. Taking account of the situation and the needs of elderly people in Lithuania, the action programme was developed with the view to improve the social, health care, economic and cultural situation of elderly people.

Like in the previous years, the social insurance policy was aimed at strengthening insurable principles. To identify the recipients of the social insurance fund benefits according to insurable and uninsurable principles, the key provisions for restructuring of the social insurance system were developed. On the basis of these provisions, social insurance benefits are paid only to those persons, who took part in the social insurance system by paying contributions, refusing to finance uninsurable contingencies.

Like in the previous years, in implementing the social insurance policy, the improvement of the financing of social benefits played a significant role. Attempts were made to implement the following measures increasing the income and decreasing the expenditure of the state social insurance budget:

- *increasing of the social insurance contribution rate and abolishment of limitation of social insurance contribution when contributions are no longer paid;*
- *widening of the circle of the insured and decreasing the possibilities to abuse the budgetary funds by concluding fake employment contracts.*

The social insurance system was improved by supplementing it with a new type of social insurance - insurance against accidents and occupational diseases. Such a solution had to solve problems relating to benefits in case the enterprise has gone bank-

rupt or the employer has become insolvent.

Special attention was devoted to the issues of harmonising the legislative base in the sphere of laws on social insurance pensions and state pensions.

***Social Assistance***

In implementing the social assistance policy, in 1999 it was sought to improve the systems of social assistance to families in cash, social services, as well as those of protection and care of children's rights. The system of monetary social assistance was improved by seeking that support was provided to those groups of the population, which need it most. A uniform support system for low-income families is being created based on the principle of the property and income test. Strategic partnership with municipalities is being developed granting them more independence and responsibility.

With the view to improve child care and protection of children's rights, much attention was paid to the assessment and analysis of valid legal acts, as well as to the institutional child care structure and its financing, the implementation of the provisions in the Hague Convention, separation of supervision and execution functions of child care and children and teenager crime prevention.

Within the social services policy the greatest attention was devoted to the development of the social services infrastructure and the improvement of the quality of services. This objective is being sought by analysing the need for social services and training social workers with corresponding qualification. Seeking to increase the efficiency of the social services system, partnership relations with municipalities are being developed and the information exchange system is being improved by transferring know-how in providing social services and establishing social care institutions of a new type.

An effective system for social integration and rehabilitation of the disabled is being developed, which creates possibilities to provide them with the same opportunities that other members of the society have. The uniform database related to the issues of the disabled persons is under improvement. The activity of public organisations of the disabled is being developed by co-ordinating it through the Lithuanian Disabled Persons' Council at the Government

seeking to engage other state institutions, administrations of county governors and municipalities in its activity and the implementation of integration programmes.

***International Affairs***

In accordance with the programme drawn up by the Government, 1999 witnessed the continuation of the preparatory work for membership in the European Union, co-ordination of social security systems, as well as active preparation for ratifying the amended

European Social Charter and the introduction of the international labour standards.

Furthermore, international relations were developed and strengthened, especially with the neighbouring states - Latvia, Estonia, Poland, as well as with more distant neighbours - Sweden, Finland, Norway, Germany, Holland, Denmark, France etc. Much attention was paid to the conclusion of bilateral social security agreements.

### 3. ECONOMIC AND SOCIAL CONDITIONS SPECIFIC TO THE LITHUANIAN ECONOMY IN 1999

*As early as at the end of 1998 signs of economic decline in the development of the Lithuanian economy could be observed. The decline continued in 1999 as well. The Gross Domestic Product (GDP) in the country during all four quarters of the year was 1.4 – 6.7 per cent lower than during respective quarters in 1998. According to the preliminary data of the Department of Statistics, in 1999 the annual GDP decreased by 4.1 per cent compared to 1998 (in Latvia it grew by 0.1 per cent, and in Estonia dropped by 1.5 per cent).*

*Economic decline was caused by significant decrease in export - by 19.3 per cent, as well as a decrease of the solvent demand in the domestic market.*

*The decreased purchasing power in the domestic mar-*

*ket affected changes of consumer prices: during 1999 the consumer and services price index increased by only 0.3 per cent, and in March, June, July, August and October the same year deflation was stated. This reflected poor economic performance of country economy.*

*It was the strained economic relations with Russia and the countries of CIS, the drop of Deuchmark and euro exchange rate in relation to the dollar in 1999 and the devaluation of the Russian rouble that decreased the demand for Lithuanian products in foreign and domestic markets and increased the flow of cheap goods into the domestic market. This caused a decrease of employment not only in industry, but also in the whole economy of the country.*

#### 3.1. ECONOMIC SITUATION

##### **Gross Domestic Product (GDP)**

According to the preliminary data of the Department of Statistics, GDP accounted for 42.597 million LTL in 1999 (42.945 million LTL in 1998), calculating 11.514 LTL per one inhabitant on the average. The decline of GDP was caused by the decrease of the scope of operation in the area of electric power, gas and water supply (- 16.7 per cent), construction (- 11.2 per cent), agriculture, hunting and forestry (- 8.9 per cent), quarrying industry (- 6.7 per cent), health and social welfare (- 5.9 per cent) and in some other spheres. On the other hand, 1999 saw growth in some other spheres (transport, warehousing and communications (7.9 per cent), financial mediation (6 per cent) and other activities), but this did not have significant influence on changes in GDP.

##### **Mining and Quarrying Industry (MQI)**

Before 1999 the extent of sales of products manufactured in MQI were constantly increasing. However, from the beginning of 1999 the sales started to

decrease. Strained economic relations with Russia and the countries of CIS, the drop of Deuchmark and euro exchange rate in relation to the dollar as well as devaluation of the Russian rouble reduced the competitiveness of Lithuanian production and demand in foreign markets. The flow of cheap imported goods, especially from the countries of CIS, to the domestic market and the increase in operational costs (more expensive energy and fuel) worsened the business conditions of MQI enterprises. The decreased solvency of the domestic market and difficulties arisen due to changes in foreign markets caused a decrease in MQI production sales in 1999.

According to preliminary data, the products that MQI manufactured and sold in 1999 (without VAT and excise) account for 18,127 million LTL (according to the prices in 1999). Compared to the same period last year, the volume of production reduced by 7.9 per cent.

The most significant effect on the general decline of industry was caused by the activities in the oil pro-

cessing products industry. Due to disorders in raw oil supply the volume of initial oil processing reduced by 30 per cent and production sales of the whole branch as much as by 36.9 per cent.

Despite the general decline of industry, some of its businesses (comprising approximately 38 per cent of the total MQI sales), by improving production quality and expanding sales in foreign markets, managed to increase the volume of their production and sales. During 1999 the speed of their growth was sufficiently high and compensated for the decline in other branches of industry. In 1999 the MQI production index excluding the oil processing products industry accounted for 100.8 per cent. This low growth was mainly caused by chemical substances and products industry, rubber and plastic products industry, radio, television and communications equipment industry, electric machines and devices industry, etc.

With the decrease in the demand for durable goods in the domestic market and the purchasing power of national consumers, many industrial enterprises attempted to increase and expand the volume of export of goods produced. During 1999 MQI enterprises exported approximately 53.1 per cent of all production sold, or 1.4 per cent points more than in 1998.

### **Energetics**

The needs for energy (fuel, heat, electric power) in Lithuania during 1999, compared to 1998, decreased by 1.5 per cent. In the terminal energy balance households comprised 33 per cent, industry 22 per cent, transport 30 per cent, agriculture and other consumers 15 per cent.

In 1999, compared to 1998, the export of electric power dropped 2.3 times.

In 1999, Seimas of the Republic of Lithuania approved of the National Energetics Strategy that takes into account the requirement of the European Union to stop the first block of Ignalina nuclear power station by 2005. Furthermore, legal acts were adopted providing that special destination stock companies "Lietuvos energija", "Lietuvos dujos" and heating supply companies can have their status of a special purpose company liquidated. In late October 1999 the oil products wholesale and retail stock company "Lietuvos kuras" was privatised. There was also a 40.7 increase in the share of private capital in the stock company "Mažeikių nafta" dealing with oil processing and transportation of oil and its products through pipelines.

### **Construction**

In 1999 the work carried out by national construction companies and enterprises at their own effort

#### **Housing construction in Lithuania 1998-1999**

	Unit of measure	1998	1999
Flats delivered for usage	units	4176	4254
Useful dwelling area delivered	thous. m <sup>2</sup>	500	521,3
Total investment	million LTL	507,5	450,8
Number of persons on the municipality waiting lists to receive state support (beginning of the year)	thous. people	104,3	105,0
Preferential (subsidised) housing loans granted:			
• sum of loans	million LTL	25,0	45,0
• appr. number of loans	unit	500	900

*Review of economic and social situation in Lithuanian economy in 1999  
Ministry of Economy, 2000*

Table 3.1-1

accounted for 2609.5 million LTL, i.e., 15.2 per cent less than in 1998.

The volume of work fulfilled within the territory of the state comprised 98.6 per cent of the total volume and, compared to 1998, decreased by 13.8 per cent.

As it is shown in Table 3.1-1, the sum of investment share in housing construction in 1999 decreased by 11.1 per cent. Despite of that, there was a slight growth in the number of constructed flats (by 1.9 per cent) as well as useful dwelling area (by 1.04 per cent). There was also a significant increase in the number of preferential housing loans. In 1999 the number of granted preferential housing loans was 1.8 times higher than in 1998.

In 1999 the Housing and Urbanistics Development Fund granted loans accounting for 28,2 million LTL, including: 16,2 million LTL to housing communities and for housing renovation, 12 million LTL for school renovation.

### ***Transport***

In 1999 the volume of carriage of almost all types of transport in Lithuania was decreasing. An exception was only cargo and passenger carriage with river and marine transport, reloading oil products at Klaipėda Harbour as well as the number of arrived and departed passengers at Lithuanian airports and Klaipėda Harbour.

### ***Agriculture***

The number of private farms registered with the register of private farms as of 1 January 2000 amounted to 67 thousand. They managed 812.9 thousand ha of land. The average size of a farm was 12.1 ha.

The share of production produced on private farms in the total production of respective product accounted for: grain - 78 per cent, potatoes - 99.4 per cent, sugar beet - 59 per cent, livestock and poultry - 62 per cent, milk - 88 per cent.

According to preliminary estimations of the Department of Statistics, the total agricultural production in 1999 decreased by 12 per cent compared to 1998. The volume of grain grown dropped by 25 per cent, milk produced - by 9 per cent, livestock and poultry sold for slaughtering - by 1 per cent, and eggs - by 10 per cent.

Milk quality indicators have improved: the amount of high quality milk (highest and I category) purchased accounted for 51 per cent (29 per cent in 1998).

### ***Foreign Trade***

According to the estimations of the Department of Statistics, in 1999 the volume of Lithuanian foreign trade turnover amounted to 31,2 billion LTL: exported goods accounted for 12,0 billion LTL, imported - 19,2 billion LTL. Compared to 1998, the turnover of goods dropped by 18.1 per cent, export - by 19.3 per cent, and import - by 17.3 per cent. The foreign trade deficit decreased by 13.8 per cent and accounted for 7.2 billion LTL.

The above data show that the financial and economic crisis in Russia had negative effect on the export of Lithuanian products in 1999. However, the same year Lithuanian manufacturers were more successful than in the previous years in expanding the markets of their goods in EU and CELPA countries. The decline of economy caused reduction not only the general domestic demand, but also demand for imported goods.

### ***Domestic trade***

The share of trade in the domestic product in 1999 comprised approximately 15.8 per cent, and including the turnover of hotels and restaurants - 17.3 per cent. The retail turnover of goods (including trade at catering enterprises and marketplaces) accounted for about 14.6 billion LTL (according to preliminary estimations).

According to the data of selective research as carried out by the Department of Statistics, the turnover of goods of enterprises, whose main business is retail trade, in 1999, compared to 1998, reduced by 11.1 per cent (calculating according to comparable prices). For instance, the turnover of goods of enterprises, whose main activities are car and fuel trade, car maintenance and repair, dropped by 22.2 per cent (the sales of transport vehicles decreased by as much as 44.7 per cent), and the turnover of other trade enterprises dropped by 6.3 per cent.

In 1999 there was an increase in the trade of cosmetics and hygiene goods (their turnover increased by 35.7 per cent) as well as medicine and orthopaedic goods (29.3 per cent), and the turnover of furniture and lighting equipment (14.4 per cent), books, newspapers and stationery (10.7 per cent) and second hand goods (2.1 times).

The turnover of catering enterprises grew only in restaurants (8.3 per cent), and the turnover of bars and

canteens decreased by more than 16 per cent.

The volume of retail turnover of goods also decreased in marketplaces. The volume of trade in food products dropped by 10.9 per cent, and for instance the turnover of meat and meat products reduced by 14.3 per cent. However, there was an increase in the trade of non-food products (excluding cars) in marketplaces: in 1999 the turnover of those goods grew by 9.8 per cent compared to 1998.

### ***Informatics***

In 1999 the total number of computers in Lithuania was about 230 thousand (whereas in 1998 - 200 thousand computers). This means 6 computers per one hundred inhabitants (about 25 in economically developed countries). Lithuania has 3 Internet websites per ten thousand inhabitants. Only about 3 per cent of Lithuanian population use Internet and e-mail.

### ***Small and Medium-size Business***

In accordance with the estimate of utilising the funds of the Small and Medium-size Business Promotion Fund approved by the Business Development Council, funds were allocated to the implementation of the following measures of the small and medium-size business development programme: for increasing the share capital of the loan guarantee institution of small and medium-size business; for partial compensation for insurance contributions; for the establishment of business incubators and business centres; for covering their incorporation and operational costs; for technical support (training, counselling and other measures); for the development of regional and target programmes and partial financing of their implementation; for partial coverage of interest.

In order to achieve more effective utilisation of the means from the Small and Medium-size Business Promotion Fund, in 1999 the concept of decentralising the utilisation of means from this Fund was prepared. The implementation of this concept would help to achieve more involvement in solving the problems relating to small and medium-size business from the business communities, higher concern with specific problems in the regions, as well as simpler and faster administration of documents.

### ***Procedure of Enterprise Bankruptcy***

In 1999, 207 enterprises announced themselves insolvent, among them 95 enterprises were declared

bankrupt. It should be noted that a big part of insolvent enterprises or those enterprises that have reached the insolvency level, are joint ventures with Lithuanian and foreign capital.

In 1999 the bankruptcy process was started in 246 enterprises. The initiators of filing bankruptcy cases were: creditors - in 133 enterprises, owners - 93, other institutions - 20. The total number of enterprises, where bankruptcy procedures were carried out in 1999, is 475.

### ***Privatisation***

During 1999, 703 entities were privatised for 572,9 million LTL. The total number of privatised entities, compared to 1998, increased twice, and fixed tangible assets - 2.3 times.

The biggest privatisation agreement signed in 1999 was the privatisation of 90 per cent of state-owned shares of KLASCO, the marine cargo loading company in Klaipėda. Furthermore, by way of direct negotiation 70 per cent of state-owned shares of AB "Lietuvos draudimas" was privatised by the Danish insurance company Codan for 105,2 million LTL. 13,7 per cent of shares of AB "Utenos trikotažas" were sold for 8 million LTL.

### ***Investments***

According to the preliminary data provided by the Department of Statistics, all tangible investments on the territory of Lithuania in 1999 accounted for 5,4 billion LTL. Compared to 1998, investment decreased by 18.4 per cent, and this accounts for the general economic decline of state economy. There was a significant decrease in investments financed from the state and municipal budgets. In 1999 those investments accounted for 40.3 and 40.9 per cent respectively of the 1998 level.

In 1999 the highest investments were made in the following areas: transport, quarrying industry, electric power, gas and water supply, post and distance communication, housing construction.

Direct foreign investments on 1 January 2000 comprised 8,3 billion LTL with 16.6 per cent of long-term and short-term loans. The proportion of direct foreign investments per one inhabitant was 2231 LTL. The major part of investments relate to traditional economy business, such as the quarrying in-

dustry - 32 per cent, trade - 24 per cent, post and communications services - 13 per cent.

The main investing countries were: Sweden - 1443,9 million LTL (17.5 per cent of all investments), USA - 1103,2 million LTL (13.4 per cent), Finland - 872,1 million LTL (10.6 per cent), Denmark - 801 million LTL (9.7 per cent), and Germany - 632,1 million LTL (7.7 per cent).

#### ***Execution of the National Budget***

In 1999 the exacted income plan of the *national budget* was 9929,1 million LTL. 8825,9 million LTL income was collected meaning that the exacted 1999 plan of the national budget was executed by 88.9 per cent. Compared to 1998, the income of the national budget in 1999 was by 423,8 million LTL or 4.6 per cent lower than in 1998.

During 1999 the *Lithuanian state budget* received 5904,4 million income (with the special means contributions of state institutions and controlling organisations). The state budget did not receive 856,5 million LTL or 12.7 per cent of the forecast income. Compared to the previous year, in 1999 the income collected to the state budget was by 535,2 million LTL or 8.3 per cent lower.

The amount of allocations made to officials and for the financing of measures planned in the state budget totalled 5944,6 million LTL or by 87.9 per cent less than planned.

#### ***The State Debt***

On 31 December 1999 the total state debt to domestic and foreign creditors amounted to 12,1 billion LTL and comprised 28.4 per cent of the forecast GDP (42,4 billion LTL). In late 1998 the total debt was 9,6 billion LTL or 22.4 per cent of GDP (43,5 billion LTL). During 1999 the total foreign debt together with state guarantees grew from 6,7 billion LTL to 9,7 billion LTL and at the end of 1999 amounted to 22.9 per cent of the forecast Gross Domestic Product.

#### ***Balance of Payment***

In 1999 the balance of payment of the current account deficit in Lithuania amounted to 11.2 per cent of GDP (4,8 billion LTL). As compared to 1998, the current account deficit decreased by 0,4 billion LTL or 8 per cent.

Changes in the current account deficit Russian crisis caused a decrease in goods and services export (16.4 per cent) and total domestic investment (around 14 per cent). This decreased the total domestic demand. However, the decrease in end consumption and import was lower than the decline in production and export. Due to this reason the payment balance current account deficit remained relatively high. Certain negative effect on export was caused by the fact that litas became more expensive with respect to the euro.

#### ***Inflation***

The limited solvent demand of the domestic market had negative effect on the increase of consumer prices. During 1999 (comparing December 1999 to December 1998) prices increased only by 0.3 per cent, and in March, June, July, August and October deflation was observed (consumer prices dropped by 0.1-0.7 per cent). In January the price level grew by 1 per cent. The growth was caused by the Amendment to the Law on Excise of the Republic of Lithuania that provided an increase of excise rates for diesel fuel, engine petrol and cigarettes in 1999.

The average annual inflation in 1999 accounted for 0.8 per cent.

During 1999 the most significant price growth was in the following spheres: communications (16.9 per cent), transport (15.8 per cent), and educational goods and services (5.3 per cent), and the most significant decrease (after the reduction of excise rates in October) was observed in the prices of alcohol beverages and tobacco goods (9.3 per cent).

### **3.2. SOCIAL CONDITIONS**

***Expenditure on Social Security*** in the national budget in 1999 amounted to 11.2 per cent. The said expenditure in the state budget accounted for 9.7 per cent and in the municipal budgets to 13.5 per cent.

According to ESSPROS grouping, expenditure on social security in Lithuania in 1998 accounted for 15.9 per cent of the Gross Domestic Product, and social expenditure (including health care) per one

inhabitant amounted to 1847 LTL.

Tables A.3.2-1, A.3.2-2, A.3.2-3 (ref. Annexes) show the structure of expenditure on social security according to the key expenditure categories and sources of financing.

Expenditure on old age pensions comprises the major share of the state budget expenditure on social security as well as of the State Social Insurance Fund budget. Expenditure on families (children) comprised the biggest share of social security expenditure in municipal budgets.

**Key Social Indicators.** In 1999 the average gross monthly wage in the state economy amounted to 1012.9 LTL. The increase of the actual wage in the state economy in 1999, as compared to 1998, accounted for 7.2 per cent.

The minimum monthly wage did not alter during 1999 and amounted to 430 LTL. The actual average annual size of the minimum monthly wage in 1999, as compared to 1998, grew by 2.1 per cent.

The average state social insurance pension of an unemployed pensioner in 1999 amounted to 310.16 LTL. The actual size of old age pension in 1999, compared to 1998, increased by 6.9 per cent.

The size of the minimum subsistence level in 1999 was not altered and accounted for 125 LTL.

### ***The Labour Market***

In 1999 the number of unemployed people registered with territorial labour exchange totalled 244.7 thousand, which is 40 thousand more than in 1998. The official unemployment level in 1999 increased from 6.9 per cent at the beginning of the year to 10 per cent at the end of the year, and the number of unemployed - from 122.8 thousand to 177.4 thousand respectively. The average annual unemployment level accounted for 8.4 per cent and was by 2 per cent point higher than in 1998. The average annual number of unemployed amounted to 148 thousand people and as compared to 1998 increased by 34.3 thousand or 30.2 per cent. Particularly high differentiation in the unemployment level was in the regions of the country. According to the data as of 1 January 2000, the lowest unemployment level (5.4 per cent) was in Prienai region and the highest (19.7 per cent) in Akmenė region.

In 1999 the number of registered job vacancies for a permanent job amounted to 66 thousand, i.e., 12 per cent fewer than in 1998. More than half of all job offers came from the services sector and one third from industry. The lowest number of job vacancies was registered in agriculture. The most significant decrease in the supply of jobs was in construction - 20 per cent, the services sector - 12 per cent, agriculture - 10 per cent, and industry - 5 per cent.

During 1999 territorial labour exchanges employed 88.3 thousand people, who were looking for a job, which is 1.4 thousand more than in 1998. A bigger part of those people were employed in the services sector.

### ***Social Insurance***

In 1999 the calculated income of the State Social Insurance Fund budget amounted to 4,2 billion LTL or 91.4 per cent of the forecast income. As compared to 1998, the calculated income grew by 1.1 per cent. The biggest share of this income was the calculated compulsory state social insurance contributions of insurers and the insured, which, as compared to 1998, decreased by 0.9 per cent.

The voluntary state social insurance contributions to the fund budget totalled 764 thousand LTL and were 13.7 per cent higher than planned. As compared to 1998, those contributions increased by 7 per cent.

The expenditure of the State Social Insurance Fund budget in 1999, as compared to 1998, increased by 8.9 per cent or 7.8 per cent points more than the income. The planned expenditure was exceeded only due to the increase of actual expenditure on sickness and maternity (paternity) insurance.

Pension insurance accounted for the biggest share of the expenditure of the State Social Insurance Fund budget (71.3 per cent). As compared to 1998, the sum of calculated expenditure on pensions increased by 7.8 per cent. The average annual number of social insurance pensions was by 1.8 per cent higher than forecast. The number of recipients of old age pensions in 1999 decreased by 0.5 per cent. The number of recipients of disability pensions grew by 4.5 per cent.

### ***Social Benefits***

In 1999 the number of different benefits paid to families raising children, children without parents' care and families with low income (monthly average)

amounted to 255.7 thousand. The annual allocation for those benefits was 324.3 million LTL, out of which 286.3 million LTL was allocated from municipal budgets and 38 million LTL from the state budget.

The average monthly number of benefits paid to families with low income amounted to 104.6 thousand, the social benefit accounting for 101.8 thousand and one-off benefit for 2.8 thousand. The average monthly number of families that receive the social benefit was 34.5 thousand. The allocation to these benefits from municipal budgets in 1999 accounted for 78,3 million LTL.

In 1999, 38.7 thousand special funeral benefits were paid in case of decease, and 59 thousand compensations for hard and other types of fuel were allocated. The allocations to these payments from municipal budgets amounted to 27 million LTL and 6,9 million LTL respectively.

#### ***Household Income and Expenditure in 1999***

***Household Income.*** According to the data of the household budget survey conducted by the Department of Statistics at the Government of the Republic of Lithuania in 1999, the disposable income of households calculated per household member was 428 LTL (in 1998 - 422.5 LTL), with cash income accounting for 360 LTL. The structure of disposable income in 1999 was as follows: cash income – 84 per cent and income in kind - 16 per cent, in 1998 it was 82.9 and 17.1 per cent respectively. Total disposable income in 1999, as compared to 1998, increased by 1.3 per cent and cash income by 2.9 per cent. At the same time, with the increase of consumer prices, the actual disposable income increased by only 0.5 per cent and the actual cash income by 2 per cent.

Disposable income per one urban household member was 1.31 times higher than that per one rural household member. Rural and urban income structure differed as well: income in cash accounted for 88.9 per cent of disposable income for urban population, and 69.7 per cent of disposable income for rural population.

Employment income - wages and income from self-employment was the main source of disposable income. Employment income comprised almost 65 per cent of all disposable income, pensions and benefits - 24 per cent. The economic situation and the composition of the population by age determine the great disparity in income sources for urban and rural locations.

***Household Expenditure.*** In 1999 consumer expenditure calculated per household member accounted for 425 LTL (427 LTL in 1998) per month.

Although in 1999 disposable monthly income per one household member increased by 1.3 per cent, expenditure decreased by 0.4 per cent respectively.

The proportion of expenditure on food indicates the standard of living of a household: the smaller the share of expenditure on food within the total expenditure of a household, the higher the standard of living. In 1999 the share of expenditure on food in the total household expenditure accounted for 45.7 per cent and as compared to 1998, decreased by 2.4 per cent point. The decrease in expenditure on food and at the same time in its share in total expenditure was determined by the decrease of product prices. As compared to 1998, there was a slight growth in expenditure on education, communications, transport and housing.

### 4. LABOUR POLICY

*Labour policy is the policy of the labour market, labour relations, safety and health at work, equal opportunities and the activity of social partners. Its objective is to ensure the employment of the population of the country, payment for work, labour and rest regime, safe and healthy working conditions, equal opportunities, integration of the unemployed into the labour market.*

*Recently ever-growing attention has been paid to the regulation of the said issues. With the unemployment rate increasing different labour policy measures are being implemented thereby it is sought to encourage employment of the population and to balance labour*

*demand and supply. Much attention is being paid to the assurance of equal payment to men and women, the enhancement of the activity of social partners.*

*With Lithuania seeking its accession to the European Union it is necessary to review labour, safety and health at work conditions, to approximate them to the standards of the European Union. With this end in view new legal acts are being created and the valid ones are being amended.*

*This Chapter deals with the 1999 labour policy, its changes and the improvement in the legal basis.*

#### 4.1. LABOUR MARKET POLICY

The strategic objective of the labour market policy is balancing of the demand and supply within the labour market seeking to increase the employment of the population of the country. Priority is given to prevention of unemployment, support of employment, the increase in the professional mobility of the labour market by creating conditions for acquiring new professions and requisite skills meeting the labour market demands.

The 1999 labour market of the country was characterised by negative tendencies: the number of the employed population decreased, the number of the unemployed was on the increase, and the unemployment rate grew. This was determined by a general economic recession of the whole country, which was in essence related to the 1998 financial and economic crisis in

Russia. Therefore, in implementing the objectives of the labour market, much attention was devoted to the active labour market policy measures due to which it was possible to partly mitigate negative tendencies in the labour market, to help those persons who have temporarily lost their work. In 1999, having assessed a complicated situation in the labour market of the country, main attention was devoted to the development of employment support programs (public works, supported works, setting up one's own business, creation of new jobs), as well as to prevention of unemployment and vocational training and re-qualification of the unemployed. Young people<sup>1</sup>, long-term unemployed<sup>2</sup> and individuals of a pre-retirement age<sup>3</sup> formed priority groups of the unemployed, which were engaged in the active labour market policy programs.

##### 4.1.1. Employment

The results of the Labour Force Survey presented in Table 4.1.1-1 indicate that the number of residents

of Lithuania over the age of 14 registered totalled 3005.4 thousand as of November 1999. The number

<sup>1</sup> *Young people* are people under 25 years of age

<sup>2</sup> *Long-term unemployed* are the unemployed who have been registered with the Labour Exchange for longer than 12 months

<sup>3</sup> *People of the pre-retirement age* are individuals who are within 5 years of becoming eligible to receive a full old-age pension.

of the employed<sup>4</sup> during the period from November 1998 to November 1999 decreased by 3.3 per cent. The number of economically active population (labour force<sup>5</sup>) decreased by 0.2 per cent. The level of the activity of the population surveyed decreased 0.4 percentage points, the rate of employment - by 3.9 percentage point.

As seen from the data presented in Table 4.1.1-2, in 1999 the greatest part of the population was employed in the sphere of rendering services (39.4 per cent), industry (21.4 per cent), agriculture, hunting and forestry (19.2 per cent) and trade (14.2 per cent). The number of people employed in construction was the smallest. Comparing November 1998 with the same month of 1999, one can see that the number of the employed in agriculture (-13.3 percentage point) and construction (-5.7 percentage point) has decreased considerably. The increase in the number of the population employed in the sphere of rendering services was insignificant (1.2 percentage point).

According to the data of the Department of Statistics, 7.6 per cent of all the employed had extra work<sup>6</sup> in 1999. This is 0.9 percentage point more than in 1998. The greatest number of the people performing extra work was in agriculture (70.2 per cent) and in the sphere of rendering services (23.4 per cent) where the average wages is lower than that in other spheres of economic activity. In 1999 the number of part-time employees (working short workdays or weeks) decreased. If from 1995 this part of the population was constantly on the increase (in 1995 - 4.6 per cent, in 1996 - 6.1 per cent, in 1997 - 7.9 per cent, in 1998 - 10.7 per cent), in 1999 the number of individuals working a shorter workday (week) decreased by 2.4 percentage point and accounted for 8.3 per cent of the total employed population. The number of the individuals working part-time (shorter workday, workweek) was greater in urban areas (8.8 per cent) and smaller in rural areas (7.4 per cent).

However, forceful partial employment of the working population, when a person works shorter work hours than it is provided for in the law (a shorter workday, workweek, forceful holiday) on account of lack of work (not at his own will) has increased. This was determined by a difficult financial condition of enterprises, problems caused by production realisation, the financial crisis in Russia and other factors. On average over 15 thousand workers were partially employed in 300 enterprises in 1999. The greatest number of partially employed people was in industry (66 per cent), their number was on the increase in construction and agriculture. Two thirds of the partially employed worked a shorter workday, 18 per cent of the employees were on unpaid leave, 12 per cent of the employees worked with idle time periods. A rapid growth in partial employment, which started at the end of 1998, continued in 1999, and it was only in the second half of the year that this process slowed down and its scope was smaller than that at the end of 1998. At the end of 1999 the greatest number of enterprises, which encountered problems of partial employment were in Kėdainiai and Pakruojis (24 enterprises in each town), Kaunas (22 enterprises), Plungė (18 enterprises), Kelmė and Švenčionys (16 enterprises in each town).

The financial crisis in Russia had a certain effect on the Lithuanian economy and at the same time the employment of the population in 1999. Its consequences manifested themselves in the fourth quarter of 1998. Accounts were delayed to be settled with the enterprises, which exported their production to the Commonwealth of Independent States (CIS), enterprises decreased or terminated their further orders, the volume of production, made use of the labour force only in part. Beginning with September 1998, the Ministry of Social Security and Labour carried out a weekly survey of 2.1-2.2 thousand enterprises engaged in a different economic activity in which disturbances in the economic activity and

<sup>4</sup> *The employed people are people of both genders 14 years of age and older who performed any kind of work during the week of the survey for over one hour for which they received remuneration either in cash or in kind (foodstuffs or other products) or received profit (income). These are all persons who have the employment status: employers, owners, hired workers, family members who either receive or do not receive earnings or profit (income), persons working for themselves.*

<sup>5</sup> *Labour force is all the employed population, as well as the unemployed.*

<sup>6</sup> *Extra work is work, which an individual performs after his main work and derives additional income for the extra work performed.*

### Development Trends in the Employment of Individuals in 1998-1999 (Data of the Labour Force Research)

	November 1998	May 1999	November 1999	Average annual 1999 (according to population survey)	Average annual 1999 (according to Labour Exchange)
<i>In thousands of people</i>					
Individuals over 14 years of age	2987,2	3005,4	3005,4	...	...
Labour force	1844,4	1882,1	1841,3	...	...
Employed	1612,0	1637,2	1559,5	...	...
Unemployed	232,4	244,9	281,8	263,3	148,7
Non-active individuals	1142,8	1123,3	1164,1		
<i>In %</i>					
Activity rate	61,7	62,6	61,3	...	...
Employment rate	54,0	54,5	51,9	...	...
Unemployment rate	12,6	13,0	15,3	14,2	8,4

*Economic and Social Development in Lithuania: Department of Statistics under the Government of the Republic of Lithuania. - Vilnius, 2000, No.1, p.14; 36; 37*

Table 4.1.1-1

### Employment of Individuals in Economic Activities in 1999

	November 1998		November 1999		Increase + Decrease, - (%)
	In thousands	%	In thousands	%	
Total number of the employed	1559,5	100	1612,0	100	-3,3
Including:					
in agriculture, hunting, forestry and fishery	298,7	19,2	344,6	21,4	-13,3
In industry (including supply of electricity, gas and water)	333,4	21,4	337,2	20,9	-1,1
In construction	91,7	5,9	97,2	6,0	-5,7
In wholesale and retail trade, repair of motor vehicles and motorcycles, repair of personal and domestic items	220,9	14,2	225,2	14,0	-2,0
In services	614,8	39,4	607,8	37,7	1,2

*Economic and Social Development in Lithuania: Department of Statistics under the Government of the Republic of Lithuania. - Vilnius, 2000, No.1, p.14; 36; 37*

Table 4.1.1-2

employment were observed as a result of the Russian crisis.

According to the survey results (see Chart 4.1.1-1), 41 enterprises were affected by the crises on 10 September 1998, whereas by 28 October of the same year their number increased to 118 and accounted for 5.5 per cent of all the enterprises surveyed. From the end of 1998 the number of enterprises, which encountered employment problems due to the Russian crisis, started to decrease and remained on the decrease throughout the whole year of 1999. This tendency, however, did not mean the improvement in the financial condition of the enterprises. This was corroborated by the cases of restructuring of industrial and labour organisation, which was carried out in 1999, as well as by frequent bankruptcies. A part of the enterprises, which experienced employment problems, went bankrupt, other enterprises decreased the number of working places. There were 162.4 thousand registered economic entities in Lithuania as of 1 January 2000, including 37.4 enterprises, which had terminated their activity. Bankruptcy was declared to 230 enterprises of the country. It is forecasted that the number of enterprises will decrease in number even more in 2000.

Enterprises, which exported their production to the countries of CIS, began to reduce the production volumes and the number of employees. Some of the employees were partially employed, i.e., they were forced to work part time or worked with idle time periods or were on leave without pay. At the end of 1999, 42.1 per cent of the employees were part-time employees at 19 enterprises experiencing employment problems (at the beginning of 1999, 41.3 per cent of the employees were part-time employees). The analysis of the part-time employment structure showed that in December 1999, as compared to September of 1998, part-time employees accounted for 60.1 per cent, or 16.1 percentage point more than in September 1998.

With the restructuring of production, decrease in the number of employees at enterprises, as well as with some enterprises being liquidated the number of the employees who were given notice, increased in the country. The comparison of the situation in first quarter of 1999 with that in the fourth quarter of the same year, shows that the number the employees who were given notices increased from 32 to 57, and the number of the employees planned to be dismissed increased by 78.6 per cent.

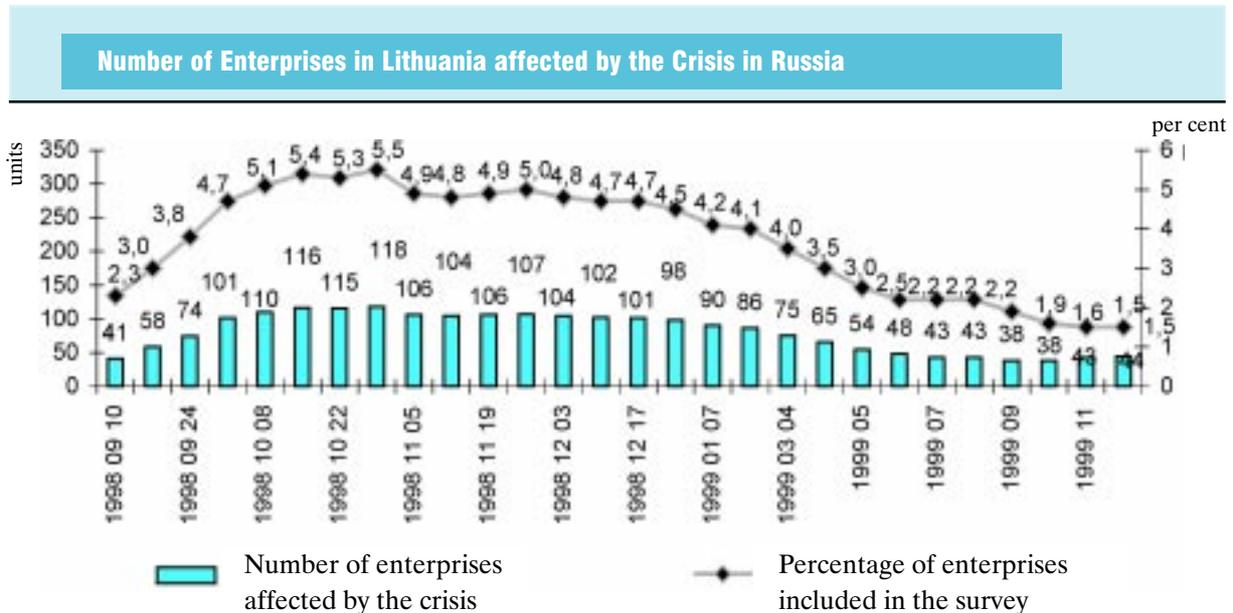


Chart prepared on the basis of the results of the survey of enterprises carried out by the Lithuanian Labour Exchange

Chart 4.1.1-1

### 4.1.2. Unemployment

The level of unemployment is calculated in two ways in Lithuania: according to the methodology of the labour force survey prepared by the Department of Statistics under the Government of the Republic of Lithuania and on the basis of the data of the Labour Exchange of Lithuania<sup>1</sup>.

According to the results of labour force surveys carried out by the Department of Statistics, the average level of unemployment increases by 0.9 percentage point in 1999 and amounted to 14.2 per cent. According to the data of the Labour Exchange, the average level of unemployment increased by 2 percentage points and amounted to 8.4 per cent in 1999. The officially registered level of unemployment increased from 6.9 per cent at the beginning of the year to 10 per cent at the end of the year in 1999 and reached the highest level since 1990 (see Chart 4.1.1-2). Unemployment grew in all the regions of the country, though at different rates. The most significant increase in unemployment was observed in Pasvalys (8.6 percentage point), Marijampolė and Radviliškis regions (5.2 percentage point). The lowest rate of growth in unemployment was in Kretinga (1.3 percentage point) and Kaišiadorys (1.6 percentage point) regions.

Great differences in the unemployment level among different regions of the country have been observed. At the end of the year the level of unemployment in Akmenė (19.7 per cent), Šalčininkai (19.3 per cent), Lazdijai (18.6 per cent), Jonava (17.2 per cent) and Pasvalys (17.2 per cent) regions differed from that in Prienai (5.4 per cent), Kaišiadorys and Kėdainiai (6.2 per cent) several times.

In 1999 the unemployment of young people increased. The number of youth unemployed (under 25 years of age) registered throughout 1999 amounted to 60.1 thousand, or 24.6 per cent, including 22.7 per cent of the individuals under the age of 18. As

seen in Table 4.1.1-3, at the end of the year the level of unemployment of young individuals reached 13.5 per cent and was by 3.5 percentage points higher than the total level of unemployment (10.0 per cent) in the country.

The number of the unemployed registered with labour exchanges in the country throughout 1999 totalled 250 thousand, that is, 40 thousand more than that in 1998. On average about 20.4 thousand unemployed applied to labour exchanges in 1999 (in 1998 this number was 17 thousand and in 1997 - 161.1 thousand). 44.5 per cent more unemployed were registered at the end of 1999 than at the beginning of the year.

Within the structure of the unemployed females constituted 46.7 per cent, young people - 17.5 per cent and the long-term unemployed - 14.5 per cent as of 1 January 2000. Comparing the situation at the beginning 1999 to that of the beginning of 2000, the share of young people within the structure of the unemployed (-1/3 percentage point) and the female share (-3.7 percentage point) decreased, the share of the long-term unemployed increased (2.1 percentage point). At the beginning of the year the share of the long-term unemployed constituted 12.4 per cent of the total number of all registered unemployed, and at the beginning of December this indicator amounted to 14.5 per cent. During the year their number increased by two thirds - up to 26 thousand. As in the previous year, the number of the individuals to whom additional employment guarantees (AEG)<sup>2</sup> are applicable accounted for about one third of the total number of the unemployed registered.

The share of the unemployed of the age of 50 and older increased from 12.4 per cent at the beginning of 1999 to 14.5 per cent at the end of the same year. The share of the unemployed of the pre-retirement

<sup>1</sup> It is common practice to announce data about the unemployed on the basis of the information provided by the Labour Exchange. However, not all the employees apply to labour exchanges. A great part of the unemployed look for work in private labour exchanges, collect information about jobs from the mass media, acquaintances, relatives or are assisted by their employers. Currently, the method used to determine the number of the employed and the unemployed is selective labour force studies carried out by the Department of Statistics under the Government of the Republic of Lithuania by interviewing the inhabitants about their employment. By means of this study it is possible to determine the number of the employed, unemployed and economically non-active population taking into account the requirements set by EUROSTAT. The surveys are conducted twice a year - in May and November.

### Dynamics of the Unemployment Rate in 1998-1999 (at the end of the month)

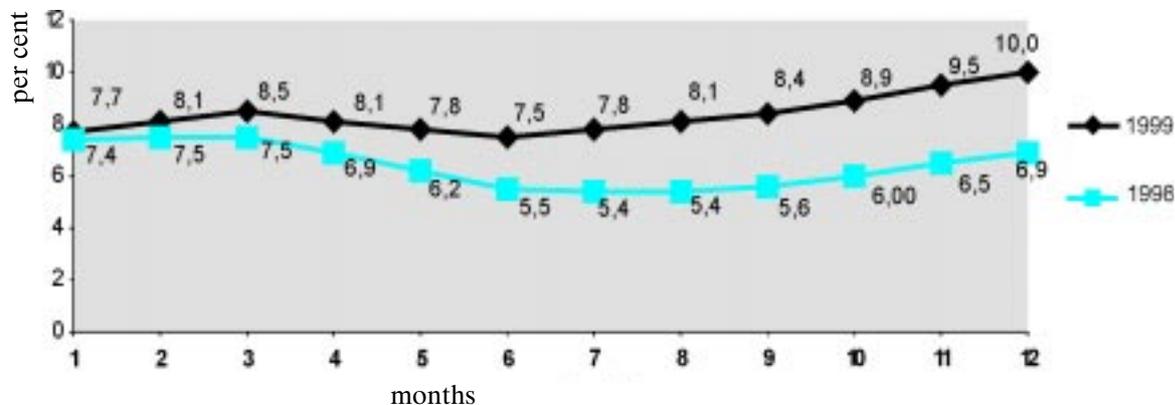


Chart prepared on the basis of the results of the survey of enterprises carried out by the Lithuanian Labour Exchange

Chart 4.1.1-2

age grew from 7.6 to 7.9 per cent, respectively. Integration of this group of the unemployed into the labour market is problematic because many of them find it difficult to re-qualify on account of their age, and employers are unwilling to give employment to elderly people.

The share of the unemployed who have lost work during the recent year accounting for 60 per cent of the total number of the unemployed, increased. Changes in the share of the unemployed who have never had any employment, were insignificant. At the end of 1999 this group constituted 7.3 per cent of the total number of the unemployed (in 1998 - 7.2 per cent).

In 1999 as compared to 1998, the share of the unqualified unemployed increased. At the end of 1999 almost 60 thousand unqualified unemployed or those with elementary professions were registered, which accounted for 33.8 per cent of all the unemployed (at the end of 1998 this figure stood at 25.8 per cent). Only 4.6 per cent of the unemployed had higher edu-

cation at the beginning of the year (this number totalled 5.7 per cent a year ago), and 16.2 per cent of the unemployed were individuals with college education (a year ago their percentage amounted to 16.8).

After the re-establishment of Independence, the period of economic difficulties and allegedly easy earnings, as well as the possibility of the granted freedom of choice determined a temporary decrease in the need of professional qualifications. Therefore, a large group of young people has formed (totaling about 100 thousand) who did not acquire primary professional qualification. On the other hand, with the state being in a difficult financial condition, it is difficult to ensure universally accessible vocational education within the system of the labour market.

In 1999 enterprises experienced the period of economic-financial difficulties, the supply of vacancies in the labour market decreased. The number of vacancies registered during 1999 totalled 66 thousand, that is, 8 thousand less than that in 1998. The supply of jobs decreased in construction by 20 per cent; in

<sup>2</sup> AEG are persons under 18 years of age. Women with children under 14 years of age and men who are single parents of children of above age, persons who are within 5 years of becoming eligible to receive a full old-age pension, persons who have been released from places of imprisonment, persons with disabilities, in accordance with the procedure provided for under the Law of the Republic of Lithuania on the Social Integration of Disabled Persons.

**Number of the Registered Unemployed (in thousands) and the Rate of Unemployment among Young People (in per cent) in Lithuania**

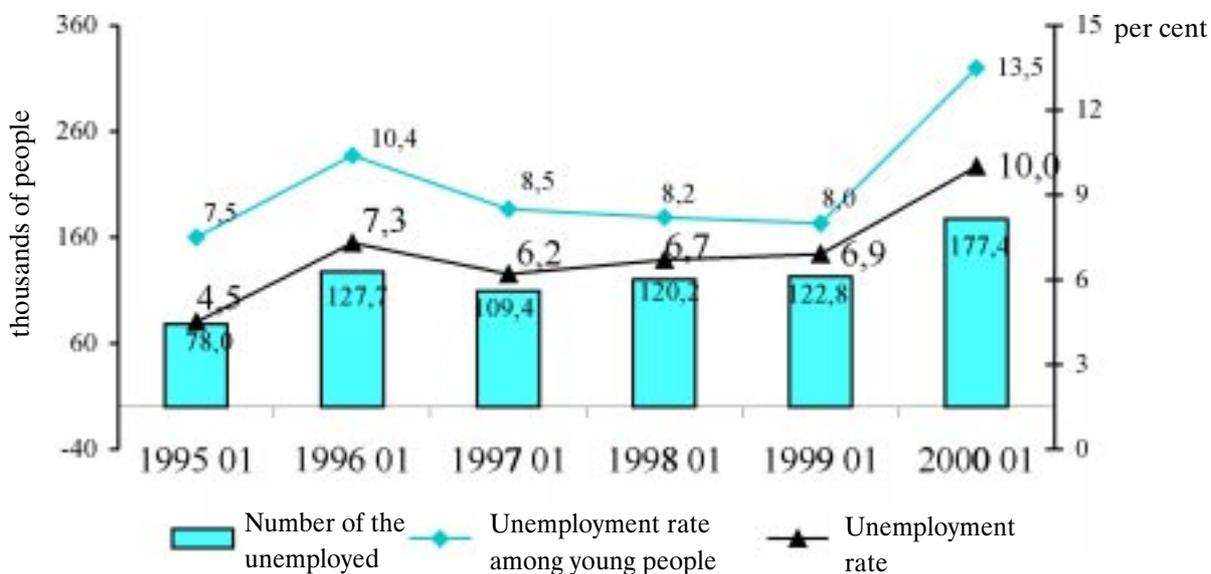


Chart prepared on the basis of the data derived from the annual reports for 1995-1999 of the Lithuanian Labour Exchange

Chart 4.1.2-3

**Number of the Registered Unemployed and Re-employed in 1998-1999 (in thousands of people)**

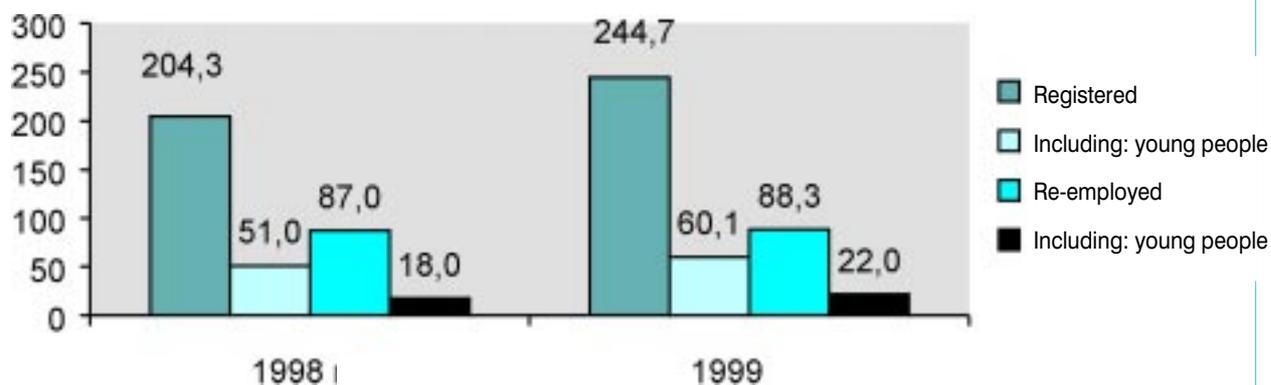


Chart prepared on the basis of the data derived from the annual reports for 1998-1999 of the Lithuanian Labour Exchange

Chart 4.1.2-4

the sphere of rendering services - by 12 per cent, in industry - by 5 per cent. The number of registered jobs for specialists in agriculture and health care, textile, household workers, architects and transport specialists decreased by more than twice. The demand for specialists in the field of information and modern industrial technologies, as well as law remained

The data provided in Chart 4.1.2-4 indicate that in 1999 through the mediation of the labour exchange 36.1 per cent of the total number of the unemployed, was employed (in 1998 - 42.6 per cent). The number of young people employed was larger in 1999. Out of all the individuals who were employed during the

year young people constituted 25 per cent, or 4.3 per cent more than in 1998. The number of young unemployed employed during 1999 accounted for 36.6 per cent (in 1998 - 35.3 per cent).

In 1999, as in the previous year, about one third of those who were employed were individuals to whom additional employment guarantees applied. With the decrease of vacancies in permanent employment, more individuals were employed on the basis of the employment contract of limited duration. Out of 88.3 thousand of the employed unemployed, 18.9 thousand, or 4.7 thousand more than in 1998, were employed on the basis of the said employment contracts.

### 4.1.3. Implementation of the Labour Market Policy

In implementing the 1997-2000 activity programme of the Government of the Republic of Lithuania in the sphere of employment of the population and the labour market, and taking into account tendencies of the change in the labour market, main attention in the labour market policy was devoted to the following issues:

- *prevention of unemployment;*
- *the decrease in differences in the territorial unemployment level;*
- *the development of possibilities to participate in measures of the active labour market policy (public works, temporary and supported works);*
- *balancing of the labour market demand and supply by creating conditions for professional training and re-qualifying of the individuals who have lost their jobs;*

Having assessed the worsening condition of some individual groups of people within the labour market, and taking into account rapidly growing unemployment in some regions, the following priority objectives of the labour market policy were singled out for 1999:

- *to increase the employment possibilities for the long-term and pre-retirement age unemployed, as well as other socially vulnerable groups of the unemployed;*
- *to carry out a differentiated active labour market*

*policy by decreasing differences in the level of unemployment between the regions of the country/*

#### ***Improvement of the Legal Basis Regulating the Labour Market***

With the situation in the labour market of the country, as well as its priorities changing, laws and other legal acts regulating the labour market were amended and improved.

On 7 July 1999 the Seimas of the Republic of Lithuania adopted Law No VIII-1291 on the Amendments and Supplement of Articles 10 and 16 of the Law on Support of the Unemployed of the Republic of Lithuania<sup>1</sup>.

The amendments and supplement of Article 10 established the obligations of the employer when dismissing a group of employees. The employer who is reducing the number of employees according to the procedure prescribed by law or who is closing operations of a business, institution or organisation or by reason thereof is planning to dismiss, within 30 days, a group of employees, must notify the labour exchange, local governments or the trade unions of the enterprise, and in case of their absence, the collective meeting of the employees of the enterprise of such plans in writing two months in advance. If

<sup>1</sup> Records, 1999, No. 65-2086

an employer dismissed a group of employees without complying with the procedure established in this Article, the employees' dates of dismissal may be to the date when the period of notice was to have expired.

Article 16 was supplemented with the provision prescribing that the payment of unemployment benefit shall be extended for two more months for individuals who are close to the retirement age (who are within five years of becoming eligible to receive full old-age pension) and with less than one year left before the retirement age - till the right to receive such a pension. Practice showed that for people of pre-retirement age, especially those who are within less than one year of becoming eligible to receive full old-age pension, it is difficult to find a job and they are even more difficult to re-qualify or train. Due to this the possibilities of the labour market to help individuals of this age are smaller than in the case of other groups of the unemployed. Extending the payment of unemployment benefit creates conditions for such individuals to improve their material condition till they become eligible to receive full old-age pension.

Seeking to increase the mobility of the unemployed who have acquired profession in the system of vocational training of the labour market and to create more favourable conditions for young people to engage in the labour activity, as well as to encourage employers who give work to young people, the minister of Social Security and Labour by Order No. 10 of 14 January 1999 approved amendments of Point 2 of Paragraph 3 of the Regulations of vocational training and financing of the unemployed and the employees who have been notified of the termination of the employment contract from the Employment Fund and by order No. 8 of 11 January 1999 – the amendments of Point 1.2 of the Regulations of Employment in the works financed from the Unemployment Fund.

Seeking for a higher quality of vocational training of the labour market, the Minister of Social Security and Labour by Order No. 69<sup>2</sup> of 10 September 1999

approved the procedure for receiving permission (licence) to teach according to the programme of vocational training of the labour market, which sets the requirements to the documents submitted by enterprises, organisations, educational institutions and their material training basis.

### ***Measures of the Implementation of the Labour Market Policy***

The labour market policy is implemented through active and passive measures. *The passive labour market measure* is the unemployed benefit the aim of which is temporary cash assistance to the people who have lost jobs. The size of the employment benefit depended on the unemployed individual's record of the state compulsory social insurance and the reasons of loss of work rather than on his/her former earnings. The number of individuals registered with the labour exchange who have a sufficient record of the state mandatory insurance and at the same time are entitled to the unemployment benefit, decreased. In 1999, 26.6 per cent of the unemployed registered with the labour exchange received the unemployment benefit (in 1998, 36.7 per cent of the unemployed received unemployment benefits, in 1997 – this figure stood at 41.1 per cent). In 1999, as in 1998, the size of the unemployment benefit could not be less than the state supported income approved by the Government and could not exceed the amount of two minimum subsistence levels (250 LTL).

*The goal of the active labour market policy measures* is to provide the unemployed with the possibilities of temporary employment, to create conditions to acquire necessary work experience, to help them maintain their present qualification, to upgrade it or to acquire requisite profession and skills meeting the market demands. The final goal is integration of the unemployed into the labour market.

The following shall be attributed to the measures of the active labour market policy:

- *labour market vocational training;*
- *prevention of unemployment and matching labour demand and supply;*
- *unemployment support.*

<sup>2</sup> Records, 1999, No. 79-2349

The programme for the employment support contains the following measures:

- *organisation of public works for the individuals seeking employment;*
- *organisation of works supported by the Employment Fund;*
- *support of the individuals who want to set up their own business;*
- *creation of new jobs for the individuals to whom additional employment guarantees (AEG) apply.*

All the programmes of the active labour market policy are financed by the means of the Employment Fund.

### **Implementation of Active Labour Market Policy**

In 1999, as in 1998, measures of the active labour market policy were regarded as priority ones.

Undivided attention in the labour market policy was devoted to young people and the long-term unemployed. As seen from the data presented in Chart 4.1.3-5, about 31.1 per cent of all unemployed individuals who registered with labour exchanges were

engaged in the active labour market policy programme during 1999. This is 3.9 per cent less than in 1998 (35 per cent). However, the number of young people involved in these programmes constituted 31.8 per cent, or 2.4 percentage point more than in 1998, that of the long-term unemployed - 27.2 per cent, or 4.2 percentage points more than in 1998 (in 1998 - 23.0 per cent). Involvement of the individuals who are close to the retirement age in the measures of the active labour market policy is problematic because it is difficult for them to re-qualify, let alone to acquire a new profession, it is complicated for them to set up their own business. In 1999 the number of the individuals of the pre-retirement age involved in programmes of the active labour market policy totalled 14.2 per cent of the total unemployed, with the majority of them being engaged in the activity of clubs and performed public works (20.6 per cent and 14 per cent of the total unemployed of the pre-retirement age, respectively).

### **Labour Market Vocational Training**

The labour market vocational training is one of the most effective measures of the active labour market

**Participation in Active Labour Policy programmes in 1997-1998 (in thousands of people)**

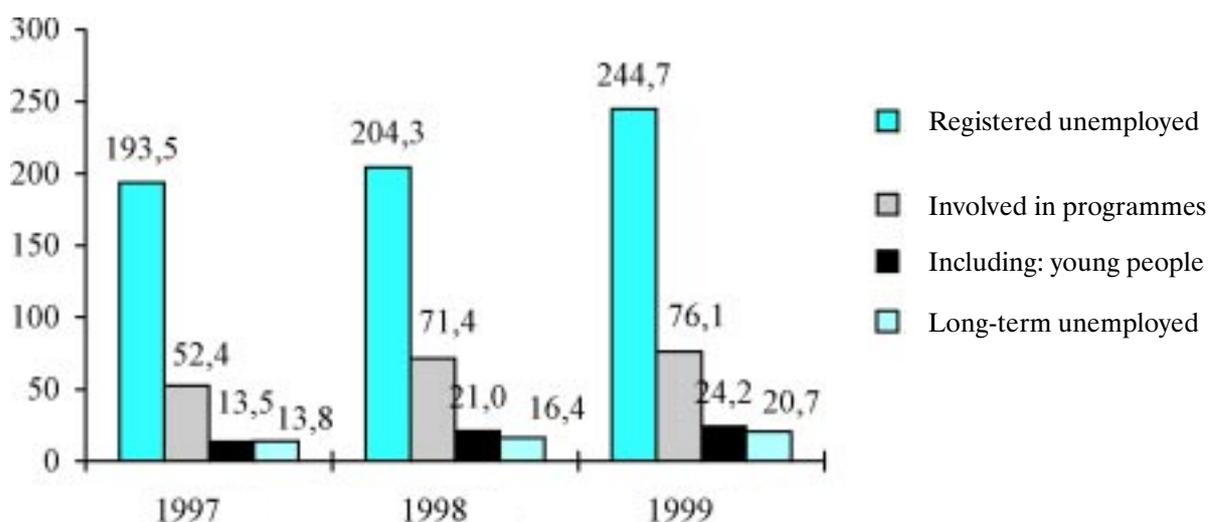


Chart prepared on the basis of the data derived from the annual reports for 1997-1999 of the Lithuanian Labour Exchange

Chart 4.1.3-5

policy encouraging the professional mobility of the individuals who are unprepared for the labour market, and acquisition of new or additional, qualifications and requisite skills to meet the market demands. Currently vocational training of the adults is aimed at the first two levels of professional education.

**Vocational training of the first level** is intended for training which provides qualifications of Level 1 in elementary professions, as well as for training of specialists of corresponding spheres (e.g. the safety at work programme) regulated by normative acts of separate ministries and departments. Individuals who have completed these programmes are issued a certificate granting the right to perform a certain kind of work or fulfil a certain function.

**Vocational training of the second level** provides the professional qualification of Level 2. These are programmes for handicrafts, business and services. Individuals who have completed these programmes are issued a certificate confirming professional qualification within a certain group of training programmes.

Training of both levels is organised for the unemployed or job seekers who have no any professional qualification yet and for the persons who are re-qualifying because they have the profession, which is not in demand at the time.

According to the data presented by the labour exchange during 1999, 16.6 per cent of the total unemployed directed to the active labour market policy programmes participated in the labour market vocational training programmes (in 1998 -22.5 per cent), including 38.8 per cent of young people, 11.9 per cent of long-term unemployed and 35.0 per cent of individuals to whom additional employment guarantees are applicable. 9.1 per cent of all the individuals to whom additional employment guarantees applied and who participated in the labour market vocational training programmes were individuals who were close to the retirement age.

The programmes were selected so that 4.9 thousand unemployed acquired professions, 2 thousand - up-

graded their qualifications, 5.7 thousand acquired new additional professions. A better assessment of the labour market needs, counselling services provided to those who were willing to study and their selection made it possible to increase the labour market vocational training efficiency. In 1999, upon completing their training 64 per cent of the individuals found employment immediately (in the previous year this figure stood at 58 per cent), and the total number of persons who found employment after they have completed the labour market vocational training courses and acquired requisite skills to meet the local labour market demands equalled 92 per cent (in 1998 - 89,6 per cent).

**The labour market preventive<sup>1</sup> vocational training programmes** were also implemented. In 1999, 1.7 thousand, or one and a half times more individuals who have been given notice of termination of the employment contract than in 1998 were engaged in these programmes. 407 employers made use of this possibility. In 1999, at the request of employers 100 target vocational training programmes were prepared according to which 1050 unemployed registered with the labour exchange were trained and acquired qualifications. In implementing the said programmes 550 tailors and dressmakers were trained for 51 employers, 210 specialists in wood processing were prepared for 11 employers and 120 workers of the servicing sphere - for 13 employers.

#### ***Prevention of Unemployment and Matching Labour Supply and Demand***

In 1999 the programme of job clubs was extended which was aimed at helping the individuals seeking employment to better orient themselves in the labour market, encouraging them to be more active in looking for jobs, increasing their competitive possibilities, providing psychological assistance in overcoming negative emotions caused by unemployment. Job clubs successfully performed the function of clarifying and maintaining motivation of the unemployed. Participating in programmes of job clubs were mainly long-term unemployed who were prepared for the labour market, however, who were very

<sup>1</sup> **Preventive training** is labour market vocational training intended for re-qualification of the individuals who were given notices.

passive in terms of seeking for employment, young people with no professional preparation or having the profession that was not in demand, individuals who had a break in their employment of more than 5 years and rural population.

Every seventh unemployed registered with the labour market participated in the activity of job clubs in 1999 (in 1998 – every eighth). Individuals unprepared for the labour market constituted 89.8 per cent of all the unemployed that participated in the activity of job clubs.

In 1999 the self-search information system about job vacancies was further developed (hereinafter referred to SSIS). The self-search information system has been created on the basis of modern INTERNET technologies. Even computer illiterate customers could use the system. With the help of a computer an individual seeking employment could not only look through the available vacancies in the country and print out necessary documents but also receive additional information about services rendered by the labour exchange and receive advice on how to behave when looking for a job, as well as find information about laws. The implementation of the SSIS system allowed filling in the existing job vacancies and place people into jobs much faster. Currently 76 per cent of the Lithuanian territorial labour exchanges have the self-search information system. In improving servicing of the individuals seeking employment, such self-search centres have been established not only in labour exchanges but also in public places, which are frequently visited by people (for example, the Central Post-Office in the city of Vilnius, the supermarket “Aidas” in Šiauliai, etc.).

In carrying out the Lithuanian-Danish co-operation programme in the field of labour market in September 1999 the Youth Labour Centre was set up in Vilnius where conditions were created for young people to get acquainted with the situation in the labour market in their living place and all over the country, to find an appropriate job and choose the educational institution. Necessary information, as well as counselling on vocational training, social and psychological issues is provided at the Youth Labour Centre. All the services are rendered free of charge.

### ***Support of Employment***

This is one of the active labour market policy programmes aimed at encouraging employment of the unemployed, that is, creating the possibility for the unemployed to find temporary or permanent jobs. The programme for support of employment was implemented:

- *by organising public works, as well as works supported by the Employment Fund;*
- *by supporting individuals desirous of setting up their own business;*
- *by creating new jobs for persons to whom additional employment guarantees apply.*

**Public Works** is the most rapidly developing employment support programme. Public works were organised for the unemployed and other individuals who were registered with the labour exchange in the established procedure. Public works are organised by the State labour exchanges together with local governments. Persons performing public works receive payments for the time of work, which is calculated by applying the hourly payment that is not less than the minimum hourly wage fixed by the Government. Individuals performing public works are not entitled to unemployment benefit if their wages are higher than the benefit. If the wage is lower than the received benefit, the differences between the wage and the benefit is paid by the labour exchange. Persons employed for public works continue their registration with the labour exchange and the state employment and social guarantees prescribed by laws are applicable to them. In directing the unemployed to perform public works, the priority was given to the individuals who did not receive unemployment benefits, that is, to those who were unprepared for the labour market, who failed to find a job for a long time and who had no real possibilities of ever finding it

In 1999, 23.3 thousand job seekers, or 79 per cent of the total individuals engaged in the employment support programme participated in the public works programme. In 1999, compared to 1998, 1.9 thousand individuals more and twice as many as in 1997 were engaged in the public works programme. However, the need for public works was higher and it was impossible to satisfy it. In 1999 the number of the individuals desirous of performing public works was more than 34.3 thousand, or 9 thousand more

than that in 1998. The highest increase in the need for public works was observed in the regions of the highest unemployment rate: Akmenė, Šiauliai, Lazdijai and Ignalina regions. For example, in Akmenė region 88 per cent of the total unemployed registered with the labour exchange expressed a desire to perform public works and it was possible to satisfy the need for 34.4 per cent only. 26.9 per cent of all the individuals engaged in the public works programme were the long-term unemployed, 45 per cent - unqualified persons, 19 per cent - persons at the age of 50, 41 per cent - the rural population, 2.7 per cent - young people.

A rapidly growing need for public works demanded more funds. In 1999 the number of the employed financed by the means from local governments and the Employment Fund was 62 per cent, or 3 per cent less than in 1998. Therefore, in organising public works, attempts have been made to look for the employers who were able to organise public works at their own expense. 884 enterprises and organisations organised public works at their own expense in 1999 (in 1998 - 800 enterprises).

In increasing employment of the rural population, farmers and agricultural partnerships organised public works too. The number of temporal jobs were created with their help in 1999 was twice larger than that in 1998.

In solving employment problems in different regions, at the decision of the Employment Council under the Ministry of Social Security and Labour, in the regions of the highest unemployment rate - Akmenė, Šalčininkai, Šiauliai, Skuodas and in the Didžiasalis ward of Ignalina region - it was permitted to increase the part of the earnings covered from the Employment Fund up to 100 per cent and to extend the duration of public works up to 12 months. This created conditions to significantly extend the scope of public works, to down the growth in the unemployment rate and create conditions for the most socially vulnerable individuals to earn a living in the said regions.

*Works Supported by the Employment Fund* is another measure of employment support aimed at acquiring primary professional skills or developing professional qualification in a specific working place. Works supported by the Employment Fund are financed by the

means of the Employment Fund. Works supported by the Employment Fund are organised by the State Labour Exchange (for the period not extending 6 months) by concluding agreements with the employers first on the employment of the unemployed people who have completed vocational training courses and cannot be offered a permanent job by the labour exchange. Directors of the territorial labour exchanges prepare a list of enterprises on the annual basis in which supported works can be organised and having co-ordinated the list with the Tripartite Commission at the territorial labour exchange, approve it. Depending on the situation within the labour market and performance results of the economic activity of enterprises, the list can be adjusted. The supported works provide the unemployed with the possibility to acquire primary working skills and help them prepare themselves for a permanent job. The duration of such works may be extended to 8 months if it turns out that an additional vocational training is necessary for a new permanent job. The works supported by the Employment Fund can also be organised for the unemployed without the required state social insurance work record necessary to receive the unemployment benefit. The long-term unemployed can also be engaged in this programme. Employers who, following the job placements of the labour exchange, employ unemployed individuals in works financed from the Employment Fund, shall be reimbursed from the Employment Fund on a monthly basis for their expenses in the amount of minimum monthly wage and social insurance contribution calculated as payable for the amount. The works supported by the Employment Fund are becoming more and more popular among the employers. Most often they were organised at the enterprises of trade, public catering, services, and less often at the enterprises of construction, agriculture and forestry. Private small and medium-size enterprises constituted the absolute majority in organising the works supported by the Employment Fund.

In 1999, due to reduced financing, 22 per cent fewer individuals were employed in supported works than in 1998. 19.6 per cent of the long-term unemployed and 39.8 per cent of young people were employed in supported works in 1999. 57 per cent of the unemployed that were engaged in the works supported by

the Employment Fund stayed for permanent work (in 1998 - 51.4 per cent).

**Support of Setting up One's Own Business** is an important employment support measure applied to the unemployed seeking self-employment by setting up their own business on the basis of individual or collective work. They were provided with financial and organisational assistance to set up their own business. Loans were extended from the Employment Fund in accordance with the procedure established by laws. Priority was given to businesses that met local demands. Local governments determine priority trends of the development of small business together with territorial labour exchanges. Local governments have the right to establish privileges to the unemployed setting up their own business with respect to taxes, acquisition of land, premises or other reliefs.

In 1999 interests in the possibilities of setting up one's own increased. Twice as many individuals as in the previous year took part in the courses organised by the Labour Exchange in basic of business (in 1998 - 1142, in 1999 - 2451). However, just in 1997 and

1998, irrespective of the state's support provided to setting up of one's own business, the number of the unemployed desirous of setting up their own business was insignificant in 1999 (in 1997 - 123, in 1998 - 171 and in 1999 - 47, respectively). This can be accounted for by a comparatively high risk of developing small business and the ineffective system of its support. The loan of 3 thousand LTL currently extended to the unemployed to set up their own business is insufficient, fees on registering the loan, which reduce the size of the loan, are high, and the financial condition of the job-seekers is deteriorating (common are cases when the individual's property is evaluated at a lower amount than that of the loan). The degree of risk is increased by the fact that the loan has to be paid back within three years. Individuals of the pre-retirement age must pay back the loan before they become eligible to receive full old-age pension.

**Creation of New Jobs**, as another employment support measure was applied to the most socially vulnerable individuals to whom additional employment guarantees, which were provided for in the Republic

#### Employment of the Disabled and Creation of New Working Places in 1996-1999 (in thousands of people)

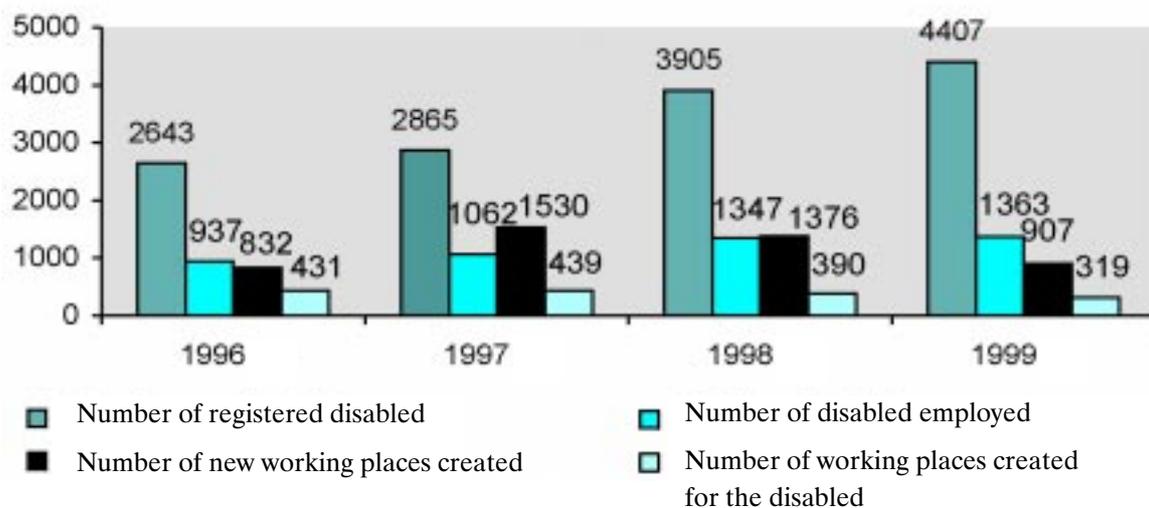


Chart prepared on the basis of the data derived from the annual reports for 1996-1999 of the Lithuanian Labour Exchange

Chart 4.1.3-6

of Lithuania Law on Support of the Unemployed, applied. Having co-ordinated this initiative with local governments and employers new jobs were created for the unemployed with additional employment guarantees. The costs of the creation of new jobs in the manner established by the Law on the Support of the Unemployed are compensated to the employers out of the Employment Fund. Up to 24 minimum monthly wages are allocated per one workplace for the disabled as a single compensation, and a single compensation in the amount of up to 12 minimum monthly wages is allocated per one new job created for other unemployed with additional employment guarantees. In creating new jobs priority was given to most socially vulnerable individuals to whom additional employment guarantees apply - the disabled and the women raising children under the age of 14. The number of persons with additional employment guarantees is increasing every year. In 1999 the number of individuals with additional employment guarantees who applied to labour exchanges totalled 77.5 thousand, including 5.7 per cent of the disabled. Compared to 1998 the number of the individuals with additional employment guarantees increased by 13.7 per cent.

As can be seen from the data presented in Chart 4.1.3-6, in 1999, 907 jobs were created for the individuals to whom additional employment guarantees apply, including 319 jobs for the disabled. This is 34.1 and 18.2 per cent less, respectively, than in 1998. The total number of individuals with disablement registered during the whole year was 4407 and 1363 individuals out of that number were employed (in 1998 - 1347). In 1999, 461 disabled persons, or 31 per cent more than in 1998, were employed in 319 newly created jobs.

During 1999 the total of 1.3 thousand individuals with additional employment guarantees were placed into newly created jobs. This is 257 individuals, or 16.8 per cent less than in 1998. Women raising children under 14 (613, or 48 per cent) constituted the largest share of the employed in the newly created jobs. It was complicated to create new jobs for the individuals under the age of 18 (38 jobs were created), individuals who were close to the retirement age (89 jobs were created), persons who have been released from places of

imprisonment (60 jobs were created).

In 1999, as in the previous year, employment programmes for separate regions were drawn up. Vocational training and employment programmes were drawn up for the regions of Akmenė and Jonava where the unemployment rate is highest and for the region of the highest youth unemployment rate - Mažeikiai and Plungė. The pilot project Tripartite Development of Pilot Employment Initiatives at Local Level started in 1998 and supported by PHARE was further implemented in Alytus, Varėna, Marijampolė regions and the town of Druskininkai. The objective of this project is to implement local initiatives of encouraging employment, which comply with the priorities of European Social Development Fund, to demonstrate examples of application of the European Social Fund - what type of projects should be supported and in what way they should be implemented.

### ***Results of the Active Labour Market Policy***

In 1999, irrespective of a difficult economic situation of the country and insufficient financing of the active labour market policy measures, as well as the decreasing scope of the active labour market policy programmes, the active labour market policy being carried out made it possible to:

- to decrease a possible average annual unemployment level by 0.8 per cent;
- to decrease the share of women unemployed from 49.8 per cent to 46.7 per cent;
- to decrease the share of young unemployed from 18.8 per cent to 17.5 per cent;
- to decrease the share of the individuals to whom additional employment guarantees apply among the unemployed from 35.5 per cent to 32.5 per cent;
- to increase the efficiency of labour market vocational training (right after completing training 64 per cent of individuals were employed; a year ago this figure stood at 58 per cent<sup>1</sup>).

In 1999, irrespective of the measures of the labour market policy applied, it was impossible to increase employment of the population, to balance the labour market and to overcome negative processes, which formed due to the structural economic reform and the effect of the Russian crisis on the economy of the country.

<sup>1</sup> More detailed information about the main 1999 indices of the labour market see Tables A4.1-1; A4.-2; A4.1-3 in the Annex

#### 4.1.4. Problems of the Labour Market and Possible Ways to Address them

*The following main problems of the labour market revealed:*

##### **1. Rapidly growing unemployment in all regions of country**

Labour supply and demand is not co-ordinated at present. The number of individuals seeking employment exceeds the number of the present available vacancies several times. Recently the outside factor - the loss of the eastern market - contributed to this too. Decrease in production in many enterprises of the country resulted in the decrease of working places.

##### **2. Increasing differences in territorial unemployment rates**

The level of unemployment in Lithuania is characterised by territorial differentiation. In different regions and towns unemployment exceeds the unemployment level of the country several times. Places with one-sidedly developed infrastructure, that is, former industrial or agricultural regions, rural settlements, have a high unemployment level.

##### **3. Growth in the number of long-term unemployed**

With competition in the labour market and requirements set to the workers increasing and working places decreasing, a part of individuals are ousted from the labour market due to their low qualifications, slow rate of adaptation to technological changes, the lack of employment capabilities and experience. Long-term unemployed account for about 15 thousand and in some places they account about one fifth of the total number of the unemployed. Most of them are former agricultural workers, specialists of narrow specialisation. The largest number of the long-term unemployed is among the persons of pre-retirement age. However, their number is also large among other groups of the unemployed, especially among those who have social, health or other kind of problems.

##### **4. Increase in the unemployment rate among young people**

The level of unemployment among young people in Lithuania is higher than that among other groups of the unemployed. Every year young unemployed constitute about one tenth of all the unemployed registered with the territorial labour exchanges. At the

beginning of this year, with the unemployment level accounting for 10 per cent, among young people it totalled 13.5 per cent. Young unemployed people in rural settlements constituted over 60 per cent. Alongside economic social factors and the decreased labour demand, higher than usual unemployment among young people was determined first and foremost by an insufficient level of their general education and professional qualifications. About half of all the unemployed under 25 years of age who are registered with territorial labour exchanges have no professional qualifications at all.

##### **5. Insufficient Financing of Measures of the Labour Market Policy**

Measures of the labour market policy are financed from the Employment Fund which a part of the general State Social Insurance Fund. Decreased deductions into the State Social Insurance Fund, and consequently, into the Employment Fund, may become an important factor restricting the implementation of measures of the labour market policy.

##### **Envisaged Ways of Solving Problems**

The unemployment rate, its territorial, social and demographic differentiation that have increased considerably of late requires a further improvement of the labour market policy, the implementation of its adequate measures.

In 2000 it is planned to improve the legal basis by making amendments and supplements of legal acts ensuring a more effective application of the labour market policy measures in solving the unemployment problems. Addressing the issues of the financing of the labour market it is planned to prepare the draft law on Insurance against Unemployment separating the financing of the active and passive labour market policy programmes.

Seeking to determine employment guarantees within the labour market, the application of active labour market measures, the financing of the labour market institutions, the draft law on the Support of Employment is being prepared.

Harmonising the regulation of a dismissal of a group of employees with the EU valid legal acts, the Law on the Support of the Unemployed was amended

and supplemented in 1999, a new procedure for the dismissal of a group of employees was prepared. The new procedure which implements the provisions of the law will create conditions for a wider application of prevention measures in cases of dismissing a group of employees.

With the aim to regulate the organisation of the labour market vocational training, to establish the responsibility of the training subjects, to ensure a proper quality of training, the procedure for the Labour Market vocational training was prepared.

Implementing the Law on the Legal Status of Aliens the Procedure for Employing of Foreigners in the Republic of Lithuania on the basis of the employment contract was prepared. It regulates the procedure for employing foreigners according to the employment contract.

Facilitating the conditions of registration of persons with the labour exchange and creating conditions for

increasing the territorial mobility of the population and possibilities to find employment, it is planned to supplement and partially amend the Procedure for the Registration of the Unemployed, Granting and Paying them Benefits.

Creating more favourable conditions for employers to employ the unemployed in supported works it is planned to partially amend the procedure for the Placement into Jobs Supported by the Employment Fund, to abolish some restrictions imposed on enterprises, which are still in force.

It is planned to supplement the Procedure for Quotas Placement of the Unemployed. In accordance with the valid procedure compensations paid from the Employment Fund are intended for the expenditure on the equipment of working places and the acquisition of the means of production. The supplement stipulates that a part of expenditure on wages and salaries can be compensated for as well.

## 4.2. LABOUR RELATIONS

In 1999 much attention was devoted to the development of the legal basis of labour relations in Lithuania. With this end in view new legal acts were created and the valid

ones were amended. The aim of all these changes was to liberalise the sphere of labour relations granting more rights to the participants of labour relations.

### 4.2.1. Current Situation

#### 4.2.1.1. Payment for Work

##### *Legal Guarantees of Payment for Work*

Payment for work is one of the indispensable labour conditions, which are to be agreed upon by the employer and the employee in concluding the employment contract. The Law on Wages establishes the basic principles of payment for work. The Law prescribes that an employee's wage shall depend on labour supply and demand in the labour market, quality and quantity, and the performance results of the enterprise. Besides, an employee's wages cannot be lower than the state designated minimum wage (MW). The minimum wage is expressed through the minimum monthly wage (MMW) or the minimum hourly wage (MHW). When concluding the employment contract the employer and the employee must agree on which of these wages will be used in cal-

culating the payment for work of a specific employee. In such cases the nature of work, time of work and other peculiarities are taken into account. Employees who work part time must be paid proportionally for incomplete periods of work and the hourly wage must not be lower than the minimum hourly wage. The Law also guarantees a supplementary payment for work in harmful or extremely harmful conditions, as well as for overtime and night work, for work on days off and public holidays.

##### *Minimum Wages*

By the minimum wage (MW) it is sought to assure the minimum income of employees necessary for a living. The minimum wage was first introduced as of February 1991. Then, taking into account the inflation rate, monetary capabilities of the budget and

recommendations of social partners, it was indexed. In 1999 the Ministry of Social Security and Labour adjusted the principles and procedure for establishing the minimum wage (minimum monthly wage and minimum hourly wage), which was approved by the Government of the Republic of Lithuania.

### ***Principles of Establishment and Application of MW***

○ *The MW is to guarantee minimal, socially acceptable needs to the employee and all family members dependent on him;*

○ *The MW and its application are established by signing a Tripartite Contract.*

***The following procedure for calculating the MW has been established:*** the standing Commission on Payment for Work of the Tripartite Council agrees on the size of MW and submits it to the Tripartite Council of the Republic of Lithuania. The latter, having analysed the proposals, recommends the Government and social partners to sign a tripartite agreement on that size. The size of the minimum wage established by a tripartite agreement is legalised by resolution of the Government.

At the beginning of 1999 social partners negotiated over the establishment of a new size of MW, however, no agreement was reached. The trade unions demanded that the minimum monthly wage should be increased up to 460 or 500 LTL. However, the

employers set their conditions:

○ *demanded to change the procedure for paying for work in harmful conditions;*

○ *proposed to increase the MMW at the same time increasing the non-taxable minimum.*

The Government did not agree to the latter condition because by the calculation of the Ministry of Finance the state budget would have lost approximately one billion LTL of income. In October-September the social partners decided that it was inexpedient to increase the MMW during the time of economic recession. Therefore in 1999 the MW was not increased.

According to the data of the Department of Statistics, in January 1999 the minimum monthly wage was 430 LTL and accounted for 41.6% of the average monthly gross wage of persons employed in the economic sector of Lithuania. In December, with the MMW unchanged but with payment for work in the country increased, the minimum monthly wage accounted for 38.3 per cent of the average monthly gross wage of the individuals employed in the economic sphere. In 1999 the minimum hourly wage remained unchanged and equalled 2.53 LTL.

### ***Average Gross Monthly Wages (AGMW)***

The highest average gross monthly wage in 1999 was paid in the state sector and it accounted for 1150 LTL, in the private sector - 993 LTL, with the general average gross monthly wage in the Lithuanian

#### **Gross Average Monthly Wages and its Changes in 1997-1999**

Year	Country economy		Public sector		Private sector	
	AMW (LTL)	Change compared to previous year	VMDU (Lt)	Change compared to previous year	AMW (LTL)	Change compared to previous year
1997	817,6	-	851,9	-	762,8	-
1998	1009,3	23,4	1059,4	24,4	935,4	22,6
1999	1074,8	6,5	1150,0	8,6	993,7	6,2

*According to the data derived from the information bulletin of the Department of Statistics*

Table 4.2.1.1-1

economy being 1074.8 LTL.

In the first quarter of 1999 the AGMW in the Lithuanian economy equalled 1031.8 LTL. The AGMW in the state sector was equal to 1122.6 LTL and in the private sector it amounted to 936.1 LTL.

In the fourth quarter, compared to the first quarter, the AGMW in the Lithuanian economy increased by 6.1 per cent and accounted for 1095.6 LTL. The average gross monthly wage in the state sector was equal to 1152.2 LTL in the fourth quarter and compared to the first quarter it increased by 2.6 per cent, whereas in the private sector the AGMW increased by 10 per cent and totalled 1030.4 LTL.

The data presented in Table 4.2.1.1-1 show that in 1998, compared to 1997, the AGMW in the Lithuanian economy increased by 23.4 per cent, in the state sector - by 24.4 per cent and in the private sector - by 22.6 per cent. In 1999, compared to 1998, the AGMW in the Lithuanian economy increased by 6.5 per cent only, in the state sector - by 8.6 per cent and in the private sector - by 6.2 per cent.

### **Actual Wages**

Actual wages indicate the purchasing power of nominal wages. The change in the actual wages index is calculated by dividing the net wage index by the consumer price index. According to the date of the Department of Statistics, in 1999 actual wages in the country compared to that in 1998, increased by 8 per cent. This increase was determined by the decrease in consumer prices, which resulted from a relatively increased supply of commodities compared to the solvent demand of the population.

### **Changes in Payment for Work at Budgetary Institutions**

In 1999, taking into account a worsened economic and financial condition of the country and seeking to avoid ungrounded disproportion in payment for work to individual officials and other employees financed from the state and municipal budgets, the system of wages and salaries of the employees financed from the state and municipal budgets of the Republic of Lithuania was reviewed.

*By resolution of the Government salaries of the civil servants of public administration and other officials, which were increased in 1997-1998 August, were reduced in August 1999. Furthermore, payments of*

additional benefits, bonuses, allowances were restricted to this category of employees. At some state institutions:

- *additional benefits paid to some officials have been reduced from 150 to 100 per cent;*
- *the increase in salaries has been abolished;*
- *additional benefits paid to the officials in the sphere of law enforcement for their length of service have been reduced by half (maximum additional benefit was reduced from 100 per cent to 50 per cent of the salary);*
- *maximum amounts of additional benefits paid to senior specialists and experts have been reduced from 4 to 2 salaries;*
- *it has been decided to stop paying bonuses to civil servants, which they were entitled to receive under the conditions of the wages economy;*
- *it has been established that the amount of material benefits that civil servants were entitled to receive in the event of a difficult material condition due to an accident or other reasons, could not exceed the amount of 10 MMW (or 4300 LTL);*
- *in December the increase (up to 2.5 times) in salaries of some officials, including judges and prosecutors, has been reduced by 1.75 times.*

*Moreover, in 1999 by its resolution the Government of the Republic of Lithuania established concrete amounts of payment for work and other terms of payment for work to the employees of state institutions: the employees of the National Health Council Secretariat, officials and other employees of the Ombudsman Service of Equal Opportunities, the Chairman and members of the Competition Council of the Republic of Lithuania, civil servants of the Secretariat of the Chief Commission of Professional Conduct, members of the Commission of Resolution of Disputes of Independent Public Procurements.*

In implementing the provisions of the Law on Civil Service adopted in the middle of 1999, the draft law on the amendment of that law was prepared at the end of the year establishing the terms and amounts of payment for work to these employees.

### **Activity of the Fund to Meet Work-Related Demands of Workers in Enterprises Undergoing or Having Experienced Bankruptcy**

Under the conditions of economic recession, with cases of bankruptcy of enterprises being quite com-

mon, it is very important to provide financial assistance to the enterprises undergoing bankruptcy or which have experienced bankruptcy so that they could settle accounts with their employees. In 1999 a specific Fund, set up for such purposes, provided repayable financial assistance to 19 enterprises at the amount of 16.6 million LTL. Out of this amount 0.6 million LTL was allocated to two enterprises, which have gone bankrupt, 0.6 million LTL. was given to one enterprise going into bankruptcy and 15.6 mil-

lion LTL was allocated to 16 enterprises experiencing temporary financial problems.

Applications for financial assistance of 19 enterprises were refused: two enterprises asked for additional support, two enterprises asked for non-repayable financial assistance, one enterprise, which filed an application, later refused the assistance, 10 enterprises lodged applications which did not meet the requirements set by the Fund.

### 4.2.1.2. Situation of Safety and Health at Work

#### ***Accidents at Work***

In 1999 the State Labour Inspectorate registered the following:

- 142 statements about fatal accidents at work or death cases;
- 168 serious accidents;
- 2681 slight accidents that occurred at work.

As every year, minor accidents constituted the greatest part of accidents in the structure of accident at work, with fatal accidents constituting the smallest part.

138 cases out of the total number of ***fatal accidents at work*** that took place in 1999 were investigated. It has been established that 68 accidents were labour-related. As in 1998, the greatest number of fatal labour-related accidents occurred due to violation of traffic rules (24 per cent of cases), failure to observe the requirements of safety normative acts (19 per cent of cases) and the improperly organised of work (19 per cent of cases).

166 cases out of the total number of ***serious accidents at work*** that occurred in 1999 were investigated. It has been established that 154 cases were labour-related. The greatest number of serious labour-related accidents occurred due the failure to observe the requirements of normative acts (20 per cent of cases) and violation of traffic rules (15 per cent of cases).

Having investigated ***slight accidents at work*** that occurred in 1999 it has been established that most of them were caused by the failure to observe the requirements of safety at work normative acts (41 per cent of cases).

Having made the comparative analysis of the number of accidents at work that occurred from 1997

throughout 1999 (see Table A.4.2.1.2-1) it turned out that the total number of accidents that occurred at work decreased. Compared with 1998 the number of fatal accidents decreased by 20 per cent, that of serious accidents - by 6 per cent, and the number of slight accidents - by 10 per cent.

#### ***Incidence of Occupational Diseases***

In 1999 the Register of Occupational Diseases registered 606 cases of occupational diseases that 411 persons had. Men were diagnosed to be ill with 87.5 per cent of occupational diseases and women - with 12.5 per cent of occupational diseases.

As in 1998 the most common diseases were established to be as follows:

- cases of vibration diseases (41.6 per cent);
- cases of ear diseases (36.3 per cent).

The greatest number of cases (65.4 per cent), as in every year, have been diagnosed among the 50-59 year old people with the working record of 20-49 years on the average.

The number of occupational diseases registered in Lithuania from 1997 throughout 1999 (see Table A.4.2.1.2-2) decreased from 701 to 606 cases.

Having compared the number of occupational diseases diagnosed in men and women in 1997-1999, expressed in per cent, the ratio of occupational diseases diagnosed in men and women in 1997 and 1999 was similar: diseases in men were diagnosed in 87.5-87.9 per cent of cases, whereas in women - in 12.1-12.5 per cent of cases. In 1998 the number of occupational diseases in women was diagnosed in 17.5 per cent of cases and that in men - in 82.5 per cent of cases.

### Work-related Accidents at Work Registered with SLI in 1997-1999

Year	Number of minor accidents	Number of severe accidents	Number of fatal accidents	Total
1997	2876	151	83	3110
1998	2989	164	96	3249
1999	2681	154	68	2903

Data derived from the annual reports of the State Labour Inspectorate

Table 4.2.1.2-1

### Number of Occupational Diseases Registered in Lithuania in 1997-1999

Year	Total number of registered occupational diseases (in units)	Occupational diseases diagnosed in men (in absolute figures and percentage from the total number)	Occupational diseases diagnosed in women (in absolute figures and percentage from the total number)
1997	701	616 (87,9 %)	85 (12,1 %)
1998	618	510 (82,5 %)	108 (17,5 %)
1999	606	530 (87,5 %)	76 (12,5 %)

Data derived from the annual reports of the State Labour Inspectorate

Table 4.2.1.2-2

### 4.2.1.3. Control of Labour Relations

The State Labour Inspectorate exercises control over how legal acts regulating labour relations, prevention of violations in enterprises, are observed.

During 1999 state labour inspectors checked 11.8 thousand enterprises with respect to the issues of safety and health at work. 66,3 thousand cases of violations of the regulations of legal acts on safety and health at work were ascertained at the enterprises checked, which accounted for 71.6 per cent of all the violations of labour law and safety and health at work, including:

- 49 per cent of organisational violations;
- 25.7 per cent of technical violations;
- 25.3 per cent of violations of health at work.

In the enterprises or their branches inspected in 1999 0.2 per cent of hired workers worked in *especially harmful conditions*, 6.6 per cent - worked in *harmful conditions* and 11.6 per cent of hired workers did *dangerous work*. In 1999, as compared to 1998, working conditions at enterprises somewhat improved: 0.4 per cent of the employees of the enterprises inspected worked in especially harmful conditions, 9.0

per cent – in harmful conditions and 12.7 per cent of employees did dangerous work in 1998.

In 1999 the State Labour Inspectorate checked 11.5 thousand enterprises with respect to the issues of labour law. Violations of labour law were established in 8 thousand, or 68.7 per cent of the enterprises checked. Compared to 1998 year, the number of enterprises in which such violations were established increased by 14 per cent. Labour law violations accounted for 28.4 per cent of all the disclosed labour, safety and health at work violations. The following labour law violations were revealed:

- *in payment for work and compensations (30 per cent);*
- *in accounts of working time (11.7 per cent);*
- *in organisation of work and rest time (6.2 per cent);*
- *in applying guarantees to women, young people and individuals of limited capability to work (0.7 per cent);*
- *other labour law violations (27.8 per cent).*

Responding to all the said violations, the State Labour Inspectorate submitted 11 thousand requirements to eliminate the drawbacks, gave 92.6 thousand instructions to eliminate the established violations, stopped work in 894 enterprises, prohibited the exploitation of work facilities, drew up 1.7 thousand protocols of violations of administrative law, adopted 1.6 thousand decisions to impose fines (for the total amount of 2.3 million LTL) and initiated

35 bankruptcy cases.

According to the data of the Department of Courts under the Ministry of Justice, 9 thousand civil cases over disputes arising from legal labour relations were brought before the court in 1999:

- *the greatest number of cases (87.5 per cent) were brought to recover payment for work. In 1998 such cases accounted for 77 per cent of all the cases resulting from legal labour relations;*
- *10.7 per cent of all the cases dealt with reinstatement;*
- *1.8 per cent of cases were brought to compensate for damages.*

Courts of the first instance heard 7.4 cases and passed certain decisions. 94 per cent of claims were satisfied completely or in part. In 1998 such cases accounted for 85 per cent. These data show that in 1999 the situation in labour relations deteriorated. The data of the State Labour Inspectorate substantiate this conclusion about the investigation into employees' statements and complaints. During 1999 the State Labour Inspectorate investigated 3.6 thousand complaints and statements, including 153 anonymous ones. In 2.3 thousand cases, or 65 per cent of statements and complaints proved valid and in anonymous cases this number accounted for 69 cases, or 45 per cent.

#### 4.2.2. Amendments of the Legal Basis of Labour Relations in 1999

##### ***Decrease in the Work Hour Limitations***

The Law on Labour Protection establishes that the normal work hours may not exceed 40 hours per week, and the maximum length of a workweek may not exceed 48 hours. A work time regime, which is more favourable for employees, can be agreed upon in collective agreements, collective labour agreements and employment contracts. However, on 1 October 1997 the Government of the Republic of Lithuania established minimum part-time limitations, i.e. a part-time work day (shift) must be no less than half a work day (shift), and a part-time work week must be no less than 3 work days per week. The aim of legalising the minimum work time was the guarantee of employees' rights and the measure, which helps to avoid illegal employment and

unemployment. Limitations of the minimum work time were applied to employees of all occupations, excluding:

- *pregnant women;*
- *women who have a child (children) under the age of 14 or who have a disabled child under the age of 16;*
- *single fathers who are raising a child (children) under the age of 14 or a disabled child under the age of 16, guardians in charge of a child (children) of the same age;*
- *disabled people;*
- *persons who take care of a sick family member or who provide the employer with the conclusion of a medical institution about the necessity for a part-time work or the period during which a part-time work regime must be applied.*

However, practice showed that employees belonging to some categories of work were devoid of the possibility to work a limited minimum part-time. As a consequence employers violated these regulations of part-time work limitations or, to avoid paying penalties dismissed employees.

Therefore, in 1998, Resolution No. 21 “On Approval of the Procedure for Setting Partial Working Day or Partial Working Week “ adopted on 9 January 1995 by the Government of the Republic of Lithuania was supplemented by the provision that minimum on part-time work limitations shall not apply to:

- *educators;*
- *persons and specialists the public health care and pharmacy;*
- *social workers;*
- *employees of the communities of multi-apartment owners;*
- *employees of public organisations and trade unions;*
- *employees of farmers’ holdings and agricultural companies;*
- *employees of financial accounting;*
- *employees of safety and health at work services of enterprises;*
- *not more than 20 per cent of employees belonging to other categories in enterprises, institutions and organisations in which the total number of such employees, including vacancies, does not exceed 100, and in case the number of such workers is less than 5, only one employee;*
- *no more than 10 per cent of employees in other enterprises, institutions and organisations in which the total number of such employees, including vacancies, exceeds 100.*

The employer or his authorised person must notify the State Labour Inspectorate, which controls the procedure for applying a part-time work regime, of the persons who work part-time (shift) and less than half a day (shift), or who work a part-time work week when the length of their work is less than 3 work days per week.

According to the data presented by the Department of Statistics, 7.9 per cent of all the employed worked part-time in 1997, 10.7 per cent - in 1998, and 8.3 per cent - in 1999.

### ***Compensation for Damage Caused by Work Accidents or Occupational Diseases***

The Provisional Law of the Republic of Lithuania on Damage Compensation in Accident at Work or Occupational Disease Cases regulates the procedure for compensation for such damage, its size and persons entitled to such compensation. The issues of compensation for damages is urgent to both the employees themselves and the employers bound to compensate for the damage, as well as to local governments when such an obligation is transferred over to the State. The law that was in force till 1999 provided for such obligation to be transferred to the State in cases when an enterprise is liquidated due to bankruptcy or on other grounds and is not able to compensate for the damage due to lack of resources. The law, which was in force in 1999, was supplemented providing for other cases when the obligation of compensation for damages is transferred over to the State. These cases are as follows:

- *when the bankruptcy case is brought against the enterprise or when the enterprise is being liquidated, also when the enterprise does not operate and the bankruptcy procedure is not applied to it, as well as when on the basis of the documents of the Bailiff’s Office, due to lack of resources and assets in the enterprise there is no possibility for the victims to recover the compensation adjudged by the court ;*
- *when the enterprise is being liquidated, however, compensation was neither paid nor capitalised nor this obligation was transferred over to a higher organisation;*
- *when victims were ill with an occupational disease or were injured in a work accident while working in former state enterprises prior to their privatisation.*

In the amendments of the Law the terms of the calculation and payment of compensations are regulated more favourably with respect to the victims. An accident that occurred on the employee’s way to work or on the way home from work is equalled to a work accident.

### ***Improvement of the Regulation of Collective Relations and Social Partnership***

On 11 February 1999 the Government of the Republic of Lithuania and social partners - trade unions and organisations of employers - signed an agreement “On Tripartite Co-operation”.

By this agreement the Government obligated itself to provide information about drafts of legal acts being prepared on labour, social and economic issues and, at the request of at least one party, to submit them to the Tripartite Council of the Republic of Lithuania for consideration. Representatives of employees and employers obligated themselves not to initiate collective disputes and other action on the issues with respect to which the Government of the Republic of Lithuania fulfils obligations assumed on the basis of tripartite agreements.

The parties also agreed as to the following: annually by 1 December to sign a tripartite agreement about the minimum hourly wage (monthly wages), the size of the non-taxable minimum and other important labour, social and economic issues (e.g. creation of new jobs, etc.), to co-operate in preparing for the EU membership and encourage co-operation of social partners in concluding collective contracts and agreements.

In implementing the provisions of the present Agreement the Standing Commission on Labour Relations of the Tripartite Council of the Republic of Lithuania and the Standing Commission on Payment for Work of the Tripartite Council of the Republic of Lithuania were established in 1999. The objective of the said Commissions is to investigate into the issues arising in the sphere of labour relations and payment for work and submit them to the Tripartite Council of the Republic of Lithuania. Also the Standing Commission on Employment and Guarantees of the Tripartite Council of the Republic of Lithuania, as well as the Standing Commission on Tripartite Consultations on the Implementation of International Work Norms of the Tripartite Council of the Republic of Lithuania were established.

Signing of the Tripartite Agreement shows the development of co-operation between social partners and the Government. Trends in the regulation of labour relations during the past years indicate that the Government tries to lessen its role in regulating labour legal relations and hand more issues over to the agreements of social partners. So far collective agreements concluded on the level of individual enterprises or their branches have been most popular in Lithuania. However, according to the data of the

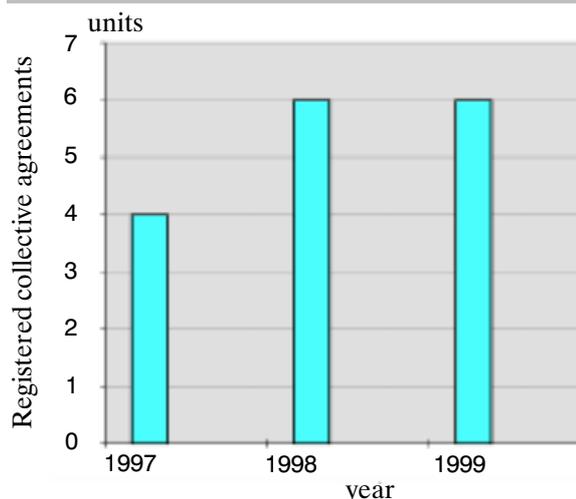
Ministry of Justice, the number of collective agreements concluded in the course of 3 years accounts for only 16 (see Chart 4.2.2-1). The majority of them, in essence, are sooner collective labour agreements rather than collective agreements concluded in large enterprises operating on the level of the whole Lithuania. Collective agreements are unpopular because the Law on Collective Agreements and Collective Labour Agreements presently in force does not regulate the issues of these agreements sufficiently, besides, there exist no strong regional, sectoral occupational unions and organisations of employers.

The data presented in the Chart show that six collective agreements were registered in 1998 and six in 1999, whereas in 1997 only four collective agreements were concluded.

#### ***Harmonisation of the Legal Basis with the EU and ILO Legal Acts***

With Lithuania striving to become a member of the European Union (EU), and taking into account an ever-growing interest of foreign investors in Lithuania, it was necessary to reform the labour law by

**Collective Agreements registered with the Ministry of Justice in 1997-1999**



*Letter No. 07-13 as of  
27 March 2000 of the Ministry of Justice*

Chart 4.2.2-1

harmonising it with the requirements of the EU legal acts and Conventions and Recommendations of the International Labour Organisation (ILO). The labour law legislation of the Republic of Lithuania inevitably had to be brought closer to production and labour relations, which have actually formed in Lithuania.

So far, alongside some dozens of laws and a great number of secondary legislation adopted after 1999, which regulate labour relations, individual articles and paragraphs of the Labour Code approved in 1971 are still valid though the said Code in essence is outdated.

With the aim to mend the situation, *a draft of the Labour Code of the Republic of Lithuania was prepared in 1999*. The draft of the Labour Code consists of three parts: general provisions, norms regulating collective labour relations and individual labour relations. In preparing the said draft the greatest attention was paid to the ILO Conventions and Recommendations, as well as to the EU legal acts. It was sought to transfer as many as possible regulations consolidated in those legal acts to the draft being prepared. The majority of provisions of the Labour Code are rather abstract. Thereby it is sought to avoid a differentiation of the regulation of labour relations by economic sectors (private and state). Also it is sought not to regulate issues of the governmental level, which should be determined by secondary legislation. The objective of that Labour Code is to unite basic regulations of the EU and ILO legal acts so that they should acquire the legal basis

in Lithuania. Furthermore, taking into account a growing importance of the principle of social partnership both in Europe and Lithuania, this Code should form the basis for harmonising the interests of social partners.

Competent EU and ILO experts, who made an examination and analysis of the Labour Code in the autumn of 1999, stated that the said legal act was in compliance with the basic and essential principles and regulations declared by the EU and ILO.

In 1999 legal acts were harmonised with those of the European Union in the sphere of safety and health at work. “Regulations on Use of Safety and Health Signs at Workplaces”, “General Regulations on Use of Work Equipment Minimum Safety and Health Requirements for Work Equipment”, “Regulations of Protection of Employees from the Affect of Noise at Work”, “Regulations of General Safe and Healthy Working Conditions on Board Fishing Vessels” were prepared and approved.

In summing up, it can be stated that in 1999 undivided attention was focused on the development of the legal basis of labour relations. With this aim in view valid laws and resolutions of the Government were amended and supplemented and drafts of new legal acts were prepared. The aim of all these amendments was to liberalise the sphere of labour relations granting more rights to the participants of labour relations. The economic situation formed in the country determined the amendment of legal acts regulating the issues related to the payment for work to civil servants.

### 4.2.3. Problems and their Possible Solutions

Despite the legal reform being carried out some problems are still encountered in the sphere of labour relations:

- *the issue of establishing the size of the MW by separate branches of economy is an urgent issue raised by both the trade unions and employers;*
- *the complexity of disclosing illegal employment due to the insufficient legal basis because laws do not regulate all cases of labour relation, besides, common are cases when upon the arrival of an inspector to check the enterprise, employees leave their workplaces or ex-*

*plain that they are not employed in that enterprise. Many problems are caused by the fact that laws define features of illegal employment inaccurately;*

- *liberalisation of a part-time work in 1999 had a negative effect on the state and municipal budgets. According to the data presented by SODRA, during the second half of 1999 the budget of social insurance did not receive 90 million LTL due to the reduction in part-time work limitations. Therefore, a further reduction in minimum part-time work limitations which social partners desire remains an urgent problem;*

○ *in regulating and systematising payment for work to civil servants and having adopted amendments to the Law on Civil Service related to that, it is necessary to prepare a number of secondary acts of legislation, carry out the assessment of all civil service posts and define categories. All this shall take a lot of time and work*

***In solving these and other problems:***

○ *drafts of amendments of and supplements to the Law on the Employment Contract, the Administrative Code and the Law on the State Labour Inspectorate*

*have already been prepared. By these drafts it is sought to define the features of illegal employment, make the responsibility for the illegal activity stricter and thus put a stop to law violations of such a nature;*

○ *in extending social partnership, the draft of the amendment of the Law on Collective Agreements and Collective Labour Agreements has been prepared and is being adjusted, which seeks to regulate issues of collective agreements in more detail, and consolidate the status of tripartite institutions.*

### 4.3. Equal Opportunities in Labour policy

The problem of equal opportunities is a sore subject in the labour policy. In Lithuania, where the features of patriarchal society are still quite distinct, women are becoming more and more resolute to join the labour market and in this way realise their professional abilities and skills, to take a more active part in social life, as well as to ensure economic independence for themselves. This section shall deal with the following issues: changes that took place in position of men and women in the labour market in 1999; measures which have been taken in seeking to improve the situation, difficulties that working women and women seeking employment encounter; main ways of solving these problems are proposed.

***Legal basis***

Lately, in Lithuania, like in other European countries, the importance of women's active participation in the labour market has been more and more appreciated. The Law of the Republic of Lithuania on Equal Opportunities that has been enacted since March 1, 1999 is to help strengthen women's active participation in the labour activity. Pursuant to this Law, the implementation of equal rights for women and men requires from the bodies of state government and administration institutions the following within the limits of their competence:

- *to ensure that equal rights for women and men be guaranteed in all legal acts drafted and enacted by them;*
- *to draw up and implement programmes and measures aimed at changing the public's attitude about the superiority of one sex over the other;*
- *in the procedure established by laws, to provide support to the programmes developed by public or-*

*ganisations, public institutions, associations and charity foundations that help implement equal opportunities for women and men.*

In implementing equal rights for women and men at work, the employer, when employing both women and men must:

- *apply equitable selection criteria for women and men with the exception of special cases;*
- *create equal working conditions, possibilities to upgrade qualifications, as well as to grant similar privileges;*
- *apply the same quality of work assessment criteria;*
- *ensure equal payment for the same kind of work;*
- *take appropriate measures to prevent sexual harassment of employees;*
- *take appropriate measures to prevent persecution of employees who have lodged a complaint related to sexual discrimination.*

The law prohibits specifying requirements in job advertisements or education opportunity advertisements, giving priority to one of the sexes or request information from job seekers about their civil status, private life or family plans. Of course, the law shall not be effective at once, however, it shall act as a preventive measure for the discrimination of women at work, as well as it shall help to gradually abolish the established stereotypes about the woman-employee.

***Institutional Basis***

Seeking to achieve effective implementation of the provisions of the Law on Equal Opportunities the activity of state institutions is being better co-

ordinated. The Action Plan for Implementation of the Program for Advancement of Women for 1998-2000 of Lithuania approved by the Government of the Republic of Lithuania by Resolution No 77 of January 21, 1998 provides for the establishment of the equal opportunities inspector's position within labour inspectorates. Pursuant to the Law on Equal Opportunities the Office of the Equal Opportunities Ombudsman has the right to inspect how employers implement the provisions of this Law in their activity. The State Labour Inspectorate, in accordance with the Law on the State Labour Inspectorate, is authorised to inspect employers in order to see how they observe labour laws on that prohibit sex discrimination at work or in admission to work. In order to avoid duplication of the functions performed by state institutions it has been decided to sign a co-operation agreement between the State Labour Inspectorate and the Office of the Equal Opportunities Ombudsman. Officials of the Office of the Equal Opportunities Ombudsman, on receipt of a complaint or other information on violations in the sphere of labour relations, could inform the State Labour Inspectorate thereof, and at the same time make investigation into a possible violation of the Law on Equal Opportunities with respect to labour relations.

### **Female and Male Employment**

In carrying out the policy of equal opportunities in the sphere of labour, issues of employment, payment for work and working conditions are especially important.

In Lithuania the female employment level is lower than that of males.<sup>1</sup> As it is seen from Chart 4.3.1, in 1999 the female employment level was 49.2 per cent and that of males - 58.4 per cent. Compared to 1998, in 1999 the female employment level increased by 2.7 per cent, and that of males decreased by 1.5 per cent. These figures show an ever-growing activity of women seeking to join the labour market. The analysis of female and male employment levels on the basis of age groups shows that in the age groups from 20 to 54 years of age this difference is insignificant: the

**Dynamics of the Employment Rate of Women and Men in 1997-1999**

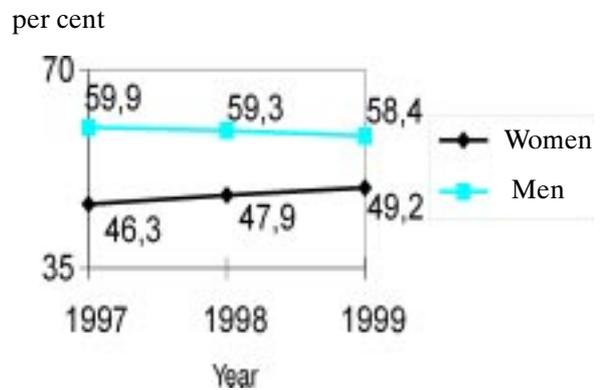


Chart 4.3-1

Data of the Department of Statistics

employment level of males is about 76.7% and that of females - 75.2%.

Elderly women find it much more difficult to get employed than younger ones as age is often the deciding factor in seeking employment.

As in many other countries, the Lithuanian labour market is characterised by both horizontal and vertical segregation by sex. Segregation of the labour force is accumulation of the male and female labour force in different branches of economy and administrative levels where one of the sexes is usually represented less than in certain professions (horizontal segregation) and fills a less important and lower-paid position (vertical segregation).

In 1999 a relatively large part of women, compared to men, worked in the spheres of social security (84 per cent) and education (76 per cent) where salaries of all the employees working in these spheres is usually lower compared to the average wages in other spheres of economy in the country. Fewer women than men worked in agriculture, hunting and for-

<sup>1</sup> A level of employment is a percentile ratio between the number of economically active citizens and the number of citizens belonging to the age group under analysis.

estry (40 per cent), as well as in the processing industry (46 per cent). So far no data are available about the number of men in women in leading posts in state and private institutions, however, an especially small number of women in the Seimas can be an example of vertical segregation. The number of women in Lithuania is a little larger than that of men, however, at present their representatives account for hardly 18 per cent of all the Seimas members. Among 15 ministers there is only one woman-minister.

A small and medium-size enterprise is one of the more favourable forms of employment for women. Businesswomen can freely plan their time, better use their professional abilities, and combine interests of their family and work. Though the number of enterprises headed by women is gradually increasing, the number of women who run small and medium-size enterprises is still smaller than that of men. Men are more resolute in implementing their ideas, are more self-confident, take more risks, and pay less attention to the family affairs. Only 30.3 per cent of all the newly set up small and medium-size enterprises in 1998 is headed by women. In 1999 the number of enterprises headed by women accounted for 34 per cent of the total number of enterprises.

### **Unemployment**

From the point of view of unemployment the year of 1999 was exceptional in that the rate of unemployment among women became lower than that among men. Chart 4.3-2 shows that the unemployment level of men grew more rapidly than that of females in 1999.

If the unemployment level of women in 1999, compared to that in 1998, increased by 1,6 percentage point, that of men - by 2.3 percentage point in the same year. This phenomenon is the consequence of economic recession in the country, which exerted negative influence on the industrial sector, small and medium-size business where mostly men are employed.

According to the data of the Labour Exchange, in 1999 the number of males registered with the Labour Exchange grew considerably. If in 1998 this number of individuals who appealed to labour exchanges totalled 109.8 thousand, in 1999 this number increased by 24.1% per cent than in 1998, whereas the number of

### **Unemployment Rate of Women and Men in 1997-1999**

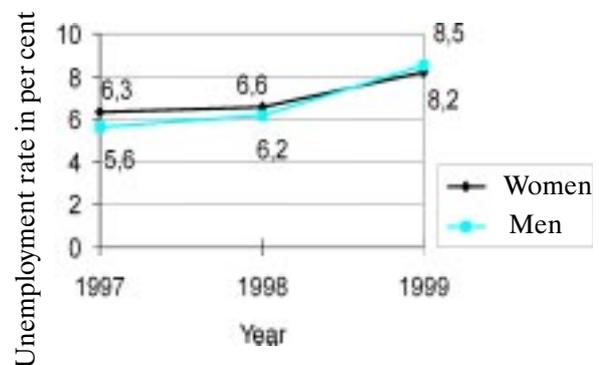


Chart 4.3-2

Data of the Department of Statistics

women who applied to the Labour Exchange during the same period grew by 14.7 per cent.

In 1999 the number of persons with additional employment guarantees also increased. Women constitute the greater part, i.e. 79.3 per cent of the total number of registered individuals of this group. In 1999 (compared with 1998) the number of such persons grew by 3.9 thousand.

### **Measures to be Taken**

#### **Adopted Legal Acts**

In accordance with the updated 1999-2000 Action Plan of the Government of the Republic of Lithuania and seeking to increase the employment level and balance the labour market, the Government carries out the active labour market policy related to prevention of unemployment, support of employment, assurance of equal opportunities in the labour market, preparation and implementation of measures enabling the employers and employees to better adapt to the changes in the market. Therefore, it is planned to draw up legal acts ensuring equal opportunities in the labour market and regulating employment, labour relations and working conditions. It is also planned to abolish regulations contradicting to the principle of equal opportunities.

### ***Measures Aimed at Increasing Employment of the Population***

The active labour market policy measures taken in 1999 contributed to reducing the unemployment rate among the female population. The following labour market employment measures were applied to women seeking employment:

- *about 27% of all registered, job-seeking women were employed in vacant, quoted jobs<sup>1</sup> or short-termed jobs;*
- *every third woman participated in the active labour market policy programmes;*
- *every sixth woman was involved in the activity of job work clubs;*
- *9.6% of all job-seeking women acquired a profession or updated their qualification.*

Seeking to ensure equal rights for women and men and assessing the situation formed in the labour market in 1999, the number of men involved in employment measures was increased from 81.2 thousand to 87.1 thousand, while the number of women was increased from 83.7 thousand to 84.7 thousand. The number of men who obtained patents on favourable conditions grew half as much again and the number of those engaged in public works grew by one tenth. Men constituted more than half of all the individuals directed to the public and supported works, whereas women constituted more than half all the individuals directed to take part in vocational training courses of the labour market and employed in newly established work places.

### ***Projects***

On October 8-10, 1999 the conference “Women and Democracy” took place in Reykjavik in which representatives of the Nordic, Baltic countries, Russia and the USA participated. One the most important decisions of the conference was to provide support to businesswomen of the Baltic States. For this purpose, the Nordic Investment Bank allocated 1 million Euros, out of which 29 thousand was allocated to support the Lithuanian businesswomen.

At the beginning of 2000 a new project was presented to the Lithuanian businesswomen on the basis of which the Nordic Investment Bank opened a credit line to support small business. The Bank does not provide for any favourable terms in obtaining a loan except that they will be extended only to women. In this way women are encouraged to set up small and medium-size business. Other forms of support of small and medium-size business were presented at the Conference “Women and Business; Current Opportunities” organised by the Government of the Republic of Lithuania. The results of this project will be discussed at the return conference to be held in Vilnius in June 2000.

### ***Problems***

The system of a free market theoretically provides all the citizens of the Republic of Lithuania with equal opportunities in seeking economic independence. However, practice shows, that it is quite often that sex becomes one of the main obstacles in seeking for economic independence. A woman in Lithuania, who is seeking paid employment, often faces discrimination when the priority is given to men.

The analysis of the situation in the labour market allows us to draw the conclusion that due to a number of various reasons the position of men the labour market is much better. They climb the ladder of professional carrier much faster, fill high posts and earn higher salaries. The opportunities of women in the labour market should be the same not only from the point of view of the human rights but also because women, more often than men, have to look after children alone (or almost alone). In accordance with the data of the 1998 general census of the population 12.9% of Lithuanian families had no father and 1.36% had no mother. As the number of divorces and illegitimate children is growing, the number of single-parent families is naturally increasing too.

***Legal basis.*** Taking into account recommendations

<sup>1</sup> *Employment in quoted jobs is a priority employment of the most socially vulnerable persons in jobs created specially for that purpose. Article 7 of the Law on Support of the Unemployed prescribes that local governments, on the recommendation of the labour exchange, shall prescribe for the employers employment or creation of new job quotas of up to 5 per cent of the total number of employees.*

provided by international documents in the sphere of equal opportunities, the majority of legal acts of the Republic of Lithuania regulating labour relations and social security provide for privileges to working mothers. Provisions of Lithuanian laws and other legal acts, which grant certain privileges to working mothers make employers form a subjective position and avoid employing women because they have exceptional guarantees that employers have to take into consideration.

**Lack of knowledge and information.** Owners of all types of Companies hiring employees must observe labour laws. It is quite often that, when hiring employees, creating conditions for their career or negotiating on their payment, employers fail to avoid sex discrimination against working or job seeking individuals (most often women) due to the stereotypes that were formed a long time ago or on account of not understanding the importance or conception of sex equality. Working or job seeking persons often do not know their rights either or are not resolute enough to defend them. Such problems arise due to insufficient training and education of the society and social partners, in particular, on the issues of sex equality and labour law.

**Combining Family and Work Obligations.** Most often women's discrimination at work is caused by their family and motherhood obligations. These are main obstacles in seeking to keep the working place or trying to find another one. It has been always considered to be a woman's obligation to take care of the family, household, children, and old or disabled relatives. Therefore, giving birth and bringing up children make a woman choose between motherhood and the career. By choosing a maternity leave a woman often condemns herself to a hard struggle for her career or to financial dependence on her husband.

Parents (most often, mothers) encounter problems upon returning to work after a maternity (paternity) or childcare leave as during the maternity leave they have no possibilities to update their qualification and often partially lose the one they had.

On the other hand there is shortage of pre-school institutions (nursery school, crèches). Shortage of this type of institutions is especially acute in the largest towns of the country where young people are seeking employment more actively. Due to shortage

of places at nursery schools a lot of young mothers have to stay at home and look after their children. Thus, their qualifications deteriorate and later have to put up with lower payment received for the unqualified job.

Currently, the existing labour laws provide employees and employers with limited possibilities to conclude employment contracts that allow persons with children to flexibly combine their labour and family obligations.

**Women's business.** More and more women set up their own business. As has already been mentioned, businesswomen constitute quite a significant part of all business people, however women encounter plenty of obstacles in their business. A woman who has small children finds it more difficult to set up their business since in many cases she is fully responsible for taking care of them. It is difficult for women to become equal partners to men because the latter have a sceptical attitude towards them. Women encounter other difficulties too: lack of business skills, lack of information, high taxes, absence of credits and constantly changing laws on business.

**The following should be done to resolve the said problems:**

- to co-ordinate all legal labour law acts seeking to put a stop to any kind of discrimination of persons at work;
- to create conditions for women and men with children to combine their work and family obligations;
- to improve the understanding of social partners of the sex equality;
- to provide support to women's small and medium-size business.

### **Conclusions**

*The analysis of equal opportunities within the labour market shows that despite advanced, laws assuring equal opportunities and positive changes in the society, the problem of women's discrimination at work is rather acute in our country. It is very important not only to draw up and adopt necessary legal acts but also, with the Government co-operating with public organisations and other interested institutions, to form the right attitude of the society to equal opportunities for men and women in the spheres of both carrier and personal life. Such an attitude would encourage a harmonious development not only of a group of one sex but also of the entire society.*

## 5. SOCIAL INSURANCE

*The state social insurance comprises the principal and the most important portion of the social security system. It covers almost all residents of Lithuania: part of them pay social insurance contributions, the others receive social insurance payments (pensions, benefits). The principal aim of the state social insurance system is to guarantee income for the insured, in the event of the loss of ability to work due to illness, maternity (paternity), old age, disability, or in other cases provided for in the Law on the State Social Insurance.*

*Social insurance, likewise the entire social security of the country, is based on the fundamental principles of universality, solidarity of generations, as well as continuity and fulfilment of undertaken obligations.*

*The state social insurance system functions according to the pay-as-you-go principle. It means that social insurance contributions are not accumulated by investing them, but after their collection are forthwith utilised to cover the social insurance payments.*

*The state social insurance system has been designated as an independent system. This has reflected in the separation of the social insurance budget from the state budget and creation of the tripartite social insurance administration system. Separation of the social insurance budget from the state budget means that its funds shall be used only for benefits provided for under the Law on the State Social Insurance, not using them for other purposes not relating to social insurance.*

### 5.1. SOCIAL INSURANCE SYSTEM SITUATION IN 1999

In 1999, like in 1998, state social insurance was the only social insurance system and the basis for nearly all social security.

Some of the problems in the social insurance system moved from 1998 to 1999: difficulties relating to the collection of social insurance contributions, non-compliance of legislation regulating state social insurance system with altered economic conditions, farmers' social insurance reform and the need to improve the pension system.

Year 1999 was announced the International Year of the Elderly in Lithuania. One of the objectives in the action programme of the International Year of the Elderly was to prepare drafts of new laws and amendments to existing laws regulating state social insurance.

Since in 1999 the *state* social insurance system was the only social insurance system in Lithuania, state social insurance pensions paid from the State Social Insurance Fund budget accounted for the major part of pensions paid in Lithuania.

#### *Social insurance*

State Social Insurance fund budget inherited 81 million LTL deficit from the budget of 1998.

The income of the State Social Insurance Fund budget in 1999 mainly consisting of contributions of insurers and the insured, amounted to 4,2 billion LTL or 91.4 per cent of the planned income. ***Failure to collect the planned income was due to two main reasons:***

Firstly, average monthly wage (851 LTL), which is the basis for calculating state social insurance contributions, is lower than had been planned (880 LTL). Therefore during 1999 the State Social Insurance Fund budget did not receive about 171 million LTL. Furthermore, in 1999 the number of persons working under employment contracts was by 22 thousand lower than planned and consequently the budget income reduced by 52 million LTL (ref. A.5.1-1). Due to the above reasons the plan of social insurance contributions from the insurers and the insured in 1999 was not executed.

Secondly, in the State Social Insurance Fund budget approved for 1999 it had been planned that owners

of personal enterprises will be insured for the whole pension and will pay higher contributions from the average national wage. However, from July 1999, after an Amendment to the Law on the Amendment of Article 34 in the Law on the State Social Insurance, owners of personal enterprises started to be insured not from the average national wage, but from the amount specified in their income return not lower than minimum monthly wage. Due to those reasons during 1999 the income from compulsory state social insurance contributions of self-employed and equated persons was by 89,2 million LTL lower than planned.

Negative outcomes for the State Social Insurance Fund budget were also due to changes in demographic indicators during the recent period. In the recent years there has been a decrease in birth rate, increase in mortality and changes in the proportion of the number of emigrating population to the number of immigrating population for the benefit of the first. Due to the above reasons from 1991 to 1999 the number of population reduced by 36.5 thousand or 1 per cent and in late 1999 accounted for 3,7 million. Whereas the number of working age population grew from 2127.6 thousand (in 1991) by 1 per cent and in 1999 accounted for 2148.3 thousand. However, these changes had no influence on the fluctuation of proportion of working age population and the insured. The state social insurance system was very badly affected by the reduction in the number of the insured. During the period of 1991-1999 this figure dropped by 25.1 per cent and accounted for 1.321 thousand in 1999. In 1991 persons covered by state social insurance made up almost 83 per cent of the total working age population, and in 1999 - only 63.8 per cent.

During 1999 the actual expenditures of the State Social Insurance Fund budget equalled 4,5 billion LTL or 101.0 per cent of the planned expenditure. In comparison with 1998 they increased by 9 per cent or exceeded income by 7.9 percentage points (ref. A.5.1-2). In the general structure of social insurance

expenditure, expenditure for pensions accounted for 71.3 per cent, sickness and maternity (paternity) (paternity) benefits - 10.6 per cent, compulsory health insurance - 8.0 per cent (funds transferred to the compulsory health insurance fund).

Collection of state social insurance contributions has the greatest impact on the balance of the state social insurance budget. In order to ensure collection of social insurance contributions and prevent uninsured persons from getting social insurance benefits, attempts are made to improve the single information system of the State Social Insurance Fund and to create a unified database with the State Tax Inspectorate, the State Labour Exchange and the State Patient Fund.

### ***The pension and benefit system***

On 1 January 1999 people of pension age accounted for 20.1 per cent of the total Lithuanian population of 3,7 million. The major part of pensioners were women.

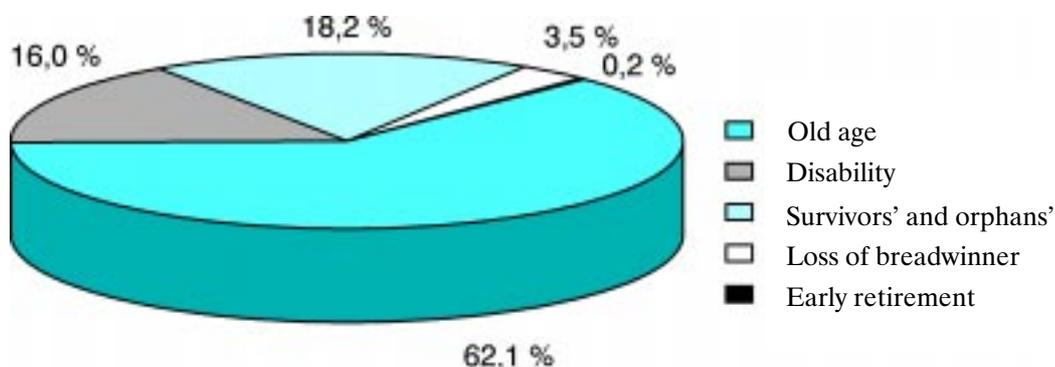
In 1999 1 million 38 thousand state social insurance pensions were paid<sup>1</sup>, including, as shown in Chart 5.1.1-1, 62.1 per cent state social insurance old age pensions, 16 per cent state social insurance disability pensions and 18.2 per cent state social insurance survivors' and orphans' pensions.

Aside from state social insurance old age, disability and survivor's (widow and orphan's) pensions, the expenditure of the State Social Insurance Fund budget also included loss of breadwinner pension (3.5 per cent of all social insurance pensions) and pension for actual time worked (0.2 per cent of all state social insurance pensions) allocated pursuant to pension laws and other legislation formerly in force (until 1 January 1995). Although the new Law on State Social Insurance Pensions that came into force on 1 January 1995 does not provide allocation of loss of breadwinner pensions and pensions for actual time worked, those pensions are still paid to persons, to whom they had been allocated by 1 January 1995.

Aside from the above-mentioned pensions, compen-

<sup>1</sup> Recipients of state social insurance pensions together with state social insurance old age or disability pension can also receive state social insurance widow and widowers' pension. Therefore the number of paid state social insurance pensions specified in the text does not correspond to the number of people receiving those pensions.

### Distribution of recipients of state social insurance pension according to pension types in 1999 (per cent)



Statistical data of the Statistics Analysis and Forecasting Division at the State Social Insurance Fund Board Figure

Chart 5.1.1-1

sations for extraordinary working conditions (5 thousand recipients) awarded pursuant to the regulations in the Law on State Social Insurance Pensions, are also paid from the State Social Insurance Fund budget.

State social insurance pensions consist of two parts: basic and supplementary. The basic part of pension that equals the state social insurance basic pension is received by persons, who have compulsory state social pension insurance record. The size of the supplementary part of the pension depends on the insurance record acquired and earned income, from which state social insurance contributions were paid.

**State social insurance old age pensions.** In 1999 old age pensioners accounted for the biggest share of all pensioners. Among them 16.6 per cent were working, and 83.4 per cent were non-working. The average state social insurance old age pension in 1999 was 309.06 LTL and compared to 1998 it increased by 8 per cent. The average pension of working pensioner in 1999 was 303.04 LTL, non-working pensioner - 310,16 LTL. More than half (58 per cent) state social insurance old age pension recipients in 1999 received lower than average old age pension.

The average old age pension of a non-working pensioner accounted for 49 per cent of the average an-

nual wage net of the insured working with employment contracts. With comparatively low pensions not all people, who have reached pension age, terminate labour relations. Therefore every sixth old age pensioner was working. It has been observed that the number of working pensioners is constantly increasing. From 1997 to 1999 the number of working pensioners grew by 3.1 thousand or 3 per cent (Table 5.1.1-1).

**State social insurance disability pensions.** In 1999 there were 165.9 thousand disability pensioners in Lithuania, including 18 per cent working and 82 per cent non-working disability pensioners. The annual state social insurance disability pension in 1999 was 278.94 LTL and compared to 1998 increased by 7 per cent.

The average pension of a working disabled person in 1999 amounted to 237.36 LTL, and of a non-working disabled person 288.34 LTL.

In 1999 the major share of recipients of state social insurance disability pensions (59 per cent) received lower than 290 LTL (the average disability pension in 1999 was 278.94 LTL) disability pension. Every fifth pensioner receiving disability pension was working.

**State social insurance survivors' and orphans' pensions.** 188.7 thousand people received survivors' and or-

**Number of state social insurance old age and disability pension recipients in 1997 - 1999 (per 1 thousand persons)**

	1997	1998	1999
Pension recipients			
<i>Old age pension recipients:</i>	651	648	644,7
• non-working	547,1	542,5	537,6
• working	103,9	105,5	107
<i>Disability pension recipients:</i>	152	158,8	166
• non-working	128	131,3	135,4
• working	24	27,5	30,6

*Statistical data of the Statistics Analysis and Forecasting Division at the State Social Insurance Fund Board*

Table 5.1.1-1

phans' pensions in 1999. The average amount of the survivors' and orphans' pension the same year was 60.49 LTL.

It must be noted that the total number of recipients of state social insurance pensions is increasing annually. It has increased by 17 per cent since the beginning of 1997 until the end of 1999 and at the end of the recent year was 1 million 42 thousand. After the adoption of the new Law on Pensions providing the extension of pension age, the number of old age pension recipients from 1997 to 1999 decreased by 1 per cent or 6.3 thousand people. Extension of the pension age was also one of the main reasons for the increase in the number of recipients of disability pensions by 14 thousand people or 9 per cent (Table 5.1.1 -1).

Due to the growing number of social insurance pensioners, the total number of insured persons is reducing (ref. A.5.1-3). Therefore the number of insured persons supporting one pensioner is constantly decreasing. Since 1991 the unfavourable trend of the disproportion between the number of the insured and pensions paid has become obvious: in 1991 one

pension paid was supported by 2.10 working persons, in 1997 - by 1.41 working persons and at the end of 1999 - only by 1.27 working persons (ref. A.5.1-4).

**State social insurance sickness and maternity (paternity) benefits.** In 1999 sickness and maternity (paternity) benefits accounted for 10.6 of the total expenditure of State Social Insurance Fund budget. Expenditure on sickness and maternity insurance in 1999, compared to 1998, increased by 13.3 per cent. The actual amount of benefits paid was by 4.5 per cent higher than planned. The increased morbidity of the insured had the biggest influence on the growth of this expenditure.

In 1999 about 1,202 persons received sickness benefits. The average amount of the received sickness benefit per one day in 1999 accounted for 84.7 per cent of the average daily wage. 24,61 thousand mothers received maternity (paternity) benefits. The average proportion of maternity (paternity) benefit per one day and the average daily wage accounted for 83.8 per cent.

## 5.2. CHANGES IN LEGAL REGULATIONS

At the end of 1998 some Amendments were made to the Law on State Social Insurance and the Law on State Social Insurance Pensions that came into force on 1 January 1999.

### ***Legal acts in the sphere of social insurance***

In order to ensure compulsory social insurance guarantees to people, who were not covered by the social insurance system, on the last day of 1998 the Government of the Republic of Lithuania adopted a resolution, according to which the following self-employed persons were equated to owners of personal enterprises: lawyers and their assistants, notaries, patent holders and members of general and limited partnerships. Besides, for half a year persons receiving value added income from shares, bonds and other securities or part of a company's income (dividends) were also qualified as self-employed persons. They were supposed to make social insurance contributions like owners of personal enterprises, but due to lack of information their equation to self-employed persons was refused.

At the end of 1998 the Government of the Republic of Lithuania also approved of an Amendment to the Law on State Social Insurance proposing to insure *self-employed persons with the exception of patent holders for the whole pension*, paying contributions amounting to 25 per cent from the earnings stated in their own income return, but not lower than average wage. Seimas of the Republic of Lithuania made a correction to this provision and resolved that the amount in the income return must be not lower than minimum monthly wage, and the procedure for the payment of contributions is provided in the Law on the Structure of State Social Insurance Fund Budget.

On 16 March 1999 Seimas of the Republic of Lithuania approved of an Amendment to the Law on State Social Insurance proposed by the Ministry of Social Security and Labour providing for a public or private company, seeking to avoid the institution of bankruptcy proceedings, the right to propose to the State Social Insurance Fund Board its assets or shares as well as the rights of the Board to accept assets or shares and to realise them. In such a way the preconditions would be created to restore the solvency of

enterprises in bankruptcy, to preserve working places and recover bad debts. This is particularly urgent for enterprises, which have faced temporary economic problems and problems caused by the economic crisis in Russia.

With a view to preventing illegal employment, an Amendment to the Law on State Social Insurance was passed in 1999 entitling the state social insurance officials to require from the insurer and individuals within his territory explanations as to the presence of legal labour relations between them and payment of social insurance contributions and benefits.

On 1 January 1999, 92491 owners of personal enterprises were registered as insurers at the State Social Insurance Fund Board. Among them 42.6 per cent were paying compulsory state social insurance contributions, 35.7 per cent were exempt from contribution payment because they were covered by compulsory social insurance or were pensioners of the State Social Insurance Fund, or disabled persons from childhood of invalidity categories I and II receiving assistance pension or had the compulsory record entitling for old age pension. 21.8 per cent of owners of personal enterprises did not pay contributions although they were supposed to. Such situation of some owners of personal enterprises not paying contributions occurred due to the fact that part of personal enterprises have never carried out any business and have not received any income from their business and that there were a lot of non-operating personal enterprises listed on the Register of Enterprises, whose owners cannot be found because they have departed abroad, deceased, convicted, etc. Consequently, on 22 April 1999 a ***Law of the Republic of Lithuania on Exemption of Owners (Co-owners) of Personal Enterprises from Unpaid State Social Insurance Contributions, Late Charges and Penalties and their Exclusion from the Register of Enterprises*** was adopted providing a possibility to exempt owners of personal enterprises from contributions due, late charges and penalties provided that they registered their enterprises before 1 January 1995 and performed no commercial or economic activities since then until the Amendment to the Law on State Social Insurance Pensions came into force, i.e., 1 July 1999.

On 18 May 1999 an Amendment to the Law on State Social Insurance was adopted where Seimas of the Republic of Lithuania has established such regulations: approval of the State Social Insurance Fund budget and its report in Seimas, delegation of more functions to the State Social Insurance Fund Board, provided more favourable conditions for the farmers to insure themselves with compulsory social insurance, having regard to their economic capacity, etc.

The law has established a possibility for farmers of economically weak farms to make social insurance contributions amounting to 20 per cent of the basic pension rate from 1 January 2000, and the remaining part of the contribution will be covered from the funds of the state budget. The economically weak farms whose farmers will be able to use support from the state will be determined on the basis of methodology for the determination of economically weak farms.

**On 1 November 1999, the limitation providing that state social insurance contributions must be calculated from the amount of earnings that exceed the national average monthly wage of the month before the last month approved by the Department of Statistics by 3.5 times was annulled.** Limitation of social insurance contributions was valid from 1 January 1999.

With regard to the fact that since the middle of 1999, the provision of the Law on State Social Insurance relating to the State Social Insurance Fund budget and its approval in Seimas came into force, on 29 December 1999 Seimas of the Republic of Lithuania adopted the Law on the Approval of 2000 Indices of the State Social Insurance Fund Budget. **This law established the general state social insurance contribution rate for insurers - 31 per cent** distributed across different insurance schemes in the following way:

- pension insurance – 22.5 per cent;
- sickness and maternity (paternity) insurance – 3.0 per cent;
- insurance for compensations (included in sickness and maternity (paternity) insurance expenditure) - 0.0 per cent;
- unemployment insurance - 1.5 per cent;
- social insurance of work accidents and occupational diseases - 1.0 per cent;
- health insurance - 3.0 percent (A.5.2 – 1).

**The social insurance contribution rate for the insured - 3 per cent** for separate insurance schemes was approved and is distributed it in the following way:

- pension insurance - 2.5 per cent;
- sickness and maternity (paternity) insurance - 0.5 percent.

**On 29 December 1999 a provisional Law on the Structure of the State Social Insurance Fund Budget was adopted** providing in what way and on the basis of what indicators the State Social Insurance Fund budget and its report will be drawn up, and how owners of personal enterprises will pay their contributions. It was established that owners of personal enterprises will be insured with social insurance for the total amount of pension. For those covered by social insurance for the total amount of pension, in cases of old age or disability it will be possible to guarantee not only the basic, but also the supplementary part of the pension.

**On 1 January 2000 the Law on the Social Insurance of Work accidents and Occupational Diseases came into force.** The new law provides that the burden of paying benefits to the employee will be moved from the employer's "shoulders" to the "shoulders" of the State Social Insurance Fund. The type of insurance against work accidents is based on the solidarity principle: the employer will pay the contribution of social insurance against work accidents amounting to 1 per cent from the calculated wage.

The above-mentioned Law provides that this type of insurance will cover the following supplementary categories:

- students at vocational schools, colleges and higher education establishments during their professional training (practical assignments) at the educational establishment or enterprise and persons referred by labour exchanges for retraining at enterprises or to carry out public works;
- persons staying at social and psychological rehabilitation establishments during their working period;
- persons sentenced to imprisonment during their working period.

It was also established that with regard to the level of work disablement the person shall be awarded:

- sickness benefit in case of work accident or occupational disease,

- *lump sum benefit,*
- *periodic benefit,*
- *insurance benefit in case of decease of the insured.*

***In January 2000 the Government of the Republic of Lithuania approved of and submitted to Seimas the draft Law on Sickness and Maternity Social Insurance.*** This draft Law includes some new provisions characteristic of this type of insurance. The draft Law suggests the establishment of minimum insurance record entitling for receiving benefits and the amendment of the size of benefits and calculation procedure.

### ***Legal acts in the sphere of pensions***

***Annulment of supplementary conditions for receiving social insurance old age and disability pension.*** In order to implement the objectives of the action programme of the Year of the Elderly, it was proposed to simplify conditions of receiving state social insurance pensions for persons of pre-pension age and disabled persons. With this purpose an Amendment to the Law on State Social Insurance Pensions was drafted and adopted. The amended Law provides annulment of supplementary conditions for receiving state social insurance old age and disability pension from 1 January 2000<sup>1</sup>.

Annulment of these supplementary conditions was of particular relevance for persons of pre-pension age, who have lost their job, because those persons are facing more difficulties in finding another job or be retrained.

At the moment the Law on State Social Insurance Pensions provides that the person is eligible for state social insurance ***old age pension*** if he/she:

- *has reached the old age pension age stipulated in the law;*
- *has acquired minimal work record entitling to the state social insurance pension required for the allocation of such pension.*

A person shall be eligible for the state social insurance ***disability pension*** if he/she:

- *is approved as disabled person of particular invalidity category or fully disabled person;*
- *on the day of application to receive pension, has acquired the state social pension insurance period required for this type of pension.*

***Insurance of persons nursing fully disabled persons for the basic part of state social insurance pension.*** In 1999 the Law on the Social Integration of the Disabled has defined the concept of a disabled person with full disability. In Lithuania the opinion is maintained that the best nursing and care to disabled persons with full disability can be provided at home. Therefore attempts are made to provide fully disabled persons and their parents, guardians and caretakers with as much state support as possible as well as certain guarantees in the area of pension provision. Since the parents, guardians and caretakers of fully disabled persons, who are nursing them at home, are not able to acquire the state social pension insurance record, Seimas of the Republic of Lithuania resolved to insure the persons nursing fully disabled persons from the funds of the state budget for the basic part of the state social insurance pension (basic pension). With this purpose in 1999 amendments to particular articles in the Law on State Social Insurance Pensions were adopted providing that from 1 January 2000 parents, guardians and caretakers of fully disabled persons will be insured with state social pension insurance from the funds of the state budget for the basic part of the state social insurance pension (basic pension). After they have reached the age of the old age pension or have been approved as disabled, those persons will be eligible for the state social insurance pension. The above Amendment to the Law on State Social Insurance Pensions will encourage nursing fully disabled persons at home, provide persons nursing fully disabled persons with certain social guarantees and possibility to receive state social insurance pension in the future.

<sup>1</sup> ***The following supplementary conditions for receiving state social insurance old age pension were annulled:*** to have acquired at least three years of work record entitling to the state social insurance pension during the last five years or one year of this period during one previous year, or to have acquired at least 35 years of work record entitling to the state social insurance pension.

***The following supplementary conditions for allocation of state social insurance disability pension were annulled:*** a person must be ensured with state social pension insurance for at least one year during the last five years, or to have acquired the record of state social insurance pension not shorter than 75 per cent of the difference between the person's age and 23 years.

***Persons insured from the funds of the state budget for the basic part of the state social insurance pension (basic pension).***

The state continues to take care of those members of the society, who due to valid reasons are not able to work and pay state social pension insurance contributions. Therefore from 1 October 1999 the following categories are insured with state funds to receive basic pension: parents, who are not working and are not on child care leave, but are raising a child under 3 years of age and clergymen of all traditional and other religious communities recognised by the state and nuns/monks working only in convents/monasteries.

From 1 January 2000 the following categories are also insured from the funds of the state budget for the basic part of the pension: soldiers not only in compulsory initial military service, but also in alternative national defence service (persons, who due to their religious or pacifistic beliefs cannot perform armed service).

These insurance periods for the above persons will be included into the social insurance record entitling for old age or disability pension.

***Persons insured with compulsory state social pension insurance.*** The Law on the Amendment of Particular Articles in the Law on State Social Insurance Pensions adopted on 30 December 1999 has provided considerable expansion and exacting of categories of persons insured with state social pension insurance.

The above-mentioned Amendment was made in order to include the following categories into the state

social insurance system: persons working according to diplomatic service or fixed-term diplomatic service contracts as well as public administration state service contracts. These persons are insured for the whole pension and benefits and pay monthly social insurance contributions amounting to 34 per cent.

Besides, this Amendment to the Law also provided inclusion into the group insured with state social pension insurance of patent holders and members of private farms. They are insured only for the basic part of the pension and pay monthly social insurance contributions amounting to one half of the basic pension (69 LTL in 1999).

The purpose of this Amendment was to ensure certain social guarantees for those persons after they have reached the age entitling to old age pension or approved as disabled persons of certain group.

***Periods equated to the state social pension insurance record.*** In order to restore social justice in the sphere of establishing the record of state social pension insurance, in 1999 it was decided to equate to the record of state social pension insurance the periods when the person due to objective reasons was not able to work and pay social pension insurance contributions, because he/she was illegally imprisoned on the decision of foreign repressive bodies that had occupied Lithuania. Therefore it has been established that periods when the person was imprisoned in forcible camps during World War II will be equated to the record of state social pension insurance. These periods will be included in the record of the state social pension insurance from 1 January 2000.

## 5.3. THE MOST URGENT PROBLEMS OF SOCIAL INSURANCE IN 1999 AND THE BEGINNING OF 2000 AND WAYS OF SOLVING THEM

### 5.3.1. The problem of late payment of state social insurance pensions

1999 was the year of great challenges both for the system of state social insurance pensions and the whole state social insurance system. The increasing number of recipients of state social insurance benefits per one payer of state social insurance contributions, constant ageing of the society, the widely spread unofficial employment and unfavourable eco-

nomic situation in the country have caused the deficit of the State Social Insurance Fund budget. Since the major part of state social insurance contributions paid by the insured is used for the payment of social insurance pensions, the payment of pensions was late for several months.

With the difficult situation of the State Social Insur-

ance Fund budget, there has arisen a need to save the funds of the State Social Insurance Fund budget, collect as many contributions as possible and ensure timely settlement of accounts with recipients of state social insurance benefits. To this end in late 1999 the Ministry of Social Security and Labour proposed an action plan for balancing the State Social Insurance Fund budget. The implementation of two such measures in the plan was relating to the allocation and payment of state social insurance pensions:

- *speeding up the increase of retirement age approaching the retirement age provided in the Law on State Social Insurance Pensions;*
- *updating the valid procedure for the payment of state social insurance pensions to working pensioners of the State Social Insurance Fund.*

***Speeding up the movement towards the retirement age limit.*** The Law on State Social Insurance Pensions valid from 1 January 1995 stipulates a new age limit entitling to old age pension (60 years for women and 62.5 years for men). The same Law provides gradual transition to the new age entitling to the old age pension: annually the age entitling to old age pension would be raised by 4 months for women and 2 months for men until 2009 when the newly stipulated age entitling to old age pension has been reached.

It was proposed from 1 January 2000 to speed up the retirement age without raising the established limit of retirement age, i.e., to raise the age entitling to old age pension annually and equally by 6 months both for men and women until the age entitling to old age pension will reach the limit of old age pension age provided in the Law. The Government of the Republic of Lithuania has approved of this draft Law and submitted it for consideration to Seimas of the Republic of Lithuania.

***Updating the procedure of the payment of pensions to working pensioners.*** Since 1 January 1995 the provision has been that working old age pensioners are paid the *total amount* of the allocated pension, if their monthly earnings are lower than 1.5 MMW (645 LTL in 1999). The total pension allocated is also paid to working old age pensioners 65 years of age and older. However, if the earnings of working old age pensioners younger than 65 years of age exceed 1.5 MMW, they are paid only the basic part of the state

social insurance pension (basic pension).

With the Amendment to the Law on State Social Insurance Pensions it is proposed to alter this procedure of the payment of state social insurance pensions to working pensioners valid from 1 January 1995. With this purpose a Law on the Amendment and Updating of Respective Articles in the Law of State Social Insurance Pensions was drafted.

The draft Law suggested paying only the basic pension to working pensioners (old age pensioners and disabled persons, who have reached the age entitling to old age pension) irrespective of their earnings and age. It was proposed to pay basic pension to working disability pensioners, who have not reached the age entitling to old age pension and whose earnings exceed one MMW and to pay the total amount of the allocated disability pension to those, whose earnings are lower than one MMW.

However, this draft Law raised significant discontent among the public. The Ministry received lots of letters from inhabitants with rather negative opinions on the proposed amendment to the procedure of the payment of pensions to employed pensioners. For this reason this draft Law was co-ordinated with non-governmental organisations of pensioners and the disabled and discussed during the meetings between Ministry representatives and pensioners and the disabled. Since the draft Law raised a lot of discussion, it was decided to obtain public opinion. The public opinion and market research centre “VILMORUS” prepared a population survey questionnaire with questions relating to the above-mentioned draft Law and carried out the population survey. The results obtained from the survey showed that the majority of respondents proposed to adopt the draft Law that would provide possibility for pensioners with low earnings to receive the total amount of the pension.

Thus, with regard to the survey results and the opinion expressed by non-governmental organisations of pensioners and the disabled, it was decided to reduce (from 1.5 MMW to 1 MMW) the limit of earnings stipulated in the Law currently in force, and if the person’s earnings do not exceed this limit, he/she should be entitled to the total amount of the pension allocated to him/her. Another draft Law was prepared suggesting that working old age pension-

ers and working disabled persons, who have reached the age entitling to old age pension, should be paid the total amount of the pension allocated to them if their earnings do not exceed 1 MMW. If the above-mentioned persons have insurable income exceeding 1 MMW, it is proposed that they are paid only the basic part of the pension allocated (in 1999: old age pensioners - 138 LTL, disabled persons of Group I - 207 LTL, disabled persons of Group II - 138 LTL, disabled persons of Group III - 69 LTL). In order to provide younger disabled persons with better oppor-

tunities to integrate into the society and take a more active part in the labour market, the procedure of the payment of disability pensions for working disabled persons, who have not reached the age entitling to old age pension, was not altered in the above-mentioned draft Law.

The Government of the Republic of Lithuania approved of this draft Law on the amendment and updating of respective articles in the Law on State Social Insurance Pensions and submitted it to Seimas of the Republic of Lithuania for consideration.

### **5.3.2. Requirement to allocate pre-term state social insurance pensions to representatives of certain professions.**

With the transition to the pension system based on state social pension insurance in 1995, different preferential conditions relating to retirement age and work record for harmful and extraordinary working conditions as well as service period pensions that had been provided in Lithuanian laws on pensions until 1995, were refused. It was decided to annul any exceptional treatment of any occupational groups in the state social insurance system because persons paying state social insurance contributions of equal rate can use no preferential conditions relating to state social insurance benefits. It was considered a correct step that has annulled the right of some insured persons to have preferential conditions for using the contributions paid by other insured persons. Currently the size of the social insurance pension depends on the person's work record and income, from which insurance contributions were paid.

From 1 January 1995 the Law on State Social Insurance Pensions provided compensations for extraordinary working conditions for persons, who according to the formerly valid laws were entitled to preferential conditions relating to the age eligible for receiving pension due to the character of their work, but who due to amendments to the law did not use those preferential conditions. These compensations are paid when the number of years left until the age entitling to old age pension is equal to the number of years eligible for pre-term payment of the pension according to the formerly valid laws on pensions. The compensation equals 1.5 state social

insurance basic pension (207 LTL in 1999). However, representatives of some occupations (divers, drivers, sportsmen, aviators) have been more and more persistent in demanding the return of the right to preferential conditions of early retirement that they had before 1995.

During the period of 1995-1999 representatives of aviators' public organisations for many times applied to legislative and executive bodies of the Republic of Lithuania stating that the work of the representatives of their profession is extremely harmful for health and that they do not have enough time to use the entitlement to old age pension due to early mortality compared to other categories of workers, and due to these reasons wishing to receive early retirement state social insurance pensions from the State Social Insurance Fund budget. Throughout all this time the Ministry of Social Security and Labour together with representatives of the aviators have made attempts to find such solution to the problem that would comply with the demands of civil aviation workers and would not violate the principles for awarding state social insurance pensions.

Therefore a new Law on Pre-term Pensions for Aviators was drafted in 1998, providing that they must pay higher state social insurance contributions. This draft Law was co-ordinated with respective institutions and representatives of aviators. However, neither the Ministry of Finance (a subsidy amounting 3 million LTL from the state budget would be required for initial payment of those pensions), nor the avia-

tors themselves (they did not agree to any supplementary contributions) approved of this draft Law.

The establishment of the entitlement to early retirement for certain groups of the insured would encourage other people, who according to the formerly valid laws on pensions were entitled to early retirement pensions, to demand the same rights. Thus over 30 thousand people would wish to receive early retirement pensions.

In this case, when the existence of such preferential conditions that the society perceives as socially un-

fair is reducing trust in and overburdens the pension system, the best solution to the problems raised by aviators would be to establish an occupational pension fund for aviators, which should be funded from supplementary contributions of civil aviation workers and their employers and would entitle them to the early retirement pension. The fund should be founded on the basis of regulations provided in the Law on Pension Funds adopted in 1999. The initial contribution to such aviators' fund could be money allocated from the state budget or the funds of the Privatisation Fund.

### 5.3.3. Reform of the pension system

The pension system in Lithuania was reformed in 1994-1995 when after the restitution of independence of the Republic of Lithuania the first laws on pensions of the Republic of Lithuania came into operation. At that time the pay-as-you-go pension scheme was developed, when employed persons are paying state social insurance contributions to cover the pensions for current pensioners. The new principles of the on-going pension reform helped in solving the most urgent problems at that time, therefore in 1995 - 1998 the functioning of the pension system was considerably good, and pensions were raised on a regular basis.

However in 1999, with changes in the economic situation in the country, the funding of the current pension system is facing constant threat due to decrease in the ratio between the number of the insured and pensioners, predicted ageing of population, and the spreading non-traditional employment (with sub-contract, patents etc).

It could be possible to eliminate the shortcomings in the current pension system (insufficient protection of population from poverty compensating for the income lost due to retirement in old age or disability) by modernising the pension system. With this purpose, at the beginning of 2000 the Government of the Republic of Lithuania resolved to establish a commission that drafted the Pension System Reform Concept. The Government agreed to the draft prepared by the commission and approved it. The Pension System Reform Concept provides the goals and

objectives of the reform as well as the model of the pension system.

The Concept provides *the goal of the pension system reform*: to restructure the currently existing pension program so that upon reaching retirement age people could get higher income than now, increasing the system viability and expanding its scope to embrace all groups of residents.

#### *Main objectives of the reform:*

- *introduce compulsory accumulation in private pension funds;*
- *without increasing of pension contribution tariff, direct one part of currently existing tariff of social insurance contribution to accumulative pension insurance in pension funds;*
- *refuse the state pension system since it distorts the universality of the pension system and violates social justice.*

In order to implement the goal and objectives of the pension reform, **a three-pillar model of the pension system** has been projected:

**The first pillar: pay-as-you-go pensions.** The first pillar of the pension system would consist of state social insurance old age, disability and survivors' and orphans' pensions. Entitlement to such pensions would belong to persons, who would pay compulsory social insurance contributions of the established amount and would have respective minimum or compulsory social insurance record provided for in the law. This pillar would be improved for better adjustment to current conditions. The pension of this pillar would

ensure to every inhabitant of Lithuania minimum protection from poverty and compensate part of the income lost due to retirement in old age or disability. The size of pension in the first pillar would depend on the capability of the state to provide assistance and the society's involvement in the solidarity-based system when the pensions and benefits of unemployed persons are funded from the contributions paid by the employed. This insurance would be executed by the State Social Insurance Fund.

***The second pillar: compulsory accumulative insurance pensions.*** The second pillar would ensure higher than currently available compensation for income lost due to retirement in old age or disability.

In the beginning of the reform compulsory accumulative insurance would be applied only in respect of old age pensions. Disability and survivors' and orphans' pensions would be covered only by the pay-as-you-go pension system. Compulsory cumulative insurance would be executed by pension funds, and their activities would be regulated by the Law on Pension Funds of the Republic of Lithuania currently in force.

In this pillar of the pension reform a part of the contribution rate for social insurance pensions would be allocated to cumulative insurance. The payment of contributions to cumulative accounts would increase the interest of the population in getting insured. Since the accumulated funds would be invested and raised it would be of significant benefit not only to the population, who would receive higher pensions, but also to the Lithuanian capital market.

With the development of the system of social insurance, the accumulative part of the social insurance contribution rate should gain more weight. On the basis of the experience in harmonisation of the two pillars, a decision should be made on further reorganisation of pay-as-you-go contribution part.

***The third pillar: pensions based on voluntary accumulative principle.*** This pillar would be devoted to those

wishing to receive additional benefits aside from those provided in the first and the second pillar. Those persons could additionally accumulate pensions in pension funds and/or be insured by insurance companies.

The implementation of this long-term pension reform strategy requires immediate order in the legislative base, i.e., review of all currently valid laws and secondary legislation on pensions, drafting new legal acts relating to the allocation and payment of pensions and the establishment of pension funds. Admittedly, successful implementation of the pension system reform goals and objectives and the process of the pension system reform also depend on the general economic situation in the country that makes quite significant impact on the pension system.

### ***Conclusions and proposals***

*Summarising the results of 1999 it is important to emphasise that in order to improve the social insurance and pension system in the nearest future, it is necessary to meet the urgent objective of achieving balance in the social insurance pension system so that in the forthcoming years it could operate without financial deficit. In order to meet this objective certain measures should be developed that on the one hand would reduce the expenditure of the State Social Insurance Fund budget and increase the budget income on the other.*

*With the view to achieve a more favourable proportion between persons paying social insurance contributions and those receiving payments, it is proposed to solve the issue of extending the retirement age.*

*In order to reduce the expenditure of the State Social Insurance Fund limitations of the payment of pensions to working pensioners should be established.*

*There should also exist higher incentives to persons of pension age to postpone receipt of pensions. To this end it is necessary to develop attractive payment of deferred pension. After solving the above-specified problems, the pension system should be reformed.*

### 6. SOCIAL ASSISTANCE TO FAMILIES

*Social assistance is a significant part of the social security system.*

*The objective of social assistance is to create the most essential living conditions for families (individuals) whose earned income, social insurance benefits and other income due to objective reasons, which are beyond their control, are insufficient for them to take care of themselves.*

*The main principle of social support is that it is not aimed at ensuring a long-term economic and social security for a person; it just helps the person survive under extreme conditions. The social assistance system should be organised so as to enhance the activity and individual responsibility of the individuals for themselves and their families.*

*The responsibility for implementing the system of social support rests with local governments since it is in these institutions that social problems of people are most effectively brought to light.*

*Social assistance consists of benefits in cash and social services. At present benefits in cash constitute the largest part of the social assistance system of Lithuania. The effective functioning of the social assistance system can be achieved only when monetary benefits are combined with the provision of social services.*

*Assistance in cash is mostly provided in the form of benefits. Such assistance is especially important to low-income families.*

*Social services represent a form of social assistance,*

*which stimulates the activity and initiative of individuals to live a life of full value. Social services are aimed at satisfying the needs of people of different age and belonging to different social groups.*

*The main goal of social services is to restore the individual's ability to make him/herself take care of himself/herself and integrate in the society by creating living conditions which do not humiliate the individual's dignity when he himself is unable to do that. Social services are also provided for preventive purposes in fulfilling educational functions and performing explanatory work in the society seeking to avoid the manifestation of possible social problems.*

*This chapter provides a general analysis of the policy of social assistance to the family, analyses the issues of improving the policy of social assistance to the family and provides guidelines of the reform of social assistance to the family.*

*The chapter reviews the current situation in the sphere of providing social assistance to the family, addresses different ways of providing assistance in cash and in kind. Moreover, issues of the social assistance system are analysed and 1999 social assistance programmes, as well as their implementation are discussed.*

*Changes in the sphere of social integration of refugees that took place in 1999, are assessed separately, the course of the implementation of social programmes for victims and social risk groups, as well as their results are studied.*

#### 6.1. ASSESSMENT OF CURRENT SITUATION

Economic and social changes of the past decade affected all the inhabitants of the country. The formation of market relations, appearance of unemployment and its growth, deterioration of the standard of living, an increasing social stratification are factors which made people adapt to the new living

conditions and at the same time created a need to review and change the social and family policy pursued in the country.

The above-mentioned changes had an effect on the public development: the birth rate rapidly decreased and the death rate increased. However, general de-

mographic trends in Lithuania are similar to those observed in the Western European countries (low birth rate, an annually growing number of the population of over 65 years of age).

The number of children born in Lithuania in 1999 totalled 36.6 thousand, that is, 20 thousand less than in 1990. The number of a first, second and third child born in a family is on the decrease, however, the number of cohabiting couples who raise five-seven children is further increasing. Compared to 1994, the number of children who were born as a fifth child in the family increased by 14 per cent, the number of those who were born as a sixth child - by 8 per cent and as a seventh child - by 70 per cent in 1998. The number of children born as an eleventh and subsequent child in 1998 was 28 per cent greater than that in 1990, though this number is not large.

Procreation regulations, in the group of people born in the 70s of the 20<sup>th</sup> century, are also acquiring features characteristic of the modern society: marriage is postponed to a later time, the number of unmarried couples increases, the number of children born out of wedlock is on the increase too (Table 6.1.-1). Compared to 1990, the number of children born out of wedlock in 1998 increased by 68 per cent and today it accounts for 18 per cent of the total number

of all the children born. The majority of these children (68 per cent) are registered according to the mother's application. The number of illegitimate children in rural areas is larger (20.9 per cent) than that in urban areas (16.3 per cent)

Of late over 11 thousand couples divorce annually in Lithuania, about 70 per cent of them with children under the age of 18 (Table 6.1.-2). Following the divorce about 12 thousand children are left without one of the parents, in most cases they stay with the mother (the number of children who stay to live with the father is rather small - about 200-300). Cases are common when following the divorce a court has to establish the procedure for a child's communication with one of his parents. A great number of parents avoid paying alimony after the divorce.

Of late ageing of the society in Lithuania has been observed. At the beginning of 1999 the number of elderly people over the age of 60 in Lithuania totalled 673.3 thousand, which is 10.5 thousand more than in 1998. Currently the population over 65 years of age accounts for 18.2 per cent of the total population of Lithuania. Two factors determined ageing of the population – the decreased birth rate and the increase in the average life expectancy. It is forecasted that by the year 2015 every fifth inhabitant of

#### Dynamics of the Number of Children according to the Parents' Marital Status in 1990-1998 (number of people)

	1990			1998		
	In total	In urban areas	In rural areas	In total	In urban areas	In rural areas
Total number of children born	56868	37700	19168	37019	23066	13953
Number of illegitimate children:	3977	2441	1536	6671	3758	2913
• according to mother's request	2640	1679	961	4546	2605	1941
• according to both parents' request	1337	762	575	2104	1135	969
<i>In percentage from the total number of children born</i>						
Number of illegitimate children registered:	7,0	6,5	8,0	18,0	16,3	20,9
• according to both parents' request	2,4	2,0	3,0	5,6	4,9	6,9

Data of the Department of Statistics

Table 6.1-1

Lithuania will be 60 years old or more. Ageing of the population is especially obvious in rural areas where over 40 per cent of the population reside.

In January-March 1999 the Department of Statistics seeking to obtain more detailed information about the social condition of the population, alongside the study of the household budgets conducted a survey of elderly people. According to the results of the survey every fourth elderly individual lives on his own, 43.2 per cent live together with the spouse. Nearly one third of elderly people live in households of different types: elderly people with children, a married elderly couple with children, also other relatives and non-relatives. The greatest part (72.8 per cent) of elderly people live separately from their children.

Under present conditions the social economic situation of people of working age (18-49 years old) is rather contradictory in Lithuania. The assessment of income derived by families and their financial condition show that more than one fourth of the population regard themselves as impoverished. The worst financial conditions are in single-parent families raising small kids or children under age.

Though traditionally an ordinary family in Lithuania is a family in which two persons work, due to a rather high unemployment level, many families raising children seek to receive benefits provided by the system of social assistance and have rather limited possibilities to derive social benefits paid through the insurance system.

Thus, currently, unemployment is one of the main social and economic problems of the country. Its eve-deepening territorial and social differentiation involves broad layers of the population in it, increases the social tension and demands that adequate measures should be taken. This in turn determines the necessity to take certain political decisions to change the social policy.

A current economic situation is unfavourable for maintaining and enhancing employment. Structural economic changes that are taking place constitute the indispensable condition for a further social economic development. To substitute jobs that were lost due to structural changes and the loss of the market in the East for the new ones, and to create new employment possibilities for the population is complicated indeed. Meantime, a forced decrease in the employment of the

population hides a threatening potential of social and economic tension. In 1999 a little over one fourth of the rural population and every fourteenth inhabitant of large cities lived below a relative poverty line.

As many as 40 per cent of households living on benefits, stipends, savings and farmers' holdings lived below the poverty line. The greatest number (49 per cent) of people disappointed about the falling standard of living was observed among the people living in the households of one adult with children under the age of 18. The analysis of the income and expenditure of elderly people showed that the average standard of living of elderly people was not lower but even higher than that of young families. It is much more often that elderly people have their own living place and live in larger flats than young people.

The problem of providing families, young families in particular, with a housing space is of great importance. The housing situation in the country is inseparable from its general economic situation. Having compared the ratio of the housing prices to the income derived it becomes clear that many families find it problematic to acquire a living space. Many families cannot make use of preferential credits for the purchase of a dwelling on account of their low income. Though some banks extended the crediting term of loans granted to acquire a living space for up to 20-25 years, the annual interest rate on commercial loans remains high (14-15 per cent on the loans extended in Lit, 10-12 per cent on the loans extended in US dollars and about 11 per cent on loans extended in Euros).

According to the data of the Department of Statistics, at the beginning of 1999 the number of young families on the waiting list to receive preferential credits to acquire a living space amounted to 15.2 thousand, i.e. 24 per cent more than in the previous year. The probability to receive assistance within a short time is small because in 1998 only 5.8 per cent of the families on the waiting list were provided it. The average size of these families was 3.1, that is, most of them had children.

Another possibility of solving the housing problem is the possibility to rent a municipal social dwelling. However, the housing space rented by local-governments accounts for about 2 per cent of the housing fund of the country. The demand for a rented social dwelling on the national scale is distributed unevenly.

## Dynamics of Single-parent Families in 1992-1999

	1992	1996	1997	1998	1999	2000 01 01
Number of children, in thousands	1002,7	959,0	945,2	929,9	913,6	897
(under 18 years of age), including:						
0 - 2 years of age	169,6	128,6	121,6	116,8	112,8	106
3 - 6 years of age	239,6	219,1	208,8	195,4	180,6	170
7 - 14 years of age	434,7	454,2	456,7	459,0	459,8	459
15 - 17 years of age	158,8	157,1	158,1	158,7	160,4	162
<i>Percentage from the total number of population</i>						
Total number of children under 18 years of age	26,8	25,8	25,5	25,1	24,7	24,2
0 - 2 years of age <sup>4,5</sup>	3,5	3,3	3,1	3,1	2,8	
3 - 6 years of age	6,4	5,9	5,6	5,3	4,9	4,6
7 - 14 years of age	11,6	12,2	12,3	12,4	12,4	12,4
15 - 17 years of age	4,2	4,3	4,3	4,3	4,3	4,4

*Data of the Children's Rights Protection Service of the Republic of Lithuania under the Ministry of Social Security and Labour* Table 6.1-2

This problem is most urgent in large cities (51 per cent of applications for renting a social dwelling is filed by the residents of large cities).

Difficult economic situation of families and their social problems have an effect on the health of children. The number of children with health problems increases annually. Of all the children under 16 years of age who were given a mandatory medical check-up only 59 per cent were found absolutely healthy in 1991, whereas in 1998 the number of such children accounted for 49 per cent only.

With the increase in the sickness rate of children, the number of children for whom disability has been considered on the increase too. Since 1991 disablement of children (0-15 years of age) has increased

by 42 per cent. Of late disablement is annually determined for 2000 children. At the end of 1998 the total number of disabled children equalled 12.9 thousand. Diseases of nervous system and motor organs, inborn anomalies and diseases of respiratory organs prevail in the structure of disabilities of children.

The number of children who, due to loss of parental care, violence committed against them or because their parents have been deprived of parental rights or are imprisoned, are taken under the state guardianship, is on the increase. Such children are either placed with families, in family-type care homes for children or state care homes for children. On average about 3-3.5 thousand children annually are deprived of parental care or become orphans (in 1999 - 3.2 thousand).

## 6.2. THE POLICY OF SOCIAL ASSISTANCE TO FAMILIES

Despite rapid changes taking place in the society, the importance of the family as the main social institution, is of significance. The society further remains responsible for creating conditions for the family to fulfil its

main functions – those of ethno culture, change of generations, autonomy and independence. To achieve this objective measures of three kinds are made use of:

- laws and other legal acts which regulate relations

*among the family members and relations between the family and the society;*

○ *different financial assistance to the family and its members;*

○ *assurance of the availability of main services rendered to families (services of consulting families, child care, education and health care).*

The objective of all these measures is to protect families, and at the same time various social groups (including children, elderly people, people with disabilities, etc.) against poverty and social exclusion.

Taking into account changing economic and social conditions, the necessity arises to review and change the system of social assistance, as well as to change some principles of the system of social assistance. Ways of how to make social security more employment-

friendly, that is, to encourage people to earn rather than wait for assistance from the state, are sought for.

So far the policy of social assistance to families raising children has mostly been aimed at paying benefits in cash and granting some privileges to families raising children.

Impoverished families in Lithuania receive two main social benefits related to children raising: the family benefit and the benefit to families raising three or more children, as well as free of charge catering for children at school. Besides, though the social benefit and reimbursement for utility costs are not intended specially for families raising children, they are widespread among poor families and are of significance to them.

### 6.2.1. Social Assistance in Cash

In 1999 the development of the system of social assistance in cash to families was influenced considerably by the social and economic situation of the country: the living standard and the capabilities of the state budget, the increase in the unemployment rate, demographic changes (the ratio of the active labour force to the number incapable of work individuals), etc.

Social assistance in cash consists of three parts:

○ *assistance is provided to families raising children irrespective of the family's income;*

○ *assistance is provided to low-income families taking into account their income;*

○ *a part of the system of benefits is orientated toward providing a direct assistance by giving discounts for service or granting certain privileges to separate groups of the population.*

#### ***Increase in Assistance to Children without Parental Care***

Taking into account the fact that due to unfavourable economic conditions children who are deprived of parental care find themselves in difficult material situation, in 1999 in developing assistance to the families raising children the priority was given to providing assistance to children deprived of parental care. With this end in view, provisions of the Law on State Benefits to the Families Raising Children provide for a gradual increase in the state assistance to chil-

dren deprived of parental care until they come of age, to those who continue their education upon coming of age and to adult individuals in helping them to settle down upon starting an independent life.

The foster benefit intended for the maintenance of a ward in a foster family, in a family-type care home or in a non-governmental care home for children was increased from 1.5 to 2 MSL. In 1999 this benefit was increased up to 4 MSL (500 Litass). However, in case the child receives an orphan pension and (or) the alimony, the difference between 4 MSL and these benefits is paid.

As data presented in Table 6.2.1-1 show, the number of children directed to care institutions increases every year. In 1999 the number of such children was twice as high as in 1992. In 1999 the number of children directed into the care of families or individual persons increased especially significantly. During the year the proportion of such children accounted for 51.9 per cent within the total number of children placed under the guardianship. The Law on Child Guardianship adopted in 1998, which created more favourable conditions for guardianship of children in families, had a positive effect on such changes.

Seeking to equalise assistance in cash provided by the state to the children deprived of parental care

before they come of age and upon their coming of age during the time of studies, the orphan's scholarship was increased from 1.5 MSL to 3 MSL at the beginning of 1999. The size of the orphan's scholarship for a child deprived of parental care who receives the orphan pension is established after having deducted the orphan pension that he receives. The orphan's scholarship is paid to pupils (students) who do not work and who acquire profession or Bachelor's (Master's) degree for the first time.

In 2000 the benefit to orphans and children deprived of parental care intended for settling down is increased from 18 MSL to 50 MSL. This benefit is targeted and intended for acquiring a house, a flat (dwelling) (to make the first contribution of the loan to build or purchase a flat, repayment of the loan, building a flat or house, rent) or settling down (for reconstruction of a dwelling, purchasing the basic things).

Taking into account the fact that children deprived of parental care find it really problematic to start

### Placement of Children Deprived of Parental Care in 1992-1999

	1992	1994	1995	1996	1997	1998	1999
Total number of children deprived of parental care or orphans annually placed	1731	2567	2907	3391	3175	3516	3553
<b>Including:</b>							
• Children under 7 years of age sent to	701	1048	1049	1254	1136	1219	1130
• regional infant homes	111	201	240	275	252	266	265
• regional care homes for children	238	694	774	703	460	382	301
• boarding schools of a general type	45	255	247	242	232	193	133
• special boarding schools	...	...	53	62	78	79	53
• vocational, high, higher educational institutions in which children are maintained by the state	30	39	39	24	35	50	27
• special education and care homes	...	...	...	...	...	...	63
• care institutions for disabled children	...	5	5	20	30	14	21
• municipal care homes for children	100	128	120	306	309	328	244
• municipal care groups for children	...	...	8	216	380	432	296
• guardianship in non-governmental organisations	9	43	16	22	70	102	84
• family-type care homes for children (foster families)	21	37	76	54	56	59	74
• temporary care homes for children							123
• parish care homes for children	...	...	...	19	3	61	25
• care of families and individuals	934	1044	1260	1372	1236	1545	1844
Total number of adopted children	332	308	220	418	421	362	302
• Including: international adoption	15	198	94	104	129	135	96

*Data of the Children's Rights Protection Service of the Republic of Lithuania under the Ministry of Social Security and Labour*

Table 6.2.1-1

independent life and to integrate into the society upon coming of age, Resolution of the Government of the Republic of Lithuania “Concerning Assistance to Adult Orphans and Persons Deprived of Parental Care” was adopted in 1999. By this Resolution local-governments are recommended to appoint a responsible person who would help these persons solve problems related to their employment, housing, settling down and other issues. For this purpose an agreement about the provision of assistance is concluded between the municipal institution of the city (region) and the adult orphan or the person who is deprived of parental care living on the municipal territory or intending to live on it.

### ***Reimbursement for expenses on heating, cold and hot water***

Another trend in social assistance provided in cash in 1999 was the increase in effectiveness of assistance provided to families deriving low income on account of objective reasons.

Some part of families, due to causes that do not depend on them, derive low income: families of the unemployed, pensioners, disabled people, students as well as parents of the families who receive the minimum wages and others. With the increase in prices of energetic resources and public utilities, these families are unable to pay for the services which are essential for living.

One of the ways to assist the impoverished families is to cover a part of the expenses on the following basic services depending on the family income available: cold and hot water and heating of a dwelling area.

In 1999 the Law on reimbursement to the Individuals Deriving Low Income for Expenditure on Heating of a Dwelling Area (Individual House), Expenditure on Cold and Hot Water was passed, and Methods of Calculating Reimbursements for Expenditure on Heating of a Dwelling Area (Individual House), Expenditure on Cold and Hot Water were approved by Resolution of the Government of the Republic of Lithuania which came into force on 1 July 1999.

The system of compensation has been established on the basis of the following principle: with the increase in energetic resources and utility costs, low-income families pay a fixed price of their income for water and heating of a dwelling area. In assigning

the compensation for the expenditure on heating of a flat (house) not only the total income of the family is evaluated but also the number of family members who share the income is taken into account. In calculating the reimbursement 125 LTL per a family member is deducted from the total income of the family and the fee in the amount of no more than 25 per cent is calculated from the remaining sum. The expenditure on hot water is compensated for in case it exceeds the family income by 5 per cent, and the expenditure on cold water is compensated for when it exceeds the family income by 2 per cent.

Local municipal institutions are responsible for the provision of social assistance to the low-income population. The assistance is allocated in the procedure established by municipal councils from the municipal budgets because they themselves settle the prices of services and have shares in the enterprises which supply heat and water. Besides, with demographic and labour market conditions varying from local-government to local-government, local-governments can operatively react to the need to support different groups of the population.

### ***Free of charge catering to Pupils at Schools of General Education***

Main trends in a direct social assistance are discounts in payment for the maintenance of children of the most socially vulnerable families in pre-school establishments, as well as organisation of free of charge catering to the children of such families at schools of general education.

In 1999 by Order of the Minister of Social Security and Labour and the Minister of Education and Science of the Republic of Lithuania the procedure for the organisation of free of charge catering to pupils of low-income families at schools of general education was approved. The procedure regulates the following general principles:

- *free lunch is assigned upon the means testing of the family's income and when the monthly amount per one family member of the income subsidised by the state, that has been established by the Government, is less than 1.5 (since May 1998 - the amount of 202.5 LTL);*
- *children from extremely poor families are provided with breakfast and lunch at school;*
- *the rate of the meals (lunch - up to 3 LTL, break-*

*fast - up to 1.2 LTL. Up to 7.5 LTL is allocated to meals at summer rest camps of day schools of general education);*

○ *the procedure for assigning free of charge catering, etc.*

Local municipal institutions following the procedure for the provision of free of charge catering, are obligated to establish the procedure for organising the provision of free of charge catering to pupils at schools of general education that are subordinate to them by appointing persons in charge of the provision of free of charge catering to pupils, submission of documents required to assign free of charge catering, the assessment of family incomes, etc.

Free of charge catering for school children are financed from the state budget. Effectiveness of organisation of free of charge catering can be assured only by enhancing the responsibility of local municipal institutions, going deeper into the problems of every family, analysing specific causes of their difficult situation.

### ***Assistance to Families Raising Disabled Children or Nursing Persons with Total Disability***

After the Law on Social Integration of the Disabled (No. VIII-904, 22 November 1998) and amendments to other laws related to disability - Laws on Social and State Social Insurance Pensions have been passed, better conditions of nursing persons with total disability at home - the disabled of Group I and children under 16 years of age - were created.

Since 1999 pensions for the disabled of Group I and Group II have been more differentiated. The law provides for payment of the whole pension to the disabled of Group I who have insurance income. When working they will receive the whole pension together with the former care supplement, which is calculated together with the basic pension. Main criteria according to which the disabled of Group I and children under 16 years of age are recognised as totally disabled have been established. They receive a care allowance equal to one basic pension per month. Total disability is recognised in those cases when an individual, due to constant, irreversible and quite obvious functional disorders is unable to take care of his personal and social life (service himself, work, move, study, communicate, etc.), when measures of

rehabilitation are of no avail. The number of the disabled of Group I recognised as persons with total disability amounted to 4665 in 1999. The care allowance, which belongs to the person who is recognised as incapable in the procedure established, is allocated and paid to his/her guardian. One of the parents of the person with total disability or the person recognised as the guardian or trustee, nursing the person with total disability at home, is covered by the mandatory state social pension insurance at the expense of the state for the basic pension in the procedure established by the Ministry of Social Security and Labour. That person is insured at the expense of the state only if he does not receive the state social insurance pension he is entitled to, the state pension or the social pension.

Seeking to improve the material condition of families raising children, pursuant to the provisions of the Law on Social Pensions, children who became disabled before reaching the age of 18 and older, provided they have been disabled of Group I, Group II and Group II since their childhood or under 18, are entitled to a care (social) basic pension (138 LTL). The number of the disabled children who received such kind of pension in 1999 totalled 13 469 (in 1998 - 12 753). Upon recognising a disabled child under 16 as a child with total disability (about 5 per cent of the total number of disabled children) the care allowance in the amount of 138 LTL is paid. Disabled children, persons who became disabled of Group I, Group II or Group II under 18, provided they have been recognised as disabled since childhood, have the right alongside the social pension to receive the state social insurance orphan pension (loss of the provider) and the state orphan pension.

The persons who have nursed their disabled children or disabled foster children for at least 15 years, as well as children or foster children who have been disabled of Group I and Group II since their childhood or have become disabled of Group I or Group II are entitled to the social assistance pension (138 LTL). Persons, guardians, trustees, irrespective of their age or working ability, nursing a disabled child or disabled foster child or a child or foster child who has been a disabled of Group I since his childhood or have become disabled of Group I before they reached the age of 18 are entitled to that pension too.

Parents, guardians and trustees, irrespective of age and capacity for work, who nurse a child, a foster child who has been a disabled of Group I since his childhood or has become a disabled of Group I before he reached 18 years of age, has the right to receive the state social insurance pension and the state pension to which the children and foster children are entitled together with the care pension.

The disabled children under 16 who have severe motor function disorders and who are unable to make use of the established public transport privileges, receive a compensation for transport expenses in the amount of 25 per cent of the minimum standard of living (31.2 LTL).

The Ministry of Social Security and Labour seeking to better provide the population of the Republic of Lithuania with the orthopaedic appliances established a new procedure for the compensation for the provision of the population with the orthopaedic appliances. The main aim of the approval of the new procedure for the provision of the population with the orthopaedic appliances is the establishment of basic prices of the orthopaedic appliances and the regulation of the compensation mechanism. The new procedure for the orthopaedic appliances offers to restrict the number of persons who receive the compensatory equipment. It has also been decided to introduce a partial payment for the orthopaedic appliances. This procedure provides for a 100 per cent compensation for the basic orthopaedic appliances to the disabled of Group I and children under 16 years of age, persons whose family income per family member is lower than the size of the income subsidised by the state established by the Government of the Republic of Lithuania. Besides, the fact that some orthopaedic appliances are complicated but necessary and important to the disabled persons and expensive enough is also taken into account. It is proposed to compensate for this kind of the orthopaedic appliances 100 per cent of the basic price in accordance with the list compiled by the Ministry of Social Security and Labour. 80 per cent of the basic price of the orthopaedic appliances entered on the nomenclature list of the orthopaedic appliances approved by the Ministry of Social Security and Labour is compensated to the disabled of Group II and Group III, as well as to the people of the retirement

age, 50 per cent of the prices of the appliances is proposed to be compensated to other persons for whose treatment, rehabilitation and disease prevention it is necessary to use orthopaedic appliances.

### ***Benefits in Cash to Victims***

In 1999, legal acts regulating the provision of benefits in cash to the groups of victims - political prisoners and deportees, the participants of the armed resistance movements who were injured or became disabled, victims of 11-13 January 1991 events, were prepared.

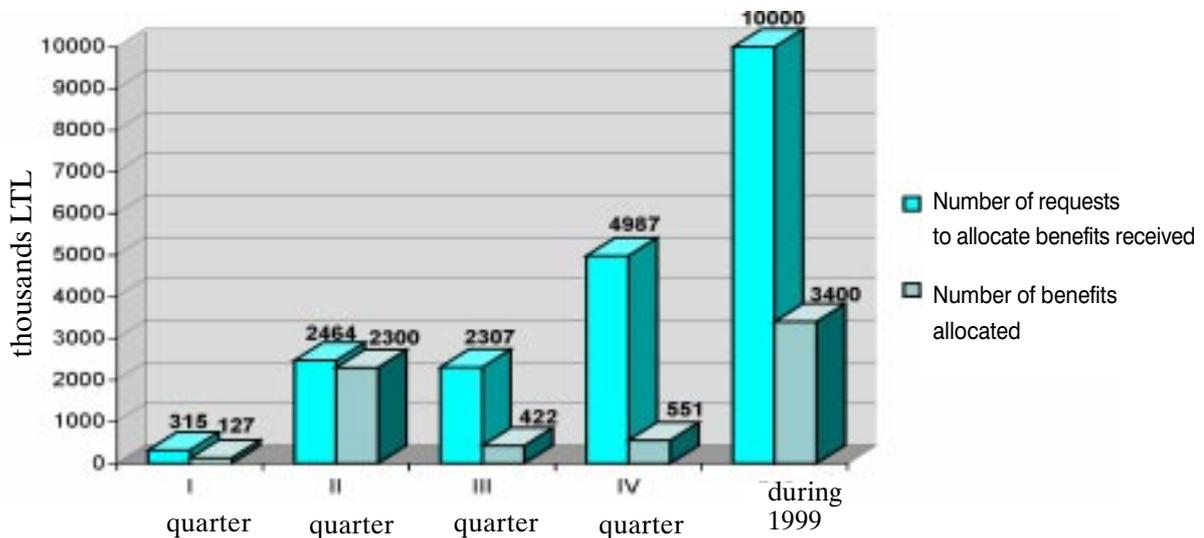
The Government of the Republic of Lithuania by its protocol decision of 22 July 1998 approved the conception of differentiation of state pensions to victims (political prisoners and deportees) according to which a flexible system was used to calculate pensions, assess the period of imprisonment of political prisoners and deportees (excluding the war years and post-war periods), the duration of imprisonment in exile, camp or prison, climatic conditions (regions of the Far North) and disablement which is related to the illegal imprisonment.

On the basis of this conception the draft law on the amendment of corresponding Articles of the Republic of Lithuania Law on National State Pensions was prepared. The implementation of the provisions prescribed by the Law would require 46.1 million LTL of the budgetary funds per year and 42 thousand people would be engaged in the process of recalculation of these pensions.

In implementing the Republic of Lithuania Law on the State Support to the Participants of the Armed Resistance, the Government of the Republic of Lithuania adopted Resolution No. 177 "Concerning the State Support to the Participants of the Armed Resistance - Volunteer Soldiers" on 12 February 1998. *Benefits to injured soldiers-volunteers* have been paid since 1998 (130 individuals have applied and 1.3 million LTL has been paid). The period of paying benefits is unlimited. Upon death of the soldier-volunteer a single funeral allowance is paid amounting to 20 MLS (2500 LTL).

In 1999 the Republic of Lithuania Law on the State Support to the Families of Persons Killed in the Fights of Resistance to the Occupations in 1940-1990 (No. VIII-871, 6 October 1998) came into force.

### Allocation of Benefits to Family Members of Former Participants of Resistance to Occupation Regimes in 1999



Data of the Ministry of Social Security and Labour

Chart 6.2.1-1

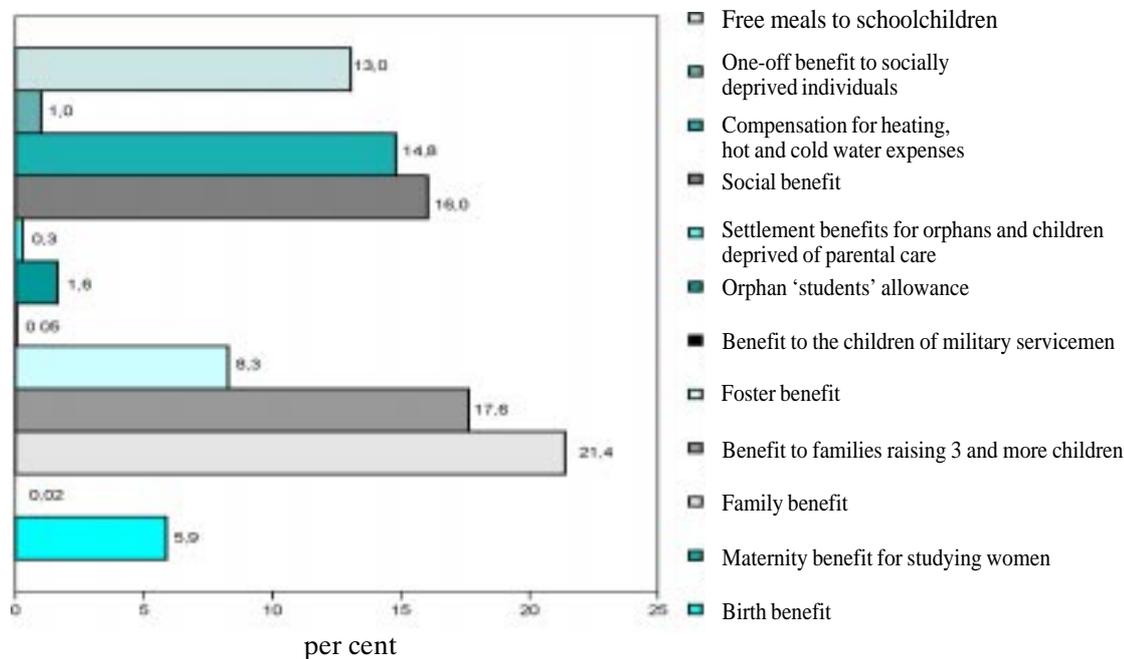
Seeking to implement the Law, the Government of the Republic of Lithuania adopted Resolution No. 128 of 4 February 1999 “Concerning the State Support to the Families of Persons Killed in the Fights of Resistance to the Occupations in 1940-1990”. Benefits to the families of the persons killed will be paid from 1 January 1999 till 31 January 2003.

Local-governments of cities and regions pursuant to the Republic of Lithuania Law on the State Support to the Families of Persons Killed in Fight of Resistance to the Occupations in 1940-1990 and the Republic of Lithuania Law on the State Assistance to the Participants of the Armed Resistance, in 1999 paid single allowances in the amount of 10073.7 thousand LTL to the injured soldiers and family members of the killed participants of the armed resistance. Last year when the financial situation of the country became difficult, the amount allocated by the Ministry of Finance to pay these allowances totalled 3369.7 thousand LTL. Thus, the amount allocated to allowances which were not paid equalled 4458.3 thousand LTL for 1999.

Chart 6.2.1-1 shows that the budgetary funds allocated did not assure the implementation of the provisions laid down in the Republic of Lithuania Law on the State Support to the Families of Persons Killed in the Fights of Resistance to the Occupations in 1940-1990.

Victims of the soviet regime have been granted the legal status of the victim in accordance with the Republic of Lithuania Law on the Legal Status of Persons who Suffered from 1939-1990 Occupations (No. VIII-342, 30 June 1997). After the Independence of Lithuania was re-established on 11 March 1990, the Russian army remained located on the territory of Lithuania till 31 September 1991. Related to that are cases of aggression committed by the military forces of the former USSR during that period - on 11-13 January 1991, seeking to occupy the most important strategic objects of Lithuania, as well as bloody attacks at Medininkai Customs and other border points. Therefore the decision was taken to grant the victims of those events the legal status of the Defender of Independence or a Victim (to the

### Structure of Expenditure on Benefits Paid to Families in 1999 (in per cent)



Data of the Ministry of Social Security and Labour

Chart 6.2.1-2

family members). Hence, in 1999, the draft law on the Recognition of the Legal Status of Defenders of the Independence of the Republic of Lithuania and other Victims of 11-13 January 1991 Events and the Subsequent Aggression Committed by the USSR was prepared (passed on 4 January 2000 by the Seimas and enforced on 31 March 2000). About 1000 individuals - defenders of the Independence and other victims (family members of the defenders of independence) - will be granted a corresponding legal status.

#### ***Recipients of Social Assistance in Cash and Expenses***

Benefits to families raising children irrespective of their income (55 per cent of social assistance in cash) constitute a larger part of the expenses within the system of social assistance in cash to families. Correspondingly, expenses to provide assistance to the low-income population constitute 45 per cent of social assistance in cash.

The data provided in Chart 6.2.1-2 show that the greatest part of the funds is allocated to pay the family benefit (21.4 per cent), the benefit to families raising 3 and more children (17.6 per cent), social benefit (16 per cent), as well as the reimbursement for heating, hot and cold water (14.8 per cent).

As the data in Table A. 6.2.1-1 indicate expenditure on benefits is on the increase. In 1999 the total of 453 million LTL was allocated to the payment of benefits to families raising children, as well as to benefits paid to low-income families. Compared to 1998 the expenditure increased by 1.1 million Lit. In 1999 the increase in the expenditure was determined by a significant increase in the foster benefit and the orphan 'student' allowance.

Having increased the foster benefit from 2 MSL to 4 MSL, and the orphan's scholarship from 1.5 MSL to 3 MSL, the number of the recipients of these benefits, as well as the expenditure on paying them increased in 1999.

In 1999 the number of the recipients of the foster benefit increased by 28.1 per cent and correspondingly the expenditure on these benefits increased 2.6 times. Having increased the foster benefit from 2 MSL to 4 MSL more than 50 per cent of 3.2 thousand children deprived of parental care were placed with the families or family-type homes by paying 500 LTL care benefit. However, this does not mean that the absolute amount of the funds allocated to the maintenance of the children deprived of parental care has increased because the total dynamics of the number of children deprived of parental care is stable, and with the more children being placed with foster families or in family-type homes, expenditure allocated to the maintenance of children in institutions relatively decrease.

1.6 thousand individuals received the orphan's scholarship in 1998 and in 1999 this number totalled 1.7 thousand students at vocational schools and colleges and students at higher education institutions. Cor-

respondingly, the expenditure on the orphan's scholarship increased 2.1 times.

In 1999 local-governments spent 61.2 million LTL, that is, 25.2 per cent less than in 1998, on reimbursements for expenses on heating, cold and hot water.

Changes in other benefits to families raising children, as well as in the recipients of benefits to low-income families and in the expenditure on paying these benefits in 1999 compared to 1998 are insignificant or unchanged.

A significant role within the structure of benefits to families is played by the social benefit paid to the family when the amount of income per one member of the family is lower than the income supported by the State, which is approved by the Government of the Republic of Lithuania (in 1999 it accounted for 135 LTL). The change in the proportion of the recipients of social benefits within the population of the country is presented in Table A. 6.2.1-1.

## 6.2.2. Development of the System of Social Services

### ***Main directions in the strategy of the development of social services***

In 1999 the system of social services is further developed in the following main directions:

- *decentralisation of social services. Decentralisation is being carried out by preparing and implementing state and municipal programmes of social services. With that end in view needs of different social groups are being assessed at local governments and taking this into account a network of social services is being created in communities;*
- *deinstitutionalisation of the provision of social services. The regulation that priority is given to the development of assistance at home and the creation of other community services rather than to residential institutions of social services is observed;*
- *involvement of different non-governmental organisations, as equal partners, in a general social service system. One of the distinctive features of such a system is the integration of state and municipal, as well as non-governmental institutions of social care;*
- *the improvement of the quality of social services rendered and the increase in the efficiency of social services. This is done by analysing and assessing the results*

*of social service programmes being implemented, by organising professional development of social workers, by improving the activity of residential care institutions.*

In 1999 the Ministry of Social Security and Labour together with PHARE Consensus programme carried out the project "The Strategy of the Development of Social Services in Lithuania". The objective of this project is to work out the strategy of the development of social services taking into account changes in the system of social assistance in Lithuania. Executives of the project prepared a report and recommendations for the development of social services which provide for main trends in the development of social services: the creation of the social service market, support of non-governmental organisations, planning of community services, improvement of financing methods, the change of the status of the institutions that render services.

### ***The Programme for the Development of Social Service Infrastructure***

In 1999 the Programme for the Development of the of Social Service Infrastructure in 1998-2000 was carried out in two directions:

- *financing of large social services projects that won*

*the 1998 tender of social service projects was further carried on;*

○ *the organisation of the 1999 tender of social service projects and the assessment of projects.*

In further carrying out the implementation of the Programme for the Development of Social Service Infrastructure in 1999 it was planned to finance ten large social service objects being established in the cities of Vilnius, Kaunas, Klaipėda, Druskininkai, Marijampolė, as well as in local governments of Pakruojis and Jurbarkas regions. The said social service objects first and foremost are intended for social and professional rehabilitation of the disabled and the provision of other necessary services. These projects are financed by joining the means from the state budget, the EC Development Bank and local governments.

The Ministry of Social Security and Labour maintains constant relations with local-governments and heads of the projects being financed. Agreements about the implementation of 10 projects have been signed between all local-governments, the Ministry of Social Security and Labour and other interested institutions. Due to the unstable state budget, in 1999 the amount allocated from the state budget together with the Council of Europe Development Bank loan totalled 3 million LTL only, though the amount planned to be allocated accounted for 20 million LTL. Constructions of social service objects in the local-governments of Klaipėda, Vilnius, Kaunas and Jurbarkas regions have been commenced or are under way.

In implementing the Programmes for the Development of Social Service Infrastructure, *the second*

*competition on social projects was organised.* The results of the tender showed that in local-governments there was an acute need for the development of social services. Local-governments and non-governmental organisations submitted as many as 243 projects for the tender. There were 58 projects among the award-winners. It is planned to finance the said projects in the immediate future.

The results of the implementation of the project of the development of the social policy and social services in communities financed from the World Bank loan, SIDA (Swedish Government), the Government of the Netherlands and the Lithuanian State were positively assessed both by foreign and local experts. Good performance indicators of the new social service centres were influenced by regular and effective monitoring. The customers favourably assessed social services rendered by all functioning day centres. The real number of employees in all centres, compared to the planned number, has increased (202 employees were planned, 223 - employed). This fact should be assessed positively as a timely reaction of local-governments to the increased need for social services, which was influenced by a changing social and economic situation in a specific community.

It should be noted that the costs of maintaining of one customer in all functioning day centres are lower than those in residential care institutions. The performance results of the day centres confirm that at the community level the development of social services is oriented toward reducing the costs and the availability, as well as the quality of services rendered.

### 6.2.2.1. Deinstitutionalisation of Social Services

#### ***Non-residential social services rendered to old people***

In developing the system of social services, priority is given to services rendered at home and organisations of other non-residential social services. Day centres, services of complex assistance at home consisting of different spheres such as the provision of nursing services, meals-on-wheels, assistance services to do the chores and agricultural work are being established at local-governments.

According to the data of the Institute of Labour and Social Studies, about 5 per cent of persons over the age of 75 were rendered services at home in 1999. However, the number of persons receiving assistance services at home differs greatly from local-government to local-government. The greatest number of persons over 75, as much as 39 per cent, receive assistance services at home in the district of Varėna. In the districts of Švenčionys, Molėtai, Jurbarkas and Šakiai the number of such persons exceeds 10 per cent. In many

other local-governments this number does not amount to 10 per cent. The least services at home are rendered in Kelmė and Kretinga regions (0.9 per cent).

In most cases the need for these services is determined on the basis of people's applications filed with the social care divisions. In some local-governments (Anykščiai, Pasvalys, Telšiai and other districts) surveys of the needs of potential recipients of services at home are conducted. Inhabitants are usually informed of the possibilities to receive services of aid at home through the local press and information leaflets published by the local-government.

In local-governments services at home are usually rendered to the disabled and old people. Lists of basic and additional care at home are approved by the local-governments. The greatest need is for the following services: purchasing of foodstuffs and putting the dwelling in order, helping with personal hygiene, communicating and consulting, laundry. The local-government is looking for ways of how to better satisfy people's needs and provides new kinds of services. For example, in Klaipėda region different services at home are rendered to problem families.

**Provision of services at home** is organised by local-governments following methodological material prepared and approved by the Ministry of Social Security and Labour, which is intended for the assessment of needs and autonomy of the people who wish to receive services at home, organisation of social services at home and establishment of services which render services at home at local-governments.

The analysis of the results of the implementation of the documents prepared showed that the said documents were timely and of use to local-governments. In practice they are used by all local-governments despite the fact that the structure of the provision of social services at home differs greatly from local-government to local-government. In some local-governments individual services of care at home are being

established, whereas in other local-governments the provision of services at home is being organised from wards with responsibility resting with the elder or services of providing care at home are within the structure of social divisions of local-governments.

In rendering services at home local-governments cooperate with different non-governmental organisations, In different regions the Red Cross Organisation, Caritas, the Order of Malta, societies of the Disabled and others take part in this activity.

**Services rendered at home are paid.** Payment for these services is regulated by a resolution of the Government of the Republic of Lithuania. The said Resolution, having evaluated the specific situation, provides local-governments with the possibility to exempt the recipients of services from the payment for the services rendered at home. It is quite often that municipal councils make use of this possibility.

**Services at home are rendered by home-helpers.** The majority of home-helpers have a higher or secondary education, their average age is about 30-40 years. Minimal knowledge of work in this sphere is provided to the home-helpers who are beginners in their work. However, no more detailed training is organised. Therefore, it is quite often that the recipients of social services complain about the quality of work done by visiting care workers.

In rendering social services at home most commonly encountered problems are as follows:

- *an insufficiently well-organised structure of services rendered at home;*
- *an insufficiently extended circle of recipients of services rendered at home and the variety of services;*
- *an insufficiently assessed difference between the needs for social services of rural and urban population;*
- *absence of a uniform training programme for visiting care workers;*
- *an insufficient co-operation with other departments and non-governmental organisations.*

### 6.2.2.2. Efficiency of the System of Social Services

Of late, with a rapid development of social services taking place, local-governments are often lack funds to maintain the objects established and to finance the necessary staff. In developing the system of serv-

ices it is very important to apply the funds economically, to assure the quality of the services rendered. Therefore, it is necessary to assess the activity of social care institutions, analyse advanced experience

and impart it to other social care institutions. Assessment of social service project should form a constituent part of the development of the system of social services.

Main indicators by which effectiveness of the system of social services is being assessed:

- *expenditure on the development of social services: its amount and structure by types of social services (residential and non-residential);*
- *the development of the network of social services - whether institutions for satisfying the needs of all groups of inhabitants are being established;*
- *efficiency of the activity of social care institutions - the number of the staff and its structure, costs per recipient of social services;*
- *accessibility of social services - the development of the system of providing information, transportation services, the uniformity of the social service network, ways and possibilities of distributing advanced experience;*
- *professional qualification of providers of social services;*
- *development of co-operation between local-governments and non-governmental organisations.*

#### ***Assessment of the Programme for the Development of Social Service Infrastructure***

In 1999 the Ministry of Social Security and Labour made the first assessment of the Programme for the Development of Social Services Infrastructure. In carrying out the assessment the course of the implementation of social service projects, the validity of the need for specific services, the influence of new non-residential and complex services on the micro-climate of a specific community and the reduction of social tension have been analysed, costs of non-residential and residential care have been compared. The assessment material was submitted to the Committee of Social Affairs and Labour of the Seimas of Republic of Lithuania, which analysed the material and presented the following basic observations:

- *the programme encourages the community initiative to develop social services and prepare social service programmes;*
- *the programme helps eradicate differences in the development of social services in different local-governments;*
- *the programme encourages to increase the scope and range of services rendered, the specific weight of*

*non-residential services within the whole structure of services increases;*

- *co-operation among different organisations is encouraged because non-governmental organisations are engaged in the provision of services;*
- *in rendering social services the conditions are created to apply advanced methods and exchange experience.*

At the end of 1999, after all 29 objects of social services had started to render services either in part or in full, at the request of the Ministry of Social Security and Labour, the Institute of Labour and Social Studies conducted a study "The Study of Social and Economic Effectiveness of Projects Financed by the Programme for the Development of Social Service Infrastructure in 1998". The aim of the study was to assess the level of realisation of social service projects supported by the Programme, the conditions for the follow-up of the project activity, the degree of integration of these social care institutions into the local community and the costs of services rendered.

In 22 out of 29 projects financed during the first year of the implementation of the programme, community centres, homes of temporal residence or day centres, specialised social care institutions for persons of risk groups were established. Residential social care institutions constitute only one fifth within the projects implemented. In the future social care institutions plan to render complex services as well.

The following new services characteristic of the type of those institutions are being rendered at non-residential social care institutions established: the provision of information and consultations, psychological aid, catering and personal hygiene services, help in doing the chores, temporary residence and others. As the first year of the activity of the projects implemented shows, the structure of services is still under way in many institutions, the circle of services shall be extended in the future by introducing new kinds of services.

In summing up, it should be noted that the first year of the implementation of the Programme for the Development of Social Service Infrastructure produced concrete results:

- *social care institutions which render services to different social groups of the inhabitants were established*

*in local-governments. Different community services, non-residential services of various types were created - the provision of information, consultations to the persons who have been released from places of imprisonment and other risk groups. Organisation of local-help to families which have disabled children or other social problems, services to children who experienced violence or who have been deprived of parental care, services at home not only to old people but also to people belonging to other social groups;*

○ *the system of social services is developed by involving non-governmental organisations in the provision of social services. At the beginning of their implementation 8 out of 29 financed projects were projects of non-governmental organisations (in co-operation with local-governments). In implementing the projects, i.e. in 1999, after the objects of social services had begun their activity, as many as 15 social care institutions co-operated with non-governmental institutions in organising the provision of social services;*

○ *in implementing the projects of the provision of social services 150 jobs have been created, community volunteers have been engaged in the process of providing services. At the established institutions high quality services are rendered because highly qualified social workers and social pedagogues constitute an ever-increasing part of the employees;*

○ *the cost of services rendered by almost all newly established non-residential institutions are lower than that of services at residential institutions.*

### ***Increasing the Efficiency of Residential Care Institutions***

Residential social services to old people are rendered at old people care homes of county and municipal subordination.

Currently the former state old people care homes belong to counties. As all state social care institutions were created according to the hospital care model and did not comply with the requirements of a social care institution Resolution No. 20 "Concerning the Approval of General Requirements for Residential Social Care Institutions" approved by the Ministry of Social Security and Labour on 23 February 1999 approved the new standards for the staff of the residential homes in which the health care personnel was reduced and the number of social workers was increased at its expense. The Resolution also

established the new procedure for sending and accepting persons at residential social care institutions, as well as minimum requirements for the buildings and the environment of care institutions.

At the beginning of 2000 the number of people with mental disabilities accommodated in 21 state care institution totalled 4984, the number of children accommodated in 3 care institutions for children with mental disabilities accounted for 616. One care institution for physically disabled children accommodated 210 individuals and 1753 adults lived in 8 state homes for old people. residential social services, compared to non-residential ones, are considerably more expensive, therefore, seeking to apply the financial means available more effectively, an individual is sent to residential care institutions in case social services rendered at home are ineffective and fail to assure the necessary degree of independence to a person.

In 1999 the maintenance expenditure per person in the state care institution (of county subordination) was as follows: in care homes for old people – 1023 LTL, in care homes for mentally disabled adults - 1117 LTL, in care homes for children with mental disabilities - 2186 LTL. Ordinary expenses (about 86 per cent) constitute the greatest part in the structure of expenditure, with 34 per cent being allocated to payment to the staff and 21 per cent - to sustenance of the people.

The Department of Supervision and Audit of Social Institutions under the MSSL with the help of experts from Sweden SIDA started to work out uniform national standards and a unified methodology for conducting an audit intended for social care institutions. The application of this methodology will help assure equal minimum living conditions and services rendered to the people accommodated at care institutions of different subordination, it will help better organise work of care institutions and will assure a more efficient application of the means allocated to social care institutions.

### ***Municipal care homes for old people***

At the request of the Ministry of Social Security and Labour the Institute of Labour and Social Studies conducted a study of social and economic effectiveness of the provision of social services in local-

governments. The analysis of the size and structure of the expenditure on social services in local-governments, information about costs of social services in enterprises of different types, experts' conclusions about the rationality of the distribution of social care institutions and the availability of services is presented in the Report of the study.

In the municipal budgets the means allocated to social services accounted on average for 2 per cent of the total municipal budget and 13.8 per cent of the total funds allocated to social assistance in 1998. It is planned that in 1999 the funds for social services would account for 2.3 per cent of the total municipal budget and 15.6 per cent of the funds allocated to the whole social assistance. Local-governments direct half the funds allocated to social services to the development of residential social services: in 1998 - 67 per cent, in 1999 - 60 per cent of the total funds allocated to social services. However, the share of the funds allocated to non-residential social services is on the increase. In 1998 the amount allocated to the provision of non-residential services accounted for 32.5 per cent on average, whereas in 1999 the amount equalled 39.9 per cent of all the funds allocated to the provision of social services. The share of the funds allocated to the provision of services at home increased from 33.8 per cent in 1998 to 34.3 per cent in 1999 of the total funds allocated to non-residential social services.

The Institute of Labour and Social Studies on the basis of the study of a social and economic effectiveness of social services conducted a comparative analysis of the network of social services and the level of satisfaction of the needs in local-governments. For that purpose the average indicator of the development of the network of services - the average number of individuals which receive social services of one or another type from the total number of the individuals in that social group was applied. For example, on average the number of places in care homes for old people is 1.7 per 100 population over 75 years of age. It has been calculated what number of places is required to achieve that average level in every local-government calculating from the total number of the inhabitants within that local-government.

The network of municipal residential services for old people is developed non-uniformly. In some local-governments there are no municipal and parish care homes for old people (the cities of Alytus, Klaipėda region, Šiauliai region, Rokiškis region and others). However, in most of these local-governments there are nursing places for old people in hospitals. There are care homes of district subordination in Klaipėda, Kretinga, Raseiniai, Vilnius regions and the said governments use places within them. Alytus and Rokiškis regions alone have no alternative residential care places intended for old people.

## 6.3. IMPROVEMENT OF SOCIAL ASSISTANCE POLICY

### 6.3.1. Improvement of Assistance to the Family

In 1999, the Ministry of Social Security and Labour, the Social Policy Group and the Department of Social Labour of Vilnius University conducted the survey "Assessment of Economic Efficiency of Social Assistance to Families Raising Children".

According to the results of the survey conducted, all families which raise children, receive some kind of social assistance.

Social benefits are paid and social guarantees and privileges are granted to all families raising children. Apart from social benefits, the following main social guarantees and privileges are applied to the fami-

lies: reimbursement for expenditure on heating the living space, cold and hot water; tax reliefs for the maintenance of children at pre-school institutions; free of charge catering for school children; discounts in taxing income, reimbursement for medicines and medicinal aids, as well as reimbursement for costs of treatment at sanatoriums-resort places, free transportation or transportation discounts for children, insurance of the mother (father) raising a child under three years of age for the basic pension, a soft credit to purchase the dwelling and others.

The higher the earned income of the family and the

higher its standard of living are, the lower the social benefit they needs is.

The income of the family per person decreases with the increase of the number of the dependants in the family.

The greatest assistance is provided to large families, to families which do not have any income or which have minimum earned income. The social benefit is the only source of sustenance for such families. When the mother of a large family raising four children is on a child care leave and the father earns the minimum wages, the amount of assistance accounts for 1147 Litas per month (76 per cent of the general income of the family). When a family raising two children have no income altogether (the mother is on the child care leave and the father is unemployed), the amount of the benefit paid to the family totals 1014 Litas per month.

Social payments constitute the largest part of social assistance to the families raising children. Depending on the type of the family and the income its derives, social benefits payments for from 128 to 880 LTL per month per family. This constitutes from 62 to 97 per cent of all income received by the family.

The survey of the condition of families with children and social assistance provided to them showed that reforms are necessary in this sphere.

The authors of the survey propose to carry out the reform of the system of social assistance to families raising children on three levels:

- *a broad reform would include not only branches of social security but other branches of the public sector as well;*
- *a moderate reform would include branches of social security intended not only for solving the issues of providing assistance to the family;*
- *a minimum reform would cover only the improvement of system of benefits in cash to families raising children.*

**A broad reform** should cover the following spheres: application of tax reliefs to the working individuals depending on the number of dependants, allocation of compensations for medicines depending on the size of the family income, the creation of equal opportunities for the children from poor families to acquire high and higher education.

**The essence of the moderate reform** is to support fami-

lies of the unemployed or the disabled depending on the number of dependants: by bringing the social benefit closer to the poverty line; by making local-governments, which are responsible for the provision of assistance to socially vulnerable families, to provide support prescribed by laws in a more flexible way, by developing social work among the recipients of long-term benefits.

**The minimum reform**, which should be implemented in the first place, should involve the following:

- *payment of benefits to families raising three children irrespective of income;*
- *assignment of the benefit when one of the parents raises two children and does not receive alimony.*

The implementation of the minimum reform would require 90 million LTL per year.

The reforms proposed would include not only social security but also other social spheres (health, education) and the state finances.

Taking into account the results of the survey conducted and the proposals put forward, it is planned to draw up the programme for families raising children. Furthermore, in July 2000 PHARE Consensus project for social support “Support to the Development of Social Assistance in Cash and Privileges and Strengthening of Administration” will be commenced to be implemented.

This would help further improve laws and other legal acts regulating the provision of social assistance to families raising children, as well as to the impoverished population.

Currently the draft law on Social Assistance in Cash Provided on the Basis of the Assessment of Income and Property, is being prepared, thereby it is sought to regulate the allocation of social assistance so that funds available for these purposes should be applied as exactly as possible and should be aimed at supporting families which are in extreme poverty.

After the said Law has been adopted, all social assistance provided to low-income families (social benefit, reimbursement for expenses on maintenance of the dwelling and an extraordinary support) should be regulated by a single law following the unified principles:

- *working people, studying individuals or the unemployed due to objective reasons (pensioners, the disa-*

*bled, undergoing treatment or nursing a disabled or sick family member, the mother raising small children at home, etc.) impoverished inhabitants should be entitled to receive social assistance;*

○ *social assistance is provided having assessed the income and property of the population so that the inhabitants applying for social assistance should declare their income and property in the procedure established by the Republic of Lithuania Law on Income and Property Declaration of Residents;*

○ *the family income supported by the State is the indicator of the accounting used to establish the amount of social assistance.*

○ *not only the expenditure on heating the dwelling and cold and hot water but the expenditure on other main utilities are compensated to the inhabitants*

The said law proposes, after the amount of compensation for the main utilities has been established, to reduce normative sizes of the useful space of the flat (an individual private house) and to simplify their calculation. Normative sizes of the useful space for a family would be calculated on the basis of the size of the family. The larger the family is, the less nor-

native space there is per family member compared to the space normative valid at present.

### **Conclusions**

*In 1999 when the economic situation in the country worsened and the unemployment level increased, the need for social assistance and social benefits, in particular, grew considerably. The assistance in cash provided to families failed to compensate for the lost earned income of families.*

*Though foster benefit, which has been significantly increased since the beginning of 1999, differed by its size from other social benefits, it gave positive results - created preconditions for the children deprived of parental care to be taken care of in foster families or family-type care homes rather than in child care institutions. At the same time this benefit clearly showed the costs of social consequences when material assistance is not provided on time or is not provided at all to the families left without any income or in the crisis situation.*

*Seeking to distribute the funds allocated to social assistance more effectively, so that this assistance should be provided to those groups of persons, who mostly need it, it is necessary to use the principle of income assessment.*

## **6.3.2. Improvement of Quality of Social Service**

The quality of social services depends on the professional training of social workers rendering services and the effective organisation of their activity. In their activity social workers encounter with different social groups of people, social problems of individuals and the community. The person doing social work must understand the way in which the society functions and the way the individual functions within it. With that end in view knowledge about a human being, his environment, interrelations and factors influencing the relation of man with the environment is necessary. Social workers, acting as intermediaries between an individual who has a problem and a state institution, by their direct work influence the solution of social problems on the scale of the whole state.

### **Legal Acts Regulating the Activity of Social Workers**

Currently the total number of workers employed in municipal Social Assistance Divisions, Children's Rights Protection Offices, residential social care

institutions, non-residential social service institutions and services amounts to about 5 thousand people. At the same time it is not only at the institutions of the system of social security that social work is being done, it is done at health care institutions, educational institutions, services of the system of the interior affairs, etc.

The sphere of activity of social workers is wide and diverse. In their activity social workers encounter with different social groups of people, social problems of individual people and the community. There is a great variety of offices of social work in the institutions where social work is carried out. Offices of social workers fulfilling the same functions in different institutions are called differently.

In establishing the coefficient of payment for work and the length of holidays to people engaged in social work, in organising their certification and in other cases many problems were encountered. The list of responsibilities of social workers approved by

the Ministry of Social Security and Labour in 1995 did not comply with the requirements of offices of current social work. During several years the situation of social work in the republic changed - the number of institutions in which social work was performed increased constantly, the circle of social workers extended. Having compared to the situation in the sphere of social work several years ago when the profession of the social worker was rather new, one can say that in today's society the role of a social worker is becoming more and more important.

Seeking to define offices of social workers, by Order No 1 issued on 4 January 2000 by the Minister of Social Security and Labour, the list of offices of people engaged in social work has been approved.

This recommendatory list defines duties and main trends in the professional activity of social workers in institutions where social work is carried out. They are as follows: Social assistance divisions, municipal Children's Rights Protection Offices, residential social care institutions, non-residential social care institutions and services, other institutions of the system of social security, health care, education, the interior affairs, etc.

Order No. 432/77 of 6 October 1999 issued by the Minister of Social Security and Labour and the Minister of Health approved the regulations of the activity of social workers of health care institutions.

The said document regulates the activity of a social worker in the following health care institutions: institutions of medical aid, nursing and supporting treatment, medical rehabilitation and sanatoriums.

### ***Training of Social Workers and Upgrading their Qualification***

Strengthening the role of social workers in the society and striving for a more effective provision of social services, the sphere of training, professional development and re-qualification of the personnel of social institutions and specialists becomes especially important.

Though at present professional social workers are trained at 11 high and higher educational establishments in Lithuania, the overall number of social workers currently engaged in practical work amount to over 4 000. The majority of them have no professional education of social work. These people have gained a broad practical experience, however, it is

necessary for them to acquire theoretical knowledge of social work as well as skills of applying this knowledge in practice.

Seeking to impart basic professional knowledge to the individuals doing social work, to assess the current status of social work and motivate the employed for further professional development, primary certification of social workers has been started since 1999 according to the procedure approved by the Ministry of Social Security and Labour.

Certification of social workers consists of three stages:

- *conducting target training courses of four modules;*
- *assessment of the practical activity of social workers;*
- *awarding of a qualification category.*

The first stage of certification - organisation of training courses - was commenced in 1999. Social workers who take part in training are presented with the possibility to attend a four-module course: "The system of Social Security in Lithuania", "The Methods of Social Work", "Communication and Counselling" and "Ethics of Social Work", as well as the course in accordance with the specialisation chosen by the trainee.

13 educational institutions which won the competition for practical curricula for social workers held by the Ministry of Social Security and Labour, conducted training courses in different regions of .

Social workers from different institutions participated in training courses. According to the analysis made by the Ministry of Social Security and Labour, as can be seen from the Chart, employees from municipal social assistance divisions (44 per cent) and care institutions (34 per cent) formed the greatest part of the participants of the courses.

Training courses are partially financed from the state budget (the price of one module is 140 LTL. 100 LTL of that amount is covered by the state and 40 LTL - by the local-government or the participant himself). The number of the participants who attended the course at their own expense totalled 165.

According to the survey of the participants of training courses conducted by the Ministry of Social Security and Labour, as many as 47 per cent of the interviewed had not taken part in any course on professional training for social workers. In the opinion of teachers, 88 per cent of the participants had suffi-

### Individuals Who Attended Training Courses According to the Type of Institution They Work in

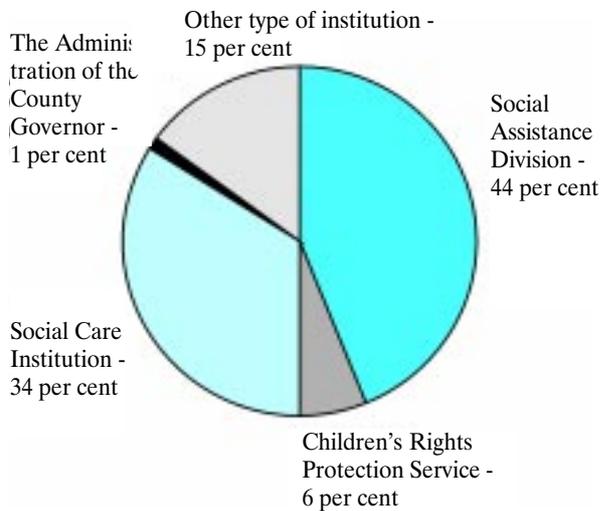


Chart 6.3.2-1

cient practical skills only. Social workers-practitioners took an active part in training courses (according to the survey of teachers - 68 per cent of the participants of the training course were active enough, 28 per cent - especially active and eager to learn).

During the first stage of certification of social workers it became clear that it was very important to conduct training courses. The fact that as many as 99 per cent of the participants assessed the use of the course positively confirms the importance of the training course for social workers practitioners.

In 2000 it is planned to further conduct the training course and to start the second stage of certification of social workers - to award every social worker-practitioner who has acquired necessary knowledge and skills with one of the five qualification categories.

Certification of social workers is expected not only to determine the improvement of the quality of social work and to increase the role of social workers in the society but also it will raise the possibility to accumulate the database of social workers and to analyse the needs for a further professional development of social workers and to work out the strat-

egy of their further improvement.

### Conclusions

*The system of social services was further developed in the direction of decentralisation and deinstitutionalisation. Special attention is being devoted to the improvement of the quality of social services and the increase in their efficiency.*

*The implementation of the programme for the Development of Social Service Infrastructure gave concrete results: institutions of the new type of social services have been established, non-governmental institutions have been involved in the provision of social services on a larger scale, quite a number of new jobs have been created. Costs of the provision of new non-residential social services are considerably lower than those of residential institutions.*

*On average funds in the municipal budgets allocated to social services account for about 2 per cent of the total municipal budget. Local governments direct half of these funds to the development of social services. However, the share of the funds allocated to non-residential social services is on the increase.*

*Local governments devote more and more attention to the provision of non-residential social services. Services provided at home are recognised as one of the most humane and most economical forms of social services. It is necessary to resolve problems of provision of services at home: to develop the organisational structure of institutions, to expand the circle of the recipients of services, to organise training courses for the home-helpers, to co-operate with other organisations and non-governmental organisations.*

*In ensuring the quality of social services qualifications of social workers and organisation of their activity are further improved. A list of positions of social workers has been prepared and approved, the activity of social workers has been regulated at health care institutions. Seeking to impart basic professional knowledge to the individuals who perform social work, to assess the current condition of social work and motivate the individuals engaged in that activity to further develop their professional qualifications, primary certification of social workers has been started since 1999 in accordance with the procedure established by the Ministry of Social Security and Labour.*

## 6.4. DRAFTING AND IMPLEMENTATION OF STATE SOCIAL PROGRAMMES FOR VICTIMS AND SOCIAL RISK GROUPS

The programme for Political Prisoners and Deportees and their Families Returning to Lithuania and Their Provision with Apartments and Employment (approved by the Government of the Republic of Lithuania by Resolution No. 19 of 11 January 1992 “Concerning Guidelines for the Activities of the Government of the Republic of Lithuania in the Area of Political Prisoners and Deportees and Their Families Returning to Lithuania and Their Provision with Apartment and Employment”) had been successfully implemented by 1999. The amount of the means allocated from all sources for building and purchasing flats totalled 21.1 million LTL

However, at the end of 1998 already it turned out that because of the economic situation that formed in the economy of the country it would be impossible to keep the previous level of financing of the above-mentioned programme. Though it was plan-

ned to allocate 12.5 million LTL, in adjusting the distributing of 1999 state investments the funds designated to the implementation of the programme were reduced many times and because the planned income into the state budget was not collected, actually only 2.6 million LTL was allocated to the execution of the programme in 1999, that is, eight times less than in 1998.

As can be seen from Table 6.4-1, from 1992 throughout 2000 the amount of 39.78 million LTL was allocated for the execution of the programme from the state budget and the Privatisation Foundation. In 1997-1998 the loan of 14 million LTL was received from the Council of Europe Social Development Fund (EC SDF). The total amount allocated to the programme within the said period equalled 53.78 million LTL.

These means were used to provide 1124 families with

Utilisation of Means for the Purchase or Construction of Flats for the Deportee Families in 1992-1999

Year	Number of registered families who wish to return to Lithuania	Means allocated	Flats allocated	Comments
1992	250	34,15 mln. rub.	95	...
1993	750	310 mln. tal.	101	...
1994	850	3,1 mln. Lt	110	...
1995	833	3,1 mln. Lt	112	...
1996	717	8,6 mln. Lt	146	Temporary accommodation post constructed
1997	656	8,122 mln. Lt	124	LR state budget
		4 mln. Lt	79	EC SDF loan
1998	654	11,33 mln. Lt	121	LR state budget
		10 mln. Lt	148	EC SDF loan
1999	710	2,63 mln. Lt	88	Means from the Privatisation Fund
	Total	53,78 mln.	1124	

Data of the Social Institutions' Supervision and Audit Department under the ministry of Social Security and Labour

Table 6.4-1

a dwelling. Besides, temporary dwellings (60 flats), as well as an eighty-place care home “The Deportees’ Home” were reconstructed and furnished.

At the beginning of 2000 there were 836 deportees on the municipal lists willing to return to Lithuania. However, with a marked annual decrease in the funds allocated for this purpose, it becomes more and more difficult to implement the objectives of the programme to help the deportees return to Lithuania.

On 25 October 1999 the Government of the Republic of Lithuania adopted Resolution No. 1179 “Concerning the Approval of the 1999-2003 Programme for Social Adaptation of the Convicted and Persons who have been Released from Places of Imprisonment, the Corrective Labour Colony, Social and Psychological Rehabilitation Institutions”. The objective of the Programme is to help the people who have been released from places of imprisonment to better adapt to the changing society, to create more possibilities for them to study and improve their qualification both at the imprisonment institutions and in freedom.

Due to a difficult financial situation in the country by resolution of the Government of the Republic of Lithuania this programme will be commenced to be implemented beginning with 2001 only.

On 6 September 1999 the Government of the Republic of Lithuania adopted Resolution No. 970 “Concerning the Approval of the 1999-2003 National Programme for Drug Control and Drug Addiction Prevention”. The Programme adopted provides for the measures formulating the policy of drug control and drug addiction prevention.

The Ministry of Social Security and Labour is obligated to formulate the policy of integrating drug addiction patients into the society.

Currently there is no consistent system in the country which would help the convalescent drug addiction patient to rehabilitate and integrate in the social life. Medical services are better developed than social ones, that is, patients are detoxicated and other medical services are rendered (though there is shortage of places in detoxication departments and drug addiction centres), however, later, after leaving the said institutions the patients are submitted to their fate and again take to old habits. Therefore, it is ex-

pedient to create the system (conception), coordinated among different interested departments, based on a foreign experience, which should provide for a consistent process of integrating drug addiction patients into the society. It is planned to formulate the conception of the integration of drug addiction patients into the society and submit it to the Government of the Republic of Lithuania in the second quarter of 2001. At the end of 1999 the Ministry of Social Security and Labour started preparing that conception.

Currently the number of places in two drug addiction rehabilitation communities totals 17 and the number of individuals on the record due to their dependence on illegal drugs accounts for 3 thousand in the country. In 1993-1994 drug addiction rehabilitation communities were set up at the AIDS Centre of Lithuania and Vilnius Drug Addiction Centre where long-term (8-14 months) social rehabilitation is carried out. Drug addiction rehabilitation communities are aimed at teaching drug addicts to live in the society without drugs and other intoxicating substances. Having completed the rehabilitation course drug addicts started to work in medical and rehabilitation institutions in the sphere of drug addiction prevention. The development of these rehabilitation programmes is restricted by both a lack of funds and trained personnel.

Thus, alcohol and drug dependant persons and their family members can rally in public organisations, societies and self-help clubs. Especially effective is the activity of the organisation “Vilties ėingsniai” (‘Steps of Hope’), which helps family members of alcoholics and drug addicts change their lifestyle and survive at the side of the person dependent on alcohol and drugs. Societies of Alcoholic Anonymous (AA) and Drug Addict Anonymous (DAA) function successfully in the sphere of integrating the patients.

### **Conclusions**

*The main problem related to the assistance provided to victims and social risk groups is the fact that due to a difficult financial situation in the country debts to the victims have not been covered or are being covered with a great delay (up to half a year). Due to that, payment of single benefits is delayed to injured soldiers volunteers and family members of the dead participants*

*of resistance movements. On account of the same reason the consideration of the law on the amendment of the Law on State Pensions providing for a differentiated award of state pensions to victims depending on the wrong experienced by each individual person, that is, taking into account the length and conditions of unlawful imprisonment has been postponed. The victims cannot psychologically accept the fact that the person who was forcefully deported to labour camps in Germany during World War II for the period of 2-3 months and the deportee or political prisoners, deported to the regions of the Far North and having spent there about 15 years receive the state pension of the victim of the same amount (currently constituting 138 LTL).*

*Due to limited financing possibilities the implementation of the programme of the deportees and political prisoners and their children families returning to Lithuania have almost stopped. 800 deportees, political prisoners and their children families wanted to return to Lithuania in 1999.*

*The beginning of carrying out the Programme for Social Adaptation of the Convicted and Persons who have been Released from Places of Imprisonment, the Corrective Labour Colony, Social and Psychological Rehabilitation Institutions in 1999-2003 approved by the Government of the Republic of Lithuania in October 1999, was transferred to the year 2001.*

## 6.5. SOCIAL INTEGRATION OF REFUGEES

On 4 July 1995 the Seimas of the Republic of Lithuania passed the Law on the Refugee Status in the Republic of Lithuania". The said law came into force on 27 July 1997 and at end of the same year the first foreigners were granted the status of the refugee. Compared to the experience of the European countries in this sphere, Lithuania is a novice in the sphere of the integration of refugees. Currently over 40 foreigners who came from Afghanistan, Georgia, Russia, Belarus, Nigeria and Somalia were granted the refugee status in Lithuania. Children constitute one third of the refugees.

After a foreigner has been granted the refugee status he is to be integrated into the society of Lithuania. Social integration of refugees is the process during which attempts are made to provide them with the possibilities of being integrated into the society of Lithuania and start living on their own. Main directions of social integration are providing the refugees with a place of living, organising their employment and education, and ensuring social care and health care, formation of a favourable public opinion.

Social integration of refugees is regulated by the Procedure for Social Integration of the Refugees approved by Resolution No. 239 of 26 February 1998 of the Government of the Republic of Lithuania.

Social integration of the refugees is organised and the activity of the institutions engaged in its implementation is co-ordinated by the Ministry of Social

Security and Labour.

The duration of social integration is 1.-1.5 years. The refugees who have no sufficient funds necessary for them to be integrated into the Lithuanian society on their own, may participate in the integration programme. According to this programme the refugees are granted a single lump-sum settlement benefit, a living place for them is found, assistance in finding a job is provided, courses in the Lithuanian language are conducted for them free of charge, the possibilities for their children to attend a kindergarten or school of general education are raised. Every month a family that does not have any sources of income is paid a monetary benefit of up to 90 per cent of the income financed by the state for the acquisition of the goods of utmost need. Moreover, the refugees are covered by the mandatory health insurance, which provides them with the possibility to receive health care services of all levels. One of the trends of social integration is the formation of a favourable public opinion on the issue of the refugees by maintaining constant contacts with the mass media, organising meetings with the employees and inhabitants of local-governments, political parties and public organisations, publishing information publications, organising conferences, seminars and other events.

The source of financing of the integration is the funds of the state budget of the Republic of Lithuania, also financial assistance provided by foreign states and

international organisations, the means of humanitarian aid funds established by natural and legal persons of Lithuania. In 1999 the amount of 742 thousand LTL was planned to be allocated from the state budget to the integration of the refugees.

**Conclusions**

*On 26 February 1998 the procedure for social integration of refugees was approved in Lithuania. The Ministry of Social Security and Labour co-ordinates this procedure. The refugees who have no means for their*

*integration into the society are provided with help and financial assistance (they are paid the benefit for settling down, provided with a dwelling space, help in finding employment, courses in the Lithuanian Language are organised for them free of charge, etc.). The means of the State budget of the Republic of Lithuania, as well as financial assistance provided by other states and international organisations, as well as the means of different humanitarian funds constitute the source of financing of social integration of refugees.*

## 7. EUROINTEGRATION AND INTERNATIONAL CO-OPERATION

*The international activity of the Ministry of Social Security and Labour is becoming more active with every year. This is determined by ever-closer relations with international organisations and direct involvement in their activity, development of the integration to EU increase in the number of social security agreements and the development of bilateral co-operation relations with the neighbouring countries. In the course of the year many important international events on the issues of the employment policy, the social dialogue, integration into the EU, equal opportunities, demographic problems, child and family, financing of social security and others, took place.*

*With migration between Lithuania and foreign countries extending, social security of the individuals moving from country to country acquires an ever-increasing significance. This security must be regulated by agreements, conventions. Interstate agreements on social security are principal documents in the sphere of labour and social policy, employment of migrant workers. In concluding agreements active work was carried out last year. Accession to the European Interim Agreements on Social Security was very important in defending social rights of the Lithuanian citizens.*

*In preparing for the EU membership the most significant event of the past year was the conclusions of the European Commission about Lithuania's progress and the invitation to start negotiations made at the EU Summit Meeting held in Helsinki on 6-7 December. This decision was adopted on the basis of the Annual Report about Lithuania's progress made in preparing for the EU membership for the period covering from 1998 until 1 July 1999. This sets new goals and increases the importance of integration. It became very important to correctly establish financial, human, material, intellectual costs of integration, to properly assess the resources necessary in seeking to harmonise national law with the EU requirements and ensure its implementation. The assessment of the consequences of integration is closely related to the preparation of the Lithuanian position papers concerning the EU membership.*

*The Ministry of Social Security and Labour heads two working groups for the negotiations, which work on position papers of "Free Movement of Persons" and "Social Policy and Employment". The formation of position papers and the assessment of integration consequences are necessary for the formulation of the rational economic policy and substantiation of planning work related to the preparation for the EU membership. Provision of information to business people and the public, elucidation of the positive sides of the EU integration and forecasting of negative consequences are also of significance.*

*Organising take-over of experience of foreign countries constitutes an important part of the activity of the International Affairs Department. This activity mainly consists of preparing terms of reference, planning and organising international conferences and seminars, drawing up and implementing international projects. Of late international projects have become an inseparable part of not only the International Affairs Department but also that of all the divisions of the Ministry. Implementation of the projects greatly contribute to both the development of improvement of the system of social security and at the same time to upgrading of qualifications and acquisition of experience of the people working on them. Highly qualified foreign and local experts give consultations and provide assistance in drawing up and amending laws, as well as in adapting them to the EU requirements, consolidating the institutional basis of the social sphere. In 1999, International Assistance Council and International Assistance Board were set up to co-ordinate international projects. These two permanently functioning structures helped systematise the whole activity related to the international projects, avoid overlapping and in essence improved the efficiency of this work.*

*Continuous development of international relations, the increase in the EU integration rate, as well as ratification of certain international documents planned to be carried out next year will increase the scope and responsibility of the Department.*

## 7.1. SIGNIFICANT INTERNATIONAL EVENTS IN 1999

In 1999, the Ministry of Social Security and Labour represented Lithuania in the events organised by the United Nations, the International Labour Organisation, the Council of Europe, the Baltic States Council of Ministers, the European Union, Sweden, Norway, Germany, Denmark and other countries. In 1999 important international events took place on the issues of social development and demographic problems, women's rights, children and family, the labour policy and the EU integration. The most significant of them were as follows: the Hague Forum, the Special Session of the United Nations, devoted to the discussion of economic and demographic changes, the conference "Women and Democracy on the Threshold of the New Millennium", the conference of Ministers of the Council of Europe on the family issues and the annual conference of the International Labour Organisation.

The Hague Forum took place in February. This international Forum was devoted to the monitoring of the implementation of the Action Programme on Population Social Development adopted at the Cairo Conference in 1994. The aim of this Action Plan, drawn up for the period of 20 years, was to assess demographic, economic and ecological changes taking place on the global scale, as well as their interrelation. Changes that took place in the course of five years and which had and still have effect on global changes, were assessed at the Forum:

- *the 1997 Asian financial crisis, the 1998 Russian financial crisis and the financial instability of the countries of Latin America; fallen prices of petroleum and its products on the world market; globalisation and the uncontrolled movement of capital; unbalanced production and consumer goods and their consumption;*
- *social instability and regional wars; global demographic changes (processes of ageing of European countries and a forecasted demographic explosion in Asia and the countries of the third world); growth in the incidents of HIV/AIDS cases.*

The Forum took the decision to further create a favourable environment in all the countries, which would allow to better implement the Action Programme: to improve the situation of women, to take care of reproductive health, family planning, sexual

health, to strengthen social partnership, mobilise and control the application of financial resources.

In June the Special Session of the General Assembly devoted to the discussion of the Action Programme adopted at the Cairo Conference was convened at the headquarters of the United Nations in New York. The aim of that session was to assess the changes that took place during the past five years and to review, as well as to adjust the general Action Plan. The Special Session of the General Assembly discussed the economic and demographic changes that have taken and are still taking place in the world countries, provided for the strategic guidelines in adjusting the Plan of Actions and Measures for 2000-2015.

The 26<sup>th</sup> Conference of Ministers of the Council of Europe devoted to the family issues "Creating the Children-friendly Environment" which was organised by the Council of Europe jointly with the Government of Sweden, was held in Stockholm in June. This choice of the theme was dictated by the implementation of the programme for children approved by the Council of Europe in 1998. The decision to draw up the joint programme of the Council of Europe on the issues of children was adopted following the 2<sup>nd</sup> meeting of the heads of Governments of the Council of Europe countries held in October 1997 where the family and children's rights were named as one of the priority spheres in co-operation among the EU countries. A joint communiqué was unanimously adopted at the session which accentuated that in seeking to create a children-friendly environment it is necessary to take into consideration three following problems:

- *the way in which family and children policies are interrelated, whether enough funds are allocated to the resolution of family and children's problems;*
- *whether equal conditions are being created both for the mother and father in combining family functions with the possibility to perform a paid job;*
- *whether conditions are created for children themselves to participate in solving their problems.*

The responsibility for the implementation of these issues first and foremost rests with the Governments, however, the society itself, as well as non-govern-

mental organisations play an important role too. The 27<sup>th</sup> Conference of Ministers on the family issues should be held in Slovenia (Blede) in 2001. The Conference will be devoted to the discussion of family and labour issues.

The Conference “Women and Democracy on the Threshold of the New Millennium” which was held in Iceland (Reykjavik) was both important and interesting. This Conference was the continuation of the conference “The Living Voices” held in July 1997 on the initiative of the USA and the European Union. It was aimed at strengthening the influence and role of women in creating democracy, improving the legislation of their country, consolidating economics, formulating the strategy of the policy. About 300 participants from Iceland, Norway, Sweden, Finland, Denmark, Lithuania, Latvia, Estonia, Russia and the United States of America took part in the conference. The third conference is planned to be held in Lithuania in 2001.

In January 2000, the first especially important meeting of the Minister of Social Affairs and Labour Irena

Degutienė with the EU Commissioner on Social Affairs and Employment A. Diamantopoulou and members of her Cabinet was held. During the meeting the Commissar expressed support of Lithuania’s aspiration to join the European Union.

According to the Commissioner, of late Lithuania has made great progress in its preparation for the EU accession, however, a lot of work is still to be done: it is necessary to approximate the economic stability, the administration reform and the approximation of *Acquis* (European Union law) into national law.

During the meeting Minister Irena Degutienė briefly characterised the achievements of the recent years within the EU integration process. She pointed out that approximation of the national law with the requirements of the European Union are further carried out. Special attention is being focused on the harmonisation of laws in the sphere of occupational health, safety at work and the labour law; great progress has been achieved in the sphere of equal opportunities.

## 7.2. THE COURSE OF INTEGRATION INTO THE EUROPEAN UNION

One of the basic events within the process of integration into the European Union was the Summit meeting of the European Union held in Helsinki on 6-7 December 1999. The Report of the European Commission on the progress made by the candidate states in preparing for the EU membership was approved at that meeting. The conclusions of the Com-

mission in which Lithuania’s particular progress in preparing for its membership in the European Union was also specified at the meeting; it was decided to start negotiations with the “second” group of candidate countries (Latvia, Lithuania, Malta, Slovakia, Belarus and Romania).

### 7.2.1. Bilateral Law Screening of the European Union and Lithuania

In March 1999, Lithuania started meetings of the second stage of bilateral analytic screening of the EU *Acquis*. Lithuania’s individual preparation for transposing separate parts of *Acquis* was presented, the condition of the legal basis of Lithuania, as a candidate state, was made clear, its administrative and institutional capabilities, essential problems which should be solved in improving Lithuania’s preparation for the EU membership were identified. The Ministry of Social Security and Labour participated in the meetings, which addressed the follow-

ing issues: “*Free Movement of Goods*”, “*The Economic and Fiscal Union*”, “*Free Movement of Persons*”, “*Environmental Protection*”, “*Social Policy and Employment*” and “*Freedom to Provide Services*”.

The Ministry of Social Security and Labour is directly responsible for two negotiable chapters - “*Free Movement of Persons*” and “*Social Policy and Employment*”.

At the meeting of “*Free Movement of Persons*” held in May 1999, the Commission took particular interest in the transposition of *Acquis* into the system of

the national law, technical preparation for the implementation of *Acquis* and the institutional structure. In the opinion of the Commission, the implementation of the provisions of this chapter will pose no essential problems, however, administrative capacities in Lithuania is a delicate and problematic sphere.

During the screening of the chapter “Social Policy and Employment”, which took place in June 1999, representatives of the Lithuanian delegation presented the compliance of the Lithuanian legal acts to the requirements of the European Union according to the themes of this chapter: the labour law, the social dialogue, equal opportunities, racism, employment and the European Social Fund, social security, public health, occupational health and safety at work.

A representative of the European Commission, in assessing the progress achieved, noted that too short terms had been established for the adoption of new laws and their implementation in Lithuania. It was proposed not to “compress” these terms, with the exception of the directives, which regulate administrative norms concerning the production of tobacco products. Speaking about the labour law, the importance of this sphere and the accurate transposition of the requirements of the directives into national laws were mentioned, the importance of the State Labour Inspectorate was emphasised and it was noted that its administrative capacities may lag behind the growing load of work.

### 7.2.2. Meeting of the Bilateral Subcommittee “Innovation (Social Affairs)”

In carrying out the European Agreement which establishes the association between the European Communities and their member states on one side, and Lithuania on the other, the second meeting of the Subcommittee “Innovation (Social Affairs)” was held in Vilnius on 8 October 1999. As the meeting was held following the meetings of law screening of “Social Policy and Employment” and “Free Movement of Persons”, changes that took place after the meetings of law screening were reviewed. Changes

that have taken place in the sphere of the labour market and employment, the budget of the social insurance fund, the labour law, occupational health and safety at work, co-ordination of social assistance and social security, were presented in more detail and the possibilities of PHARE-2000 technical assistance were reviewed. Representatives of the European Commission gave a positive assessment of Lithuania’s progress in the sphere of the social policy and employment.

### 7.2.3. Consolidated Plan of Priority Measures Enhancing Lithuania’s Preparation for the EU Membership for Quarters I and III of 1999

Taking into account the Report of the European Commission about the progress of Lithuania in its preparation for the membership in the European Union issued in November 1998, and emphasising further attempts of Lithuania made in this field, the Government of the Republic of Lithuania approved the consolidated plan of priority measures enhanc-

ing Lithuania’s preparation for the EU membership for quarters I-III of 1999 drawn up by the Committee of Europe at the Government of the Republic of Lithuania. This plan provided for the measures to be taken with respect to the observations made by the European Commission.

### 7.2.4. Programme of Lithuania’s Preparation for the EU Membership (NPAA)

In the spring of 1999 a new version of the National Programme for the Adoption of *Acquis* (NPAA) was started to be drawn up aimed at establishing the integration costs, that is, financial, human, material,

intellectual and other resources, which are necessary in seeking to harmonise the national law with the EU requirements and ensure its implementation. The programme covers the whole *Acquis*-EU law,

as well as the policy of different spheres, administrative capacities of the implementation of law, priorities of Lithuania's integration into the European Union.

The programme of Lithuania's preparation for the EU membership (NPAA) consists of the descriptive part and two annexes: the law approximation plan and *Acquis* implementation action plan, which are divided according to the corresponding *Acquis* sectors.

At the beginning of 2000 the European Commission provided observations concerning the Programme of Lithuania's Preparation for the EU Membership. In assessing the short-term priorities in the sphere of social security and labour, the Commission expressed the opinion that the priority given to the reform of the whole social security system is justified by the changes that have taken place in that sphere since 1990. The Programme of Lithuania's Preparation for the EU Membership reflects a further development of the legal bases of social security, as well as the development of institutional capacities showing the capacities of the institutions to fulfil the requirements set by the European Union law.

For the medium-term period (2001-2003) the Programme provides for further actions in reforming social insurance and employment (labour market institutions) and new initiatives of the development of the social dialogue. They are directed toward strengthening the legal bases of the social dialogue seeking to extend tripartite and bilateral agreements on employment guarantees and payment for work. There is no separate labour law department within the Programme of Lithuania's Preparation for the EU Membership, however, amendments of laws concerning the dismissal of a group of employees is included in the list of short-term actions in the part on Employment.

In the opinion of the Commission, the institutional development provided for in the Programme is defined and assessed for all spheres very well. The *Acquis* implementation Action Plan is detailed and indicates the need for legal, financial and human resources in each measure provided for.

The works conducted in accordance with the said programme are presented in Annexes (A.7.2.4-1 and A.7.2.4-2).

### 7.2.5. Report on Progress of Lithuania for July 1998-June 1999

In 1999, the Annual Report was prepared about Lithuania's progress in the preparation for the membership in the European Union for the period covering July 1998-June 1999. It analyses relations between the European Union and Lithuania observing the Copenhagen criteria and the priorities of the 1998 short-term Accession Partnership; presents and assesses the progress of Lithuania as of 1 July 1999; reviews the Programme of Lithuania's Preparation for the EU Membership (the new version of NPAA); presents statistical data, the survey of the implementation of NPAA and the Consolidated plan of priority measures, etc.

The Ministry of Social Security and Labour submitted to the European Commission at the Government of the Republic of Lithuania, which was responsible for preparing the said report, material about the social development in Lithuania, the labour market policy, the social security reform, social insurance and the provision of pensions, occupational safety

and health at work, the labour law, equal opportunities and free movement of the workers.

In October 1999, the European Commission, basing itself on the Report on Lithuania's progress, provided Lithuania with its annual regular statement about Lithuania's preparation for the membership in the European Union. In the opinion of the Commission, the whole implementation of *Acquis* is insufficiently ensured in the sphere of bilateral recognition of professional qualifications in the Chapter "Free Movements of Persons". Attention was paid to the implementation of the requirements of *Acquis* in that sector during a mid-term period.

***The Commission, in assessing the Chapter "Social Security and Employment" pointed to the following observations:***

- *basic Directive 89/391 on safety and health at work should be completely transposed into the national law;*
- *the State Labour Inspectorate still encounters certain problems related to the fact that it is difficult to*

attract highly qualified personnel;

- harmonisation of legal acts with the EU law should further be carried out paying attention to the creation of the system of informing and counselling the representatives of employees;
- Lithuania's possibilities to implement the adopted social part of Acquis still causes concern;
- to devote more attention to the social dialogue in developing the conclusion of bilateral collective contracts.

Taking into consideration the observations presented, the National Program for the Adoption of

Acquis for 2000 provides for the measures, which should help solve and implement the problems specified. **The main measures are as follows:**

- training of labour inspectors;
- preparation of the Labour Code by making use of the observations and advice of experts from the European Union and the International Labour Organisation;
- seminars and workshops on the issues of the social dialogue;
- improvement of state social insurance administration and others.

### 7.2.6. Preparation of Position Papers

In April 1999, 29 working groups were set up to prepare Lithuania's position papers in accordance with the chapters of the EU law. The Ministry of Social Security and Labour heads two negotiation work groups which prepare position papers of "Free Movement of Persons" and "The Social Policy and Employment".

As complicated and voluminous negotiation chapters of the EU law are devoted to these position papers, corresponding subgroups were set up.

**The work group of "Free Movement of Persons" is divided into three subgroups:**

- professional qualification and mutual recognition;
- the right of residence and visas.

- co-ordination of the social security systems and free movement of the labour force.

**The work group of the "Social Policy and Employment" is also divided into three subgroups:**

- social security and employment;
- occupational health and safety at work;
- public health.

In December 1999, the Ministry of Social Security and Labour prepared primary drafts of position papers. The position papers "Social Policy and Employment" and its explanatory note were updated in May 2000, because it is planned to start negotiations in this sphere in the second half of 2000.

### 7.2.7. Accession Partnership 1999

In December 1999, the European Commission approved the new Accession Partnership 1999 in which the immediate and short-term priorities for Lithuania were defined. The Accession partnership is a political document - the "homework" for Lithuania. In the sphere of employment and the social policy the European Commission set the following **short-term priorities (the year 2000):**

- to prepare the national employment strategy taking into account Lithuania's future participation in the employment strategy of Europe and the preparation of general reviews of employment;
- to support attempts of partners to increase capacities to develop and implement Acquis through the bilateral social dialogue, in particular.

**The following priorities were set for the medium-term period (2001-2003):**

- to harmonise national laws with the European union law in the spheres of occupational health and safety at work, the labour law, equal opportunities and public health.
- to strengthen corresponding administrative structures, including the administrative structures ensuring co-ordination of the systems of social security.

**The chapter "Free Movement of Persons" specifies the priority of the medium-term period - to complete the harmonisation of recognition of qualification professions and certificates transposing the requirements for citizenship and permanent place of residence into the legal acts being prepared.**

Only several priorities are specified in the Accession Partnership because this document is succinct enough. However, approximation of law and strengthening administrative capacities are carried

out in those spheres which are not included in priorities. These are spheres of the European Social Fund, social insurance, social assistance and the social dialogue.

### 7.2.8. Assessment of Consequences of Integration into the European Union

The necessity to assess consequences is closely related to the preparation of negotiation chapters concerning membership in the European Union and the provision of information to the public and business representatives, as well as to the formulation and implementation of the rational economic policy. The assessment of consequences is necessary in providing arguments to substantiate the transitional period within a specific chapter of the EU law and in motivating planning of works of preparing for the EU membership.

Questionnaires of the chapters “Social Policy and Employment” and “Free movement of Persons” were filled out in March 2000, on the basis of which a primary assessment of the consequences of Lithuania’s integration into the EU for the Lithuania’s economy and the society has been prepared. More thorough investigations should be carried out in assessing the consequences of implementing provisions of legal acts on some vocational health and safety at work.

## 7.3. INTERSTATE RELATIONS IN THE SPHERE OF LABOUR AND SOCIAL POLICY

Regulation of interstate relations in the sphere of labour and social policy plays a significant role in international co-operation. This issue is usually solved by means of international conventions and agreements on employment and social security for migrant workers.

**Many agreements were signed in 1999:**

- *The European Interim Agreements on Social Security and Protocols were ratified and came into force in Lithuania;*
- *Social Security Agreement with Belarus was signed and ratified;*
- *Social Security Agreement with the Czech Republic was signed and ratified;*
- *Agreements on Pension Security and Temporary Employment were signed with Russia;*
- *Agreement on the Exchange of Stagiaires was har-*

*monised with the Czech Republic;*

- *negotiations with Poland and Finland on drawing up social security agreements were started.*

Pursuant to the Constitution of the Republic of Lithuania, international agreements, which are ratified shall be the constituent part of the legal system of the Republic of Lithuania (the Constitution, Article 138). The Law on International Treaties of the Republic of Lithuania stipulates that implementation of international treaties is mandatory and the ratified agreements have priority over laws (Article 11 of the Law). Therefore, taking into account the role of international treaties in the legal system of the Republic of Lithuania, some of them are worth considering in more detail.

### 7.3.1. European Interim Agreements on Social Security

Since December 1, 1999, Lithuania has become a party of the European Interim Agreement on Social Security Schemes Relating to old Age, Invalidity and Survivors” (ETS 12) and the European Interim Agreement on Social Security other than Schemes for Old Age, Invalidity and Survivors (ETS 13), as

well as their Protocols (ETS 12A and ETS 13A). The Agreements are applied in granting old age, disability, and widow and orphans’ pensions, social pensions, sickness and maternity (paternity) benefits, and death grants. The said agreements are not applied to benefits payable under the Republic of

Lithuania Law on Social Insurance of Accidents at Work and Occupational Diseases, as this Law was adopted after the said Agreements had been enforced.

The said documents are open to member-states of the Council of Europe, they have been in force since December 11, 1953. They have been signed and ratified by 17 states: Ireland, United Kingdom, Belgium, Denmark, Greece, Italy, Island, Cyprus, Lithuania, Luxembourg, the Netherlands, Norway, France, Portugal, Turkey, Sweden, Germany. Lithuania is the first country among candidates to the European Union to have ratified the European Interim Agreements on Social Security.

Though the European Interim Agreements on Social Security are referred to as interim, they have been in force for 47 years already and still are of paramount importance. Their essence is that citizens of the states who are Parties to the Agreements acquire equal rights and obligations both by the national legal acts and bilateral social security agreements. This means that the European social security agreements eliminate discrimination of individuals by their citizenship.

Sometimes even in the most democratic states restrictions on the rights of foreign citizens are imposed. For example, German laws provide for the reduction of pensions sent abroad to foreigners. Assume that a husband and wife were granted old-age pensions of the same amount. The husband has a German citizenship, whereas his wife – a Lithuanian citizenship. They both move to live in Lithuania or any other country. In such a case the husband will further receive the entire pension, whereas his wife will be paid only 70 per cent of the awarded pension because she has no German citizenship. This provision shall no longer be valid because Germany, being a Party to these agreements, obligated itself to grant the Lithuanian citizens the same rights as its own citizens.

Laws on social security of Lithuania are quite tolerant to foreigners permanently residing in Lithuania. Only one document discriminates the rights of foreign citizens on the basis of citizenship. That Resolution provides for the payment of pensions to Lithuanian citizens only when a person becomes entitled to receive pension when residing abroad, for instance, having moved to live there at the age other than the

retirement age or the payment of a pension was terminated in accordance with former legislation. After Lithuania has become a Party to the European Interim Agreements on Social Security, the said resolution of the Government must also be applied to citizens of other countries who are Parties to these agreements, whose insurance record is sufficient to entitle them to pension under the laws of Lithuania, but who do not receive any pension because they are not Lithuanian citizens.

According to the laws of Lithuania, the rights of the officials of the interior, state security, national defence and the Prosecutor's Office to receive a pension depend on citizenship. This is natural because only Lithuanian citizens can become officers and soldiers. Therefore, European Interim Agreements on Social Security do not apply to such or similar types of payments. The same is to be said about I and II degree state pensions and pensions paid to the persons who suffered from occupants.

European Interim Agreements on Social Security are also applied to bilateral and multilateral international agreements of the undersigning Parties. From now, the agreements concluded by Parties to European Interim Agreements on Social Security shall also be applied to Lithuanian citizens migrating among the countries. .

In its turn, in its international agreements Lithuania must also guarantee the same rights for the citizens of the Parties as it does for its own citizens. So far, there have been no agreements with those countries. It is supposed that there will be no problems in this sphere since bilateral social security agreements concluded with the Czech Republic, Latvia, Estonia, Belarus, the Ukraine, and Russia guarantee the rights of the citizens of the third parties, as they are based on the social insurance rather than on citizenship.

Differently from the above-mentioned international agreements, legal acts of the European Union (Regulation 1408/71 EEB), regulating social security of migrant workers are not applied to the citizens of the third parties. However, lively discussions are being held to make the EU law applicable to the citizens of the third parties.

In becoming a Party to European Interim Agreements on Social Security, Lithuania has made its own

contribution to the European law. It should be noted that although Lithuania will accept any obligations in addition to those provided for in its legal acts (with the exception of pensions to foreigners under the

aforementioned Resolution of the Government of the Republic of Lithuania), it protects the rights of its citizens in the sphere of social security in those countries, which are Parties to the Agreements.

### 7.3.2. Bilateral Agreements on Social Security

In concluding bilateral agreements on social security, priorities are given to the countries between which there is marked bilateral migration of the population and the labour force. Lithuania has the greatest migration with its neighbouring countries Latvia,

Estonia, Poland and Belarus. Lithuania has concluded agreements on social security with some countries (see A.7.3.2-1). The new agreement between Lithuania and Belarus signed and in 1999 is of great importance.

#### 7.3.2.1. Agreement on Social Security between the Republic of Lithuania and the Republic of Belarus

This Agreement replaced the Agreement between the Republic of Lithuania and Belarus on the security of citizens' rights in the sphere of their provision with pensions, which was signed in 1994 and was in force for five years. The old Agreement was based on the so-called integration and territorial principle when one state recognises the record of insurance acquired in another country and in accordance with the laws of its country awards pensions and pays them from its own funds to persons residing on its territory. The new Agreement is based on the *pro rata* principle: the total work record acquired in both states is summed, however, only to become entitled to receiving a pension. Every country awards a pension for the length of service within it. The part of the pension due from the other country is forwarded (exported).

The *pro rata* principle stipulated in the new Lithuanian-Byelorussian agreement is more fair as in determining the amount of the pension the contributions paid in every country are taken into consideration. This principle prevails in the documents of the Council of Europe and those of the European Union. However, in applying this principle, particularly in the relations with Belarus and other countries, which are located on the territory of the former Soviet Union, serious problems are encountered.

The first, and probably the major problem, that the aforementioned agreement deals with, is the date of dividing the record of insurance and sharing the

record of insurance of the soviet era. The record acquired during the soviet period will play an important role both in determining the size of the pension for a specific person, and in the country's obligations assumed to pay pensions for that length of service. According to the Lithuanian-Byelorussian agreement, the accounting point of the insurance record acquired in the two sovereign states is January 1, 1992. This means that the insurance record acquired after that date shall be treated as either Lithuanian, or Byelorussian, for which every country will award and pay corresponding pensions. However, the country whose resident the person is at the time of applying for the pension, will pay for the insurance record acquired prior to the said date in Lithuania or Byelorussia, as well as in other countries located on the territory of the former Soviet Union. This has been decided so for the following reason: in case the insurance record has not been divided between the countries, both countries should have to award pensions for the same record of insurance. Furthermore, it would not be clear which country should award a pension for the length of service acquired, for example, in Russia, Kazakhstan, Georgia, etc. Pensions awarded prior to coming into force of the Agreement shall not be re-calculated. Providing the pension was awarded before 15 December 1999 (the date of coming into force of the Agreement), the whole length of service, irrespective of the country in which it was acquired, is deemed to

be acquired in that country in which the pension has been awarded.

Another problem is closely related to a different amount of pensions and the standard of living in the two countries. The average amount of a pension was approximately 5 times lower in Byelorussia than that in Lithuania in 1999 (the average pension in Belarus accounted for about 60 LTL). However, costs of living are considerably lower in Belarus too. A person receiving a Lithuanian pension can easily make a living in Belarus. The opposite is the case for a Lithuanian resident receiving a Byelorussian pension. Thus, a Lithuanian pension (the whole pension or part thereof) will probably remain more attractive to the residents of both countries for many years to come.

Principles of awarding and paying pensions provided for in this Agreement increase the responsibility of the present and future pensioners for the choice of

their place of residence. The resident of Belarus, wishing to make his home in Lithuania, will have to think and assume responsibility as to how he is going to make a living on his pension there (like Lithuanian pensioners wishing to take up their residence in, say, Germany, the USA, or other countries where life is quite expensive). Though Lithuanian citizens with the Lithuanian pension may find moving to Byelorussia attractive, the number of such emigrants is forecasted to be quite small.

The new Lithuanian - Byelorussian Agreement on Social Security encompasses not only pensions but also other types of social security benefits: benefits in the case of sickness, as well as maternity (paternity) benefits, payments in the cases of accidents at work and occupational diseases, unemployment benefits, death grants and family allowances.

### 7.3.2.2. Agreements with Other Countries

Problems, related to the division of the insurance record, are urgent for both currently valid agreements and the future ones. The date of signing the agreement is the main accounting point in the agreements with Latvia and Estonia. The state on the territory of which a corresponding person resided at the time of coming into force of the agreement shall assume the obligations to award pensions. As the size of pensions and the standard of living within the three Baltic States differ but insignificantly, the division of the length of service caused no serious consequences. It is planned to conclude a new Lithuanian-Ukrainian agreement, which would replace the agreement on the provision with pension, which has been in force since 1995. The agreement concluded with the Ukraine was based on the principle of integration, whereas the *pro rata* principle will provide a basis for the future agreement. Therefore, in concluding and implementing the agreement problems similar to those with Belarus will have to be addressed. The same applied to the relations with Russia. The agreement on social security based on the *pro rata* principle should replace the current agreement on the provision with pensions, which was concluded on the basis of the principle of integration as of 1 January 2005.

Relations with Byelorussia, Russia, and the Ukraine in the sphere of social security are regulated within two stages and by two types of agreements. The first stage should be deemed as the transitional one (lasting for about 5 years) during which relations are governed by the agreements based on the principle of integration. The reason for doing that is the following: after Lithuania has re-established its independence, migration of the population from Lithuania to the said countries was considerably larger than that from those countries to Lithuania. In case the *pro rata* principle had been applied Lithuania would have suffered large expenses. On the other hand, institutions of the said countries were not ready to apply this principle. With the migration of the population decreasing and its balance being recovered the second stage is entered into, which is marked by concluding new long-term agreements based on the *pro rata* principle and the principles of the European law.

Agreements on social security that have been and are being concluded with other countries (Latvia, Estonia, the Czech Republic, Poland, and Finland) are also based on the *pro rata* principle.

### 7.3.2.3. Preparation for the Application of the European Social Security CO-Ordination Rules

*The principle of free movement of persons valid in the European Union creates the possibility for the EU citizens to move freely (for the purpose of working, studying or residing) from one EU country to another. The EU citizens have the right to reside and vote on the territory of another member state. Employees have the right to freely find employment on the territory of the European Community, their diplomas and profes-*

*sional qualification is bilaterally recognised, they have free access to information about vacancies and living and working conditions in other EU countries. In ensuring the possibility of individuals and their dependants to move from one country of the European Community to another, reservation of rights to social security is of paramount importance.*

After Lithuania has become a member of the European Union, social security of migrant workers shall be regulated not only by the undersigned bilateral agreements on social security, but also by international multilateral treaties – Council Regulation (EEC) 1408/71 on the Application of Social Security Schemes to Employed persons, to Self-employed Persons and to Members of their Families Moving within the Community and Regulation (EEC) 574/72 laying down the Procedure for Implementing Regulation No. 1408/71. The implementation of the rules established in the said regulations is usually called social security co-ordination. The Regulations are documents of a large scope, which provide for complicated procedures. On the issues of their application the European Commission has adopted 100 decisions and, the Court of Justice of the European Community has investigated over 350 cases. Soon after Lithuania has become a member of the European Union it will have to apply these Regulations. Therefore it is very important to become acquainted with the provisions of the Regulations and the amendments made in advance, to prepare annexes to the regulations which would specify exceptions relating to the application of the provisions of the regulations to Lithuania. Furthermore, it is important to decide as soon as possible what institutions will be responsible for the application of the Regulations and to strengthen administrative capabilities of the personnel. During bilateral screening that took place in 1999, the European Commission emphasised the importance of strengthening administra-

tive capabilities in preparing for co-ordination of the systems of social security.

In implementing the Regulations in Lithuania, the heaviest burden will fall on SODRA, and Lithuanian Labour Exchange and the State Patients' Fund. Such a department - the Department of Foreign Pensions - has already been functioning within SODRA since 1 July 1999. Currently administration of bilateral agreements on social security and European Interim Agreements on Social Security is commissioned to this Department, however, the personnel will have to gradually familiarise itself with the procedures for awarding and calculating pensions and other social benefits, as well as settling accounts with other countries specified in the Regulations. Departments responsible for the implementation of the Regulations will have to be appointed within the Labour Exchange and the Patients' Fund. Thus far it has not been clear what central institution will be responsible for administration of family benefits provided for in the Regulations: it is possible that some Centre for Social Assistance in the city or the Ministry of Social Security and Labour will be authorised to do that.

All the Eastern and Central European countries devote great attention to their preparation for co-ordinating the systems of social security. In Lithuania, information material on Social Security is being prepared. In 1999, with the help of experts, the Manual on European and International Social Security Law was prepared in the Lithuanian language,

which presented the basic principles of European and international social security law. This Manual was published and distributed among different responsible institutions in 2000. The Department of International Co-operation of the Ministry of Social Security and Labour prepared the draft of the brochure “Free Movement of Persons” in which the possibility of free movement of citizens (to work, study, live) from one country of the European Community to another is described and explained. It is especially important to make a detailed analysis of the consequences of free movement of persons, taking into account possible changes in the common market, migration balance, etc. The main problem related to the issues of social security co-ordination is payment for treatment abroad.

In 1999, Max Plank Institute in Germany prepared proposals for the preparation to apply the Regulations in Lithuania. ***In the opinion of foreign experts, in preparing to apply European social security co-ordination rules, the following should be done in the future:***

- *co-ordination subdivisions of implementing institutions should be strengthened; a small group of Lithuanian specialists, which would specialise in the issues*

- of social security co-ordination, should be set up;*

- *a centre of documentation in which foreign experts could work, should be established;*

- *training courses of different levels in social security co-ordination for implementing institutions should be organised;*

- *permanent studies in European and international social security law at University should be ensured;*

- *close co-operation with specialists from the EU countries, Central and Eastern European countries, as well as the European Commission should be maintained.*

The development of personal skills is very important: knowledge of languages and specific terminology, the policy on different migrant groups, the fundamentals of public administration. The implementation of a long-term strategic action programme drawn up by experts would preliminary cost 410 thousand Euros per year, additionally allocating 180 thousand Euros for training at different levels. Thus far these funds have not been provided yet though similar programmes of preparation are already being implemented in some of the countries.

## 7.4. REPRESENTING LITHUANIA IN THE INTERNATIONAL LABOUR ORGANISATION (ILO)

By Resolution of the Government of the Republic of Lithuania approved on 3 November 1994, the Ministry of Social Security and Labour has been obligated to represent the Government of the Republic of Lithuania in the relations with the International Labour Organisation.

The Ministry regularly prepares and submits reports on the application of the International Labour Or-

ganisation conventions ratified in Lithuania, other necessary information, analyses the prospects of ratification of non-ratified conventions, takes part in the ILO conferences, and since 1999 has participated in the sessions of the Governing Bodies of the International Labour Organisation, co-ordinates technical assistance provided by the ILO.

### 7.4.1. The 87<sup>th</sup> Session of the International Labour Conference

In June 1999 the International Conference of the International Labour Organisation was held in Geneva. Alongside regular issues, at the proposal of the Governing Body of the ILO, the following items were put on the agenda of session - the consideration of the report of the Director General of the ILO,

the issues of the budget, finances and the application of the international labour standards:

- *child labour (second discussion);*

- *revision of Convention 103 and Recommendation 95 on Maternity protection (first discussion);*

- *the role of the International Labour Organisation*

*in technical co-operation (general discussion).*

The Conference by roll call unanimously adopted the Convention and the Recommendation concerning the Prohibition and immediate Action for the Elimination of the Worst Forms of Child Labour. The aim of both newly adopted documents is to draw attention to the unacceptable forms of children's labour in the world and to encourage taking urgent and effective measures as soon as possible to prohibit and abolish such labour. It was underlined that the elimination of unacceptable children's labour must become the priority in both national and international actions of every country.

Elections to the Governing Body - the executive council of the International Labour Office - for the term 1999-2002 were held during the session. Upon agreement of the central and Eastern Europe regional group Lithuania's candidature was proposed to the Government Group of the Governing Body. Lithuania by the delegates of the Conference - the Government's representatives - was for the first time elected as Government Group Deputy member of the GB of the ILO for the period 1999-2002.

The regional group of Central and Eastern Europe elected Lithuania as a co-ordinator of the group for a one-year term.

During the Conference different meetings of members of the delegation representing the Government with the representatives of other countries were held.

A meeting was held with the Minister of Labour and Social Policy of Poland Mr. Komolowski and Vice Minister Mr. Boruta during which the support of-

ferred by Poland and co-operation with Lithuania on the issues of the social insurance reform and the creation of private pension funds were discussed. Also, information was exchanged about the priorities of both countries in the sphere of technical assistance provided by the International Labour Organisation.

During the meeting of the heads of the delegations of the three Baltic States - Ministers and Vice Ministers of Social Security and Labour - the following issues were addressed: the development of tripartite partnership in every country; issues of the social insurance budget common to the three countries; problems of employment caused by the Russian crisis. It was decided to closer co-operate in the following spheres: free movement of persons; the preparation to make use of the structural funds of the European Union, the means of the Social Fund of Europe in particular; in preparing joint projects of technical assistance provided by the European Union and the International Labour Organisation.

Also, the meeting of the countries of Central and Eastern Europe regarding co-operation in the sphere of technical assistance in the preparation for the membership in the European Union took place at the session. Participating in the meeting were top officials of the International Labour Organisation and the heads of the delegations of the countries of the region. The participants of the meeting decided to further enhance co-operation between the countries in the sphere of technical assistance by establishing priorities in the region.

#### **7.4.2. 276<sup>th</sup> Session of the Governing Body of the International Labour Organisation**

During the session held in November 1999, the activity of the International Labour Organisation during the past six months was considered, its policy in the following spheres was reviewed:

- *principles of the formation of the ILO budget taking into account four strategic objectives of the Organisation (ensuring basic principles and rights at work; creation of equal opportunities for men and women to work and earn equal salaries; guarantee of social security; enhancement of the social dialogue);*

- *the personnel issues;*
- *restructuring of the organisation.*

Representatives of Lithuania worked in the following committees: Legal Affairs and International Labour Standards; Technical Co-operation; Programme, Financial and Administrative; Employment Policy; Technical and Sectoral Meetings (this Committee was headed by a Lithuanian representative).

### 7.4.3. Application of the International Labour Standards

Upon the recommendation of the International Labour Organisation, 10 detailed reports about the application of international labour standards in different spheres such as labour inspection, women's night work, forced labour, personal documents of seafarers and their medical check-up, non-discrimination principles, etc. were prepared in 1999. Three simplified reports on the application of these ratified Conventions were prepared: on the right to unite into associations, on the maximum weight permissible for one worker, on rehabilitation of the disabled people.

At the meeting held in December 1999, the Standing Commission on Tripartite Consultations for the

implementation of the international labour standards functioning at the Tripartite Council of the Republic of Lithuania considered Worst Forms of Convention 182, 1999, as well as the need to ratify Employment Policy Convention No. 122, 1964. It was proposed to make a more thorough analysis of the regulations of the Conventions, to provide for concrete measures, which should be taken before ratifying the Conventions and following their ratification. It was decided to approve the ratification of Convention 182 after relevant measures have been taken in national practice and legislation.

### 7.4.4. Technical Assistance Provided by the International Labour Organisation

Seeking to increase the effectiveness of technical assistance, the International Labour Organisation made attempts to make clear the needs of every country, which is a member of the Organisation, and approximate them to the basic strategic objectives of the International Labour Organisation taking into account processes taking place in the country. With this end in view the Regional Director for Europe and Central Asia of the International Labour Organisation H. Sharrenbroich visited Lithuania at the beginning of 2000. During the visit he met with social partners,

specialists from the Ministry of Social Security and Labour, the State Labour Inspectorate and the Labour Market Training Service. During the meeting proposals for technical assistance, which were prepared in advance on the basis of the needs specified by the trade unions, the employers organisations and the Ministry of Social Security and Labour were discussed. Possible assistance in the spheres where it is most needed has been provided for, at the same time taking into account the goals set in the course of integration into the European Union.

## 7.5. INTERNATIONAL ASSISTANCE

The implementation of international projects is an important precondition for the development of the social security system. On account of these projects not only consultations of foreign experts are given but also the institutional base of Lithuania is consolidated, training of employees of institutions is conducted, the infrastructure of social services is strengthened, the system of the labour market is developed, the policy of occupational safety and health is implemented and different investigations are carried out. Broader experience of work on the projects, their better administration and co-ordination have positive effect on the results of the projects.

Seeking to ensure the efficiency and quality of the implementation of international social security and labour projects, the International Assistance Council (IAC) and the International Assistance Board (IAB) were established under the Ministry of Social Security and Labour in March 1999. The purpose of the establishment of these two structures is to improve co-ordination of international assistance, to exchange information on new projects and the projects, which are already being carried out. Main functions of the IAC are as follows: to approve the directions of technical assistance, to assess the results of completed projects, to maintain the integrity of the policy by providing proposals for the de-

velopment of projects and following their exact implementation. The International Assistance Board analyses the needs for technical assistance and provides proposals for the new projects, assesses the implementation of the projects, submits the directions of technical assistance to the International Assistance Council for approval. As every year, in 1999 the analysis was made of the efficiency and of technical assistance received by all the ministerial institutions and the institutions subordinate to the Ministry. Also, the analysis of the new needs for such assistance was made. The International Assistance Council, headed by Minister Irena Degutienė, approved the priorities of the Ministry of Social Security and Labour in the sphere of international assistance for the year 2000.

The discussion of the international projects and new priorities in the sphere of technical assistance was organised with the representatives of foreign embassies and international organisations residing in Lithuania. This meeting-discussion took place in December 1999 at the Ministry of Social Security and Labour. During the meeting bilateral and multilateral international technical assistance provided to the MSSL and its subordinate institutions, main sources of the financing of the project, the project results were discussed and the assistance in the process of EU integration, as well as the new needs for technical assistance were reviewed. .

**Main financing sources and the partners:**

- *European Union PHARE and PHARE Consensus programmes;*
- *The United Nations Development Programme (UNDP);*
- *The World Bank;*
- *The Development Bank under the Council of Europe*
- *The Swedish Government (through SIDA – Swedish International Development Agency); SAMHALL (Swedish Organisation for the Rehabilitation of the Disabled), Stockholm University;*
- *the Swedish National Board of Occupational Safety and Health;*
- *The Danish Government: the Ministry of Labour, the Ministry of Social Affairs;*
- *The Dutch Government: the Ministry of Social Affairs and Employment;*

○ *The Norwegian Government: FAFO (Norwegian Institute for Applied Social Science)*

**EU Technical Assistance**

At the end of 1999, the Consensus II programme completed its activity. It was PHARE programme aimed at providing concrete and efficient assistance to the countries of Central and Eastern Europe to reform the systems of social security. The main goal of the programme was to create an effective system of social security, which would contribute to the development of microeconomics, a social and political stability and would help the countries prepare for the accession to the European Union. The Division of Project Assessment of the European Commission and the final Report of the Consensus II programme show that Consensus II was a successful programme and the indicator of its unused funds amounted to as little as 3 per cent. Despite this fact the European Commission decided not to carry out a similar programme in the future and to start the “twinning” programme Consensus III. The Ministry of Social Security and Labour prepared a draft proposal for this programme devoted to the rationalisation of the system of social assistance in cash and benefits. The European Commission decided to finance this proposal and it is planned to start implementing the project in the second half of 2000 according to the principles of the “twinning” project. The implementation of the project will last for two years. It is planned to review the system of payments in cash, to assess the effectiveness of the system of payment administration and the improvement of the whole system of payments.

**Consensus II Programme**

In the course of the year both bilateral and multilateral projects were carried out. Lithuania carried out the following bilateral projects:

**The Project for the Strategy of the Development of Social Services.** Recently, with a shortage of funds in the budget, the maintenance of care institutions has become a heavy burden for our country. The appearance of the new forms of care provision, as well as care providers could alleviate the situation. Therefore one of the main objectives of this project was to work out the strategy of the development of social services enabling the new model of the provision of

services to be created. At the end of the implementation of the project this strategy was worked out. It prescribes that not only state care institutions but also private and non-governmental care institutions will be able to provide services in the future.

***The Project for Teaching of International Accounting Standards*** was aimed at teaching the employees of SODRA to work in accordance with the international accounting standards valid in the European Union. During the implementation of the project the system of implementing the international accounting standards was prepared and tested in one of the territorial SODRA divisions. This system will be applied in other SODRA divisions as well. This will increase the efficiency of the social insurance system in Lithuania.

***The Project for Identification of Regions by the Aggregated Indexes of Their Social-Economic Development Level for Improvement of Social Security of the Country's Inhabitants***

As the social-economic situation in different regions of Lithuania varies, the need to purposively plan and implement the policy of social assistance was created. To show differences in the regional social-economic development corresponding indicators were established in the course of carrying out the project. By means of these indicators it became possible to carry out the social policy taking into account the peculiarities of the regions in the country.

In 1999, Lithuania participated in carrying out the following multilateral projects:

***The Project for Monitoring of the Development of the Social Security Reform in the Countries of Central and Eastern Europe (the second part of the project)***

This was the continuation of the 1997 project devoted to twelve countries of Central and Eastern Europe. The project was aimed at enhancing social security reforms taking place in the countries of Central and Eastern Europe, exchanging information about them and facilitating the process of accession of those countries to the European Union. The second part of the project analysed laws related to injuries at work, short-term payments in cash, family and social assistance benefits. At the end of the project a Review of the National Social Security

Reform was prepared for Lithuania, like for any other country of Central and Eastern Europe.

***The Project for Detailed Planning and Preparation for the Implementation of the European Community Co-ordination Rules.***

First of all institutional capacities of five countries of Central and Eastern Europe to implement the EU co-ordination rules in the sphere of social security were assessed according to this project. As a consequence of this assessment, long-term action programmes to help candidate countries implement those rules and strengthen their institutions in the future were prepared.

***The Project for Strengthening the Information Strategy of the Interinstitutional Reform Commission.***

According to this project, activities related to the capacities of the employees of the Ministry to inform the society of the results of their work were carried out.

Dissemination of information through the Internet was accentuated as one of the basic measures of the provision of information to the public. Therefore, the web site of the Ministry was updated by presenting a concise information about the social security reform and the integration into the European Union.

Direct relations with the representatives of the mass media were extended. A seminar was held for the representatives of Marijampolė regional press and the employees of the Ministry, which helped better understand difficulties in presenting the themes of social security in the regional press. Besides, training was organised for the executives of the Ministry on the issues of the provision of information and the pilot statistical bulletin was published.

***PHARE programme***

According to PHARE programme the following projects were implemented in 1999:

***The Project for Tripartite Development of Local Employment Initiatives at Local Level*** was aimed at testing the new form of enhancing employment in Lithuania - the tripartite development of local employment initiatives at the local level. The implementation of the project was carried out in the following directions:

○ *improvement of capacities of the Ministry of So-*

*cial Security and Labour; the National Labour Exchange and their partners in seeking to look for more exact solutions of the problems of the local labour exchange and the active employment policy;*

○ *support of employment initiatives in Lithuania's preparation to solve issues of the local and regional development with the help of the Structural Funds of the European Union.*

In the course of the implementation of the project 9 projects of employment initiatives at a local level were carried out in the regions of Marijampolė, Varėna, Druskininkai and Alytus. On the basis of the results of these projects, recommendations for carrying out employment initiatives at a local level were prepared and the information bulletin about local employment initiatives was issued. Information seminar about the structural funds of the European Union and the perspectives of applying them in Lithuania was held for the representatives of the labour market institutions. This project was completed in November 1999.

***The project for the Institutional Development of the National Labour Inspectorate*** was started in the first half of 1998 and completed in August 1999. It was aimed at strengthening institutional capacities of the NLI in enhancing the process of integration and developing a proper training strategy for the NLI personnel. The following results of the project deserve mention:

○ *the capabilities of the NLI in the Central Inspectorate and ten offices of local inspectorate have been strengthened;*

○ *the Information Centre for Occupational Safety and Health has been set up at the Ministry of Social Security and Labour and the staff of the Centre has been trained.*

○ *22 recommendations to improve the methodology of inspection, study and law implementation have been prepared;*

○ *four training modules of inspectors' work used for training the trainees of inspectors have been prepared;*

***The Project for Support to Approximation Legislation in Occupational Safety and Health with the EU Legal Acts*** was started in the first half of 1998 and was completed in May 1998. Its aim was as follows:

○ *to transpose framework Directive 89/391 and 14*

*separate directives into national laws;*

○ *to take measures necessary to strengthen the independence of the National Labour Inspectorate as an institution.;*

The following results of the project have been achieved:

○ *two draft laws on occupational safety and health were prepared into which four large EU Directives were exactly transposed. The analysis of possible application of these laws in Lithuania was prepared;*

○ *seeking to assess the effect of the application of the principles of the EU framework Directive in the sphere of occupational safety and health, the methodology for making the expenditure-usefulness analysis according to the present data was prepared;*

○ *a visit of the employees of the Ministry of Social Security and Labour, the National Labour Inspectorate and the representatives of the trade unions and employers organisations participating in the work of the Tripartite Commission on Safety at Work to the Health and Safety institution in Ireland was organised. During the visit the possibilities of co-operation between the social partners in solving the problems of occupational safety and health were clearly demonstrated.*

***The Project to European Integration in Lithuania (PHARE SEIL).*** This is a project for the whole of Lithuania the objective of which is technical assistance and training provided to state institutions participating in the process of accession to the European Union. The European Committee at the Government of the Republic of Lithuania is directly responsible for the implementation of this project, and different ministries could submit proposals for the implementation of small-scale projects. The Ministry of Social Security and Labour proposed three themes for the project: support of the labour law approximation, support to further development of the social dialogue and support in preparing the action plan to ensure a free movement of the labour force.

EU experts together with the specialists from the International Labour Organisation assessed the compliance of the draft Labour Code to the EU Directives and the ILO Conventions. The primary draft of the Labour Code prepared by the work group was translated into the English language and submitted to experts for assessment. Their observations and remarks presented by the representatives of the

trade unions and employer organisations were considered within the group of preparing the Labour Code in the presence of experts in September 1999. Later a tripartite seminar “Regulation of Labour Relations by International Legislation and the Labour Legislation Reform in Lithuania” was held. This is an exceptional case when three “parties” - Lithuania, the European Union and the International Labour Organisation - sat down together “at the table” and considered one of our most important national laws - the draft Labour Code. Members of the group of preparing the Labour Code helped by the ILO visited Budapest where they got acquainted with the Hungarian experience in preparing similar legal acts.

In the sphere of the social dialogue the current institutional situation was reviewed and the technical task “Support to further development and strengthening of social dialogue in Lithuania” was prepared, which provided for the following activities that have already been started - seminars “A Tripartite Social Dialogue”, “Bilateral Collective Negotiations”, “Information and Consultation of Employees”, training of negotiation skills conducted by the social partners, support in the implementation of the EU Directive on the Establishment of the Work Councils.

In implementing the subproject of free movement of workers, the analysis of the compliance of national legal acts to the EU law in the sphere of free movement of the labour force was made and the strategic plan of further actions was prepared. The action plan presented institutional-administrative measures and measures of law approximation, which are to be implemented before the day of Lithuania’s accession to the European Union, proposed exact terms of their implementation and defined institutions responsible for the accession. Alongside the said implementation of the projects, activities of preparing for new projects of PHARE programmes were carried out. *Terms of Reference for three components of PHARE programme for 1998 were prepared:*

○ *the Development of the Integrated Information Technology System for SODRA (IITS) which aims at the enhancing of institutional capabilities of SODRA in the implementation of social security laws and effective administration of the social insurance;*

○ *Establishment of a Monitoring Unit to Oversee Development of an Integrated Information Technology System in SODRA aimed at ensuring that the development of SODRA IITS should be carried out in compliance with the requirements set;*

○ *Integration Activity Strengthening and Support to MSSL and Occupational Safety and Health. The project aims at creating the management system of technical assistance projects, creating conditions for the effective adaptation of assistance rendered to the strategic objectives, to enhance the capabilities of the Ministry of Social Security and Labour in the sphere of integration and to improve the system of personal protection equipment in the sphere of occupational health and safety at work.*

At the end of 1999, the international tender was organised on the basis of the Terms of Reference tasks prepared. The United Kingdom Company Pricewaterhouse Coopers will carry out the development of the Integrated Information Technology System (IITS) for SODRA. Experts from Austrian Company Finanzakademie will work in the Monitoring Unit and the United Kingdom Company Birks Sinclair & Associates Ltd. will assist in strengthening the integration activity of the Ministry of Social Security and Labour.

Furthermore, in 1999 the preparation for the new PHARE project in the sphere of further approximation of legislation in Occupational Safety and Health (OSH) with the EU legal acts was carried out. This project is intended for the Ministry of Social Security and Labour and the Ministry of Health and will be carried out on the principle of the “twinning” project. At the end of the year the selection of “twins” was made according to the proposals put forward by the member states of the European Union on the implementation of the project. Lithuania chose Germany and France. During the implementation of the project it is planned to further improve the legal and institutional basis of occupational safety and health in Lithuania, to organise training, extend and improve information systems of the State Labour Inspectorate and the National Public Health Centre.

In July-September 1999, two independent experts from the European Union assessed PHARE 1995 and 1996 programmes. Only Lithuania and Slovakia were chosen for the assessment.

The experts were interested in the efficiency of PHARE programmes in the sphere of the Lithuanian Labour Market and social insurance reform, therefore, they visited both the territorial divisions of SODRA, which received PHARE assistance and those regions in which projects of the Development of Tripartite Employment Initiatives at a Local Level were carried out. The assessment results will be announced in the first half of 2000.

In co-operation with the International Labour Organisation, a further preparation of the model of the social budget was carried on. The model of the social budget was prepared and presented to specialists. The model will make it possible to forecast the social budget till 2020.

### ***The World Bank***

The Ministry of Social Security Labour is successfully implementing the project financed by the World Bank - ***Project of Social Policy and Community Social Services Development***. This project was commenced in 1996 after the loan from the World Bank has been received. During the project implementation period, 12 social services and training centres have been established in Vilnius, Svenčionys, Molėtai and, Utena and Anykščiai regions. These centres provide services to 1600 people. For example, in Anykščiai, 43 children from the age of 4 to 28 attend the Children and Youth Training Centre for Mentally Disabled: 90 per cent of children lived with their parents before being admitted to the Centre, 10 per cent of children lived with their relatives, 20 per cent of all the children residing at the Centre at some or other time of their life were inmates of close institutions. All the children, with the exception of one child, suffer from the symptom of autism and/or other mental disorders. In the opinion of the personnel of the Centre, 14 per cent of children fall under the category of those "risking to become inmates of long-term care institutions". If these children were not offered to attend the Centre, they would sooner or later be placed with long-term care institutions. Therefore, one can state that the Centre barred the way to 14 per cent of children who attend it to being placed within long-term care institutions. According to subjective assessment of the personnel, the work performed by the Centre contributed to the improvement of the living conditions of these children.

Two centres of social services were opened in 1999: Vilnius Centre for Training of People with Mental Disorders and Vilnius Rehabilitation Service "Parama". These Centres provide services to 74 people.

In implementing the project for Social Policy and Community Social Services, training of the employees of the newly established centres was further organised. The training programme was called "Courses for the Welfare of Children". The duration of the programme is 10 weeks. Lecturers from the Social Labour Department of Vilnius University and the Social Labour School of Stockholm University read lectures and conducted seminars. It is planned to carry on the project in 2000 too.

### ***Development Bank of the Council of Europe***

The Ministry of Social Security and Labour so far has been the only institution in Lithuania, which carries out projects together with the EU Development Bank. Two projects financed from the loans of the EU Development Bank (earlier called the Council of Europe Development Fund) were being implemented in 1999.

The Development Bank of the Council of Europe started to grant loans to ***the Project for Social Service Infrastructure Development*** in 1999. In the course of the project implementation it is planned to finance 10 social services centres, to create 289 new jobs and provide 587 clients of the centres with social services. In 1999 Jurbarkas Centre for Young People with Mental Disabilities, Klaipėda Centre for old and disabled people, Kaunas Children Crisis and Rehabilitation Centre, Markučiai Day Care Centre for Mentally Disabled, Vilnius Centre for Manufactural facilities for Mentally Disabled were started to be reconstructed.

### ***The Project for the Provision of Dwelling to Ex-Deportees***

was started to be implemented in 1996 after the loan agreement with Council of Europe Social Development Fund has been signed. 929 families of deportees had been provided with dwelling and 75 deportees had been accommodated in the reconstructed Home for Deportees by 1 January 2000. In the course of the implementation of the project it is planned to provide about 2000 families of deportees with dwelling by 2003.

### ***The United Nations Development Programme***

The United Nations Development programme (UNDP) is the main source of technical assistance provided by the United Nations to support social development. Due to this programme quite a number of projects are being implemented in the social sphere in Lithuania: Social Policy Unit has been set up, Human Development Report in Lithuania is published annually. Two UNDP projects are being implemented directly through the Ministry of Social Security and Labour.

Main partners of the ***Project “Social Policy Monitoring and Evaluation”*** are the Ministry of Social Affairs and Employment of the Netherlands and Maastricht University. Owing to this project close relations have been established with the corresponding Ministry in Holland. In 1999 the Secretary General of this Ministry R. Gerritse visited Lithuania and shared experience about the importance of social researches and their organisation in the Netherlands, at the seminar “The Strategy of Social Researches” held in Vilnius.

One of the basic results of the project is the preparation of the annual Social Report of the Ministry of Social Security and Labour - the Social Report - which has become a tradition already and whose publication is financed by the Government of the Netherlands. The preparation of this Report embraces not only meetings of the working group of the MSSL but also working seminars and discussions about the priorities of the social policy, monitoring, the Strategy of the Ministry of Social Security and Labour, etc. Several seminars and an international conference was organised on the issues of the preparation of the “Social Report – 1999”. Participating in the conference were groups of preparing the social report from Latvia, Moldova, and the Netherlands, as well as representatives from the Ministry of Social Affairs and Employment of the Netherlands, the Organisation of Economic Co-operation and Development (OECD), UNDP.

Seminars conducted by experts from the Dutch Ministry in the course of the implementation of the project on concluding bilateral social security agreements and the preparation of reports of the Social

Charter aroused great interest.

***The Project “Poverty Reduction”*** is being continued from 1997. Surveys about low-income persons were conducted at the initial stage of the project. Having summarised the social studies, a thorough study “Assessment and Elimination of Poverty” has been prepared. In pursuing the project, in 1999 the National Report on the Implementation of the Outcome of the World Summit for Social Development was prepared. The basic result of the project is the National Poverty Reduction Strategy, which the Minister of Social Security and Labour Irena Degutiene presented at the Special Session of the UN General Assembly in Geneva in July 2000.

### ***Denmark***

#### ***Sector Programme on the Labour market***

Based on the agreement between the Danish Minister of Labour and the Minister of Social Security and Labour of Lithuania the implementation of a ***Danish-Lithuanian Programme for Concerning Co-operation on the Labour Market Field*** started in 1999. The programme consists of 6 separate projects.

The goal of the ***first Policy Integration Project*** is to ensure integration between the labour market policy and other governmental policies. In the course of the project implementation the Lithuanian National Employment Action Plan was prepared which was planned to be presented in 2000.

As a consequence of the preparation of the ***second Institutional Strengthening Project*** the review of legal acts regulating the labour market and the review of responsibilities and functions being performed by the labour market institution, as well as primary recommendations to improve the system were made in 1999.

In the course of the ***third - the Mass Lay-offs Regulation Project*** - amendments of the Law on Support of the Unemployed were prepared taking into account the EU law and recommendations about the procedure for dismissal a group of employees.

By the ***fourth project*** it was planned to establish a Youth Labour Centre in Vilnius: such a centre was established in Vilnius in 1999.

The concept of the ***Improvement of Labour Market Professional Training Project*** lies in further development of the system of vocational training, which

would meet the needs of the Lithuanian labour market. On the basis of this project the draft of the curriculum was prepared within a year. This training programme will be amended and published in 2000.

The main result of the *sixth - Project on the Development of Information Strategies and Open placement* is to “The Manual of Information Strategy and Open Placement”, which presents a generalised material of the project, standards of information material, standards of information centres, methodological recommendations. The Manual is intended for consultants of the information centres of labour exchanges.

### ***Social Initiative Agreement***

In March 1999, the Agreement between the Danish Ministry of Foreign Affairs together with the Danish Ministry of Social Affairs and the Lithuanian Ministry of Social Security and Labour concerning the implementation of a social initiative in favour of socially endangered and/or excluded groups of people of Lithuania was signed in March 1999. By this Agreement the Parties seek to improve the situation of the people who have found themselves in a socially vulnerable situation and to bar the way to social exclusion. Four most vulnerable groups of people are distinguished:

- *children and young people who were left without sufficient care and attention;*
- *physically and mentally disabled persons;*
- *persons dependent on drugs, alcohol and prostitution;*
- *homeless, sick and elderly people.*

The Agreement stipulates that the Government of Denmark will support the projects submitted by non-governmental organisations, state institutions and agencies, which will comply with the objectives of the project. Taking into account this regulation and seeking to make use of the possibility to the maximum to help the afore-mentioned groups of people, the Ministry of Social Security and Labour through the means of the mass media announced the tender for submission of projects for the Social Initiative Programme. Various institutions announced 141 project. The projects have been handed over to the Embassy of the Danish Kingdom for a further review and selection. The implementation of the pro-

jects selected is expected to start in the second half of 2000.

### ***Baltic Region Sector Programme on Labour Market Policy***

The Ministry of Labour of Denmark initiated this programme in January 1999. According to this programme, the Danish Government finances the labour market projects, which comply with the established criteria and which at least three Baltic Sea regions expressed desire to participate: Denmark, Poland, Kaliningrad region, Lithuania, Latvia, Estonia, Leningrad region. In 1999, Lithuania prepared and submitted five projects. In 2000 the project “Regional Development and Employment” was approved (Lithuania, Poland and Denmark participate in this project). Projects presented for the Assessment of the Personnel of Employment Services, Decreasing the Youth Unemployment and Long-term Unemployment should be discussed in 2001 (Lithuania, Latvia and Denmark are interested to participate in the project).

### ***Sweden***

***The Project “Improvement of the Activities of the Lithuanian Labour Exchange”*** was financed by the Swedish Government. The Swedish National Labour Market Agency is the partner of the project. The project is aimed at developing the quality and effectiveness of the services of the Lithuanian Labour Exchange rendered to the unemployed and employers, to train the personnel to provide services to the disabled people, to increase the efficiency of the information system used in the labour exchange, to prepare the Lithuanian Labour Exchange for the integration into the EU labour market. In implementing the project consultations were held and seminars conducted in Regional Labour Exchanges of Klaipėda, Kaunas, Šakiai, Rokiškis for the employers on the issues of open information and direct provisions of services. The seminars were conducted on the issues of the creation of the model of the personnel training, support of equal opportunities at work. Consultations were held in creating the Lithuanian Labour Exchange on INTERNET. Labour exchanges of a Swedish type were created in Rokiškis, Kaunas, Šakiai, eight trainers were trained according to the programme “The Development of the Training Model for the Lithuanian Personnel”. In

1999, the Swedish International Development Agency invited specialists from the Lithuanian Labour Exchange to participate in a joint project in providing assistance to the employment services of Armenia.

*The Project "Rehabilitation of the Disabled in Lithuania"* was also financed by the Swedish Government. The partners of the project: Lithuanian Labour Market Training Authority and Swedish SAMHALL (Swedish Organisation for the Rehabilitation of the Disabled). The project is aimed at the development of a rehabilitation system for the disabled people, training of the disabled and professional rehabilitation. About 300 disabled individuals residing in the country were taught different professions (accounting, dressmaking, driving, etc). About 70 per cent of the people who acquired professions and requisite

skills were employed.

#### **Norway**

*The Project of the Study of Living Conditions.* With the financial assistance provided by the Norwegian Government and the Norwegian FAFO Institution, studies of living conditions are regularly organised in the Baltic States. The first study was conducted in 1990, the second - in 1994. In 1999 a third sociologic survey of living conditions was carried out. Survey made possible to assess changes in living conditions (economic conditions of households, income, working conditions, health, migration, etc.) in Lithuania. On the basis of the results obtained, a comparative study of living conditions in Lithuania, Latvia and Estonia will be prepared in 2000.

# 8. SOCIAL POLICY IMPLEMENTATION PROGRAMMES

*Two especially significant programmes were drawn up and being implemented in 1999: the Poverty Reduction Strategy and the Program of the International Year of Elderly People.*

*The most significant measures to reduce poverty in the country are provided for in the Poverty Reduction Strategy.*

*Following the decision of the United Nations, the year 1999 was declared the International Year of Elderly People. With this end in view a corresponding programme of actions intended for specifying and solving social problems of elderly people was approved and implemented.*

## 8.1. POVERTY REDUCTION STRATEGY AND ITS IMPLEMENTATION IN LITHUANIA

In March 1995, Lithuania signed the Copenhagen Declaration on Social Development thus recognising poverty as an acute social problem and obligating itself to regard poverty reducing as the priority of the social policy. In 1999, the Social Committee was set up in Lithuania to implement the provisions of the Copenhagen Declaration, which worked up the poverty reducing strategy of Lithuania - the document of the state significance in which main objec-

tives and aims of the national social policy in poverty reducing, as well as measures to implement them, have been formulated. It was worked out in co-operation with specialists from different spheres: economics, finance, education, health and social security. The Strategy is expected to mobilise efforts of the Lithuanian people, as well as the national resources in reducing poverty in the country.

### 8.1.1. Copenhagen Declaration on Social Development

At the end of the second millennium differences in the development of different countries became especially pronounced: economy of highly developed countries further rapidly developed, whereas underdeveloped countries failed to ensure sufficient rate of the economic development. The increase in social inequality was observed in almost all countries: one part of the society became more wealthy, and the other part - more impoverished. Currently all over the world over a billion people live in extreme poverty, more than 120 million people are officially unemployed. Poverty, unemployment and social exclusion<sup>1)</sup> often cause a sense of social insecurity and

uncertainty in the society, make people commit crimes, become alcohol and drug addicts, form a barrier to the development of a personality, and at the same time to the whole progress of the society.

On the way to the 21<sup>st</sup> century there appeared an urgent need to solve important social problems, those of poverty, unemployment and social exclusion, in particular, which are common to every country. Lithuania, undergoing essential economic, political and social changes, did not evade these problems either.

On the initiative of the United Nations the World

<sup>1)</sup> **social exclusion** is the situation when a person, due to his scarce resources (material, cultural, social) is unable to maintain usual social interaction, cannot participate in the activities, which are regarded as usual to other members of the society.

Summit Meeting was organised in Copenhagen in March 1995. The aim of the Summit was to remind the world of the importance of the social development and human welfare, to obligate and commission the Governments of the participating countries to solve poverty, unemployment and other important issues related to these phenomena.

At the meeting the countries signed the Copenhagen Declaration on Human Development (hereinafter referred to as the Copenhagen Declaration). President Algirdas Brazauskas signed the declaration on behalf of Lithuania, thus recognising the problem of poverty as an acute social problem and obligated himself to regard eradication of poverty as the priority of the social policy. On behalf of Lithuania he obligated himself to work out the poverty reducing strategy on the basis of the following regulations adopted in the Copenhagen Declaration:

- *to recognise that the main goal of human development is to provide people with the right to develop their abilities. In national, regional and international policies to give priority to the enhancement of social progress, justice and improvement of living conditions of people;*
- *to promote the equitable distribution of income and greater to resources through equity and equality of opportunity for all;*
- *to ensure that disadvantaged and vulnerable persons and groups (the disabled, the homeless, orphans, etc.) are included in social development, and that society acknowledges and responds to the consequences of disability by making the physical and social environment accessible;*
- *to commit ourselves to the goals of eradicating absolute poverty by the established date, taking into account national conditions;*
- *to commit ourselves to promoting the goal of full employment as a basic priority of our economic and social strategies;*
- *to commit ourselves to promoting and attaining the goals of universal and equitable access to quality education and the access of all primary health care without distinction as to race, national origin, gender, age or disability;*
- *to recognise the family as the basic unit of society,*

*and acknowledge that it plays a key role in social development and as such should be strengthened. It is entitled to receive comprehensive protection and support;*

○ *to commit ourselves to promoting full respect for human dignity and to achieving equality and equity between women and men, and to recognising and enhancing the participation and leadership roles of women in political, civil, economic, social and cultural life and in development;*

○ *to commit ourselves to increasing significantly and/or utilising more effectively the resources allocated to social development ;*

○ *in the first place state power institutions, as well as social partners, non-governmental organisations and every citizen are responsible for reducing poverty;*

To ensure the implementation of the provisions of the Copenhagen Declaration the Social Committee was established in Lithuania.

### ***The Social Committee***

The Social Committee, responsible for working out the poverty reduction strategy in Lithuania, was established by H.E. Valdas Adamkus' Presidential Decree No 286 "On the Establishment of the Social Committee for the Implementation of the Provisions of the Copenhagen Declaration" of January 4, 1999. Members of the Committee are Ministers of Social Security and Labour, Health, Education and Science, Justice, Finance, Economy, Agriculture, Public Administration and Reforms and Local Authorities, as well as representatives of non-governmental organisations and traditional religious communities, executives of state and governmental institutions, and scientists. The Minister of Social Security and Labour Mrs. Irena Degutienė was appointed Head of the Committee. The representative of the United Nations Development Program, experts and specialists from almost all the Ministries took active part in working out the Strategy.

### ***The National Report***

In 1999, under the leadership of the Social Committee, the National Report on the implementation of the conclusions of the World Summit on the social development in Lithuania<sup>1)</sup> was prepared and sub-

<sup>1)</sup> The Report is presented on the Web Site of the Ministry of Social Security and Labour -[www.socmin.lt](http://www.socmin.lt)

mitted to the United Nations and the public. The review of the achievements and unsolved problems in reducing poverty within the period from 1995 to 1999 was presented in the document. This Report was the first stage of working out a long-term poverty reducing strategy. In preparing the Report the following conclusions were arrived at:

- *It is impossible to achieve positive results by the social security measures alone;*
- *It is necessary to formulate a complex policy of Lithuania to enhance the social development of the society without expecting to receive immediate results;*

○ *Carefully planned Poverty Reducing Strategy should help Lithuania more rationally use available resources, human resources, in particular;*

○ *In working out the Poverty Reducing Strategy Lithuania's aspirations for Euro-integration, as well social development models formed in the European Union should be taken into account.*

In working out the Poverty Reducing Strategy, the conclusions and advice provided by experts and specialists, as well as experience gained in preparing the National Report, were taken into consideration.

### 8.1.2. National Poverty Reduction Strategy

The National Poverty Reduction Strategy (hereinafter referred to as the Strategy) is a national document, which formulates main goals and objectives of the state policy in reducing poverty and measures to implement them.

In working out the Strategy a thorough approach to poverty and problems related to it has been formed. Consideration and resolution of these problems require harmonisation and integration of economic, financial, educational, health and social policies.

One of the aspirations of the authors of the Strategy was to draw attention of the society, authorities, political parties and the mass media to poverty, social inequality and exclusion issues in Lithuania. It is vital to convince the society that postponing the resolution of these problems to a later time can entail negative consequences to the coming generations, because poverty impoverishes not only separate individuals, but also the whole society.

The Strategy devotes the greatest attention to the social security measures of reducing poverty. The Strategy contains 10 basic public policy spheres, which provide for the measures of reducing poverty and alleviating living conditions for the impoverished. Representatives of every public policy sphere were active in putting forward proposals for the measures of reducing poverty. With the help of experts, members of the Social Committee selected and combined the proposals made so that they should supplement one another rather than run counter to one another and give the best results in solving the

issues of poverty, social inequality and other social problems. After the Strategy has come into force, specific programmes providing for concrete objectives, implementation deadlines, responsible persons and economic-financial substantiation will be created for the implementation of the public policy measures.

The authors of the Strategy, in assessing property in Lithuania, make use of the poverty database created. In 1997 the United Nations Development Program initiated and supported the public poverty survey aimed at collecting data on poverty necessary for preparing the strategy<sup>1</sup> of reducing poverty. The Strategy provided updated information on poverty indices.

#### ***Concept of Poverty and its Distribution in Lithuania***

The National Poverty Reduction Strategy formulates the concept of poverty adapted to the current conditions in Lithuania, determines poverty indices, the distribution of poverty and its characteristic features and defines social groups, which are most often treated as impoverished. On the basis of the above mentioned analysis "targets" of reducing poverty are presented - the poverty reducing level and support of the most vulnerable groups of the population.

It has been acknowledged that those people live in poverty whose income and other resources (material, cultural and social) are so scarce that they do not ensure the standard of living established in the Lithuanian society. Due to insufficient income and

other resources those individuals cannot take part in the activities, which are regarded as usual for other members of the society.

### **Poverty Line**

By means of this indicator individuals or households are divided into those who live in poverty and who do not. Six poverty lines were used in the 1997 poverty study (the Applied MSL, the Calculated MSL, 40% of the Average Consumption Expenditure, 50% of the Average Consumption Expenditure, 60% of the Average Consumption Expenditure and 50% of the Consumption Expenditure Median). The Strategy presents only three poverty lines, which are used in defining the strategic “targets”. Table 8.1.2-1 represents values of *extreme poverty, relative poverty and fixed relative poverty lines* for the period of 1996-1999:

The data presented in Table 8.1.2-1 show that *extreme poverty line* does not amount to as much as 50% of other poverty lines presented in the Table. Households, whose income per household member is lower than the value of the Extreme poverty line have limited possibilities to satisfy basic needs because the income earned can guarantee only the minimal needs for food.

In determining extreme poverty the indicator of the Applied Minimum Standard of Living (MSL) is applied. This poverty level indicator is called the Applied MSL by specialists, scientists and is referred to so in reports presented by the Household Survey Division of the Department of Statistics. In 1990, the Applied MSL was determined on the basis of the minimum basket of consumption goods, and later it was indexed by the resolutions of the Government. Following the 1992 indexation, the Applied MSL, as the absolute poverty indicator, lost its meaning: after the prices increased by 12.6 times, its share increased only by as much as 3.2 times. The Applied MSL is used in the social policy in determining the amount of some social benefits and other social tariffs.

The Strategy regards the Relative Poverty Line as the main poverty line indicator, which represents a relative nature of poverty and expresses changes in consumption inequality in the society. The Lithuanian Department of Statistics calculates the Relative Poverty line as 50% of the average consumption expenditure calculating per an equivalent consumer. Seeking to eliminate different size and structure of households, the consumption expenditure is

**Values of poverty line in Lithuania, 1996-1999 (per household member per month, Lt)**

Indicators	1996	1997	1998	1999
Extreme Poverty Line (Applied MSL)	90,8	110,8	123,3	125,0
Relative Poverty Line (50% of Average Consumption Expenditure calculating for an equivalent consumer)	226,2	248,6	276,7	274,6
Fixed Relative Poverty Line (50% of Average Consumption Expenditure indexed by the consumption price index of the corresponding year)	226,2	246,4	258,9	261,0

Source: Household Survey Division of the Department of Statistics

Table 8.1.2-1

<sup>1</sup> For a more detailed description of poverty see the Part “Poverty Survey and the Social Policy” of Social Report 1998.

**Poverty level according to Relative, Fixed Relative and Extreme Poverty Lines in Lithuania (%), 1996-1999**

Indicators	1996	1997	1998	1999
<i>Extreme Poverty Line</i>	1,0	0,8	0,8	0,9
Relative Poverty Line	18,0	16,6	16,0	15,8
Fixed Relative Poverty Line	18,0	16,3	13,2	13,1

Source: Data of the Household Survey Division of the Department of Statistics

Table 8.1.2-2

re-calculated by means of the equivalent scale of the Organisation of Economic Co-operation and Development (OECD). In this scale the consumption expenditure of the first adult household member is equalled to "1", that of the second (and every following member) - to 0.7 and that of every child - to 0.5.

The Fixed Relative Poverty Line, calculated as 50% of the 1996 Average Consumption Expenditure per an equivalent consumer, is also used in the Strategy. The increase in the consumption level of the population and changes in social inequality have no effect on the size of the Fixed Relative Poverty Line. Seeking to maintain rather than to change the 1996-consumption level, which is guaranteed by this poverty line, each year it is indexed by the index of the consumption prices of the corresponding year.

### **Poverty Level**

The poverty level is determined by means of poverty lines. The dynamics of 1996–1999 shows general results of the poverty eliminating policy. The data presented in Table 8.1.2-2 shows that poverty in Lithuania had a tendency to decrease, however, the poverty decrease rate changed unevenly due to various reasons (the consumption level, the change in social inequality, and the social policy being carried out). According to the *Fixed Relative Poverty Line*, during the above-mentioned period the poverty level decreased by 4.9 percentage points (the consumption level of 183 thousand people exceeded this poverty line). According to the *Relative Poverty Line*, the poverty level decreased by 2.2 percentage points (83

thousand people) and according to the *Extreme Poverty Line*, it decreased only by 0.1 percentage points (4 thousand people). In 1999, as compared with 1998, slowing down of the poverty decrease rate was observed, however, the extreme poverty line had an upward tendency during that period.

In 1999, approximately 580 thousand people, or 15.8% of the population, spent allocated less than 274.6 LTL per month to consumption, i.e. less than the established amount when the Relative Poverty Line is applied. At least 33 thousand, or almost one per cent of the Lithuanian population, whose income could satisfy only the basic needs for foodstuffs, lived in extreme poverty.

### **Poverty Distribution**

The unemployed, uneducated individuals, small farmers, single-parent and large families usually find themselves among the impoverished. Economically most vulnerable groups of people are unable to make use of the results of the economic growth even during the period of economic boom. During the time of economic recession, these groups suffer most because they have no sufficient savings to maintain the achieved consumption level.

### **Major Causes of Poverty Distribution**

During the transitional period Lithuania's economy went into a recession because large companies lost their traditional markets, production and the standard of living decreased. This determined unfavourable poverty elimination conditions for a long pe-

riod. Though the Gross Domestic Product (GDP) has had an upward tendency (excluding 1999), the share of the GDP per head, compared with the consumption needs, is relatively small. Lithuania belongs to that group of countries in which income inequality during the period of economic recession increased significantly. Compared with other countries Lithuania allocates a relatively small part of the GDP to social security.

In comparison with other countries, Lithuania allocates a relatively small part of GDP to the social security needs. Recently the expenses on social security accounted for 10-11 per cent of the GDP. Together with expenses on health care they amounted to 14-16 per cent of the GDP. In 1995 the EU countries spent approximately 28.5 per cent of the GDP for this purpose.

**Three Basic Reasons for Poverty Distribution** - a small share of the GDP per head, the increased income difference and a relatively small part of the GDP allocated to social security – predetermined the choice of the strategic poverty reducing “targets”.

#### **Strategic “targets” of Reducing Poverty**

In implementing the poverty reducing policy the state obligates itself:

- *to eliminate extreme poverty in Lithuania by the year 2003. In implementing the strategy it will be sought that every individual suffering from lack of food, a roof over his head and enough warm cloths should be provided with all these necessary means. It will also be sought that necessary health care should be guaranteed to everyone and that every child and teenager should be provided with the possibility to acquire education;*
- *to reduce poverty calculated by the relative poverty line down to at least 13 per cent by the year 2005.*
- *to reduce poverty of the most impoverished social groups (single parents with children, large families, the unemployed and farmers) according to the Relative Poverty Line at least by 20 % by the year 2005. In 1999, the poverty level of the most impoverished social groups fluctuated between 25-35%.*

The Strategy distinguishes the most impoverished without parental care groups of population to which social assistance should be given: waif children, children of large families, children of a single parent, the unemployed people and their families, small farmers, homeless people, the disabled, retired people, “marginalized people” (homeless, drug and al-

cohol addicts, persons who have returned from the places of imprisonment, etc.), adult orphans, people earning low income.

The Strategy provides for the immediate support measures intended for each of the said groups and long-term poverty prevention programmes based on the increase of possibilities of these individuals, as well as their integration into the society.

#### **Reducing Poverty by Means of the Public Policy**

The Strategy gives priority to the active measures of the public policy aimed at reducing poverty: increase in employment and improvement of education possibilities to acquire the status of general, vocational and higher education. In resolving poverty problems it is necessary to apply passive measures of reducing poverty - social assistance - to the weakest participants of the market (the disabled or elderly people, children, etc.).

The Strategy distinguishes the most significant sphere of the public policy and the priority goals are singled out in every sphere of the public policy. Objectives and measures necessary to achieve those objectives are presented in the annexes to the Strategy.

**The Goal of the Economic Development** shall be a stable growth of the economy of the country, enhancement of home and foreign investments. The Strategy recognises that the economic power of the state forms the basis and the initial precondition for the citizens’ welfare and poverty reduction.

**Regional Policy and the Goal of Supporting Rural population** shall be aimed at decreasing differences in the development of Lithuanian regions and the excess of the work force in rural areas by creating new jobs and creating conditions for the rural population to work in the spheres other than agriculture. To attain these goals financial means of the PHARE 2000 “Social and Economic Unification” Project must be effectively made use of.

**The Goal of Adjusting the Fiscal Policy** shall be to achieve a more rapid growth of economy, to reduce the existing income differences by means of taxes. To achieve this goal the Strategy provides for a more successful realisation of both the fiscal and tax regulatory function, changes in progression of the income of natural persons, increase in the non-taxable minimum relating it to the number of dependants.

**The Goal of the Population Income Policy** shall be to reduce poverty of the individuals living on earned income, to ensure sufficient income for the working and his/her dependants to avoid poverty. This goal shall be attained by implementing a flexible policy of the minimum wages, providing minimal guarantees in the case of the employer's insolvency (bankruptcy).

**The Goal of the Labour Market Policy** shall be to increase the employment rate, by *decreasing* unemployment, its duration and territorial differences, to better integrate young people, the disabled and elderly unemployed persons into the labour market. To achieve this goal it is planned to draw up and realise the national employment strategy and the regional employment programmes

**The Goal of Social Support** shall be to enhance the support of poor families by concentrating the provision of assistance on the low-income population. The Strategy provides for improving social work carried out with the families seeking to decrease their dependence on social assistance, to reduce the duration of that dependence.

**The Goal of Social Services and Social Integration** shall be to seek to make social services accessible to every individual who lives in poverty, by creating conditions for the individual to take care of himself/her-

self and integrate him /her into the society. It will be sought to attain this goal by drawing up and implementing target programmes, which would help integrate socially isolated individuals into the society.

**The Goal of Legal Assistance** shall be to achieve that individuals living in poverty should be guaranteed access to free legal services and legal education. The Strategy is aimed at creating possibilities for socially deprived individuals to have access to free legal services in all regions.

**The Goal of Education and Vocational Training** shall be to create conditions for children and teenagers before they are 18 years old to study and acquire general education of high quality and develop the need for continuous education. The Strategy pays special attention to education and vocational training as the implementation of the active measure of reducing poverty.

**The Goal of Health Care** is to guarantee availability of health care services to all people irrespective of their material condition. In seeking to achieve this goal long-term health care programmes will be implemented.

The Strategy states that to successfully implement the said public policies it is necessary that the increase in the expenditure on social security should be faster than the growth of the GDP.

### 8.1.3. Implementation and Monitoring of the Poverty Reducing Strategy

The Strategy provides for the basic principles for the implementation of the provisions of the Strategy. Foreign experience shows that poverty reducing strategy can be implemented only by joint efforts of governmental institutions, municipalities, social partners (trade unions, employers), charity, caritas and other non-governmental institutions and the public. The mass media plays an exceptional role as it can not only provide information to the society on the current situation but also can urge it to take part in actions intended for helping the impoverished, to encourage the provision of assistance to those who are in need of it, to publicise experience of the impoverished gained in helping one another. In the implementation of the Strategy it is important to follow the principles, which form the basis of the social policy of many European countries. They are

as follows: subsidiarity and solidarity of the society members. The principle of subsidiarity means involvement of the lower chains in the process of solving social problems. Solidarity means support provided by different social groups to one another.

The Strategy assigns an active role to self-governments. Since the concrete poverty reducing measures are usually implemented on the municipal level. The development of small and medium-size business, resolution of health and educational issues, provision of social services, the implementation of the principles of social integration of the disabled depend on the activity of self-governments.

The President of the Republic of Lithuania is responsible for the supervision of the implementation of the Strategy. According to the provisions of the Strategy,

the President establishes the Commission on the Implementation of the Poverty Reducing Strategy, which shall be accountable to the President. The Commission is made up of not only the representatives of state and municipal institutions, but also of social partners, traditional religion communities, representatives of non-governmental institutions, scientists and other independent experts. The Commission shall supervise the situation, in the sphere of poverty, analyse the effectiveness of measures taken to reduce it and publicise the Annual Report on poverty in Lithuania.

The Strategy stipulates that the main initiator of the poverty reducing measures and co-ordinator of the activities shall be the Government of the Republic of Lithuania. Its main duty in implementing the Poverty Reducing Strategy is the harmonisation of laws, programmes and other documents being submitted for approval with the basic principles of the Strategy. The Government shall formulate the principles, which are followed in calculating the official poverty line. It also enhances and finances targeted scientific investigations into the problems of poverty level and its depth, regional and other specific poverty problems.

**Poverty monitoring is one of the constituent parts of Strategy**, i.e. continuous collection and updating of information on the impoverished. The Strategy prescribes that the responsibility for poverty monitoring rests with the Government. The authors of the Strategy are of the opinion that the Department of Statistics at the Government of the Republic of Lithuania could perform the function of monitoring best of all. The Department of Statistics in conducting the household survey could assess the number of people living below the poverty line, as specified in the Strategy, poverty distribution among different groups of the population and changes in social inequality. In carrying out the process of monitoring the system of indicators should be created by

means of which it would be possible to assess the results of the policy being implemented.

### **Conclusions**

*Working out of the Poverty Strategy showed that poverty cannot be eradicated by the efforts of the Ministry of Social Security and Labour alone. Seeking to successfully reduce poverty it is necessary to unite the efforts of all institutions, self-governments, social partners (trade unions, employers), charity, caritas and other non-governmental organisations.*

*The following active measures of reducing poverty shall be regarded as the priority of the Strategy: increase in employment, training and improvement of possibilities to develop skills. Passive measures of reducing poverty are applied to those groups of the population, which cannot take an active part in the labour market: elderly people, the disabled, children, etc. It is possible to reduce poverty of the most vulnerable groups of population (children without parental care, homeless, orphans, the unemployed, etc.) and increase their possibilities to integrate in the society by creating and implementing long-term poverty prevention programmes.*

*Even the best Strategy will bear no fruit if the impoverished individual neither makes any efforts nor shows any desire to change his/her life. It is necessary to formulate the attitude in the society that it is the individual himself who is responsible for himself and his family. The state must create possibilities for potential participants of the labour market to seek for education, change profession and develop. However, it is the individual himself who can study, change his/her profession, which does not meet the needs of the market and develop.*

*The Strategy will become the national document if its principles are acceptable to the majority of the Lithuanian people and if not only the President of the Republic of Lithuania but each of us, who is capable of taking care of himself/herself and his family, his neighbour or even a stranger, will feel responsible for its implementation.*

## **8.2. Programme of the International Year of Elderly People**

The decision of the United Nations to declare the year 1999 the International Year of Elderly People was approved by the Seimas and the Government, of the Republic of Lithuania, as well as non-governmental organisations of elderly people. The Govern-

ment of the Republic of Lithuania approved the action programme of the International Year of Elderly People in Lithuania.

The programme was drawn up following the regulations of the United Nations concerning elderly peo-

ple and taking into account the situation and needs of elderly people in Lithuania.

The objective of the programme was to formulate a long-term and comprehensive state policy with respect to elderly people seeking to improve their social, health care, economic and cultural condition, as well as to encourage the participation of elderly people in an economic, political, social and cultural life.

In realising the action programme of the Year of Elderly People it was planned to prepare and implement new social programmes, to draft new laws and amend currently valid laws in the spheres of social insurance and social integration, to organise training programmes for employees, educational and cultural programmes for elderly people, to extend the infrastructure of social services rendered to elderly people, to inform the public of the situation of elderly people, to encourage state and non-governmental organisations to actively engage in the processes of integrating the elderly people into the society. The total amount of 1 105 thousand LTL was allocated to the implementation of the programme.

In implementing the measures of the action programme of the International Year of Elderly People the following has been done:

- *the draft law on the amendment of the Law on the State Social Insurance Pensions has been prepared. The Law abolished one of the conditions of granting a pension - the requirement to work for several years before retiring or for three years within five years of becoming eligible to receive a full old-age pension;*
- *Article 16 of the Republic of Lithuania Law on Support of the Unemployed has been amended granting additional guarantees of employment to persons who are close to the retirement age;*
- *the draft law on the amendment and supplement to the Law on Employment Contract has been prepared permitting to legalise laws regulating the work of volunteers;*
- *the programme for employment of persons of the pre-retirement age, as well as recommendations for training family members of the people who became disabled due to old age to educate and provide assistance has been prepared;*
- *the International Conference on the occasion of the Year of Elderly People organised by the Ministry of Social Security and Labour, and the International Conference of Gerontologists organised by the Centre*

*for Gerontology and Rehabilitation of the Institute of Experimental and Clinical Medicine were held;*

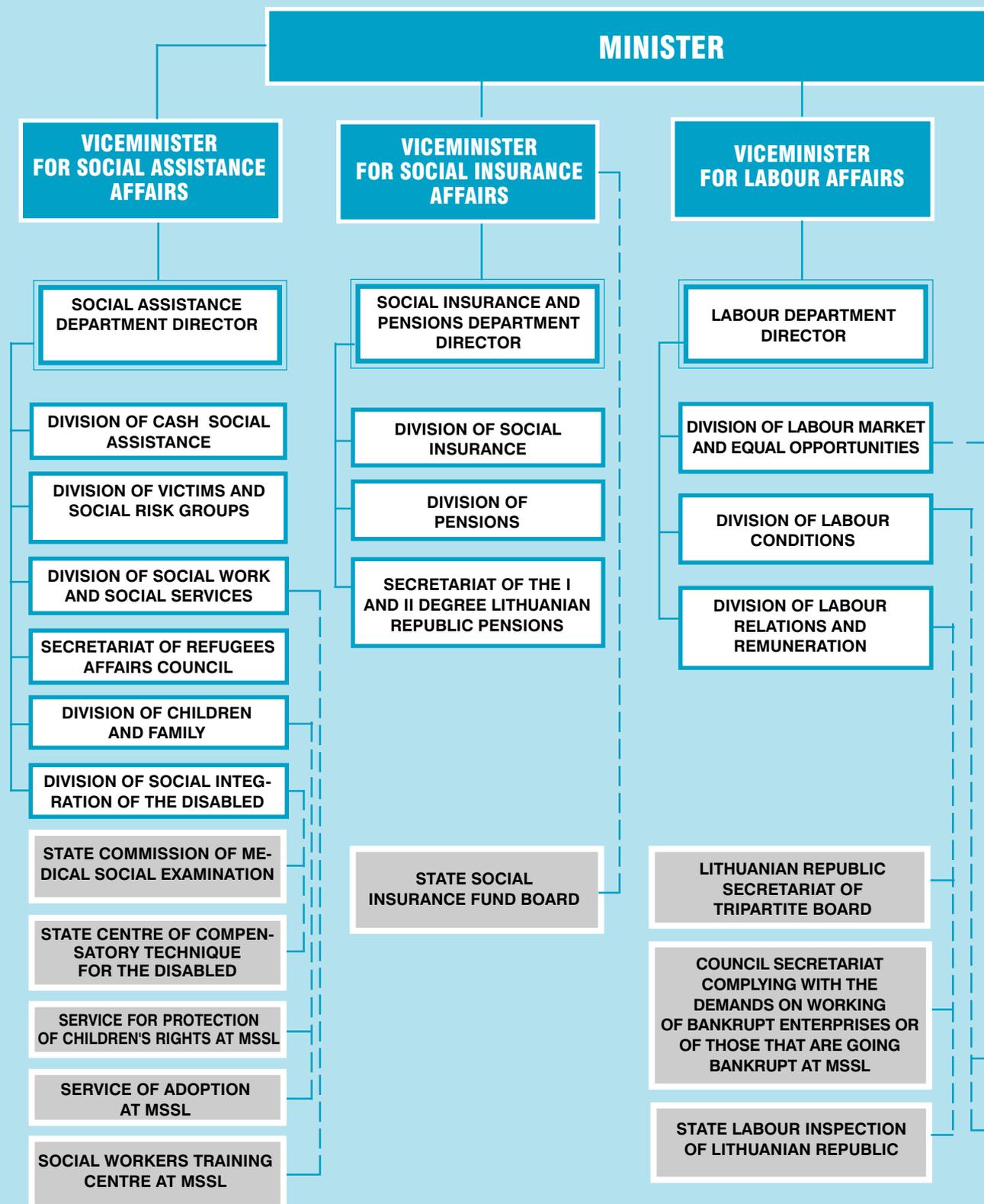
- *the need for social services rendered to elderly people in rural areas has been determined and recommendations for the development of services have been prepared. This was done by the Institute of Labour and Social Studies;*
- *four publications intended for elderly people, social workers, specialists have been prepared, published and distributed: The Centre for the Activity of an Elderly Woman published the book "Let's Learn to Listen" by Maggie Comley and the publication "Pension. What is it like?"; Vilnius University published the manual "Social Work, Community Activity and Psychology" by Carole Sutton and the printing house "Spindulys" published the information publication "Elderly People should Know it";*
- *quite a number of cultural events organised by the Support Fund of Musicians of Lithuania, the Association of Independent Theatres, non-governmental organisations of elderly people in accordance with the programme prepared took place. The mass media was regularly informed of the course of the International Year of Elderly People and the series of radio and TV programmes about elderly people was prepared;*
- *representatives of non-governmental organisations took part in the international events devoted to the International Year of Elderly People: the International Conference in Canada, the Congress of the Working Group of Older Generation Union in Austria and events of the International Association of Elderly People in Paris;*
- *Programmes intended for the International Year of Elderly People were approved by many self-governments and measures for the implementation of these programmes were planned. Events devoted to the commemoration of the International Year of Elderly People also took place in self-governments in which programmes had not been approved.*

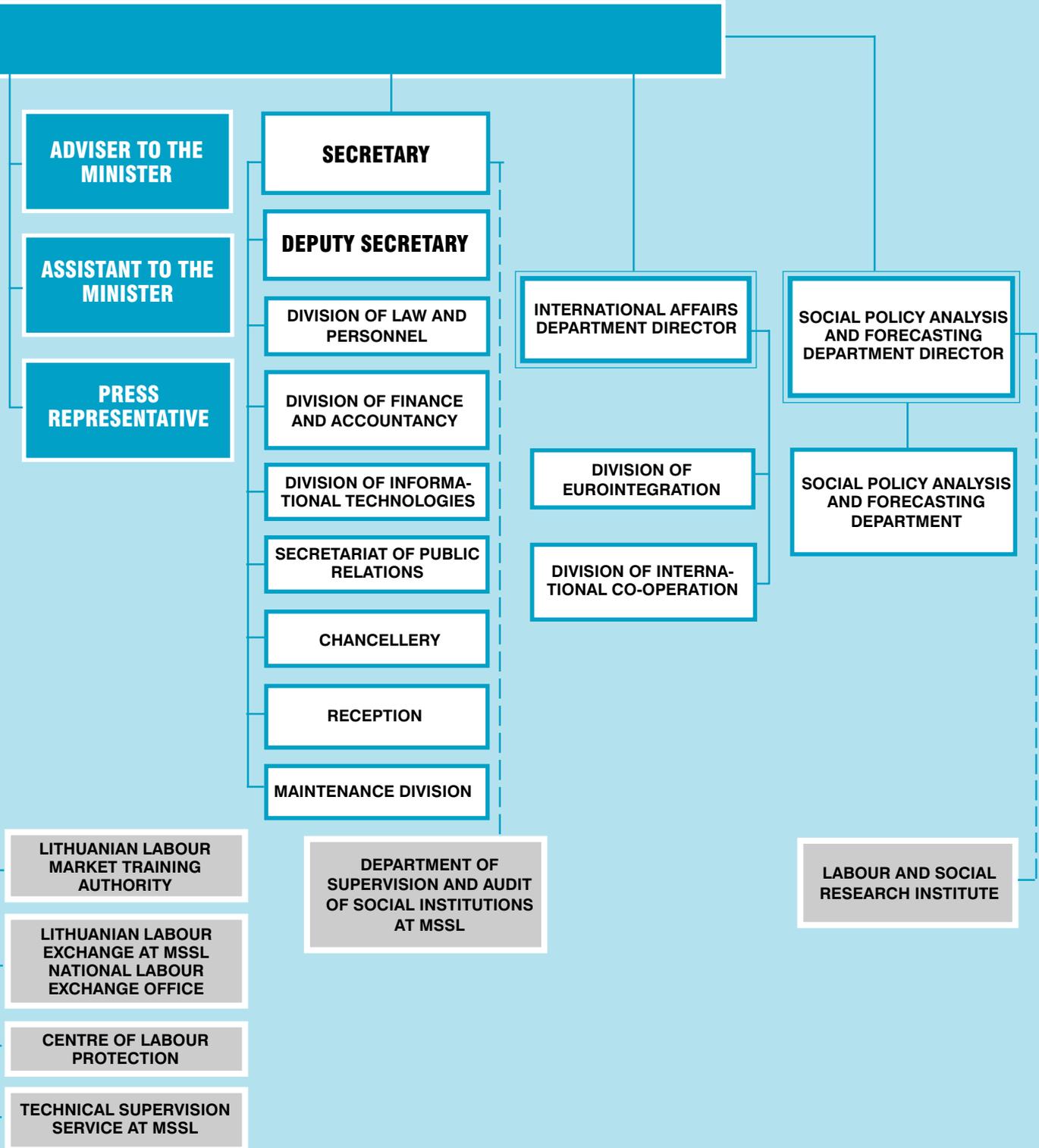
### **Conclusions**

*The action programme of the International Year of Elderly People rendered the problems of elderly people more urgent and drew attention of the public to that group of people.*

*Older people were encouraged to form their organisations, state and non-governmental organisations were urged to co-operate in solving problems of old people and take an active part in the process of integrating elderly people into a social life.*

## THE MANAGEMENT STRUCTURE OF THE MINISTRY OF SOCIAL SECURITY AND LABOUR





## Annex 2

### Sources of Social Security Financing (1998)

	Per cent
Expenditures on social security (including health care)	100,0
Including those funded from:	
• state budget	9,0
• municipal budgets	8,0
• State Social Insurance Fund budget	55,3
• Compulsory Health Insurance Fund budget	27,2
• employers	0,5

*Social Security in Lithuania in 1998. Collection of Statistics. - Vilnius, 2000, p.60*

Table A.3.2-1

### Structure of Expenditure on Social Security according to Main Expenditure in 1998 (per cent)

	Total	State budget	Municipal budgets	State social insurance fund budget	Compulsory health insurance fund budget	Employers
Total	100,0	100,0	100,0	100,0	100,0	100,0
including:						
sickness	31,3	5,5	-	5,8	99,2	100,0
disability	9,7	22,7	0,9	13,8	-	-
old age	39,8	47,8	13,3	62,3	-	-
widowhood	2,7	0,3	5,1	4,0	-	-
family (children)	7,5	17,9	43,3	4,4	-	-
unemployment	3,0	-	-	5,5	-	-
housing	1,2	-	15,1	-	-	-
other	2,6	5,0	21,0	0,9	-	-
Administrative expenditure	2,2	0,8	1,3	3,3	0,8	-

*Social Security in Lithuania in 1998. Collection of Statistics. - Vilnius, 2000, p.61*

Table A.3.2-2

## Structure of Expenditure on Social Security according to Sources of Financing in 1998 (per cent)

	Total	State budget	Municipal budgets	State social insurance fund budget	Compulsory health insurance fund budget	Employers
Sickness	100,0	1,6	-	10,4	86,4	1,6
Disability	100,0	20,9	0,7	78,4	-	-
Old age	100,0	10,8	2,6	86,6	-	-
Widowhood	100,0	1,1	15,4	83,5	-	-
Family (children)	100,0	21,5	46,1	32,4	-	-
Unemployment	100,0	-	-	100,0	-	-
Housing	100,0	-	100,0	-	-	-
Other	100,0	17,2	63,8	19,0	-	-

*Social Security in Lithuania in 1998. Collection of Statistics. - Vilnius, 2000, p.61*

Table A.3.2-3

## Main Labour Market Indicators

County	Number of applications of unemployed per year		Change +/- (per cent)	Included into active labour market policy programmes		Change +/- (per cent)	Unemployment rate (per cent)		Change +/- (per cent)
	1998	1999		1998	1999		1998	1999	
Country figures	204271	244684	19,8	71381	76145	6,7	6,4	8,4	2,0
Alytaus	12071	14436	19,6	4503	5068	12,5	8,6	9,8	1,2
Kaunas	32346	39672	22,6	8460	9670	14,3	4,6	6,4	1,8
Klaipėda	19449	25020	28,6	7457	7818	4,8	5,1	7,1	2,0
Marijampolė	12107	14868	22,8	4428	4452	0,5	8,0	11,2	3,2
Panevėžys	21032	23866	13,5	8063	8789	9,0	7,6	10,5	2,9
Šiauliai	30000	34099	13,6	10903	12319	13,0	9,0	12,5	3,5
Tauragė	7737	9200	18,9	3646	3612	-0,9	8,8	10,9	2,1
Telšiai	10648	12257	15,1	3976	3929	-1,1	6,4	9,1	2,7
Utena	11299	12556	11,1	6166	5576	-9,6	7,0	8,2	1,2
Vilnius	47582	58710	23,4	13779	14912	8,2	5,7	6,8	1,1

*Chart prepared on the basis of the data derived from the annual report of the Lithuanian Labour Exchange*

Table A.4.1-1

**Socio-demographic Structure of the Unemployed as of 01 01 2000 (per cent)**

	Women	Youth	Pre-pension age	With additional employment guarantees	Unemployed of long standing	Have not worked at all
Country figures	46,7	17,5	7,9	32,5	14,5	7,3
Alytus	38,5	18,2	7,2	28,6	11,0	5,2
Kaunas	48,2	17,0	9,1	34,1	12,8	7,5
Klaipėda	51,1	18,4	7,1	33,3	11,3	7,4
Marijampolė	42,2	19,0	6,9	30,5	13,6	7,5
Panevėžys	43,3	17,7	7,7	30,7	18,5	7,9
Šiauliai	47,7	17,4	7,2	34,1	20,9	8,0
Tauragė	42,0	17,2	7,2	30,6	19,7	8,0
Telšiai	48,3	20,4	7,1	32,9	14,8	8,2
Utena	43,6	17,6	6,8	29,1	16,6	6,1
Vilnius	49,4	16,3	8,9	33,4	10,0	6,5

Chart prepared on the basis of the data derived from the annual report of the Lithuanian Labour Exchange

Table A.4-1-2

**Socio-demographic Structure of the Unemployed as of 01 01 2000 (per cent)**

County	Persons employed by the labour exchange			New jobs registered		
	1998 metais	1999 metais	Change +/- (per cent)	1998 metai	1999 metai	Change +/- (per cent)
In the country	86954	88342	1,6	73990	65972	-10,8
Alytus	5737	5438	-5,2	4764	4381	-8,0
Kaunas	11628	12690	9,1	10120	8771	-13,3
Klaipėda	9460	9514	0,6	6369	5147	-19,2
Marijampolė	4657	4704	1,0	3708	3850	3,8
Panevėžys	9827	10315	5,0	9150	10181	11,3
Šiauliai	12517	12750	1,9	10986	8600	-21,7
Tauragė	3566	3482	-2,4	2639	2238	-15,2
Telšiai	4881	4679	-4,1	4762	3189	-33,0
Utena	6427	6168	-4,0	3893	3040	-21,9
Vilnius	18254	18602	1,9	17599	16575	-5,8

Chart prepared on the basis of the data derived from the annual report of the Lithuanian Labour Exchange

Table A.4-1-3

## Average Annual Indicators of the State Social Insurance Fund

	1996	1997	1998	1999
Average old age pension of unemployed pensioner (LTL)	192,43	242,62	287,82	310,16
Basic pension (LTL)	101,7	122	136	138
Average insured income (LTL)	538	694	845	886
National average wage (gross) (LTL)	621,1	785,5	929,8	1012,9
Average wage from which social insurance contributions are calculated	556,10	702,64	826,56	851
Minimum subsistence level (LTL)	90,8	110,8	123	125
Average number of insured with SSI (per 1 thousand)	1352,2	1325,0	1345,5	1321,1
Average number of SSI pensions (per 1 thousand)	879,8	937,7	1022,4	1038

Data derived from the annual report of the State Labour Inspectorate

Table A.5.1-1

## State Social Insurance Fund Income and Expenditure (million LTL) in 1997-1999

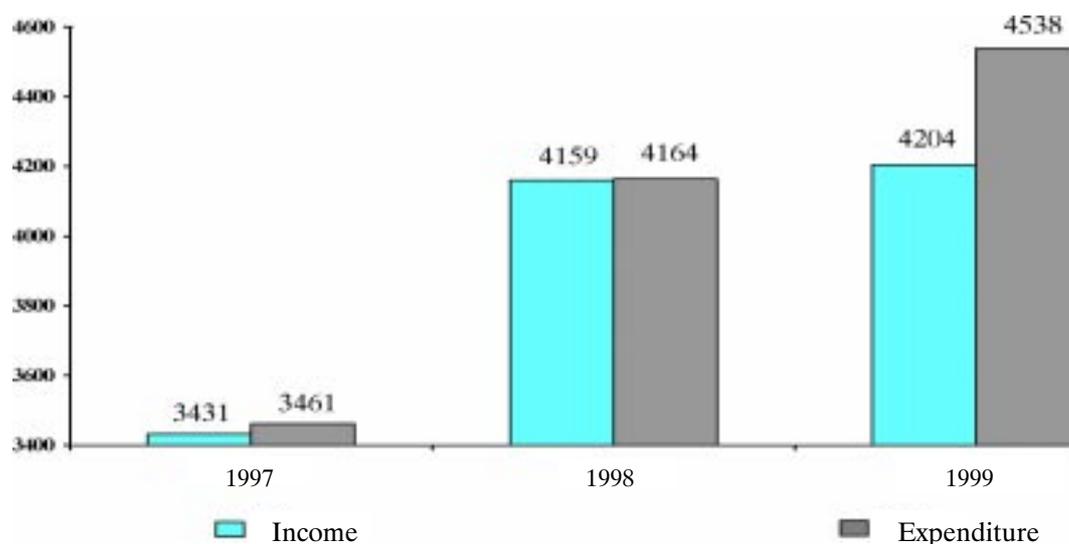


Chart A.5.1-2

### Fluctuation in the Number of the Insured, Pensions and Working Persons

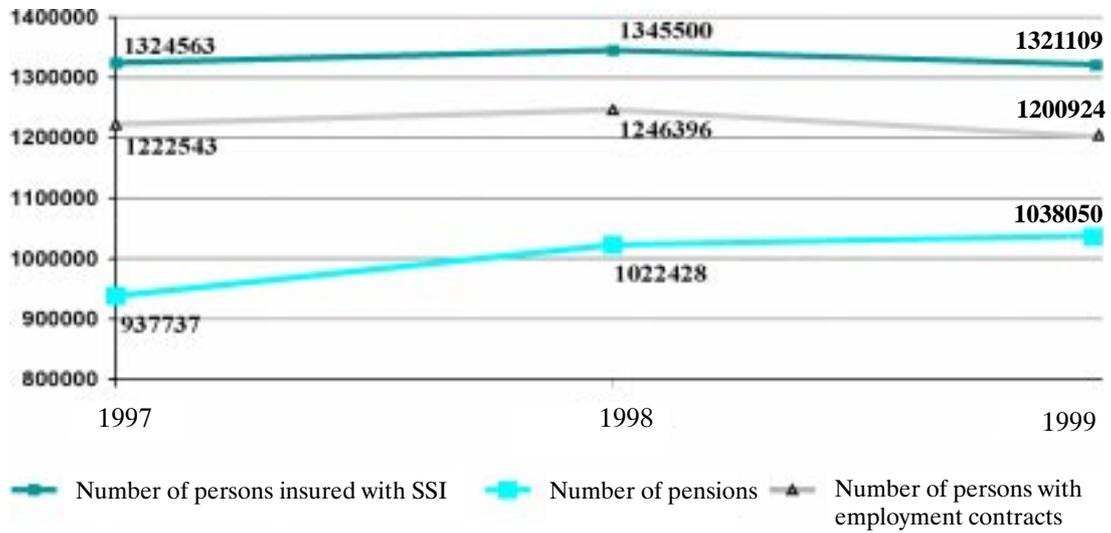


Chart A.51-3

### Ratio of Persons Insured with SSI and SSI Pensions in 1991-1999

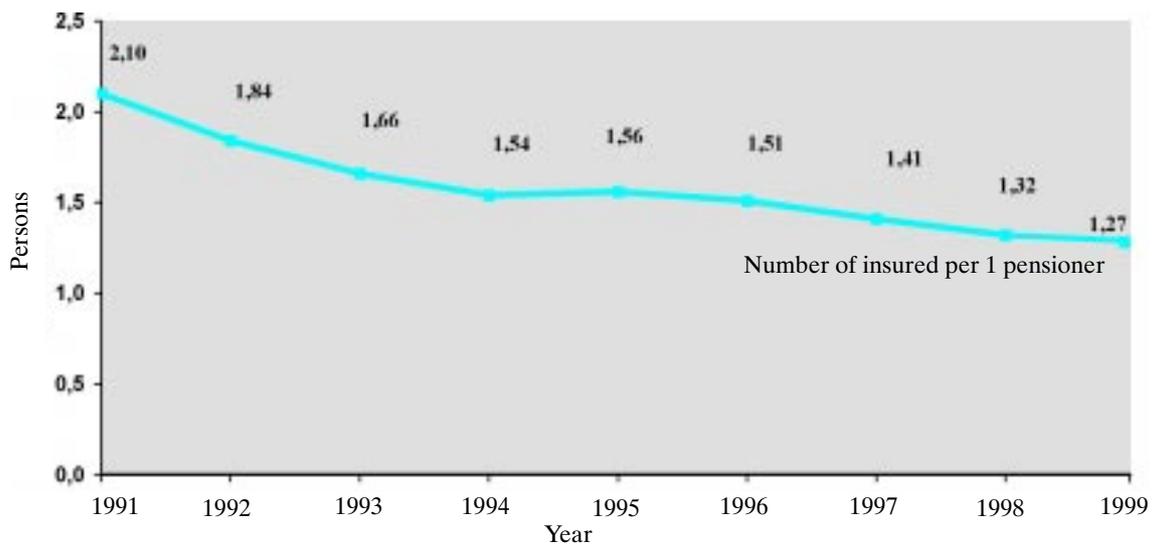


Chart A.5.1-4

**Distribution of Mandatory Social Insurance Contributions Paid by Employer for Employees with Employment Contracts in 1999 (plan in per cent)**

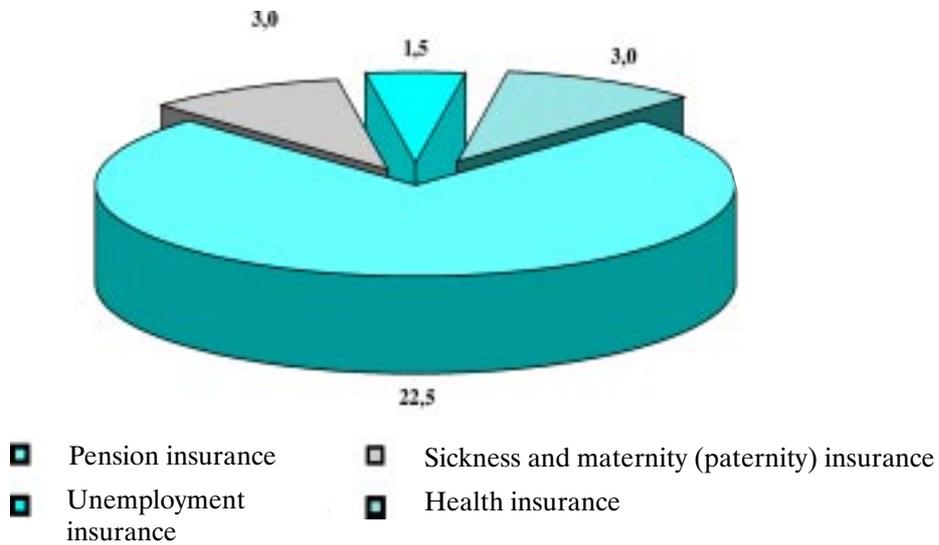
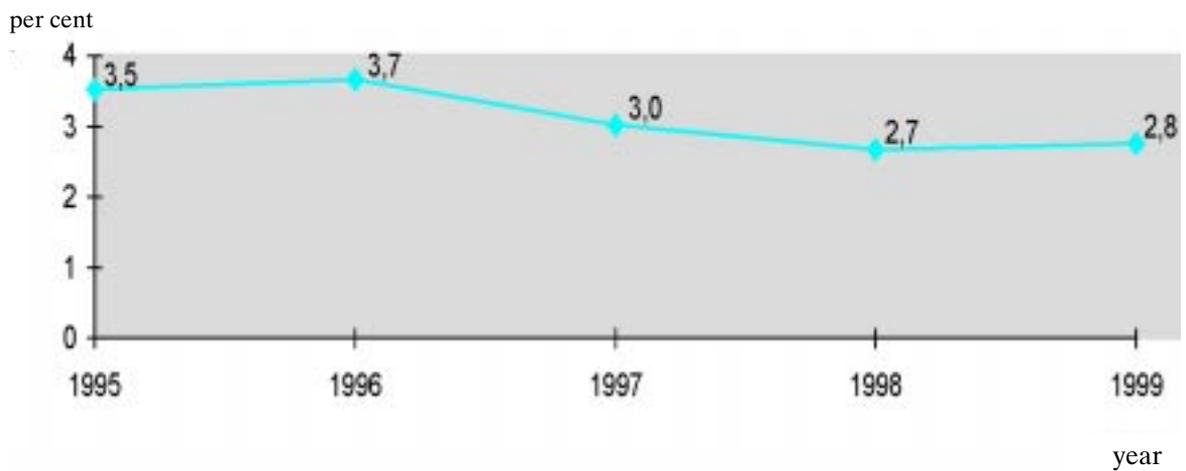


Chart A.5.2-1

**Share of the Recipients of Social Benefits in the Number of National Population in 1995-1999 (per cent)**



Data of the Ministry of Social Security and Labour

Chart A.6.2.1-2

### Number of Recipients of Benefits Paid to Families and Amount of Expenditure on those Benefits

No.	Title of benefit	Expenditure on benefits		Change in 1999 compared to 1998	Recipients		Change in 1999 compared to 1998
		1998	1999		1998	1999	
		thousand LTL		Per cent	per thousand of people*	Per cent	
	<b>State benefits (total):</b>	<b>227190</b>	<b>253570</b>	11,6			
1.	Birth grant	27481	27005	-1,7	37	36	-2,7
2.	Maternity benefit for studying women	77	77	0,0	0,36	0,36	0,0
3.	Family benefit	101058	98376	-2,7	94	90	-4,3
4.	Benefits to families raising 3 or more children	79269	81132	2,4	52	44	-15,4
	Including:						
	3 children	52948	54063	2,1	37	32	-13,5
	4 and more children	26321	27070	2,8	14	12	-14,3
5.	Guardian's allowance	14574	38056	161,1	5,7	7,3	28,1
6.	Benefit to the children of military servicemen	157	224	42,7	0,08	0,11	37,5
7.	Orphan students' scholarship	3498	7457	113,2	1,6	1,7	6,3
8.	Orphan's grant for settlement and grant for the children deprived of parental care	1077	1245	15,6	0,5	0,6	20
	<b>Benefit to residents with low income (total):</b>	<b>215162</b>	<b>199465</b>	-7,3			
9.	Social benefit	68222	73720	8,1	99	102	3
10.	Compensation for expenditure on heating, hot and cold water	81800	**	-25,2	-	-	-
11.	Lump sum benefit for individuals on social assistance	5140	4563	-11,2	45	34	-24,4
12.	Free-of-charge catering for schoolchildren	60000	60000	0	157	142	-9,6
13.	<b>Total:</b>	<b>442352</b>	<b>453035</b>	<b>2,4</b>			

\* The number of recipients of benefits for families raising three or more children is calculated for 1 thousand families

\*\* Preliminary data of the Ministry of Finance

Data of the Ministry of Social Security and Labour,  
the Ministry of Finance and the Department of Statistics

Table A.6.2-1

## Annex 3

### International Agreements

#### *Agreements on social security*

<i>Country</i>	<i>Agreement</i>	<i>Signed</i>	<i>Came into force</i>
Latvia	Intergovernmental Agreement on Social Maintenance	17 December 1993 in Vilnius	31 January 1995
Estonia	Interstate Agreement on Social Maintenance	28 May 1996 in Vilnius	28 November 1993
Russia	Intergovernmental Agreement on the Provision of Social Guarantees to Officers-pensioners of the Russian Federation Permanently Residing in the Republic of Lithuania	28 November 1993 in Vilnius	1993 11 28
Belarus	Interstate Agreement on Social Security	4 February 1999 in Minsk	15 December 1999
The Ukraine	Intergovernmental Agreement on Co-operation in the Sphere of Retirement Provision	27 September 1994 in Vilnius	1 September 1995
The Czech Republic	Interstate Agreement on Social Security	27 May 1999 in Prague	Ratified by the Seimas of the Republic of Lithuania  The Czech Republic has not performed procedures related to its enforcement yet
Russia	Intergovernmental Agreement on retirement Provision	29 June 1999 in Moscow	Ratified by the Seimas of the Republic of Lithuania  Russia has not performed procedures related to its enforcement yet
Poland	Interstate Agreement on Social Security	At the stage of negotiations	
Finland	Interstate Agreement on Social Security	At the stage of negotiations	

## International Agreements

*(continuation)**Employment Agreements*

<i>Country</i>	<i>Agreement</i>	<i>Signed</i>	<i>Came into force</i>
Germany	Intergovernmental Agreement on Employment of Probationers to Improve their Language Skills and Speciality Knowledge	23 August 1993 in Vilnius	23 August 1993
Sweden	Intergovernmental Agreement on the Exchange of Probationers	1 July 1994 in Stockholm	1 July 1994
Poland	Intergovernmental Agreement on Bilateral Employment of Citizens	27 September 1994 in Vilnius	21 September 1995
The Ukraine	Intergovernmental Agreement on Bilateral Employment of Citizens	27 September 1995 in Kiev	1 September 1995
Russia	Intergovernmental Agreement on Temporary Employment of Citizens	29 June 1999 in Moscow	5 January 2000
The Czech Republic	Intergovernmental Agreement on the Exchange of Probationers	31 March 2000 in Vilnius	Submitted to the Government of the Republic of Lithuania for approval

*Data of the International Co-operation Division of the Ministry of Social Security and Labour* Table A.7.3.2-1

## Annex 4

### I. THE LAW APPROXIMATION ACTION PLAN FOR 1999

APPROVED  
by Resolution No. 1076 of 29 September 1999  
of the Government of the Republic of Lithuania

#### 3.1.5. Free Movement of Persons

Responsible Institutions	EU Acquis	Legal Act of the Republic of Lithuania	Implementation of the measure
<b>Ministry of Social Security and Labour</b>	Europe Agreement Article 93	Draft Law on the Ratification of the Bilateral Agreement on Social Security with the Czech Republic	<b>Implemented</b> Law of the Republic of Lithuania on Ratification of the Agreement on Social Security between the Republic of Lithuania and the Czech Republic No. VIII-1460 was adopted on 2 December 1999
<p><b>Ministry of Social Security and Labour</b></p> <p>Centre for Quality Assessment at the Ministry of Education and Science</p> <p>Ministry of Education and Science</p> <p>Lithuanian Labour Market Training Authority at the Ministry of Social Security and Labour</p>	<p>Council Directive 89/48/EEC of 21 December 1988 concerning the General System of Recognition of Degrees Granted upon the Completion of no less than a Three-year Course in Vocational Training and Education</p> <p>Council Directive 92/51/EEC of 18 June 1992 concerning the Second General System of Recognition of Vocational training and Education (Supplementing Council Directive 89/48/EEC of 21 December 1988 concerning the General System of Of Recognition of Degrees Granted upon the Completion of no less than a Three-year Course in Vocational Training and Education</p>	<p>Draft of the Resolution of the Government of the Republic of Lithuania “Concerning the Procedure for Recognition of Qualification”</p> <p>Draft of the Resolution of the Government of the Republic of Lithuania “Concerning the Regulations of Requirements of Professional Qualification and Competence for the Activity regulated by the State”</p> <p>Draft of the Resolution of the Government of the Republic of Lithuania “Concerning the List of Competent Institutions and Regulated Professions”</p>	<p>The draft of the Resolution of the Government of the Republic of Lithuania “Concerning the Regulations of Assessment and Recognition of Qualification, as well as the Endorsement of the Competent Institutions and the List of Regulated Professions” has been prepared, coordinated with interested institutions in the established procedure and submitted on 30 March 2000.</p> <p>The Ministry of Social Security and Labour took into consideration the observations presented by the Legal Department of the Government and on 11 May of this year submitted the new amended draft.</p>

## I. THE LAW APPROXIMATION ACTION PLAN FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999  
of the Government of the Republic of Lithuania

## 3.5. Economic and Social Union

## 3.5.1. Employment and Social Affairs

Responsible Institutions	EU Acquis	Legal Act of the Republic of Lithuania	Implementation of the measure
<p>Ministry of Social Security and Labour</p> <p>Ministry of Health</p>	<p>Council Directive 89/391/EEC of 12 June 1989 on the introduction of measures to encourage improvements in the safety and health of workers at work assessing main regulations of other Directives:</p> <p>Council Directive 92/85/EEC of 19 October 1992 on the introduction of measures to encourage improvements in the safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding (tenth individual Directive within the meaning of Article 16(1) of Directive 89/391/EEC</p> <p>Council Directive 93/104/EC of 23 November 1993 concerning certain aspects of the organisation of working time</p> <p>Council Directive 94/33/EEC of 22 June 1994 on the protection of young people at work</p>	<p>Draft law of the Republic of Lithuania Law on Safety and Health at Work</p>	<p>By Letter No. 19-04-6915/4331 of the Ministry of Social Security and Labour of 30 November 1999, the draft was submitted to the Government.</p> <p>On 20 December 1999 the draft was discussed at the sitting of the Secretaries of Ministries and observations were presented. The draft was referred back to the Ministry of Social Security and Labour and it was instructed to assess the observations presented at the sitting of the Secretaries of Ministries and to submit the adjusted draft to the Government. The Ministry of Social Security and Labour amended the draft and repeatedly submitted it to the Ministry to be endorsed. At present the draft is at the Ministry of Justice.</p>
<p>Ministry of Social Security and Labour</p> <p>Ministry of Health</p>	<p>Council Directive 86/188/EEC of 12 May 1986 on the protection of workers from risks related to exposure to noise at work (the third separate Directive amending Directive 80/1107/EEC</p>	<p>The draft of the Resolution of the Minister of Social Security and Labour and the Health Minister “Concerning Rules of Protection of Employees from the Effect of Noise at Work”</p>	<p><b>IMPLEMENTED</b></p> <p>The Regulations of Protection of Employees from the Effect of Noise at Work were approved on 20 September 1999 by Order No. 70/403 of the Minister of Social Security and Labour “Concerning the approval of the Regulations of Protection of Employees from the Effect of Noise at Work”.</p> <p><i>Will come into force on 1 January 2002</i></p>

## I. THE LAW APPROXIMATION ACTION PLAN FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999  
of the Government of the Republic of Lithuania

Responsible Institutions	EU Acquis	Legal Act of the Republic of Lithuania	Implementation of the measure
<p>Ministry of Social Security and Labour</p> <p>Ministry of Economy</p>	<p>Council Directive 89/655/EEC of 30 November 1989 concerning the minimum safety and health requirements for the use of work equipment by workers at work (second Directive within the meaning of Article 16(1) of Directive 9/391/EEC</p> <p>Council Directive 95/63/EEC of 1995 amending Directive 89/655/EEC Concerning the minimum safety and health requirements for the use of work equipment by workers at work</p>	<p>Draft of the Order of the Ministry of Social Security and Labour and the Ministry of Economy "General Regulations of Health and Safety Requirements for Work Equipment"</p>	<p><b>IMPLEMENTED</b></p> <p>General Regulations of the Use of Work Equipment were approved on 22 December 1999 by Order No. 102 "Concerning the Approval of General Regulations of the Use of Work Equipment"</p> <p><i>Will come into force on 1 January 2001</i></p>
<p>Ministry of Social Security and Labour</p> <p>Ministry of Health</p>	<p>Council Directive 92/58/EEC 24 June 1992 on the minimum requirements of the provision of safety and/or health signs at work (ninth individual Directive within the meaning of 16(1) Article of Directive 889/391/EEC</p>	<p>Draft of the Order of the Ministry of Social Security and Labour and the Ministry of health "Regulations of the Provision of Work Places with Safety and Health Signs"</p>	<p><b>IMPLEMENTED</b></p> <p>"Regulations of the Use of Safety and Health Protection Signs in Work Places" were approved on 24 November 1999, by Order No. 95 of the Ministry of Social Security and Labour</p> <p><i>Will come into force on 1 January 2002</i></p>
<p>Ministry of Social Security and Labour</p> <p>Ministry of Finance</p> <p>Ministry of Economy</p>	<p>Council Directive 80/987/EEC of 20 October 1980 on the approximation of the laws of the Member States relating to the protection of employees in the event of the insolvency of their employer</p>	<p>Draft of the Resolution of the Government of the Republic of Lithuania "Concerning the Regulations of the Guarantee Fund"</p> <p>Draft of the Resolution of the Government of the Republic of Lithuania "Concerning the Composition of the Council of the Guarantee Fund".</p>	<p>Draft of the Regulations of the Guarantee Fund and the composition of the Guarantee Fund shall be started to be drawn up after the Law on the Guarantee Fund has been adopted</p>

## I. THE LAW APPROXIMATION ACTION PLAN FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999  
of the Government of the Republic of Lithuania

Responsible Institutions	EU Acquis	Legal Act of the Republic of Lithuania	Implementation of the measure
Ministry of Social Security and Labour	Council Directive 77/187/EEC of 14 February 1977 on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, business or parts of businesses	Draft Law on the Amendment and Supplement of the Republic of Lithuania Law on the Employment Contract	Taking into consideration the observations made at bilateral screening held in Brussels on 14-15 June 1999 "Social Affairs and Employment" the draft law on the Amendments of the Law on the Employment Contract shall not be drawn up. The provisions regulating the procedure for informing and consulting employees, their representatives in the case of the re-organisation of their enterprises, shall be entered into the <b>Labour Code</b> .
Ministry of Social Security and Labour	Council Directive 92/441/EEC of 24 June 1992 Concerning Sufficient General Resources and Social Assistance in the System of Social Security	Draft Law on the Fundamentals of Social Assistance of the Republic of Lithuania	The draft has been drawn up and considered at the Tripartite Council on 29 November 1999, and submitted to the Government. In accordance with Protocol No. 55 of the sitting of the Government of 15 December 1999, the draft Law on the Fundamentals of Social Assistance has been referred back to the Ministry to be adjusted and submitted to the Government in <b>Quarter II 2000</b> .

## I. THE LAW APPROXIMATION ACTION PLAN FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999  
of the Government of the Republic of Lithuania

Responsible Institutions	EU Acquis	Legal Act of the Republic of Lithuania	Implementation of the measure
<b>Ministry of Social Security and Labour</b>	<p>Regulation 1408/71/EEC on the application of social security schemes to employed persons and their families moving within the Community</p> <p>Regulation 574/72/EEC Concerning the Procedure of the Implementation of Regulation 1408/71/EEC</p>	<p>Draft Law on Social Insurance in the Case of Illness and Maternity of the Republic of Lithuania</p> <p>Draft Law on the State Social Insurance of the Republic of Lithuania</p> <p>Draft Law on Social Insurance Against Accidents at Work and Occupational Diseases</p>	<p>By Resolution No. 1454 of 22 December 1999, the Government of the Republic of Lithuania approved of the draft law and decided to submit it to the Seimas with the request to consider it in an urgent order (reg. With the Seimas No. P-2255). The Seimas made the decision to refuse the amendments made to the law and not to consider the law.</p> <p>By Resolution No. 25 of 11 January 2000 the Government of the Republic of Lithuania approved the draft Law on Social Insurance in the Case of Illness and Maternity of the Republic of Lithuania and submitted it to the Seimas (reg. with the Seimas No. P-2298). On 23 March 2000, the draft was considered at the plenary sitting of the Seimas. It was decided to approve of the draft after its submission and start its consideration procedure (by joint agreement). The Committee of Social Affairs and labour of the Seimas, having analysed this draft, referred it back to the Government to be amended.</p> <p><b>IMPLEMENTED</b> the Law on Social Insurance Against Accidents at Work and Occupational Diseases No. VIII-1509 was passed on 23 December 1999</p>
<b>Ministry of Social Security and Labour</b>	<p>Council Directive 76/207/EEC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and promotion, and working conditions</p> <p>Council Directive 86/613/EEC on the application of the principle of equal treatment between men and women engaged in an activity, including agriculture, in a self-employed capacity, and on the protection of self-employed women during pregnancy and motherhood</p>	<p>Draft Law of the Amendment of Article 8 of the Republic of Lithuania Law on Support of the Unemployed</p>	<p>It was decided not to amend Article 8 of this Law as the new law on Insurance against Employment is under preparation which shall transpose the provisions of the Directives and shall annul the Law on Support of the Unemployed.</p>

## Annex 5

### II. THE PLAN OF MEASURES FOR AQUIS IMPLEMENTATION FOR 1999

APPROVED  
by Resolution No. 1076 of 29 September 1999 of the Government of the  
Republic of Lithuania

#### 1.2.2. Economic, social and cultural rights

Measure	Responsible Institutions	Administrative-institutional needs	Needs for Financing	Sources of Financing	Implementation of the measure
To draw up and implement the National Poverty Eradication Programme	<b>Ministry of Social Security and Labour</b>	None		The budget of the Republic of Lithuania	The National Poverty Eradication Strategy was approved at the meeting of the Social Committee held on 1 May 2000

#### 3.1.5. Free Movement of Persons

Measure	Responsible Institutions	Administrative-institutional needs	Needs for Financing	Sources of Financing	Implementation of the measure
To carry out the analysis of the compliance of the national legal acts on free movement of workers to the EU law	<b>Ministry of Social Security and Labour</b> Ministry of the Interior Ministry of Health	PHARE or TAIEX experts			<b>IMPLEMENTED:</b> on the basis of the PHARE SEIL project "Assistance in drawing up the action plan to ensure free movement of workers" the analysis of the compliance of the national legal acts to the EU law has been carried out. The analysis was presented in December 1999.

## II. THE PLAN OF MEASURES FOR AQUIS IMPLEMENTATION FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999 of the Government of the  
Republic of Lithuania

## 3.5. Economic and Social Union

## 3.5.1. Employment and Social Affairs

Measure	Responsible Institutions	Administrative-institutional needs	Needs for Financing	Sources of Financing	Implementation of the measure
<p>To strengthen institutions responsible for the preparation of legal acts on occupational health and safety at work, control of their implementation and the supervision function (PHARE project "Improvement of Occupational Safety and Health at Work"):</p> <ul style="list-style-type: none"> <li>To harmonise legal acts on occupational health and safety at work</li> <li>to expand the institution of the State Labour Inspectorate</li> </ul>	<b>Ministry of Social Security and Labour</b>		<p>890 thous. EUR including:</p> <p>150 thous. EUR</p> <p>740 thous. EUR</p>	<p>PHARE means</p> <p>PHARE means</p> <p>PHARE means</p>	<p><b>IMPLEMENTED:</b> on the basis of the PHARE project a seminar devoted to training of inspectors was conducted on 22-24 February 1999; On 25 February 1999, the seminar devoted to the discussion of the working variant of the review of the Strategy of the State Labour Inspectorate was conducted; On 28 July 1999, in the premises of the Ministry of Social Security and Labour the Secretariat of Safety and Health at Work Information was opened. Information publications were issued.</p>
To train employees of the occupational safety and health institutions	<b>Ministry of Social Security and Labour</b>		86,5 thous. EUR	PHARE means	This measure has been <b>IMPLEMENTED</b> as a constituent part of measure 3.5.1-P-A2
To reconstruct the Service of Technical Supervision at the Ministry of Social Security and Labour into a public institution	<b>Ministry of Social Security and Labour</b>  Ministry of Economy				By Protocol No. 9 of 17 February 2000 of the Government of the Republic of Lithuania (concerning the reform of the system of the state administration, it is planned to hand over the function of technical supervision of equipment from the state institutions to the state enterprises, public institutions or the private sector). The Ministry of Public Administration Reforms and Local Authorities was authorised to generalise action plans submitted by other ministries and institutions and prepare proposals to the Sunset Commission by <b>1 April 2000</b> . The latter is to submit to the Government of the Republic of Lithuania proposals for increasing the effectiveness of the state administration by <b>15 May 2000</b> .
To prepare the national action plan of employment taking into account the employment policy trends of the European Union and co-ordinating actions between the interested state administration institutions	<b>Ministry of Social Security and Labour</b>  Ministry of Economy and other interested ministries	Work group, experts	50 thous. LTL	The budget of the Republic of Lithuania	The interdepartmental work group has been set up. With the assistance of Danish experts (in accordance with the Lithuanian-Danish Co-operation in the Labour Market Programme) the plan is under preparation. It is planned to draw it up in <b>Quarter IV 2000</b> .

## II. THE PLAN OF MEASURES FOR AQUIS IMPLEMENTATION FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999 of the Government of the  
Republic of Lithuania

## 3.5. Economic and Social Union

## 3.5.1. Employment and Social affairs

Measure	Responsible Institutions	Administrative-institutional needs	Needs for Financing	Sources of Financing	Implementation of the measure
To expand open forms of the labour market information: to establish centres for independent search for professional information	<b>Ministry of Social Security and Labour</b>	Technical equipment, training of specialists (5 centres)	1000 thous. LTL	The Employment Fund of the Republic of Lithuania, the State budget of the Republic of Lithuania	<b>IMPLEMENTED:</b> The system of the independent search for information about vacancies (SIP) has been expanded. Currently two thirds of the territorial labour markets of Lithuania have such systems. A person looking for employment with the help of a computer can not only review the present vacancies in the country and print necessary data but also receive additional information about the services provided by the labour market, advice on how to behave in searching for employment, find information about laws.
To decentralise the labour market management: • to formulate objectives and goals of the regional labour market policy; • to form the mechanism of the implementation of the regional labour market policy; to establish tasks, functions of regional labour market institutions, to enhance the activity of social partners	<b>Ministry of Social Security and Labour</b>	Specialists, foreign experts	1000 thous. LTL	The state budget of the Republic of Lithuania	The outline of the objectives and goals of the regional labour market policy is under preparation. In preparing this outline technical assistance of Danish experts is made use of. By Order No. 84 of 18 October 1999 of the Minister of Social Security and Labour a work group has been set up to prepare measures for management of labour market institutions and decentralisation and rationalisation of financing. The initial project has already been prepared.
To organise the implementation of the measures projected in the tripartite agreement "On Tripartite Co-operation"	<b>Ministry of Social Security and Labour</b>				<i>Measures projected in the tripartite agreement are implemented by the following means:</i> • sittings of the Tripartite Council are held every month in which labour, social and economic issues are discussed, drafts of laws and other legal acts are considered; • by developing the structure of tripartite co-operation to discuss individual issues, Commissions at the Tripartite Council are established; • social partners are invited to take part in various events, seminars; • the sitting of the Tripartite Council of 30 November 1999 discussed proposals of the countries for the annual tripartite agreement.
To create the system of information technologies for administration of taxes and contributions	<b>Ministry of Social Security and Labour</b>		10000 thous. EUR (in 1999 - 2000 thous. EUR)	PHARE means	The analysis of the current information system of the Board of the State Social Insurance Fund (SODRA) has been made, recommendations for its further development have been prepared taking into account possible joining of SODRA contributions and a general tax collection system. PHARE project was begun in March 2000.

## II. THE PLAN OF MEASURES FOR AQUIS IMPLEMENTATION FOR 1999

(continuation)

APPROVED  
by Resolution No. 1076 of 29 September 1999 of the Government of the  
Republic of Lithuania

Measure	Responsible Institutions	Administrative-institutional needs	Needs for Financing	Sources of Financing	Implementation of the measure
To develop local Employment initiatives: • to create organisational preconditions to develop local employment initiatives in selected regions; • to mobilise human and material resources to initiate and implement individual projects	<b>Ministry of Social Security and Labour</b>		300 thous. EUR	PHARE means	<b>IMPLEMENTED:</b> The Ministry of Social Security and Labour in co-operation with PHARE organised 5 training seminars devoted to the issues of implementation of the project for the employees of the Labour Market and the Division of Equal Opportunities and the Agency of Vocational Training of the Labour Market, the project initiative group, the National Labour Exchange, prospective partners of the project, employees of labour exchanges and extra seminars for the Initiative Group about the organisation of the implementation of projects and local social partners. Methodological material has been prepared to implement local; employment projects "The Manual of Local Employment Initiatives in Lithuania for Project Co-ordinators". On 7 October 1999, the final conference of Local Employment Initiative Project was held where summarised results of the implemented projects were

Table A.7.2.4-2

