SOCIAL REPORT

LITHUANIA VILNIUS

1999
Social policy is one of the key guarantees of safety and stability for society. Its role in the life of the country is particularly important and is continuously gaining more significance. It is related to almost all groups of individuals with various and sometimes very different interests, therefore, the professional employees of the social security prepare, improve and substantiate the decisions of social policy according to the systemic conception. This publication describes and analyses the activities of the Ministry of Social Security and Labour in 1998 in developing social policy in Lithuania. The information provided might be useful for everybody willing to more comprehensively familiarise themselves with the shaping of the social policy, also with the introduced and envisaged changes.

This Social Report is the second publication of this type, prepared by the specialists of the Ministry. The first publication, aimed at professionals, as well as at the general society, was evaluated positively. Critical remarks were also made. However, they were not numerous and they were taken into consideration when preparing this publication. The purpose of the Social Report is not only to inform the politicians, scientists and representatives of non-governmental organisations more comprehensively on different issues of social policy, but also to more actively involve them in open discussions in evaluating the current condition of the social security system and considering the variants of future decisions. This is an important means of ensuring the transparency of social policy and creating the civil society.

Upon the improvement of the country’s economic situation, in 1998 the actual wages, as well as the actual pension, continued to grow. However, we can’t forget to note, that the increase of unemployment in 1998 is a matter of great concern. Combating the unemployment and increasing the employment were and are the priority trends of the activity of the Ministry of Social Security and Labour, and the importance of these issues is continuously being emphasised not only by the Government of the Republic of Lithuania, but also by the international organisations – the European Union, the European Council, the International Labour Organisation. Last year a lot of attention was paid to the improvement of the social insurance system, development of the infrastructure of social services and reduction of poverty. The poverty survey was finalised, on the basis of which the program on poverty reduction will be prepared.

The Ministry of Social Security and Labour is ready for detailed and reasonable discussions on the issues of social policy. Therefore, the comments and proposals made will facilitate the improvement of the social security system, as well as the preparation of the third Social Report and contribute toward a better quality next year.

Minister of Social Security and Labour

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1. SUMMARY

In 1998, as in previous years, the gross domestic product (GDP) was on the increase. According to preliminary data, the increase in the GDP in 1998 accounted for 5.1 per cent. In 1998, inflation was further on the decrease. During 1998, the increase in prices for consumer goods and services accounted for only 2.4 per cent and was the lowest of the Baltic States (2.8 per cent in Latvia and 6.5 per cent in Estonia). The volume of retail trade increased by almost 13 per cent. The flow of foreign direct investments, as well as construction work, has increased significantly. The balance of the country’s current account deficit during nine months of 1998, compared to the corresponding period of 1997, increased due to the rise in foreign trade deficit and accounted for 13 per cent of the gross domestic product (8.3 per cent during nine months of 1997).

The financial and economic crisis that started in Russia in August 1998, produced a negative effect on the Lithuanian economy. Due to the devaluation of the Russian Rouble and a sharp leap in inflation, the demand for Russian home market decreased, which, in turn, decreased Lithuania’s export to Russia by 35 per cent. Complications in settling accounts with Russia led to a reduced activity of some economies. Supply of foodstuffs and goods of light industry in the Lithuanian home market increased as a result of the decrease in their export to Russia. The increased supply, and with a limited purchasing power of the population, had an effect on the decrease in prices in the country. Due to decreased production in the country, unemployment in the country increased. During 1998, the unemployment level increased from 6.7 to 6.9 per cent. Income of the State Social Insurance Fund budget equalled 4159.4 million LTL in 1998 and the expenditure calculated amounted to 4164 million LTL. The number of different social benefits paid to families during 1998 amounted to 3.5 million. The amount allocated totalled 502.2 million LTL.

According to preliminary data, expenditure on social security and care in the national budget amounted to 10.0 per cent in 1998. The said expenditure in the state budget accounted for 8.0 per cent and in the municipal budgets for 11.9 per cent of the whole budget.

During 1998, the real average monthly wages increased by 14.3 per cent, minimum monthly wage increased by 4.9 per cent and the average old age pension of non-working pensioner increased by 10.0 per cent, and the minimum subsistence level - by 1.7 per cent.

According to the Statistics Department data collected as a result of a household budget survey conducted by the Department of Statistics the real disposable income of households increased by 9 per cent while the real cash income increased by 12.3 per cent. In 1998, as compared to 1997, the share of expenditure on food decreased and accounted for 48.1 percent of total expenditure and 41.4 per cent of the cash expenditure (52.2 and 44.5 per cent respectively in 1997).

EMPLOYMENT AND UNEMPLOYMENT

Situation in the Labour Market
Positive changes in the labour market of the country were observed in 1998. Not only the number of the employed increased but also that of economically active (labour forces). This determined the increase in the level of the activity of the population by 0.4 per cent during that period.

Employment
Movement of labour force from the state into the private sector continued. If in 1997 67.7 per cent of the employed worked in the private sector, in 1998 this figure was 68.8 per cent of the total working population. In 1998, persons of the retirement age and older constituted a large portion of the employed population. In November, 16 per cent of females older than 55 years of age and 19 per cent of males older than 60 years of age did one or another kind of paid work or were engaged in work from which they derived income.

The number of employed males was greater (51 per
cent) than that of females (49 per cent). Employment of the population in the spheres of economic activity changed - the number of the employed decreased in agriculture but increased in the sphere of rendering services, especially educational services, health care and social work.

**Partial employment**

According to the data of the Department of Statistics, the average annual reduction of the number of employees of the country is 9.7 per cent, whereas the average rate of growth of the number of part-time employees was 30 per cent. The part-time employees account for 7 per cent of all employed. A certain influence on the country’s labour market was exerted by the financial crisis in Russia. Enterprises exporting their production to the CIS countries began to reduce their production volumes and their number of employees. The majority of the employees worked part-time, about one quarter of the employees worked with idle time periods and about 15 per cent of the employees were on leave without pay.

**Unemployment**

The official labour market distinguished itself by increased dynamics. With the privatisation process and restructuring of the country’s economy going on, two tendencies revealed themselves: on the one hand, the number of vacancies places increased (in 1998 the Lithuanian Labour Exchange registered the greatest number of vacancies within the whole period of its activity), and on the other hand – the unemployment rate increased. This can be accounted for by the fact that the number of low-quality labour force or individuals without any professional training increased in the labour exchange, whereas the demand for highly qualified labour force increased.

The unemployment level grew from 5.9 per cent in 1997 to 6.4 per cent in 1998. The unemployment rate in regions (especially in rural regions) grew faster than in urban areas.

The level of youth unemployment was higher than the average unemployment level in the country (8.0% and 6.9% respectively). Great fluctuations in territorial unemployment remained. In some regions the unemployment level exceeded the average unemployment level in the country several times, whereas differences in unemployment levels between separate territories exceeded the above level 5 times.

**Labour Market Policy Shaping**

The labour market policy underwent implementation through active and passive measures. The passive measure of the labour market is unemployment benefit, the aim of which is temporary material assistance to people who have lost their jobs. The tasks of the active labour market policy is to provide the unemployed with possibilities of temporary employment, create conditions to acquire necessary work experience, to help individuals maintain present qualification, upgrade their qualification or acquire new requisite skills that would meet the market demands. The final objective of the active labour market policy is the integration of the unemployed into the labour market. By the objectives of integrating young people into the labour market and reducing territorial differences in the unemployment level, it was sought to increase the volume and efficiency of the measures of the active labour market policy. The following active labour market programmes were implemented:

- Labour Market Vocational Training;
- Support of Employment (public works, setting one’s own business, creation of new work places, supported works programmes);
- Prevention of Unemployment and Matching of Labour Supply and Search (group search for job (Job Clubs), self-search of job vacancies, work offer in another place, preventive vocational training and guidance, psychological counselling, etc.).

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

In February 1998, the Government of the Republic of Lithuania, following Article 20 of the Law on Support to the Unemployed of the Republic of Lithuania, approved the new procedure for performing public works. With a view toward solving the youth’s problems, the Government of the Republic of Lithuania by Resolution No.10 of 8 Janu-
ary 1998, approved the plan of measures for vocational guidance and integration of young people into the labour market which provides for several measures – ranging from the education of young people and programmes of employment to the establishment of specific institutions. The procedure for dismissing a group of employees and prevention regulating the dismissal of a group of employees and application of preventive measures to mitigate its consequences in the cases specified in Article 10 of the Law on the Support to the Unemployed was approved. The Ministry of Education and Science together with the Ministry of Social Security and Labour, while implementing Point 2 of Article 34 of the Law on Vocational Education of the Republic of Lithuania, in its order No.1607/188 of 29 December 1998, approved of the exceptional conditions of admittance of persons under 18 without basic skills into labour market institutions of vocational education.

**Labour Relations**

**Factors Influencing Labour Relations**

In providing for concrete work conditions for the employee, the employer must take into account requirements established by corresponding legal acts. The stability of labour relations in enterprises are burdened by the ongoing modifications of the legal framework, since the employers are often forced to carefully follow amendments introduced into legal acts, and changes in the minimum wages and salaries, in particular, in order to be able to ensure a timely settlement with the employees.

**Change in Actual Wages**

The change in actual wages shows the change in the purchasing capacity of wages. According to the data of the Department of Statistics, the actual wage in January 1998 was by 8.7% lower than the actual wage in December 1997; however, the actual wage in January 1999 was 12.2% higher than in January 1998.

**Change in Minimum Wages**

In 1998, the minimum wage was increased only once. According to the data of the Department of Statistics, in January-May 1998 the minimum monthly wage was 400 LTL. In May the minimum monthly wage amounted to 40.2% of the average gross monthly wage of employees in the Lithuanian economy, and already in June the minimum monthly wage was 430 LTL or 41.6% of the average gross monthly wage of employees in the Lithuanian economy.

**Changes in Payment for Work to Employees of Budgetary Organisations**

In 1998, salaries were raised for staff working at research and educational institutions, cultural and art institutions, and social workers.

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

With the increasing number of companies declaring bankruptcy under the terms of the Lithuanian Law on the Bankruptcy of Enterprises, and having financial difficulties in paying their workers, an urgent decree of the Government, passed on 1 September 1997, temporarily established a Fund to meet the work-related demands of the workers of enterprises currently undergoing or having experienced bankruptcy. During the year 1998, the total of 31.7 million LTL of repayable financial assistance was granted to 21 enterprises.

**Situation of Labour Relations in Enterprises**

Assessment of the actual situation of labour relations in enterprises is possible after inspecting the enterprises and revealing violations. In 1998, the State Labour Inspectorate inspected 14204 (9.9 per cent) enterprises employing 898208 employees. In 1998, the labour inspectors found 92264 violations of labour relations in the said enterprises (cf. 91900 in 1997); the majority of these were organisational violations (38.56%), labour law violations (26.17%), technical violations (20.85%) and labour hygiene violations (14.42%). The liability of employers in the implementation of legal provisions is made stricter in order to prevent the violation of legal acts. However, frequently changing legal norms that help to control and detect violations does not always prove to be effective. The technical and staff capacity available at present at the State Labour Inspectorate allows conducting repeated inspections of the same enterprise within 8-10 years only.

**Accidents at Work**

During 1998, the State Labour Inspection registered
166 reports on lethal labour accidents or cases of death, and 173 heavy and 2,989 mild labour accidents. In order to ensure safe and sound working conditions in the enterprise, the hygienic assessment of work places must be conducted. Employers were not satisfied with the procedure of hygienic assessment of work places. This caused a slow and insufficient process of hygienic assessment of workplaces in 1998. To speed up this process in enterprises, in 1998 the new Regulations for Hygienic Assessment of Work Places were drafted and approved.

**Morbidity from Occupational Diseases**

In 1998, 618 cases of occupational diseases in 427 persons were registered in the Register of Occupational Diseases. In order to protect the health of employees during working hours, the magnitude of working environment factors are assessed against the Hygienic Classification of Working Environment Factors. These concepts are new, as well as their contents, and up until now there is no agreement as to what uniform working environment indicators should be used.

**Social Guarantees in Relation to Labour Accidents or Occupational Diseases**

Provisional law of the Republic of Lithuania on the Compensation of Damage Incurred as a Result of Labour Accident or Occupational Disease regulates the compensation of damage that appears both prior and after the enforcement of the said law, until the law of the Republic of Lithuania on Mandatory Labour Accident Insurance comes into effect. The latter law will regulate compensation of damage that is incurred by the insured persons only after enforcement of the law.

**Control of Illegal Employment**

When carrying out the function of control over the enforcement of the labour laws, officials of the State Labour Inspectorate detected a significant part of violations related to illegal employment (7.82 per cent). There were 1,294 employers prosecuted in accordance with the administrative procedure; 113 fines were imposed for illegal employment. Officials of the State Labour Inspectorate meet certain problems when investigating cases of illegal employment. One of them is the complexity of exposing illegal activity, which is due to the insufficient legislative basis (not all the labour relation cases or peculiarities thereof are regulated by the law). Often the employers appeal the court if the fines are imposed by the labour inspectors for illegal employment; as a rule, these cases are usually lost in court due to insufficient evidence, which is difficult to obtain without the assistance of the police.

**Gender Equality in Labour Policy**

Equal treatment of the rights of women and men in the labour market is the indicator of social justice. The principle of gender equality is established in many principal labour laws of the country. According to statistical data, the rate of unemployment of women was still higher than that of men. However, the number of women included in the active policy programs of the labour market significantly exceeded the number of men.

As in many European countries, in Lithuania the average monthly wages of women comprise only a certain portion of the average wages of men. The difference between the level of wages and salaries paid to men and women are conditioned by many factors, the main of which are of social and economic nature: the distribution of men and women according to economic activities, levels of qualification, etc.

The Government of the Republic of Lithuania, with a view to ensuring equal rights and opportunities for women to participate in political, social, economic and cultural life, in November 1996 approved of the Women’s Progress Programme. This programme was worked out by joint efforts of governmental and non-governmental organisations. The programme covers 10 critical areas: protection of human rights of women, socio-economic situation of women, women and environmental protection, health of women, family planning, women and education, women in politics and government, force and violence against women and girls, women and mass media, and system of statistics and gender differences. On 21 January 1998, the action plan for the implementation of this programme during 1998-2000 was approved.

With a view to ensuring equal rights of men and women and implementing the Women’s Progress Programme, the Law on Equal Opportunities of the
Republic of Lithuania was passed on 1 December 1998 (enforced as of 1 March 1999). In the implementation of equal opportunities for men and women, this Law establishes the duties of state management and administration bodies, educational and science institutions and employers. The law provides for the violations of rights of men and women, control and supervision of the implementation of the law, as well as the acceptance and investigation of complaints. The supervision of the implementation of the Law on Equal Opportunities shall be carried out by the ombudsman for equal opportunities. Seeking to assure the quality of work of the ombudsman, the independent Ombudsman Service has been established.

Certain provisions and stereotypes concerning women preclude them from active participation in the labour market. Often it is more difficult for women to find a job or remain in a job due to their duties with regard to their family, maternity, age, etc.

With a view to ensuring equal opportunities on the labour market, it is necessary to co-ordinate all legal acts, so as to eliminate the legal basis for the discrimination of one or another gender; prepare legal acts, regulate flexible forms of work; assure conditions to upgrade the qualification of parents that raise children at the same time as combining working time with family duties.

**Social Partnership and Related Problems**

**Development of Social Partnership**

Today in Lithuania there are 4 major centres of trade unions: the Union of Lithuanian Workers, the Lithuanian Centre of Trade Unions, the Trade Union Unification and Lithuanian Labour Federation. The main purpose of these centres is to protect the members of trade unions and other employees of enterprises, where trade unions are functioning. However, only 6-10% of all employees in Lithuania join trade unions; often trade unions of enterprises do not represent the interests of all or at least the majority of employees.

In 1998, there were 3 employers’ organisations in Lithuania, i.e., the Confederation of Industrialists of Lithuania, the Confederation of Lithuanian Employers-Entrepreneurs, and the National Confederation of Entrepreneurs.

**Activity of the Tripartite Council of the Republic of Lithuania**

In order to achieve more efficient co-ordination of interests in the process of solving social, economic and labour problems, as well as in order to improve harmony in society, on 5 May 1995 the Government of the Republic of Lithuania and organisations of trade unions and employers executed a tripartite partnership agreement. On the basis of the agreement, the Tripartite Council of the Republic of Lithuania was established. In 1998, the Secretariat of the Tripartite Council was established at the Ministry of Social Security and Labour (hereinafter referred to as “the Secretariat”); the main purpose of the Secretariat was to provide both organisational and technical assistance to the Tripartite Council of the Republic of Lithuania in convening its sittings.

**Activity of the Lithuanian Safety at Work Commission**

In the process of development and implementation of the policy on safety at work, in 1994 the Lithuanian Safety at Work Commission was established to co-ordinate the interests of employers, employees and the state, as well as to co-ordinate the relations between the three parties. The Commission, together with the Ministry of Social Security and Labour takes part in the process of development and implementation of the state safety at work policy that would meet the interests of the three parties; it also provides proposals to the Minister of Social Security and Labour regarding the draft laws and other normative legislation on the safety at work issues, amendments and supplements thereof; discusses annual activity report provided by the State Labour Inspectorate at the Ministry of Social Security and Labour; and assesses the process of enforcement of the laws on labour and safety at work and normative legislation.
Today’s state social insurance system has an autonomous budget. Social insurance contributions are not accumulated, but are used to pay pensions and benefits. According to the current state social pension insurance system there are three types of pensions: old age pension, disability pension and survivors’ and orphans’ pension.

In 1998, there were 648 thousand old age pensioners or 63 per cent of the total number of pensioners in Lithuania. That year the average old age pension was 286.15 LTL. In 1998, there were 158.8 thousand disability pensioners who accounted for 15 per cent of the total number of pensioners in Lithuania. That year the average disability pension was 260.9 LTL. In 1998, there were 173 thousand people receiving survivors’ and orphans’ pensions, which is 17 per cent of the total number of pensioners. That year the average amount of survivors’ and orphans’ pension was 58.10 LTL. The total number of recipients of social insurance pensions is increasing. With the increasing number of pension recipients, the number of individuals covered by the state social insurance is decreasing.

Since 1995, the State Social Insurance Fund has been facing a problem of deficit. In the beginning of 1998, the State Social Insurance Fund had a budget deficit of 40 million LTL. The deficit was caused by the following major factors: assumed obligations of the former soviet social care system, reduced number of the insured, “double” accounting used by companies and insufficient collection of the budgeted state social insurance funds. Since some of the above reasons have a long-term impact upon the budget of the State Social Insurance Fund, it may be impossible to balance the budget for some time to come.

In 1998, when the social insurance policy was designed the main emphasis was put on expanding the number of categories of the insured, determining the ceiling of earnings from which social insurance contributions are deducted, defining additional social guarantees and improving the collection of social insurance contributions.

In order to balance the budget of the State Social Insurance Fund suggestions were made to follow the experience of Western countries and redistribute the tariff of social insurance contributions by increasing the part of the contribution paid by the insured person and reducing social insurance contributions made by the insurer.

In 1998, attempts were made to improve the collection of state social insurance contributions. Appropriate amendments to the existing laws and Government resolutions were prepared and measures improving the work of the State Social Insurance Board were introduced. Personal responsibility of heads of territorial branch offices for the collection of funds into the budget of the State Social Insurance Fund was expanded. Preparations were made to shift to the production of monthly data and information on contributions. Territorial social insurance councils that should influence the quality of work of the territorial branch offices and better inform the population are being developed. A comparative analysis of the data bases of the State Tax Inspectorate and the Board of the State Social Insurance Fund was initiated in order to better identify tax payers, improve the interaction of the State Tax Inspectorate and the Board of the State Social Insurance Fund in administrating the collection of taxes and social insurance contributions.

These measures enabled us to improve the collection of state social insurance contributions regardless of the financial problems that the State Social Insurance Fund encountered at the end of the year due to the crisis in Russia. Additional measures (loans and credit lines) had to be deployed to be able to pay pensions in time.

In 1998, the actual revenue to the budget of the State Social Insurance Fund was 4,159,362 thousand LTL which was 74,368 thousand LTL more than planned. The budget revenue of the State Social Insurance Fund increased by 14 per cent compared to 1997. However, the actual expenditure of the State Social Insurance Fund was 4,164,023 thousand LTL that exceeded the planned expenditure by 131,343 thousand LTL. In 1998, the expenditure of the State Social Insurance Fund increased.
by 15 per cent compared to the expenditure of 1997. That is why the budget of the State Social Insurance Fund was not balanced.

In order to ensure mandatory social insurance guarantees to people who were not covered by the social insurance and to increase the relatively small social insurance pensions, proposals were made to expand the number of categories of the insured, i.e. to include self-employed people (patent holders, members of general and limited partnerships, lawyers and their assistants and notaries) into the social insurance system.

In order to improve the collection of contributions, it might be necessary to more flexibly impose sanctions for the delayed payment of contributions, with regard to the particular situation. It would be worth preparing an amendment to the Law on the State Social Insurance, providing for the right of the State Social Insurance Fund Council not only to postpone, but also, after having assessed the reasons of indebtedness and other circumstances, to exempt enterprises from the calculated late charges. Such a provision would create a real possibility for the majority of the insurers to settle accounts with the budget of the State Social Insurance Fund. Such insurers would avoid bankruptcy proceedings, moreover, the working places would be preserved.

Today Lithuania is facing a new phase of pension insurance formation. The legal basis for it will be the Law on Pension Funds currently discussed by the Parliament. The goal of insurance based on the principle of voluntary participation and cumulative formation of the insurance funds is to expand the existing state social insurance system and enable it to provide better pensions in the future.

**SOCIAL ASSISTANCE**

Social assistance is comprised of social assistance in cash and social services. The system of social assistance is based on a perception that it is not aimed at ensuring long-term economic and social security for a person; it just helps a person to integrate into society and survive under extreme conditions. It is aimed at meeting basic social needs of individuals and helping them to integrate into society. The objective of social assistance is to direct the assistance towards those who are in the greatest need for it and organise it so as to enhance the activity and individual responsibility of people and to meet the interests of various social groups. The successful accomplishment of the said objective depends on whether persons, for whom the state support is indispensable, are covered by the social assistance system, or not entitled to such a support.

**Benefits in Cash**

The laws of the Republic of Lithuania and the Government resolutions provide for social assistance to individuals whose earned income, social insurance benefits and other income is insufficient for reasons beyond their control and thus prevents them from taking care of themselves. Benefits are given to families on the basis of two principles: means-testing and non-means-resting.

Families live in different conditions and unforeseen circumstances may arise causing families or individuals to be in a difficult situation. It is not possible to cover all cases of the provision of social care by the laws and resolutions. Therefore, in addition to statutory support, municipalities are given responsibility for the provision of assistance to residents of their territories, taking account of their individual needs and specific reasons for the difficulties that they experience. Organisation of social assistance greatly depends on the financial capabilities of municipalities.

As of 1999, benefits provided for by the Law on the State Benefits for the Families Bringing up Children are paid from the special-purpose funds allotted for municipalities at the time of calculation of their financial status. A child-care benefit is paid out of the special-purpose funds allotted for municipalities from the state budget.

Social benefits and one-time grants are paid from municipal funds.

At the end of 1997, a new type of benefit for families raising three and more children was introduced.
A benefit for families with three children is means-tested. If a family has four and more children, in this case irrespective of the family’s income, a benefit is paid.

As in 1998, increased benefits in cash from the state was provided independently from the families’ income and priority was given to assisting children that have lost parental care.

When planning further trends of development of benefits in cash to families, a sociological survey of economic efficiency and justification of social support to families raising children must be conducted. Such a survey is planned for 1999. Thus, with limited state financing the aim is to target social assistance towards those individuals who mostly need it and to ensure minimum subsistence level to them.

**Assistance to Victims and Social Risk Groups**

In 1998, state support to victims and people falling under risk groups was increased. Legal acts providing for the improvement of social assistance to individual groups of victims were drafted in 1998. Payment of grants to volunteers who participated in the armed resistance and were injured was provided for by legal acts. Payment of compensations to people who suffered during the consequences of the accident at Chernobyl nuclear power station and for the worsening of their health status will continue. The size of the state pension paid to persons who suffered from aggression on 11-13 January 1991 and further events was doubled.

In rendering social assistance for victims and social risk groups, social programmes have been drafted. The Ministry of Social Security and Labour implements the governmental strategy for the support to rehabilitated political prisoners and deportees and their families returning to Lithuania.

In 1998, the concept of differentiation of state pensions paid to victims was prepared based on the conditions and length of imprisonment and exile of political prisoners and deportees.

In 1998, a draft Programme for Social Adaptation of Persons Returning from Prisons and Other Penal Institutions and Social/Psychological Rehabilitation Establishments (1999-2003) was completed. The National Programme on Drug Control and Prevention of Drug Addiction was drafted in 1999-2003. Programmes on the social integration of refugees were implemented. Social integration of refugees is a process during which attempts are made to provide them with the possibilities of integrating into Lithuanian society and start living on their own. Social integration of refugees is being regulated by the Procedure of Social Integration of Refugees approved by Resolution No. 239 of 26 February 1998 of the Government of the Republic of Lithuania.

**Social Support to the Disabled**

In 1998, the Law on the Amendment of the Law on Social Integration of the Disabled and the amendments to the laws regulating the granting of pensions were adopted. These provisions filled certain gaps in the system of granting pensions to the disabled; payment of a nursing benefit for persons with total disability was established. In the new Law on Social Integration of the Disabled, two new notions have been defined, namely, that one of “a disabled person” and of “a disabled person with total disability”. The main criteria have been established on the basis of which the total disability is recognised for the disabled of Group I and disabled children under 16. Upon the confirmation of the status of full disability, a nursing benefit amounting to the state social insurance basic pension will be granted to the disabled person. The nursing benefit due to be paid to a person with total disability who has been recognised incapable will be granted and paid to the person’s guardian. Nursing benefits will be granted and paid from the state budget irrespective of other income received by the disabled or his guardian. The above-mentioned law legalised the provision concerning the insurance of persons who nurse the disabled with total disability. Such a person or a guardian of the disabled (who has been recognised incapable in accordance with the established procedure) will carry state social insurance in order to receive the basic pension.

The Law on the Amendment to the Law on State Social Insurance Pensions adopted simultaneously with the Law on Social Integration of the Disabled settled the issue of additional payment for care...
Currently, the system of social services is in the stage of rapid development: drafting and implementation of social service programmes, establishment of new type social care institutions with municipalities is taking place. Documents regulating the system of social services provide for the liability of separate management levels in the functioning of the system of social services. An important role in the provision of social services lies with city (regional) municipalities. When planning social services, the demand for such services is analysed and social programmes for communities are drafted and implemented.

With a view to developing the provision of social services, the existing institutional care institutions have been re-organised by changing their subordination and reducing the number of individuals placed in them. In 1998, the provision of social services at home was approved to be a priority type of social services, since such services are one of the most efficient types of assistance that best meets the needs of people. The principle, that a person is to be sent to a institutional care institution only when the social services rendered at home are ineffective and do not ensure adequate degree of independence for the person, is followed when providing social services to elderly people.

The system of social services is developed by improving the quality of the services rendered and drafting documents regulating the activities of care institutions. The effectiveness of the system of social services depends upon many factors: expedient utilisation of funds, professional qualification of employees, work methods applied, co-operation with non-governmental organisations and other institutions.

Protection of Children’s Rights
The legal framework for the system of children’s rights protection was developed during the recent years. In 1998 the issue of foster care of abandoned children has been brought as top priority of the Government policy on children. In 1998, the Parliament of the Republic of Lithuania passed the Law on Child Guardianship on the basis of which the bylaws on children guardianship were adopted. In adopting the above legislation and implementing
the provisions of the United Nations Convention on Children’s Rights, attempts were made to promote guardianship of children in families and at the same time reduce institutional guardianship of children deprived of parental care. The implementation of the above law proved that the time has come to revise and re-allocate the administrative responsibility for the protection of children’s rights and for the care of children among individual municipal units (social assistance, education, children’s rights protection services).

Efficient solving of the issues on the care of children is closely related to the increase in the efficiency of assistance to families.

**EUROINTEGRATION AND INTERNATIONAL CO-OPERATION**

*International Events*

During 1998, the main topics for discussions at international events were the labour market policy, development of social dialogue, enforcement of equal opportunities, demographic problems (ageing of the society), financing of social security, youth-related matters, etc. Special attention was attached to the problems of poverty and social exclusion. Among the most significant events of the year was the 7th Conference of Ministers of Social Security of the Council of Europe with the topic “Social Insurance on the Way to the 21st Century” held in Malta, the 26th General Assembly of the International Social Insurance Association held in Morocco, the 86th Session of the International Labour Conference held in Geneva.

**Preparation of Lithuania for the Membership in the European Union**

Following the programmes of the Government of the Republic of Lithuania, in 1998, the Ministry of Social Security and Labour continued the preparations for negotiations and membership in the European Union within the sphere of competence entrusted to the Ministry. When defining the instruments of social policy in the National Acquis Adoption Programme (NAAP), the Ministry of Social Security and Labour took into consideration the priorities and the short-term tasks specified in the Accession Partnership document.

The Ministry of Social Security and Labour together with the Ministry of Education and Science and the Ministry of Culture participates in the work of the 5th sub-committee – implementation institution of the European (Association) Agreement - that deals with the issues of human resources, science, technology development and social policy. The first meeting of the sub-committee took place in Brussels on 6th October 1998. The European Commission made no essential remarks regarding the implementation of the provisions of the social part of the Agreement.

The Ministry of Social Security and Labour, just like other public institutions, participated in multilateral meetings on legal screening organised by the European Commission in Brussels that dealt with the following issues: free movement of goods; environment protection; promotion of small and medium-size enterprises; regional policy; issues of education, professional training and the youth; employment and social policy; free movement of persons. Experts of the European Commission provided general information on Acquis communautaire, also familiarised with the EU legal documents regulating the above fields. Members of our delegation made a brief presentation of the existing state of matters in Lithuania in each of the spheres. The most important problems that will be encountered in the process of accession or during the negotiations were identified.

On the basis of strategic directions of employment policy specified by the EU Summit Meeting in Amsterdam in November 1997, Lithuania has adopted the following strategic directions of labour market policy: activation of labour market policy, employment support, expanding of employment possibilities, reform of the labour market management system. The instruments for their implementation were provided for, too.

The report on the progress of Lithuania in the preparation for the membership in the European Union...
was presented to the European Commission in Brussels in June 1998. The part of the Report prepared by the Ministry contained information on the country’s social development, the existing state of free movement of persons, the efforts to ensure equal opportunities and the management of employment and social issues in the country. In November 1998, the European Commission presented its annual report and formulated the opinion on the progress made by Lithuania. The main remarks contained in the opinion were made regarding the state of social and labour affairs. The Ministry has analysed the remarks of the Commission and has elaborated the measures to eliminate the shortcomings.

Co-ordination of Social Security
Social security of migrating workers is guaranteed by bilateral and multilateral agreements as well as by international agreements and conventions. In the international law the process is referred to as the co-ordination of social security systems. In 1998, Lithuania carried out this task by means of the following social security co-ordination instruments: bilateral agreements, Interim Agreements of the Council of Europe, EU Regulation 1408/71. The Republic of Lithuania has bilateral social security agreements with Estonia, Latvia, Belarus, the Ukraine. The agreements with Russia and the Czech Republic are signed. Negotiations with Poland and Finland have been started; the agreement is being prepared with Kazakhstan.

Interim Agreements of the Council of Europe, that provide for the elimination of discrimination on the basis of citizenship, are of great importance to the social security co-ordination. Having ratified the above agreements in 1999, Lithuanian citizens living in 18 countries of Europe and the native residents of these countries shall enjoy equal rights in the field of social security.

The co-ordination of the social security system in the European Union is performed by implementing the multilateral agreement - Regulation 1408/71. The Regulation shall become mandatory to Lithuania after the country joins the European Union. Lithuania has already initiated technical adaptation activities related to 18 annexes to the Regulation. When preparing for the application of the Regulations it is necessary to further perfect the efficiency of administrative institutions and to improve the qualification of their employees. The major role here is played by the State Social Insurance Fund Board and the State Patients’ Fund.

Adoption of International Labour Standards
As for today, Lithuania has ratified 34 conventions of ILO. On 30th June 1998 the Parliament of the Republic of Lithuania denounced the Convention No. 11 on the night labour of women because the Convention was no longer in line with the modern requirements. In 1998, Lithuania presented 18 reports on the application of ratified conventions and 2 reports on the non-ratified conventions. It is important to note that Lithuania always presents the necessary reports on time. In 1998, Lithuania finally eliminated the shortcoming related to the presentation to the country’s law-making institutions of the documents adopted at ILO conferences and the Parliament received the documents that have been adopted at ILO conferences 80 to 85 alongside with the brief comments and proposals regarding the possible action towards the enforcement of their provisions.

Social Charter
The year 1998 witnessed the active preparation for the ratification of the Social Charter of the Council of Europe. Lithuania joined the European Social Charter in 1997. The Charter proclaims the basic economic, social and cultural human rights. The Social Charter facilitates the promotion of the development and protection of economic, social and cultural rights for the whole population or groups of individuals and hired employees. The system of the Charter provides for the possibility to assume obligations on different levels.

International Assistance
International assistance has an important role in the creation of modern social security system, development of institutional capacities, improvement of labour organisation. These initiatives are supported by technical assistance. Lithuania receives foreign technical assistance under EC Phare, Consensus, United Nations, World Bank, and International Labour Organisation, Council of Europe Social Development Fund and other programmes of
bilateral co-operation with Denmark, Sweden and the Netherlands, etc. In 1998, within the context of specific area projects, especially active was the assistance for institutional development: improvement of social insurance system, development of modern labour market system, improvement of labour laws, development of social service infrastructure.

MONITORING AND ASSESSMENT OF SOCIAL POLICY

Assessment of the Quality, Structure and Dynamics of the Lithuanian Social Policy

One of the indices to assess the social security effectiveness is the opinion of individuals about the existing system of social security and about its constituents.

In 1998, the Free Market Institute of Lithuania carried out a survey “Assessment of the quality, structure and dynamics of the social policy of Lithuania”. The main purpose of the described survey was to assess the social policy in terms of all residents of Lithuania, by separately identifying the groups of people who receive social benefits and of individuals who implement social policy, the opinion of social partners, as well as to prepare recommendations for the improvement of social policy.

The opinion of individuals was analysed also taking into account publications in press. Attempts were made to find out the most important social security problems that are most frequently referred to in press and in the letters of individuals.

After having summarised the results of the survey of the opinion of individuals and having taken into account the results of the current social security condition analysis, the principal social problems were formulated. The results received during the previous surveys were updated, i.e. the structure of social security, the specified priorities, tasks.

In autumn 1998, the sociological opinion survey on social security was carried out by the Lithuanian-British joint venture “Baltijos Tyrimai”, which is engaged in market and public opinion surveys. The results of this sociological survey are presented in chapter 8.2.

Poverty and Social Policy Survey

During the World Conference on the Social Development held in 1995 in Copenhagen, the Government of the Republic of Lithuania obliged itself to develop the national strategy on the reduction of poverty. To this end, the survey of poverty was carried out in Lithuania in 1997, which was initiated and supported by the United Nations Development Program.

In the course of the survey attempts were made to define the level of poverty (the scale of poverty) and its duration, the depth of poverty (the phase of poverty), the categories of individuals in Lithuania that are mostly impoverished, the main reasons of poverty, assessment of poverty by individuals as well as the evaluation of their own possibilities to improve their living conditions.

When analysing the results of the survey it became clear, that the following households are most likely to remain below the poverty line:
- the households in which the number of dependants exceeds the average number in the country;
- the households in which the largest portion of income comprises the agricultural income of non-hired labour;
- households, in which the main source of subsistence is pensions and miscellaneous benefits, unemployment or family benefits, in particular, rather than income from work.

The performed analysis of the poverty level development tendencies during the period of 1997-1998 allows to conclude, that the social policy aimed at the reduction of poverty, was successful and achieved its goal. During the period of two years the level of poverty, assessed using the relative poverty margin (50 per cent of the average consumption expenses of 1996, according to the index of the indexed prices) was LTL 258,9 for the equivalent consumer, i.e., it decreased by 4,8 percentage points. In other words, the subsistence level of 179 thousands of individuals went up above the poverty line during 1997-1998.

Social Development of Rural Areas

According to the data of the Department of Statis-
...as of 1 January 1999 almost 32 per cent of all residents of Lithuania (1178,8 thousands) lived in rural areas. The process of ageing is very distinct in rural areas – individuals aged 60 and older accounted for more than 23 per cent of rural population, whereas the relevant number of individuals of the said age living in urban areas was 15 per cent. Pensioners living in rural areas account for 33 per cent of adult residents.

The results of the household budget survey performed by the Department of Statistics show that the subsistence level of people living in rural areas is lower than that one of urban dwellers. In 1998, the income urban residents stood at LTL 463 per one family member per month, and that one of people living in rural areas was LTL 336, or 27 per cent less. Expenses on food of urban population made up 45 per cent of all consumption expenses, and of the rural population – 60 per cent. The worst material status among rural population is of the users of 2-3 hectares of land plots, who receive income only from this land.

According to the results of the labour force survey, carried out in November of 1998 by the Department of Statistics, 476.3 thousands of individuals worked in the country. More than half of them (55.7 per cent) were employed in agriculture, 11.3 per cent – in industry, 6.6 per cent – in trade, 7.8 per cent – in the sphere of education, 4.5 per cent – in health care system and social work, and 2.3 per cent – in construction. Those employed in agriculture create around 10-11 per cent of the gross domestic product of the country. In 1998, the average annual rate of unemployment in the country was 8 per cent.

According to the Law on the State Social Insurance, farmers and adult members of their families employed in households must insure themselves to get the base social insurance pension by paying contributions in the amount of 50 per cent of the base state social insurance pension. At the end of 1998 the social insurance contributions were paid by 1662 farmers, around 24,5 thousand of them enjoyed the right of deferred payment of contributions and did not pay them.

Families with low income in rural areas are provided with social support: they receive social benefits, as well as compensations for the heating of the living premises and hot water expenses. For the families in possession of the land plot of 2 to 3.5 hectares, additional privileges are granted. Children of such families receive support and are provide with free food in secondary schools. Rendering of social services is of great importance for the rural population.

Model of the Social Budget

A successful social policy may be pursued only when the short- and long-term financial consequences resulting from the adopted (or proposed for approval) social decisions are clearly known. Therefore, it is particularly important to have reliable instruments, the use of which would allow to evaluate financial consequences of social decisions. In other words, we must know how to qualitatively plan and forecast the social budget, covering social income and expenses of the Government, local governments, other institutions and (on a lower level) of the private sector.

The Financial, Actuarial and Statistical Unit of the International Labour Organisation (ILO) and the group of this organisation for the Central and Eastern Europe, which works in Budapest, have created the so-called family of the ILO models. One of the largest models of this family is the Model of the Social Budget. In 1998, this model, with the help of the ILO experts, was also implemented in Lithuania.

The Model of the Social Budget consists of the lower level sub-models, which may also be used separately. The Model of the Social Budget is aimed at forecasting the period not exceeding 20 years. Practically this is a model, which by means of direct determined equations calculates, drafts and imitates income and expenses of different social security systems. The Model of the Social Budget implemented in Lithuania consists of the following sub-models:

1. Demographic sub-model. This sub-model includes the forecast of the number of population by age and gender for 1999-2015;
2. Labour force sub-model. This sub-model forecasts the number of labour force, the employed and the unemployed by age and sex for 1999-2015;
3. Economic sub-model. Within this model the fore-
cast of the main economic indicators, such as GDP, inflation, wages and salaries, base payments, etc. are forecast;
4. Employment fund sub-model. It contains the forecast of income and expenses of the employment fund;
5. Pension sub-model. In this sub-model the forecast of social insurance pensions and State Social Insurance Fund income and expenses is carried out;
6. Social assistance sub-model. The forecast of benefits paid from the State and municipal budgets is carried out in the social assistance sub-model;
7. Budget sub-model. This sub-model includes the forecast of State Budget, municipal budget, Health Insurance Fund, State Social Insurance Fund and Employment Fund income and expenses forecast for 1999-2015. This model also comprises the forecast of income by separate social risks.
Chapter 2

2. KEY ACTIVITY TRENDS AND PRINCIPLES OF THE MINISTRY

When implementing the Government Program in 1998, the efforts of the political management and staff of the Ministry of Social Security and Labour were aimed at increasing the efficiency of social and labour policy, while improving its analysis, as well as at organising the implementation and supervision. To this end, attempts were made to define the tasks of social policy and its intended development more clearly by taking into account the current situation, qualification of the staff raised, necessary changes were introduced into the managerial structure, and the administrative work was improved. The increasing definitiveness of the directions of the development of social policy facilitated co-operation with the institutions setting headlines of the social policy (the President’s Office, the Parliament, committees thereof, the Government), as well as with those implementing it (SODRA, Labour Exchange, other institutions of MSSL, counties, municipalities), and improved relations with the beneficiaries and partners of the Ministry. Administration of the network of social security institutions was reorganised so as to ensure the rapid and qualified solving of all main social problems of individuals at their place of residence. The servicing of beneficiaries with the institutions implementing the social policy was improved, and the number of complaints and applications of individuals on social matters filed with the Ministry of Social Security and Labour as well as with other public authorities was reduced.

In 1998, the society was continually being informed about the current developments of social policy as well as about the growing problems and decisions to be adopted. More and more members of the Parliament of the Republic of Lithuania and Government officials recognise, that shaping of the social policy as well as its implementation is improving, and social partners as well as the beneficiaries are more favourably disposed towards co-operation with the Ministry and identify themselves with the development of the social security system. The survey of the opinion of individuals carried out by the Free Market Institute revealed, that the opinion of residents of Lithuania about the Ministry of Social Security and Labour is improving.

The key document in planning different activities of the social policy and co-ordinating their implementation was the strategic plan of the Ministry, which was worked out with the active involvement of the political management and staff of the Ministry. The specialists were asked to share their opinion when analysing the strengths and weaknesses of the activities, the existing possibilities and possible threats, selecting and updating the strategies, as well as when establishing the goals, priorities, etc. It is also planned to use the strategic plan in the future as the main co-ordinating document. It facilitates the harmonisation of the rational and applied strategies, promotes the initiative of divisions and employees in proposing innovations to the contents of work and its implementation procedures, helps to evaluate the resources that are mostly needed for the implementation of the tasks set in the strategic plan and control the implementation of the said tasks, the reasons that prevent timely and qualitative implementation of the tasks set in the strategic plan. The effective implementation of the strategic plan sometimes may be precluded by the lack of human and material resources. Therefore, in distributing the limited resources the priorities set out in the strategic plan are observed.

During the previous year, the development of the strategic partnership of the Ministry of Social Security and Labour with the subordinate institutions and municipalities was pursued, which provides for the idea that the Ministry will approve of the strategic plans of subordinate institutions (political trends and distribution of resources), increase the promotion of their operative independence and will reach an agreement with the municipalities and (or)
counties on strategic plans. These are the first attempts, which are to become the principal part of the activity of the Ministry in the future. Further development of the strategic plan requires the continuous training of staff, which would allow to prepare specialists to work under conditions of the functioning strategic plan and to improve the efficiency of the strategic plan itself and of the strategic partnership. The strategic plan should facilitate solving the main tasks of the social and labour policy that are faced by us now or will be faced in future.

Since the declaration of independence many reforms have been introduced in the social and labour market policies. Irrespective of the forecasting and control of social costs, the real amount of numerous benefits was on the decrease for a period of several years due to inflation and inadequate compensation. Subsequently, after having stabilised the inflation and real reduction of the amount of benefits, the National Budget, the Social Insurance Fund budget and the Employment Fund budget faced the problem of deficit. Upon the strengthening of the national economy and improvement of the financial condition, in 1998 care was taken for the improvement of material conditions for the most sensitive groups of individuals, simultaneously trying to reduce the deficit of the social budget. The basis for a successful implementation of these tasks is the development of Lithuanian economy observing the priority trend of economic development and making use of the possibilities provided by European integration, increasing employment of the able-bodied population, and narrowing the sphere of the hidden economy.

*Keeping Social Guarantees in Balance*

The directions of social security and labour market policy are determined by the need for the increase of employment, strengthening of social guarantees and ensuring their balance. This is achievable by implementing the labour market policy, increasing the flexibility and soundness of the social system, improving social guarantees and mutual confidence with the stakeholders, tax and contribution payers, strengthening the insurance principles, harmonising the adopted decisions in line with the EU requirements, and improving the system administration.

*Implementation of the Labour Market Policy*

Firstly, the implementation of the labour market policy was oriented towards the integration of youth into the labour market, directing it towards active search for jobs and professional qualification compatible with the needs of the labour market. The programs of vocational training and employment for young people in the regions with the highest rate of unemployment were under preparation. With a view to mitigating social consequences of the dismissal of employees in cases of bankruptcy of enterprises or reorganisation of production, the legal framework regulating the collective dismissal of employees was being improved and preventive measures in cases of collective dismissals were implemented. Another important trend of the labour market was the reduction of territorial differences in the rate of unemployment. Much attention was paid to the improvement of labour market management system. The interaction of labour market institutions was improved with the view to achieving higher political efficiency of the labour market institutions. The work commenced in the sphere of shaping the employment policy with regard to the trends of the European Union employment policy. Implementation of the Co-operation Program with the Ministry of Labour of the Kingdom of Denmark commenced with the aim to improving the labour market management system, to ensure its higher flexibility and rapid response to the developments within the labour market.

*Increase in the Flexibility and Soundness of the Social Security System*

This task is aimed at a more precise direction of benefits towards those who mostly need them, also at a better analysis and forecasting of the fiscal and social consequences of new proposals. In the course of the year the provision was strictly observed, which requires that all legal acts submitted by the Ministry of Social Security and Labour to the Government and the Parliament shall be supplemented with annexes summarising the qualitative and quantitative fiscal and social consequences of the proposed decisions. However, this practice needs considerable improvement, and a better attraction of scientific potential should be considered as a reserve for this improvement, upon the evaluation of the economic
and social consequences of these new decisions by using modern scientific achievements, modelling and, in particular, forecasting.

**Improvement of the System of Social Guarantees**

In 1998, the review and analysis of the integrity of social guarantees was carried out with a view to improving the Law on the Principles of Social Services, the Law on the Guaranteed Income, and other basic laws of the social security system. Attempts were made to increase the universality of the system, and improve the provisions for income indexation. The application of these principles improved the social guarantees provided to the individuals. Amendments introduced to the laws, first of all, were subjected to systemic assessment and only then were implemented.

**Development of Mutual Confidence**

This is a relatively new, but very important field of the activity of the Ministry of Social Security and Labour. It is based on the involvement of social partners and non-government organisations in the groups of law-makers, and participation of society in deliberations of the proposed amendments. The increase of flexibility and soundness of the social security schemes, strengthening of social guarantees, as well as the improvement of law enforcement supervision and communication with the population and public authorities increased mutual confidence. A very important issue in this sphere is the increase of confidence of tax and contribution payers in the existing system of social security as well as in the interest to pay taxes. The main effective means in implementing this principle was the increase of the transparency of the system. The uniform and honest participation of tax and contribution payers in the financing of the social security system may be achieved only by involving their representatives in the expenditure planning, consideration and approval of the statements on the use of expenses and the analysis of the possibilities to reduce their cost. In practice, attempts were made to achieve all of this by using the assistance of the triple councils formed by the Ministry and organisations subordinate to it.

**Strengthening of the Principles of Insurance**

The essence of the insurance principles comprises relative social payments and the contributions paid by an individual as well as the amount thereof. This was widely propagated already during the first years of pension reform. Provisions of the pension reform are based on this principle and ensure the adequate payment of pensions by extending the limit of the pension age, increasing the incentives to earn for one’s subsistence and old age, and relating the amounts of benefits and contributions more closely. In 1998, attempts were made to strengthen the insurance principles by analysing, forecasting and widely discussing the social as well as fiscal consequences of the existing and proposed insurance schemes. Proposals were deliberated concerning the change of the ratio of the parts of state social insurance contributions tariff paid by the employer and the employee and the possibilities of mandatory social insurance for the self-employed persons were extended. Review of the kinds of state social insurance in terms of compatibility between the amounts of benefits and the related contributions, as well as further strengthening of the preparation, implementation and accountability control of the State Social Security Fund budget with a view to ensuring their compliance with the European standards and further transparency contributed to the strengthening of the insurance principles.

**Harmonisation of the Legal Framework**

This task was aimed at carrying out preparatory work for the co-ordination of social security systems, by harmonising the laws in the field of work safety with the EU legislation. Further development of the legal framework of social insurance proceeded (of non-governmental pension funds, supplementary pension insurance of the employees of certain professions, insurance against accidents, insurance against unemployment, mandatory civil insurance), together with the development of supervisory systems.

**Improvement of the Administration of Social System**

Improvement of the administration of the system was carried out by seeking an adequate division of responsibility for the implementation of social se-
curity between the Ministry and its subsidiary organisations as well as counties and municipalities. The basis for that was the wide application of decentralisation principles, by increasing the responsibility of agencies and organisations for the settlement of issues delegated to them. This mostly concerned the system of social security, and in particular, the rendering of social services. In the course of the year much attention was paid to the improvement of the labour market management system. The interaction of labour market institutes was improved, seeking to better co-ordinate the active and passive measures and achieve the best effect of employment. The institutional basis of the safety at work was strengthened, with a view to implementing major requirements established by the Euro-integration.
### 3. ECONOMIC AND SOCIAL CONDITIONS SPECIFIC TO THE LITHUANIAN ECONOMY IN 1998

In 1998, as in previous years, the gross domestic product was on the increase. Prices of consumer goods and services increased by 2.4 per cent per year only and that was the lowest change in prices in the Baltic States (in Latvia - 2.8 per cent, in Estonia - 6.5 per cent). The volume of retail trade increased by almost 13 per cent. The flow of foreign direct investments, as well as construction work, has increased significantly. During 1998, the real gross average monthly earning, as compared to December of 1997, increased by 14.3 per cent. However, the balance of the country’s current account deficit during 1998, as compared to 1997, increased due to the rise in foreign trade deficit and accounted for 12.1 per cent of the gross domestic product.

The financial and economic crisis in Russia that started in August 1998 had a negative effect on the Lithuanian economy. Due to devaluation of the Russian Rouble and a sharp leap in inflation, the demand for Russian home market decreased, which, in turn, decreased Lithuania’s export to Russia by 35 per cent. Complications in settling accounts with Russia led to reduced activity of some economies. Supply of foodstuffs and goods of light industry in the Lithuanian home market increased as a result of the decrease in their export to Russia. The increased supply with a limited purchasing power of the population had an effect on the decrease in prices in the country. As a result of the decreased production in the country, unemployment in the country rose.

### 3.1 MAIN ECONOMIC INDICATORS

**Gross Domestic Product (GDP)**

According to preliminary data, the increase in real GDP in 1998 accounted for 5.1 per cent. The largest growth was reached in construction, where the volumes increased by 21.9 per cent, in real estate and rent, as well as in other kinds of business by 15 per cent and in trade by 14.5 per cent.

**Mining and Quarrying Industry**

According to preliminary data, in 1998 the share of mining and quarrying industry and manufacture accounted for 19.9 per cent of the gross value added (GVA). Comparing the gross value added of the mining and quarrying industry during the several past years, one should note that it is constantly on the decrease. This constant decline is determined by structural changes in the mining and quarrying industry and, insufficient compatibility of the manufactured production in home and foreign markets, outdated production technologies, low productivity of work, etc.

**Agriculture**

The number of private farms registered with the register of private farms as of 1 July 1998 amounted to 67.5 thousand. They held 798.4 thousand hectares of land, the average size of a farm being 11.8 hectares.

According to preliminary data, in 1998, as compared to 1997, the volume of agricultural production decreased by 3 per cent. The share of production produced on the farmers’ and other people’s farms in the total production accounted for 76 per cent of grain, 99.3 per cent of potatoes, 57 per cent of sugar beet; 59 per cent of livestock and poultry, 87 per cent of milk.

**Foreign Trade**

During 1998, the turnover of foreign trade accounted for 38016.7 million LTL (export - 14842.4, import - 23174.3 million LTL). The total foreign trade balance was negative and accounted for 8331.9 million LTL.

In 1998, the Russian Federation (export - 16.5 per
cent of the total export of Lithuania, import - 21.1 per cent), Germany (13.1 and 18.2 per cent), Latvia (11.1 and 1.8 per cent), Belarus (8.8 and 2.2 per cent), the Ukraine (7.8 and 1.9 per cent) were main partners of the Republic of Lithuania in foreign trade.

**Retail Trade**

During 1998, the volume of production of Lithuanian industrial enterprises sold in the home market remained almost at the level of the year 1997 (99 per cent). As compared to the previous year, however, the amount of sugar sold was less (36.7 per cent), chocolate and confectionery (91.7 per cent), fodder (49 per cent), vodka and products of liqueur and vodka (65.2 per cent), manufacture of textiles and manufacture of knitwear (91.4 per cent), fur and articles thereof (91.5 per cent), manufacture of leather and leather products (98.1 per cent), washing and scouring preparations (90.6 per cent), fertilisers (71.3 per cent), petroleum products (78.5 per cent), etc.

The volume of imported goods declared for home use (calculating in value expression) during 1998 increased by 888 million LTL, or 5 per cent.

**Informatics**

The integrated system of state registers, cadasters and classifiers has been under development in Lithuania. There must be created the possibility of many-faceted control of the issues of economic activity and management in different information systems of the country. The total number of registers in the country amounts to 50.

In 1998, the total number of computers in Lithuania amounted to about 190-200 thousand. This means 5.2 computers per one hundred of population (in economically developed countries - about 25). There are about three Internet websites per ten thousand of population (according to this indicator we are one of the last in Europe). Only 2 per cent of the Lithuanian population uses the Internet and electronic mail.

**Small and Medium-size Business**

In 1998, the Government of the Republic of Lithuania allocated approximately 19 million LTL for the formation of Small and Medium-size Business Development Fund.

The Business Development Agency analysed 57 applications from business organisations, counties, self-governments, enterprises and allocated partial financing to draw up and implement 46 projects.

**Procedure of Enterprise Bankruptcy**

As of the beginning of 1993 till the end of 1998, 345 enterprises were declared bankrupt. At present 276 enterprises are under bankruptcy. Bankruptcy procedures have been completed for 69 enterprises (53 enterprises have been liquidated, 3 enterprises - reorganised, 3 rehabilitated, for other enterprises bankruptcy procedures are terminated or peace agreements concluded).

During 1988, bankruptcy procedures were started with regard to 89 enterprises, and with regard to 2 of these enterprises bankruptcy procedure has already been completed.

On the day bankruptcy was declared, 305 000 people were employed at the enterprises. On 31 December 1998, the number of employees at those enterprises was 5000, with 25 500 employees being dismissed. A general debt to them accounted to 53.2 million LTL; remuneration for the work done amounted to over 50 per cent and the other part of the debt was extra charges not related to the manufacture (late charges for delayed payments related to labour relations, compensation for idle time, etc.). Indebtedness with regard to employees is on the increase at many enterprises, which decreases the possibility of other creditors having their debts paid back. Financial assistance is provided by the Fund of Bankrupt Enterprises or Enterprises under Bankruptcy to settle accounts with employees, to satisfy their claims related to labour relations. During 1998, financial assistance from that Fund provided to 21 bankrupt enterprises and enterprises under bankruptcy totalled 31.7 million LTL.

**Privatisation**

In 1998, privatisation of state-owned property became more intensive. 345 structures at 2.33 million LTL were privatised. The amount of state-owned property privatised in 1998 was seventeen times higher than that privatised in 1996 and 1997 taken together. This can be accounted for by the start of
privatisation of large infrastructure facilities, as well as the establishment of the State Property Fund. Strategic investors paid 2.4 billion LTL to the state during 1998 and obliged themselves to invest another 0.9 billion LTL within the coming two years.

Agreements signed by 31 December 1998 when privatising large structures through public tenders provide for social guarantees to the employees of enterprises, i.e. they provide for the preservation of work places following privatisation (about 20,000 work places) and direct investments of 1.4 billion LTL to reconstruct and extend enterprises (in accordance with agreements concluded for five years).

**Investments**

In 1998, the amount invested within the territory of the country totalled 6442.7 billion LTL. The largest part of investments went to the transport sector (23 per cent), to manufacturing industry (16 per cent), construction of apartment houses (7 per cent). Though the amount of total investment in 1998 as compared to 1997 increased by 16.8 per cent, investments in the construction of apartment houses decreased by 8.5 per cent. In 1998, (basing on preliminary data) foreign investments in Lithuania totalled 3500 million LTL. Investors from 105 countries in the world had invested their capital into the economy of Lithuania by 1 January 1999. The biggest investments came from the countries of the European Union - 61.1 per cent of the total capital. Investors from Denmark, the USA, the United Kingdom, Germany, Sweden and Norway came first. Profit derived from direct foreign investments and reinvested in Lithuania increased almost twofold during 1998. The increase in foreign capital revenue shows the investors’ confidence in the prospects of the development of the country’s economy.

**Execution of the State Budget**

6439.6 million LTL was paid to the state budget in 1998, with 272.4 million LTL or 4.1 per cent of forecast revenue being unpaid.

During 1998, the amount of allocations made to officials and local-governments from the state budget totalled 7123.8 million LTL, or 96.2 per cent of the planned funds. As a result of failure to execute the income plan it was impossible to finance all of the expenditure planned. In 1998, the state budget deficit was 10.8 LTL smaller than planned.

**The State Debt**

As of 1 January 1999, the state debt amounted to 9613.6 million LTL (during one year it increased by 1536.2 million LTL) and, according to preliminary calculations, it accounted for about 22.4 per cent of the Gross Domestic Product of 1998. This debt did not exceed the limit of 24 per cent established by the regulations of the state’s medium-length borrowing policy.

At the end of 1998, Lithuania owed to governing bodies of foreign countries 1522 million LTL, the debt to the International Monetary Fund was about 1012 million LTL, to international development organisations (the World Bank and the European Bank for Reconstruction and Development) - about 1002 million LTL.

**Balance of Payment**

In 1998, the current account deficit amounted to 5.2 billion LTL. As compared to 1997, the current account deficit increased by 1.3 billion LTL, or 32 per cent. The increase in the current account deficit was determined by different factors. A fast development of the country’s economy and insufficient saving of home resources increased a general home demand as well as import of goods. Due to the increase in import customs tariffs imposed by Russia, the competitiveness of goods exported from Lithuania to Russia worsened. As a result of the Russian crisis, the demand for general import decreased and the settling of accounts has become complicated, resulting in a decrease of the total export of goods and services to the countries of CIS decreased.

**Inflation**

In 1998, inflation continued to be on the decrease. If during 1997 inflation accounted for 8.4 per cent (as compared to December of 1997 and December of 1996), during 1998 it constituted 2.4 per cent and was lower than that of Latvia (2.8 per cent) and Estonia (6.5 per cent). In December 1998, as compared to December 1997, food prices decreased by 3.7 per cent. As in the previous year prices of fruit, vegetables and potatoes were affected by seasonal availability. Decrease in prices of many of these goods was determined by the increase in their supply in the home market influenced by the decrease in the export to Russia.
3.2 SOCIAL CONDITIONS

Indicators presented in Table 3.2-1 show that the biggest change in value in the country’s economy in 1998 was the change in the average monthly wage and the average old age pension paid to an unemployed pensioner.

Unemployment

In 1998, the number of people registered with territorial labour exchange totalled 204.3 thousand, which is 10.8 thousand more than in 1997. The number of qualified people looking for jobs and registered with labour exchange was on the increase though persons unprepared for the labour market still formed the greatest part of the unemployed. The number of female unemployed accounted for 2 per cent points less than that of male unemployed as of 31 December 1998.

During the year the unemployment level increased from 6.7 to 6.9 per cent, the highest level reaching 7.5 per cent in the first quarter. Territorial unemployment differentiation with a downward tendency remained. As of 1 January 1999, the highest rate of unemployment was in Lazdijai (15.5 per cent), Akmene (15 per cent), and the lowest rate of unemployment was in Prienai (3.3 per cent) and Kėdainiai (4.3 per cent). As for large cities, the highest rate of unemployment was in Šiauliai - 10.6 per cent and the lowest - in Kaunas - 4.4 per cent.

Social Insurance and Pensions

In 1998, revenue of the State Social Insurance Fund budget equalled 4159.4 billion LTL and the expenditure calculated amounted to 4164.0 billion LTL. The budgetary revenue plan has been executed by 101.8 per cent. Pension payments accounted for 72 per cent of the expenditure of the State Social Insurance Fund.

<table>
<thead>
<tr>
<th>Main Social Indicators</th>
<th>December 1998, in LTL</th>
<th>Real change in value comparing December 1998 to December 1997, in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly gross wage in the country’s economy</td>
<td>1152,2</td>
<td>14,3</td>
</tr>
<tr>
<td>Minimum monthly wage</td>
<td>430,0</td>
<td>4,9</td>
</tr>
<tr>
<td>Base wage</td>
<td>105,0</td>
<td>2,5</td>
</tr>
<tr>
<td>Average old age state social insurance pension of an unemployed</td>
<td>300,35</td>
<td>10,28</td>
</tr>
<tr>
<td>Minimum subsistence level (MSL)</td>
<td>125,0</td>
<td>1,7</td>
</tr>
</tbody>
</table>

Data of the Social Policy and Forecast Department of the Ministry of Social Security and Labour. Table 3.2-1
### Structure of the Social Security Expenditure in 1997 (in %)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>State budget</th>
<th>Municipal budgets</th>
<th>State social insurance fund budget</th>
<th>Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sickness</td>
<td>5,4</td>
<td>-</td>
<td>-</td>
<td>6,3</td>
<td>99,98</td>
</tr>
<tr>
<td>Disability</td>
<td>13,7</td>
<td>23,3</td>
<td>0,9</td>
<td>13,6</td>
<td>-</td>
</tr>
<tr>
<td>Old age</td>
<td>54,7</td>
<td>46,7</td>
<td>16,5</td>
<td>61,4</td>
<td>-</td>
</tr>
<tr>
<td>Widowhood</td>
<td>5,0</td>
<td>0,3</td>
<td>6,5</td>
<td>5,8</td>
<td>-</td>
</tr>
<tr>
<td>Family (children)</td>
<td>8,6</td>
<td>11,2</td>
<td>38,0</td>
<td>4,5</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment</td>
<td>2,8</td>
<td>-</td>
<td>-</td>
<td>3,7</td>
<td>0,02</td>
</tr>
<tr>
<td>Housing</td>
<td>3,0</td>
<td>15,0</td>
<td>9,0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>3,0</td>
<td>2,8</td>
<td>27,3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administration expenditure</td>
<td>3,8</td>
<td>0,7</td>
<td>1,8</td>
<td>4,7</td>
<td>-</td>
</tr>
</tbody>
</table>


**Social Benefits**

The number of different social benefits (including the state social insurance maternity (parental) benefits) paid to families during 1998 amounted to 3.5 billion. The amount allocated totalled 502.2 million LTL. The average number of families who were paid benefits amounted to 198.4 thousand. On average, 32.1 thousand families, or 99.0 thousand persons (about 2.7 per cent of the total Lithuanian population) received social benefits that are paid to low income families.

**Expenditure on Social Security**

In 1998, expenditure on social security and care in the national budget amounted to 10.0 per cent. The said expenditure in the state budget accounted for 8.0 per cent and in the municipal budgets to 11.9 per cent. With Lithuania integrating into the European Union, it is important to compare indicators of social insurance income and expenditure with those of other European countries. In 1996, social security income and expenditure were grouped on the basis of ESSPROS methodology for the first time within certain limits. According to the ESSPROS grouping, expenditure on social security accounted for 10.6 per cent of the gross domestic product in 1997, whereas social security expenditure per person was 1097 LTL (in 1996 - 892 LTL).

Tables 3.2-2 and 3.2-3 present the structure of social security expenditure by basic expenditure categories and sources of financing. Expenditure for social protection in the old age accounted for
the major part of expenditure of the state budget and the State Social Insurance Fund budget. Expenditure on old age pensions made the greatest part of the State Social Insurance Fund budget expenditure and the state budget expenditure on social security. In municipal budgets the expenditure on families (children) accounted for the basic part of the expenditure.

### Structure of Social Security Expenditure by the Sources of Financing in 1997 (in %)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>State budget</th>
<th>Municipal budgets</th>
<th>State Social Insurance Fund budget</th>
<th>Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sickness</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>87.2</td>
<td>12.8</td>
</tr>
<tr>
<td>Disability</td>
<td>100.0</td>
<td>23.8</td>
<td>0.7</td>
<td>75.5</td>
<td>-</td>
</tr>
<tr>
<td>Old age</td>
<td>100.0</td>
<td>11.9</td>
<td>2.9</td>
<td>85.2</td>
<td>-</td>
</tr>
<tr>
<td>Widowhood</td>
<td>100.0</td>
<td>0.7</td>
<td>12.3</td>
<td>87.0</td>
<td>-</td>
</tr>
<tr>
<td>Family (children)</td>
<td>100.0</td>
<td>18.2</td>
<td>41.9</td>
<td>39.9</td>
<td>-</td>
</tr>
<tr>
<td>Unemployment</td>
<td>100.0</td>
<td>-</td>
<td>-</td>
<td>99.996</td>
<td>0.004</td>
</tr>
<tr>
<td>Housing</td>
<td>100.0</td>
<td>71.1</td>
<td>28.9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>100.0</td>
<td>13.1</td>
<td>86.9</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>


### 3.3 Household Income and Expenditure in 1998

**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 the disposable income of households calculated per household member was 422.5 LTL (in 1997 - 368.9 LTL), with cash income accounting to 350.4 LTL, or 82.9 per cent of all disposable income (in 1997 - 80.5 per cent). In 1998, the disposable income per household member, compared to that in 1997, increased by 14.5 per cent. The actual disposable income increased by 9.0 per cent and the actual cash income increased by 12.3 per cent. The structure of the disposable income in 1998 was as follows: cash income - 82.9 per cent and income in kind - 17.1 per cent. In 1997 – it was 80.5 and 19.5, respectively.

Disposable income per one urban household member was 1.38 times, while cash income was 1.82 times higher than that one per one rural household member. Rural and urban income structures differ as well: income in cash accounted for 88.4 per cent of disposable income for the urban population, and 67.0 per cent of disposable income for rural population.

Employment income, wages and income from self-employment, is the main source of disposable income. Employment income comprised 68 per cent of all disposable income, 21 per cent to pensions...
and benefits, and other income, 11 per cent of all disposable income. The economic situation and the composition of the population by age determine the great difference in income sources for urban and rural locations.

**Household Expenditure**

In 1998, consumer expenditure calculated per household member accounted for 426.8 LTL per month (in 1997 - 382.6 LTL). The comparison of consumer expenditure and disposable income shows that the expenditure was 1.1 per cent higher (in 1997 - 3.7 per cent) than the disposable income.

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 1998, as compared to 1997, the share of expenditure on food decreased and accounted for 48.1 percent of total expenditure, and 41.4 per cent of cash expenditure (in 1997 the expenditure was 52.2 and 44.5 per cent respectively).

The purchasing power of the population indicates what quantity of one or another kind of goods is possible to purchase for the average cash income. Data presented in Table 3.3-1 shows the increase in the purchasing power during the last three years. For the average monthly disposable cash income in 1998, as compared to 1996, it was possible to purchase 19 per cent more of sausage, 24 per cent more of milk and 48 per cent more of sugar.

<table>
<thead>
<tr>
<th>Name of goods, in measure units</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boiled sausage</td>
<td>21</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>Beef (I category), kg</td>
<td>25</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Butter, kg</td>
<td>19</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>Milk (2.5 % fat), litre</td>
<td>159</td>
<td>166</td>
<td>197</td>
</tr>
<tr>
<td>Granulated sugar, kg</td>
<td>75</td>
<td>88</td>
<td>111</td>
</tr>
<tr>
<td>Rye or wheat bread, kg</td>
<td>137</td>
<td>133</td>
<td>149</td>
</tr>
<tr>
<td>Two part suit for men, 1 item</td>
<td>0,6</td>
<td>0,6</td>
<td>0,7</td>
</tr>
<tr>
<td>Pair of warm boots for ladies</td>
<td>1,3</td>
<td>1,4</td>
<td>1,4</td>
</tr>
<tr>
<td>Colour TV set (37 cm diagonal), 1 item.</td>
<td>0,26</td>
<td>0,29</td>
<td>0,35</td>
</tr>
<tr>
<td>Electric energy, kWh</td>
<td>1488</td>
<td>1563</td>
<td>1752</td>
</tr>
</tbody>
</table>

*Table 3.3-1 Purchasing Power of Monthly Disposable Cash Income*
Employment
Positive changes in the labour market of the country were observed in 1998. According to the results of the Labour Force Survey the number of residents of Lithuania over the age of 14 registered in November 1998 totalled 2987.2 thousand. The number of the employed (see Table 4.1.1-1) during the six months of 1998 increased by 39 thousand, or 2.5 per cent, and the number of unemployed decreased by about 11 per cent during the same period. Not only the number of the employed increased but also that of economically active population (labour force). Their number increased from 1820 thousand in September 1997 to 1840 thousand in November 1998. This determined the increase in the level of the activity of the population by 0.4 percentage points during that period.

In 1998 persons over the retiring age constituted a large portion of the employed population. In November, 83 thousand (16 per cent) of females older than 55 years of age and 46 thousand (19 per cent) of males older than 60 years of age did one or another kind of paid work or work from which they derived income. The number of employed males was greater (51 per cent) than that of females (49 per cent). Employment of the population in the spheres of economic activity changed. As can be seen from Table 4.1.1-2, in November 1998, as compared to May 1998, the number of the employed decreased in agriculture (-4.5 per cent) but increased in the sphere of rendering services, especially educational services, (+8.4 per cent), health care and social work (+17.1 per cent). This was determined by the economic condition of the country - the sphere of rendering services is insufficiently developed in Lithuania and has good prospects.

Movement of labour force from the state into the private sector continued. If in 1997 only 67.7 per cent of the employed worked in the private sector, in 1998 this figure was 68.8 per cent of the total working population. In November 1998, an additional 97 thousand, or 6 per cent of all of the employed had work. In rural areas the number of people doing extra work accounted for 56 thousand, or 58 per cent of the total population additionally employed.

Partial Employment
During the recent years the following tendency was observed: the number of part-time employees increased, while the average number of employees decreased.

The data provided in Table 4.1.1-3 show, that from 1995 the average annual reduction in the number of employees of the country was 5 per cent, whereas the average rate of growth of the number of part-time employees was 30 per cent. Having analysed the ratio of part time employees hired in 1995-1997

---

1 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 (food or other products) or received profit (income). These are all the persons who have employment status: employers, owners, hired workers, family members working in a family enterprise who receive or do not receive earnings, persons working for themselves.

2 Labour force means residents of 14 years of age and older who were either employed or unemployed during the survey week.

3 Labour force, employment and unemployment, IV quarter; Department of Statistics, Vilnius, 1999, p.14

4 Extra work is work which a person performs after his main work, i.e. his activity is related not only to his main work but also to deriving additional income for extra work performed.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In thousands of people</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individuals over 14 years of age</td>
<td>2973,1</td>
<td>2987,2</td>
<td>2987,2</td>
</tr>
<tr>
<td>Labour force</td>
<td>1819,8</td>
<td>1830,8</td>
<td>1839,8</td>
</tr>
<tr>
<td>Employed</td>
<td>1563,9</td>
<td>1568,7</td>
<td>1607,3</td>
</tr>
<tr>
<td>Unemployed</td>
<td>255,9</td>
<td>262,1</td>
<td>232,4</td>
</tr>
<tr>
<td>Registered with labour exchanges</td>
<td>99,1</td>
<td>110,2</td>
<td>114,5</td>
</tr>
<tr>
<td>Non-active individuals</td>
<td>1153,3</td>
<td>1156,4</td>
<td>1147,4</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>In %</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity rate</td>
<td>61.2</td>
<td>61.3</td>
<td>61.6</td>
</tr>
<tr>
<td>Employment rate</td>
<td>52.6</td>
<td>52.5</td>
<td>53.8</td>
</tr>
<tr>
<td>Unemployment rate:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>data of the labour force survey</td>
<td>14.1</td>
<td>14.3</td>
<td>12.6</td>
</tr>
<tr>
<td>labour exchange data</td>
<td>5.6</td>
<td>6.2</td>
<td>6.5</td>
</tr>
</tbody>
</table>


### Employment of Individuals in Economic Activities in 1998

<table>
<thead>
<tr>
<th></th>
<th>1998 (thousands of people)</th>
<th>Increase, + Decrease, - (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>November</td>
<td>May</td>
</tr>
<tr>
<td>Total number of employed</td>
<td>1607,3</td>
<td>1568,7</td>
</tr>
<tr>
<td>In agriculture, hunting, forestry and fishery</td>
<td>288,7</td>
<td>302,2</td>
</tr>
<tr>
<td>In industry (including supply of electricity, gas and water)</td>
<td>353,5</td>
<td>354,4</td>
</tr>
<tr>
<td>In construction</td>
<td>103,9</td>
<td>108,2</td>
</tr>
<tr>
<td>In trade</td>
<td>237,9</td>
<td>230,1</td>
</tr>
<tr>
<td>In other services</td>
<td>623,3</td>
<td>537,8</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>in educational institutions</td>
<td>155,3</td>
<td>143,3</td>
</tr>
<tr>
<td>in health care and social work</td>
<td>115,5</td>
<td>98,6</td>
</tr>
</tbody>
</table>

Chapter 4

Distribution of Part-time Employees by Sectors in 1995-1997

![Bar chart showing distribution of part-time employees by sectors in 1995-1997](chart.png)

According to the data of the Department of Statistics

Chart 4.1.1-1


<table>
<thead>
<tr>
<th>Year</th>
<th>Average number of employees in the country’s economy</th>
<th>Share of part-time employees as compared to the total number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total in the country’s economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>number</td>
</tr>
<tr>
<td>1995</td>
<td>1291546</td>
<td>58774</td>
</tr>
<tr>
<td>1996</td>
<td>1255684</td>
<td>76955</td>
</tr>
<tr>
<td>1997</td>
<td>1252222</td>
<td>98858</td>
</tr>
<tr>
<td>1998</td>
<td>1198850</td>
<td></td>
</tr>
</tbody>
</table>

Note: employees that have worked for agricultural companies are relatively considered full-time employees.

According to the data of the Department of Statistics.

Table 4.1.1-3
to the total number of employees, we can see, that in 1995 the number of part-time employees in the total number of employees stood at 4.6 per cent, and in 1996 and 1997 the said ratio was equal to 6.1 per cent and 7.9 per cent respectively. Therefore, from 1995 to 1997 this number grew by 3.3 percentage points. This is particularly distinct in the private sector (see Table 4.4.1-1), in which the annual growth is observed in their relative as well as absolute amount: in 1995, as compared to 1996, the number of employees grew by 2.5 percentage points, and in 1996, as compared to 1997, by 2.4 percentage points.

A certain influence on the country’s labour market was exerted by the financial crisis in Russia. Enterprises exporting their production to the CIS countries 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. As the analysis of the part-time employment structure (see Chart 4.1.1-2) showed, in September 1998, 44 per cent of employees were part-time employees, 43 per cent of the employees were on leave without pay, and 13 per cent of the employees worked with idle time periods. In December of the same year the number of people on leave without pay decreased up to 20.4 per cent, whereas the number of employees working with idle time periods increased to 29.5 per cent. The number of part-time employees accounted for 50.1 per cent.

One can judge from the presented Charts 4.1.1-1 and 4.1.1-2 as well as from the data given in Table 4.1.1-3, that the employers are trying to organise the work in such a way so as to make the use of the labour force as rational as possible. Upon hiring the employees, the type of work that requires part-time employees, employers try to legalise certain employment agreements. On these grounds the employers reduce the expenses on wages and salaries and avoid high taxes. Irrespective of the fact that the State Labour Inspectorate fails to establish it, the number of cases is growing while the employees work longer hours than required under the agreement and due to that the payment of amounts not recorded in the accounting documents is growing, or, on the contrary, for extra hours the...
said employees are paid lower appraisal tariffs.

**Unemployment**

The number of the unemployed as of 1 January 1999 was 122.8 thousand (see Chart 4.1.1-3). It can be seen that female unemployed constituted 61.2 thousand (49.8 per cent), young people\(^1\) - 23.1 thousand (18.8 per cent), long-term unemployed - 15.2 thousand (12.4 per cent). Comparing the situation at the beginning of 1998 to that of 1999, the share of young people (18.8 per cent) remained unchanged, the female share decreased (-1.7 per cent) and the share of long-term unemployed decreased, (-0.2 per cent).

According to the results of labour force surveys, in November 1998, the number of unemployed in Lithuania was 232 thousand, and the rate of unemployment equalled 12.6 per cent. The rate of unemployment among men was 13.8 per cent, and that of women was 11.4 per cent. Unemployment rates in urban and rural areas were practically the same and accounted for 12.7 per cent and 12.4 per cent respectively. According to the data of the Labour Exchange of Lithuania at the end of November 1998 it was 6.5 per cent, and the number of registered unemployed was 114 thousand.

The data of the labour force surveys carried out by the Department of Statistics, as well as the data of the Labour Exchange of Lithuania concerning the number of unemployed and the rate of unemployment differ considerably, because these institutions use different methods which supplement each other. According to the labour force survey method, the unemployed are individuals who are not working and are ready to start working in the nearest future and who are actively trying to find work in different ways (they apply to labour exchanges, employers, acquaintances, relatives, mass media, etc). Such a collection of information is expensive and is carried out only several times a year. The persons who are officially registered with the labour exchanges are considered unemployed, if they are non-working able-bodied persons of working age and do not study at the day-time educational institutions and are registered with the state labour exchange according to their place of residence as job-seekers and ready for vocational training\(^2\). Such information is obtained continuously through the informational network of the labour exchange.

Many individuals were placed into jobs in 1998. As can be seen from Chart 4.1.1-4, the number of persons placed into jobs in 1998 amounted to 87 thousand (or 42.6 of the total number of the unemployed), including 18 thousand (20.7 per cent) of young people (the number of individuals and young people employed in 1997 was 73.5 thousand or 38.0 per cent, and 14 thousand or 19.0 per cent, respectively).

The official labour market distinguished itself by increased dynamics. With the privatisation process and restructuring of the country’s economy continuing, two tendencies revealed themselves: on the one hand, the number of vacancies increased (in 1998, the Lithuanian Labour Exchange registered the greatest number of vacancies within the whole period of its activity - 74 thousand), and on the other hand the number of the unemployed and unemployment rate increased (the average annual number of the unemployed in 1997 was 104.5 thousand, and in 1998 – 113.7 thousand). This can be accounted for by the fact that the number of low-skilled labour force or individuals without any professional training increased in the labour market, whereas the demand for highly qualified labour force increased. According to the Lithuanian Labour Exchange Annual Report data, a larger portion or 44.2 thousand of the work places were registered for workers in the servicing sphere and highly-qualified individuals, the demand for low-quality workers was on the decrease in 1998. However, almost half of all of the unemployed registered with the labour exchange (43.5 per cent) had no professional training and 88.4 per cent were persons absolutely unprepared for the labour market.

---

1. Young people are individual under 25 years of age.
4. LABOUR POLICY

**Registered Number of Unemployed in 1997- beginning of 1999 (in thousands of people)**

Thousands of people

![Chart 4.1.1-3](image)

*Chart prepared according to the data derived from the annual reports for the year 1997 and 1998 of the Lithuanian Labour Exchange*

**Number of Unemployed Registered and Re-employed in 1997-1998 (in thousands of people)**

Thousands of people

![Chart 4.1.1-4](image)

*Chart prepared on the basis of the data derived from the annual reports for 1997-1998 of the Lithuanian Labour Exchange*
Chapter 4

**Dynamics of the Unemployment Rate in 1997-1998 (in per cent)**

Chart 4.1.1-5

*Chart prepared on the basis of the data derived from the annual reports for 1997-1998 of the Lithuanian Labour Exchange*

**Increase in Number of Unemployed and in the Unemployment Rate in 1993-1998**

Chart 4.1.1-6

*Chart prepared on the basis of the data derived from the annual reports for 1997-1998 of the Lithuanian Labour Exchange*
In 1998, an upward tendency in the unemployment rate intensified. The unemployment rate in regions grew faster than that in urban areas. The unemployment level grew from 7.4 per cent in January 1998 to 7.5 per cent in March (see Chart 4.1.1-5). During April through August, the unemployment level fell to 5.4 per cent. At the end of the year the unemployment level reached 6.9 per cent. In 1998, the average annual unemployment level, as compared to 1997, grew from 5.9 per cent to 6.4 per cent. The increase in the unemployment level during the cold season (October - April) was mostly related to the granting of different privileges (compensations) to the population with low income, including the unemployed. While analysing the changes in the unemployment level of the past several “seasonal” unemployment fluctuations have been observed (see Chart 4.1.1-6): the unemployment level in April reached the highest point throughout the year.

Individuals from 16 to 25 years of age (youth) accounted for 18.4 per cent of all the registered unemployed. Due to the inadequacy of vocational training programs as compared to the needs of local labour markets, insufficient training of those being taught, low mobility of the labour force, every third graduate of professional schools and every fifth graduate of higher educational institution was registered with labour exchanges. As Chart 4.1.1-7 shows, the level of youth unemployment as of 1 January 1999 was 1.1 per cent higher than the average unemployment level in the country (8.0% and 6.9% respectively). However, in the context of the growth of the total level of unemployment in the country, the youth unemployment had a downward trend in 1998.
### Territorial Differences in the Rate of Unemployment as of 1 January 1999

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Great fluctuations in territorial unemployment remained. In some regions the unemployment level exceeded the average unemployment level in the country several times, whereas differences in unemployment levels between separate territories exceeded it 5 times. The highest unemployment level as of 1 January was in Lazdijai (15.5 per cent), Akmenė (15.0) and Šiauliai (14.1 per cent) regions, and the lowest unemployment level was registered in Prienai (3.3 per cent), Kėdainiai (4.3 per cent) regions (see Chart 4.1.1-8).

The analysis of the unemployment level in different towns showed that in December 1998 the highest unemployment level was in Lazdijai, i.e. 17.0 per cent, and the lowest unemployment levels were in Palanga (in August), and in Prienai (in August through October, i.e. 2.1 per cent).

In 1998, the national labour market was somewhat affected by the financial crisis in Russia. The first signs of the crisis was in the country’s enterprises that export their production to Russia and other countries of the CIS which manifested in July 1998: payments for the delivered production were delayed, number of orders decreased and further orders suspended. However, this did not produce any sudden economic effect. Territorial labour markets did not note any other obvious changes in the employment of the population. Almost 8.7 vacancies were registered in August, through the mediation of labour exchanges over 6.3 thousand persons were employed. Therefore, at the end of July the unemployment level constituted 5.4 per cent. The impact of a deepening financial crisis in Russia on the country’s economy and also on the employment of the population more obviously manifested themselves in Quarter IV of 1998. As of September 1998, the Ministry of Social Security and Labour started...
conducting weekly surveys of enterprises of a different size (2.1–2.2 thousand) and engaged in different kinds of activity in which disturbances in economic activity as a result of the Russian crisis were observed. According to the survey results (see Chart 4.1-9), the number of enterprises affected by the events in Russia increased from 41 enterprises on 10 September 1998, to 118 enterprises, or 5.5 per cent, on 28 October 1998.

4.1.2. Formulation of Labour Market Policy

In 1998, seeking to mitigate the negative effects of unemployment on the social and economic development of the country, a change was made in the labour market policy by turning from the financial support of the unemployed to the increase of their employment. The labour market policy implemented, was directed towards the vocational training of those who have lost their work as well as towards their re-qualification, seeking to ensure the balance between the demand and supply within the labour market, also towards the reduction of territorial differences in the rate of unemployment in the country, prevention of unemployment, development of possibilities for participating in the active labour market policy measures (public works, temporary and supported works). Special measures were carried out to mitigate the consequences of the Russian crisis.

With the adoption of Resolution No. 1122 on 17 September 1998 of the Government of the Republic of Lithuania the implementation of Provisional Economic Measures Intended to Facilitate the Exports of Lithuanian Goods and to Secure the Internal Market commenced. With the Order No. 327 passed by the Ministry of Economy on 21 September 1998, the Centre of Observation and Analysis of the Consequences of the Crisis in Russia has been established. With the Order No. 139 passed by the Ministry of Social Security and Labour on 9 September 1998 the Commission was formed with the aim to reduce the possible consequences of the Russian crisis in Lithuania, and the action plan of priority measures was approved. The rendering of purposeful support to enterprises commenced in order to combat the temporary financial difficulties of the Fund to Meet the Work Related Demands of Workers in Enterprises Undergoing or Having Experienced Bankruptcy, also of the Funds of Export Promotion, Support for Rural Areas, Promotion of Small and Medium-sized Business, and of other funds. On 15 September 1998, the Tripartite Council of the Republic of Lithuania deliberated the issue on the influence of the Russian crisis on the labour market of Lithuania, and on 20 October 1998 – the issue of the efficiency of measures was prepared by the Government.

Goals

Taking into account labour market development tendencies and problems faced in 1997, the labour market policy goals in 1998 were as follows:

- to develop integration of the youth into labour market by orienting them towards the active search for jobs and vocational training that would satisfy the labour market requirements;
- to reduce territorial differences of the unemployment rate by increasing the efficiency of active labour market policy measures and population employment programs;
- to settle actual problems of long-term unemployment and of uneven financing of the labour market policy measures.

Improving of the Labour Market Legislation

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

In February 1998, the Government of the Republic of Lithuania, by following Article 20 of the Law on Support to the Unemployed of the Republic of Lithuania, approved the new Order on Performance of Public Works.

\(^4\) Records, No.17-414
The new Order has broadened the group of persons that can be engaged in public works, as well as the sphere of applying public works without limiting themselves to simple work that does not require any special training. Public works were allowed to be organised at all enterprises, institutions and organisations irrespective of their form of ownership and subordination, provided these works contributed to the supporting and developing of the social-economic infrastructure of the area. The new Order also extended the duration of such works from 2 to 6 months. In regions in which the unemployment level exceeded the average unemployment level of the country 1.5 times, the Employment Council at the Ministry of Social Security and Labour allowed the duration of public works to be extended up to 12 months, by financing them by 100 per cent from the Employment Fund. The possibility is also given for pupils and students to perform public works or temporary work during their summer holidays. The procedure also provided for the possibility to organise public works on private farms and agricultural companies. In Order No.119 passed on 13 July 1998 by the Ministry of Social Security and Labour, a new procedure for the registration of persons performing public works was confirmed.

With a view to solving the youth’s problems, in its Resolution No.10 of 8 January 1998 the Government of the Republic of Lithuania approved of the plan of measures for vocational guidance and integration of young people into the labour market which provides for several measures ranging from the education of young people and programmes of employment to the establishment of the Youth Labour Centre.

The Order on Mass lay-offs and its prevention regulating the dismissal of a group of employees and the application of preventive measures to mitigate its consequences in the cases specified in Article 10 of the Law on the Support to the Unemployed was approved.

The Ministry of Education and Science together with the Ministry of Social Security and Labour, while implementing Point 2 of Article 34 of the Law on Vocational Training of the Republic of Lithuania, in its Order No.1607/188 of 29 December 1998 approved of the exceptional conditions of admittance of persons under 18 without basic skills into labour market training institutions.

4.1.3. Implementation of the Labour Market Policy

The labour market policy was implemented through active and passive measures. The passive labour market measure is the unemployment benefit the aim of which is temporary cash assistance to the people who lost their jobs. In 1998, 36.7 per cent of the unemployed received unemployment benefits (as a comparison, in 1997 the number was 41.1 per cent).

The size of the unemployment benefit depends on the unemployed individual’s record of state compulsory social insurance and the reasons of loss of work rather than on his/her former earnings. As in 1997, the size of unemployment benefit was restricted since it could not be less than the state supported income approved by the Government and it could not exceed the amount of two minimum subsistence levels (MSL). As of 1 January 1999, the minimum unemployment benefit was 135 LTL, while the maximum unemployment benefit reached 250 LTL.

The active labour market policy measures are mediation in finding new jobs, vocational training, creation of new job places for social vulnerable persons, support to the unemployed wishing to set up their own business, organisation of public works, as well as organisation of works supported by the Employment Fund. The above measures are utilised

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\(^{2}\) Records, No. 5-86

\(^{3}\) Records, No. 65-18983, 1998

\(^{4}\) Records, No. 98-2478, 1997
in the implementation of the main objective of the active labour market policy, i.e. provision of the unemployed with the possibilities of temporary employment, creation of conditions for the acquisition of necessary work experience, helping individuals maintain their present qualifications, upgrading of their qualifications or acquiring new requisite skills to meet the demand on the market. The final objective of the active labour market policy is the integration of the unemployed into the labour market.

**Implementation of Active Labour Market Policy**

In 1998, having set the objectives to integrate young people into the labour market and to reduce territorial differences in the unemployment level, it was sought to increase the volume and efficiency of active labour market policy measures. As seen from Chart 4.1.3-1, about 35 per cent of the total unemployed individuals who registered with labour exchanges were engaged in active labour market policy programmes during the year (in 1997 – 27.0 per cent). Nearly every third individual who took part in active labour market policy programmes was a person under 25 years of age, while about one fourth of them are long-term unemployed.

**Increasing of Professional Mobility of the Unemployed**

In 1998, exceptional attention in the labour market policy was paid to labour market vocational training. It was aimed at increasing professional mobility of the individuals who were unprepared for the labour market, teaching the unemployed new requisite skills or upgrading their qualifications to meet the demand that exists in the labour market. During the year, 16.1 thousand (22.5 per cent) individuals participated in labour market vocational training programmes, including 9.8 thousand (60.9 per cent) females, 6.4 thousand (40 per cent) young people, 1.9 thousand (11.8 per cent) long-term unemployed, 5.9 thousand (36.6 per cent) individuals to whom additional employment guarantees apply. The programmes were selected so that 2.3 thousand of the unemployed upgraded their qualifications, 6.9 thousand of them acquired new additional skills. During the year, 89.6 per cent of persons that
have completed a vocational training course and acquired requisite skills to meet the local labour market demands found employment. Basing on a purposive project of vocational training, employees for specific enterprises were trained. Nearly 400 target programmes for labour market vocational training and reducing unemployment were drafted in 1998.

**Support to Employment**

The objective of these programmes is to encourage employment of the unemployed, that is, to create the possibility for the unemployed to find temporary or permanent jobs. Support to the unemployed was provided by implementing programs on public works, setting up one’s own business, creating of new jobs and supported works.

In 1998, a number of programmes were prepared: employment programmes for the regions of highest unemployment rate (in Širvintos and Lazdijai), vocational training and employment programmes for the regions of highest youth unemployment (in Kretina, Kupiškis, Pakruojis and Šilalė). Employment programmes for the population in the city of Druskininkai, as well as Ignalina and Šalčininkai regions, which were prepared in 1997, were undergoing implementation in 1998.

In the programmes, emphasis was made on business stimulation and the development of public and supported works, as well as on the creation of new jobs. The programme for the reduction of unemployment and stabilisation of employment in Ignalina region reduced the level of unemployment in that region from 15.1 to 9.3 per cent. A two-year PHARE project on The Development of Local Employment Initiatives started. The implementation of the project should improve the employment and social-economic conditions of different regions that are in an unfavourable economic situation.

**Public Works**

30 per cent of the individuals who participated in the active labour market policy programmes were directed to perform social works. They were the unemployed that did not receive unemployment benefits (that had no required social insurance record to receive the benefit, whose term of receiving unemployment benefit has expired, the payment of the benefit had been terminated) and were un-prepared for the labour market. 92.2 per cent of total number of those having participated in public works programme were the unemployed. Employees of the enterprises under bankruptcy or that have gone bankrupt, persons that were notified of the termination of their employment contract took part in public works for the first time. At the decision of the Employment Council at the Ministry of Social Security and Labour, in the city of Druskininkai, Akmenė, Ignalina, Šalčininkai, Lazdijai and Švenčionys regions in which the unemployment level exceeded the unemployment level of the country 1.5 times, it was allowed 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. The nature of public works changed. The number of people who did seasonal work increased in resort enterprises, agriculture, managed territories of industrial enterprises, institutions, non-producing institutions, parks and cultural monuments. Public works created the possibility for the unemployed to earn their living, increased their chances to find a permanent job, to engage pupils and students in useful activities during the time free from studies, and reduced social tension in the regions with high unemployment rate.

**Setting up One’s Own Business**

A financial-organisational assistance was provided to the unemployed seeking independent employment in setting up their own business on an individual or collective basis. Loans are extended from the Employment Fund by following the procedure established by the law. Business that meets local demand was encouraged mostly. During 1998, 123 interest free loans were extended. 45 per cent of the loans were given to women and individuals with additional employment guarantees. Local governments granted tax relieves to the unemployed desirous of setting up their own business to acquire land and premises. The number of the unemployed, that organised their own business by purchasing a patent for up to 3 months on favourable conditions, increased (in 1997, 4.9 thousand, in 1998, 7.6 thousand). However, just like in 1997, irrespective of the state’s support to the organisation of one’s own business, the number of the unemployed desirous of setting up their own business was insignificant.
(123 and 171, respectively). A great risk of developing small business and ineffective system of support to small business (the loan of 3 thousand Litas currently extended to the unemployed is insufficient) hinder people from setting up their own business. Extra hindrance originates from the fact that the loan must be paid back, therefore the degree of risk increases even more.

**Creation of New Jobs**

Seeking to facilitate integration into the labour market of those who are particularly socially vulnerable, the Law on the Support to the Unemployed provides for additional employment guarantees. The unemployed with additional employment guarantees (persons under 18, women raising children under 14, and men raising children of the same age, also persons who have returned from penal institutions, persons with no more than 5 years remaining till the right to receive the full old-age pension comes into force, the disabled (in the manner established under the Law of the Republic of Lithuania on Social Integration of the Disabled) had new jobs created after having co-ordinated this initiative with municipalities and employers. The costs of creation of new jobs in the manner established under the Law on the Support to 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 size of up to 12 minimum monthly wages is allocated per one new job created for other unemployed with additional employment guarantees. 390 new jobs were created for the disabled and 430 disabled persons were employed therein. Every third disabled person got one of the newly created jobs. 986 jobs were created for persons to whom additional employment guarantees apply and 998 individuals were employed. Totally in 1998, 1376 new jobs were created as compared to 1997, i.e. the number was 1.2 times larger for women with children under 14, and 3.6 times larger for the long-term unemployed with additional employment guar-
Supported jobs were mostly organised in the sphere of trade, public catering, industrial enterprises and institutions. The jobs supported by the Employment Fund are organised by the State Labour Exchange, but for the period not exceeding 6 months, by entering into agreements with the employers firstly on the employment of the unemployed people that have undergone vocational training and cannot be offered a permanent job by the labour exchange, as well as of those who are starting to work. The supported jobs provide the unemployed with the possibility to acquire primary working skills as well as help them to prepare themselves for a permanent job. The duration of such jobs may be extended to 8 months if it turns out that an additional vocational training is necessary for a new permanent job. The jobs 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. Long-term unemployed were also covered by this program.

The employers that, according to the job placements of the labour exchange, employed the unemployed individuals to carry out work financed from the Employment Fund, were reimbursed from the Employment Fund on a monthly basis for their expenses in the amount of a minimum monthly wage and social insurance contribution calculated as payable for the amount. As compared to the previous year, 5,454 of the unemployed got supported jobs, that was 14 per cent more than in 1997. The above number of supported works was distributed as follows: women – 2,526 jobs, or 15 per cent more, young people – 1,860 jobs, or one and a half times more, 51.4 percent or 1.2 times more of individuals remained for permanent work.

Unemployment Prevention and Matching of Labour Supply and Demand

With the number of low qualified or unprepared for the labour market individuals increasing, as well as seeking to mitigate social and economic consequences of unemployment and to avoid dismissal of a group of employees and increase significantly the unemployment rate due to stated reasons, programmes for unemployment prevention and labour supply and search were implemented. For that purpose special measures of job search were used, i.e. groups of job searching (job clubs), new type of informing the unemployed - self-search for vacancies, job offer in another than permanent residence place, preventive vocational training, vocational guidance and psychological counselling, etc. To prevent unemployment and mitigate the consequences of mass lay-offs the employed, who were given the notice of dismissal, were engaged in programmes of preventive vocational training.

The job clubs helped the individuals looking for jobs to get a better orientation to the labour market, encouraged them to take a more active part in the process of finding a job, increased their competitive possibilities and provided psychological assistance in overcoming the negative emotions caused by unemployment. There were 25,599 individuals looking for jobs, or every eighth person applying to the labour exchange, who took part in the activities of job clubs in 1998, and this is nearly 7 thousand individuals more than in 1997. Among the above number of individuals women accounted for 56.7 per cent, i.e. 1.8 times more than in the previous year, young people accounted for 37.3 per cent, i.e. twice as many, and the long-term unemployed – accounted for 30 per cent, i.e. 840 individuals more than in 1997. Persons with additional employment guarantees accounted for 41.6 per cent, i.e. 2,598 individuals more than in 1997. Among the total number of individuals who participated in the activities of job clubs, persons unprepared for the labour market constituted 90 per cent.

Seeking to harmonise labour supply and demand in 1998 the system of open information and provision of direct services to individuals seeking for jobs was improved and expanded.

In co-operation with the Ministry of Social Affairs of the Federal Republic of Germany and the Ministry of Social Security and Labour of the Republic of Lithuania, a modern Computerised Centre for Professional Information, the first of such kind in
the Baltic States, was established at Vilnius Labour Exchange. This Centre helped individuals looking for jobs to independently, however, with the help of a computer, find information on the issues of vocational guidance. With the help of computers customers could select the desired methodological material and assess their professional interests based on the results of testing, as well as to decide what profession to choose. The self-search information system about job vacancies was further developed. Currently two thirds of the Lithuanian territorial labour exchanges have the self-search information system. An individual looking for a job by means of a computer could not only look through the available vacancies in the country and print out the necessary documents but also receive additional information about services rendered by the labour exchange and advice on how to behave when looking for a job, as well as to find out information about laws. The self-search information system is created on the basis of modern Internet technologies. Even computer illiterate customers may use the system. The implementation of the system allowed to fill in the existing job vacancies and place into jobs people much faster.

The active labour market policy that was implemented in 1998 had a significant effect on the prevention of unemployment and allowed:

- to move from passive to active support to the unemployed and to place into jobs or engage in programmes 37.5 thousand persons (13.8 per cent) more than in 1997;
- to place into jobs 87 thousand (42.6 per cent) of unemployed permanently or temporarily;
- to decrease the level of unemployment among young people by 0.2 per cent, i.e. to 8 per cent;
- to decrease the share of unemployed females by 1.7 per cent;
- to decrease the share of the long-term unemployed by 0.2, i.e. to 12.4 per cent of the total number of the unemployed;
- to decrease the level of unemployment in the regions with the highest level of unemployment: in Raseiniai - by 1.8 per cent, in Švenčionys- by 1.5 per cent, in Ignalina - by 5.8 per cent;
- to increase the number of young people who have been placed into jobs and engaged in active labour market programmes by 1.5 times; (for more information about the indicators of the implemented labour market policy see Tables A.4.1.3-1, A.4.1.3-2, A.4.1.3-3).

4.1.4. Problems of Labour Market and Forecasts for its Development in 1999

Problems

Large Territorial Unemployment Differentiation
In 1998, in 28 regions of the country the level of unemployment was higher than the average (6.4 per cent), in one third thereof the unemployment level was 1.5 times higher than the average. The unemployment rate is higher in regions with the unilaterally developed infrastructure, as well as in agricultural regions.

Growth of Unemployment Among Rural Population
According to the data of the Department of Statistics, about 355 thousand people, or 21.4 per cent of the total employed population in the country had been engaged in agriculture, hunting and forestry. In 1998, out of 204.3 thousand of the unemployed registered with labour exchanges in the country 21.4 per cent were engaged in these activities before. As of 1 January 1999, the number of rural unemployed registered with labour exchanges constituted 34.2 per cent. During the recent years the unemployment level in rural areas was higher than that in urban areas. In rural regions of Lazdijai and Šalčininkai the highest unemployment level in the country was registered on 1 January 1999 and was 15.5 and 14.1 per cent, respectively (the level of unemployment in the country accounted for 6.9 per cent at the same time).

Large Number of Individuals Unprepared for Labour Market
88.4 per cent of the individuals registered with labour exchanges in 1998 were persons unprepared for the labour market, that is, persons with insufficient qualification or persons with skills that do not meet the demand on the market, or people without any profession. Though the number of individuals unprepared for the labour market in the country
A 0.8 per cent, their training and preparation for the changing labour market remains especially urgent.

**Employment of the Unemployed under 50 Years of Age**

In 1998, the share of the unemployed over 50 years of age and especially those over 60 years of age increased. The share of the unemployed of pre-retiring age increased from 7.4 to 7.6 per cent. Having extended the working age, the number of individuals who are to become eligible to receive full old-age pension within less than 5 years increased. The integration of such individuals into the labour market is complicated due to the difficulties related to the upgrading of their qualifications.

**Insufficient Flexibility of the Labour Market**

The growth of the employment of individuals is constrained by inflexible legal framework regulating the payment for work and labour relations. The implementation of new information technologies, development of small and medium-size business establish larger requirements for flexible forms of work organisation, the improvement of which would promote simultaneous development of employment as well as of the economy. Low territorial and vocational mobility is the feature characteristic to the labour market.

**Forecasts on the Development of the Labour Market in 1999**

Continuous restructuring of the economy, deepening of the privatisation process unavoidably related to the reduction of inefficient jobs, liquidation of unprofitable enterprises, stricter tax administration, and the dismissal of some workers has an impact on the development of the labour market in the future. Striving to manufacture competitive production, the implementation of new technologies reducing the production costs shall stimulate that tendency. This shall intensify professional and territorial mobility and increase the number of individuals applying to labour exchanges. Labour supply in 1999, just like in 1998, is expected to exceed the demand for it, the number of persons who are unqualified and unprepared for the labour market shall increase. With a long-term influence of the Russian financial crisis, a large amount of employees who have lost their jobs because their enterprises went bankrupt or reduced the production volumes shall flood the labour market. At the same time the need for qualified workers and specialists with qualification in marketing, management of trade, production, finance and banking, business administration, etc. shall grow. Small and medium-size enterprises shall further remain the main founders of work places, the number of work places shall decrease within large enterprises, with an exception of such branches of industry as textile and woven products, as well as manufacture of wood and wood products, where the increase in the number of jobs is forecast. The number of jobs in the sphere of services shall increase. Having assessed the crisis in Russia, on the eve of the year 2000 it is expected to have 156.8 thousand of the unemployed, which is 34 thousand more than at the end of 1998, with the unemployment level reaching 8.7 per cent. Within such a framework of employment and changes in the labour market, the active labour market policy shall be carried out on a larger scale, that will increase and support the employment of the unemployed and decrease differences in territorial unemployment.

4.2. LABOUR RELATIONS

Before the employer employs an individual, the parties must agree as to the future working conditions: safe and harmless conditions, working hours, remuneration for the work done, holidays and other guarantees related to the future work. The employee has the right to demand, and the employer must ensure the provision of adequate work conditions. In providing for concrete work conditions for the employee, the employer must take into account requirements established by corresponding legal acts. Work conditions may also be regulated through collective labour relations.

Rights of Employees to Labour Protection
Employees have the right to labour protection irrespective of the type of enterprise, work place, work environment, nature of work. This right of the employees is established and implemented by the Law on Labour Protection of the Republic of Lithuania and other legal acts on safety and health at work. In 1998, while implementing the programme on harmonisation of the national law, the draft Law on the Amendments to the Law on Labour Protection was prepared with regard to the directives of the European Union. All provisions set in the principal Directives of the European Union that regulate the employees’ safety and health at work are transferred into it. This particular law to be titled the Law on Safety and Health at Work of the Republic of Lithuania should be adopted in 1999.

Also, when implementing the programme on harmonisation of the national law in 1998, with regard to the corresponding Directives of the European Union, the following ten legal acts on labour protection at work were drawn and prepared: General Regulations on Manual Handling of Loads; Regulations for the Protection of Employees from the Effect Exerted by Biological Materials at Work Places; Rules on Labour Safety in the Mineral Extracting Industries; Rules for the Protection of Employees from Contacts with Vinyl Chlorine Monomer; Rules for the protection of employees from the Effect of Lead and its Ionic Compounds, General Regulations on the Arranging of Working Places, Rules for the Work with Asbestos, technical regulations - Requirements for the Designing and Production of Personal Protective Equipment; Regulations on the Provision of Employees with Personal Protective Equipment; Regulations on the Instalment of Temporary or Mobile Construction Sites.

Evaluation of Labour Protection
Labour protection shall be evaluated according to how the work conditions (the amount of harmful and hazardous factors) correspond to the requirements of legal acts on labour protection. Employers have to guarantee the evaluation of work conditions in work places according to the regulations of hygienic evaluation of the work places approved by the Government of the Republic of Lithuania. In 1998, by the resolution of the Government of the Republic of Lithuania new regulations of hygienic evaluation of work places were approved. According to these regulations work places have to be evaluated by 1 July 1999. The procedure of accrediting laboratories carrying out environmental research has been changed, the right has been granted to evaluate the environmental research results of the work places not only to the employees of territorial public health centres but also to the specialists certified in the established procedure of medical posts and services of labour protection at enterprises, as well as persons who have acquired a license for such an activity in compliance with the procedure established by the Ministry of Health. The employer together with the labour protection committee shall decide whom to obligate to carry out the hygienic evaluation of research results.

A certificate concerning the state of the work conditions shall be filled out for each work place wherein factor magnitude of harmful factors of the working environment, permissible magnitudes in accordance with hygienic norms, length of action of harmful factors within a shift, harm in points, summary amount of points shall be indicated.

According to the previous regulations, a summary amount of points representing harmful factors of the working environment was expressed in terms of the integral indicator. At present the summary
amount of points of harmful environmental factors is made up of the total sum of points of actual harm of all factors studied. The employer must prepare measures to improve the work environment for those work places for which harmful or very harmful working conditions have been established.

Control of Labour Protection
The execution of the state control of labour protection is delegated to the State Labour Inspectorate of the Republic of Lithuania. The main task of the State Labour Inspectorate shall be to implement legal acts regulating labour protection and labour relations, prevention of violations at enterprises, to control the observation of labour laws and consult employers and employees. In 1998, the Law on the Amendment of the Law on State Labour Inspectorate of the Republic of Lithuania was adopted. The law was adjusted taking into account numerous violations of labour laws, the situation with labour protection at work, as well as the opinion of the European Commission that this law must correspond to the regulations of Convention No. 81 “Concerning Labour Inspectorate in Industry and Trade” of the International Labour Organisation.

In the new version of the law, the sphere of activity of the State Labour Inspectorate has been made more exact, the main aim of the State Control Inspectorate has been made more exact, functions in controlling the observance of laws on labour protection and laws on labour have been made more exact.

Working Hours, Regulation and Accounting Thereof
The Law on Labour Protection establishes the normal working hours (40 hours per week) and the maximum length of a workday (not exceeding 48 hours per week). The regimes of reduced working hours that are more favourable to the employee may be established in collective contracts, collective agreements, employment contracts, however, it is necessary to observe the minimum length of a workday established by the Republic of Lithuania, that is, a reduced workday must not be shorter than one half of the work day (shift), and a reduced work week must not be shorter than three days of a week. The establishment of the minimum length of workday has been applied as of 1 October 1997 to the concluded employment contracts (as the law on employment contract prohibits to unilaterally change the employment contract).

The working time accounting sheets of the established form became effective on 1 January 1998, thus replacing the validity of the working time accounting sheets of a free-form. Therefore, the law has established the liability of managers for the working time accounting procedures in an enterprise, institution or organisation. This kind of liability has been also legitimised in Article 41-5 of the Code of Administrative Offences that provides for large fines to be imposed on the employers or persons authorised by them for offences related to the working time accounting procedures.

Payment for Work as the Indispensable Clause in the Employment Contract
The employer and the employee have to agree on payment for work, the main provisions of which are set by the Law on Wages. The wages of an employee may not be less than the minimum wage (hereinafter referred to as the MW) set by the state; i.e., minimum monthly wages and minimum hourly pay-rate. In February 1991, the state established the minimum wage and salary, which is subject to continuous indexation taking into account the inflation rate, financial capacity of the budget and proposals of employees’ and employers’ organisations. Decisions on the increase in the minimum wage are taken by the Government of the Republic of Lithuania. One of the purposes of the MW is to guarantee the satisfaction of minimum needs of the individuals employed under employment contracts and their family members.

The Law on Wages provides that the employees with whom contracts on part-time employment are concluded, shall be paid remuneration proportionally for the working time or work performed, established for an employee in the agreement with the employer, but no less than minimum hourly pay-rate for each working hour; additional guarantees of paying for work may be provided for the employees working hours which are reduced according to the laws or collective agreements (for minors, persons with a limited working capacity, employees work-
Notwithstanding the form of property of an enterprise, institution or organisation, the Law on Wages guarantees additional payment for those working at night, on their days off or on public holidays, overtime, as well as for working in harmful and extremely harmful conditions.

Payment for Work to the Employees of Budgetary Organisations
The conditions of payment for work to the employees of institutions financed from the state, municipal or social insurance budgets are established in the resolutions of the Government of the Republic of Lithuania taking into account the complexity of work, level of responsibility, working conditions and qualification of the employee.

It is planned to adopt the Law on State Services, the purpose of which is to regulate payment for work to the employees of the state services (including payment for the drafting of legislative acts). As long as this law has not been adopted, the resolution on payment for the drafting of legislative acts and for work in commissions and task forces formed by the Government of the Republic of Lithuania is valid (as of 1 March 1998). Pursuant to the said resolution, civil servants of “B” level are entitled to payment for additional work only in one commission or task force; while civil servants of level “A” and senior specialists-experts are not entitled to payment for drafting legislation, if payment for work of such persons meets their qualification requirements and includes work in commissions and drafting of legislation.

4.2.2. Factors Influencing Labour Relations

The stability of labour relations in enterprises are burdened by the ongoing modifications of the legal framework, since the employers are often forced to carefully follow amendments introduced into legal acts, and changes in the minimum wages and salaries, in particular, in order to be able to ensure the timely settlement of accounts with employees.

Actual Wages
The change in the actual wages shows the change in the purchasing power of wages. The actual wage index is calculated by dividing the net wage index by the consumer price index. According to the data of the Department of Statistics, the actual wage in January 1998 was 8.7% lower than the actual wage in December 1997; however, the actual wage in January 1999 was 12.2% higher than in January 1998. Dynamics of actual wages from 1991 through 1998, as well as the actual wage projections up to the year 2000 as shown in Chart 4.2.2-1 indicate that in 1997 the actual wage started increasing more rapidly. In 1997, the actual wage increased by 5.6% as compared to the year 1996, and in 1998 the increase amounted to 6.3% as compared to the year 1997.

Minimum Wages
In 1998, the minimum wage increased only once. According to the data of the Department of Statistics, in January-May 1998 the minimum monthly wage was 400 LTL. In May, the minimum monthly wage amounted to 40.2% of the average gross monthly wage in the Lithuanian economy. Already in June the minimum monthly wage was 430 LTL or 41.6% of the average gross monthly wage in the Lithuanian economy.

According to the data of the Department of Statistics, in October 1998, 16.1 per cent of the hired employees in the country’s economy, except individual (personal) enterprises, received salaries in the amount of minimum monthly earnings, i.e., LTL 430, or less. The portion of such employees in October 1997 accounted for 18.7 per cent (at that time the minimum monthly wages stood at LTL 400). In October 1998, a quarter of the employees of the private sector and 8.3 per cent of the employees of the public sector were paid minimum and lower monthly wages. In October 1998, the reduction of the number of employees receiving minimum monthly wages in the country’s economy was con-
ditioned by the reduced portion of persons employed in the sphere of education receiving the said salary. Compared with the total number of the employees of the educational sphere, in October 1996 they accounted for 21.3 per cent, in October 1997 – for 22.8 per cent and in October 1998 – 9.6 per cent.

**Changes in Payment for Work to the Employees of Budgetary Organisations**

A trend of increasing wages for the employees of budgetary organisations prevailed in 1998. On 1 January 1998, the salaries of research and teaching staff employed at research and education institutions were raised by 20% on the average. On 1 January 1998, salaries of culture and art staff employed at the libraries of state importance, the National Martynas Mažvydas Library, public libraries of the counties, higher school libraries, national and republican museums were raised by 30% on the average; salaries of the same staff employed at municipal libraries, museums and cultural centres were raised by 40% on the average; and of those employed at libraries of budgetary organisations or institutions of education, etc. were raised by 20% on the average. On 1 March 1998, 20%, on the average, were added to the salaries of the principles and culture specialists employed at museums under the subordination of budgetary institutions and organisations. On 1 April 1998, the salaries of the art staff employed at theatres, concert organisations and music groups that have been founded by the Ministry of Culture (by 25% on average) or municipalities (by 35% on average) were raised. On 1 April 1998, salaries of social workers were raised by 20% on the average. Thus, currently the average salary of social workers is higher than the average salary of health care providers and exceeds the first one by 8.7%. Having issued a respective resolution, the Government attempted to put straight (in terms of coefficients) the salaries of all budgetary employees; however, the attempts resulted only in the increased minimal levels of coefficients (including salary coefficients for employees of other education, cultural and art, health and social care institutions, as well as employees of other budgetary organisations and institutions). On 1 September 1998, salaries of the employees of edu-
cation and other budgetary institutions were raised by 15% on the average.

Bonuses amounting to 2 salaries may be paid to the heads of the national culture and art institutions, as well as to the culture and art employees of the highest level.

**Average Gross Monthly Wages**

According to the data of the Department of Statistics, in December 1998 the average wages were 15.7% higher than in December 1997 (increase from 995.7 LTL to 1,153.2 LTL). The data of 1995-1997 presented in Table 4.2.2-1 show that the average wages increased by 27% every year. Meanwhile, the average wages of the members of management boards of enterprises and companies decreased by 8.2% in 1996 as compared to 1995, and in 1997 increased by as much as 68%. The review of preliminary data of the Department of Statistics for the year 1998\(^1\) concludes, that the highest average wages were in the following types of economic activity: monetary (1,962 LTL) and financial (1,882 LTL) mediation; accumulation of insurance and pension funds, except mandatory social insurance (1,527 LTL); state governing and defence (1,483 LTL); post and communications (1,363 LTL); power, gas and water supply (1,349 LTL). The lowest average wages were in agriculture (490 LTL); fishing industry (548 LTL); hotels and restaurants (606 LTL).

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

With the increasing number of companies declaring bankruptcy under the terms of the Lithuanian Law on Bankruptcy of Enterprises, and having financial difficulties in paying their workers, an urgent decree passed by the Government on 1 September 1997 temporarily established a Fund to meet the work-related demands of workers employed with the enterprises undergoing or having experienced bankruptcy (hereinafter referred to as “the Fund”). The purpose of the Fund is to provide repayable financial assistance to the insolvent institutions, so that they would be able to satisfy claims of their employees related to labour institutions, as well as claims related to mutilation or other bodily injury, occupational disease acquired at work or death caused by an accident at work. During the year 1998, the total of 31.7 million LTL of repayable financial assistance was transferred to the Fund.

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**Table 4.2.2-1**

<table>
<thead>
<tr>
<th>Economic activities</th>
<th>Year</th>
<th>Total in the country’s economy LTL</th>
<th>Public sector LTL</th>
<th>Private sector LTL</th>
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<tr>
<td></td>
<td></td>
<td>Members of the Boards of Directors</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>LTL</td>
<td>% from the total</td>
<td>LTL</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1995</td>
<td>479</td>
<td>1279</td>
<td>267</td>
</tr>
<tr>
<td></td>
<td>1996</td>
<td>621</td>
<td>1173</td>
<td>188.9</td>
</tr>
<tr>
<td></td>
<td>1997</td>
<td>785</td>
<td>1967</td>
<td>250.6</td>
</tr>
<tr>
<td></td>
<td>1998</td>
<td>955</td>
<td>1021</td>
<td>1021</td>
</tr>
</tbody>
</table>

*Letter No. 111-07-320 of the Department of Statistics under the Government of the Republic of Lithuania of 10 May 1999 to the Ministry of Social Security and Labour (reg No. 2993)*
assistance was granted to 21 enterprises. Applications for financial assistance of 20 enterprises were not satisfied; the most frequent reason for such a rejection was the fact, that an enterprise had no possibilities to provide at least the minimal guarantee for the repayment of funds granted, since it had no property either to pledge or had pledged to other creditors. Enterprises failed to appraise their assets in time or requested assistance to cover short-term (up to 1.5 months') debts.

**Situation with Labour Relations in Enterprises**

The assessment of the actual situation with labour relations in enterprises is possible after the enterprises are inspected and the violations are revealed. According to the Department of Statistics, as many as 143,508 enterprises were registered in the Republic of Lithuania in 1998. Out of the above number 98,064 enterprises were operating throughout the previous year. In 1998, the State Labour Inspectorate inspected 14,204 (9.9 per cent) enterprises employing 898,208 employees (see Table A.4.2.2-1).

In 1998, labour inspectors identified 92,264 violations of labour relations in the said enterprises (cf. 91,900 in 1997); the majority of these were organisational violations (39%), violations of the Labour Law (26%), technical violations (21%) and labour hygiene violations (14%). The technical and staff capacity available at present at the State Labour Inspectorate can conduct repeated inspections of the same enterprise in some 8-10 years only.

As Table 4.2.2-2 suggests, the majority of violations are labour-law-related; they make up to as much as 75% of all violations. According to the data of the
Court Department at the Ministry of Justice, the majority of cases filed were related to the illegal discharge from employment. In 1997, the employment of 354 dismissed persons (33%) out of 1,072 cases was reinstated, while in 1998 these numbers were 214 (21%) and 1,020 respectively.

The second largest group of violations (8%) concerns illegal employment; the third group (7%) is the procedural violations of payment of wages.

In order to eliminate the above violations, labour inspectors issued the necessary instructions and dispatched more than 10,7 thousand letters of demand to the employers, terminated activities of 262 enterprises and their affiliates, suspended 2,768 work activities, prohibited the use of 2,500 work appliances and 2,393 work places. It should be pointed out, that labour laws have been violated in 6,949 enterprises, which makes up 49% of all the enterprises inspected. The most frequently violated legal provisions concerned the procedures of payment of wages and reimbursements, conclusion and termination of employment contracts, working time and free time; 3.2 thousand of incorrectly concluded employment contracts and 282 employees working without a written employment contract were found. To evaluate the violations found, 1,294 employers were prosecuted in accordance with the administrative procedure; 113 fines were imposed for illegal employment.

The State Labour Inspectorate drew up and filed with the courts 95 official reports concerning fines for the failure to pay wages and for impeding the efforts of labour inspectors to fulfil their duties. In 1998, as many as 190 cases were filed with courts in relation to the imposing of fines (these were the cases concerning the failure to pay wages and impeding the fulfilment of duties, as well as the majority of illegal employment cases, since the employers, as a rule, appeal against the decisions of the labour inspectors to impose fines). The courts adjourned trials of 105 cases, decided not to impose fines in 47 cases (55%) and only in 39 cases approved of the imposed fines. Such a situation was determined by the insufficient evidence, which is difficult to obtain without the assistance of the police officers. Up until now, the courts have approved of the decisions only in 17 (out of 57) cases related to the failure to pay wages. According to the data of the Court Department at the Ministry of Justice, wages-related claims constitute the largest group of all labour cases received (83% in 1997 and 77% in 1998). 7,764 (84%) claims out of 9,271 cases in 1997, and 5,366 (85%) claims out of 6,284 in 1998 were completely or partially satisfied.

**Working Conditions in Enterprises**

According to the data of the State Labour Inspectorate, 14% of all labour violations detected during 1998 were the violations of labour hygiene. It was determined, that in 1,715 enterprises (12.07% of all enterprises inspected) the employers or their authorised persons were not certified in the safety at work; in 2,197 enterprises (15.47% of all enterprises inspected) there was no agency responsible for the safety at work; in 1,220 enterprises (29.54% of all enterprises inspected should establish safety at work committee) there was no committee on the safety at work; in 206 enterprises (26.68% of all inspected enterprises need to establish the occupational medicine service) there was no occupational medicine service; and 7,538 enterprises (53.07% of all enterprises inspected) failed to conduct the hygienic assessment of work places.

In 1998, as compared to 1997, the total number of the hygiene violations at work decreased by 1 per cent (hygiene violations accounted for 15 per cent of all violations in 1997), however, the specific weight of enterprises, in which the hygienic assessment of working places has not been carried out, increased twice during 1998. In 1997, the hygienic assessment was not performed in 3723 enterprises (28.52 per cent of all inspected enterprises).

In the enterprises or affiliates thereof inspected in 1998, 3,386 hired employees (0.38% of the employees of the inspected enterprises) worked in extremely harmful working conditions; 80,373 employees (8.95%) worked in harmful working conditions, and 114,386 employees (12.73%) were engaged in dangerous labour.

In 1998, as compared to 1997, the working conditions in enterprises did not improve: in 1997, 84,322 employees (9.04% of the employees of the inspected enterprises) worked in harmful and extremely harmful working conditions; and 94,705 employees...
(10.16%) were engaged in dangerous labour.

**Accidents at Work**

During 1998, the State Labour Inspection registered 166 reports on lethal labour accidents or cases of death, 173 heavy and 2,989 mild labour accidents (in 1997 the number were 152, 163 and 2,876 cases respectively).

Out of all lethal accidents that were registered in 1998 156 cases were investigated. It was determined, that 86 accidents were labour-related, and 70 cases were not labour-related; 45 accidents out of the latter were caused by illness, 14 accidents by alcohol intoxication, 9 by suicides, 1 by criminal acts and 1 by the absence of labour relations. Most of the labour-related lethal accidents were caused by the failure to observe the requirements of normative legislation (23 cases), violation of traffic rules (13 cases), use of neglected equipment (12 cases) and improperly organised work (9 cases).

Out of all heavy labour accidents registered in 1998 170 cases were investigated. It was determined that 161 of them were labour-related. The majority of heavy labour-related accidents were caused by the failure to observe the requirements set in the normative legislation (31 case) and improperly organised work (22 cases).

The investigation of mild labour accidents registered in 1998 showed that most of them were caused by the same reasons; i.e., failure to observe the requirements set in the normative legislation (1,350 cases) and improperly organised work (122 cases).

The comparison of the amount of labour accidents in 1995 through 1998 (Table A.4.2.2-2) shows that the fluctuation in the amount of accidents is insignificant and in 1998 lethal accidents amounted to 96; heavy accidents to 164 and mild accidents to 2989. The total number of accidents at work has declined.

**Morbidity from Occupational Diseases**

In 1998, 618 cases of occupational diseases in 427 persons were registered in the Register of Occupational Diseases. Men were diagnosed for 510 occupational diseases, women 108. The most frequent disease cases were vibration diseases (230), ear diseases (214) and the diseases of connective tissue and bone-muscular system (90). The majority of diseases were diagnosed among the 50-59 year old people with the working record of 20-49 years on the average. Nine of all occupational diseases diagnosed were acute, 609 were chronic. By the type of economic activity, the instance of occupational diseases is the most frequent among persons employed in agriculture, hunting and related activities (282) and processing industry (139); by occupation – with equipment or machinery operators, assemblers (484).

The comparison of cases of occupational diseases registered in Lithuania from 1994 through 1998 (Table A.4.2.2-3) shows that the number of occupational diseases is growing with every year. In 1994, the number of registered occupational diseases amounted to 319, whereas in 1998 this same number equalled 618. Especially rapid growth in the number of registered occupational diseases started in 1996. The number of occupational diseases registered in 1996 was twice as high as in 1994. This difference occurred due to two reasons: first, more people address relevant institutions and therefore more occupational diseases are diagnosed. In 1994, when the Register of Occupational Diseases and the List of Occupational Diseases were approved, more than one occupational disease in one person was diagnosed. At the same time the number of occupational diseases rather than the number of persons suffering from the diseases was registered.

Within the total number of registered occupational diseases, the occupational diseases diagnosed in men made up a considerably larger portion than the same diseases diagnosed in women. The portion of occupational diseases registered in 1994 in men and women made up to 77.3 per cent and 22.7 per cent respectively, whereas the corresponding figures for 1998 were 85.5 per cent and 17.5 per cent respectively.

As of 1996, 600 to 700 occupational diseases have been registered in Lithuania annually. Such diseases result from long-term effects of the factors of the working environment.
The laws should regulate only general requirements applied to labour relations, as set forth also in the ILO and EU regulations (directives and conventions), while the majority of provisions set in the labour laws have to remain subject to the agreement by the parties, providing for the possibility of regulation thereof through collective agreements. These provisions should be taken into account when preparing the draft Labour Code. When the economic and social situation in the country changes, the laws have to be revised and amended. However, the practice shows that frequently changing legal norms restrict the freedom of the parties and limit the development of businesses, but on the other hand, they also help to control and detect violations.

**Hygienic Assessment of Work Places**

By 31 December 1997, all enterprises, institutions and organisations had to conduct the hygienic assessment of workplaces. The process of hygienic assessment of work places turned out to be slow and insufficient, since in 1998 the enterprises, where the hygienic assessment of work places did not take place, constituted as much as 53.07% of all detected safety at work violations.

Employers were dissatisfied that only the laboratories certified by the Ministry of Health were entitled to conduct the studies of working environment and that only hygiene centres were entitled to conduct the hygienic assessment of work places. Enterprises had to pay a certain fee for the assessment of each standard work place. This caused a slow and insufficient process of hygienic assessment of workplaces in 1998.

Thus, in 1998 the new Regulations for Hygienic Assessment of Work Places were drafted and approved of. They included the provision that the laboratories engaged in the studies of the working environment have to be certified by the National Bureau of Certification at the Ministry of Public Administration Reforms and Local Authorities, while the right to evaluate the findings of the studies of the working environment was granted not only to the officials of the territorial public health centres, but also to the specialists of safety at work agencies and health care posts certified in accordance with the set procedure, as well as persons who obtained a licence to engage in such an activity in accordance with the procedure set by the Ministry of Health.

**Assessment of Working Environment Factors**

In order to protect the health of employees during the working hours, the magnitude of working environment factors are assessed against the Hygienic Classification of Working Environment Factors, i.e., the magnitude of a certain factor identified in the working environment is compared to a permissible standard. The said maximum permissible standards (levels) have been defined by the Soviet norms of hygiene and are referred to up until now.

In the process of harmonisation of the Lithuanian legislation with the EU directives, working environment assessment indicators appeared. These concepts are new, as well as their contents, and up until now there is no agreement as to what uniform working environment indicators should be used.

**Extra Payment for Harmful Working Conditions and Dangerous Labour**

When harmonising the Lithuanian legislation with the directives of the European Union, the problem to pay extra payments for harmful working conditions and dangerous labour, or to annul them, was faced.

Most of the EU states refuse to pay extra for working in harmful, extremely harmful conditions or for dangerous labour. The EU experts are of the opinion, that the employers should resort to all possible means to reduce the harmful factors of the working environment if such factors exceed the permissible norms. The aim should be to improve the working environment rather than extra payment for working in harmful conditions or for dangerous labour. The employers have to ensure safe and sound working conditions in their enterprises. Extra payments for specific working conditions have to be specified in the collective agreement or employment contract.

Employers do not object to the opinion of the experts of the European Union, however the said opinion is not acceptable to trade unions. Under
the existing system of payment for work, the employees, being afraid of losing the extra payments, do not want to improve their working conditions. Therefore, this problem ought to be solved gradually by cancelling extra payments for harmful working conditions and dangerous labour.

Social Guarantees in Relation to Labour Accidents or Occupational Diseases

Provisional law of the Republic of Lithuania on the Compensation of Damage Incurred Due to Labour Accident or Occupational Disease regulates the relations of compensation for damage that appeared both prior and after the enforcement of the said law, until the law of the Republic of Lithuania on Mandatory Labour Accident Insurance comes into effect. The latter law will regulate the compensation of damage that is incurred by the insured persons only after the enforcement of the law.

The issues related to the compensation of damage incurred due to injury at work or occupational disease are important not only to the victims, but also to the enterprises, institutions, organisations bound to compensate the damage, as well as municipalities when such an obligation is transferred over to the State. The procedure approved by the Government provides for such obligations to be transferred to the State (municipalities) in cases when an enterprise is liquidated due to bankruptcy or on other grounds and is not able to compensate the damage due to the lack of resources. In such a case, the State resumes the payment of compensation for the damage as of the day on which, as evidenced by the available data, the enterprise in liquidation suspended the payment of compensation due to the lack of resources. The application of the above provisions in practice faced many problems in relation to the payment of compensation for the damage incurred by victims before the liquidation or bankruptcy procedures of an enterprise started, when an enterprise ran into debt for such persons. Although individual disabled persons are not entitled to request the payment of compensation for damage, part of the claims were satisfied through the Fund to Meet the Work-Related Demands of Workers of the Enterprises Undergoing or Having Experienced Bankruptcy.

Control of Illegal Employment

When carrying out the function of control over the enforcement of labour laws, officials of the State Labour Inspectorate face certain problems. One of them is the complexity of exposing illegal activities. This is due to the insufficient legislative basis (not all the cases of labour relations or peculiarities thereof are regulated by the law). Moreover: when a labour inspector comes to the enterprise to be inspected, the employees leave their work places or insist, that they are either not employed in this enterprise, or have been employed only recently. The officials of the State Labour Inspectorate have no right to detain such employees, or to interrogate them, unless the employees voluntarily agree to do so.

A more efficient labour control is also impeded by the fact that the employees of enterprises have no identification documents, while their identity may be determined only by the police officers. Often the employers appeal to courts if labour inspectors impose fines for illegal employment; as a rule, these cases are usually lost in court due to insufficient evidence, which is difficult to obtain without the assistance of the police.

Many problems are caused by the absence of statutory definitions of properties of illegal employment. For instance, the activities of a natural person when hiring other employees. The law allows a natural person to be an employer, but only in cases when an employment contract is concluded on the grounds of providing services (cleaning services, baby-sitting, etc.). In addition, the said provision causes a number of problems for farmers, who have no status of a legal person. Therefore, it is intended to revise this provision in the future.

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*Payment for work: for work under harmful conditions – at least one and a half of the hourly (daily) tariff salary (monthly salary) fixed for the employee, for work under extremely harmful conditions – at least double hourly (daily) tariff salary (monthly salary) fixed for the employee, for people engaged in dangerous work – extra payment of at least 30 per cent of the minimum hourly (daily) tariff salary (monthly salary) fixed for the employee.*
The purpose of legitimisation of minimum working hours is to guarantee the protection of the employees’ rights. It also serves as a means to avoid illegal employment and unemployment. However, such means were not equally valid for all categories of labour, thus the same problems remained in 1998.

### 4.2.4. Priorities and Proposals

The analysis of the actual situation indicates, that attempts to protect employees from social risks and poverty through the regulation of labour relations, restricted possibilities of the agreement between the parties and fixing of forced administrative norms have only partial and short-term effect. On the other hand, the long-term impact of such restrictions is negative. The regulation of labour relations is too detailed, the goals of such regulation are not met, while the legislative norms are evaded and the law becomes a formality. Thus, we are of the opinion that only the main principles of relations between the employer and the employee have to be regulated by the laws. We should gradually get rid of the detailed regulation of such relations by delegating the solution of these problems to the trade unions and the employers.

In order to ensure safety and health at work, one of the priority tasks is the education of the public on these issues. In 1998, the State Labour Inspectorate was carrying out this function by consulting the employers and the employees, as well as by publishing and circulating the publication “Saugus darbas” (Safe Labour) and sets of certain laws.

In order to improve the education of the public in safety and health at work, with the assistance of the PHARE experts it was decided to establish a Safety and Health at Work Information Centre in the Ministry of Social Protection and Labour. The main task of the Centre would be to provide the population with information on safety and health at work in all possible ways, including verbal, written information, Internet and circulation of brochures. It is projected that the Centre will start its activity in July 1999.

In order to ensure safe and sound working conditions in the enterprises, a hygienic assessment of each and every work place has to be carried out. In 1999, the work places shall be assessed according to the revised Regulations for Hygienic Assessment of Work Places, the complete enforcement of which is due on 1 July 1999. The employers will have to introduce measures to improve the working environment in the work places that will qualify as harmful or extremely harmful. Such measures may include, for instance, replacement of dangerous chemical substances by less dangerous ones, introduction of more advanced technology and/or collective labour safety means. Until such improvement measures of the working environment are implemented, the employees will have to be supplied with individual safety equipment to be used during working hours and the working hours will have to be cut.

During the process of integration into the EU, Lithuania should gradually abolish extra payments for harmful working conditions. The purpose of the labour policy should not be extra payment for harmful working conditions or dangerous work, but rather the improvement of working conditions, so that every employee has a possibility to have a safe and healthy work place. Payment for specific working conditions should be specified in the collective agreements of employment contracts.

In light of the above, provisions for extra payment to employees working in conditions other than normal have been eliminated from the amended and supplemented draft Law on Safety at Work. It has also been determined that extra payment for dangerous labour shall be paid at the rates established by the presently valid laws until the year 2000.

In order to provide financial assistance to persons who lost health and working capacity due to work (i.e., in order to compensate for the lost working capacity in cases of insolvent enterprises), it is necessary to amend as soon as possible the provisional Law on Compensation of Damage Incurred Due to Labour Accident and Occupational Disease, to adopt the Law on the Guarantee Fund and the Law on Mandatory Labour Accident and Occupational Disease Insurance, as well as to revise the procedure set by the Government for the compensation...
of damage incurred due to injury at work or occupational disease to victims in cases when such an obligation is transferred over to the state.

In order to defeat illegal employment, it is necessary to amend the laws regulating properties of illegal employment, and to define specific aspects and characteristics evidencing illegal employment. It is also necessary to unite efforts of the State Labour Inspectorate, SODRA (social insurance), the tax police and the State Tax Inspectorate in fighting illegal employment and making payments to employees who are not accounted in the financial accounting documents; to compile a common data base on the company register, activities, change of staff, etc.

Harmonisation of national legislation with the EU law will remain the priority field of activity in 1999. In the National Activity Programme for the Harmonisation of Laws, the Ministry of Social Protection and Labour has planned to draw up 16 legal acts concerning safety and health at work by the end of 1999. In 1998, under the Programme 12 legal acts on safety and health at work were prepared and adopted. Further harmonisation of legislation and preparation of the New Outlook Programme for the adoption of EU directives, as well as the restructuring of institutions of safety and health at work are planned for the year 1999.

4.3. GENDER EQUALITY IN LABOUR POLICY

4.3.1. Legal Framework

The principle of gender equality is established in many principal labour laws of the country: in the Constitution, Law on Wages, Law on the Employment Contract, Law on the Support to the Unemployed, Law on Vacations and Holidays and in other laws. With a view to implementing equal rights of men and women, on 1 December 1998 the Law of the Republic of Lithuania on Equal Opportunities was passed. When assuring equal opportunities for men and women, this Law establishes the duties for the bodies of state management and administration, education and science institutions and employers. The Law provides for the violations of rights of men and women, control and supervision of the implementation of the law, as well as the acceptance and investigation of complaints. Supervision of the implementation of the Law on Equal Opportunities shall be carried out by the ombudsman for equal opportunities. Seeking to ensure the quality of the work of the ombudsman, the independent Ombudsman Service has been established.

4.3.2. Employment and Unemployment of Women and Men

Equal opportunities for women and men as well as employment currently are especially closely inter-related. Equal treatment of the rights of women and men is the indicator not only of social justice, but also of the stable economy. In developing the education and vocational training, increasing the choice of available jobs and the number of working women, the competitiveness of the economy may be improved alongside integration into the labour market.

According to the survey of labour force, employment and unemployment, carried out by the Department of Statistics in the 4th quarter of 1998, in the total number of the employed men accounted for 51 per cent and the remaining portion of 49 per cent comprised women. Hired women made up to 83 per cent, while men employed for hired work made up to 76 per cent of the employed. Self-employed persons accounted for 13 per cent of all employed. Within this category the number of men exceeds the relevant number of women by the factor of 1.6. Men-employers exceeded the number of women-employers 2.4 times.

According to the data presented in Table 4.3.2-1, in 1994-1996, upon the growth of the overall rate of unemployment, the rate of unemployment among

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women grew more rapidly than that among men. If in 1994 the rate of unemployment among women equalled that of men, in 1995 the rate of unemployment among women outpaced the rate of unemployment among men. In 1998, the rate of unemployment among women was still higher than the rate of unemployment among men, i.e., it was 6.6 per cent and 6.2 per cent respectively.

Women were more active in registering themselves with the Labour Exchange. The number of women employed and covered by active policy programmes of the labour market exceeded the relevant number of men by the factor of 1.5 (63 per cent and 43 per cent respectively). Women comprised more than 50 per cent of all participants of the job club programs. During the 4th quarter of 1998, every second unemployed for whom a new job has been created in compliance with the quotas for the establishment of jobs was a woman. The equivalent situation was also among those sent to works supported by the Employment Fund.

The initiative of employers to create more jobs for themselves by acquiring preferential patents for up to 3 months continues to receive support. Every second person out of all unemployed who have organised their own employment was a woman.

The laws of Lithuania provide for equal remuneration of persons irrespective of their gender, however, as we can judge from the data presented in Chart 4.3.3-1 and in Table 4.3.3-1, the average wages of women in 1997 accounted for 76 per cent of the average wages of men, and in 1998, for 77 per cent respectively. The differences between the level of wages and salaries paid to men and women are conditioned by many factors, the most important of which are of the social and economic nature:

1) the structure of employment of men and women, their distribution by economic activities and categories of employees (workers, civil servants);
2) professional composition (distribution by technical and economic profile);
3) degree of qualification.
Remuneration of the workers and civil servants of the main qualification groups in April 1998: Publication No. B336, 1999 of the Department of Statistics

Chart 4.3.3-1

Table 4.3.3-1

Number of Employed Civil Servants and Managers of all Types of Enterprises by Gender
(April 1998, in %)

<table>
<thead>
<tr>
<th></th>
<th>Number of men and women as compared to the total number of the employed, in per cent</th>
<th>Including</th>
<th>In the country’s economy</th>
<th>Public sector</th>
<th>Private sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Civil servants</td>
<td>Including: managers</td>
<td>Civil servants</td>
<td>Including: managers</td>
<td>Civil servants</td>
</tr>
<tr>
<td>Women</td>
<td>51,9</td>
<td>64,1</td>
<td>4,3</td>
<td>67,4</td>
<td>3,5</td>
</tr>
<tr>
<td>Men</td>
<td>48,1</td>
<td>35,9</td>
<td>13,9</td>
<td>32,6</td>
<td>7,9</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>7,8</td>
<td>71,5</td>
<td>5</td>
</tr>
</tbody>
</table>

Remuneration of the workers and civil servants of the main qualification groups in April 1998: Publication No. B336, 1999 of the Department of Statistics
tributed to the group of employees of the lowest qualification engaged in simple or ancillary work. The largest number of women is attributed to the Qualification Group I (46 per cent), whereas the Highest Qualification Group contains only 5 per cent of employed women-workers.

Civil servants look less different from the point of view of qualification groups. Most of the men-civil servants (42.4 per cent) and only a quarter of women-civil servants occupy the posts of all types of managers, their deputies and chief specialists and specialists. Women-civil servants occupy the positions of senior specialists or specialists. Even one fifth (19.9 per cent) of women-civil servants are attributed to the lowest qualification category (secretaries, typists, operators of data preparation and recording with the help of computer, etc.). When analysing the differences in the wages and salaries of men and women, we can draw a conclusion that the higher the qualification category of workers is, the larger is the gap between the amount of salary paid to men and women. The differentiation of wages and salaries paid to men and women by qualification groups is larger due to the fact that some jobs receive higher evaluation.

Having analysed the distribution of men and women by economic activities we see that in most cases the average salary paid to women is smaller than that paid to men. For example, in the institutions of secondary education the average salary paid to men and women is equal and amounts to 853 LTL, whereas in the institutions of higher education, where the difference in salaries depends on scientific degrees, the average salary of men is 62 per cent higher than that of women (LTL 931). The opposite tendency is also evident, for example, in the sphere of social work, where the average salary of men is LTL 855, while that of women is LTL 866; men employed in the sphere of mandatory social insurance are paid LTL 1074, while women employed in the same sphere are paid LTL 1124. The greatest influence on the relatively lower average salary of women resulted from the fact that a large number of women did the economic-ancillary work or were employed in the sphere of services, i.e., office-cleaners, watchwomen, accountants, typists, etc., as well as part-time employees and, in particular, women raising small children.

According to the labour laws in force, the employer, when employing women and men, must observe equal selection criteria, create equal conditions for work and grant equal privileges, as well as create equal opportunities to upgrade qualifications, apply the same quality of labour assessment criteria, pay equal salaries for the same work or for the same duties. However, sociologists, psychologists and real facts in life testify otherwise. Men predominate in highly paid institutions and places offering career perspectives. The existing term of “glass ceiling” can be applied not to the laws (they do not provide for any discrimination in the labour market), but to certain provisions and stereotypes concerning women (women-housewives, women-raising children, women having no abilities to work, etc.) Men are invited to occupy managerial posts related to high individual responsibility and staff management. Professions, which require high qualification and which are related with quite autonomous activities of individuals, are more often reserved for men rather than for women.

Requirements for future demographic criteria (gender) are grounded, firstly, on the prevailing understanding of the role of men and women in the family. Maternity and family duties for women are the principal difficulties faced when seeking to maintain the job or to look for another one. Meanwhile, the paternity and family, in most cases, are considered the advantage of the candidate man and the precondition of his reliability and interest in striving for professional career.

Older women (over 35 years of age) more often suffer in cases when the number of employees at institutions and organisations is reduced. It is also considerably more difficult for them to find a job, since their age is the principal factor conditioning success in trying to find a job (even family duties in this case play a smaller role). Younger women quite
often are told, that they will not get a job, because they have (or may have) children. Unequal treatment of the rights of men and women is not so obvious within public authorities and organisations. Meanwhile, the position of women in private enterprises depends on the economic interests of the employers, also on the competition between them, and rather often the laws are disobeyed.

4.3.5. **Settling of Problems**

With a view to ensuring equal opportunities in the labour market, it is necessary to:

1. **Co-ordinate all legal acts, so as to eliminate the legal basis for the discrimination of one or another gender;**
2. **Prepare legal acts, regulating flexible forms of work (flexible working time, execution of small-scale works, work at home, etc);**
3. **More actively support small and medium-size business initiated by women. This form of employment is more acceptable for women who need to combine working time with the duties to their families;**
4. **Create legal conditions and prepare different training and upgrading programmes for women (working, raising small children at home).**

4.4. **SOCIAL PARTNERSHIP AND RELATED PROBLEMS**

4.4.1. **Development of Social Partnership**

The European Social Charter requires providing for possibilities to carry out negotiations and conclude agreements between the employer and the employee, the employer and the association of employees, and between the association of employers and associations of employees. In Lithuania, the possibility of negotiations between the employer and the employee is provided for in the law on Collective Agreements and Collective Covenants.

**Right to Join Organisations**

Taking into account the ratified ILO conventions, the right to join organisations is guaranteed by the Constitution, the law on Collective Agreements and Collective Covenants, and the law on Trade Unions. Peculiarities related to other rights arising from this right (such as prohibition to strike, to conclude collective agreements with civil servants, etc.) are regulated by other laws.

According to the Law on Trade Unions, members of the trade union may be citizens of the Republic of Lithuania who work under the employment contract or on other grounds provided for by the laws.

Pursuant to the Law on Trade Unions, employers or the persons authorised thereof can not be members of trade unions functioning in an institution, enterprise or organisation. According to the Law on Employment Contract, a person authorised by the employer is an individual to whom the employer assigned part of his rights; i.e., any representative of the administration should be deemed a person authorised by the employer.

**Activities of Lithuanian Trade Unions and Related Problems**

Today in Lithuania there are 4 major centres of trade unions: Union of Lithuanian Workers, Lithuanian Centre of Trade Unions, Unification of Trade Unions and Lithuanian Labour Federation. The main purpose of these centres is to protect members of trade unions and other employees of enterprises, where trade unions are functioning. However, trade unions in Lithuania cover only 6-10% of all employees; often trade unions of enterprises do not represent the interests of all or at least of majority of employees.

In many cases the law leaves certain issues to be decided by the employer and the employees by way of negotiations and collective agreements. The law also stipulates that in case a collective agreement is concluded the employees may be represented only
by a trade union; thus, the employees of the enterprises that have no trade unions are deprived of the right to negotiate, and often all the conditions are set by the employer unilaterally. This is why the protection of employees of the enterprises that have no trade unions functioning has turned into one of the major problems. Long lasting debates between the centres of trade unions regarding the establishment of representative councils of employees, their status and rights have been fruitless so far. The disagreement and unwillingness to have such an institution introduced is based on the refusal to pay contributions, as well as on restrictions of certain privileges and rights. While rejecting the above, trade unions are fighting for the legitimisation of professional negotiators who would represent employees of small business enterprises on the industry level that have no trade unions or collective agreements. This, actually, means that the rights of trade unions will be extended, so will the field of application of collective agreements. However, there is a danger of forcing agreements and covenants concluded by trade unions on the non-trade union members who are not represented in the agreements, and this is beneficial only to a part of employees. Thus, keeping to the rule that an agreement is binding only to the parties of the agreement, it is necessary to abolish such a forcing of the trade unions will on other employees. The world-wide practice evidences that in most European countries both employee groups and trade unions are successfully functioning. Moreover, the EU directives also provide for the representation of employees.

**Employers’ Organisations**

In 1998, in Lithuania there were 3 employers’ organisations, i.e., the Confederation of Industrialists of Lithuania, the Confederation of Lithuanian Entrepreneurs Employers, and the National Confederation of Entrepreneurs. Until now no law has been passed to regulate the status of employers, therefore, the employers find it more difficult to protect their rights not only against trade unions, but also against the Government that is seeking to influence business, in particular small business, development policy.

### 4.4.2. Tripartite Partnership

The system of Tripartite Commissions is already functioning in Lithuania. In 1991, a Tripartite Commission was established with the National Labour Exchange; tripartite commissions were also established with regional labour exchanges (in cities and regions). In August 1994, the Lithuanian Commission on Safety at Work was formed on the basis of a tripartite partnership principle in order to co-ordinate the interests of employees, employers, and the state, and to regulate relations regarding questions on job safety. In 1996, while shaping and implementing the labour market policy for the protection of the interests of the employees, employers, as well as the public interests, the Employment Council was established under the Ministry of Social Security and Labour. With regard to the principles of social partnership, the Tripartite Commissions have been established within the State Social Insurance Fund Board and within the Lithuanian Labour Market Training Service for the settlement of separate issues.

**Activity of the Tripartite Council of the Republic of Lithuania**

In order to achieve more efficient co-ordination of interests in the process of solving social, economic and labour problems, as well as in order to improve harmony in the society, on 5 May 1995 the Government of the Republic of Lithuania and organisations of trade unions and employers executed a tripartite partnership agreement. On the basis of the agreement, the Tripartite Council of the Republic of Lithuania was established. In 1998, the Secretariat of the Tripartite Council was established at the Ministry of Social Security and Labour (hereinafter referred to as “the Secretariat”). The main purpose of the Secretariat was to provide both organisational and technical assistance to the Tripartite Council of the Republic of Lithuania in convening its sittings. Analysis of the minutes of the sittings supplied by the Secretariat shows that during 1995-1997 the Tripartite Council of the Republic of Lithuania was considering 29, and in 1998 as many as 30 issues.
related to labour, social and economic situations in the country. The lack of negotiation skills often causes arguments and long lasting discussions regarding the solution of certain problems, thus many issues were considered repeatedly and more than one sitting of the Council was required. The most frequent subjects of considerations were draft legal acts, resolutions and reactions to the conducted actions; the Tripartite Council more than once adopted solutions and proposals, which had impact on further considerations of the above documents.

**Activity of the Lithuanian Commission of Safety at Work**

In the process of the safety at work policy development and implementation, in 1994 the Lithuanian Commission of Safety at Work was established to co-ordinate the interests of the employers, the employees and the state, as well as to co-ordinate the relations between the three parties. The Commission consists of 15 members (5 representatives of the employees, 5 representatives of the employers and 5 representatives of executive authorities). It is chaired by a chairperson, who is elected on the principle of rotation out of the representatives of the parties every six months.

The Commission, together with the Ministry of Social Security and Labour takes part in the process of development and implementation of the state safety at work policy that meets the interests of the three parties; it also submits proposals to the Minister of Social Security and Labour regarding draft laws and other normative legislation on the safety at work issues, amendments and supplements thereof; discusses annual activity report provided by the State Labour Inspectorate at the Ministry of Social Security and Labour; assesses enforcement of labour and safety at work laws and normative legislation.

In 1998, the Commission held 9 sittings. During the first six months the sittings were chaired by a representative of trade unions, and during the last six months - by a representative of the employers. In its sittings, the Commission considered and gave proposals regarding draft laws prepared in 1998. It also considered the Annual Activity Report for 1997 of the State Labour Inspectorate. The major part of the sittings’ time was dedicated to the considerations of the new wording of the Law on Safety at Work, as well as the analysis of problems related to hygienic assessment of work places and investigation of occupational diseases. The said issues were discussed 3-4 times each, since the representatives of the trade unions and employers’ organisations could not reach a consensus. The problem is, that since the year of establishment (1994) the members of the Commission have almost not changed; all of the members of the Commission are men.

4. **Proposals**

In order to expand the social partnership in Lithuania, it is necessary to:

1) expand the system of collective relations and strengthen trade unions, employers’ organisations, and increase their involvement in negotiations;
2) expand branch territorial agreements;
3) encourage regional tripartite agreements;
4) legitimise consequences of failure to meet obligations under collective agreements, liability of the employers, as well as the necessity to consult on issues related to conclusion and implementation of employment contracts, disputes related thereto, etc.;
5) legitimise the concept of social partners by defining the rights and obligations of certain organisations or unions thereof in the process of conducting negotiations in tripartite agreements and other;
6) define the role of the Ministry of Social Security and Labour in the social partnership by legitimising the possibility for a representative (e.g., labour inspector) to negotiate on the level of an industry or an enterprise in cases when trade unions are absent or when agreements can not be reached;
7) enlarge the circle of employee representatives (e.g., to legitimise labour councils) in enterprises, and grant them equal representative powers to those of the trade unions;
8) define the term of office of the members of tripartite commissions (e.g., two years); this will ensure the change of commission members and participation of more competent people in the activities of commissions.
Chapter 5

5. SOCIAL INSURANCE

The state social insurance comprises the principal 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, old age, disability, or in other cases provided for in the Law on the State Social Insurance.

The social insurance, likewise the entire social security, is based on the fundamental principles of the universality, solidarity of generations, continuity and fulfilment of undertaken obligations. There are no exceptional privileges and rights for separate social groups or representatives of certain professions within the system of social insurance.

The state social insurance system functions according to the pay-as-you-go principle. It means, that social insurance contributions are not collected as capital, but are forthwith utilised to cover the social insurance payments.

The state social insurance is designated as an independent system. It means that the social insurance budget is separated from the state budget. 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. Moreover, the tripartite system of the social insurance administration has been created.

5.1. SITUATION WITH THE SOCIAL INSURANCE SYSTEM IN THE BEGINNING OF 1998

5.1.1 Problem of Balance of the State Social Insurance Fund Budget

From 1995 till the beginning of 1998 the main problem the State Social Insurance Fund has been facing is the problem of deficit. In the beginning of 1998 the budget deficit made about 40 million LTL, although in 1997 the State Social Insurance Fund received 97.8% of its planned budget income. Its major part (90.8%) was payments made by the insured for all types of insurance (pensions, benefits) and the remaining part was payments made by self-employed persons and other persons carrying pension insurance.

Legal regulations providing for measures against illegal employment and also strict sanctions against the insured for not making insurance payments as well as good work of control services of the Board of the State Social Insurance Fund contributed to the collection of budget funds. The Law on Single Time Exemption of the Insured from Paying Penalties and Fines which were Calculated but not Paid into the Budget of the State Social Insurance Fund, effective until the beginning of 1998, allowed the insured to pay their debts to the Budget of the State Insurance Fund without penalties and fines and improved collection of social insurance payments from small and medium enterprises.

Unfortunately, these measures have not solved the problem of the budget deficit of the State Social Insurance Fund.

In 1998, likewise in the previous years, the below listed factors had the greatest negative influence on the balance of the State Social Insurance Fund budget:

- liabilities to those citizens of Lithuania, who worked during soviet years and, after reaching the pension age, became old-age pensioners. These people did not pay social insurance contributions into the budget of the newly created state social insurance system, but receive pensions that are paid to them taking into account their work record of the soviet years as well as their wages and salaries;
5. SOCIAL INSURANCE

- upon the transition from the soviet to market economy, reduction of production volumes, appearance of unemployment, the number of individuals insured by the state social insurance was reduced. The contributions of the insured individuals to the budget of the State Social Insurance Fund was also reduced;
- concealment of contributions, when social insurance contributions are paid only from the minimum monthly wages, and the other portion of the salary is paid illegally. Seeking to avoid payment of social insurance contributions illegal employees are recruited, i.e., without legalising the labour relations;
- the number of pensioners, and, in particular, of the disabled, is increasing due to the growing pension age.

5.1.2. Change in the Number of Working Age Population and Individuals Covered by State Social Insurance

In 1991, a decision to assume the obligations of the soviet social care system to the existing and future pensioners was adopted. It was a very important decision with long term consequences. It actually means that the length of time worked and partially the earnings accumulated during the soviet period are recognized and they entitle a person to a social insurance pension. However, it was only in 1991 that a social insurance system based on the pay as you go principle was created and payments started coming in. Only these contributions should entitle to social benefits.

An eight-year period of independence is too short to allow for conclusions about long-term demographic processes. Nevertheless, an analysis of the main demographic indicators of the past period reveals the negative effects upon the development of the social security system. Over the last years the birth rate has decreased, the mortality rate has in-

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*The data of the Department of Statistics under the Government of the Republic of Lithuania and State Social Insurance Fund Board*
In the beginning of 1998 the number of 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.

According to the current state social pension insurance system there are three types of pensions: old age pension, disability pension and survivors’ and orphans’ pension.

The state social insurance pension consists of two parts: a base pension and a supplementary pension. At present the size of both portions is almost the same. The supplementary portion depends on the wages and length of work of the insured and provides a possibility for greater differentiation of pensions. This portion makes almost half of the total pension size.

**Old age pensions**

State social insurance old age pensions are awarded and paid to persons of pension age (in 1998 pension age for men was 60 years and eight months and for women - 56 years and four months) who have a minimum social insurance record necessary for eligibility for old age pension (15 years). The old age pension consists of two parts: a base pension and a supplementary pension. The base pension is equal to the base state social insurance pension if the person has the mandatory social insurance record entitling to a state social insurance pension. The base pension equals 110% of the MSL and in the beginning of 1998 it was 132 LTL. The supplementary pension is calculated for each pensioner individually according to his/her length of time worked and insured person’s income ratio. The income ratio of an insured person and the length of time worked reflect the individual input of the person into the budget of the State Social Insurance Fund and determine the amount of the future pension.

In 1998, there were 648 thousand old age pensioners or 63 per cent of the total number of pensioners in Lithuania (105.5 thousand of them were employed and 542.5 thousand were unemployed). That year the average old age pension was 286.15 LTL (277.92 LTL for a working pensioner and 287.82 LTL for a non-working pensioner). Since pensions are relatively small, not all persons stop working when they reach pension age. Every sixth old age pensioner has a job.

In 1992, the average old age pension equalled 44% of the average wages of the insured. In 1993, this indicator decreased to 34%. The proportion of the amount of the old age pension to the average earnings of the insured remained almost stable until 1998 and it equaled 35 per cent.
Disability pensions

Disability pensions are awarded and paid to disability group I, group II and group III individuals who have at least a minimum state social pension insurance record necessary in order to be eligible for a disability pension (minimum insurance record is five years). Disability pension consists of the same parts as the old age pension - the base pension and the supplementary pension. In case of persons who have the minimum state social insurance record necessary for eligibility for a disability pension, the base portion of group I disability pension is equal to 1.5 of the base pension. The base portion of group II disability pension is equal to one base pension. The supplementary portion of the disability pension is calculated in the same way as the supplementary old age pension. The state social insurance group III disability pension is calculated in the same way as group II disability pension and it is reduced by 50 per cent.

In 1998 there were 158.8 thousand disability pensioners who accounted for 15 per cent of the total number of pensioners in Lithuania (27.5 out of them were employed and 131.3 thousand were unemployed). That year the average disability pension was 260.91 LTL (218.27 for a working pensioner and 269.92 LTL for a non-working pensioner). Almost every sixth pensioner receiving a disability pension is employed.

Survivors’ and orphans’ pension

The purpose of the survivors’ and orphans’ pensions is to ensure the continuity of the obligation of one spouse to support the other who is disabled or to support his/her child.

State social insurance survivor’s and orphans’ pensions are paid on the basis of the state social insurance pension calculated for or received by the deceased spouse. Since state social insurance pensions are not inherited and the person was paying insurance contributions for a certain period of time, some part of his/her input into the budget of the State Social Insurance Fund is awarded and paid to his/her spouse and under-age children after his/her death. Three categories of state social insurance survivors’ pensions are paid with respect to the date of death of the spouse: individuals who were widowed before 1 January 1995 receive 25% of the state
In 1998, when the social insurance policy was designed, the main emphasis was put on expanding the number of categories of the insured, determining the ceiling of earnings according to which state social insurance contributions are calculated, defining additional social guarantees and improving the collection of social insurance contributions.

### 5.2. Changes in the Legal Regulation of the Social Insurance Policy in 1998

#### 5.2.1. Amendment to the Law on the State Social Insurance

In 1998, a new phase of the pension insurance was developed in Lithuania. Its legal basis will be the Law on Pension Funds which will expand the existing state social insurance system and enable it to provide better pensions in the future.

Amendments to the existing legal regulations have been made with a view to creating favorable conditions for the establishment and existence of Pension Funds, and encourage employers and the insured to participate in the activities of these funds. To this end, from the beginning of 1999 it has been provided for that state social insurance contributions will not have to be paid from the amount exceeding the average earnings three times. We expected a new Law on Pension Funds to be adopted together with these amendments. We thought that free funds would be used to promote the establishment of Pension Funds. That is why limitation of the contributions payable into the budget of the State Insurance Fund was introduced and had to be gradually implemented during a period of two years. Unfortunately, the Law on Pension Funds was not adopted and the planned losses of the State Insurance Fund budget during 1999 due to limitation of the contributions equal approximately 130 million LTL.
5.2.2. The Balance of the Budget of the State Social Insurance Fund

In order to balance the budget of the State Social Insurance Fund in 1998 suggestions were made to follow the experience of Western countries and redistribute the tariff of social insurance contributions by increasing the part of the contribution paid by the insured person and reducing social insurance contributions made by the insurer.

In order to balance the budget of the State Social Insurance Fund the Seimas and the Government should not adopt resolutions to increase state social insurance benefits, and if they do, they should provide sources from which this expenditure could be recovered. Now funds for the insurance of mothers raising children under the age of 3 and for the insurance of the clergy are provided for in the state budget.

Collection of state social insurance contributions has the greatest impact on the balance of the state social insurance budget. In order to ensure the payment 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 single data base with the State Tax Inspectorate, the State Labor Exchange and the State Patient Fund.

In 1998 attempts were made to improve the collection of state social insurance contributions. Appropriate amendments to the existing laws and Government resolutions were prepared and measures improving the work of the Board of the State Social Insurance were introduced. Personal responsibility of heads of territorial branch offices for the collection of funds into the budget of the State Social Insurance Fund was expanded. Preparations are being made to shift to producing monthly data and information on contributions. Territorial social insurance councils which should influence the quality of work of the territorial branch offices and better inform the population are being developed. A comparative analysis of the data bases of the State Tax Inspectorate and the Board of the State Social Insurance Fund was initiated in order to better identify tax payers, improve the interaction of the State Tax Inspectorate and the Board of the State Social Insurance Fund in administrating the collection of taxes and social insurance contributions.

These measures enabled us to improve the collection of state social insurance contributions regardless of the financial problems which the State Social Insurance Fund encountered at the end of the year due to the crisis in Russia.

In 1998 the actual income of the budget of the State Social Insurance Fund was 4 159 362 thousand LTL which was 74 368 thousand LTL more than planned. The budget income of the State Social Insurance Fund increased by 14 per cent in comparison to 1997. However, the actual expenditure of the State Social Insurance Fund was 4 164 023 thousand LTL which exceeded the planned expenditure by 131 343 thousand LTL. In 1998 the expenditure of the State Social Insurance Fund budget increased by 15 per cent in comparison to the expenditure of 1997. That is why the budget of the State Social Insurance Fund was not balanced.

5.2.3. Resolution of the Government of the Republic of Lithuania on the Social Insurance of the Self-employed

In order to ensure mandatory social insurance guarantees to people who were not covered by the social insurance system and to increase relatively small social insurance pensions, proposals were made in 1998 to include self-employed people into the social insurance system. It was decided to insure patent holders, members of general and limited partnerships, users of personal farms and other persons under mandatory social insurance for a basic pension.

Other private persons engaged in economic activities (artists, freelancing journalists, consultants, etc.) will not be insured under mandatory state social insurance in the meanwhile. It was decided not to insure them on a mandatory basis, but they have the right to voluntary insurance contributions.
5.2.4. Amendments to the Law on the State Social Insurance Pensions

In order to provide social guarantees to persons who have not been covered by the mandatory state social insurance since 1995 and trying to increase the birth rate the following steps were taken in 1998:

- proposals and draft regulations regarding pension insurance of nonworking mothers (fathers) raising children up to 3 years using state funds were submitted;

- amendments to legal regulations enforcing the insurance of the clergy of religious communities, societies and centers for a base pension with the state funds were prepared.

This proposal was approved. The prepared draft on amendments to the law came into force as of the 1st of January 1999, and social insurance contributions are payable from the 1st of October 1999.

Adoption of such amendment was conditioned by the amendment to the Law on the State Social Insurance Pensions which came into force in 1996 and provided only for the insurance of mothers (fathers) who had worked before and were on child care leave raising their children from the age of 1 to the age of 3. In 1998, 17 thousand mothers (fathers) receiving social insurance child-care allowances had the state social insurance coverage or were insured by using state funds as mothers (fathers) who are on leave for raising children up to 3 years.

The Law on the State Social Insurance Pensions says that the work record of all clergymen of the traditional creeds and religious communities and societies of Lithuania until 1995 is treated as the length of time worked acquired, working as a self-employed person but it has not solved the problem of further social insurance of clergymen of all traditional and other religious communities and societies recognised by the state.

Having insured all mothers (fathers) raising children up to 3 years of age and clergymen of all recognised traditional religious communities and societies the state will have to transfer additional 50 million LTL into the State Social Insurance Fund every year starting from the 1st of January 2000.

On the 1st of January 1999, an amendment to the Law on the State Social Insurance Pensions according to which victims (political prisoners, exiles, participants of World War II, individuals who became disabled during the aggression on 11-13 January 1991, participants of the resistance and opposition against soviet occupation) started receiving indexed not recalculated old age and disability social insurance pensions came into force.

Since the enforcement of the new Pension Law on the 1st of January 1995 the old age and disability state social insurance pensions paid to some victims were reduced by deducting the period of their imprisonment or exile which used to be multiplied by three from their work record. This provision was included into the law following the opinion that the amount of the state social insurance pension had to be related only to the person’s work record entitling to the social insurance benefits and the amount of personal earnings from which the state social insurance contributions were deducted. Victims started receiving victims’ state pensions from the state budget according to the Law on the State Pensions. Evidently, those victims whose social insurance pension decreased were not satisfied. Therefore, after the law was amended, the rule of not reducing state social insurance pensions of victims was applied to victims from the 1st of January 1999. The difference for the period from the 1st of January 1995 until the 1st of January 1999 will not be paid out.

From the 1st of January 1999 the provision stating that the time of exile is included into the length of time worked entitling to the social insurance benefits only as of the age of 14 has been nullified.

Amendment to the Law on State Social Insurance Pensions has established that the right to receive the survivors’ pension shall be enjoyed by several guardians (in cases when several different persons take care of several orphans), without exceeding the overall amount of the survivors’ pension – 20 per cent of the state social insurance group II disability pension. In order to maintain the proportions of the amount of the survivors’ and orphans’ pensions,
the orphans’ pensions are allotted in the amount of 25 per cent of the state social insurance group II disability pension, if one child has such a right. If such a right is granted to more children, each of them is allotted 25 per cent, but not exceeding 80 per cent of the overall estimated pension amount.

The supplement in the amount of 50 per cent of the state social insurance base pension, previously paid to the disabled of group I for their nursing, now is included into the base portion of the group I disability pension. The following amounts of the base portion of the pension have been established by the amendments to the law: in the event that a person has a minimum social insurance record, the base portion of the group I disability pension makes up 1.5 of the base pension, the base portion of the group II disability pension equals one base pension. If a person has a shorter social insurance record than required, the base portion of his disability pension is calculated by multiplying the amount of the 1.5 base pension for the group I disabled and the amount of one pension for the group II disabled by the existing social insurance record and dividing it by the minimum social insurance record.

This amendment solved the problem which existed by 1 January 1999 concerning the payment of state social insurance disability pensions to the working group I disabled. Before the adoption of this amendment the supplement for nursing was paid only to the non-working disabled of group I.

5.3. THE MOST URGENT PROBLEMS OF STATE SOCIAL INSURANCE IN 1998

5.3.1. Difficulties in Collecting Contributions

Difficulties related to the collection of state social insurance contributions remained until 1998. The key reason for that is slow economic development. Among other reasons were illegal employment and avoidance to pay social insurance contributions. With a view to preventing the expansion of illegal employment and avoiding of payment of social insurance contributions, the Amendment to the Law on State Social Insurance was passed, enabling the officials of the State Social Insurance Fund Board to request from the insurer explanations concerning the payment of state social insurance contributions and benefits, as well as explanations of all persons within the territory of the insurer, as to the registration of labour relations between them and the insurer. Also, the State Social Insurance Fund Board undertook organisational measures. Institutions controlling the collection of contributions have been reorganised. Regional co-ordinators of the contributions control division are currently in charge of this task. Application of new methods of controlling the problem insurers was commenced: cross-examinations (counter examinations) and surveys, as well as the analysis of cash flows in the enterprise, upon suspicion that the insurer carries out monetary operations in cash (via the cashier’s office). The essence of the cross-examination (counter examination) and survey method comprises the fact, that the inspection of the economic entity is commenced not in its enterprise, but at the consumer of his services. Thus, the legal status of individuals employed in enterprises engaged in supplies is examined.

5.3.2. Necessity to Update Legal Acts Regulating the State Social Insurance System

Transfer of the financing of part of health care expenses from the State Social Insurance Fund to the Health Insurance Fund enabled a more expedient use of the State Social Insurance Fund money. However, there was a need to revise legal acts regulating the state social insurance system, so as to distinguish between the types of state social insurance in individual regulations.

In solving the problem of ensuring the social insurance guarantees, related to the ageing of society,
the possibility of more rapid increase in raising the age of eligibility for the old age pension has been considered in 1998. Taking into account demographic changes, in future the pension age should be raised to 65 years for both men and women. However, meanwhile the Seimas of the Republic of Lithuania follows the provision not to speed up the pension age, since this must be solved simultaneously with the employment guarantees and social support for persons who can not work or receive the unemployment benefit.

5.3.3. Social Insurance of Farmers

By the end of 1998, as many as 73,586 farmers were registered as the insurers. Of which around 49 thousand of the farmers (67 per cent) and their adult family members working on the farm did not have to pay state social insurance contributions, since they were pensioners or worked according to employment contracts. The state social insurance contributions were paid only by 1662 farmers in 1998. Other farmers (around 24.5 thousand) exercised the right granted by the State Social Insurance Fund Council to postpone the payment of contributions until 31 December 1998. Throughout 1995 to 1998, the debt of farmers to the budget of the State Social Insurance Fund accounted for around 56 million LTL of the defaulted social insurance contributions. During the same period, the debt of the farmers in terms of state social insurance contributions calculated per capita made up the average of 2,770 LTL. The practice has showed that the postponement of contributions has not solved this problem, but even more induced the Lithuanian farmers to avoid the mandatory social insurance. Currently, the farmer is to pay for himself and for his adult family members employed on the farm contributions in the amount of 50 per cent of the state social insurance base pension. However, the problem of state social insurance of other individuals living in the country, who are not farmers, still remains unsolved. This problem is planned to be solved in the future.

5.3.4. Forming the Legal Framework of the Pension Funds

Pension Funds are not an innovation designed in Lithuania. Together with the state pensions, Western countries have long had private pension plans, offered both by insurance companies and by special Pension Funds. Having taken on their own economic restructuring, Central and Eastern European countries, also undertook the task of changing the provision of pensions by handing increasingly more responsibility over to private insurance. Especially since state social insurance pensions have greatly diminished and the social insurance budget is in a state of constant deficit – both because of economic difficulties resulting from the transition period, and because of the ageing of the society (the number or working age people is decreasing while the number of pensioners is increasing). The reforms became a necessity. A possible solution to the problems that have accumulated is the development of a pension system to include both state and private accumulative pension insurance plans. The practice of Western countries shows that private Pension Funds do not replace, but rather supplement mandatory social insurance.

Therefore, preparations are underway in Lithuania to introduce a Law on Pension Funds. The employers are waiting for this law since they will be able to pay supplementary pensions to their employees and this way maintain the competitive labour force and create a favourable image of the enterprise; the employees are also waiting for this law since they are expecting to improve their old age pension coverage; the capital market experts are waiting for this law since Pension Funds will bring the accumulated large means to the market.

The governmental programme provides for the promotion of the establishment of the cumulative Pension Funds already as of 1998. Even two drafts on this law have been worked out – one of them was presented by the Industrialists Confederation, an-
other one – by the Lithuanian Free Market Institute. Upon the instruction of the Ministry of Social Security and Labour, which supervised the preparation of the law, the joint Draft Law on Pension Funds was prepared on the basis of these two drafts.

Considerations take place in Lithuania concerning the fact that Pension Funds should be non-profit organisations. However, according to the adopted legal concept of non-profit organisations, such a legal status does not suit the pension fund. Non-profit organisations may receive profit, but they may not distribute it (also to its members), they may only put it aside for the future development of the organisation. The Lithuanian legal system also does not have the concept of trust (right of trust), whilst the application of this concept only to Pension Funds, in the opinion of experts, would be rather problematic. The tradition of trust in other countries developed during the entire century, its legal framework was created step by step, certain perception among people was also formed, therefore, its direct take-over in the Law on Pension Funds would be almost impossible.

In Lithuania or in other post-communist countries, it would also be impossible to apply the way of pension financing used in German-speaking countries (the system of balance-sheet entries): this might be rather dangerous, since the economy is too unstable. It would be very risky with regard to pensions.

Since Lithuania is “going to Europe” while preparing new laws or establishing new institutions, coordination of compatibility of our regulations with the European Union requirements is underway. However, the European Union documents do not contain the definition of the concept of Pension Funds.

Meanwhile, there are no special directives of the European Union concerning Pension Funds. Only as of 1990 the first attempts have been made to single them out from other financial institutions. In 1991, the Directive on Pension Funds was prepared, but not adopted. In 1995, the directive guaranteeing the rights of migrating workers (realising the right of movement of the labour force) to supplementary pensions was prepared. This directive was not enacted either.

Currently, the following requirements are established for Pension Funds in the European Union documents: an advance permit for their activities is required, the funds of pension fund must be entirely separate from the funds of the subsidising organisation, Pension Funds must invest into observation of the “prudent man” rule. The pension fund is an institution different from the institution of the statutory social security, and is established independently from any subsidising organisation, seeking to provide supplementary pension payments and creating reserves for investments.

Therefore, on the basis of the experience of other countries and developing new tendencies, the provisions of the Law on Pension Funds have been established in Lithuania, too.

When functioning, Pension Funds implement two key goals: social and economic. The social purpose of the establishment of Pension Funds is to supplement the existing system of social insurance pensions. The social insurance guarantees minimum social security in the old age (the pension makes up 35-40 per cent of the average wages). Pension Funds will form the second stage in the pension system, which in perspective will supplement the first one up to 60-70 per cent of the average wages. The economic purpose of the Pension Funds is to speed up the economic development and thus increase resources for social security.

Voluntary participation in Pension Funds is planned. The principle of the financing of private pensions is the accumulation of contributions on personal accounts and increasing them by investing in capital market. Contributions paid by a fund member or by his employer, are invested in purchase of securities and real estate, the growth of price whereof, as well as interest and dividends increase the value of accumulated assets. These assets are accounted for by personal accounts of pension fund members, and are looked upon as their property and are not subject to any distribution. The period of the accumulation of assets continues until the Pension Fund member acquires the right to receive pension benefits. Therefore, it is important that Pension Fund contribution investments are reliable and profitable. Thus, the key economic assumption for the appear-
ance of Pension Funds is a strong and well functioning securities market. In the context of capital market condition, the situation in Lithuania is relatively better than in other post-communist countries, since both its legal and institutional arrangement is better. Certainly, the newly established Pension Funds are not large investors, therefore, their influence on the capital market is inconsiderable – the insurance companies and banks are by far bigger participants of the market. However, Pension Funds will be continually growing, they will develop financially and be long lasting. Therefore, they will precondition the development of capital market. Participation in Pension Funds is voluntary.

It is also important to establish the optimum ratio of pension contributions to Pension Funds to contributions to the State Social Insurance Fund.

Unfavourable ratio of pensioners and working people (1:1.38) meanwhile prevents strengthening the development of Pension Funds on the account of the reduction of the social insurance contributions’ rate. Accumulation of the funds in private future pensioners’ accounts must be commenced forthwith, so as to make it possible to minimise the burden of social insurance to economic entities. However, with a view of a more effective two-stage system in the future, it is expedient to establish at least minimum concessions in payment of state social insurance taxes.

With a view to promoting the establishment of Pension Funds, the following tax concessions may be applied:

- no tax is levied on contributions to Pension Funds (in the case of natural persons, their taxable income will be reduced by this amount, and enterprises will deduct this amount from the taxable profit or income).
- the limit of such non-taxable contributions must be established;
- no income tax is levied on the investment income of the pension fund;
- benefits from the pension fund received by a pension fund member shall be attributed to income and shall be subject to taxation with the income tax of natural persons according to the general procedure.

Within the system of Pension Funds, similarly as in the state social insurance system, the dependency of generations remains, only if it expresses itself not via the labour market, where social contributions are paid by the working generation and are used for the financing of pensions, but through the capital market. If the capital is out of demand, then the funds accumulated in Pension Funds will not ensure an adequate standard of living for future pensioners.

5.4. PROPOSED WAYS FOR THE SOLUTION OF SOCIAL INSURANCE PROBLEMS

5.4.1. Improvement of the Collection of Contributions

In order to improve the collection of contributions into the State Social Insurance budget, it might be necessary to impose sanctions for the delayed payment of contributions more flexibly, in observance of the particular situation. It would be worth preparing an amendment to the Law on the State Social Insurance, providing for the right of the State Social Insurance Fund Council not only to postpone, but also, after having assessed the reasons of indebtedness and other circumstances, to exempt enterprises from the calculated late charges. Such a provision would create a real possibility for the majority of the insurers to settle with the budget of the state social insurance fund. Such insurers (enterprises) would avoid the institution of bankruptcy proceedings, moreover, the working places would be preserved.

It would be necessary to prepare the draft amendment to the Law on the State Social Insurance 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.

The controls of the formation, implementation and accountability of the state social insurance fund budget, in order to ensure their compliance with the European standards, should be further strengthened.

It would also be necessary to increase the interests of contribution payers to insure themselves. Seeking to ensure the largest possible voluntary and joint participation of tax and contribution payers in the financing of the social insurance schemes, all lower pricing possibilities should be analysed and employed, also including the reduction of administrative expenditure.

With a view to preventing illegal employment, the law on the State Social Insurance should be supplemented with a provision entitled 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.

5.4.2. Updating of Legal Acts Regulating the System of the State Social Insurance

Until now the Law on the State Social Insurance passed in 1991 is in force. This law was prepared and enacted in the transitional period from plan economy to market economy. During eight years of this law in force, it was amended several times, taking into account the changes in the economy. It became difficult to act in observance of this law. Therefore, the Law on Social Insurance is being restructured, providing therein the key grounds for the state social insurance system: types of social insurance, categories of persons insured by social insurance, principles of system financing and management, as well as the rights, duties, and responsibility of the subjects of the system. The laws on pension insurance, sickness and maternity insurance, unemployment insurance, health insurance and work accident insurance should be revised and made systematic. The purpose of this work is to make the system more transparent, clear and reasonable, and better adapted to market conditions.

The base of this package should comprise the Draft Law on the Principles of Social Security, which would amend the Law on Guaranteed Income and Law on the Principles of the State Social Protection System. This Draft Law should revise the principles of the social security system, formulate social rights and duties of individuals; the financing and administration of social security should be revised and the problems of indexing the social benefits settled.

Other laws of the package should be no less important. A provision concerning the establishment of the new institution - an appeal commission – should also be made, which would settle the disputes before the court proceedings, arising from the legal relations of social insurance. Decisions of the appeal commission should be binding on the officials of social insurance divisions. It is expected that legalising such institution would strengthen the confidence in social insurance, as well as improve the quality and availability of guarantees provided by social insurance.

It is necessary to revise the allocation and payment of disability and maternity benefits. The main innovation in such a draft law should be the introduction of a qualifying (waiting) period. The need for this period is conditioned by the fact that abuses often occur in cases when immediately after employment attempts are made in order to receive disability or maternity benefits.

A new Law on Monetary Support should co-ordinate and combine different payments of monetary support to families, payable upon examining the income of beneficiaries.

The Law on Unemployment Insurance should regulate unemployment benefits, distinguishing their financing from active labour market instruments. The Law on Work Accident Insurance should include the newly regulated compensation of damage, which, according to the principle of solidarity, would be guaranteed by employers via the mechanism of insurance.
It would also be necessary to work out the Law on State Social Insurance Contribution Rate Modification, under which certain social insurance contribution proportions would be established for separate types of insurance.

The new package of law amendments should be prepared and submitted to the Seimas in 1999. These laws, along with the Law on Pension Funds should create the background for the reform of the Lithuanian social insurance system.

Particular attention should be paid to the unification of the legislation in the sphere of social insurance with the EU legislation, as well as to the development of legal framework of social insurance (Pension Funds, supplementary pension insurance to the employees of different professions, accident insurance, unemployment insurance, mandatory civil insurance) and supervisory system.

Harmonisation of legal systems of state social insurance pensions and state pensions should be commenced. Compatibility of the state social insurance benefits with the state aid should be considered.

The work in the sphere of public relations should be improved, to better inform people of the guarantees provided by the social insurance, as well as of the principles of organising and functioning of the social insurance system.

Systematising the social guarantees while adjusting the Law on the Principles of the State Social Protection System, the Law on the Guaranteed Income, and other laws, reduction of the number of groups of individuals enjoying exceptional social guarantees (increase of the universality of the system), improvement of the principal regulations for the indexing of income will improve the social guarantees provided to individuals.

### 5.4.3. Improvement of the Organisation of the Social Insurance of the Self-employed Persons

A new draft law should be passed, containing more favourable conditions for the farmers to insure themselves with state social insurance, having regard to their economic capacity. The draft law should contain a proposal to establish that economically weaker farmers are allowed to pay a part of the amount of the contribution. In addition, the remaining part of the state social insurance contribution of economically weak farmers should be covered from the funds of the state budget.

It would also be necessary to provide for the mandatory social insurance of certain categories of self-employed persons for the whole amount of the state social insurance pension. Such a decision should be made only after having assessed the capacity of self-employed persons to insure themselves with the state social insurance.

### 5.4.4. Improvement of the Pension System

It would be necessary to separate the state social insurance base pension from the indicator of the minimum subsistence level. To index the base pension, in observance of the standing of the State Social Insurance Fund budget, something is missing as well as of the development of price index.

In calculating the average monthly insurable income, account should be taken not only of the income, out of which the state social insurance pension contributions have been paid into the State Social Insurance Fund budget, but also the ratio of those insured by the state social pension insurance to the recipients of the state social insurance pensions. Moreover, in calculating the average monthly insurable income, it should be noted, that part of the insured are not full-time workers and make contributions only from a part of the minimum monthly wage.

It would be necessary to legalise a more rapid increase in the age of eligibility for the old age pension and also to establish a higher ceiling for the age entitling to the right to receive the old age pension.

The possibility to change the procedure of payment...
of state social insurance old age pensions to working pensioners should be considered. The possibility of gradual reduction of the minimum insurable income limit should also be considered (1 minimum monthly wage instead of 1.5 minimum monthly wage for working individuals). In the future, the procedure for payment of pensions should undergo key changes, since social insurance is interrelated with the “insurance event”. In this case – with the disability to work and earn money. When a person of pension age is not able to work, he/she is paid the social insurance pension. When a person is working, there is no “insurance event”, and the pension should not be paid. One more provision enacted in the Law on the State Social Insurance Pensions will also be advantageous for a working pensioner, that is, in the event a person at a particular time acquires the right to receive the state social insurance old age pension, and has the necessary state social insurance record, but does not receive a pension and applies for it only later, then the pension for him will be calculated according to the data available at the time of application and will be increased by 4 per cent of the estimated amount for each full year which passed from the day he/she was entitled to receive the old age pension while having the necessary social insurance record. Upon the request of a person who receives the old age pension and has the minimum state social insurance record entitling to the old age pension, the payment of pension may be postponed. In that case, his/her pension will be calculated again according to the data available at the time of application and increased by 4 per cent of the estimated amount for each full year from the moment the payment was postponed.

In addition to the aforementioned proposals, the Law on Amending and Supplementing the Law on the State Social Insurance Pensions is already prepared. This law proposes, in calculating the part of the pension for the period by the year 1994, to artificially increase the low coefficients of the insurable income, and to leave the remaining coefficients unchanged. Upon making such an amendment, the differences in the former wages, regardless of their influence on pension amounts, would not be so large, and the amount of pension for the period by the year 1994 would be more dependent not upon the wages, but rather upon the work record. Therefore, in such a case, those pensioners who had longer work record, but relatively small wage, would benefit. However, this is related to the additional state social insurance fund budget expenditure, which should be covered from the state budget.

In implementing the Elderly Year Programme, the draft amendment to the Law on the State Social Insurance Pensions must be worked out. It should propose to annul additional conditions qualifying for the payment of old age and disability pensions established in the Law on the State Social Insurance Pensions. In addition to the minimum state social insurance record established by the provisions of the aforesaid law, which as of 1 January 1999, for women is 25 years, and for men – 30 years, additional conditions for the payment of the old age or disability pensions would come into force from 1 January 2000. Under these conditions, it would be required to have no less than three years of the social insurance record during the last five years, or to have one year of social insurance record during the last one year, or to have no less than 35 years of the state social insurance record. In recognising, that these conditions are irrational, and that they create a lot of difficulties for the unemployed people of prior-pension age, the draft amendment to the aforementioned law must be worked out and the above conditions refigured.

The experts of the Ministry of Social Security and Labour think that the Law on Pension Funds, as well as accompanying secondary legislation establishing Pension Funds, ought to be passed as soon as possible.
Social assistance constitutes a significant portion of the social security system.

The main purpose of social assistance is to help meet the basic needs of families (persons) whose earned income, social insurance benefits and other income as well as the ability to take care of themselves is insufficient for reasons beyond their control.

The system of social assistance is based on a perception that it is not aimed at ensuring long-term economic and social security for a person; it just helps the person to survive under extreme conditions. The social assistance system should be organised so as to enhance the activity and individual responsibility of people themselves.

The responsibility for rendering social services lies mainly with municipalities. Municipalities can most effectively bring to light both the social needs of people and social problems. Social assistance is comprised of benefits in cash and social services. In 1998, budget funds of city (region) municipal authorities allocated for social assistance accounted for 11.9%. At present benefits in cash accounts for the largest part of Lithuania’s social assistance system. The effective functioning of the social assistance system can be achieved under the condition that monetary benefits are provided along with social services.

Cash assistance is mostly given in the form of benefits. Such assistance is especially significant for low-income families.

Social services represent a form of social assistance, which stimulates the individuals’ activity and initiative to live a more valuable life. Social services are aimed at satisfying a variety of social needs for people assigned to different age groups.

The main purpose of social services is to restore the individual’s ability to take care of him/herself and integrate into society by assuring living conditions that allow maintaining an individuals’ dignity if the individual is unable to achieve that. Social services are also rendered for preventive purposes in order to preclude possible social problems.

This chapter will deal with the ways of providing the principal social assistance: benefits paid to families regardless of family income, benefits paid according to the income evaluation principle, financial support to victims and groups of people of particular risks, social guarantees and privileges to families and children. Moreover, this chapter will contain the analysis of the 1998 social services programmes, their implementation within different social groups of individuals: old people, disabled, children and families facing social problems, and individuals attributed to the group of social risks.

The end of the chapter deals with the findings and summaries.

The policy of state support to families is implemented pursuant to the following principle: to provide conditions under which the family itself could effectively perform its functions and support those families that are unable to perform such functions appropriately. The Programme of the Government of the Republic of Lithuania for 1997-2000 provides for the enhancement of assistance to the families...
CLASSIFICATION OF THE BENEFITS IN CASH TO FAMILIES AND TYPES OF BENEFITS

BENEFITS IN CASH TO FAMILIES

- Non means-tested benefits
- To low-income families, after the means-testing of their income
- Benefits to families raising 3 and more children
- Social benefit
  - Lump-sum payments

Families raising children

- Foster care benefit
- Orphan's grant
- Benefit for the settlement of orphans and children deprived of parental care

Children deprived of parental care

- Birth grant

Families without the right to state social insurance maternity (paternity) benefits

- Family benefit per child from 1 to 3 years
- Maternity benefit for studying women
  - Family benefit until the child reaches the age of 1 year

All families

- Families of military servicemen
  - Benefit for the children of military servicemen (conscripts)


Chart 6.2.1-1
raising children, in particular to low-income ones. Families receive benefits on the basis of the following two principles:
- **families with children are supported irrespective of their income;**
- **persons or families with income that is lower than the fixed level of income supported by the state** (see Table 6.2.1-1).

**Non-means tested family benefits**

Benefits in cash to families raising children and children without parental care is provided irrespective of income. The provision of various types of benefits is regulated by the Law on State Benefits to the Families Raising Children (see Table 6.2.1-1). At the end of 1997, a new type of benefit for families raising three and more children was introduced. A benefit for three children is paid upon the means testing of family’s income and for four and more children - irrespective of income. The size of non means-tested benefits paid to families is linked with the minimum subsistence level (MSL) and approved by the Government of the Republic of Lithuania (see Table 6.2.1. -1).

According to the data presented in the Table 6.2.1-1,

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### Amounts and Development of Benefits Paid to Families Regardless of Their Income

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Established by the law</th>
<th>At the beginning of the year, LTL</th>
<th>At the end of the year, LTL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth grant</td>
<td>6 MSL</td>
<td>720</td>
<td>750</td>
</tr>
<tr>
<td>Maternity benefit for studying women</td>
<td>0.75 MSL</td>
<td>90</td>
<td>93.75</td>
</tr>
<tr>
<td>Family benefit</td>
<td>0.75 MSL</td>
<td>90</td>
<td>93.75</td>
</tr>
<tr>
<td>Benefit to the children of military servicemen</td>
<td>1.5 MSL</td>
<td>180</td>
<td>187.75</td>
</tr>
<tr>
<td>Benefits to the families raising 3 and more children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Families with 3 children</td>
<td>1 MSL</td>
<td>120</td>
<td>125</td>
</tr>
<tr>
<td>Families with 4 and more children</td>
<td>1.3 MSL +0.3 MSL for 5 and per each subsequent child</td>
<td>156+36+…</td>
<td>162.5+37.5+..</td>
</tr>
<tr>
<td>Foster care benefit</td>
<td>2 MSL*</td>
<td>180</td>
<td>250</td>
</tr>
<tr>
<td>Settlement benefits for orphans and for the children deprived of parental care</td>
<td>18 MSL</td>
<td>2160180</td>
<td>2250</td>
</tr>
<tr>
<td>Orphan ‘ students’ allowance</td>
<td>1.5 MSL</td>
<td>180</td>
<td>187.5</td>
</tr>
</tbody>
</table>

* Note: until 1 July 1998 the fixed amount of the benefit was 1.5 MSL

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in 1998 the size of all benefits for families increased after the establishment of higher MSL (as of May 1998 the MSL was fixed at LTL 125). In addition, the increase in foster care benefit was determined by the newly fixed amount of benefit.

According to the data of the Children’s Rights Protection Service at the Ministry of Social Security and Labour, in 1998, and at the beginning of 1999, there has been a further decrease in the total number of children under 18 (929.9 thousand at the beginning of 1998 and 913.6 at the beginning of 1999). In 1998, the number of children without parental care amounted to 3,500, which means a 10% annual increase. The analysis shows that family discord is the main reason for losing parental care. If all reasons for losing parental care could be divided into unavoidable (death of parents, recognition of the parents’ location as unknown in accordance with the procedure established by the laws) and avoidable (disfunctioning families, abandonment of children by parents, failure of taking care of the children by parents, parental violence), one may assert that out of all children for whom care has been established only in 10% of cases was it done for objective unavoidable reasons.

Taking into account the fact, that children without parental care constitute one of the main social problems, in 1998, the assistance provided to children without parental care was given priority. In 1998, the Law on Child Guardianship and the Law on the Amendments to the Law on State Benefits to the Families Raising Children were adopted. The size of the Foster care benefit is set by the state and has been gradually increased. On 1 July 1998, it was increased from 1.5 MSL to 2 MSL (LTL 250) per month (when MSL = LTL 125). This benefit is paid to children until the age of 18. From the age of 18 these children as a students receive an orphan’s grant.

In addition, further gradual increasing of assistance to children without parental care is planned. On 1 January 1999, Foster care benefit was set at 4 MSL (LTL 500). However, in case an orphan’s pension and/or an alimony is paid, the size of this benefit is equal to the difference between 4 MSL and these benefits. In order to gradually equalise the assistance provided to a child under care and the state assistance rendered during studies, the orphan’s grant is planned to be increased: from 1 January 1999, the orphan’s grant was increased from 1.5 MSL to 3 MSL (LTL 375 when the MSL = LTL 125) and as of the year 2000 it will increase to 4 MSL. For a child without parental care receiving an orphan’s pension, the size of the orphan’s grant is determined upon the deduction of the orphan’s pension received by the orphan. As of 2000, the grant to orphans and children without parental care will be increased from 18 MSL to 50 MSL. This money will be used for the acquisition of a dwelling or settlement.

According to the statistical data, the number of orphans or children without parental care was on the increase during recent years. During 1992-1998 it increased twice.

Low-Income Family Benefits
Benefits in cash based on the evaluation of income is provided to families and individuals who, for objective reasons, have no means sufficient to meet their minimum needs. Such families receive social benefit and lump sum grants (see Chart 6.2.1-1).

The size of a social benefit to a family makes up 90 percent of the difference between the size of the state-supported family income and the average family income.

Lump sum grants are given in accordance with the procedure established by municipalities to families who experience particularly serious financial difficulties. Such one-time grants are usually given to persons in poverty or in the case of a serious disease, natural disaster etc.

The structure for recipients of benefits in cash in 1998 is represented in Chart 6.2.1 -2.: 56 percent of families receive benefits in cash independently of a family’s income.

Families receiving social benefit account for the largest part (31 percent) of the recipients of assistance to families. Recipients of family benefits, which are paid to all of the parents raising children under 3 years of age, account for 29 percent.
Table A.6.2.1-2 shows changes in the numbers of recipients of family assistance in 1998 as compared to 1997. 283,1 thousand individuals (7.6% of the total population of Lithuania) were receiving family benefits in 1998. In 1998, as compared to the previous year, a decrease in the number of benefit recipients has been observed.

The number of recipients of each type of benefit is determined by various factors: demographic processes taking place in Lithuania (changes in birth rates, changes in the numbers of children of certain age groups etc.), as well as changes in the newly approved size of benefits, changes in the growth of the real income, etc.
In 1998, the state assistance to victims and people falling under risk groups increased.

Following the Law on the State Support to the Participants of the Armed Resistance - Volunteer Soldiers, the procedure and conditions of giving grants to volunteers who participated in the armed resistance and were injured or became disabled during investigation or imprisonment were approved. 18 million LTL were allotted from the state budget in 1998-1999. However, due to the slow procedure of recognition of the status of a volunteer soldier, only 0.53 million LTL of such grants were paid in 1998.

The resolution of the Government of the Republic of Lithuania “On the State Support to the Families of Persons Killed in the Fights of Resistance to the Occupation in 1940-1990” was adopted in the course of implementation of the Law on the State Support to the Families of Persons Killed in the Fights of Resistance to the Occupation in 1940-1990. The resolution provides for the payment of grants to the families within five years starting with 1999. For this purpose 30 million LTL were allotted from the state budget for 1999.

People who suffered during the consequences of the accident at Chernobyl nuclear power station are entitled to grants depending on the degree of disability caused by such a breakdown. Grants are also paid to the members of the families of the deceased persons who participated in the above breakdown.

The size of a state pension paid to persons who suffered from the aggression on 11-13 January 1991 and further events was doubled.

Upon the adoption of the Law on Amendments to the Law on State Pensions of the Republic of Lithuania under which state pensions to those who suffered, and their family members, were doubled as of 1 January 1999, the payment of compensations to such persons was stopped. It should be noted that considerable compensations were paid to persons falling under this category during the period from 1992 to 1998. Data on these compensations is presented in Table A.6.2.2-1.

In 1998, the concept of differentiation of state pensions paid to victims was prepared based on the conditions and length of imprisonment and exile of political prisoners and deportees.

Deportees and prisoners of state detention camps (the so-called “GULAGS”) account for one of the largest part of victims of occupation. The number of persons who were deported from Lithuania during the entire period of Soviet occupation totals 132,000. In 1956-1960, about 63,000 deportees were released. About 150,000 people were imprisoned in camps and prisons; and about 35 percent of them perished there.

Residents of Lithuania were deported to and imprisoned in various regions of the Soviet Union, while the length of their imprisonment and deportation is varied. Based on the information presented by the Lithuanian Centre for Genocide and Resistance Studies, the majority of deportees (about 55,500 people) stayed in deportation for a period of up to 10 years; 6,100 people stayed for up to 15 years; 2,300 people - up to 20 years. The average length of stay in camps and prisons is 8 to 10 years. This data shows that the degree of suffering assessed on the basis of the length of deportation and imprisonment is different. It is also known that Lithuanian people were deported and imprisoned in the areas of the Soviet Union that were different geographically, such as the land of eternal frost or areas of the same climatic zone as Lithuania.

According to the Law on State Pensions of the Republic of Lithuania, all political prisoners and deportees possessing documents (rehabilitation certificates) issued by the law enforcement institutions of the Republic of Lithuania proving the restoration of political prisoners’ and deportees’ rights receive state pensions irrespective of the location of and length of stay in deportation or imprisonment.

It is proposed that the size of state pensions payable to rehabilitated political prisoners and deportees would be differentiated and set individually having regard of the degree of damage done to them (i.e. taking account of the place and length of deportation or imprisonment). Special methods should be elaborated for this purpose, and the
amendments to the Law on State Pensions of the Republic of Lithuania are to be drafted in 2000. Former political prisoners and deportees returning to Lithuania have acquired the right to receive an old age pension under the laws of the Russian Federation but not under the laws of the Republic of Lithuania. Thus, persons who stayed in imprisonment or deportation in the Far North areas for a long time but have not reached the age entitling to an old age pension, receive neither state social insurance old age pension, nor state pension. In order to rectify this social inequality, certain benefits in cash is to be provided to such persons as of 2000 (until an interstate agreement with Russia is signed). It is proposed that political prisoners and deportees who were imprisoned or stayed in deportation for not less than 15 calendar years in the Far North regions of the former Soviet Union or not less than 20 years in the regions equivalent to them would receive a state pension for victims, the size of which would be equal to the basic state pension. Such a state pension for victims would be paid for 5 years prior to the age entitling to the old age pension. It is also proposed that the payment of such a pension would be conditional on non-receipt of a state social insurance old age, disability or long service pension provided by the Republic of Lithuania or another state, pension of the Republic of Lithuania, personal pension, or any residential compensatory benefit for special working conditions established under other legal acts.

At present, compensations for the time spent in prisons or other penal institutions are only paid to persons who have been deported from the territory of Lithuania. In case a person has been deported from another place of the former Soviet Union but currently resides in the Republic of Lithuania and has Lithuanian citizenship, he/she is not entitled to the compensation. Thus, there exists inequality among persons who have suffered equally. In 2000, a proposal for a governmental resolution is to be drafted providing for a payment of compensations (20 LTL per month) for the time spent in prisons or other penal institutions to citizens of the Republic of Lithuania permanently residing in the Republic of Lithuania who experienced repression during the years of Soviet and Nazi occupation irrespective of their citizenship and place of residence at the time of repression, or their heirs (survivors who have not re-entered into marriage, parents, adoptive parents, children, adopted children) for whom all civil rights were restored in accordance with the Law on the Restitution of Rights for Persons Who Suffered Repression for Resistance to Occupational Regimes.

Social guarantees and privileges, provided along with benefits in cash, remain an important form of assistance to the families and children where the level of income of certain groups of residents (pensioners, disabled, unemployed, large families) is insufficient. Assistance is provided to families in the acquisition of a dwelling or payment for utility services; benefits to support children attending pre-school institutions and schools; tax privileges; employment guarantees for parents etc. Privileges in the area of using communication and transport services, land lease tax privileges etc. have been provided for.

There are several forms of assistance in the acquisition of a dwelling: preferential credits (interest-free credit, compensation for part of interest or for part of the principal amount), grants for building/purchase of a dwelling house/apartment, rent of dwelling area owned by municipalities.

Utility costs (heating of dwelling area and hot water) are partially compensated for low-income families upon means testing. Before 1998, such compensations were financed by the state budget. In 1998, compensations were started being paid from municipal budgets. According to preliminary data provided by local authorities, about 110 million LTL were spent for heating and hot water compensations in 1998. About 15 per cent of the total population of the country were paid such compensations. Children attending pre-school institutions and secondary schools are supported through these insti-
tutions. Low-income families are exempted from payment for children’s maintenance at pre-school institutions, while socially vulnerable families (large families, single-parent families, student families) pay half the amount of such payment.

Children from low-income families studying at secondary schools are provided with free meals at school. Allocation of the state budget funds for this purpose commenced in April 1997. In 1998, 60 million LTL were allotted from the state budget for the provision of free food to school-children. 157,000 school-children received free lunch (29% of all school-children). In addition, free breakfast was also provided to 23,000 children from families in particularly difficult financial situations (5% of all school-children). In day-time summer camps organised by secondary schools during summer holidays, about 7,000 children from low-income families received free meals.

In 1998, the Law on the Amendments to the Law on Social Integration of the Disabled and the amendments to the laws regulating the granting of pensions were adopted. These provisions filled certain gaps in the system of granting pensions to handicapped; payment of a nursing benefit for persons with total disability was established. In the new Law on Social Integration of the Disabled, two new concepts have been defined, namely, of “a disabled person” and “a disabled person with total disability”. The main criteria following which total disability is recognised for the disabled of Group I and disabled children under 16 have been established. Upon confirming the status of full disability, a nursing benefit amounting to the state social insurance basic pension will be granted to the disabled person. The nursing benefit due to a person with total disability who has been recognised as incapable will be granted and paid to his guardian. Nursing benefits will be granted and paid from the state budget irrespective of other income received by the disabled or his guardian.

The above-mentioned law legalised a provision concerning insurance of persons nursing disabled persons with total disability. Such person or a guardian of the disabled (who has been recognised as incapable in accordance with the established procedure) will carry state social insurance in order to receive basic pension, except for the cases when he already receives a state social insurance pension, state pension or support (social) pension. The Law on the Amendments and Additions to the Law on State Social Insurance Pensions adopted simultaneously with the Law on Social Integration of the Disabled settled the issue of additional payment for care (amounting to half of the base pension) payable to working disabled of Group I. This additional payment has been included in the main part of the pension paid to this category of the disabled. According to the provisions of the amended law, the size of this pension will be 1.5 of state social insurance basic pension. Thus, working disabled of Group I will receive the full disability pension and the former additional payment for care.

The disabled receive free prosthetisation, orthopaedic appliances and other compensatory equipment.

In 1998, 24.4 million LTL were allotted and utilised for compensatory equipment and 2.1 million LTL – for the maintenance of the Lithuanian Centre for Compensatory Equipment to the Disabled. The need for orthopaedic and prosthetic articles and compensatory equipment is not satisfied due to the lack of funds: according to the data of the Ministry of Social Security and Labour, in 1998 the need for the above articles was satisfied only by 20 per cent.

Persons who experience difficulties in using public transport due to motor function disorders receive a compensation for the acquisition and adaptation of special vehicles or electric wheelchair, provided a person is entitled to acquire and is able to drive such vehicles or carriages by themselves as determined by the disability commission and stated in a certificate issued in the set form. Compensations are paid by the branches of the State Social Insurance Fund Board and the Lithuanian Centre for Compensations to the Disabled. In 1998, 455 disabled persons exercised this right (425 in 1997) and the amount of compensations paid was 1.82 million LTL (1.7 million LTL in 1997).

Having regard of the fact that there are many people in the country who have serious motor disabilities and cannot make use of public transport preferences
nor drive vehicles themselves, and also aiming to help municipalities set up “home transport” services, the Ministry of Social Security and Labour has been implementing a programme on the acquisition of special-purpose vehicles for the transportation of disabled. Under this programme 111 vehicles were purchased and distributed among municipalities. In 1998, 28 special vehicles adapted to the disabled were allotted. Every town and district municipality now has 2 special-purpose vehicles.

At present there are four university-level rehabilitation centres, a scientific-practical laboratory for disability problems, the Lithuanian Centre for Compensatory Equipment to the Disabled, the Council for Disability Issues at the Government, 17 enterprises engaged in the production/sale of compensatory and orthopaedic equipment, and about 150 municipal services engaged in the development, care, employment and other issues related to the disabled.

6.3. SOCIAL SERVICES

The main purpose of the social service system is to provide social services to those persons who are in greatest need of them. There are various population groups needing social services: single old people, families having social problems, children without parental care, orphans, persons released from penal institutions, alcohol and drug addicts etc. Each social group has its specific needs affecting the quality of life. In the provision of social services, the differences between social groups are evaluated, at the same time enhancing their inter-relationship by establishing a social service network in each community. People’s social needs are met by implementing social programmes on various levels: national, district, and municipal. On the state level, the programmes aimed at improving the quality of life of the society as a whole. However, the experience of both developed countries and Lithuania shows that nation-wide social solutions are expensive and often do not yield expected results. Most problems may be solved most effectively on the local level.

The principal direction of the development of the system of social services in 1998 was the decentralisation of social services and improvement of the quality of services rendered.

In observance of the Law on Social Services, the principal responsibility in rendering social services is vested in city (region) municipalities. Different social needs of people are better revealed within the municipalities, and the most actual social problems of the community manifest themselves most distinctly. Community is understood as a group of people, living in the same territory or having the same interests. In rendering social services within the community, the needs of separate social groups are also assessed with greater accuracy, more flexible forms of work are applied, the initiative of local people is promoted, as well as their responsibility for members of their community.

Currently, the system of social services in Lithuania is in the stage of formation and rapid development: the network of social services is being developed in municipalities, in-patient guardianship institutions of different types are being established and outpatient services are delivered to various groups of people (for example, daily centres, community centres, home services, etc.).

In developing the system of social services and in the planning of services, the listed below key principles are observed:

- The needs of different social groups are examined and the priorities of particular types of social services are established;
- Social services that are most acute for separate social groups are developed;
- People are provided with social services for the longest possible period at their place of residence, i.e., at home;
- Provision of social services, along with public and municipal institutions, also incorporates non-governmental organisations, volunteers and informal service providers.

With a view to organising the provision of social services, a new legal framework of the system of services is developed by simultaneously improving the existing one.
On 29 January 1998, the Government of the Republic of Lithuania passed Resolution No. 111 on the Approval of Principles and Procedure of Payment for Social Services, regulating the procedure of payment for general and special social services.

By Order No. 31 of 29 January 1998 of the Ministry of Social Security and Labour the qualification requirements and certification procedure for social workers was approved, providing possibilities for the employed to improve and upgrade their qualifications.

In developing the system of social services, it is envisaged to analyse the quantitative and qualitative changes which take place, to further develop and improve the legal framework for the system of social services, and tighten the supervision of the activities of care institutions. The specialists of the Ministry of Social Security and Labour maintain close co-operation with the municipalities and at the same time try to find the most suitable ways of solving social problems.

6.3.1. Social Services to the Old People

Changes in the age structure of the Lithuanian population are the changes towards demographic ageing: the share of people 60 years of age and over is increasing every year. According to the data of the Department of Statistics at the Government of the Republic of Lithuania, there were 663,000 persons over 60 at the beginning of 1998 (635,000 in 1995). The amount of old people is increasing. It exceeded 16 percent several years ago. This means that Lithuania has overstepped the limit of demographic old age. Changes in the age structure give rise to new economic and social problems. The demand for medical care and social services to old people is increasing.

The Parliament of the Republic of Lithuania proclaimed 1999 the International Year of Elderly People in Lithuania (resolution No. VIII-649 of 3 March 1998) in response to the appeal made by elderly people organisations and pursuant to Resolution 47/5 of the UNO General Assembly of 16 October 1992. The purpose of this act is to help change people’s attitudes towards old age: every year must be a year of full-fledged life for an old person.

A state programme has been drafted and approved for the Year of Elderly People in Lithuania. This programme will be implemented in 1999.

As the number of single old people is increasing, provision of social services is becoming increasingly important. Institutional care services to old people are rendered in care homes, and non-institutional services, i.e., social services at home – in the community. Social services to old people are delivered by care institutions and organisations of different subordination: county care homes for old-aged people, municipal care homes for old-aged people, daily centres, community centres, non-governmental organisations, parishes.

In rendering social services to old and elderly people the Directions of the Development of Social Services at Home approved by Order No.137 of the Ministry of Social Security and Labour of 4 September 1998 are followed. The principal provision of these Directions is, that a person is to be sent to a residential care institution only in case that the social services rendered at home are ineffective and do not ensure an adequate degree of independence for the person.

Social services rendered at home is some of the most advanced forms of social services. They are directed towards individuals who by reason of age, disability, family position, weak health or other problems are not able to live a quality life independently.

Provision of social services at home:
- improves the quality of life of persons who cannot take care of themselves due to age, family status, disability, weak health etc.;
- is the most economical type of social services because the cost of services provided at home is about 10 times lower than that one of services provided at care homes;
- offers a possibility to assess individual needs of an old person or a person with disability and to provide services he/she needs most;
allows staying at home without disrupting ties with one's relatives and community;
offers an opportunity of co-operation between state institutions and non-governmental organisations, volunteers and informal service providers.

Social services at home are rendered according to the individual agreement, wherein the social worker, upon having evaluated the individual needs of a person, specifies the services that will be rendered to that person as well as their frequency. Once the said agreement is signed, the established services are delivered by the visiting care staff.

According to the data of the Department of Statistics, in 1998 there were 7 229 single persons for whom care and nursing was provided at home (4 073 in urban and 3 156 in rural areas). The number of visiting care workers totalled 813, and 550 persons provided services on a contractual basis.

According to Chart 6.3.1-1, the volume of social services rendered at home in 1998, as compared to 1997, decreased. The number of persons, who have been provided with said services in 1998 decreased by 988 as compared to 1997. One of the reasons conditioning the reduction of the delivery of social services at home is that part of the social workers rendering services at home were part-time workers, and, according to the new version of Resolution No. 21 of 1 October 1997 of the Government of the Republic of Lithuania, the part-time work was limited.

Social services at home are particularly needed in rural areas, because in these areas about one quarter (23 per cent) of people are those aged 60 and over. Throughout the Republic, on the average, 43 people out of 1000 aged 75 and older were attended and nursed at home.

One may conclude that the volume of social services at home differs from region to region: the largest service volumes in 1998 was observed in Jurbarkas, Pakruojis, Varėna, Kaišiadorys, Šakiai regions, and the smallest volume in Kėtinga, Plungė, Kaunas and Kelmė regions.

In 1998, the Ministry of Social Protection and Labour prepared methodical materials for the organisation of social services at home and the setting up of home service units at the municipalities. These materials include:

1. General regulations for home service units.
3. Questionnaire for the evaluation of the need to receive social services.
4. Job description for the head of the home service unit.
5. Job description for a visiting care worker.
6. Normative workloads for the head of the home service unit and a visiting care worker.

Drafts of the above documents were deliberated in the training courses for municipal officials responsible for the organisation of social servicing at home held by the Social Workers Training Centre at the Ministry of Social Security and Labour. The officials were provided with appropriate knowledge and skills. Five representatives of municipalities visited Denmark where they had the possibility to acquaint themselves with the provision of social services in that country. The provision of services at home is regulated by the documents, and the knowledge acquired during the courses should assist the municipalities in more active development of this type of social services to individuals who are in need of them.

Specialists in various fields (social workers, visiting care workers, community nurses, pedagogues, the medical profession etc.) must collaborate in the area of provision of social services at home since strict delimitation of health care, education and social protection is impossible.

Provision of social services at home organised by municipalities is combined with the primary health care services and other forms of social assistance in the community (setting up of day care centres and community centres, transportation services, self-support groups etc.).

Municipalities establish old people care homes as a

<table>
<thead>
<tr>
<th>Residential Care Institutions for Old People in 1995-1998</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of residential care institutions (units)</strong></td>
</tr>
<tr>
<td>Number of their inhabitants</td>
</tr>
<tr>
<td>County care homes</td>
</tr>
<tr>
<td>Municipal care homes</td>
</tr>
<tr>
<td>Special care homes</td>
</tr>
<tr>
<td>Non-government care institutions</td>
</tr>
</tbody>
</table>

Informational publication of 14 May 1998 of the Department of Statistics under the Government of the Republic of Lithuania

1) In 1998 the boarding institutions subordinate to the Ministry of Social Security and Labour were transferred to the administrations of county governors.
2) In 1998 - the care institution of Veisiejai, the Deportee’s Home” (subordinate to the Ministry of Social Security and Labour), Gerontology and Rehabilitation Centre of the Experimental and Clinical Medicine Institute of Vilnius (subordinate to the Ministry of Education and Science).
3) Parish care homes, “Caritas”, the Agricultural Company Care Home.

Table 6.3.1-1
form of stationary services to old people. Care homes for elderly and old people are also established by non-governmental organisations and religious communities. According to the data of the Department of Statistics, there are 8 state and 48 municipal old people care homes and 28 non-governmental care establishments (see Table 6.3.1.-1).

Chart 6.3.1-2 shows, that the number of people living in the county care homes decreases inconsiderably. However, the numbers of old people living in care homes and institutions of non-governmental organisations speedily increases. In 1998, 1640 people lived in the municipal care homes, i.e. 210 people more than in 1997.

Upon the development of the network of care institutions, more applications for settlement in care homes of old people are being satisfied. However, the existing network of care institutions still does not satisfy those willing to live in such institutions. According to the data of the Ministry of Social Security and Labour, in 1998, 1969 applications for settlement in the care homes for old people were received, of which 1239 applications were satisfied.

Social services are particularly needed for old people living in rural areas, because about one quarter (23 per cent) of people living in rural areas are aged 60 and older.

Non-stationary services are also established in municipalities. Currently 6 community centres and day centres are functioning for old and elderly people. Institutions of this type are particularly needed for old people and elderly people, since they create possibilities for such people to communicate with each other, solve rising problems together and thus help each other.

### Number of individuals in residential care institutions for old-aged people in 1995-1998

Data of the Department of Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>In county care homes</th>
<th>In special care homes</th>
<th>In municipal care homes</th>
<th>In non-government care institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>1926</td>
<td>116</td>
<td>214</td>
<td>990</td>
</tr>
<tr>
<td>1996</td>
<td>1742</td>
<td>262</td>
<td>131</td>
<td>269</td>
</tr>
<tr>
<td>1997</td>
<td>1721</td>
<td>1430</td>
<td>368</td>
<td>126</td>
</tr>
<tr>
<td>1998</td>
<td>1771</td>
<td>1640</td>
<td>204</td>
<td>406</td>
</tr>
</tbody>
</table>

### 6.3.2. Social Services to Children and Families Encountering Social Problems

Statistics indicate that the number of children under 18 years of age is continuously decreasing: there were 929,9 thousand children in the beginning of 1998. 79 percent of all children lived in families with both parents, and 17 percent in single-parent families. According to the data of the Children’s Rights
Protection Service at the Ministry of Social Security and Labour, the growing number of so-called problem families is registered each year. In 1998, the number of such families registered exceeded 15 thousand, with more than 34 thousand children living in such families. These figures are not precise, because these are the families, which were successfully detected by the municipal Children’s Right Protection Services. However, the real number of such families might be larger.

In 1998, children without parental care accounted for about 2 percent of total number of children in Lithuania. Conflicts within the family are more often becoming a reason, due to which children become deprived of parental care. Inevitable reasons, such as the death of parents, long-term illness of one or both parents, declaration of the parent missing according to the procedure established by the laws, etc. make up only 10 per cent of the reasons for which children are deprived of parental care.

In the Constitution of the Republic of Lithuania it is stated that the state provides care for orphaned children. The state’s obligation is also to take care of children without parental care.

Seeking to regulate the issues of guardianship of children deprived of parental care, in 1998, the Parliament of the Republic of Lithuania passed the Law on Child Guardianship, which created the legal basis for the establishment of the guardianship of children. Several forms of child guardianship are established in this Law – within the family guardianship, foster family guardianship and institutional guardianship, as well as the types of child guardianship – temporary guardianship and residential guardianship. Attempts were made to pay attention to the reasons that caused loss of parental care. At the same time attempts were made to make the work of municipalities more active by analysing the condition of families and providing support to families seeking to avoid the establishment of ungrounded guardianship. Amendment to the Law on State Benefits to the Families Raising Children was passed, according to which the benefit for foster care was increased. It is granted to a child deprived of parental care, if the said child is not fully maintained out of state funds.

The number of orphans and children without parental care in all types of child care institutions and families in 1998 totalled 13 thousand.

Changes in the structure of child care institutions are taking place. With the implementation of the administrative state reform, the former state child care institutions which were subordinate to different ministries now are under subordination of counties. They are being re-organised into smaller institutions. Apart from the state child care institutions, municipalities are establishing small child care homes, social support groups, and family-type child care homes that are closer to family environment. In 1998, the number of children living in 39 registered homes of this type totalled 382. 2707 children lived in 66 municipal child care homes (groups, centres). More and more public organisations become guardians of children. Among them the Agency “Visos Lietuvos vaikai” (“Children of Lithuania”), “Viltis” Society, the Lithuanian Children’s Fund can be listed. A temporary care home “Atsigrezk” has been established in Vilnius for former street children (51 children). The structure of child care institutions and the number of children living in them is presented in Table A.6.3.2-2.

The proportion of children who live in different institutions to those living in families is changing every year – the number of children living in families is increasing (see Table 6.3.2-1). In 1997, approximately 40 per cent of all guardianship for orphans and children without parental care were established in the foster families. In 1998, the number of such children accounted for 46 per cent (2nd half of 1998 – about 50 per cent). This was influenced by an increase in the size of the foster care benefit (from 1 July 1998 – up to 2 MSL, and from 1 January 1999 - up to 4 MSL).

It is too early to conclude whether the size of the benefit had direct effect upon the number of children without parental care taken into foster family. The Ministry of Social Security and Labour intends to conduct a survey in 1999, which should enable more objective assessment of the results of implementation of the Law on Child Guardianship.

With the increasing number of families fostering children, the number of families which have applied
for adoption or adopted children without parental care is decreasing. In 1998, 112 families applied for the adoption of children, and 1174 families – for guardianship of children without parental care. In 1998, 362 children were adopted, including 135 children adopted to foreign families (see A.6.3.2-3). At the beginning of 1999, 326 foreign families wishing to adopt children were on the waiting list.

The main problems encountered by municipalities while establishing guardianship for children are related to the shortcomings of the legal framework: the part of the Law on Child Guardianship related to the temporary child care has only been enforced so far (such care is established for a child left without parental care in case it is expected that there is a possibility of returning the child to his/her biological family by joint efforts of the workers of municipal social care and support department and children’s rights protection services).

However, due to the lack of employees and knowledge, as well as problems faced by families, the temporary guardianship usually is extended for an unlimited period, irrespective of the fact that the worked out procedure for the establishment of guardianship for a child deprived of parental care obligates the social workers of municipalities to be more active in doing their social work within the family, seeking to return the child to his/her bio-
Children’s rights protection services of municipalities play a central role in the supervision over the enforcement of children’s rights. The staff of these services totalled 218 in 1998. However, the number of workers was smaller, i.e. 196 people at the beginning of 1999.

Taking into consideration, that in 1998, the total number of children in Lithuania was about 1 million, it may be assumed that the average proportion of children to workers of Children’s Right Protection service of municipality was 5,000 children per worker. Since the workload of the services is increasing and their functions are being extended, a revision of the workloads and assessment of functions of other units of municipalities (social assistance, education and science) is necessary to re-allocate both functions and responsibilities for the provision of social assistance to families and children and protection of children’s rights and legal interests.

Though legal documents require that Children’s Rights Protection Services were independent units of municipalities with the number of staff no less than 3, the Children’s Rights Protection Services of twenty regions have 2 workers each, fourteen regions - 3 workers each, and one region has 1 worker. The distribution of the number of children to be serviced also varies greatly. The scope of problems encountered only by the workers of services differs. The heaviest workload is observed in the children’s rights services established of the big cities. These services also encounter the biggest problems. According to the data of the Children’s Rights Protection Service at the Ministry of Social Security and Labour, the heaviest workload per worker was observed in the following areas:

- Vilnius region - 11,500 children
- Kėdainiai region - 9,074 children
- Anykščiai region - 8,826 children
- Kaunas region - 7,347 children
- Plungė region - 6,565 children
- Šiauliai town - 9,358 children
- Panevėžys town - 8,470 children.

### 6.3.3. Social Services for People with Disabilities

In 1998, there were 350,000 to 370,000 people with disabilities in Lithuania, i.e. about 10 percent of the country’s population. About 240,000 of them had an officially recognised disability group. The number of the disabled in Lithuania corresponds to the data of the United Nations Organisation, according to which the disabled account for 10 percent of the total population of the world.

According to the data of the State Commission of Medical Social Expertise (SCMSE), since 1990 both primary and general disability figures are constantly increasing: there has been an increase of more than 1.5 times in 1998 as compared to 1990. As it is seen from the data presented in Chart 6.3.3.-1, the number of working-age people who have been recognised as disabled for the first time, has increased by 34 per cent from 1993 to 1998.

The growth was caused by a number of factors: the way of life and health status, social and economic factors (unemployment, underdeveloped professional rehabilitation system and highly developed system of social protection and preferences).

Elderly persons are also encouraged to apply for the recognition of disability by the preferences available to the disabled, by difficult financial situation or other social factors. In 1998, persons of working age accounted for 61% in the structure of primary disability, while persons of pension age accounted for 39%, which means a 5% increase as compared to 1997 (the influence of a preference related to the repayment of deposits).

The number of primary disability in non-working people of working age is constantly increasing: it has doubled in 1998 as compared to 1993. In 1998, persons working under employment contracts accounted for 45.6% of working-age persons in the
primary disability structure, while non-working persons of working age accounted for 54.4%. This testifies to the bad situation of working-age disabled persons on the labour market - the majority of them have lost work or were unemployed at the time of recognition of disability. As employment possibilities are reduced, disability for certain people becomes an opportunity for increasing their income.

It may be concluded from the above that the growth in the number of disability pensioners is influenced, apart from the health status, by the situation on the labour market, low standard of living, preferences, and a possibility to receive both pension and remuneration at the same time.

Table 6.3.3-1 shows that persons for whom 1st and 2nd disability groups (seriar handicapped) have been recognised prevail in the primary disability structure. They account for 73.2% of those recognised as disabled for the first time (the long-term average exceeds 70%).

As regards repeatedly recognised disability, the causes of full rehabilitation (disability not recognised) were decreasing and those of aggravation of disability (graver disability recognised) were increasing.

It is stated in the Law on Social Services that the disability of a person is one of the cases when a person is entitled to social services. As the number of the disabled is constantly increasing, one may judge about the increasing demand for social services. Any disabled person is entitled to social services of some type and thus may be treated as a potential service recipient. The level of meeting the demand for social services is reflected in the number of satisfied applications compared with the total number of applications. According to the statistical data, in 1997 the demand for accommodation in adult care institutions was met by 56%, i.e. just slightly more than half of those willing, to get into the above institutions and in 1998 –the number was 63%.

Residential social services to the disabled are provided both at adult and child residential care institutions. In 1998, Lithuania had 5 residential care institutions.
homes for disabled children and 21 institutions for disabled adults. The number of all these institutions remained practically unchanged from 1992 to 1998. They remained state residential care institutions where people from all over Lithuania are accommodated and their maintenance is guaranteed by the state.

The current situation shows that the demand for residential care for people with disabilities is constantly increasing. According to the data of the Ministry of Social Security and Labour, in 1998 the number of persons willing to get into residential care institutions accounted for about 400 individuals. At present, services provided at residential care institutions for the disabled are insufficiently differentiated by individual needs. People of various age, with various disabilities and needs are accommodated in the same institutions. Children with physical disabilities pose a great problem: while becoming adult they are mostly guided to care homes for elderly with prevailing care and nursing services and medical aid, therefore the process of development of young people is slowing-down or even stops.

It is very important to separate institutions for people with mental disabilities from the institutions for psychiatric patients. Development services, fostering skills of independent life, and creation of group living home should prevail in the institution system for people with mental disabilities. This would allow a gradual reduction of residential care places for such people. Many of these people could live a partially independent life in group living homes.

Development of community social service should be the priority line of development of social services to the disabled. This should stop the process of increasing the number of residential care institutions.

In contrast to the residential care institutions the majority of which were established in Soviet years and currently are under reconstruction, non-residential services to the disabled is a relatively new service area.

The main types of non-residential institutions providing social services and related to meeting the needs of the disabled are as follows: day-care centres, workshops, children’s development centres, special groups at pre-school institutions and schools, professional rehabilitation institutions, rehabilitation centres, special boarding schools (for the deaf and those hard of hearing, for weak-sighted persons, and sanatorium-type, speech therapy schools).

Social services for the disabled are organised and provided by institutions of various profile and subordination: state, municipal, and non-governmental. The main organisational burden is shouldered by municipalities.

### Table 6.3.3-1

<table>
<thead>
<tr>
<th>Recognised as disabled</th>
<th>Total number of disabled</th>
<th>Under 29</th>
<th>30-44 years of age</th>
<th>Women aged 45-55, men aged 45-59</th>
<th>Older people</th>
<th>Group I</th>
<th>Group II</th>
<th>Group III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>28566</td>
<td>2604</td>
<td>4686</td>
<td>10117</td>
<td>11159</td>
<td>4885</td>
<td>16016</td>
<td>7665</td>
</tr>
<tr>
<td>Employed</td>
<td>9384</td>
<td>517</td>
<td>2162</td>
<td>5263</td>
<td>1442</td>
<td>562</td>
<td>5199</td>
<td>3623</td>
</tr>
<tr>
<td>Unemployed</td>
<td>1918</td>
<td>20872</td>
<td>2524</td>
<td>4854</td>
<td>9717</td>
<td>4323</td>
<td>10817</td>
<td>4042</td>
</tr>
</tbody>
</table>

Data of the State Medical Social Expertise Commission
In order to alleviate work for municipalities, non-governmental organisations as equal partners should be included, to the widest extent possible, in the process of organisation and provision of social services.

The adoption of the Law on Social Integration of the Disabled created favourable conditions for the setting up and functioning of public organisations of the disabled. Their programmes receive partial financing assistance from the state and municipal budgets. At present there are about 30 national-level public organisations of the disabled. Thus, disabled people have been provided with an opportunity to solve their problems themselves, to take part in the formulation of social policies and national programmes. In 1998, these organisations made a considerable contribution to the rendering of social services to the disabled. “Viltis”, a society for caring for people with mental disorders, focused on regional projects. An integration programme introduced by the society covered 5,420 people with mental disabilities. Regional projects were implemented jointly with district administrations and municipalities with their subordinate institutions. As guarantees of project continuity were provided, projects for early intervention centres, pre-school and school activities (including integrated classrooms), labour and family employment centres, community homes etc. could be implemented. Support provided by early intervention centres is aimed at all children with development disorders residing in a region. In 1998, such centres were established in 12 regions of Lithuania. “Viltis” society provided considerable financial support for the centres of labour and employment and the development of an institutional system for people with mental disorders. Day care centres and workshops centres guarantee employment for such people who cannot compete with healthy persons in the labour market. In such centres people may find work, reveal their abilities and realise themselves. At the same time their independence, labour and social skills are developed. Employment centres have been or are going to be set up in Alytus, Jonava, Jurbarkas, Kaišiadorys, Kaunas, Pasvalys, Ukmergė and Vilnius.

A community living home system is under development. Community living homes provide family-type living conditions for mental invalids who have lost their parents or guardians. Small homes require lower maintenance costs than large ones. However, at present there are only four homes of such type in municipalities – in Mažeikiai region, Vilnius (2) and Ukmergė region.

So called temporary care centres are new in Lithuania and are intended for short-term care for mental disabled persons when their parents or guardians cannot take care of them. Such centres were established in Klaipėda and 20 families use these services. Social services for families raising or having under their guardianship persons with mental disorders were started to be established as well.

In 1998, community social service centres for people with sight disabilities were set up in Panevėžys and Vilnius.

Deaf people as a separate cultural minority also need centres of their own. A social-cultural centre for deaf persons from Panevėžys and Utena districts was established in Panevėžys.

It may be concluded that further development of social services for the disabled is an integral part of the overall social service system. Development of services for this social group is based on the following main principles: decentralisation of the service, deinstitutionalisation, and priority of home services over residential care institutions. Improvement of the quality of both social services and care should be considered to be the main line of development. The quality improvement process has such components as personnel qualification, living conditions and the environment, increasing of the number of options, human rights and dignity guarantees. Development of community social services should be the priority area; this would bring services closer to the person’s place of residence, to reduce the number of residential care places, to guarantee staying at home for a longer time, and to create a better quality of life for people with disabilities.
6.3.3 Social Integration of Refugees

Refugees in Lithuania are a new phenomenon in the life of the state. Therefore on 4 July 1995 the Parliament of the Republic of Lithuania passed the Law on the Refugee Status in the Republic of Lithuania. This Law came into force at 27 July 1997, and at the end of the same year already the first foreigners were granted the status of refugee. Currently, more than 40 foreigners who have come from Georgia, Belarus, Iraq, Afghanistan, and Iran have been granted the refugee status in Lithuania. One third of the refugees comprises under-age children.

When a foreigner is granted the refugee status, he must be integrated into the society of Lithuania. Social integration of refugees is a 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. The main directions of social integration are providing the refugees with the place of living, organising their employment and education, ensuring social care and health care, and public awareness raising.

Social integration of refugees is being regulated by the Procedure of Social Integration of Refugees approved by Resolution No. 239 of 26 February 1998 of the Government of the Republic of Lithuania.

Social integration of refugees is organised and the work of institutions involved in its implementation is co-ordinated by the Ministry of Social Security and Labour.

The duration of social integration is 12 months. The refugees, who do not have 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 lump-sum settlement benefit, they are found by the local municipality in which they can settle, also they are provided assistance in finding a job, courses of the Lithuanian language for children are organised, as well as possibilities for children to attend a kindergarten and a secondary school. Each month a family that does not have any sources of income is paid each month, a benefit of up to 90 per cent of the income financed by the state for the acquisition of the goods of utmost need. Moreover, refugees are covered by the compulsory health insurance and this provides them with the possibility to use health care services of all levels. One of the directions of social integration is public awareness raising on the issue of refugees, and to this end continuously communicating with mass media, organising meetings with employees and residents of municipalities, political groups and public organisations, issuing informational publications, holding conferences, seminars and other measures are regular activities.

The source of financing the integration is the financial aid provided by foreign states and international organisations, funds of humanitarian aid established by natural and legal persons of Lithuania, as well as budgetary funds of the Republic of Lithuania.

In 1998, the amount of 274 thousand LTL was allocated for this purpose from the State Budget. The amount of 40 thousand LTL was allocated for the social integration of refugees by the United Nations Development Programme. These funds were used to pay for the Lithuanian language courses organised for the refugees, as well as to cover their health insurance expenses.

6.4. ADMINISTRATION AND FINANCING OF THE SOCIAL SUPPORT SYSTEM

Social assistance is rendered in the form of benefits in cash and services. From the point of view of management, social assistance is both centralised and decentralised. Social assistance benefits and social services are financed by the state and municipal budgets.
Benefits established by the laws and other legal acts are administered by city and district municipalities. Municipalities may only provide benefits in cash to low-income families upon the evaluation of the applicants’ income and, in some cases, upon the clarification of their financial position. Consequently, municipalities assume great responsibility for ensuring that assistance would reach those who are in greatest need of it.

Benefits in cash for families are paid from the state budget and municipal budgets. Maternity benefits for women students, orphans grants and foster care benefits are financed from the state budget. A foster care benefit is paid out of special-purpose funds allotted for municipalities from the state budget.

The structure of costs of social assistance to families in 1998 is represented in Chart 6.4.1-1. The cost of cash assistance irrespective of family income accounts for 76 % of total cost.

The distribution of expenditure for individual types of benefits paid to families varies.

According to the data presented in Chart 6.4.1-2 and Table 6.4.1.-1, in 1998 the expenditure on family benefits accounted for 101.1 million LTL (34 per cent), on benefits for 3 and more children - 79.3 million LTL (26 per cent) and social benefit – 68.3 million LTL (23 per cent).

The cost of various benefits depends on the size of a benefit, number of recipients, conditions of granting a benefit, and length of payment.

In 1998, expenditure on all family benefits amounted to 300.6 million LTL.

The main sources of financing social assistance to the disabled include the State Social Insurance Fund budget, the state budget and municipal budget funds. The Law on Compulsory Health Insurance provides for the financing of handicapped health care from the compulsory health insurance budget. Article 13 of the Law on Social Integration of the Disabled prescribes that the Government of the Republic of Lithuania must draft and implement the national programme for medical, professional and social rehabilitation of the disabled, with regional and territorial programmes to be drafted and implemented by district administrations and municipalities respectively. Funds of the state budget and municipal budgets are utilised for the financing of these programmes. These budgets are also used for the financing of rehabilitation programmes for the disabled implemented by national and territorial public organisations of the disabled. It has been estimated that means provided by private and legal persons account for only 1-2 % of the total disability financing structure. Apart from the above-mentioned sources, utilisation of the World Bank,
Phare and other international financing is planned for various projects and programmes.

The state social insurance budget funds were used to pay the disability pensions and compensate transport expenses, while the funds of compulsory health insurance were used to compensate sanatorium treatment, acquisition of medicines and medical aids as well as for temporary disability benefits.

Social pensions are financed from the state budget, with the payment administered by municipalities.

Actions by non-governmental organisations are coordinated by the Council for the Affairs of the Disabled at the Government of the Republic of Lithuania. The Council provides assistance in the formulation of the national social policy taking account of the invalids’ needs, implementation of the Law on Social Integration of the Disabled, drafting and implementation of the national programme for medical, professional and social rehabilitation of the disabled, and exercising control over the realisation of the programme. The Council is responsible for the administration of funds allotted for the implementation of the Law on Social Integration of the Disabled. National public handicapped organisations and state institutions are partners of the Council. In 1998, LTL 28.8 million were allotted to the Council for the implementation of medical rehabilitation and social integration programmes. In 1998, financing was provided to 38 programmes drafted by public organisations of the disabled, state institutions, and educational establishments’ etc.

As seen from Chart 6.4.1-3, attention was focused on the programmes of integration of people with physical disabilities (LTL 11421,4 thousand or 40% of all funds). Programmes for the blind and weak-sighted accounted for 23% (LTL 6645,4 thousand of the financing). LTL 4948,3 thousand (13%) that were allocated for the integration programmes for people with mental disabilities in 1998.
### Development of Expenditure on Family Benefits in 1998 (as compared to 1995, 1996 and 1997)

<table>
<thead>
<tr>
<th>Benefits</th>
<th>1995</th>
<th>1996</th>
<th>1997</th>
<th>1998</th>
<th>Development in 1998 (per cent), As compared to:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits to families regardless of their income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Birth grant</strong></td>
<td>79,5</td>
<td>109,4</td>
<td>137,7</td>
<td>227,2</td>
<td>85,9, 7,6, 65</td>
</tr>
<tr>
<td><strong>Maternity benefit to studying women</strong></td>
<td>0,061</td>
<td>0,073</td>
<td>0,073</td>
<td>0,077</td>
<td>27,1, 5,9, 5,8</td>
</tr>
<tr>
<td><strong>Family benefit</strong></td>
<td>60,2</td>
<td>79,0</td>
<td>93,5</td>
<td>101,1</td>
<td>67,9, 27,9, 8,0</td>
</tr>
<tr>
<td><strong>Benefit to the children of military servicemen</strong></td>
<td>0,255</td>
<td>0,251</td>
<td>0,206</td>
<td>0,157</td>
<td>-38,6, -37,6, -23,8</td>
</tr>
<tr>
<td>Benefit to families raising 3 and more children</td>
<td>-</td>
<td>-</td>
<td>4,8¹</td>
<td>79,3</td>
<td>-</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Families with 3 children</strong></td>
<td>-</td>
<td>-</td>
<td>...</td>
<td>52,9</td>
<td>-</td>
</tr>
<tr>
<td><strong>With 4 and more children</strong></td>
<td>-</td>
<td>-</td>
<td>...</td>
<td>26,3</td>
<td>-</td>
</tr>
<tr>
<td>Foster care benefit</td>
<td>4,1</td>
<td>6,8</td>
<td>9,6</td>
<td>14,6</td>
<td>159,2, 14,2, 51,6</td>
</tr>
<tr>
<td>Settlement benefit for orphans and children deprived of parental care</td>
<td>0,403</td>
<td>0,737</td>
<td>1,02</td>
<td>1,08</td>
<td>67,4, 46,1, 5,2</td>
</tr>
<tr>
<td>Orphan’s students’ allowance</td>
<td>1,01</td>
<td>1,89</td>
<td>2,73</td>
<td>3,50</td>
<td>145,5, 85,0, 28,1</td>
</tr>
<tr>
<td>Means tested benefits to families</td>
<td>68,7</td>
<td>81,4</td>
<td>82,6</td>
<td>73,4</td>
<td>6,8, -9,8, -11,1</td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Social benefit</strong></td>
<td>63,0</td>
<td>76,6</td>
<td>76,1</td>
<td>68,3</td>
<td>8,4, -10,8, -10,2</td>
</tr>
<tr>
<td><strong>Lump-sum payment</strong></td>
<td>5,7</td>
<td>4,8</td>
<td>6,6</td>
<td>5,1</td>
<td>-10,1, 7,3, -21,6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>148,2</td>
<td>190,8</td>
<td>220,3</td>
<td>300,6</td>
<td>2,8, 57,6, 36,5</td>
</tr>
</tbody>
</table>

**Note:**¹ Payment of benefit commenced as of 1 November 1997

Data of the Ministry of Social Security and Labour and of the Department of Statistics
When shaping the public policy of social services, the Ministry of Social Security and Labour, is responsible for the functioning of the system of social services and its further improvement. The documents of the Republic of Lithuania on the Management of Counties, documents of Local Government, Social Services, Narcological Supervision, as well as other documents regulating the social support provide for the liability of separate management levels in the implementation of the system of social services.

The implementation of the system of social services is carried out in observance of the principle that counties are responsible for the organisation of such social services and for the establishment of such social care institutions, the establishment of which in separate municipalities is not expedient due to the insufficient number of customers as well as due to the fact that the funds of one municipality are insufficient for such a purpose.

The system of social services is being implemented by municipalities, therefore their role is very important. People’s most relevant social problems are revealed in municipalities. Municipalities have to plan the rendering of social services to the population in order to better meet their social needs.

The Ministry is searching for ways to enhance collaboration with municipalities, by applying a new strategic partnership model for this purpose. The model defines the roles of ministerial departments and municipal social assistance departments and ensures regular submission of data on the provision of social support by municipalities. The essence of the model lies in the signing of partnership agreements between the Ministry and municipalities in 1999 pursuant to the “Development of Social Partnership Between the Ministry and Municipalities and Introduction of the Strategic Plan Part I” of the Social Policy and Community Social Service Development Project financed by the World Bank.

Strategic partnership involves the objectives of the Ministry and municipalities, distribution of compe-
tencies, main tasks, dissemination of best practices, and methods of control and evaluation in the area of social assistance.

The partnership should improve the performance and efficiency of provision of social assistance on the municipal level.

The model of strategic partnership between the Ministry and 56 municipalities defines the functions of ministerial departments and municipal social support departments. The function of the Ministry consists in the comprehensive formulation and evaluation of policies, while social care and support departments are responsible for the implementation of policies. Strategic partnership should bring policy-makers closer to the implementing structures and help municipalities better plan relevant social programmes. A possibility is provided to evaluate new positive initiatives and to compare performance of various municipalities.

Social assistance departments submit data on social assistance and its costs to the Ministry.

The information furnished by municipalities is required to ensure control over social assistance and to evaluate and plan services and benefits provided. Furthermore, the Ministry may support best initiatives and projects via the implementation of state social programmes.

In the seminars held in 1998 jointly with the municipal social assistance departments and interested ministries, the draft strategic partnership agreement was discussed and the joint action plan was agreed upon. The partnership concept received approval and the Ministry got a number of proposals and comments from municipalities.

Partnership agreements with 44 municipalities were signed in 1998.

Social services are intended for meeting the needs of the most vulnerable social groups. Though the responsibility for the provision of social services mainly lies with municipalities, this activity is supported by the state. State support for the development of municipal social infrastructure and innovations in this area is realised through state social service programmes. While residential care home (maintained by the state) existed in the Soviet period, the establishment of a network of non-residential social services has just been started.

Two state-supported social service programmes were implemented in 1998, i.e. “Programme for the Development of Social Service Infrastructure in 1998-2000” and “Social Policy and Community Social Service Development Programme”.

The Programme for the Development of Social Service Infrastructure is a three-year national programme, with funds allotted for the implementation of measures by the Ministry of Social Security and Labour. In 1998, LTL 5 million were allotted for the implementation of the programme.

The aims of the Programme for the Development of Social Service Infrastructure:

1. Enhance the social service system in Lithuania ensuring the effectiveness of the social policy pursued, with the full use of all human, financial and material resources available.

2. Encourage the initiative of local authorities, public organisations and religious communities, develop their collaboration.

3. Pool funds of the state budget and municipal budgets, attract financing by international funds, private persons and other sources.

4. Encourage the initiative of local community and persons in need of social support who should learn to provide help to themselves.

5. Prevent major social problems by creating conditions for municipalities and non-governmental organisations to draft social service projects; select, by way of tender, the best social service projects tendered by municipalities and non-governmental organisations for the partial financing by the state.

Under the Programme for the Development of So-
social Service Infrastructure by municipalities and non-governmental organisations in 1998, 143 projects were submitted including 90 projects by municipalities or municipal institutions, 53 projects by non-governmental organisations. There were 29 projects among the award-winners (21 project tendered by municipalities and 8 projects by non-governmental organisations).

In the 1998 programme the following four service groups were considered to be priorities: 1) services to old people; 2) services to children and families encountering social problems; 3) social services to risk groups; and 4) services to the disabled. The programme supports the reconstruction of the new project to be established and acquisition of primary facilities; project reconstruction, acquisition of primary facilities and costs of routine repairs.

The projects are assessed on the basis of the following criteria: project presentation and project management; conformity of the project concept with the laws; justification of the demand for social services proposed in the project; feasibility of the project objective, project continuity, benefits provided by the implementation of the project and its efficiency in the community; availability of financing from other sources; and innovation qualities of the project.

Drafting of social service projects is a new form of activity for municipalities that requires sharing the best practice and knowledge. To this end, training courses and seminars were organised by the Ministry of Social Security and Labour in the Social Workers Training Centre for the heads of municipal social assistance departments and representatives of non-governmental organisations. In these seminars the municipalities have shared the best practice, have acquired knowledge and methodological material useful for municipalities in drafting projects under the above mentioned national programme and other programmes, as well as when seeking benefits in cash from international funds and other sources.

The Ministry of Social Security and Labour has, jointly with the Institute of Labour and Social Research, elaborated the methods to assess the projects that are taking part in the tendering process. The strengths and weaknesses of the projects were discussed in a seminar in which representatives of municipalities, districts and non-governmental organisations took part.

In 1998, ten projects of the programme were additionally selected by way of tender and will be financed from the EC Social Development Fund.

Another state programme, a social policy and community social service development project, has been under way since 1997. The project is financed from the World Bank loan, SIDA (Swedish Government), the Dutch Government, and the Lithuanian State. The project contributes socially and economically effective provision of social services in communities by establishing non-residential care centres.

The above-mentioned project involves the setting up of 13 day-care centres in six municipalities selected by way of tender (Anykščiai district, Molėtai district, Utena district, Švenčionys district, Vilnius city and Šiauliai town). Eleven of them were set up in 1998. They include development centres for children and youth with mental disorders, home servicing centres for elderly people, servicing centres for people released from penal institutions, day-time activity centre for elderly and disabled people, labour centre for people with mental disorders, mother and child homes, and temporary child care homes etc. In the nearest future a rehabilitation centre for alcohol and drug addicts “Parama” will open in Vilnius.

At present, about 1,000 persons are served by the existing centres every month. Children with disabilities, battered women and their children, and socially vulnerable children receive indispensable intensive support. It is planned that this number will reach 8,000. Activities of these centres are organised based on best practices adopted from other countries. The experience of the centre will be transferred to other regions of Lithuania. About 180 jobs are planned to be created in the newly established centres. It is important to note that the personnel of all centres took theoretical/practical courses in Lithuania and Sweden held in 1997-1998. Over 100 social workers took part in the training activities.

The implementation of the above state social programmes encourages municipalities to allot
funds for social needs and to seek new ideas and introduce them in communities. Thus, project activities are not confined to the refurbishment of buildings - activities are to be organised in a qualified way and appropriate personnel are to be recruited.

6.5.2. Drafting of Comprehensive Programmes and Implementation of the Existing Programmes for Victims and Social Risk Groups

The Ministry of Social Security and Labour implements the governmental strategy for the support to rehabilitated political prisoners and deportees and their families returning to Lithuania. The Government approved of the “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 Apartments and Employment” (No. 19 of 11 January 1992).

In this programme the State declared its obligation to help rehabilitated political prisoners and deportees and their families by establishing the main measures that would enable them to return to Lithuania and integrate into their lines. By its resolution No. 904 of 27 September 1994 the Government of the Republic of Lithuania established that the right to use state support under the above programme is granted to the following persons returning for residential residence to Lithuania: political prisoners and deportees, persons who had left Lithuania because of repressions upon the presentation of archive certificates of rehabilitation or inclusion in deportation lists issued by the law enforcement institutions of the Republic of Lithuania; children of these persons irrespective of the date of birth, place of birth and place of residence beyond the territory of the Republic of Lithuania, provided that they present the above-mentioned certificates issued to their parents as well as documents proving their relationship (and grandchildren if disabled or orphans).

The implementation of the deportee programme covers the following issues:
- drafting, on an annual basis, of governmental resolutions on the allocations from the state budget to municipalities for the purpose of purchasing apartments for former deportees;
- compensation of moving expenses;
- settlement grants;
- grants to former deportees (able-bodied persons) for starting one’s own business;
- financing of job creation upon the proposals submitted by territorial employment centres;
- financing of courses in the Lithuanian language;
- care for ill, single and incapacitated former deportees;
- financial support for the children of returning deportees residing beyond the territory of the Republic of Lithuania or studying at Vilnius secondary school “Lithuanian House” and spending their summer holidays at child summer camps in Lithuania;
- financial support to Lithuanian communities and deportee organisations in holding congresses and conferences the purpose of which is to inform about deportee matters, pension security, employment opportunities, acquiring Lithuanian citizenship etc.
- providing former deportees with living space; temporary accommodation of returning deportees and partial compensation of heating costs to persons living in such temporary places of accommodation.

The overall cost of the programme of providing deportees with apartments is 135 million LTL. The implementation of the programme started in 1992 and is planned for completion in 2003. The estimated number of deportee families covered by the programme is 2,000.

As seen from Table P.6.5.2-1, from 1992 through 1998 as many as 1032 apartments were purchased for the families of deportees. Over 37 million LTL have been allotted from the state budget to the programme during 1992-1998. In addition, there was a 14 million LTL loan raised from the EC Social Development Fund during 1997-1998 based on the agreement for partial financing of the project.

It must be noted, that the number of deportees willing to return to Lithuania is growing due to...
the crisis in Russia.

The Deportee Home that opened in Vilnius in the autumn of 1997 received recognition. At present it accommodates 80 residents and is too small to accept all of those willing to return. Therefore, the construction of a second block of the Home began in 1999.

In 1998, a temporary home for returning deportees in Naujoji Vilnia was extended by 20 apartments and now it can receive 60 families.

In 1998, a draft programme for the social adaptation of persons returning from prisons and other penal institutions and social/psychological rehabilitation establishments (1999-2003) was completed.

With regard to the fact that social support is now being directed to meeting of needs of the most vulnerable part of the society, the implementation of minimal social services must be supported by the state. The above-mentioned social adaptation programme is designed for the development of a system which would ensure proper social adaptation of target groups.

As practice shows, the majority of former prisoners settle in the largest cities. The new social adaptation centres would serve as models that will be followed later in other districts. The functions of prisoner adaptation units include the collaboration with penal institutions, employment centres, municipalities, police commissariats etc. and co-ordination of their work to ensure the successful adaptation of former prisoners returning to society; collection and compilation of information about such persons residing in the district; and establishment of special social service institutions for former prisoners (minors, persons ill with contagious diseases etc.).

It is planned to establish municipal social adaptation institutions for persons who have returned from prisons, corrective institutions, social and psychological rehabilitation establishments (services, day centres, over-night homes etc.).

In 1999, social adaptation units are going to be set up in the remaining districts and the training of social workers in working with prisoners and persons returning from imprisonment is going to be improved.

It is provided for in the project that the programme will be implemented by district administrations and municipalities jointly with the interested departments. The implementation will be co-ordinated by

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Dynamics of Drug Related Crimes in 1991 - 1998

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of crimes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>121</td>
</tr>
<tr>
<td>1992</td>
<td>239</td>
</tr>
<tr>
<td>1993</td>
<td>302</td>
</tr>
<tr>
<td>1994</td>
<td>334</td>
</tr>
<tr>
<td>1995</td>
<td>395</td>
</tr>
<tr>
<td>1996</td>
<td>511</td>
</tr>
<tr>
<td>1997</td>
<td>630</td>
</tr>
<tr>
<td>1998</td>
<td>629</td>
</tr>
</tbody>
</table>

Data of the Reformatory Affairs Department at the Ministry of the Interior  Chart 6.5.2-4
Data on the employment and training of former prisoners is presented in Tables P.6.5.2-2 and P.6.5.2-3. Table P.6.5.2-2 shows that the number of former prisoners registered with employment centres was more than doubled in 1998 as compared to 1993. The number of those for whom employment was found is also increasing. In 1998, 45.5% of former prisoners that have registered within one year found employment.

Table 6.5.2-3 reveals that Kaunas and Vilnius districts are the leaders in the registration and employment of former prisoners. This shows, that the problems encountered in these cities are the biggest. As many as 2,520 former prisoners (or 60% of those registered in 1998) had their employment search terminated because they did not appear in the employment centre after the receiving unemployment benefits.

In 1998, a National Programme on Drug Control and Drug Addiction Prevention was drafted in 1999-2003. The drafting of this programme was introduced by the rapidly spreading drug addiction in Lithuania.

Lithuania is a country with favourable geographical situation and developed surface, sea and air transport links. As such became a transit country, which created favourable conditions for drug traffic from the East to Western Europe and vice versa and also for that distribution in Lithuania. No preparations were made to solve this problem; there is no legal framework for drug control. Access to and the supply of drugs have increased, followed by a stronger demand for them. Due to changing social and economic circumstances, people, particularly the young, ones, have become more vulnerable, including the inclination towards drug abuse and engaging in drug-related activities. Drug addiction has become a threatening social phenomenon. Drug-related crime statistics show a marked growth trend. Chart 6.5.2-4 reveals the annual growth in the rate of crime related to illegal drug sales. During 1991-1998 it increased 5.2 times. Especially rapid growth was observed after 1995.

The illegal drug business is becoming the object of activities of organised criminal groups. The scope of violence and illegally acquired money is extending. The number of drug addicts is increasing, which is related to the threat of infectious diseases, AIDS in particular.

The main purpose of the National Programme on Drug Control and Drug Addiction Prevention is to assess the scope of drug addiction in Lithuania, to identify the main problems related to drug control and prevention of drug addiction, and to draft drug policy measures to resolve these problems. The main actions are defined in the programme measures for the period from 1999 to 2003.

It is estimated that 52.5 million LTL are required to be allotted from the state budget in 1999-2003 for the implementation of the programme. Related institutions have to project corresponding funds in their budget estimates.

The following measures are planned by the Ministry of Social Security and Labour for 1999-2003:

- work out a concept of integrating narcological patients into the society in accordance with the Law on Narcological Supervision;
- draft a programme of drug and alcohol abuse prevention at work places;
- conduct a survey of activities of various public and other institutions in the area of drug addiction rehabilitation;
- encourage activities of pedagogical, psychological, social and legal consulting centres functioning in the largest cities in order to ensure appropriate aid to children belonging to risk groups as well as their parents;
- train and retrain social workers in working with risk group representatives and their family members;
- provide support for drug addicts’ rehabilitation programmes by setting up of communities for recovering drug addicts, and providing material facilities for such communities etc.