



Lithuania

## Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

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## Content

|   |           |
|---|-----------|
| Summary .....   | 5         |
| Introduction.....   | 7         |
| <b>1. Evaluation of the IRNRP from the Perspective of Feeding Out and Feeding In of Social Inclusion.....</b>           | <b>8</b>  |
| 1.1. How Does the IRNRP Address the Lisbon Recommendations and Areas to Watch? ...                                      | 8         |
| 1.2. Assessment of the IRNRP from the Perspective of “Feeding Out” .....  | 10        |
| 1.2.1. Promoting both social cohesion and economic growth .....   | 10        |
| 1.2.2. Ensuring an adequate income from work .....  | 14        |
| 1.2.3. Targeting job creation at vulnerable groups.....   | 15        |
| 1.2.4. Addressing territorial differences and regional gaps.....  | 16        |
| 1.2.5. Assessing the impact on social protection systems.....   | 18        |
| 1.2.6. Addressing the contribution of fiscal policies .....   | 18        |
| 1.3. Assessment of the IRNRP from the Perspective of “Feeding In” .....   | 20        |
| 1.4. Assessment of the IRNRP from the Perspective of Governance .....   | 21        |
| 1.4.1. Monitoring and assessment of impact of policies .....  | 21        |
| 1.4.2. Involvement of stakeholders .....  | 22        |
| <b>2. Key Trends and Recent Developments in Poverty and Social Exclusion .....</b>                                      | <b>23</b> |
| 2.1. Changes in the Baseline Social Policy Situation and Trends.....  | 24        |
| 2.2. Changes in the Economic, Social and Demographic Context.....   | 26        |
| 2.3. Attitudes of Lithuanian Population towards Social Policy Aimed at Combating Poverty .....                          | 28        |
| 2.4. Major New Trends or Challenges, New Risk Factors or Significant New Groups at Risk.....                            | 32        |
| 2.5. New Legislation and Policy Development.....  | 33        |
| 2.6. Issues of Particular Interest .....  | 36        |
| 2.6.1. NAP/inclusion .....  | 36        |
| 2.6.2. Gender .....   | 36        |
| 2.6.3. Mobilisation and Involvement of Actors .....   | 37        |
| 2.6.4. Mainstreaming.....   | 40        |
| 2.6.5. Regional and Local Interests .....   | 40        |
| References .....  | 42        |
| Annex 1. Legislation in the Field of Social Security Issued from the Beginning of 2007 ....                             | 45        |
| Annex 2. Tables and Graphs of Social and Economic Developments Relevant to Social Inclusion and Social Protection ..... | 48        |
| Table 1. Key Macroeconomic Indicators.....  | 48        |
| Figure 1. Monthly Price Changes for Consumer Goods and Services as Compared With the Previous Month.....                | 48        |
| Table 2. Changes in Prices for Key Commodity and Service Group, in September 2007 .....                                 | 49        |
| Figure 2. Lithuanian Performance Compared to EU-25.....   | 50        |
| Figure 3. National Part of the National Lisbon Strategy Implementation Programme ..                                     | 51        |
| Figure 4. Public Part of the National Lisbon Strategy Implementation Programme .....                                    | 51        |

|  |    |
|--|----|
| Figure 5. Main Economic Indicators of the Baltic States (Annual Change).....             | 52 |
| Figure 6. Loans to the Private Sector in the Baltic States.....                          | 52 |
| Figure 7. Household Income and Expenditure (Annual Change).....                          | 53 |
| Figure 8. Wages and labour productivity .....  | 53 |
| Table 3. Share of Indebted Households .....  | 54 |
| Figure 9. Growth of Housing Loans and Other Loans to Households<br>(Annual Change) ..... | 54 |
| Figure 10. The Structure of the Social Map .....   | 55 |
| Figure 11. Functioning of the Social Map .....   | 55 |
| Figure 12. Social Assistance Information System of the Social Map .....                  | 56 |
| Figure 13. Social assistance benefits (number of receivers and expenditures) .....       | 57 |
| Figure 14. Relative poverty rate.....  | 57 |

## Summary

There could be distinguished two trends that characterize current economic situation of Lithuania: growth of economy and growth of inflation. It could be observed that currently sustainable economic development is based on loans and credits. The high level of inflation and current account deficit threaten macro-economic stability of the country.

Recently social policy of Lithuania faces two challenges. First, investments in social policy goes behind the economic growth. Second, the high rates of inflation have negative consequences for social inclusion processes. Social policy does not have effective tools how to overcome these challenges.

Drafting new programmes and strategies is becoming a typical response to each new challenge of social policy. Considering these strategies it could be noted that they lack interconnectedness, e.g. recently there was prepared Strategy of Demographic Policy, which identifies the same priorities as priorities identified in the NRSSPSI, however there is no reference in the Strategy of Demographic Policy to NRSSPSI. The second common shortcoming of newly drafted strategies is that they copy measures from programmes and strategies that were prepared early and rarely propose new solutions to the problems they are aimed to solve.

In recent years, policy developments are closely linked with the relative increase of various social benefits (e.g. allowances for parents, raising children, free meals for pupils, etc.). However this increase does not catch up with inflation. On the other hand, when discussing support for parents raising children it should be noted that social policy measures are more aimed at increasing allowances and payments to support families while social mechanisms that would facilitate an integration of parents into labour market are not given an adequate attention in social policy.

The attempts to implement the principles of the Open Method of Coordination on national and local levels are carried through. Analyses of implementation of social policy at municipalities' level reveal different levels of social policy sensitiveness. Taking into consideration these differences national government seeks to overcome regional disparities by implementing the principles of the OMC, which facilitate learning and exchange of good practices among municipalities.

The prevailing approach in Lithuania to competitiveness is characterized by focusing on decreasing of costs. Competitiveness is less related to increasing quality of production, strengthening qualification of work force, quality of work places which results in overlooking questions of increasing social inclusion. For example, in Lithuanian's energy policy a lot of attention is given to measures for assuring reliability of energy, there is too little discussion on consequences of implementation of these measures to consumers, how it will change consumer expenses for energy.

Annual Progress Report on the Implementation of the National Lisbon Strategy Implementation Programme of Lithuania (hereinafter – IRNRP) in most cases demonstrates proper and adequate responses of the drafters of the IRNRP to the comments of the European Commission's 2006 Annual Progress Report on Growth and Jobs.

The authors of the report have particularly distinguished and comprehensively discussed strengthening of the R&D system. R&D system is discussed in the different contexts and different

parts of the IRNRP. The action in the area so far has been mainly related to study and analysis of the situation, identification of the main challenges and preparation of programmes and reform projects. Hopefully these discussions and preparations will be followed by the concrete steps. But despite great expectations the reform of higher education keeps within the stage of discussions.

On the other hand very important issue of the territorial mobility of labour has received less attention in IRNRP. It includes only preparatory measures that are still under implementation. It should be stressed, that Government measures taken to increase territorial mobility of labour are unconvincing and overdue in the context of labour force emigration.

European Commission's 2006 Annual Progress Report on Growth and Jobs among the problems to be solved stresses additional measures for increasing participation (especially of elder employees) in the lifelong learning system. The advantages of the IRNRP are linkages between the system of lifelong learning and the system of human resources development.

It is necessary to mention that the authors of the IRNRP discussing the interrelation between renewed Lisbon strategy and policy of social inclusion and social protection do not use the concepts of feeding out and feeding in. It means that feeding out and feeding in analysis is the experts' exercise and depends on experts' interpretation of the feeding out and feeding in.

Allocation of funds for implementation of measures, included in the IRNRP, not always correspond to extent of problems that should be solved by these measures. For example, for development of infrastructure of social services there is allocated only 5 million LTL in 2007. The largest amount of funds is distributed to those national governmental institutions that had comparatively large financing in the past too.

Even preliminary analysis of the financial allocations allows interfering that there is a lack of political will to involve into the implementation of social policy new players, especially at the local level. For the year 2007 the budgetary allocations for social policy consist 12.5% of GDP. The distribution of social budget was as follows: 77% was budget of The State Social Insurance Fund Board under the Ministry of Social Security and Labour; 18% – national budget; 5% budgets of municipalities.

The development of formal education concentrates on different activities (renovation of premises, reform of curricula, and publishing of the new textbooks) excluding teachers salaries. Such an unbalanced approach has yielded negative consequences threatening for sustainability of improvement of quality of educational services of Lithuania: first, due to low salaries of teachers, schools recently has started encountering with problem shortage of teaching staff; second, teachers, especially young, has become a new group at risk of poverty and social exclusion. Teachers' strikes are raising question about reconsidering priorities related to development of education system of Lithuania.

Family policies that promote re-conciliation of work and family life are discussed in different parts of the IRNRP: it includes measures aimed at promoting more flexible employment forms and facilitating the return to the labour market of parents who had left it due to raising children, developing a more effective network of pre-school and pre-primary education services network. However, currently there is a lack of coordination of efforts of governmental institutions in development of services' system of re-conciliation of work and family life for families raising children. Usually in rural areas, where preschool institutions are not available, there is need for

more flexible forms of services allowing parents to choose between work and staying at home with a child. Urban areas experience the shortage of preschool institutions. Together with the extension of paternal leave it could complicate the return to the labour market and increase the level of long term unemployment.

After the decision of Constitutional Court according to which working pensioners are receiving their pensions in general the situation in the field of active aging is favourable. However, there is the area that has not received attention of policy-makers so far: currently legal regulations restrict employment opportunities for elder people in some spheres of public sector (e.g. higher education institutions, public administration institutions). These cases could be treated as age discrimination, besides it creates unequal possibilities for elder people working in various sectors.

The number of persons with disability increase very rapidly in the country (from 111,000 of disabled in year 1990 to 211,000 – in year 2006). Only 14% of them are employed. About 60% of the disabled are people of working age. The Law on Social Integration of the Disabled, which entered into force on 1 July 2005, has intention to stipulate equal rights and opportunities of the disabled in the society, to develop professional rehabilitation services. Professional rehabilitation is aimed at developing or rehabilitating the capacity for work and improving the possibilities to find work by the disabled. It is not clear enough, what effectiveness of these measures for the moment.

Currently fiscal policy of Lithuania is not favourable for promotion of social cohesion. The taxation system does not ensure equal improvement of living conditions of people with high and low income. People with high income win more in current taxation policy.

Ensuring an adequate income from work is not properly addressed in IRNPR. Government measures over analyzed period have been mainly focused on increasing minimal salary. However, when planning it the rate of increase of average salary was not foreseen. Current gap between minimal and average salary is too large to ensure adequate income from work for low paid workers and breadwinners of larger families.

Ministry of Social Security and Labour of the Republic of Lithuania together with other concerned ministries prepared a draft of Labour force promotion migration inside the country 2008-2010 program and its implementation measures.

## Introduction

In case no reference is made to sources in the text, the viewpoints expressed are based on the authors' calculations or understanding.

In the first part the reports aims to assess the extent to which 2007 Progress Report on the Implementation of the National Lisbon Strategy Implementation Programme of Lithuania (hereinafter – IRNPR) have taken into account the *feeding in* and *feeding out* of social exclusion.

“In the operational sense implementing the "feeding out" of growth and employment means ensuring that as many people as possible benefit from the positive effects of growth and increased employment opportunities. In the concrete situation of most Member States this entails applying: 1) a "decent work" approach, 2) fighting labour market segmentation, 3) fighting in-work poverty, and 4) spreading economic gains to all members and segments of society, including the

poorest and those furthest from the labour market. /.../. Feeding in is about how social protection and social inclusion policies contribute to greater economic growth and more jobs.” (Network of Independent Experts on Social Inclusion, 2007, p. 9, 11).

The report also aims (a) to evaluate changes in the baseline social policy situation and trends, from which new or strengthened policies can be identified; (b) to appraise the changes in economic, political and demographic context that need to be taken into account when setting policies in relation to social protection and social inclusion; (c) to assess new trends and challenges, new risk factors, significant new groups at risk; (d) to analyse new legislation and policy developments in relation to social protection and social inclusion; (e) to report the progress in relation to challenges identified in National Report on Strategies for Social Protection and Social Inclusion (hereinafter – NRSSPSI) .

## 1. Evaluation of the IRNRP from the Perspective of Feeding Out and Feeding In of Social Inclusion

### 1.1. How Does the IRNRP Address the Lisbon Recommendations and Areas to Watch?

Commission's 2006 Annual Progress Report recommends that Lithuania:

- continue its efforts to strengthen its R&D system and to reach its ambitious target for overall investment in R&D, notably by raising public expenditure on this area;
- intensify efforts to increase the supply of skilled labour by improving regional mobility of labour and by promoting lifelong learning, with a special focus on the participation of older workers.

2006 Annual Progress Report for Lithuania stated that “it will be important for Lithuania over the period of the National Reform Programme to focus on: achieving macro-economic stability and containing inflation; increasing foreign direct investment; facilitating business start-ups; environmental protection; improving youth employability; expanding entrepreneurship education; increasing the availability of childcare; and strengthening occupational health and safety.” (p. 20)

Therefore “points to watch” in the IRNRP are macro-economic stability and containing inflation, the dynamics of the foreign direct investment, conditions for business start-ups, environmental protection; youth employability; entrepreneurship education; childcare institutions; occupational health and safety.

On 26 June, the Seimas of the Republic of Lithuania approved a draft Resolution “On the approval of “success indicators” of the competitiveness of the national economy and economic projects important for a country with knowledge and innovation-based infrastructure”.

This Resolution is directly related with the communication from the Commission on implementing the renewed Lisbon strategy for Growth and Jobs "A year of delivery". At the 2006 Spring European Council, Heads of State and Government agreed four priority areas for more growth and jobs. Within these, the European Council agreed specific measures to be implemented before the end of 2007 – i.e. before the start of the second cycle of the Growth and Jobs Strategy in 2008. The below mentioned four priorities should be reflected in the National Reform Programmes. Four priority areas that require immediate actions include:

- investing more in knowledge and innovation;
- unlocking business potential, especially for SMEs;
- greater adaptability of labour markets based on flexicurity;
- energy and climate change.

The Resolution of Seimas distinguished following economic projects related to strengthening of a long-term competitiveness and important for the country:

- (1) renovation and development of infrastructure of scientific and academic institutions and the R&D base;
- (2) drafting of a lifelong learning programme and implementation of its projects;
- (3) creation of a network integrating science, studies and business;
- (4) establishment of a venture capital fund;
- (5) drafting of a programme aimed at bringing back the talents and attracting talents from other countries (specifying quantitative indicators) and implementation;
- (6) drafting and implementation of investment promotion programme; setting up of industrial parks and the development of free economic zones;
- (7) implementation of integrated programmes aimed at ensuring integrated development of a specific field of scientific research and experimental development and the related science-incentive business sector and preparation of specialists;
- (8) development of broadband electronic communications networks in rural areas of Lithuania;
- (9) reform of higher education and studies.

The list of “success indicators” of the competitiveness of the national economy comprises 9 groups of indicators: macroeconomic environment, employment, innovation and scientific research, industry and business environment, agriculture, health care, transport, condition of the environment and foreign trade.

Answering the question: “how does the IRNRP address the Lisbon recommendations and areas to watch?” there is the reason to claim that the authors of the IRNRP have particularly distinguished and comprehensively discussed strengthening of the R&D system. R&D system is discussed in the different contexts and different parts of the IRNRP. The action in the area so far has been mainly related to study and analysis of the situation, identification of the main challenges and preparation of programmes and reform projects. On the other hand very important issue of the flexicurity has received less attention in IRNRP.

From the short overview of the priorities the following hypothesis that will lead analysis could be formulated that in the IRNRP social inclusion is dominated by the priorities of the competitiveness. The checking of this hypothesis could be one of the guidelines in the assessment of the IRNRP from the perspective of “feeding out”.

## 1.2. Assessment of the IRNRP from the Perspective of “Feeding Out”

The framework of the assessment of the IRNRP from the perspective of “feeding out” is based on the “Guidance on contents and methodological approach for the second 2007 semester report” and of the progress in policy developments relevant to “feeding out” that is made from the past year.

“A first definition of “feeding out” is creating an economic environment that supports social policy and its objectives. /.../. But the challenge for pro-growth and higher employment policies is that they can not be assumed to lead automatically to improved social cohesion. They need to be underpinned by provisions for the most vulnerable groups and by modern and active social protection systems in order to deliver social progress.

In a more narrow, but also more operational sense, implementing the “feeding out” of growth and employment means ensuring that as many people as possible benefit from the positive effects of growth and increased employment opportunities. In the concrete situation of most Member States this entails applying: 1) a “decent work” approach, 2) fighting labour market segmentation, 3) fighting in-work poverty, and 4) spreading economic gains to all members and segments of society, including the poorest and those furthest from the labour market.” (Network of Independent Experts on Social Inclusion, 2007, p. 9)

Ian Begg and Eric Marlier in the Second Semester Report 2006 Synthesis Report summing up the “feeding out” developments of the last year reports have stressed “that in many cases, there is a *disturbing lack of common ground between the NRPs and the National Reports on Strategies for Social Protection and Social Inclusion (NRSSPSIs)*. Even where they are reasonably integrated, it tends to be in selected areas only, such as the *functioning of the labour market or lifelong learning, whereas social inclusion as such is often absent. /.../*. Very few NRPs refer explicitly to *corporate social responsibility (CSR)* at all, let alone in relation to social inclusion. /.../. A cause for concern is the *relative lack of attention to whether economic policies, especially those that target competitiveness, are contributing to increasing or decreasing income inequalities and to raising the incomes of those at risk of poverty and social exclusion. /.../* ‘social’ objectives tend to be accorded a lower profile and often have to be inferred: they may in reality not be absent, but they are often not very visible. Although most IRNRPs devote considerable attention to investment in human capital, and *education and training systems, most Member States do not say much about the social inclusion dimension* of these issues. /.../. A cynical reading is that while there may be considerable overlap between the IRNRPs and the NRSSPSIs, the impression is that instead of there being ‘feeding-in’ and ‘feeding-out’, it may be more accurate to say that creative use of word processing has led to what the French expert describes as ‘copy-in’ and ‘copy-out’.” (Begg, I., Marlier, E. 2006; p. 3-4; italics added by the authors of the reports).

This critical summing-up could be considered as additional tool to evaluate the progress of the countries in the “feeding out” policy developments.

### 1.2.1. Promoting both social cohesion and economic growth

Within the Lisbon strategy several policy areas have already been identified as being simultaneously growth-enhancing and pro-social cohesion. They include education (including lifelong learning), gender equality, family policies that promote re-conciliation of work and family life, active ageing, active inclusion, improving the health status of the population, the pursuit of

quality jobs, a balanced approach to flexicurity that ensures that flexibility and security reinforce each other.

According to the IRNRP when implementing the aim to attract and retain more people on the labour market by providing qualitative and secure employment, as well as modernising the labour market and social security systems the main focus was on implementation of the provisions of the new Republic of Lithuania Law on Support for Employment. Efficient employment support development policy measures that were taken pursuant to this law improved the quality of services provided by labour market institutions and opened up additional employment opportunities for the people to participate in the labour market. A number of new active labour market policy measures have been introduced, for example: employment by offering subsidies, support for labour skills, labour rotation, support for self-employment, etc. Emphasis is placed on support to employers who create new quality jobs or new jobs adapted to the needs of persons with special needs. The new legal framework served as the basis to start implementation of new effective measures in the sphere of employment promotion policy which improved the quality of services provided by labour market institutions, created additional employment opportunities for residents to return to and actively participate in the labour market and stimulated employment of the youth and individuals at social risk. It created conditions for the application of more effective labour market policy measures aimed at individuals looking for a job. This helped improve labour market skills of unemployed adult individuals (aged 25 – 64): in 2006 during 12 months of unemployment 90.9 per cent of such individuals were offered new employment opportunities (training, labour skills, employment support), whereas in the first half of 2007 this indicator increased to 98.0 per cent. Advisory services for the youth (under 25 years of age) have been expanded. 13 thousand young individuals looking for a job have been registered with the territory labour exchanges in the first half of 2007. 4.2 thousands have been channelled to active labour market policy measures, more that 2 thousand of them have been motivated and encouraged to choose a profession which is in high demand on the labour market and 7.2 thousand have been employed. In 2006 – 2007 the relative weight of young unemployed individuals who were offered new employment opportunities amounts to 89 – 90 per cent. 18.0 per cent of the average number of long-term unemployed individuals has been involved in active labour market policy measures in 2006, while over the first quarter of 2007 the number was 18.5 per cent.

The drafters of the IRNRP claim that the infrastructure of social services was expanded for persons whose employment opportunities are restricted by their familial circumstances: the network of community agencies, child day care centres and family support centres was broadened and the establishment of services providing assistance to families and other social care centres was accelerated.

Social services infrastructure was further developed with the view to create better opportunities for members of the community whose employment possibilities are restricted by family situation to join the labour market. Social Services Infrastructure Development Program for 2007 – 2009 is implemented for that purpose. Social Services Infrastructure Development Program for 2007 sets forth the main development directions of social services: setting up of community establishments, children's day centres, family support centres, family support services and other social care centres. The legislative framework is also being improved. Draft amendments of the Law on Maternity Social Insurance provide for a possibility to draw a bigger maternity and maternity (paternity) benefit for a longer period by paying a part of the benefit to working individuals.

Family policies that promote re-conciliation of work and family life are discussed in different parts of the IRNRP: it includes measures aimed at promoting more flexible employment forms and

facilitating the return to the labour market of parents who had left it due to raising children, developing a more effective network of pre-school and pre-primary education services network. However, currently there is a lack of coordination of efforts of governmental institutions in development of services' system of re-conciliation of work and family life for families raising children. Usually in rural areas, where preschool institutions are not available, there is need for more flexible forms of services allowing parents to choose between work and staying at home with a child. Urban areas experience the shortage of preschool institutions. Together with the extension of paternal leave it could complicate the return to the labour market and increase the level of long term unemployment.

Efforts to raise the prestige of vocational training and to increase the extent of lifelong learning are intensified. The restructuring of the educational system after completion of compulsory education aims at bringing closer general and vocational education. The new Republic of Lithuania Law on Vocational Training covers both formal and non-formal vocational training.

Obstacles between separate levels of the educational system are eliminated seeking to bring closer the two educational trends: academic and vocational education and to create preconditions for acquiring a part of skills required for vocational qualification while studying at general education schools.

The network of vocational education schools is being optimised. 67 vocational schools were joined, the Ministry of Education and Science together with municipalities became founders of 3 schools and 13 schools were reorganised into public vocational training institutions. The Ministry of Education and Science, administrations of county governors, municipalities, the Chambers of Commerce, Industry and Crafts, the Chamber of Agriculture and other organisations representing the employers participate as stakeholders in the management of these public educational institutions.

But the development of formal education concentrates on different activities (renovation of premises, reform of curricula, and publishing of the new textbooks) excluding teachers salaries. Such an unbalanced approach has yielded negative consequences threatening for sustainability of improvement of quality of educational services of Lithuania: first, due to low salaries of teachers, schools recently has started encountering with problem shortage of teaching staff; second, teachers, especially young, has become a new group at risk of poverty and social exclusion. Teachers' strikes are raising question about reconsidering priorities related to development of education system in general and vocational educational system in particular of Lithuania.

Additional efforts are put in to successfully implement the Strategy for ensuring lifelong learning and an action plan for its implementation. To this end, attention is focused on the implementation of measures related to the development of adult education infrastructure in the regions, improving of access to education, application of more flexible teaching forms and organisation of educational services satisfying the needs of local communities. Mechanisms of evaluation of competences acquired by ways of non-formal education and self-learning and their recognition are underway. Vocational qualification acquisition and improvement modular programmes based on competences are being prepared.

A programme aimed at renovating education centres for teachers and adults and their equipment with contemporary teaching supplies and educational materials is being prepared. The network of suppliers of vocational education and training services is currently undergoing a reform seeking to

efficiently exploit the resources required for meeting the needs of lifelong learning. It has to be noted that the motivation of adults to continue learning is still insufficient and educational services in certain areas are not available for everyone. Seeking to eliminate these drawbacks, it is planned to update the Strategy for ensuring lifelong learning and an action plan for its implementation in 2007. To this end, draft revision guidelines have been prepared.

Lithuanian public institutions, establishments, municipal and public organisations organised their activity for successful implementation of the National Programme for Equal Opportunities of Men and Women 2005-2009. Measures of the program have been harmonised with the provisions of the European Gender Equality Pact. Women who wish to start a business as well as women-entrepreneurs can use the services of business information centres and business incubators, including business information services, training and consulting on possibilities to start a business, etc. Women accounted for 60.0 per cent (12.3 thousand) of the total number of customers of the 48 establishments within the network over 2006.

The problems of women's integration into the labour market are also dealt with by using the financial resources of the European Social Fund. In 2006 alone the Funded provided financial support (LTL 13.2 million) to 20 projects of different labour market institutions, women's NGOs, other projects of institutions and organisations aimed at promoting employment of women, particularly senior women and women returning after a child care leave received financial support of the Fund.

Education for women returning to the labour market after a longer interval is being expanded. Over 2006 some 10.4 thousand or 54 per cent of women have been sent to vocational training, including 1.8 thousand of those registered with the labour exchange after an interval of more than 3 years.

The new situation on the labour market and the shortage of skilled labour in Lithuania increases the importance of retaining experienced employees in the labour market for as long as possible. For that purpose, senior individuals are encouraged to stay employed for as long as possible: labour organisation forms which are more beneficial to such persons are being introduced, professional training, career planning, foreign languages, computer literacy improvements courses are being organised. Seniors' Bank – a data base of pension-age individuals looking for a job has been created in the website of the Lithuanian Labour Exchange.

But in general after the decision of Constitutional Court according to which working pensioners are receiving their pensions in general the situation in the field of active aging is favourable. However, there is the area that has not received attention of policy-makers so far: currently legal regulations restrict employment opportunities for elder people in some spheres of public sector (e.g. higher education institutions, public administration institutions). These cases could be treated as age discrimination, besides it creates unequal possibilities for elder people working in various sectors.

The following measures are planned to be implemented in the area of employment:

1. Issuing of legislative acts for improvement of policies in the area of labour relations and employment, employee safety and health to ensure labour market flexibility (2007 – 2008);
2. Development and implementation of measures to ensure protection of ability to work, health and life at work (2007 – 2008);

3. Development and implementation of economic measures and public transport system modernisation measures designed to stimulate domestic (territorial) labour mobility (2007 – 2008);
4. Provision for and implementation of measures to encourage flexible organisation forms of kindergarten/pre-school education and training support which ensure education and care for children and create conditions for parents with family obligations to participate in the labour market (2007 – 2008).
5. Promotion of lifelong learning, attracting as many people as possible to the labour market by providing them with skills to match employers' needs, development and implementation of enterprise and education programs for employers (2007 – 2013);
6. Development and introduction of education and vocational training monitoring and quality assurance system (2007 – 2013);
7. Inclusion of the aspect of gender equality into the list of measures under social responsibility program (2007 – 2008).

#### *1.2.2. Ensuring an adequate income from work*

One of the main tasks in the promotion of the cohesion of economic policy, structural reforms and social policy to strengthen labour productivity and competitiveness (Guidelines 4 and 5) is as follows: to put forward political dialog in relation to the improvement of the systems of nominal wages corresponding to the development of the economy and labour market, taking into consideration individual social groups.

The situation in the labour market is improving. In 2007, the unemployment rate is expected to decline to 4.5 per cent and, in the medium term, due to the increasing wages and the motivation of people of working age to seek employment, it will gradually reach the level not raising the inflation. The improving situation in the labour market, rapid convergence of the economy based on positive expectations of the population results in significantly increasing wages. A matter of concern is the fact that the rapid growth of earnings is significantly surpassing the growth of productivity thus creating pressure on the growth of prices in the labour intensive industry branches. The European Commission emphasized this risk when evaluating the Lithuania's progress for the previous year and it indicated that the rise in wages must comply with the rise in productivity.

Since the beginning of 2006, when the wages started rising significantly and the labour productivity indicator remained stable, unit labour costs have drastically increased (Look: Figure 8 in the Annex 2). In 2006, wages have risen by 17.6 per cent and especially marked growth was observed in the third and fourth quarters where the rise amounted to, respectively, 19.9 and 19.1 per cent, if compared to a respective periods in 2005. The growth of the labour productivity was fluctuating at the rate of approximately 6 per cent, the annual changes in unit labour costs in the aforementioned quarters of 2006 made up, respectively, 14.1 and 12.4 per cent. In the first quarter of 2007, the wages were further rapidly rising and reached an increase of 20.9 per cent. Unit labour costs respectively grew up by 13.4 per cent. Such significant changes in wages were partly determined by the performance of different branches of industry as well as by in advance planned increase of wages for employees of budgetary organisations. Tax measures also played an important role: since 1 July 2006, the personal income tax rate was reduced from 33 to 27 per

cent and tax administration measures aimed at reducing the shadow economy were widely applied.

It is expected that the trends in the increase of wages that started and accelerated in the second half of 2006 will remain similar in the period of 2007-2008, thus accounting for double-figure growth rates and resulting in increased household consumption expenditures and influencing the level of inflation. On the other hand, it is highly probable that the rise in wages will be slowed down due to the flexibility of the labour market and the increasing competitiveness in the global market. It is forecasted that in 2008 wages will increase by 15.1 per cent and in 2009 – by 7.6 per cent.

Ensuring an adequate income from work is not properly addressed in IRNPR. Government measures over analyzed period have been mainly focused on increasing minimal salary. However, when planning it the rate of increase of average salary was not foreseen. Current gap between minimal and average salary is too large to ensure adequate income from work for low paid workers and breadwinners of larger families.

Currently fiscal policy of Lithuania is not favourable for promotion of social cohesion. The taxation system does not ensure equal improvement of living conditions of people with high and low income. People with high income win more in current taxation policy.

### *1.2.3. Targeting job creation at vulnerable groups*

More opportunities were offered for people who find it most difficult to find employment: the infrastructure of services provided for them was expanded and the availability of services was increased. The Republic of Lithuania Law on Social Enterprises was revised and widened the circle of persons that can be employed in social enterprises and made the work organisation conditions more specific.

Whereas individuals at social risk face the greatest difficulty while integrating into the labour market, the infrastructure of services designed for such persons has been developed and their accessibility increased. Development Strategy of Vocational Rehabilitation Services over 2007 – 2012 has been approved by the Minister of Social Security and Labour in June, 2007. Action plan for the strategy is now under development. The Law on Social Enterprises of the Republic of Lithuania has been specified and improved. The list of persons who may be employed at social enterprises has been extended, the requirement for social enterprises to comply with the conditions applicable to small and medium size business entities under the Law on Small and Medium Business has been lifted and some of the work organisation rules have been specified. As of 1st July, 2007, the nationwide number of operating social enterprises was 59, including 37 with the status of disabled persons' social enterprise. Social enterprises employed 2.4 thousand employees, including 59 per cent who belonged to target groups.

The projects aimed at integrating in the labour market the people with disabilities, convicted persons and persons who are released from places of imprisonment were carried out as well as projects aimed at reducing manifestations of discrimination on the grounds of age, gender, sexual orientation, disability, racial or ethnic origin, religion or beliefs in all the fields of public life.

The number of persons with disability increase very rapidly in the country (from 111,000 of disabled in year 1990 to 211,000 – in year 2006). Only 14% of them are employed. About 60% of the disabled are people of working age. The Law on Social Integration of the Disabled, which

entered into force on 1 July 2005, has intention to stipulate equal rights and opportunities of the disabled in the society, to develop professional rehabilitation services. Professional rehabilitation is aimed at developing or rehabilitating the capacity for work and improving the possibilities to find work by the disabled. It is not clear enough, what effectiveness of these measures for the moment.

Unemployed individuals, particularly unskilled and long-term, as well as employees notified of dismissal from work had better opportunities to participate in vocational training. New training programs have been developed for them and material motivation to study has been increased. 12.8 thousands individuals of the said category have been sent to participate in different training programs over the first half of 2007. It is 1.6 times more that over the same period last year. Upon improvement of employment skills of the unemployed individuals, many of them managed to avoid long-term unemployment and find a job. 70 per cent of the individuals who completed their training found a job within 90 days after their vocational training. Thanks to that, over the first half of 2007 the average number of long-term unemployed individuals registered at territory labour exchanges declines by 41 per cent, while the share of such individuals in the total number of the unemployed dropped from 27.7 to 14.1 per cent. The overall long-term unemployment level dropped from 4.3 per cent in 2005 to 2.5 per cent in 2006.

The IRNRP informs that in order to raise the awareness of young people, their knowledge and skills in the field of entrepreneurship, a draft National Programme for the Promotion of Youth Entrepreneurship for 2007-2012 has been prepared. One of the major obstacles for young people to find employment is the lack of practical skills. Seeking to eliminate this obstacle, a new form of organisation of vocational training – apprenticeship – is established in the Republic of Lithuania Law Amending the Law on Vocational Training, and an active labour market policy measure – support for the acquisition of working skills – is provided for in the Republic of Lithuania Law on Employment.

In an effort to reduce manifestations of discrimination based on age, sexual orientation, disability, race or ethnicity, religion or beliefs in all areas of public life and increase tolerance of the population, on 19th September, 2006 the Government of the Republic of Lithuania and adopted the National Anti-Discrimination Program for 2006 – 2008. Various measures intended to inform the public about manifestations and negative impact of discrimination in Lithuania, as well as measures aimed at developing the ability of individual groups of the society to take an active part in public life on equal terms, measures intended to protect equal rights and develop tolerance of the public. Training courses on the issues of equal rights and their protection have been arranged for labour market institutions, trade unions and NGOs, other measures have been implemented.

#### *1.2.4. Addressing territorial differences and regional gaps*

The activities of various enterprises and organisations aimed at prevention of unemployment are reinforced. Local labour exchange offices together with employers of enterprises that have notified about collective redundancies prepared targeted programmes concerning preventive actions with a view to mitigating the consequences of these redundancies. Where required, temporary labour exchange offices – “mini” labour exchange offices – were established. The employment forms are becoming more varied. A draft Law on Outsourcing is currently being prepared. It is intended to draft a legal act regulating telework and to simplify regulation on the employment of young people.

There was a stronger focus on solving territorial employment problems. Monitoring of problem territories was carried out in accordance with Description of the Monitoring System of Implementation of the Lithuanian Regional Development Policy Strategy until 2013 approved by Order No. 1V-115 of the Minister of the Interior of the Republic of Lithuania dated 20th March, 2006. Implementation of local employment projects in areas with higher unemployment further continues. Two thirds of the 148 projects of local employment initiatives completed over 2005 – 2007 have been implemented in the areas with the highest unemployment rate. In order to further disseminate them, the Lithuanian labour exchange has produced a publication Local Employment Initiative Projects – Efficient Instrument for the Creation of New Jobs, which contained information about the projects implemented in the country over 2001 – 2006.

In 2006 the complex feasibility studies on the development of the five economic growth centres in Alytus, Marijampolė, Tauragė, Telšiai, Utena, and two additional centres in Mažeikiai and Visaginas (from 2007), as identified in the Strategy, were prepared. These studies are necessary for applying for the EU structural funds support in 2007–2013.

In an effort to deal with the issues of labour diversity, business development maps have been created and updated at all 46 territory labour exchanges; individuals in search for a job can use the maps to get acquainted with the conditions and possibilities of business development and provision of prospective services as well as availability of premises for rent in a particular area. Training in business basics is also being offered, representatives of social partners, i.e. municipalities, State Social Insurance Fund, territory divisions of the State Tax Inspectorate, business information centres, business incubators are regularly invited to take part. Over the reporting period, more than 1 thousand individuals in search for a job have been sent to participate in introductory programs on business basics, nearly 90 per cent of them were individuals acquiring beneficial business licences and 12 per cent were unemployed individuals setting-up their business enterprises or engaged in private labour activity. Former unemployed individuals who start their business and employ another unemployed person sent by the territory labour exchange within 36 months from the company's registration date receive a respective subsidy for creating the new job.

Businesses alternative to agriculture receive support in rural areas, more and more new jobs are created in sectors other than agriculture and the number of individuals engaged in various businesses is on the rise. Seminars and consultations on various issues of professional competence are arranged for farmers and rural residents, they are offered opportunities to adapt to change and re-train. Expenses in connection with implementation of projects of activities alternative to agriculture are partially reimbursed. 72 contracts for implementation of business projects alternative to agriculture have been concluded for a total of LTL 65.7 million. Development Study of Rural Tourism and Crafts in Residential Rural Areas over 2007-2013 has been completed in the first quarter of 2007; market study has been carried out and its results served as the basis for the Development Program of Rural Tourism and Crafts in Residential Rural Areas over 2007-2013.

On the other hand very important issue of the territorial mobility of labour has received less attention in IRNRP. It includes only preparatory measures that are still under implementation. By order of the Ministry of Social Security and Labour, the scientific study "Assessment of the Mobility of Domestic Territorial Mobility of Labour Force and Opportunities for Its Promotion" was carried out. The agenda of the session of the Seimas of the Republic of Lithuania includes the development of a transparent mechanism for compensation of expenses related to jobseekers' commutation and temporary accommodation by an amendment to the Law on Support for

Employment. It should be stressed, that Government measures taken to increase territorial mobility of labour are unconvincing and overdue in the context of labour force emigration.

#### *1.2.5. Assessing the impact on social protection systems*

The IRNRP comprehensively describes the economic growth, increase of employment level, relative macroeconomic stability. Due to these developments the amount of social benefits in absolute numbers is increasing, new benefits were introduced (social pensions for disables, elderly). But number of welfare recipients is decreasing due to increase of minimal salary (Look Figure 13 in Annex 2). It is necessary to stress that at the same time level of relative poverty is increasing (Look Figure 14 in Annex 2).

#### *1.2.6. Addressing the contribution of fiscal policies*

Having assessed the current risks related to a rapid growth of the domestic demand and wages, the changes in the labour market and the external factors and the influence that these factors may have on inflation, the Government and the Bank of Lithuania have prepared measures aimed at controlling inflation. On 14 March 2007, the Government evaluated the information about the Medium-Term Price Stability Strategy. After the analysis of risks influencing price stability, the following inflation control measures were adopted:

- Not to form unreasonable expectations concerning the reduction of the personal income tax and other taxes, as such expectations encourage borrowing. It is proposed to consider a more rapid reduction of the personal income tax only after the evaluation of the macroeconomic situation and the implementation of the budget. Any additional promotion of the domestic demand that might increase the current account deficit and make pressure on prices to rise can result in the loss of confidence of the participants of the market, sharp correction of the real estate market and a slowdown of the growth of the economy.
- Seeking to ensure macroeconomic stability, to implement the plan on the optimal increase of the excise duty on fuel and cigarettes.
- To restrict ungrounded (faster than the increase of labour productivity) raise of wages by ensuring that there will be no legal grounds provided for “automatic” indexation of wages at inflation of previous periods.
- To abandon the practice of revising the general government budgets in the middle of a year in case their actual revenue exceed the forecasted ones as this prevents the automatic stabilizers of the economic business cycle from operating.
- To pursue strict fiscal policy seeking to ensure macroeconomic stability and to eliminate the structural deficit of the budget as soon as possible by including these provisions in the Law on Fiscal Discipline.
- To continue applying more stringent requirements than those of the euro zone concerning the compulsory reserves of commercial banks and capital adequacy. Encourage the banks to be conservative when assessing the credit risk.

- To evaluate the efficiency of natural monopolies regulation policy by ensuring economically feasible raise in prices in electricity, heating, gas and water sectors. When necessary, to reform the respective regulation regimes.

Implementing one of the main provisions of the Price Stability Strategy, the Seimas intends to consider a draft Law on Fiscal Discipline (that already received the approval of the Government) in its autumn session. The adoption of the aforementioned draft in the Seimas will legalize the national rules for fiscal discipline that would ensure long-term sustainability of general government finances. The project aims to attain the following strategic goals: to solve the long-term problems of the public sector arising due to the ageing of the society; to oblige the public authorities to adhere to the essential norms of fiscal discipline; to establish automatic fiscal consolidation mechanisms.

The basis for fiscal discipline rules established in this law are the main fiscal discipline rules laid down in the European Union Stability and Growth Pact. This legal act aims at setting the provisions that would impose an obligation to attain the medium-term goal – a structurally balanced or surplus budget of the public sector. It will be sought to achieve a structurally balanced budget by trying to stop the increase of expenditures. It is also planned to lay down a provision that the current year excess revenue can not be used for increasing the public sector deficit. Moreover, when submitting the draft budget, the Government will have to present a conclusion whether it is in compliance with the opinion of the European Union Council and recommendations concerning the medium-term economic programme of Lithuania. It is expected that, after consideration and approval in the Seimas, the Law on Fiscal Discipline will come into effect since 2008.

But despite all these measures the inflation is increasing (look below).

Tax benefits are too small for people at risk of poverty and in more cases from tax exempts benefit those who are well-off. For example, in a case of the tax benefits for families raising children, tax exempt income per child is 32 Lt (8 EUR per month), thus family win only 8 Lt (2.5 EUR) from existing tax benefit. Similarly tax benefits for social groups at risk of poverty, e.g. single parents, large families and disable people are petty.

Other example, tax benefits related to acquisition of personal computer, tuition fee, life insurance, housing loans are available only for people who have sufficient income to afford these services; they do not benefit people experiencing poverty at all. Prevailing tax benefit system increase demand of certain goods and services that are affordable to well-off people. Consequently fiscal policy supports more branches of industry and business, but not people at risk of poverty.

Other aspect, related to fiscal policy, that could be mentioned, is related to two rates of personal income tax tariff. Tax rate on earning is flat and equal to 27 per cent. However tax rate on other forms of personal income (like dividends, interest, income from personal enterprise and self-employment, royalties) is only 15 per cent. Though there is no statistical data available on non-earnings forms of personal income, it could be assumed that income imposed with smaller tax rate are less beneficial for people at risk of poverty than for those who well-off. Usually, people who are well-off are less restrained in choosing income type. Usually their income is much higher as average wage. Thus, personal income tax rate actually is regressive. People at risk of poverty would win more if lower income tax rates would be related not to types of income but level of income. Recently a project of introduction of progressive income tax rates on earning has been proposed by Lithuanian Social Democrat Party. The project foresees that earnings should be

imposed not by flat rate but by progressive rate. However, so far this project has not been supported by other parliamentary parties: there is obvious a lack of political will to introduce progressive personal income tax rates.

Lithuania almost not applies VAT benefits on food and other goods of daily living needs. At the same time VAT is very significant tax, it is equal to one third of total public revenues. Generally, Lithuanian tax system is tending to be regressive.

### 1.3. Assessment of the IRNRP from the Perspective of “Feeding In”

“Feeding in is about how social protection and social inclusion policies contribute to greater economic growth and more jobs. There is only limited acknowledgement of the contribution that policies under the OMC can make to the Lisbon goals. Still, it will be useful to assess which role is explicitly given to the OMC in the implementation of the Lisbon agenda.” (Network of Independent Experts on Social Inclusion, 2007, p. 11).

It is complicated to demonstrate how social inclusion policies contribute to the Growth and Jobs since the levels of relative poverty and social inclusion are increasing. In the mode of social integrationist discourse the effectiveness of social inclusion policies in line with the Lisbon objectives could be reinterpreted as the contribution of social policy to the development of human resources. For example, additional social workers introduced for the assistance for families at risk in some cases could break the vicious cycle of societal reproduction.

On the other hand there are developments that indicate the lack of feeding in. Increasing emigration, decreasing lifespan and increasing death rate, poor situation of the children (Poviliunas, 2007) demonstrates lack of effective social policy.

Joint Report on Social Protection and Social Inclusion 2006 describes Lithuanian stance of the social inclusion in the following way:

The 2005 NAP update aims to make the 2004 NAP's strategy more operational by identifying more specific measures, and the institutions responsible, and estimating the resources needed. All previous objectives and targets remain valid. The main focus of the update is on measures for social integration through employment, better access to the labour market (in particular for disabled, young and elderly people), and optimisation of labour market policies. Many measures are planned to assist the most vulnerable (especially children) and improve the social protection system, including the recently approved tax reform introducing a better balance between capital and labour taxes. A number of labour market and social inclusion measures are supported by the structural funds. Regional development measures focus on the diversification of rural activities. However, drafting a coherent and integrated regional development policy remains a recognised challenge. No specific measures have been envisaged for the declared objective of preventing homelessness and indebtedness, nor for the provision of housing. The establishment of the NAP's monitoring group should facilitate the mobilisation of all the relevant bodies and strengthen the NAP's coordinating role.

The following challenges were formulated for the policy of social inclusion:

- To develop and implement a comprehensive regional and local development policy, taking into account regional imbalances, the needs of the most deprived areas and the widespread rural poverty;
- To further strengthen the NAP's coordinating role and its strategic focus, develop monitoring and evaluation arrangements, further mobilise all the stakeholders and ensure visibility of the social inclusion policy.

After careful analysis of the IRNRP Lithuanian experts have agreed that there is considerable overlap between the IRNRPs and the NRSSPSIs. The competitive ability in the IRNRP is conceptualized as the seeking after profit and public policy activities in the field of social economy is simply pasted from NRSSPSI if to quote the expression and approach identified by French expert.

#### 1.4. Assessment of the IRNRP from the Perspective of Governance

##### *1.4.1. Monitoring and assessment of impact of policies*

The structure used by Lithuania for the implementation and monitoring of the Lisbon Strategy that includes social, economic and business partners and representatives of academic world and politics was presented in the European Commission's 2006 Annual Progress Report 2006 as a good example to be followed by other Member States.

We would like to remind that the structure consists of two parts: the state and the public one. The basis of the public part is 4 target groups of the National Lisbon Strategy Implementation Programme:

1. macroeconomic policy group;
2. scientific research and experimental development and innovations group;
3. business competitiveness group;
4. employment promotion and investment in human capital group.

The main goals of a respective target group of the National Lisbon Strategy Implementation Programme – within their competence, to monitor and evaluate how the National Lisbon Strategy Implementation Programme is implemented and updated and to submit proposals to the Commission on Supervision of Drafting and Implementation of the National Lisbon Strategy when adopting decisions on these issues.

Members of a target group of the National Lisbon Strategy Implementation Programme have a right to represent and present the results of the working group and the proposals to state institutions, agencies and organisations as well as to invite experts and other persons to participate in their meeting.

The structure, which involves over 240 people, operates efficiently. The meetings of the Commission on Supervision of Drafting and Implementation of the National Lisbon Strategy, inter-institutional groups and target groups are held. Lithuania's progress in implementing the National Lisbon Strategy Implementation Programme, the problems of implementation, the recommendations of the EC and possible actions for their implementation and issues related to

updating of the Programme are discussed at the meetings of the Commission and the groups. A broad discussion of key tasks of the Programme involving representatives of the Seimas of the Republic of Lithuania and social partners took place.

The issues related to the implementation of the National Lisbon Implementation Programme are regularly discussed at the Committee on European Affairs (and other committees) of the Seimas of the Republic of Lithuania and the Government of the Republic of Lithuania.

Seeking to increase public awareness, the Ministry of Economy has created, and is currently testing, an informative Internet portal dedicated to the Lisbon Programme.

As the schedule for the implementation of the Lisbon Strategy is very tight and many interested institutions and persons are involved in this process, measures that would ensure timely provision of information are required. It is also very important to disseminate information on the implementation of the Lisbon programme in Lithuania and other EU countries to the society.

The portal is used for monitoring the implementation of the Lisbon programme, for publishing the achieved results and for carrying out control and analysis. It will be sought to ensure control, assistance and information mechanisms of the implementing institutions and information of the society and its involvements in the processes of solving the problems and finding out of the attitudes towards the arising problems.

The latest legal acts regulating the process of implementation of the Lisbon Programme adopted in Lithuanian and European Union institutions are published in the portal and the archive of legal acts is build up. Where detailed information is required, one can use references to the websites of the European Commission according to separate topics (scientific research, better regulation, labour market, etc.). The national reform programmes of the Member States, annual progress reports, evaluation and recommendations of the European Commission are published in the section "The Lisbon Strategy Implementation in the Period of 2005-2008". Documents related to preparation for the upcoming Lisbon Strategy implementation period of 2008-2011 are also presented in the separate section. The section "Conferences and their Materials" gives access to speeches on issues related to the implementation of the Lisbon Programme delivered at conferences and seminars and the archive of speeches according to year. People can express their opinion and ask questions in forums on various topics.

#### *1.4.2. Involvement of stakeholders*

The institutional structure of the Lisbon National Reform Programme and its implementation is delineated in the Figures 3 and 4 in the Annex 2. The Figure 2 represents the national part and the Figure 3 the public part of the National Lisbon Strategy Implementation Programme. On national level the cooperation with stakeholders first of all means the cooperation or better to say distribution of power among the different ministries. The leading role of the Ministry of Economy (MoE) with the Minister of Economy as Chairman of the Commission for the preparation and implementation of NRP seems to be natural. Plus MoE is coordinating the microeconomic policy. The employment policy is in charge of the Ministry of Social Security and Labour (MSSL), macroeconomic policy in charge of the Ministry of Finance (MoF). The inclusion of Ministry of Education and Science (MoE&S) is intersectional and depends on the level of the competence of MoE&S.

The cooperation among different ministries is organized on the level of Interministerial Working Groups and their work is coordinated by the corresponding ministries. The Interministerial Working Groups includes the representatives from the different ministries, for instance Interministerial Working Group within MSSL include the representatives from the Ministry of the Interior, Ministry of Education and Science, Ministry of Agriculture, Ministry of Health, Ministry of Finance, Lithuanian Labour Exchange, The Lithuanian Labour Market Training Authority, Department of Statistics etc. It is necessary to mention that on the national level or part of the National Lisbon Strategy Implementation Programme the different ministries represent the governmental (national?) interests and consequently only one stakeholder – the National Government.

But official usage of the concept social partners at least in Lithuania includes the professional unions that represent the interests of employees. Social partnership without clear procedures how to realize it seems to be only amorphous concept. Therefore the question where in this framework is trade unions is natural. In the structure of the Preparation and Implementation of the National Lisbon Strategy Implementation Programme the professional unions are not mentioned. The exclusion of employees from the NRP process is very symptomatic. In previous reports we have argued that in Lithuania social inclusion/exclusion policy is closely associated with the “social integrationist discourse”. Look below Chapter “Attitudes of Lithuanian Population towards Social Policy Aimed at Combating Poverty”.

The Lisbon Programme implementation in respect of public communication has internal and external information levels (Figure 4). The internal information level comprise the regional Lisbon Programmes support centres, which carry out the functions of information collection, monitoring and dissemination in Lithuania and in separate regions: science and technology parks and the network of institutions providing public services to business (business information centres and business incubators). Close relations with local (regional) social and economic partners are maintained at this level. The external information level comprises the Lithuanian Development Agency, Lithuanian Small and Medium Business Development Agency and Lithuanian Innovations Centre, which carry out the functions of information collection and dissemination in the European Union and global context.

## **2. Key Trends and Recent Developments in Poverty and Social Exclusion**

In this section, experts are asked to present any relevant new material on trends in poverty and social exclusion since their overview in the 2006 first semester report and in particular since the preparation of the National Reports on Strategies for Social Protection and Social Inclusion (NRSSPSIs) in 2006. This section should include any new evidence on key indicators and should also provide an overview of recent policy and legislative developments (including ESF and ERDF), changes in budgetary allocations to policy measures and other reforms so as to achieve the objectives, discuss developments in the role of main stakeholders, or any other relevant country-specific information. The report should also include as an annex a list of recent new legislation and key documents, including ESF and ERDF (e.g. published during the last 12 months).

## 2.1. Changes in the Baseline Social Policy Situation and Trends

Recently two projects of legal acts related to national family policy have caused a heated public debate concerning main directions of family policy.

First, on the 5th of July, there was submitted to the Seimas a project of Conception of State Family Policy prepared by group of members of the Seimas. The Conceptions aims to emphasize an exceptional value of family in life of an individual and society; define family functions important for satisfying needs of individuals and society; describe problems of family development and conditions of living in Lithuania; define goals and principals of state family policy and envisage action directions of state family policy.

Second, on 18th of September four members of the Seimas (belonging to Homeland Union Political Group – Conservators) submitted a project of Law on Support of Family. The law aims to define in a one legal act fundamental principles of various forms of state support to family, which should be implemented by other laws or legal acts. As it is emphasized by authors of the project, the law envisages new solutions of family problems and new forms of support to family.

Both projects are characterized by a strong emphasize on traditional family. Conception of State Family Policy defines family as “community of individuals related by close kinship relations, based on marriage of man and woman”. Article 3 of the Law on Support of Family states: “the state recognizes and takes responsibility to defend only rights of family which is based on marriage of man and woman”. The Law envisages a number of financial and other measures that would encourage formation of traditional families. It is proposed:

- to differentiate state allowances for a child birth by increasing allowances for the second or the third child; and when children are born in marriage;
- to increase 2,5 times tax-exempt amount of income for parents when the second child is born. Tax-exempt amount of income is increased 15% for parents, who bring up their children being married;
- to increase tax-exempt amount of income by 10% for parents, who stay at home with pre-school children;
- to introduce “tax holidays” for parents, who brought up their children to age 18 being married: at the year, when a child becomes 18 year old, parents are exempt from income tax for one year;
- to give mothers who being in the same marriage brought up not less than two children up to 18 years old, and who did not have incomes related to work relations, a status of person receiving social pension and compulsory insurance with state funds;
- parents, who raised their children to age 18, will be given a special part of social insurance pension, that would depend on salary and amount of insured income of the child and which will be calculated according to special formula.

The authors of the project of Law on Support of Family have anticipated that exceptional emphasis on traditional family may cause discontent of some groups of population. In the notes on the law, the authors indicate that interpreting this emphasis as a violation of the principal of constitutional equality would be inaccurate, because "Constitution of the Republic of Lithuania gives an exceptional emphasis on importance of family and necessity of state support to family". Authors of the law are to stress that the measures envisaged in the law project would help to solve problems of small birth rates in Lithuania, emigration.

In the Conclusion of Legal Department of Office of the Seimas on Conception of State Family Policy it is indicated that narrowing conception of family to "marriage based community" there could be violated imperatives of the 2 article of United Nations Convention on The Rights of the Child, related to developing active social support to family policy. It could be concluded from the Conception of State Family Policy that active social support recipients will be only families based on marriage. Such a position could be hardly reconciled with broadly recognize in the international community principle that the rights of the child and possibilities to implement these rights should not depend on marital status of the child's parents.

Concerning the project of the Law on Support of Family, Legal Department of Office of the Seimas concludes that exceptional emphasis on the support of tradition family may violate principle stipulated in the Constitution of the Republic of Lithuania related to the States responsibility and duty not only protect and take care of family, but also of motherhood, fatherhood and childhood as well as principle of the Constitution that prohibits any restriction of rights of the individual or granting any privileges of the individual on the ground of his/her social position.

On October 9th, 2007 nine non-governmental organizations implementing their activities in the field of equal opportunities and family policy (Women Society of Kaunas, Women Employment Centre of Kaunas, Human Rights Centre of Lithuania, Centre of Development of Equal Opportunities, Women Information Center, Foundation of Citizen Support and Protection, Association of Tolerant Youth, Association of Women that have HIV and AIDS, Institute of Human Rights Monitoring) sent to the Seimas, the President, the Government of the Republic of Lithuania petition on the projects of Conception of State Family Policy and Law on Support of Family. In the petition organizations emphasize that both projects of legal acts severely violates Constitution of the Republic of Lithuania, European Convention of Human Rights and other legal acts (the Law on Equal Opportunities, Convention on The Rights of the Child).

The exceptional emphasis on the traditional family in the proposed legal acts, according to NGO's discriminates families that are based not on marriage but other forms of partnership, also families of single parents. NGO's criticize the statement in the Conception that "family based on marriage was and remains traditional value of Lithuanian people": taking into consideration the increasing number of couples who live in unregistered partnerships such statement does not correspond to Lithuanians nowadays reality; changing value orientations of the significant part of the population should not be ignored. In the petition NGO's indicate that the proposed legal acts would indirectly force people to conclude marriage and this could be considered as restriction of the right of the individual stipulated in the Constitution of the Republic of Lithuania that nobody interferes in his/her private and family life. Measures envisaged in the project of the Law on Support of Family discriminate group of individuals on the bases of their social position, namely being unmarried. Introduction of these measures finally would have the most negative consequences for children that live in "non-traditional" families, because they will receive less state support than children in traditional families and could be subjected to indirect stigmatization.

## 2.2. Changes in the Economic, Social and Demographic Context

Development of Lithuania's economy in 2007 was still rapid.

Statistics Lithuania informs that average monthly gross earnings in the country's economy over the II quarter 2007 totalled LTL 1826.3 and as compared with the II quarter 2006 increased by 20.2 per cent, in the public sector they equalled LTL 1847.3 and against the II quarter 2006 ascended by 16.5 per cent, while in the private sector – LTL 1814.0 and were by 22.7 per cent higher than over the II quarter of the previous year.

Average monthly gross earnings over the II quarter 2007 against the I quarter 2007 grew: in the country's economy by 5.1 per cent, in the public sector by 4.3 per cent and in the private sector by 5.6 per cent.

The rise in earnings over the II quarter 2007 as compared with the I quarter 2007 was conditioned by seasonal fluctuations in construction and other economic activities as well as by the rise in earnings for employees of the health care sector since 1 May.

Average monthly net earnings in the country's economy (less sole proprietorships) over the II quarter 2007 made up LTL 1368.6 and as compared with the II quarter 2006 rose by 27.6 per cent, in the public sector they were LTL 1383.3 and were by 24.1 per cent higher than over the II quarter 2006, in the private sector – LTL 1360.0 and higher by 30.0 per cent as compared with the II quarter 2006.

Average monthly net earnings over the II quarter 2007 as compared with the first quarter 2007 increased: in the country's economy by 4.7 per cent, in the public sector by 4.0 per cent and in the private sector by 5.2 per cent.

Real earnings in the country's economy (less sole proprietorships) over the II quarter 2007 as compared with the II quarter 2006 augmented by 21.8 per cent, in the public sector by 18.4 per cent and in the private sector by 24.0 per cent. Real earnings over the II quarter 2007 against the first quarter 2007 increased: in the country's economy by 2.9 per cent, in the public sector by 2.3 per cent and in the private sector by 3.4 per cent.

It was already mentioned in different reports that Lithuanian social policy suffers from the low budgetary allocations not to speak that Lithuanian economy belongs to the group of countries with the lowest GDP per capita. At the present moment Lithuania economy is confronting the increasing inflations and the forecasts of experts are even more unfavourable. Inflation first of all is decreasing the incomes of those who spend the best part of incomes for food and accommodation. It means that macroeconomic context for social inclusion policy in general and social inclusion policy for children in particular are not favourable. The changes of macro level could be expected if political parties would take reform of social policy on their political agenda. But the constellation of interests groups is not favourable for the more or less significant shifts in the social policy.

The moderate increase of income and benefits are damped down by high level of inflation. Statistics Lithuania informs that in September 2007 as compared to August 1.4 per cent inflation was recorded. This year it was the highest inflation recorded. Over the respective period of the last year, 0.1 per cent deflation was registered. Prices for consumer goods over September 2007 as compared to August grew by 1.5 per cent, for services – by 0.9 per cent.

In September 2007, annual inflation (September 2007 against September 2006) made up 7.1 per cent. The annual inflation rate was mostly stipulated by a 12.7 per cent increase in prices for food products and non-alcoholic beverages, 12.5 per cent – housing, water, electricity, gas and other fuel, 7.5 per cent – transport goods and services, as well as by a 4.8 per cent decrease in prices for clothing and footwear, 7.2 per cent – communication goods and services. The growth in prices for services was more rapid than that for goods. Consumer services over the year went up in price by 8.2 per cent, goods – 6.7 per cent.

The inflation forecasts are unfavourable. The increase of the prices of grain, milk, gas will accelerate so-called “pensioners inflation” which already exceeds 8 per cent per year. Pensioners inflation is the label of inflation calculated according to consumption expenditures of the social vulnerable groups of population with the lower level of incomes. According to Statistics Lithuania in Lithuania these households 54 per cent of their income spend on food, 14.5 per cent on maintenance of dwelling, and 10 per cent on medical care. Unfortunately the Government does not propose any measures how it will assist those who are at risk of poverty and social exclusion if the forecasts of experts become true.

In 2006 the current account deficit (hereinafter – CAD) to GDP ratio increased by 3.7 per cent to 10.8 per cent. The decrease was driven by the growth of domestic investment and a decline in domestic saving (in 2006, the saving to GDP ratio was 16.3%, and the investment to GDP ratio was 27.0%). The widening of CAD was mostly driven by the deteriorating balances of trade and services. Import growth, in contrast to its growth in 2005, was mainly fuelled by the rising import of intermediate consumption (excluding fuel) and of final consumption goods.

Signs of the economic growth slowdown, widening CAD and growing inflation result in the risk that the future sustainability of income growth may be overrated, while the level of saving may be inadequate. Strong wage growth in 2005 and 2006 formed expectations of a constant income growth and a rapid catch up with the average level of old EU Member States. The forecasted deceleration of the economic growth, especially if it is sudden, would stipulate the deterioration in solvency of households, especially in the segment of marginal debtors (i.e. those that have a high ratio of monthly debt servicing costs to monthly income).

During her visit to Lithuania, October 10-12, European commissioner responsible for financial programming and budget Dalia Grybauskaitė has criticized Lithuania for not following fiscal discipline and has warned about the possible overheating of the economy. The member of the European Commission stressed that inflation cannot be checked with conventional measures and that a number of actions is necessary. "One of the measures, beyond any doubt, is a review of the tax system /.../ yet we cannot take one measure alone. There cannot be one instrument; there must be a system of counter-inflation measures, first of all targeting the reduction of state spending. It means that the 2008 budget should be given a very serious deliberation as a budget to contain or prevent an economical and financial crisis or, unless it is 'controlled' by the parliament, it may well cause such a crisis," Grybauskaitė warned, forecasting further growth of inflation in Lithuania.

In response to the criticism from the European Union's commissioner, the Government has declared that it is also worried about the growing inflation rate. To curtail inflation, the Government has submitted a fiscal discipline law to the Parliament and together with the Bank of Lithuania prepared a medium-term price stability strategy that provides for the principal measures to control inflation. Such measures include the refusal to review budgetary spending at mid-year, pursuit of a rigid fiscal policy, application of statutory reserve and capital adequacy requirements

for commercial banks that are much tighter than in the euro zone, assessment of the monopoly regulation policy to ensure reasonable price setting for electricity, heat, gas and water. According to the Government, inflation in Lithuania is under control.

But most analysts in Lithuania are predicting higher inflation than is forecasted by official observers. For example, Danske Bank's experts believe that the annual inflation rate should reach 6%. Analysts believe that a 7% annual inflation rate will persevere for the rest of the year, but might jump up at the beginning of the next year due to more expensive energy resources and heating.

Public opinion polls show that in September of 2007 the proportion of population that considered that over last two months their financial situation improved comprised only 17%. Thirty five% felt that their financial situation compared to two months ago got worse, 47% were of opinion that their situation stayed about the same.

As compared to the data of the survey conducted by "Baltijos tyrimai" in August, 2007, a number of people who think that compared to two months ago financial situation of their family got worse in September increased 12%.

One year ago there were significantly less people who negatively evaluated change of financial situation of their family. According to the data of the survey conducted in September, 2006, only 23% of respondents indicates that their financial situation got worse, which is 11% less than in September, 2007.

*"Please compare the current financial situation of your family with situation two months ago: does it improved, got worse or stayed about the same?"*

|                       | 2007 09 | 2007 08 | 2006 09 |
|-----------------------|---------|---------|---------|
| Improved              | 17      | 22      | 23      |
| Stayed about the same | 47      | 54      | 51      |
| Worsen                | 35      | 23      | 24      |
| Got worse             | 1       | 1       | 2       |

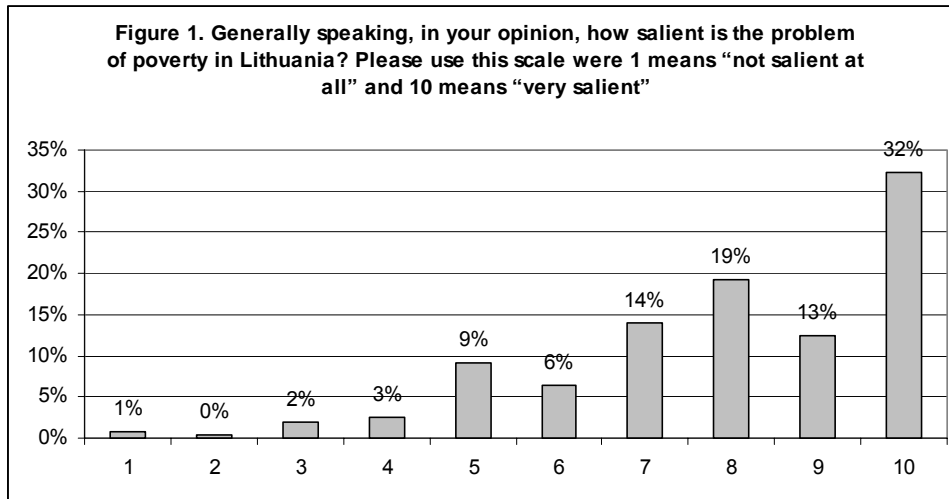
Source: Baltijos tyrimai

### 2.3. Attitudes of Lithuanian Population towards Social Policy Aimed at Combating Poverty

Implementing the project "Lithuanian without social Exclusion and Poverty" (LaBAS), financed by Directorate General for Employment, Social Affairs & Equal Opportunities, and Community Action Programme to Combat Social Exclusion 2002-2006: National Awareness Raising Actions on Social Inclusion and Social Protection VP/2006/01, in October, 2007 there was conducted representative survey of Lithuanian population.

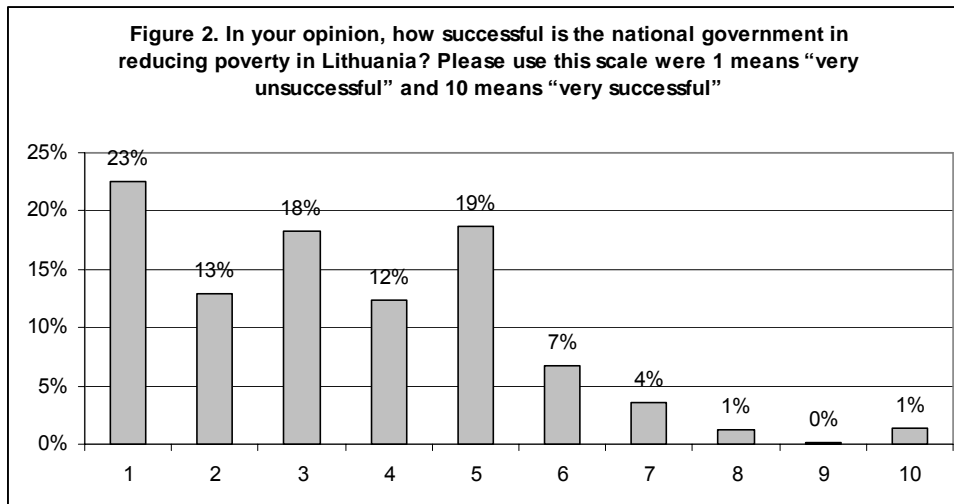
The goal of the survey was to find out attitudes of Lithuanian populations towards salience of problem of poverty in Lithuania, the state's social policy aimed at combating poverty, participation of various stakeholders in decision making processes related to solving problem of poverty (people experiencing poverty, NGO's working the field of reducing poverty, municipality institutions, that directly work with people experiencing poverty) and perception of the main direction of action that the state should pursue in combating poverty.

In the survey respondents were asked “Generally speaking, in your opinion, how salient is the problem of poverty in Lithuania today? Please use this scale were 1 means “not salient at all” and 10 means “very salient””. The data show that majority (78%) of population consider the problem of poverty as salient or very salient in the country, and only one in ten people evaluates it as not important (see figure 1).



Demographic analyses show significant differences among age and education groups: the proportion of those who evaluate the problem of poverty in Lithuania as very salient is significantly higher among older cohorts (51%) and less educated people (incomplete secondary 42%; secondary – 48%) than in the youngest segment (30%) and those with tertiary education (38%). The data indicate that unemployed people and the retired are more likely to evaluate the problem of the poverty as very salient in the country (55 and 52% respectively) than students (30%) and employed people (42%). The largest variations are found among income groups with percent of those who think that the problem of poverty is very salient ranging from 57% among people with average income per month 400 litas and less to 34% among people with average income 700 litas and higher.

Other question asked in the survey was “In your opinion, how successful is the national government in reducing poverty in Lithuania? Please use this scale were 1 means “very unsuccessful” and 10 means “very successful”. The data show, that prevailing attitude of population is very pessimistic as regards effectiveness of social policy of the government aimed at combating poverty in the country (see figure 2). Two thirds of population think that government is doing very bad (35%) or bad (31%) in solving the problem of poverty. Quite a few of people evaluate efforts of the government positively (6%).



Demographic breakdowns do not reveal any statistically significant differences among age, occupation or income groups in evaluation of the government's work in the field of combating poverty. The only significant difference is found between education groups: there is a higher proportion of those who give positive evaluation to the government among less educated people (12%) than among people with secondary and tertiary education (5%).

Majority of population not only negatively evaluate the national government's work in reducing poverty in Lithuania but also possibility for ordinary people to influence decisions of government related to social policy aimed at solving problems of poverty. When asked "How much ordinary citizens of Lithuania can influence decisions of the government related to reduction of poverty?", 80% of respondents indicated that ordinary citizens rather or do not have any influence at all. In this regard there were a little more pessimistic people with tertiary education (84%), employed people (86%) and elderly (85%) than less educated, people of other occupational status and people of younger cohorts.

Evaluating implementation of social policy by national government of Lithuania, it should be noted that the declared purpose to pursue wide-ranging inclusion of civil society and to cooperate with social partners and non-governmental organizations has not been carried through yet. There is an evident lack of mechanisms in the country that would facilitate and ensure more active participation at the grass roots level of social policy actors in the decision-making processes related to social policy. At the same time, mobilizing social policy actors at the grass roots levels is perceived by the majority of citizens of Lithuania as a precondition for improvement of policies aimed at reducing poverty. Results of the survey indicate that population of Lithuania strongly supports participation of municipality institutions, directly dealing with people that experience poverty, non-governmental organisations, and those directly experiencing poverty in decision-making processes to ensure more effective solutions to the problem of poverty in Lithuania.

As the data presented in Table 1 show, when asked "Would the state do better in solving problems of poverty if municipality institutions, dealing directly with people experiencing poverty, have been involved into decision-making processes related to it?", 82% of respondents gave a positive response. 80% of respondents replied positively to question on involvement of non-governmental organizations, working in the field of reducing poverty, into decision-making processes related to poverty reduction and 65% expressed the same attitude replying to question on participation of people experiencing poverty in these processes.

Table 1. Attitudes of Lithuania's population towards involvement of various social policy actors into decision-making processes related to solving problems of poverty in the country.

|  | Yes | No  | Don't know |
|--|-----|-----|------------|
| Would the state do better in solving problems of poverty if people experiencing poverty (unemployed, retired, disabled people, families with small children experiencing poverty) have been involved into decision-making processes related to it? | 65% | 16% | 19%        |
| Would the state do better in solving problems of poverty if non-governmental organizations, working in the field of reducing poverty, have been involved into decision-making processes related to it?   | 80% | 6%  | 14%        |
| Would the state do better in solving problems of poverty if municipality institutions, dealing directly with people experiencing poverty, have been involved into decision-making processes related to it?   | 82% | 5%  | 13%        |

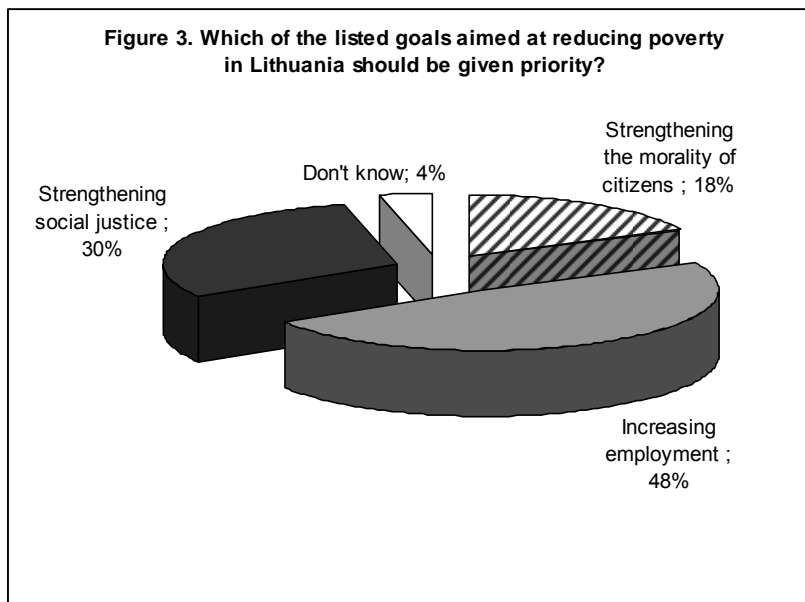
Demographic analyses show that there are less significant differences across social-demographic groups of Lithuania's society in attitudes concerning involvement of non-governmental institutions and municipality institutions in decision-making processes than in attitude towards participation of people experiencing poverty in these processes. There is significantly higher proportion of those who support participation of people experiencing poverty among unemployed (76%) and retired (70%) people than among students and employed (62% and 63% respectively). We also find significant differences between people with average monthly income 400 litas and less (73%) and people with higher income. A little more supportive for involvement of people experiencing poverty are less educated people (67%) than people with tertiary education (62%). It could be argued, that in general social groups that are at risk of poverty are significantly more supporting participation of people experiencing poverty in formation of social policy than those social groups that are doing better. As regards involvement of non-governmental organizations and municipality institutions into decision-making processes, less-educated people more often did not have an opinion about possible role of these social policy actors (18 and 19% respectively) and a smaller proportion of them agreed that the state would win from their involvement (75 and 78%) than people with secondary and tertiary education.

One of the indicators used in the questionnaire of the survey was constructed on the ground of definition, developed by Ruth Levitas, of three discourses that in the different modes construct the interpretations of social exclusion/inclusion. The first, the moral underclass discourse presents the socially excluded as culturally distinct from the 'mainstream'. The policy implications are greater conditionality, reduction, or removal of citizenship rights. The second, the social integrationist discourse promotes emphasis on the significance of paid work and employment for social inclusion. It ignores inequalities between those in paid employment as well as the significance of non-paid work. The third, the redistributionist discourse identifies relative poverty and discrimination as the main sources of exclusion from the full rights of citizenship in civil, political and social spheres. As Levitas summarises, "RED, SID and MUD differ in what the excluded are seen as lacking. In RED they have no money, in SID they have no work, and in MUD they have no morals." (Levitas, 1998, p. 9) Seeking to find out which of these discourses prevails in Lithuanian society, in the survey respondents were asked:

Which of the listed goals aimed at reducing poverty in Lithuania should be given priority?

1. Strengthening the morality of citizens by teaching them to be hard-working and responsible.
2. Increasing employment of population by creating more work places.
3. Strengthening social justice by improving social support for people experiencing poverty.

Results of the survey are presented in Figure 3. Considering solutions to the problems of poverty in Lithuania, a half of population gives priority to increasing employment by creating more work places, one third supports strengthening social justice by increasing social support for people experiencing poverty and only two out of ten people give priority to strengthening the morality of citizens.



As it could be expected there are significant differences in attitudes of people according to their social position. First, unemployed and retired people are more like to give priority to strengthening social justice by increasing social support for people who experience poverty (33% and 35% respectively) than students and employed. Second, the people who have high incomes (1000 litas and more) support less this priority (22%). Third, there is a large difference between urban and rural population: people who live in rural places gives priority to increasing employment by creating work places (60%) considerably more often than people who live in large cities of Lithuania (41%).

#### 2.4. Major New Trends or Challenges, New Risk Factors or Significant New Groups at Risk

There could be distinguished few potential new groups at risk in Lithuania:

First, families, especially young, who have too low income to receive housing and consumer loans. Currently possibilities of these families to receive social housing are limited. On the one

hand, demand for social housing several times exceeds supply of it. On the other hand, the state's social housing policy is not effective: municipalities spend their money for construction of social housing while it could be more efficient to rent it from house owners. IRNPR does not include any measures for improving situation of social housing in the country except preparation and approval of recommendations on how to use support from the EU structural funds for development of social housing in problematic areas.

Second, employees of public sector: teachers (especially young), employees of health care and social security system are at risk of sliding down into "in-work" poverty because of high inflation and low salaries.

Third, people, whose main source of income are social benefits: their income increase more slowly than inflation which causes deterioration of their financial situation.

Fourth, as usual young families housing loans is one more group at social risk. The amount of loans is increasing (look Table 3 and Figure 9 in Annex 2).

## 2.5. New Legislation and Policy Development

On the 5th of September, 2007 the Government has approved of the Family Well-being Policy Measures for 2008–2010 of the National Strategy on Population Policy submitted by the Ministry of Social Security and Labour, which aim at creating the environment friendly for families and child raising, and ensuring better life quality for large families.

The purpose of this draft resolution is to strengthen the institution of family, create a friendlier environment for families and child raising, overcome the negative trends of family development, and ensure better life quality for large families.

With a view to achieving the objectives raised in the sphere of family well-being, implementation of the following measures has been envisaged:

1. To promote returning of parents who raised children to the labour market, to support the creation of workplaces adapted to the needs of families with children; to promote flexible forms of employment; to increase maternity (paternity) benefits, to grant and calculate them under more favourable terms and extend their payment period, at the same time creating the conditions for working and using the benefits for the child care; to ensure uninterrupted social insurance guarantees for parents who take care of their children, as well as carers of the disabled family members.
2. To improve accessibility and quality of services of preschool education establishments; to provide free meals for primary school pupils; to support already operating centres of complex assistance for families.
3. To increase the amount of non-taxable income for families raising children; to increase MSL (minimum standard of living) and SSI (state supported income); to implement payment of a child benefit to children below the age of 18; to increase birth benefits, to introduce child care benefits; to envisage support for students from needy families; to reimburse the expenses of purchasing motor cars for families raising a disabled child; to expand opportunities for housing purchase by reimbursing a larger share of the mortgage loan for young and large families and expanding the opportunities of provision of social housing for needy families.

4. To strengthen the institution of family (to prepare young individuals for a family, to create a family-friendly environment, etc.).

In 2008, about 553 million LTL will be additionally needed from the state budget for the implementation of measures. Preliminary calculation of funds for the implementation of Family Well-being Policy Measures for 2008–2010 accounts for 1.32 billion LTL.

On 22nd of August, 2007 the Government has approved the amendments to the Law on Sickness and Maternity Social Insurance. The amendments aim at improving the financial situation of families raising small children and guaranteeing a better social protection to insured persons, the information given by respondents should be updated.

It is proposed that maternity (paternity) benefit during the child care leave should be paid until the child reaches the age of 1.5 years (at present, it is paid until 1 year). The amount of the benefit would make up 100 per cent of the compensatory salary of the benefit recipient until the child is 1 year old and 85 per cent of the compensatory salary until the child is 1.5 years old.

It is proposed to increase the amount of the maternity (paternity) benefit with regards to the number of children born at the same time (to increase it twice in case of twins, thrice in case of triplets and so on).

A very important provision for those willing to raise their child and work part time is also proposed. In such a case when the salary of the insured person is lower than the maternity (paternity) the benefit will amount to the difference between the benefit and the salary.

In order to increase the social guarantees for persons raising children, it is proposed that the sickness social insurance benefit be paid for child care also in cases when the insured person granted maternity leave or child care leave in relation to the child until the child is three years old cannot take care of the child due to his/her sickness or trauma as certified in the conclusion issued by a doctor in a healthcare establishment. Such sickness benefit is proposed to be paid to the other insured spouse from the first day for up to 14 calendar days from the funds of SODRA (Social Insurance Fund Board).

The amendments to the above-mentioned law should partially change the system for calculation of maternity and maternity (paternity) benefits. In the case when a woman who has recently given birth is granted another maternity leave, and the maternity or maternity (paternity) benefit is calculated on the basis of the period when the woman was still on child care leave until the child is one year old and is lower than the first benefit, the larger benefit shall be paid.

Besides, it is proposed to increase the minimum amount of the maternity social insurance benefit, which shall not be lower than one third of the monthly insured income (at present it cannot be lower than one fourth of the income). If the proposed amount is adopted, the minimum maternity benefit would make up 452 LTL. At present, with the principle of one fourth of the insured income being applied, the benefit amounts to 339 LTL.

It is also proposed to establish that pupils and pupils below 24 years should be eligible for sickness, maternity, paternity, or maternity (paternity) benefits during sickness or leave, if before the beginning of sickness or respective leave they have not acquired the necessary record because during the indicated time they were enrolled in day studies in high, higher, professional,

or secondary schools registered according to the law and the period between the graduation (as indicated in the document certifying graduation) until they become insured does not exceed 3 months. The insured will also be eligible for the above-mentioned benefits, if before the beginning of sickness or respective leave they have not acquired the necessary record because, during the indicated period, they were insured as statutory civil servants and the period after the change of status does not exceed 3 months.

According to the data of SODRA, the average number of recipients of maternity (paternity) benefit per month was 17.879 in the first half of 2007 (including 14.390 mothers and 3.489 fathers). Paternity benefits until the child is one year old were paid to 4.207 fathers.

But some well-known experts are criticizing this initiative of the Government. Their arguments are as follows, the increase of the benefit for maternity (paternity) and prolongation of the leave could impinge the return to the labour market especially for women. If the Parliament will pass these amendments in Lithuania maternity (paternity) leave will be one of the longest in EU. These experts claim that prolongation of maternity (paternity) leave must be replaced by flexible relationships between family life and work and improvement of the children care system in order to enable smooth return to work.

According to the Law on Social Support to Pupils children from disadvantaged families receive support for preparations for school and free meals at school.

Pupils who are raised in families where income per member of the family is below than one amount of state supported income (hereinafter referred to as the "SSI", amounting to 205 LTL) or, with regards to the living conditions of the family, where the income is below than 1.5 SSI (307.5 LTL) are eligible to receive school accessories and stationery.

Pupils who are raised in families where income per member of the family is below than 1.5 amounts of state supported income (SSI, or 307.5 LTL) or, with regards to the living conditions of the family, where the income is below than 2 SSI (410 LTL) are eligible for free meals at school.

This year these subsidies were increased. In 2007 10.8 millions LTL have been allocated from the state budget to children from the most disadvantaged families for preparations to schools. This is the largest ever state budget allocation aimed at supporting children before the beginning of a new school year. Before the beginning of a new school year, around 70.000 pupils from families with low income will receive support of up to 156 LTL per pupil. Last year, 8 million LTL were allocated to prepare pupils for school, and the average support per one pupil slightly exceeded 100 LTL.

After SSI is increased on 1 October 2007 (from 205 to 235 LTL), pupils from families where income per member is below 352.5 LTL or, with regards to the living conditions of the family, is below 470 LTL will become eligible for free meals.

Over 81 million LTL have been allocated from the state budget for providing free meals to pupils. Around 88.000 pupils received free meals in schools in January-September 2007.

After increase of the SSI, over 48 thousand people per month will become eligible for social benefits (during the first half of 2007, over 39 thousand people received social benefits), while the number of recipients of the compensations of heating expenditure will increase up to 118

thousand persons per month (during the 2007 heating season, 100 thousand people a month received compensation for heating expenditure).

The unemployment insurance allowance to the unemployed registered in the labour exchange and the social benefit will also increase: 221.5 LTL per month will be paid to the persons who receive no other income. At present, the social benefit paid to persons who receive no other income makes up 184.5 LTL. But it is necessary to mention that this amount is very little and unemployed is either living in a deep poverty or is dependant on other (family, relative, savings, etc.) resources.

## 2.6. Issues of Particular Interest

### *2.6.1. NAP/inclusion*

The key priorities of the Lithuanian NAP/inclusion are as follows: (1) increase of the labour market participation; (2) improving the access to quality service; (3) elimination of the child poverty and enhancing assistance to families; (4) tackling disadvantages in education and training. Since NAP/inclusion comprise comparatively big amount of social benefits that are not indexed, the overall picture of the implementation of the NAP/inclusion due to increasing inflation is complicated. But there is a real progress in mainstreaming NAP/inclusion as social policy tool.

### *2.6.2. Gender*

On 30th of March, 2007 the Government has approved the 2006 Report on the implementation of the 2005 – 2009 Programme on Equal opportunities of men and women. It confirms that the situation concerning gender equality in the country is improving.

Last year the level of employment among women has reached the goal of the Lisbon Strategy set for 2010 and accounted for 61%. In the year of 2005 the employment level among women reached 59.4%. The difference of the employment level between men and women decreased from 7.6% in 2005 to 5.3% in 2006.

According to the level of employment among senior women Lithuania is the eighth in the EU, and according to employment level among women bringing up children less than 12 years of age, Lithuania is the second in the EU. The number of women managers in Lithuania accounts for 43% and this is the second best result in the EU.

Through the implementation of the Programme on Equal opportunities of men and women in 2006, great attention was given for promoting employment of women, in particular in rural areas, among senior women and women returning to the labour market after a longer period of maternity and child care leave, also encouraging business among women, facilitating the conciliation of family and working responsibilities, increasing motivation of women to work, as well as improving competences and skills in taking more active participation in taking decisions, eliminating stereotypical attitudes towards the role of men and women in the society and economic activities. Much attention was also given to information and education in legal aspects of gender equality by providing assistance to victims of violence against women and strengthening cooperation with Women's organisations in Lithuania.

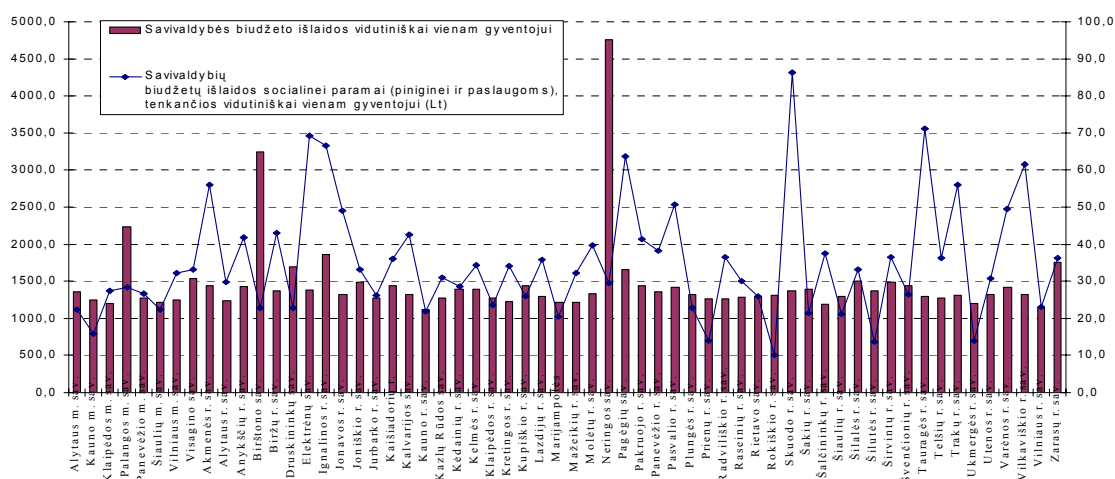
### 2.6.3. Mobilisation and Involvement of Actors

Social policy in Lithuania is rather centralized. Central government is responsible for financing and administration of traditional social risks (such as age, illnesses, disabilities, unemployment, maternity and etc.) insurance. High education is financed according to the principle of student's voucher therefore different municipalities obtain approximately the same amount of money.

Municipalities are administrating some of social benefits (financial social support for families and disabled people and compensations of accommodation-related expenses for destitute people), which are financed from central budget. Municipalities from their budgets give reliefs for people in poverty and provide the majority of social care services. There are sizeable territorial differences of social exclusion particularly in this area. Uneven economic and social development territorially is typical in Lithuania as in other market economy countries. Because of historic factors, different intensity of economic performance, structure of economy and demographic composition of population the welfare of people in different regions of Lithuania would vary more if government didn't redistribute public finance. But because of backing of local budgets public finance are fairly equalized countrywide. On average expenses of budgets of municipalities for one person are similar. For example, in 2005 expenses in different municipalities varied from 1300 LTL to 1500 LTL per month. Only a few resort areas where expenses are substantially higher stand out from the other areas. So the government using tools of public finance policy creates fairly equal opportunities for the development of social care service in municipalities.

On the contrary, even having fairly equal financial opportunities, municipalities develop social care service in very different directions. Data represented in Figure 1 indicate that expenses for social care and social service vary dramatically when total expenses of municipalities are similar. The columns represent the spendings of the municipality per capita, and breaking line spending on social care per capita.

Figure 1. Expenses for Social Care and Social Service per Capita in Different Municipalities

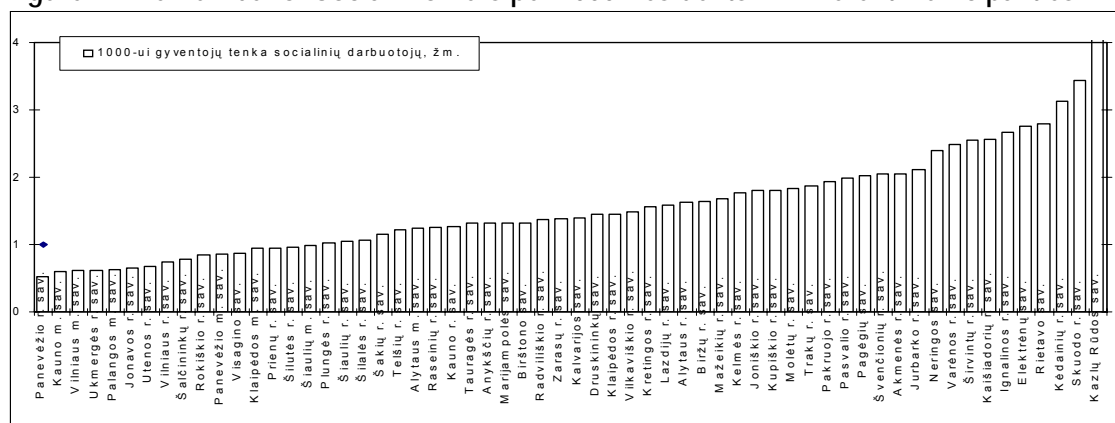


Source: Lazutka, Misiunas, 2006.

The research initiated by MSSL disclosed that it does not depend nor on financial opportunities of municipality, neither on demand for service. Demographic structure of population, illness rate and pervasion of unemployment are not decisive factors for municipalities to allocate money for social service and to establish and finance shifts for social employees. The number of social employees

for 1000 residents varies from 0.5 to 3 (Figure 2). Surprisingly, that there are fewer social employees in municipalities of large cities where economic situation is considerably better and opportunities to finance social service are higher.

Figure 2. The Number of Social Workers per 1000 Residents in Different Municipalities



Source: Lazutka, Misiunas, 2006.

Considering the statistical data above and the results of previously mentioned research the crucial question arises: How does central government could influence the more equal development of social service in the country? The centralization of service is not a solution, because rather big number of people gets into social exclusion and poverty due to the lack of sufficient social capital – the fabric of social relations and cultural capital – moral values and behavioral standards inclusive culture. The revenue can be effectively allocated in the society on behalf of weak people centrally, whereas social and cultural capital can be conveyed to people being in social exclusion only in local communities. The person unaware where to seek for advice, what kind of positive activity to start and what habits to refuse, can be supported by being with him. Due to that in Lithuania the responsibility for social service is assigned for municipalities by law. Unfortunately, the part of budgets of municipalities allocated for service of social care is not only badly scarce (merely about 2-3% out of all expanses; Figure 1), but also very different. In 2006 and 2007 the Government initiated to finance additional shifts for social employees in seniunijos (smallest unit of municipal administration that includes as usual few villages). However, along with the money from the centre, the central control and standardization of solutions come together, whereas different social circumstances require the flexibility of social work.

Naturally, the attention paid on social exclusion depends on local politics, mayors, the position of local administration and local authority electors. Inferring this and referring to the experience gained in participating in EU process of open method of coordination, the government of Lithuania initiated the planning of the development of social service in the municipalities.

The Law on Social Services defines the competence of the municipalities in the provision of social services. “A municipality shall be in charge of the ensuring of provision of social services to residents of its territory by planning and organising social services and controlling the quality of social services of general interest and social attendance” (Art. 13) The same article states that in order “to determine the scope of provision and types of social services in line with residents’ needs, a municipality shall annually draw up and approve a plan of social services. The plan of social services shall be drawn up in compliance with the methods of planning of social services as approved by the Government or an institution authorised by it.”

On the ground of the same law, according to the information about the social service on offer in the territories of municipalities, MSSL evaluates the condition of social service countrywide and offers proposals about the development of social service. On an annual basis by the 1st of April, MSSL announces the standards of country's social service development according to the types of social service for different social groups. Municipalities must follow these standards while planning social service.

While preparing for social service planning, the government and MSSL has validated the methodology of planning of social services, the methodology of financing and for calculation of funds of social services, standards for social care and regulations for the Department of Supervision of Social Services.

It all are particular guidelines from central authority, which are used to influence the development of social service in the territories of municipalities giving local authority the freedom to consider the format of social exclusion and the demand of local people for the social services.

In the methodology of planning of social services (further referred as methodology) validated by the government it is determined how social services ought to be planned in the municipalities. Methodology defines and describes the principles of planning of social services in municipalities, stakeholders of planning of social service, the order of the organizing of the project of social service plan, the structure and the content of the plan and the procedures of the consideration, coordination and implementation of the project provided. The form of social service plan and the criteria for evaluation of effectiveness of social service are validated by the ministry of social security and labour.

Municipalities have to inform all interested persons and organizations, representing the clients of social services. The members of the vulnerable groups or their representatives ought to be involved in the process of planning and monitoring of the implementation of the plan of social services. The opportunities to get acquainted with the project of social service plan, to state the opinion and offer suggestions should be created for the local communities. It is recommended to announce the project of plan of social services and the results of the implementation of previous year plan in the local press, the webpage of the municipality or use other public relation tools, discuss it with the society and the organizations during the meetings and public discussions.

MSSL is designing so called social map ([www.socialiniszemelapis.lt](http://www.socialiniszemelapis.lt)) – the database of social evolution indexes, where various indicators characterizing social exclusion and the tools of social security would be accumulating about every municipality in the country. These indicators will be published in the webpage of MSSL and could be observed by every internet user. The opportunity to compare social situation effortlessly in different municipalities will arise. It is expected that this tool together with previously discussed social service planning in the municipalities will activate local communities, local politics and will contribute to more successful reduction of social exclusion using local social policy tools.

Social map is policy tool (Look Figures 10-12 in the Annex 2) that would support the social dialogue, partnership and solidarity between MSSL, Municipalities, social partners, NGO, and local communities; would assist in shaping, implementation of the social policy in the field of social inclusion, in dissemination of the good practices; would support the introduction of the principles of Open Method of Coordination an the national and local levels.

It is expected that social map together with previously discussed planning of social services in the municipalities will activate local communities, local politics and will contribute to more successful reduction of social exclusion using local social policy tools.

#### *2.6.4. Mainstreaming*

The Project LaBas intends to raise awareness in Lithuania about the National Action Plan against Poverty and Social Exclusion and mobilize relevant stakeholders to ensure due process of development and effective implementation of the NAP/inclusion effort.

The project has two target groups: general public and grass roots social policy actors such as local government, community leaders, regional and local newspapers and TV stations, non-governmental organisations, those directly experiencing poverty and social exclusion. During the implementation of the project in five selected regions of Lithuania there will be established work groups of relevant stakeholders with a purpose of development of mechanisms which would ensure more active participation by local social policy actors in decision-making processes, related to the implementation of the NAP/inclusion. These five cases will be used as examples to raise awareness about the potential of the NAP among social policy actors country-wide and the general population of Lithuania. It is expected that the implementation of the project will contribute to empowerment of grass roots level social policy actors and those who directly experience poverty and social exclusion, enable two-way communication between policymakers and other relevant stakeholders, strengthen links among national and regional agencies, dealing with various areas of social policy. As a result, the NAP/inclusion will gain acceptance as a social policy orchestrating tool, political parties will integrate the NAP/inclusion into their political platforms, current expenditures on social policy will be used more effectively. The other line of actions in the project, targeted at the population in general, is aimed at creating a more favourable environment for implementation of the NAP/inclusion at the national, regional, and local levels. It is expected that rising awareness of the population about European Union's social inclusion and protection processes using national media campaigns and social advertising will help to mobilize efforts by relevant stakeholders to reduce poverty and social exclusion across the country; in addition, it will help destigmatize vulnerable and excluded groups and promote tolerance towards them.

#### *2.6.5. Regional and Local Interests*

The Law on Social Services drafted by the Ministry of Social Security and Labour is to come into force from 1 July 2006. It is orientated towards decentralisation of social services, which is why municipal functions in the field of social service management are being strengthened. One of the essential changes is a shift from financing care institutions to financing services proper by allocating targeted state aid to municipalities and using them for providing services at institutions irrespective of their subordination.

Targeted state aid for municipal budgets will create equal opportunities for municipalities to organise services. This will increase the accessibility of social services to all residents of the country. Municipalities will be encouraged to look for forms of services alternative to residential care such as day social care at a person's home or a day care centre and short-term social care.

Nevertheless there are not a few policy developments that deserve attention and could improve the level for social services for all and promote social inclusion for children.

On the national policy level it is necessary to mention Law on Social Services and Methodology of Planning of Social Services. In first Semester Report of 2007 the differences of the numbers of children and families at social risk were mentioned. These differences could be interpreted as manifestations of local social policies that in most cases are not reflected and articulated.

The Methodology of Planning of Social Services designed for the local municipalities and approved by the Government could be very helpful in articulation and recognition of the local social policy. The principles of the Methodology of Planning of Social Services are very similar to the principles of the Open Method of Coordination, namely, subsidiarity, involvement of the interest groups and local partners, empowerment of the vulnerable groups, exchange of the good practice, etc. Unfortunately Municipalities are not very enthusiastic in application of this Methodology and they are lacking competence.

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## Annex 1. Legislation in the Field of Social Security Issued from the Beginning of 2007

| Date                 | Number | Document type   | Title  | Web address   |
|----------------------|--------|---|--|---|
| 2007 m. sausio 4 d.  | A1-1   | LIETUVOS RESPUBLIKOS SOCIALINĖS APSAUGOS IR DARBO MINISTRO ĮSAKYMAS | DĖL NUTEISTŪJŲ IR ASMENŲ, PALEISTŲ IŠ LAISVĖS ATĖMIMO VIETŲ, SOCIALINĖS REABILITACIJOS IR INTEGRACIJOS Į VISUOMENĘ PROJEKTŲ VERTINIMO KOMISIJOS SUDARYMO IR NUTEISTŪJŲ IR ASMENŲ, PALEISTŲ IŠ LAISVĖS ATĖMIMO VIETŲ, SOCIALINĖS REABILITACIJOS IR INTEGRACIJOS Į VISUOMENĘ PROJEKTŲ ATRANKOS KONKURSO ORGANIZAVIMO 2007 METAIS NUOSTATŲ PATVIRTINIMO | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290936">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290936</a> |
| 2007 m. sausio 9 d.  | A1-5   | LIETUVOS RESPUBLIKOS SOCIALINĖS APSAUGOS IR DARBO MINISTRO ĮSAKYMAS | DĖL VALSTYBĖS BIUDŽETO LĖŠŲ POREIKIO VALSTYBINĖMS ŠALPOS IŠMOKOMS MOKĖTI APSKAIČIAVIMO METODIKOS PATVIRTINIMO  | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290686">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290686</a> |
| 2007 m. sausio 15 d. | 40     | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL VALSTYBINĖS SOCIALINIO DRAUDIMO BAZINĖS PENSIJOS PADIDINIMO, EINAMŪJŲ 2007 METŲ DRAUDŽIAMŪJŲ PAJAMŲ NAUJO DYDŽIO IR MAKSIMALIOS VALSTYBINĖS SOCIALINIO DRAUDIMO NEPERSKAIČIUOTOS PENSIJOS PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290876">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=290876</a> |
| 2007 m. sausio 16 d. | A1-9   | LIETUVOS RESPUBLIKOS SOCIALINĖS APSAUGOS IR DARBO MINISTRO ĮSAKYMAS | DĖL PROJEKTŲ, SKIRTŲ TRUMPALAIKEI IR ILGALAIKEI KOMPLEKSINEI PAGALBAI VAIKAMS, NUKENTĖJUSIEMS NUO SMURTO, IR JŲ ŠEIMOMS TEIKTI, VERTINIMO KOMISIJOS SUDARYMO IR PROJEKTŲ ATRANKOS KONKURSO NUOSTATŲ PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291194">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291194</a> |
| 2007 m. sausio 16 d. | A1-10  | LIETUVOS RESPUBLIKOS SOCIALINĖS APSAUGOS IR DARBO MINISTRO ĮSAKYMAS | DĖL VYRESNIO AMŽIAUS ŽMONĖMS ATSTOVAUJANČIŲ NEVALSTYBINIŲ ORGANIZACIJŲ VEIKLOS RĖMIMO 2007 METAIS  | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291133">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291133</a> |
| 2007 m. sausio 17 d. | 46     | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL SKURDO IR SOCIALINĖS ATSKIRTIES MAŽINIMO 2007-2008 METŲ PRIEMONIŲ PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291065">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291065</a> |

## LITHUANIA

| Date                          | Number       | Document type   | Title  | Web address  |
|-------------------------------|--------------|---|--|--|
| 2007 m.<br>sausio 18<br>d.    | X-1040       | LIETUVOS<br>RESPUBLIKOS<br>ĮSTATYMAS  | LIETUVOS RESPUBLIKOS<br>SOCIALINIŲ ĮMONIŲ ĮSTATYMO<br>3, 4, 5, 8, 14, 18, 19 STRAIPSNIŲ<br>PAKEITIMO<br>ĮSTATYMAS  | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291837">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=291837</a> |
| 2007 m.<br>sausio 18<br>d.    | X-1033       | LIETUVOS<br>RESPUBLIKOS<br>ĮSTATYMAS  | LIETUVOS RESPUBLIKOS<br>SOCIALINĖS PARAMOS<br>MOKINIAMS ĮSTATYMO 1, 4, 5, 9,<br>12, 14 STRAIPSNIŲ PAKEITIMO<br>ĮSTATYMAS   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=291526">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=291526</a> |
| 2007 m.<br>vasario 7<br>d.    | ISAK-<br>179 | LIETUVOS<br>RESPUBLIKOS<br>ŠVIETIMO IR<br>MOKSLO<br>MINISTRO<br>ĮSAKYMAS              | DĖL RENGIMO ŠEIMAI IR<br>LYTIŠKUMO UGDYMO<br>PROGRAMOS<br>PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=292322">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=292322</a> |
| 2007 m.<br>vasario<br>20 d.   | A1-46        | LIETUVOS<br>RESPUBLIKOS<br>SOCIALINĖS<br>APSAUGOS IR<br>DARBO<br>MINISTRO<br>ĮSAKYMAS | DĖL SOCIALINĖS GLOBOS<br>NORMŲ APRAŠO PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=292682">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=292682</a> |
| 2007 m.<br>kovo 13<br>d.      | A1-67        | LIETUVOS<br>RESPUBLIKOS<br>SOCIALINĖS<br>APSAUGOS IR<br>DARBO<br>MINISTRO<br>ĮSAKYMAS | DĖL LIETUVOS RESPUBLIKOS<br>SOCIALINĖS APSAUGOS IR<br>DARBO MINISTRO 2006 M.<br>BALANDŽIO 5 D. ĮSAKYMO NR.<br>A1-94 „DĖL ASMENS (ŠEIMOS)<br>SOCIALINIŲ PASLAUGŲ<br>POREIKIO NUSTATYMO IR<br>SKYRIMO TVARKOS APRAŠO IR<br>SENYVO AMŽIAUS ASMENS BEI<br>SUAUGUSIO ASMENS SU<br>NEGALIA SOCIALINĖS GLOBOS<br>POREIKIO NUSTATYMO<br>METODIKOS PATVIRTINIMO“<br>PAKEITIMO | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=293817">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=293817</a> |
| 2007 m.<br>kovo 27<br>d.      | A1-84        | LIETUVOS<br>RESPUBLIKOS<br>SOCIALINĖS<br>APSAUGOS IR<br>DARBO<br>MINISTRO<br>ĮSAKYMAS | DĖL SOCIALINĖS APSAUGOS IR<br>DARBO MINISTRO 2006 M.<br>LIEPOS 28 D. ĮSAKYMO NR. A1-<br>212 „DĖL SOCIALINĖS RIZIKOS<br>ŠEIMŲ, AUGINANČIŲ VAIKUS,<br>APSKAITOS SAVIVALDYBĖS<br>VAIKO TEISIŲ APSAUGOS<br>TARNYBOJE (SKYRIUJE)<br>TVARKOS APRAŠO<br>PATVIRTINIMO“ PAKEITIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=294811">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=294811</a> |
| 2007 m.<br>balandžio<br>27 d. | ISAK-<br>791 | LIETUVOS<br>RESPUBLIKOS<br>ŠVIETIMO IR<br>MOKSLO<br>MINISTRO<br>ĮSAKYMAS              | DĖL LIETUVOS VIRTUALAUS<br>UNIVERSITETO 2007–2012 METŲ<br>PROGRAMOS PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=297176">http://www3.lrs.lt/cgi-<br/>bin/getfmt?C1=e&amp;C2=297176</a> |

| Date                   | Number   | Document type   | Title  | Web address   |
|------------------------|----------|---|--|---|
| 2007 m. gegužės 2 d.   | ISAK-805 | LIETUVOS RESPUBLIKOS ŠVIETIMO IR MOKSLO MINISTRO ĮSAKYMAS           | DĖL VAIKŲ SOCIALIZACIJOS PROGRAMŲ RĖMIMO KONKURSO TVARKOS APRAŠO PATVIRTINIMO  | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=296891">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=296891</a> |
| 2005 m. gegužės 23 d.  | 572      | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL NACIONALINĖS DEMOGRAFINĖS (GYVENTOJŲ) POLITIKOS STRATEGIJOS ĮGYVENDINIMO 2005–2007 METŲ PRIEMONIŲ PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=296401">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=296401</a> |
| 2007 m. birželio 26 d. | X-1205   | LIETUVOS RESPUBLIKOS ĮSTATYMAS                                      | LIETUVOS RESPUBLIKOS LIGOS IR MOTINYSTĖS SOCIALINIO DRAUDIMO ĮSTATYMO 5, 6, 19, 20, 21 STRAIPSNIŲ PAKEITIMO IR PAPILDYMO ĮSTATYMAS   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=301363">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=301363</a> |
| 2007 m. rugpjūčio 8 d. | 814      | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL LIETUVOS RESPUBLIKOS VAIKŲ IŠLAIKYMO FONDO ĮSTATYMO ĮGYVENDINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=302877">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=302877</a> |
| 2007 m. rugsėjo 5 d.   | 948      | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL NACIONALINĖS DEMOGRAFINĖS (GYVENTOJŲ) POLITIKOS STRATEGIJOS ŠEIMOS GEROVĖS ĮGYVENDINIMO 2008–2010 METŲ PRIEMONIŲ PLANO PATVIRTINIMO  | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=304152">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=304152</a> |
| 2007 m. rugsėjo 28 d.  | A1-264   | LIETUVOS RESPUBLIKOS SOCIALINĖS APSAUGOS IR DARBO MINISTRO ĮSAKYMAS | DĖL 2007 M. NEPANAUDOTŲ SPECIALIŲ TIKSLINIŲ DOTACIJŲ SOCIALINĖMS IŠMOKOMS IR KOMPENSACIJOMS SKAIČIUOTI IR MOKĖTI, SOCIALINEI PARAMAI MOKINIAMS IR SOCIALINĖMS PASLAUGOMS NAUDOJIMO KITAI SOCIALINEI PARAMAI FINANSUOTI TVARKOS APRAŠO PATVIRTINIMO | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=305412">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=305412</a> |
| 2007 m. spalio 10 d.   | 1094     | LIETUVOS RESPUBLIKOS VYRIAUSYBĖS NUTARIMAS                          | DĖL PRANEŠIMO APIE JUNGTINIŲ TAUTŲ KONVENCIJOS DĖL VISŲ FORMŲ DISKRIMINACIJOS PANAIKINIMO MOTERIMS ĮGYVENDINIMĄ LIETUVOJE PATVIRTINIMO   | <a href="http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=306744">http://www3.lrs.lt/cgi-bin/getfmt?C1=e&amp;C2=306744</a> |

## Annex 2. Tables and Graphs of Social and Economic Developments Relevant to Social Inclusion and Social Protection

Table 1. Key Macroeconomic Indicators

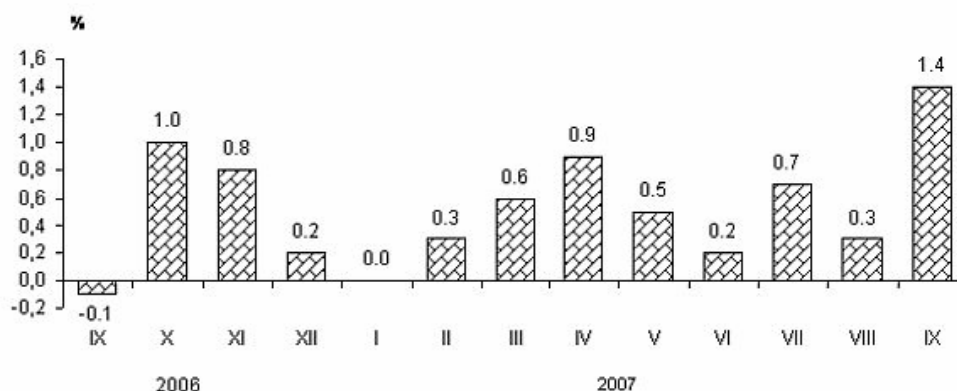
| Indicator   | Situation in Lithuania |       |                         |           |       |
|---|------------------------|-------|-------------------------|-----------|-------|
|   | 2005                   | 2006  | 2007 1 half of the year | Forecasts |       |
|   |                        |       |                         | 2007      | 2008  |
| Real GDP growth, %  | 7.9                    | 7.7   | 8.0 (IIQ)               | 8.6       | 5.3   |
| Real consumption growth, %  | 10.1                   | 10.5  | 9.7 (IIQ)               | 11.1      | 7.1   |
| Current account balance of the balance of payments, % of the GDP*         | -7.2                   | -10.8 | -14.8                   | -13.7     | -14.0 |
| Foreign direct investments in Lithuania, % of the current account balance | 55.8                   | 56.8  | 46.5                    | -         |       |
| Balance of goods and services of the balance of payments, % of the GDP    | -7.2                   | -10.4 | -13.4                   | -14.1     | -14.4 |
| Change in the Harmonised Index of Consumer Prices (annual average), %     | 2.7                    | 3.8   | 4.9 september           | 5.2       | 5.6   |
| Unemployment**, %   | 8.3                    | 5.6   | 4 (IIQ)                 | 4.5       | 5.2   |
| General government deficit, % of the GDP                                  | -0.5                   | -0.3  | -                       | -0.9      | -0.5  |
| General government debt, % of the GDP                                     | 18.6                   | 18.2  | -                       | 17.4      | 17.2  |

Source: Department of Statistics, calculations of the Bank of Lithuania and the Ministry of Finance

\* Calculations of the Bank of Lithuania

\*\* The unemployment rate projections for 2008 are based on an assumption that due to more rapidly increasing wages the activity of the labour force may become more intensive and the migration flows may change; if the level of the activity of the labour market and migration would change in accordance with the trends observed in the past few years, then the unemployment rate in 2008 would amount to approximately 4.8 per cent.

Figure 1. Monthly Price Changes for Consumer Goods and Services as Compared With the Previous Month

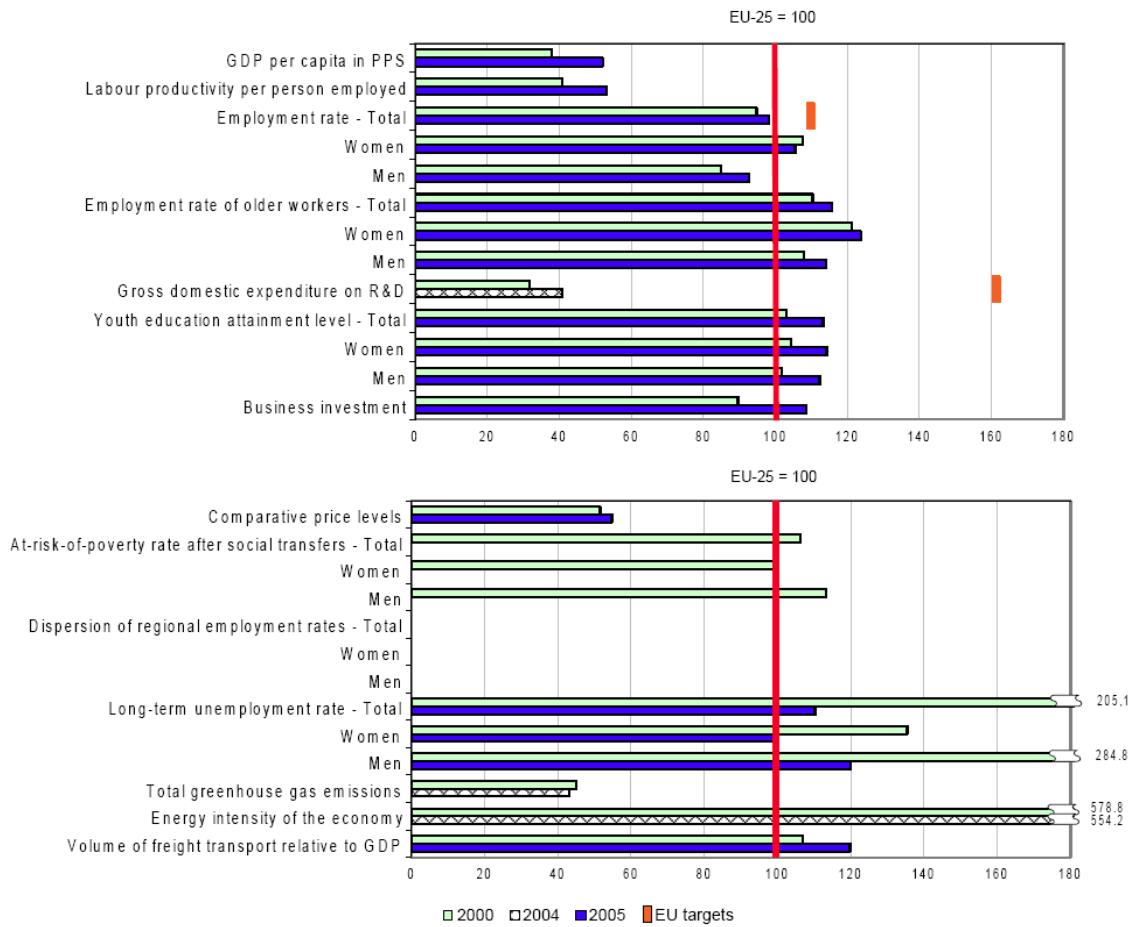


Source: [Statistics Lithuania](#)

Table 2. Changes in Prices for Key Commodity and Service Group, in September 2007

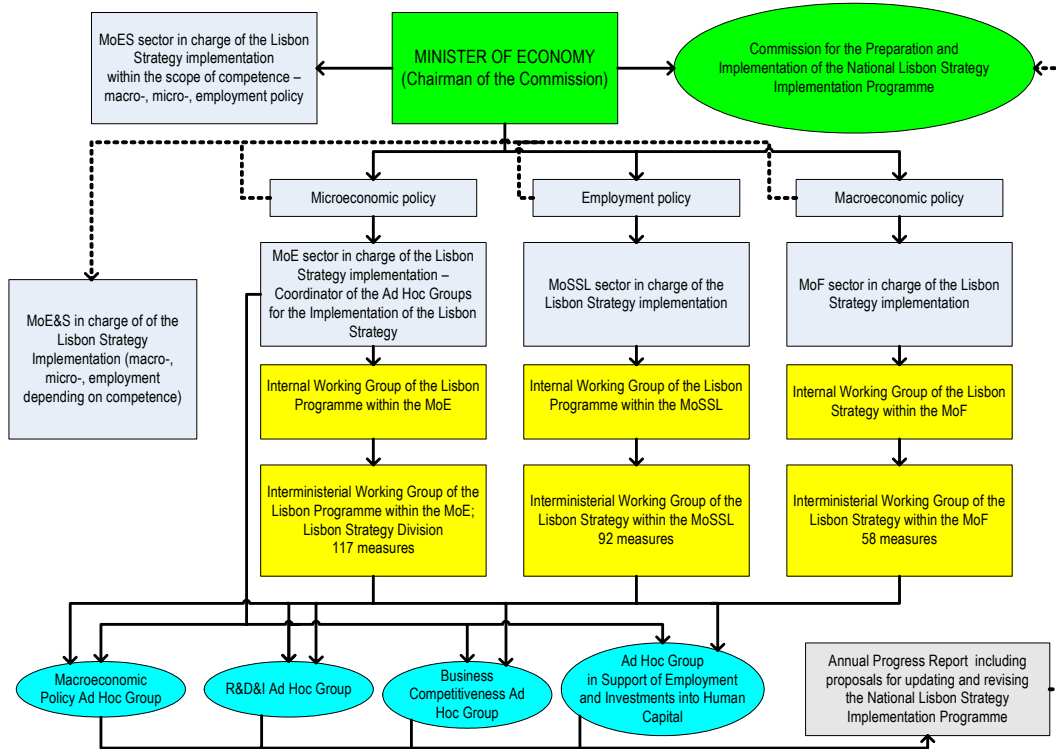
| Commodity and service groups                             | Specific weight in total consumption expenditure | Growth, drop (-); September 2007 against |          |           |
|--|--|--|----------|-----------|
|  |  | August 2007                              | 2006     |           |
|  |  |  | December | September |
| Total CPI  | 100.0  | 1.4                                      | 4.9      | 7.1       |
| Food products and non-alcoholic beverages                | 25.9   | 2.2                                      | 9.1      | 12.7      |
| Alcoholic drinks and tobacco products                    | 7.0  | 0.8                                      | 6.5      | 7.5       |
| Clothing and footwear                                    | 8.7  | 3.8                                      | -7.2     | -4.8      |
| Housing, water, electricity, gas and other fuels         | 12.1   | 1.3                                      | 7.6      | 12.5      |
| Furnishings, household equipment and routine maintenance | 6.5  | 0.2                                      | 1.9      | 2.3       |
| Health care  | 5.0  | 0.3                                      | 7.4      | 8.7       |
| Transport  | 10.8   | 1.4                                      | 6.6      | 7.5       |
| Communications   | 4.5  | -0.3                                     | -6.5     | -7.2      |
| Recreation and culture                                   | 7.4  | -0.8                                     | 0.4      | 0.2       |
| Education  | 1.4  | 6.9                                      | 9.4      | 9.9       |
| Hotels, cafes and restaurants                            | 5.8  | 0.5                                      | 8.4      | 10.2      |
| Miscellaneous goods and services                         | 4.9  | 0.3                                      | 5.3      | 6.8       |

Figure 2. Lithuanian Performance Compared to EU-25



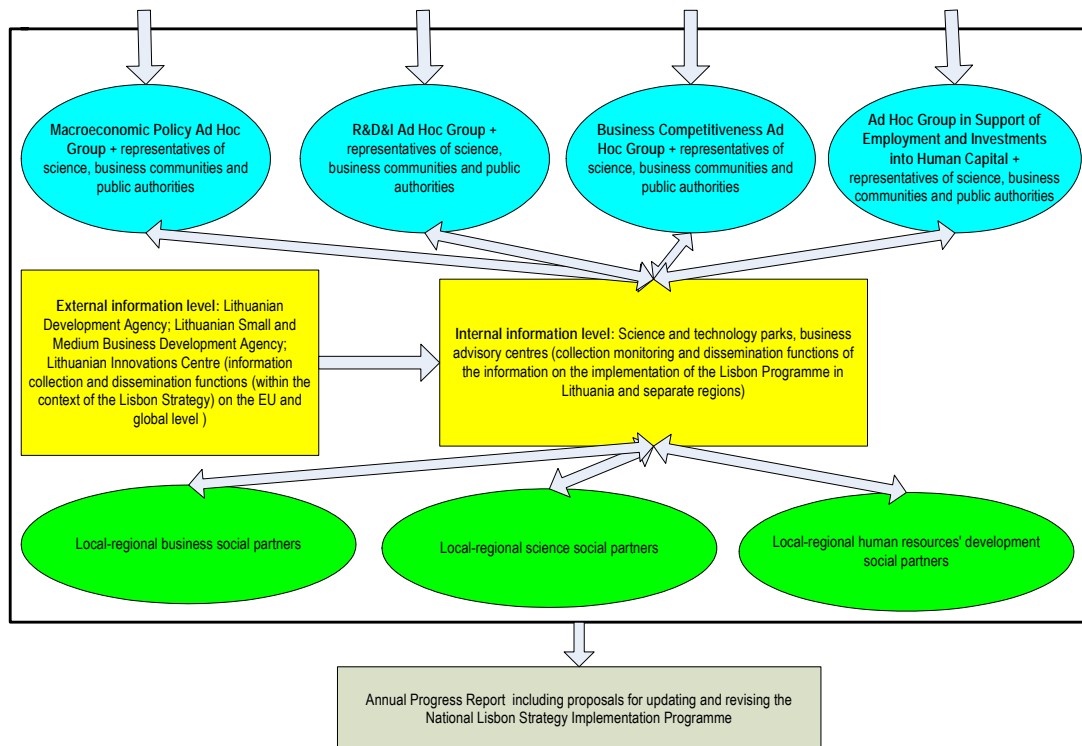
Source: Lithuania, Assessment of National Reform Programme

Figure 3. National Part of the National Lisbon Strategy Implementation Programme



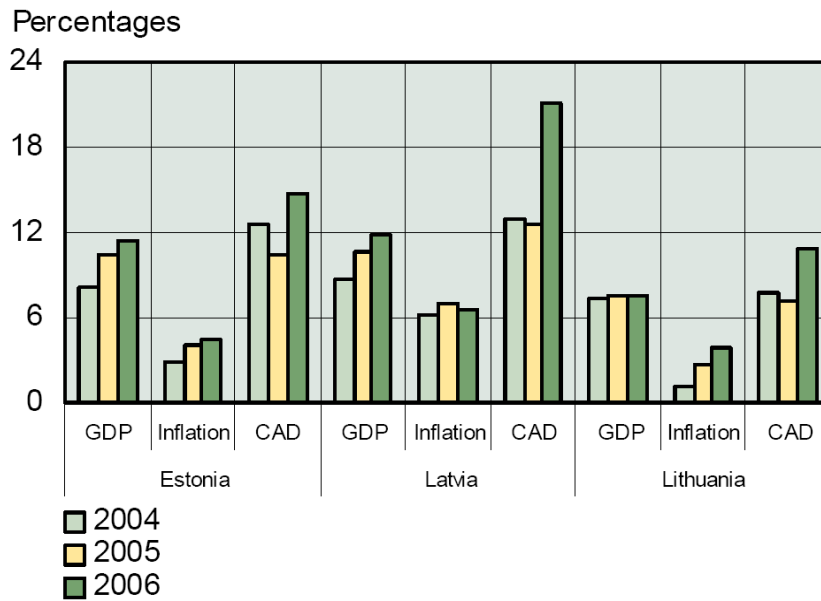
Source: IRNRP/Lithuania/2007

Figure 4. Public Part of the National Lisbon Strategy Implementation Programme



Source: IRNRP/Lithuania/2007

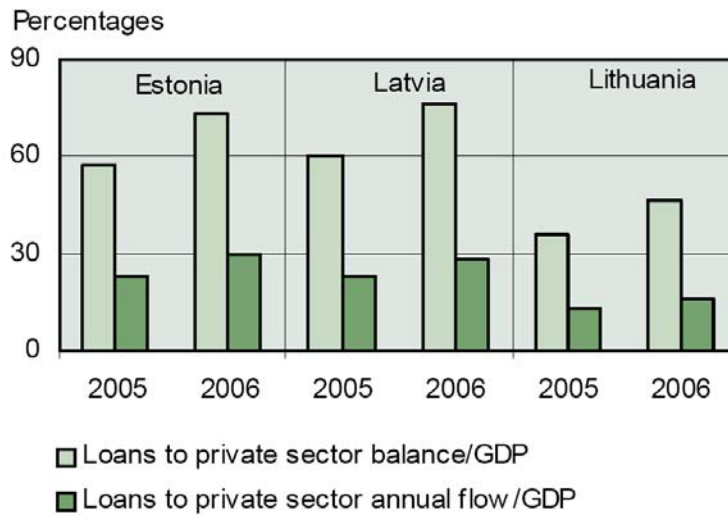
Figure 5. Main Economic Indicators of the Baltic States (Annual Change)



Sources: Eurostat and national central banks of the Baltic States.

Note: real GDP, average annual inflation, CAD relative GDP.

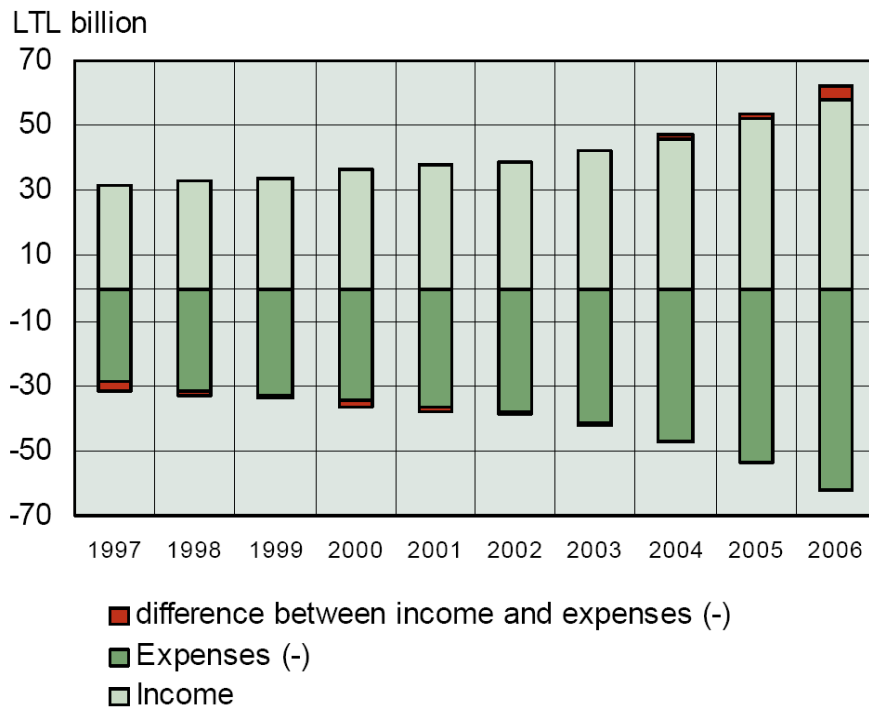
Figure 6. Loans to the Private Sector in the Baltic States



Sources: ECB and Eurostat.

Note: loans to private sector comprise loans to non-financial corporations and households.

Figure 7. Household Income and Expenditure (Annual Change)



Sources: Department of Statistics and Bank of Lithuania calculations.

Figure 8. Wages and labour productivity

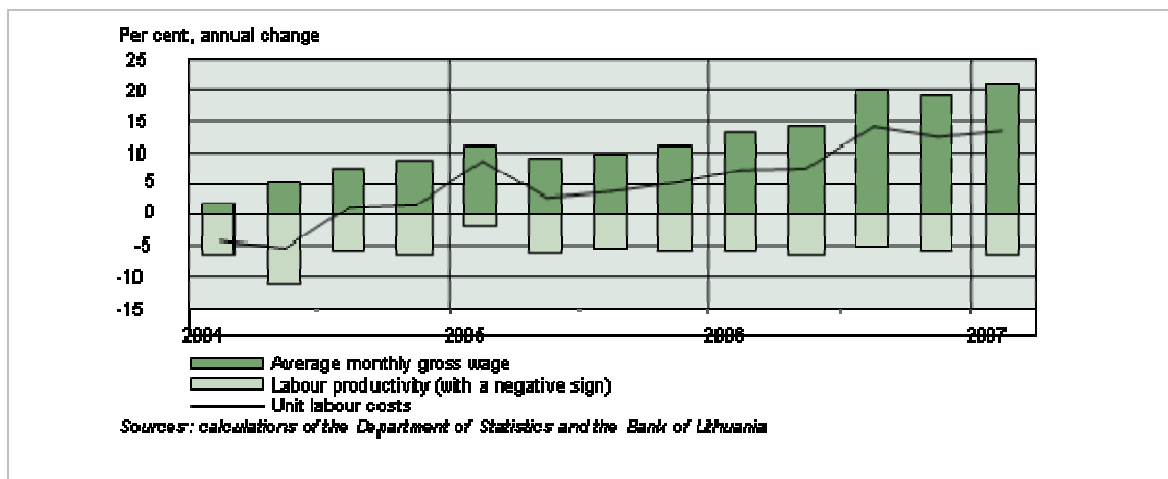
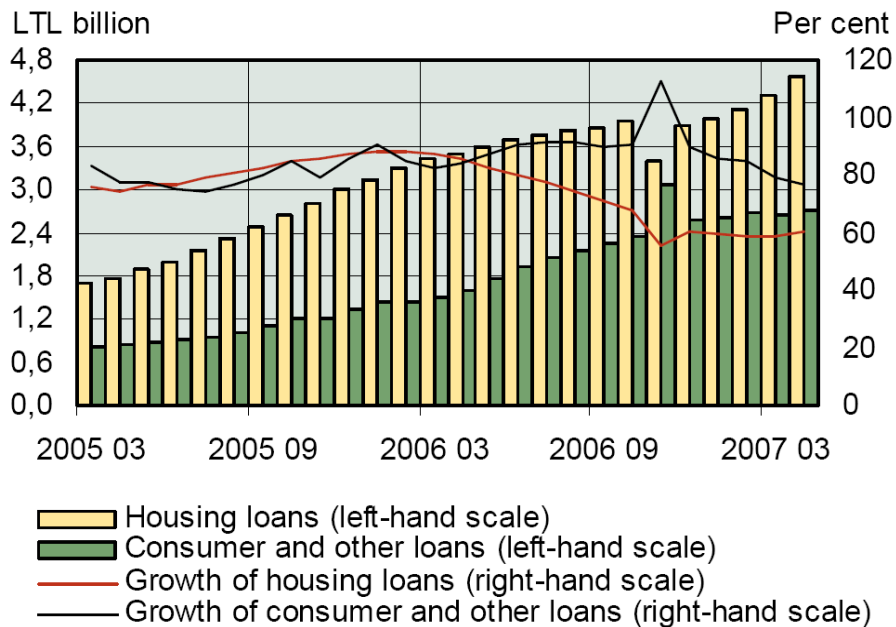


Table 3. Share of Indebted Households

|   | 2004 | 2005 | 2006 |
|---|------|------|------|
| Share of households with housing loans,%            | 2.3  | 6.0  | 8.7  |
| Share of households with consumers or other loans,% | 20.0 | n/a  | 22.3 |

Sources: Household Survey of the Department of Statistics (2005) and Household Survey of the Bank of Lithuania (2007)

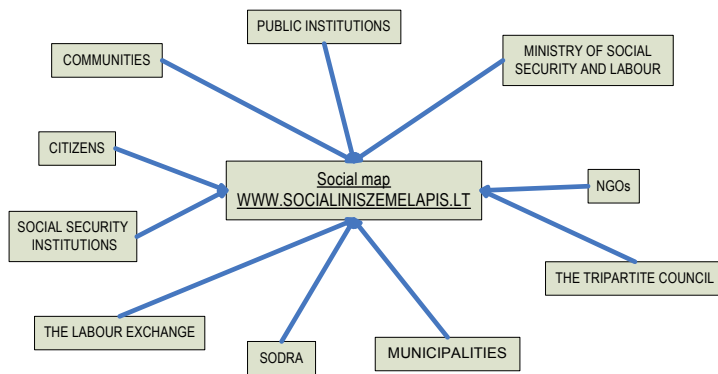
Figure 9. Growth of Housing Loans and Other Loans to Households (Annual Change)



Source: Bank of Lithuania calculations.

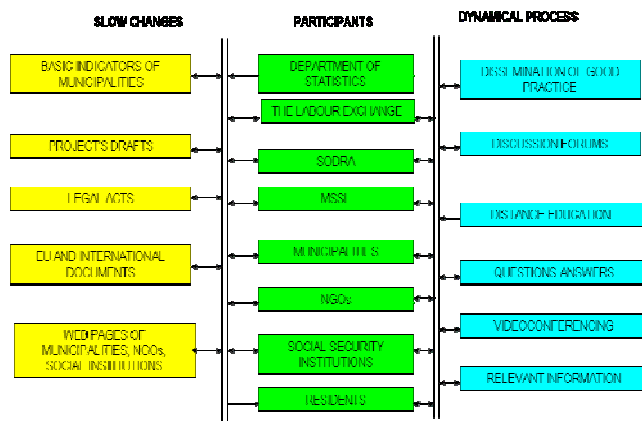
Note: Changes of loan portfolio in November 2006 were determined by loan reclassification in biggest commercial banks.

Figure 10. The Structure of the Social Map



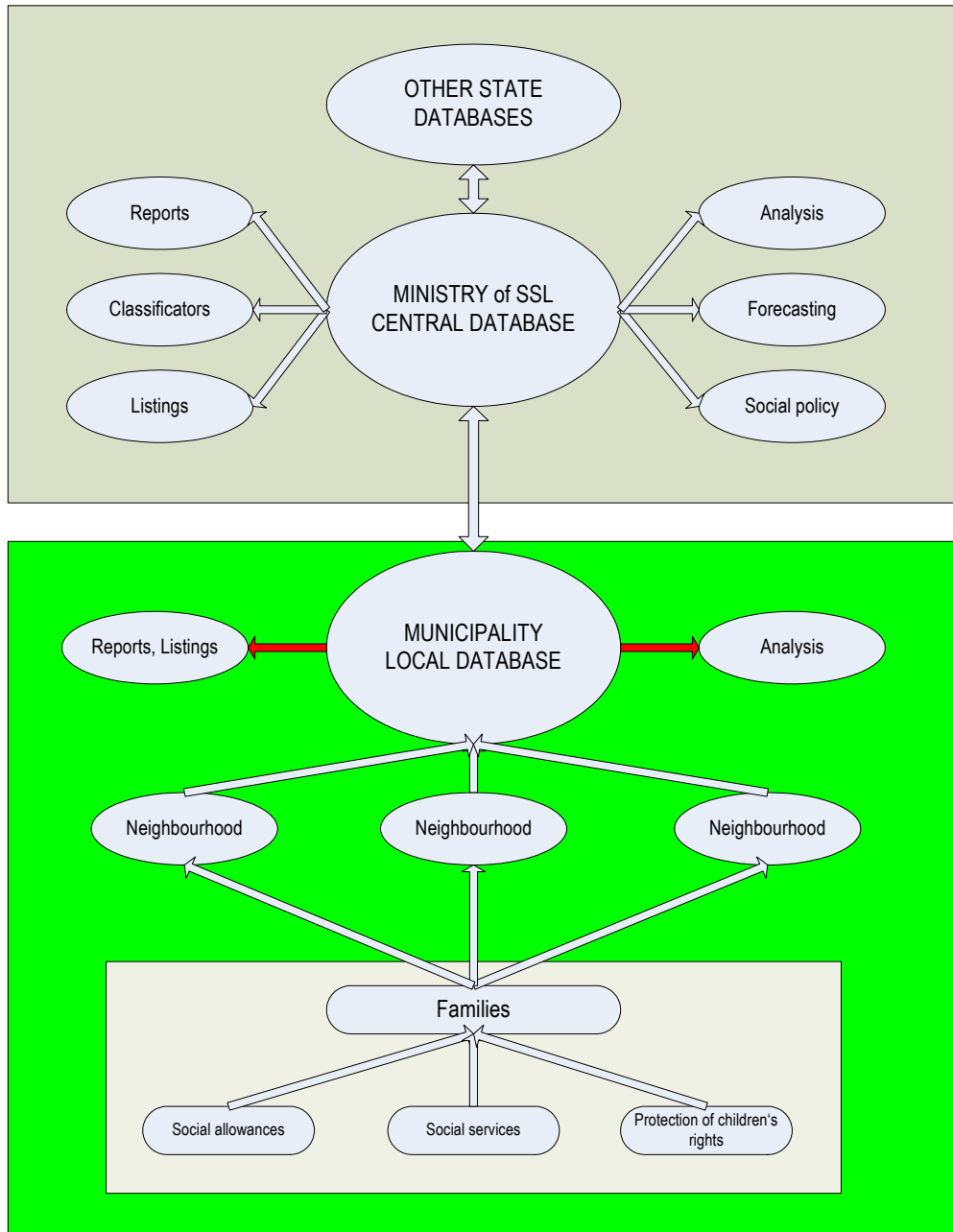
Source: MSSL

Figure 11. Functioning of the Social Map



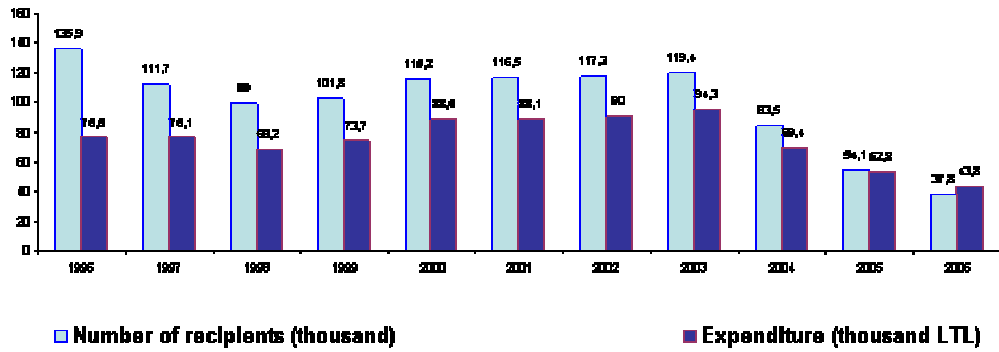
Source: MSSL

Figure 12. Social Assistance Information System of the Social Map



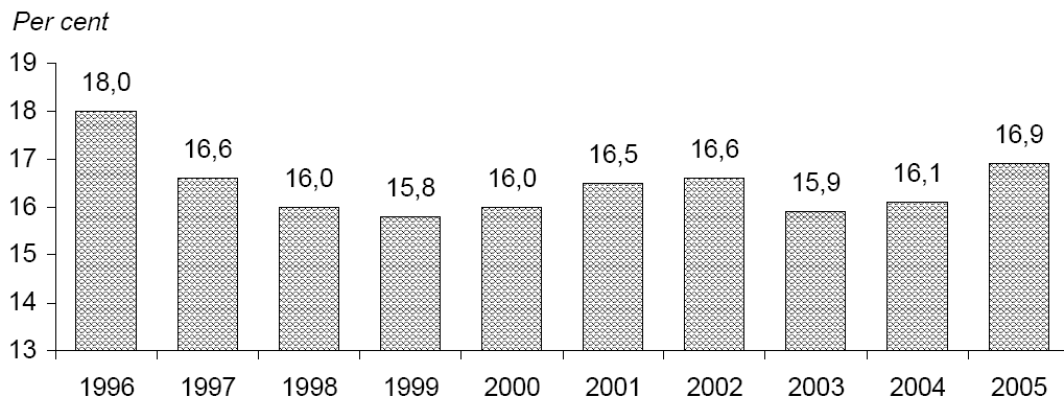
Source: MSSL

Figure 13. Social assistance benefits (number of receivers and expenditures)



Source: MSSL

Figure 14. Relative poverty rate



Source: Lithuanian Statistics