

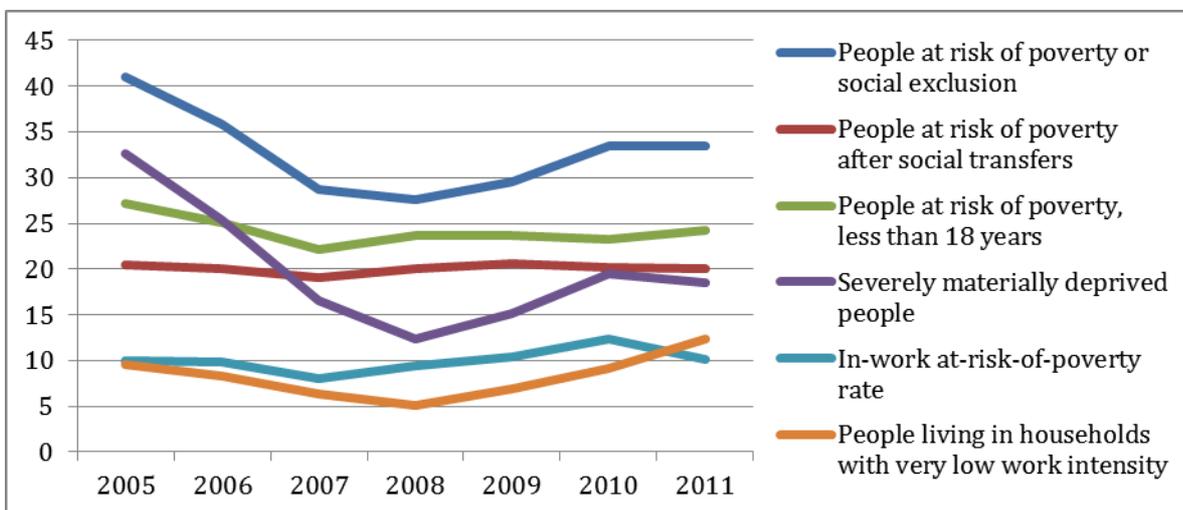
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Lithuania based on Eurostat:

- **Almost all indicators increased** during the observed period (2008-2011). It can be noted that the at-risk-of-poverty rate of women experienced a slight decrease (from 22% in 2008 to 19% in 2012) but nevertheless remains higher than the male rate (18.1% in 2012).
- **Young people aged between 18 and 24 are the age group at highest risk of poverty** (having increased by 8.4 p.p. to 26.2% in 2011), followed by children (24.3% in 2012).
- **Severe material deprivation increased by a worrying 6.2 p.p.** to 19.8% in 2012 – more than twice as high as the EU average (9.9% in 2012).
- **In-work-poverty** (7.6% in 2012) remains; a problem that mainly relates to very low wage levels compared to other EU countries.

Poverty trends in Lithuania (% of population):



Additional national statistics¹ from 2011 provide further data that confirm the above trends:

- There are **huge regional differences** in poverty rates between the provinces and main cities. The at-risk-of-poverty rate before social transfer in provinces is considerably higher (44.2%) than in cities (25.7%).
- The at-risk-of-poverty rate of children (31.9%) and young people (26.2% in 2011) remained high.
- The at-risk-of-poverty rate of households from 2011 reveals two of the **most vulnerable groups**: **single parents with one child** (42.4%) and **two adults with three and more children** (33.1%).

1.2. Recent policy developments

Since last year the following policy developments have been registered:

Some active **labour market policy measures** were approved for unemployed registered with labour exchanges, but the real effect of these measures is humble. In order to increase the quality of social services, a **new version of social care standards** was prepared in 2012. Furthermore, the **rules for**

¹ Lithuanian Statistics Department, 2011. URL:

<http://db1.stat.gov.lt/statbank/selectvarval/saveselections.asp?MainTable=M3080302&PLanguage=0&TableStyle=&Buttons=&PXSid=14794&IQY=&TC=&ST=ST&rvar0=&rvar1=&rvar2=&rvar3=&rvar4=&rvar5=&rvar6=&rvar7=&rvar8=&rvar9=&rvar10=&rvar11=&rvar12=&rvar13=&rvar14>

licencing social care institutions were prepared and approved; however, the main problem of social services remains **budget cuts for social projects**. This is mainly due to political will to have the euro currency introduced by 2015²; Lithuania has to meet **very strict requirements of budget deficit**.

Assessment of Lithuania's NRP and policies it refers to:

The Lithuanian NRP reports on some measures to tackle the poverty problem. It reports on measures related to providing income support by granting an additional social benefit upon employment. Clearly, the Lithuanian NRP **tackles the problem of poverty merely through the employment angle**. The document **does not address child poverty** nor does it propose concrete measures (other than increasing employment) aimed at reducing poverty or at tackling the factors leading to poverty. The NRP **lacks a broader analysis of the poverty situation in Lithuania** as well as of the measures that either were or will be taken in order to respond to the recommendations by the European Commission.

The document presents a new policy that plans to increase the effectiveness and efficiency of social assistance in the municipalities. This programme **gives the impression of aiming at the reduction of social expenditures rather than reducing poverty**, as these are the figures that are reported on.

On the one hand, Lithuania is investing a lot in employment programmes but on the other hand, it is **not tackling the in-work poverty problem**. This negative approach is also reflected in the NRP. The document further **lacks an analysis of the poverty situation of vulnerable groups**, such as young families, single persons with children, families with 2 and more children, disabled people (especially young people) and children.

Therefore, it can be said that there is a large difference between what is written in NRP 2013 and the real situation in the country. Unfortunately, there is no discussion in the society about the need for a social investment programmes. Furthermore, the NRP 2013 is not giving any answer about the future cooperation and role of NGOs in reducing poverty and social inclusion.

Assessment of Lithuania's Country Specific Recommendations (CSRs) adopted in 2013:

CSR 4 can be considered adequate for achieving a reduction of poverty and social exclusion in Lithuania. However, the following CSR will most probably have a negative impact:

| CSRs that could have a negative impact | Possible negative impact |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • CSR 1: Ensure growth friendly fiscal consolidation and implement the budgetary strategy as planned, pursuing a structural adjustment effort that will enable Lithuania to reach the medium-term objective. Prioritise growth-enhancing expenditure. Continue to strengthen the fiscal framework, in particular by securing enforceable and binding expenditure ceilings in the medium-term budgetary framework. Review the tax system and consider increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation, including introducing car taxation, while continuing to reinforce tax compliance. | <ul style="list-style-type: none"> • So far environmental taxation was more about taxes on petrol, gas and diesel. It is doubtful that there will be a political will to introduce car taxation. Still, any increase in environmental taxation will be transferred on shoulders of ordinary people at the end. This would increase poverty and social exclusion. • Recommending a social investment package for Lithuania would be highly welcomed for future CSRs. |

² euobserver, 2013, *Lithuania in second attempt to join euro*. URL: <http://euobserver.com/lithuania/120293>

1.3. Recommendations

- Design a comprehensive strategy to **tackle child poverty** and the transmission of poverty on youth.
- **In-work poverty** should be addressed by the government as a **key priority**.
- Introduce **fair taxation policies** and an adequate **increase of minimum income**.
- Introduce a **new help system for families with children**.
- **Improve access to social services** (kindergartens and others).

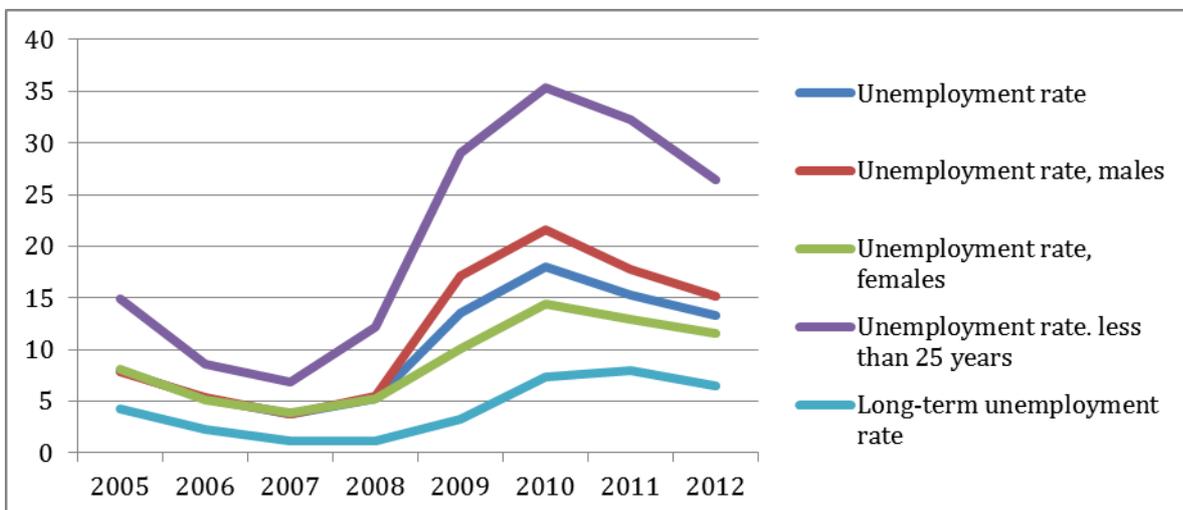
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Lithuania (2008-2012):

- **Unemployment more than tripled between 2008 (5.3%) and 2010 (18%)**. After a peak in 2010 the rate dropped again to 13.3% in 2012, representing an overall increase of 8 p.p. during the observed period (2008-2012).
- Young people were the hardest hit by unemployment: **youth unemployment increased by 23.1 p.p. between 2008 and 2010 (35.3%)**, after which it dropped again to 26.4% in 2012. This represents an overall increase of 14.2 p.p. during the observed period.
- The highest proportional increase occurred in **long-term unemployment, whose rate increased almost sixfold** (from 1.1% in 2008 to 6.5% in 2012) and more than eightfold among men (from 0.9% in 2008 to 7.3% in 2012).
- It has to be noted that, despite a drop of 3.3 p.p., **the employment rate (68.7%) remained above EU average** (68.5%), most notably among women (67.9% compared to a female EU average of 62.4%).

Employment trends in Lithuania (% of population):



Additional national data put the above Eurostat data into perspective:

- The Lithuanian labour market has an **extremely high number of minimum monthly wage earners**. The rate of employees who had earned minimum monthly wage (EUR 290 or EUR 238 after taxes) in October 2012 was 18.5 %; in 2011 this rate was 20.8%. Lithuania has **one of the highest in-work poverty rates in the EU** (see poverty chapter).³

³ Lithuanian Statistics Department, 2013. URL:

<http://webcache.googleusercontent.com/search?q=cache:D1UgMf0pPecJ:web.stat.gov.lt/lt/news/view%3Fid%3>

- According to national statistics, the **low-wage trap has been increasing** and in 2011 reached 26.4% for single persons without children and 92.4% for one-earner married couples with two children. These numbers are very worrying, because the statistic of 2006 showed that only 55.2% of one-earner married couples with two children were in the low-wage trap.

2.2. Recent policy developments

Since last year the following policy developments have been registered:

In August 2012, the **Raising Youth Employment** project was introduced. The goal of the project was to help unemployed young people to **acquire the missing skills at their work place**. The Project showed good results: the **youth unemployment rate was decreasing**.

In October 2012 Labour exchange introduced a new programme called **Aid for first job**. Its aim is to provide financial assistance in the form of a **reimbursement of 23% of wage costs**.

On 1 January 2013 the **minimal wage was increased** from 850 litas (EUR 246) to 100 litas (**EUR 290**).

It appears that the measures and policies proposed and implemented earlier have had a positive overall effect on the employment situation in Lithuania. Nevertheless, the **decrease of the unemployment rate can also be attributed to the increase of exports as well as to emigration**. The uncertainty of the worldwide economic situation has a direct effect on the future of Lithuanian exporting companies who are vulnerable to fluctuations. It is therefore assumed that once these companies are faced with difficulties, the unemployment rate is likely to increase again because the **domestic market remains weak**. This circumstance has a direct impact on the creation of jobs in small and medium sized businesses working in the domestic market.

Assessment of Lithuania's NRP and policies it refers to:

The Lithuanian NRP reports on some concrete measures to counteract unemployment and to tackle the factors leading to unemployment. However, the document still **lacks specific measures to address unemployment of elderly people or people with disabilities**. It has to be highlighted that the introduced measures to tackle the problem of low-skilled and long-term unemployed were faced with the reality of a budget saving policy.

Furthermore, the NRP fails to report on the regional dimension. While reporting positively on an overall reduction of unemployment in Lithuania, the document **fails to talk about the effectiveness of the implemented policies in rural areas**.

Assessment of Lithuania's Country Specific Recommendations (CSRs) adopted in 2013:

CSR 3 can be considered adequate for tackling the employment problems in Lithuania. However, the following CSR will most probably have a negative impact:

| CSRs that could have a negative impact | Possible negative impact |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • CSR 1 on environmental taxation (<i>see also poverty chapter</i>) | <ul style="list-style-type: none"> • An increase of environmental taxation will be transferred on shoulders of ordinary people at the end. There is a high risk that high taxation will push small and medium sized companies to bankruptcy causing a reduction of work places. |

2.3. Recommendations

- Reduce the huge gap between lowest and highest income earners (**fairer? taxation system**)
- Take concrete steps (new legislation) to **increase minimal wage**
- **Reduce administrative burden** on small and medium-sized business
- Introduce **new training programmes** which would respond to **needs of labour market**
- Reduce the regional gap by investing more in job creation and **attraction of foreign investments in province regions**
- The implementation of **concrete targeted measures to reduce unemployment** by different state institutions should be done **by one common coordinating centre**
- Introduce **self-employment programmes backed by sufficient state funding** (concessional loans)