



COUNTRY
REPORT
FOR
LITHUANIA

A photograph of a woman holding a young child in a brick building hallway. The image is overlaid with a semi-transparent red filter. The woman is looking down at the child, and the child is looking to the side. The hallway has brick walls and a metal handrail on the right side.

EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01 EU 2020 Strategy: general evaluation

Caritas Lithuania has a critical opinion about the Europe 2020 process in Lithuania. No significant progress has been made to reach the majority of national targets. The process of planning implementation is neither transparent nor participatory.

There is a need to review Europe 2020 targets on creating jobs and reducing poverty. The poverty target must be prioritised. It is important for every country to set realistic targets keeping in mind their own situation. The only way to set proper targets is public consultations with key civil society players and national agreement thereon.

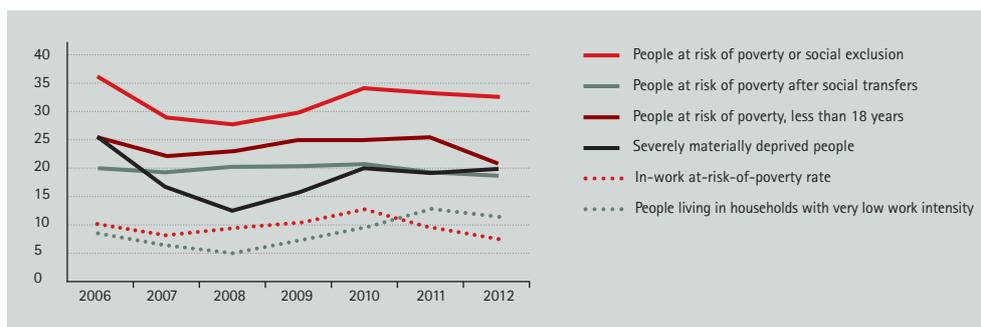
The EU needs a strategy for growth and jobs for the coming years. In order to link such a strategy with other EU policies, the Europe 2020 Strategy could be supplemented with a working plan on increasing employment and growth. In order for this strategy to deliver results, the targets should be set in a S.M.A.R.T. way and constant verification of the on-going processes should be guaranteed.

So far, the involvement of stakeholders in the Europe 2020 Strategy has been poor. There is need for more active involvement of civil society.

02 Poverty

2.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Lithuania													
POVERTY													
People at risk of poverty or social exclusion	-	-	29.6	-	-	34.0	-	-	33.1	-	-	32.5	24.8
People at risk of poverty after social transfers	18.9	21.6	20.3	18.9	21.6	20.3	19.1	19.3	19.2	18.1	19	18.6	17.0
People at risk of poverty, less than 18 years of age	-	-	24.8	-	-	24.8	-	-	25.2	-	-	20.8	20.8
Severely materially deprived people	-	-	15.6	-	-	19.9	-	-	19.0	-	-	19.8	9.9
In-work at-risk-of-poverty rate	9.2	11.3	10.3	10.6	14.3	12.6	9.3	9.7	9.5	6.8	8.3	7.6	9.2
People living in households with very low work intensity	-	-	7.2	-	-	9.5	-	-	12.7	-	-	11.4	10.3



Development of poverty and social exclusion indicators in Lithuania (2009-2012) based on Eurostat:

- ➔ The highest absolute and relative increase occurred in the rate of people living in households with very low work intensity, which rose by 4.2 p.p. from 7.2% in 2009 to 11.4% in 2012, situating the indicator above the EU-average (10.3% in 2012).
- ➔ The second highest increase, both in absolute and relative terms, occurred in the severe material deprivation rate, which also rose by 4.2 p.p. from 15.6% in 2009 to 19.8% in 2012 – twice as high as the EU-average (9.9% in 2012) and fifth highest in the EU.
- ➔ It is worth noting that the at-risk-of-poverty-and-social-exclusion rate increased from 29.6% in 2009 to 32.5% in 2012, remaining well above the EU-average (24.8% in 2012). Notably, other poverty indicators, such as those at-risk-of-poverty-after-social-transfers, in-work-at-risk-of-poverty and child poverty dropped during the observed period (by 1.7 p.p., 2.7 p.p. and 4 p.p. respectively).
- ➔ The in-work at-risk-of-poverty rate has increased in 2013 (9.1%) after a decrease from 9.5% in 2011 to 7.6% in 2012.

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ In 2013, according to Statistics Lithuania¹, the at-risk-of-poverty rate in Lithuania stood at 20.6 per cent. Compared to 2012, it increased by 2 percentage points. In 2013, about 610 thousand persons in the country were living below the at-risk-of-poverty threshold.
- ➔ In urban areas, the proportion of persons with disposable income below the at-risk-of-poverty threshold stood at 15.1 per cent (in five major cities – 11.7, in other towns – 20.3 per cent), in rural areas – at 31.7 per cent. Compared to 2012, the at-risk-of-poverty rate in urban areas increased by 1.4 percentage points (in five major cities – by 0.4 percentage points, in other towns – 3 percentage points), in rural areas – by 3.2 percentage points.
- ➔ In 2013, the at-risk-of-poverty threshold was LTL 811 per month for a single person and LTL 1703 per month for a family consisting of two adults and two children under 14. Compared to 2012, due to an increase in the disposable income of the population, the at-risk-of-poverty threshold grew by 8.3 per cent.
- ➔ Those at risk of poverty are usually children under 18. In 2013, the at-risk-of-poverty rate for children stood at 26.9 per cent and, compared to 2012, grew by 6.1 percentage points. The increase in the at-risk-of-poverty rate of children was largely influenced by changes in the

¹ <http://osp.stat.gov.lt/en/pranesimai-spaudai?articleId=2780372>

procedure for payment of maternity (paternity) allowances in 2011. Although in the income survey period (2012) a decrease in unemployment and an increase in wages and salaries were observed, the at-risk-of-poverty rate for persons aged 18–64, against the previous year, grew by 1.1 percentage points and stood at 19 per cent in 2013. A minimum wage and salary, with no other sources of income, did not protect employed persons from risk of poverty.

- ➔ In 2013, the at-risk-of-poverty rate for persons aged 65 and older stood at 19.4 per cent and, compared to 2012, grew by 0.7 percentage points. The average old-age pension totalled LTL 815.6. This means that old-age pensioners living alone and receiving at least LTL 5 lower than the average old-age pension found themselves below the at-risk-of-poverty threshold.
- ➔ In 2013, the at-risk-of-poverty rate in households with children stood at 21.8 per cent and, compared to 2012, grew by 3.4 percentage points. Over one year, the at-risk-of-poverty rate in households without children remained almost unchanged and stood at 19 per cent in 2013 (18.8 per cent in 2012). As regards household composition, persons at risk of poverty were usually those living in households consisting of one adult with dependent children (at-risk-of-poverty rate – 42.8 per cent) and single persons (33.7 per cent).
- ➔ Among employed persons, the unemployed, and old-age pensioners, 9.1%, 61% and 22.7% respectively were living below the at-risk-of-poverty threshold. Compared to 2012, the at-risk-of-poverty rate for employed persons grew by 1.5 percentage points, that for the unemployed – 6.6 percentage points, and that for old-age pensioners – 1.9 percentage points.
- ➔ The difference between the at-risk-of-poverty rate before and after social transfers shows the impact of social transfers on the reduction of the risk of poverty. After the deduction of social transfers (except for old-age and widow(er)s' survivors' pensions) from disposable income, the at-risk-of-poverty rate has increased to 30.3 per cent in 2013. When compared to the previous year, the impact of social transfers on the at-risk-of-poverty rate remained almost unchanged. Social transfers had the greatest impact on the at-risk-of-poverty rate in households with children: in 2012, after the deduction of social transfers, the at-risk-of-poverty rate for children under 18 would have increased from 26.9 to 40.7 per cent.
- ➔ In 2013, the at-risk-of-poverty gap stood at 24.8 per cent, suggesting that the disposable income of persons living below the at-risk-of-poverty threshold was, on average, lower by 24.8 per cent than the at-risk-of-poverty threshold. Compared to 2012, the at-risk-of-poverty gap increased by 2.2 percentage points. In urban areas, the at-risk-of-poverty gap stood at 20.5%, in the rural areas – at 26.3 per cent (in 2012, at 20.3 and 23.6 per cent respectively).
- ➔ In addition to these national statistics, Caritas Lithuania² reports that in 2013, Caritas volunteers visited 5,173 elderly people at home. The total number of visits reached 1.4 million. Every year the demand for homecare services is increasing. The majority of old people cannot pay for private services. Caritas volunteers and professional social workers are working hard to help people at home with the things they need.

Testimony

"All my life I worked in a school as a maths teacher. Now, I'm 75 and my mind is still bright but I have pain in my legs. I can't do many things by myself. I have no children. The only help I'm getting is from Caritas. Girls from the Caritas Home Care Department are taking care of me. It is very important for me, not because they are helping me at home but because I also have the chance to talk with someone."

75 year-old woman from Lithuania

² <http://caritas.lt/ckfinder/userfiles/files/ataskaita%20uz%202013%20%202v.pdf>

2.2

Recent policy developments

On 25 September 2013, the Lithuanian government approved a programme to increase employment during the period of 2014–2020. It aims to increase employment of young people and promote entrepreneurship. It is still too early to evaluate the results of the programme. Furthermore, measures have been introduced to increase employment of elderly people. However, all programmes lack measures to tackle the in-work-poverty problem.

Regarding the implementation of the measures proposed in the Recommendation on Investing in Children³ under the Social Investment Package, no new developments have been observed. There have been no changes in social benefits for families since February 2013 and families continue to have problems in getting places in kindergartens, especially in big cities.

Regarding the implementation of the Recommendation on Effective Roma Integration Measures⁴, it must be stated that Lithuania is investing in the education of Roma children; however, there is still a need for complex assistance for the Roma's young-adult generation, especially in terms of finding a job and integrating into society.

Assessment of Lithuania's Country Specific Recommendations (CSRs) adopted in 2014:

CSR 3 on better targeting active labour market policy measures, improving coverage and adequacy of unemployment benefits, addressing skills' mismatches and CSR 4 on ensuring adequate coverage of those most in need are considered to have a positive impact on the situation of poverty and social exclusion in Lithuania. Nevertheless, the following CSR could have a negative one:

CSRs that could have a negative impact

- ➔ CSR 1 on reviewing the tax system and considering increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation.

Observations

- ➔ So far environmental taxation has been more about taxes on petrol, gas and diesel. It is doubtful whether there will be the political will to introduce vehicle taxation. Still, any increase of environmental taxation will be transferred onto the shoulders of ordinary people in the end. This would increase poverty and social exclusion.

³ European Commission, 2013, Recommendation Investing in Children: Breaking the Cycle of Disadvantage 2013/112/EU approved under the Framework of the Social Investment Package

⁴ Council of the European Union (Employment, Social Policy, Health and Consumer Affairs Council Meeting), 2013, Council Recommendation on Effective Roma Integration Measures in the Member States

Furthermore, the Commission should provide clear recommendations on how to introduce the social investments package; this should be mentioned in future CSRs.

2.3

Recommendations

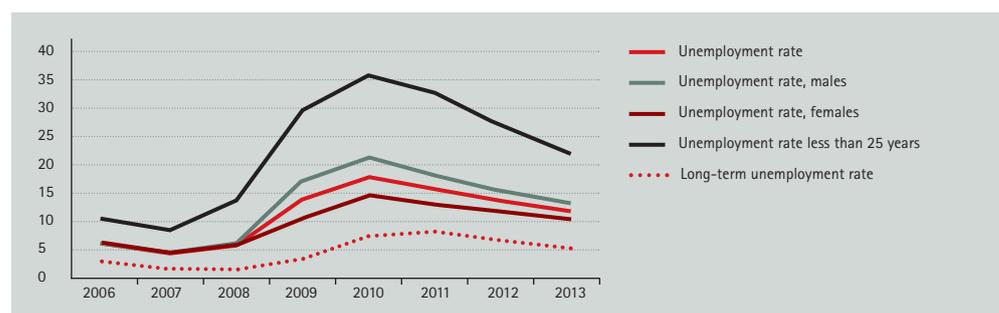
- ➔ Design a comprehensive strategy to tackle child poverty and the transmission of poverty among youth.
- ➔ In-work poverty should be addressed by the government as a key priority.
- ➔ Introduce fair taxation policies and an adequate increase of the minimum income.
- ➔ Introduce a new help system for families with children.
- ➔ Improve access to social services (kindergartens and others).
- ➔ In municipalities, create complex social help centres which also involve NGOs aimed at helping people to get out of the poverty loop.
- ➔ Improve quality and access to social services for elderly people.

03 Employment

3.1

Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	
Lithuania																
EMPLOYMENT																
Employment rate	66.8	67.2	67.0	63.5	65.0	64.3	67.2	66.6	66.9	69.1	67.9	68.5	71.2	68.6	69.9	68.3
Unemployment rate	17.1	10.5	13.8	21.2	14.5	17.8	17.9	12.9	15.4	15.2	11.6	13.4	13.1	10.5	11.8	10.8
Unemployment rate, under 25 years of age	-	-	29.6	-	-	35.7	-	-	32.6	-	-	26.7	-	-	21.9	23.4
Long-term unemployment rate	3.7	2.8	3.3	9.1	5.9	7.4	9.4	6.7	8	7.4	5.7	6.6	5.5	4.6	5.1	5.1



Developments of employment indicators in Lithuania (2009-2013) based on Eurostat:

- ➔ The highest relative increase occurred in the long-term unemployment rate, which peaked in 2011 (8%) and levelled off again to 5.1% in 2013, representing an overall increase of 1.8 p.p. during the observed period. In relative terms, female long-term unemployment experienced the highest increase (2.8% in 2009, 4.6% in 2013).
- ➔ At the same time, it is worth noting that the employment rate increased by 2.9 p.p. to 69.9% in 2013, most notably among men (by 4.4 p.p.), situating the indicator slightly above the EU-average (68.3% in 2013).
- ➔ The unemployment rate peaked in 2010 (17.8%), and started to level off in the following years, representing a total absolute drop of 2 p.p. It is worth noting that, while experiencing the same peak in 2010 (35.7%), youth unemployment fell to 21.9% in 2013, representing the largest absolute decrease of 7.7 p.p. during the observed period.

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ According to a recent study⁵, the main employment problems in Lithuania are low employment of men, high unemployment of youth, limited activity of the poorly qualified workforce, inflexible work timetables, insufficient legislation on employment care, high levels of long term unemployment, insufficient and ineffective employment measures, high risk of poverty and in-work poverty. Furthermore, there is a lack of accessible child care facilities for parents willing to work; there is no strategy for life-long learning; and there is insufficient promotion of professional training facilities.
- ➔ It is also worth noting that there is a serious threat to the economy because of the conflict in Ukraine, and the resulting EU-Russia sanctions. Lithuania can become one of Russia's targets during economic warfare between Russia and the EU/USA. This situation can potentially increase the rate of unemployment in some sectors like agriculture and the manufacturing industry.

3.2

Recent policy developments

On 25 September 2013 the Government of the Republic of Lithuania approved the Employment Enhancement Development Programme for 2014–2020, the strategic goal of which is to achieve greater employment among the population, so that residents are able to find jobs matching their skills and thus ensuring a decent standard of living.

On 23 August 2013, the Description of the financial engineering measure Subsidies for Promoting Entrepreneurship of the Human Resources Development Programme for 2007–2013 was approved.

On 26 February 2014, the inter-institutional action plan for the Employment Enhancement Development Programme 2014–2020, providing for specific actions and obligations of competent authorities in the implementation of this Programme, was approved.

Assessment of Lithuania's Country Specific Recommendations (CSRs) adopted in 2014:

CSR 3 on better targeting active labour market policy measures to the low-skilled and long-term unemployed, improving coverage and adequacy of unemployment benefits, addressing persistent skills' mismatches as well as prioritising offering quality apprenticeships and strengthening partnerships with the private sector, including the review of the appropriateness of labour legislation in consultation with social partners, is considered to have a positive effect on the employment situation of Lithuania. However, the following CSR could have a negative effect:

CSRs that could have a negative impact

- ➔ CSR 1 on reviewing the tax system and considering increasing those taxes that are least detrimental to growth, such as recurrent property and environmental taxation.

Observations

- ➔ So far environmental taxation has been more about taxes on petrol, gas and diesel. It is doubtful whether there will be the political will to introduce vehicle taxation. Still, any increase of environmental taxation will be transferred onto the shoulders of ordinary people in the end. This would increase poverty and social exclusion.

⁵ <http://www.socmodelis.lt/uzimtumas/tyrimai/>

3.3

Recommendations

- ➔ Reduce the huge gap between the lowest and highest incomes (a fairer taxation system with an equal taxation of all forms of income)
- ➔ Take concrete steps to increase minimum wage as the main tool to reduce poverty and in-work poverty
- ➔ Reduce the administrative burden on small and medium-sized businesses
- ➔ Introduce new training programmes which would respond to the needs of the labour market
- ➔ 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)
- ➔ Tax exemption/relief for children's education and care
- ➔ Introduce some exemption for youth employment (reduction of income tax etc.)
- ➔ Encourage legal employment and self-employment programmes through legislation and financial support including "tax holidays" for new businesses
- ➔ Reduce the tax burden on low income families and persons by increasing the income tax threshold

Caritas Europa

Rue de Pascale, 4
1040 Brussels - Belgium
Tel. +32 (0)2 280 02 80
Fax +32 (0)2 230 16 58

info@caritas.eu
www.caritas.eu



This report is supported by the European Union Programme for
Employment and Social Solidarity – PROGRESS (2007-2013).