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Economic and Monetary Affairs

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The Social and Employment Situation in Lithuania

NOTE



DIRECTORATE GENERAL FOR INTERNAL POLICIES
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

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NOTE

Abstract

The report provides an overview of the employment and social situation in Lithuania. Employment, labour market, and social security policy is analysed, with special emphasis on the crisis and the role of social dialogue in the development and implementation of employment and labour market policy.

A special chapter in the report is allocated to the overview of presidency priorities.

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LIST OF ABBREVIATIONS

ALMP	active labour market policy
CSR	country specific recommendation
EGAF	European Globalisation Adjustment Fund
ESF	European Social Fund
ESP	economic stimulus package
FDP	food distribution programme
FEAMD	Fund for European Aid to the Most Deprived
GDP	gross domestic product
GRL	Government of the Republic of Lithuania
LC	Labour Code of the Republic of Lithuania
LLE	Lithuanian Labour Exchange
LSE	Law on Support for Employment of the Republic of Lithuania
NA	national agreement
NGO	non-governmental organisation
NRP	National Reform Programme
OG	Official Gazette
PRL	Parliament of the Republic of Lithuania
SLI	State Labour Inspectorate
SODRA	State Social Insurance Fund Board
SGIWC	standing group on illegal work control
TCRL	Tripartite Council of the Republic of Lithuania
YEI	youth employment initiative
UDW	undeclared work

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1. EXECUTIVE SUMMARY

Lithuania's economic potential (GDP per capita) is one of the lowest in the European Union and is characterised by high dynamic fluctuations. Economic development is affected by low living standards (in 2011 the poverty and social exclusion rate in Lithuania was above 30%) and low average (€ 619 per month) and minimum (€ 290 per month) wages. This results in the reduced attractiveness of the Lithuanian labour market and in turn encourages emigration (the emigration rate in Lithuania has been one of the highest in the EU since 2000) and risk of poverty trap. The high level of income inequality should also be noted here (the Gini coefficient was close to 33% in 2011).

As a result of high emigration and negative natural population growth, the total number of Lithuanian residents fell from 3.5 million in 2001 to 3 million by the beginning of 2012 (15%). In spite of the decrease in the Lithuanian population, the unemployment level remains rather high, close to 13%; moreover, as much as 50% of unemployed individuals are long-term ones.

Although business conditions in Lithuania are continuously being improved by means of tax reductions, liberalisation of labour relations, and promotion of investment, periods of economic growth have been characterised by lack of job growth. Likewise, it should be noted that actions to increase employment and create jobs are underrepresented in the strategic and programme documents of state-level governance.

The legal background of relevant legislation in the fields of employment, social protection and working conditions, including health and safety at work, is geared towards general EU standards. Due to limited financial resources and the low level of cooperation on the part of social partners, the efficiency of social security and labour market measures is relatively low, thus signalling insufficient social protection of the citizens in Lithuania, which has been particularly aggravated since the crisis. Unemployment benefits have been cut off, benefit availability has been tightened, and economic incentives to work have been reduced for people at retirement age, in addition to the debt of state social insurance, which is already above LTL 11 billion (around 10% of GDP in 2012) and the on-going pension reform that is causing people to worry about the future ability of the state to ensure the social protection of older people, whose number is growing much faster than the average in the EU.

During the presidency of the EU Council, Lithuania intends to continue previously started work, serve to reconcile the interests of different EU Member States, and seek to ensure that decisions taken will serve the common long-term interests of the European Union and Lithuania. Priority in the area of social security and labour will be given to measures increasing employment and reducing unemployment (especially for the youth), reducing poverty and social exclusion by increasing the employment of socially disadvantaged persons, and ensuring financial stability and the sustainability of the social insurance system. Lithuania vitally needs effective solutions for the aforementioned priorities, especially given that many programmes concerning the development of human resources and the public sector, active labour market policies, and social assistance have been financed with financial support from EU funds.

Most of today's serious concerns and debates seem to revolve about how to increase employment and remuneration for work, as well as about how to reduce emigration and attract investments. To tackle these issues, a National Employment Strategy 2014–2020 is in being developed and some measures to encourage labour market flexibility and security, provide a better trade-off between supply and demand of skills, and increase work incentives are being considered. The need for a fundamental revision of the taxation system in the country is also being examined. The main concern of trade unions is related to the abolishment of restrictions on organising a strike.

2. GENERAL OVERVIEW OF THE EMPLOYMENT AND SOCIAL SITUATION IN LITHUANIA

2.1. Economic developments

The Lithuanian economy and its development over the past ten years can best be described with reference to three features that set Lithuania apart from other EU Member States:

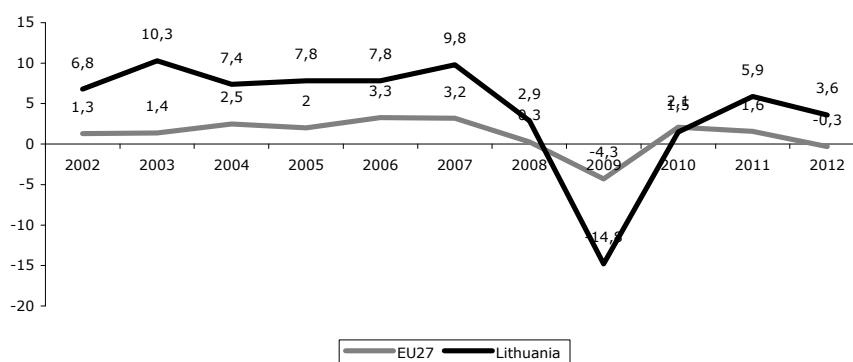
1. Lithuania's **gross domestic product** (GDP) is among the lowest in the European Union. In 2012 Lithuania's nominal GDP stood at LTL 113.2 billion (€ 32.8 billion) or LTL 37,600 (€ 10,900) per capita, putting the country in fifth-to-last place in the EU.
2. **The share of GDP that goes to workers** in Lithuania is among the lowest in the EU; in 2011 the share was less than 40%, compared with the EU-27 average of around 50%.

This situation (low GDP and the small workers' share of GDP) automatically indicates or suggests certain labour¹ market-related problems: low minimum and average wages (and a correspondingly low level of consumption and standard of living), little financial incentive to work, emigration to countries with a higher standard of living and a resulting decline in working age population, high tax burden on labour and related expansion of the shadow economy, etc.

3. A further complicating factor is the **volatility of economic cycles** in Lithuania: over the past ten years, Lithuania has experienced both the biggest downturns and the most rapid rise in GDP of any EU Member State (see Figure 1).

According to Eurostat data, the growth rate of Lithuanian GDP during periods of economic growth was surpassed only by Slovakia (10.5% in 2007), Estonia (7.6% in 2011) and Latvia (5.6% in 2012). In 2009, however, the only country to suffer a more severe economic collapse than Lithuania among EU countries was Latvia (-17.7%). Uneven economic development incentivises less efficient use of resources (including human resources) and impedes fair distribution of wealth. This, in turn, exacerbates the negative social consequences for the country.

Figure 1: GDP growth (% , compared with the previous year)



Source: Eurostat

In the context of the Lithuanian economy, due mention should be given to its **rapid recovery during the post-crisis period**: annual GDP growth was 5.9% in 2011 and

¹ The tax wedge in Lithuania is currently close to 45%, and it might increase due to the rapid emigration of working age population and the steadily growing share of the old-age population; at the same time the tax burden for other kinds of resources/income is significantly lower (or even close to 0%).

3.6% in 2012. Economists however suggest² that such rapid growth will not be ensured in the future unless well-targeted efforts are taken to promote investment attraction, ensure adequate supply of labour to the market, and effect a material reduction in bureaucratic and administrative burdens on business.

2.2. Demographic trends

Lithuania's population is permanently decreasing, having fallen by 445,000 or almost 12% over the past decade (2002–2012) due to both negative net migration and natural population change. Moreover, there are several other negative demographic trends inherent in Lithuania:

- Although the birth rate is only slightly below the EU average, Lithuania's population is **rapidly ageing**: the pace of population ageing in Lithuania is the fastest in the EU;
- Lithuania is in the last place among EU countries when it comes to average **life expectancy and mortality rates**, especially among men; at 68.1 years, the average life expectancy for Lithuanian men is the shortest in the EU (figures from 2011);
- In international comparison, the **difference in life expectancy between men and women** in Lithuania is also particularly large (in 2011 the difference was 10.7 years), which means that in higher age groups there are almost two times as many women as there are men.

These unfavourable demographic trends are made worse by negative net migration. In every year of the past decade, more people left Lithuania than immigrated to it. The rate of emigration per 1,000 inhabitants (in 2010–2011 more than 10 persons) is the highest in the EU. Of particular concern is that most emigrants are young, well-educated people of prime working age (in 2010, 77% of emigrants were aged between 15 and 44), which means that the Lithuanian population is ageing even more quickly, and the share of the economically inactive population per employee is growing. Such a structure of emigration exacerbates the aforementioned demographic problems and impedes economic development in the long-term as the country loses skilled and entrepreneurial people. The sectors of information technology and healthcare are, among others, those that suffer as a result of the emigration of highly skilled individuals.³

2.3. Employment and the labour market

The uneven economic development also has a detrimental effect on employment/unemployment. The **unemployment rate**, which has fluctuated around 10 percentage points over the past ten years, shows how slow the labour market has been recovering from the economic downturns in Lithuania (see Table 1).

The **number of unemployed people** aged 15–64 increased steeply during the crisis and by 2010 had reached more than four times the level of 2007. With the rapid increase in unemployment in Lithuania, the number of long-term unemployed and their share in total unemployment also rose. Youth unemployment in particular increased during the crisis, rising almost 30 percentage points since 2007; today, although decreasing, it still remains among the highest in the EU.

² Lithuanian Macroeconomic Review, No 51. SEB Bank, March 2013; <http://www.akcentai.info/index.php/bendras-naujienu-srautas/item/42-pseudo>; <http://www.diena.lt/naujienos/ekonomika/ekspertai-lietuvos-ekonomika-augs-bet-letai-485263>.

³ Migration in Numbers, 2012. Available online at: <http://123.emn.lt/en/home>

Table 1: Employment and unemployment among 15–64 year olds in Lithuania, 2001–2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Employed (thousands)	1,383.8	1,413.7	1,416.9	1,454.0	1,475.9	1,505.8	1,490.2	1,387.5	1,319.6	1,228.0	1,247.0
Employment rate (%)	59.6	60.9	61.1	62.6	63.6	64.9	64.3	60.1	57.8	60.3	62.2
Unemployed (thousands)	224.4	202.5	183.5	132.8	88.9	68.9	93.4	224.3	290.7	225.8	194.9
Unemployment rate (%)	14.0	12.5	11.5	8.4	5.7	4.4	5.9	13.9	18.1	15.5	13.5
Share of long-term unemployment (%)	54.9	50.2	53.3	54.9	44.3	32.2	21.2	23.2	41.4	52.1	49.0
Youth unemployment rate (%)	23.0	24.8	22.5	15.7	9.8	8.2	13.4	29.2	35.1	32.2	26.4

Source: Lithuanian Statistics

As can be seen from Table 1, the **number of employed** has been steadily decreasing in Lithuania since the beginning of the crisis. This was mainly caused by the mass emigration of the working age population that started in 2004 after Lithuania joined the EU and by population ageing (throughout 2004-2012 the population aged 15–64 decreased 13% or more than 300,000; an especially rapid decrease was recorded in 2009–2010).

The massive emigration, high official unemployment rate, and sluggish integration of unemployed people into the labour market in Lithuania can also be attributed to **low wages and salaries** in the country. The average income in Lithuania is among the lowest in the EU; in 2012 the average gross monthly wage in Lithuania was equal to LTL 2,137 (€ 619), and the net wage stood at LTL 1,661 (€ 481). The minimum gross wage was increased on 1 January 2013 and is currently equal to LTL 1,000 (€ 290) per month.

Such low earnings make the Lithuanian labour market less attractive to local workers, and in view of the traditionally low level of immigration, this will likely make it increasingly difficult for Lithuanian businesses to find workers with the right skills in the future.

Another peculiarity of the Lithuanian labour market is the **mismatch between labour supply and demand**, which became more pronounced during the economic downturn. In terms of both geographical distribution and skills, labour supply does not reflect present demand. In areas outside the major cities, there is a lack of skilled labour (highly skilled managers, project managers, engineers, doctors, and finance professionals). In terms of the skills needed in Lithuania, there are too many academically trained professionals, students of social sciences and humanities above all, whereas in the market there is an increasing lack of technically and scientifically trained professionals and adequately skilled labour.

2.4. Working and living conditions

While speaking about working and living conditions, first of all the **low income level** in Lithuania in general and the **weak purchasing power** of the population should be noted. Alongside the aforementioned values of average (€ 619 per month) and minimum (€ 290 per month) wages:

- the average old age pension in Lithuania at the beginning of 2013 was equal to LTL 816 (€ 237) per month,

- the average unemployment insurance benefit in the fourth quarter of 2012 was equivalent to LTL 569 (€ 165) per month, and
- the social security benefit per person amounted to LTL 130 (€ 38) per month.

These amounts, which are already very low (in some cases several times lower than they are in other EU countries), appear even more insignificant in view of the average price level in Lithuania, which is close to that in many more highly developed Member States. According to data from Eurostat, the price level index in Lithuania, which is based on actual individual consumption, stands at 60% of the EU-27 average; for many products (clothing and footwear, electric goods, private vehicles, household appliances, etc.) the price in Lithuania is almost the same as in many other EU countries.

In view of the generally low income level in Lithuania, weaker purchasing power, and considerable differences in earnings (average incomes in some sectors and occupations can exceed those in others many times over), the majority of Lithuanian workers are very poorly paid. This is also shown by the incidence of **in-work poverty**: the share of in-work poverty in Lithuania in 2011 was equal to 10% and was in seventh-to-last place in the EU.

With low incomes and unattractive working conditions (according to the European Working Conditions Survey,⁴ Lithuanian workers are much less satisfied with their working conditions than workers in other EU countries are), large sections of the population, particularly the poorly educated and those with many dependents, i.e. those who can expect the lowest per capita income, have no interest in entering the labour market and are more inclined to live on **social security benefits** (combined, not uncommonly, with employment in the shadow economy). As the crisis began in 2008 and work became even less attractive due to decreased wages and salaries, leading to a rise in unemployment rates and a drop in the amount of money people had to spend, the number of social security recipients in Lithuania increased five- to sixfold (in 2011 there were 220,000 recipients of social benefits, compared with 37,000 in 2008).

Overall, low incomes, high income inequality, and the large share of the population living on social security benefits imply considerable **economic inequality**. For a number of years now, Lithuania's Gini coefficient (equal to 32.9% in 2011) has considerably exceeded that of the rest of the EU.

The pronounced economic inequality combined with a low standard of living lie behind the large number of people who live in poverty and social exclusion. According to Eurostat data, in 2011 the poverty and social exclusion rate in Lithuania was above 33%, also one of the highest figures in the EU.

The considerable inequality and large share of the population living in poverty and social exclusion are creating alarmingly unequal opportunities with irreversible consequences for the future.

2.5. Social dialogue and social partners

As was noted in a Eurofound study,⁵ 'The history of independent Lithuanian trade unions and employers' organisations is relatively short. Though trade union density during the Soviet period was very high (almost all employees were union members), Lithuanian unions began to play a more substantial role in industrial relations only after Lithuania regained its independence. During the Soviet period, the government was the only employer and independent employers' organisations were established only after 1990'.

⁴ <http://www.eurofound.europa.eu/ewco/surveys/index.htm>

⁵ Blaziene I., Gruzevskis B. 'Tripartite partnership institutions examined'. EIROOnline: <http://www.eurofound.europa.eu/eiro/2005/01/feature/lt0501103f.htm>

The first steps were extremely difficult, as trade unions in Lithuania were regarded as elements of the Soviet system and thus not suitable for the market economy (unfortunately, these attitudes have partially remained unchanged). The establishment of employers' organisations in Lithuania was primarily related to the wish of employers to represent and defend their own business interests, with the government seen as the key partner. Nevertheless, step by step, active institutions of social dialogue were created in Lithuania at different levels.

We may say that in practice social partnership in Lithuania is best developed at the national and enterprise level. At the national level, the [Tripartite Council of the Republic of Lithuania](#) (TCRL) and other tripartite commissions and committees operate, whereas in enterprises with active trade unions, social dialogue as a rule is well developed; usually in such enterprises collective bargaining takes place and collective agreements are signed. The weakest link (with some exceptions) remains sectoral social dialogue: there are almost no valid collective agreements in the country, since sectoral collective bargaining is hardly advancing.

At this time, three national trade union confederations and two national employer organisations operate in Lithuania. The three main national trade union organisations are the [Lithuanian Trade Union Confederation](#), [Lithuanian Labour Federation](#) and [Lithuanian Trade Union 'Solidarumas'](#). The two national employer organisations are the [Lithuanian Confederation of Industrialists](#) and [Lithuanian Business Employers' Confederation](#).

According to [Lithuanian Statistics](#), at the end of 2011 trade union density in Lithuania was close to 10%, and employer organisations' density around 15%. There is no official information on the coverage rate of collective agreements in Lithuania; according to different sources, up to 15–20% of the country's employees might be covered by collective agreements.

3. OVERVIEW OF SOCIAL AND EMPLOYMENT LEGISLATION AND POLICY

3.1. Overview of employment and labour market policy, especially during the crisis

3.1.1. Relevant legislation in the field of employment and working conditions

The legal background for employment in Lithuania is defined by the Labour Code of the Republic of Lithuania (LC), the Law on Support for Employment of the Republic of Lithuania (LSE), relevant secondary legislation, and other regulations. A special set of legislation regulates the employment and working conditions of civil servants and public sector employees; see Annex 1.

The primary legislation on labour relations in Lithuania is the **Labour Code of the Republic of Lithuania** (Official Gazette, 2002, No 64-2569). A new version of the LC was adopted in Lithuania on 24 June 2002 and came into effect on 1 January 2003. The LC is the main legal act in Lithuania regulating collective and individual labour relations, as well as the working conditions of employees in the country.

The primary law regulating the employment support policy in Lithuania is the **Law on Support for Employment** (OG, 2006, No 73-2762). The LSE provides the legal background, aim, and tasks of the employment support system for jobseekers, the functions of the institutions (agencies) implementing the employment support policy, and the measures, organisation and funding of employment support. A new version of the Law on Support for Employment of the Republic of Lithuania became effective on 1 August 2009. Amendments to the law aimed at mitigating the effects of the economic crisis on unemployment growth by providing better opportunities for employees to retain their jobs and for a greater number of persons to participate in active labour market policy measures.

Here the **Law on Social Enterprises** (OG 2004, No 96-3519) should also be mentioned. The law provides possibilities for persons with lower employability being employed in social enterprises. A new version of the law came into effect on 1 January 2012. The law establishes 'the rights and duties of the legal persons that have been granted the status of a social enterprise as relating to this status and the basis and procedure for acquiring and losing this status'. It also 'defines the target groups of the persons employed in social enterprises, specifies the peculiarities of employment relations in these enterprises, and regulates the state aid granted to social enterprises'.⁶

The main recent reforms and developments in the area of employment and labour market policy were related to the austerity measures, some initiatives of social partners as well as movement towards greater labour market flexibility and security, trade-off between skills supply and demand, promotion of entrepreneurship and work incentives.

3.1.2. Austerity measures

Over the past ten years in Lithuania, government expenditures were increased and taxes were cut during the economic upswings, while during the downturns the response has been the opposite. A rather **strict austerity policy** was pursued during the 2009–2010 crisis as well:

- the rate of value added tax was increased from 19% to 21%;

⁶ http://www3.lrs.lt/pls/inter3/dokpaieska.showdoc_l?p_id=312453

- old age pensions were reduced (in 2009–2010 the average old age pension decreased by 8%);
- unemployment insurance benefits were cut: on 1 January 2010 the maximum amount of the benefit was reduced by 38%;
- eligibility criteria for unemployment benefits were tightened (the share of the unemployed receiving benefits fell from 34% in 2009 to 15% at the beginning of 2011);
- salaries of civil servants were cut (depending on the occupational level, salaries fell by 4% to 12%);
- the minimum monthly wage was not increased for more than four years.

While it is true that the policies pursued allowed the country to get a handle on its finances, they also exacerbated and multiplied social problems and triggered a second (since Lithuania joined the EU) wave of emigration.

In order to offset the negative impact of the austerity measures on the economy, an **economic stimulus package** (ESP) was introduced in 2009 by the [Government of the Republic of Lithuania](#) (GRL) with high expectations. The measures it contained were meant to increase business access to financing, enhance the energy efficiency of buildings, fast-track use of EU structural funds, improve the entrepreneurial environment, and boost exports and investment. Through various measures of the ESP, approximately LTL 3 billion (€ 870 million) were infused into the Lithuanian economy in 2009–2010⁷ (this comprised around 1.6% of annual GDP)⁸. The ESP's measures for SMEs came in the form of state-guaranteed loans and partial compensation of interest. However, the package did not include higher allocations for active labour market policies⁹ or for strengthening the public employment service. It can be said that the GRL best succeeded in accelerating the use of structural funds; at the end of 2009 Lithuania was among the most efficient countries in the EU in term of the assimilation of structural funds. Despite the figures above, according to experts¹⁰ the package yielded no real tangible positive results. On the contrary, in reacting to the crisis, the GRL above all was anxious to balance the budget and boost the economy (improve and liberalise the business environment), and in doing so paid insufficient attention to the objective of creating new jobs and retaining existing ones.

3.1.3. Role of social partners during the crisis

The first step of the GRL and social partners to combat the crisis was the signing of a **national agreement**. The national agreement (NA) 'For a state without debts, for the safe future of Lithuania' stated:

⁷ Annual Report of the Prime Minister of the Republic of Lithuania, presented at the Parliament of the Republic of Lithuania on 8 May 2012. Available at: http://www3.lrs.lt/pls/inter/w5_show?p_r=4445&p_d=124367&p_k=1

⁸ Here it should be mentioned that not all measures of the ESP (e.g. accelerating of use of structural funds or creating better conditions for business) can be expressed in monetary terms.

⁹ Here it needs to be mentioned that expenditures for active labour market policy (henceforth: ALMP) in 2008–2011 decreased by 10% and the number of unemployed individuals participating in various ALMP measures increased 63%. The number of unemployed persons during the same period of time increased 166%, however.

¹⁰ 'The failure of the economic stimulus package'. January 2011. Available online at: http://www.alfa.lt/straipsnis/10435011/Ekonomikos.skatinimo.planas.zlugo=2011-01-05_08-32/; 'Multi-billion economic stimulus package of no use to Lithuania', January 2011. Available online at: <http://www.visasverslas.lt/portal/categories/10/1/0/1/article/7984/ekonomikos-skatinimo-planas-milijardai-be-jokios-naudos-saliai>; Pasiliauskas M. 'Has the economic stimulus package been a fiasco?' October 2010. Available online at: <http://www.ekonomika.lt/naujiena/ekonomikos-skatinimo-plano-fiasco-774.html>; Siauliene I. 'Where did the stimulus package go?' January 2012. Available online at: <http://www.delfi.lt/news/ringas/politics/isiauliene-kur-dingo-ekonomikos-skatinimo-planas.d?id=53982555>.

During this complicated period for Lithuania, the government and social partners (trade unions and business, employer and pensioner organisations) give the highest value to solidarity and social peace. Driven by solidarity, after lengthy but constructive negotiations, the partners managed to reach a national agreement on the fundamental principles of the stable financial policy of the State for 2009–2012 and an action plan for the nearest period of time.

Each party to the NA assumed certain obligations. Although the effectiveness of the NA is viewed with ambiguity, it has undoubtedly produced certain results: social peace was secured in the country, social unrest was prevented, and the GRL refrained from taking hasty and arbitrary decisions during the validity of the NA (from 28 October 2009 until the end of 2010).

With the aim of defending the interests of their members in the worsened economic conditions, both trade unions and employer organisations took various **initiatives at the national level**. In 2011–2012 social partners at the TCRL repeatedly negotiated the possibilities to increase the minimum wage and to liberalise the labour legislation in the country. Trade unions organised mass protests and initiated greater cooperation among the different Lithuanian trade unions to strengthen their powers.

With a view to improving collaboration between the [Parliament of the Republic of Lithuania](#) (PRL), in 2010 trade unions agreed with the speaker of the Parliament and the prime minister to establish positions for representatives of trade unions at the PRL and the GRL.

In order to strengthen the social dialogue during and after the crisis, the GRL provided funding for a number of projects designed to develop the capacities of employers and trade unions in the area of social dialogue, improve industrial relations, and promote the signing of collective agreements in the country.

3.1.4. Employment policy after the crisis

Though the social partners have failed (due to the resistance of trade unions) to agree on the initiatives proposed for liberalising labour law (including liberalisation of conditions on dismissal, increased use of fixed-term contracts, and increase in overtime and working time flexibility), some new legislation increasing **labour market flexibility** was adopted during and after the crisis in Lithuania. In 2010 a new form of employment contract, telework, was introduced, in 2011 the activities of temporary agency workers were legalised, and currently a new flexible form of employment involving employment on the basis of 'service cheques' is being introduced in agriculture and forestry. It should be mentioned here that the increase in labour market flexibility in Lithuania is in line with the Country Specific Recommendation (CSR) to 'amend labour legislation with regard to flexible contract agreements, dismissal provisions, and flexible working time arrangements', see Annex 2.

After more than four years, the **minimum wage** was finally increased in 2012 almost 25% (though it is still one of the lowest in the EU). The measure corresponds to the priority action direction of the Lithuanian National Reform Programme (NRP) to 'form a more inclusive labour market', the CSR to 'increase work incentives and strengthen the links between the social assistance reform and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion' and to the Euro Plus Pact commitment to 'reduce undeclared work and increase labour participation'.

At the beginning of 2013, the new GRL set up a task force to prepare a **tax reform** package and submit it for consideration by 1 April 2013. New legislation is expected to be prepared by 1 July 2013 and to come into force on 1 January 2014. The main objectives of the tax reform being prepared are to decrease the tax burden on labour by shifting it to

other groups of income/wealth and to increase the overall collection of taxes. The measure corresponds to the Euro Plus Pact commitment of fostering employment by 'tax reforms such as lowering taxes on labour to make work pay while preserving overall tax revenues'.

To improve **vocational training**, a system of targeted training of the unemployed and those notified of pending dismissal was approved in 2011 and came into effect on 1 January 2012. The amendments are expected to serve as a basis for implementing a system to activate cooperation between the state, employers and unemployed people in pursuit of a specific goal, namely to train a person for a specific job in a particular workplace and to get him or her employed there. This measure corresponds to the priority action directions of the NRP to reduce 'the mismatch between demand and supply of skills and competences' and enhance 'the coverage and efficiency of the activities of labour market institutions' and of the CSR to 'tackle high unemployment, in particular among youth, those having a low level of skills, and the long-term unemployed by focusing resources on active labour market policies while improving their efficiency'.

With regard to adapting education and training systems to reflect labour market conditions and **skills demand**, a Plan of the Qualifications Map was approved by the GRL in 2012. The map is expected to provide better information to people on the structure of skills demand and identification of the specialities that are most demanded and thus offer the widest opportunities on the labour market. This measure is in line with the priority action directions of the NRP to reduce 'the mismatch between demand and supply of skills and competences' and to 'supply the labour market with a highly skilled and educated workforce'.

To increase **work incentives** and reduce the number of recipients of social benefits in Lithuania, amendments to the Law on Monetary Social Assistance were adopted in 2011 and the law is being further improved in 2013. The measures adopted include supplementary social benefits in case of employment¹¹ as well as a gradual reduction in social benefits to persons who receive social benefits longer than 36 months. These measures are fully in line with the CSR to 'increase work incentives and strengthen the links between social assistance reform and activation measures, in particular for the most vulnerable, and to reduce poverty and social exclusion'.

During and after the crisis, employment policy makers paid great attention to **entrepreneurship** training and promotion, especially for the unemployed and other disadvantaged labour market groups. This policy direction is strongly addressed in the Lithuanian NRP (by the priority action directions 'improvement of conditions for business, individual work, and new job creation' and 'promoting job creation and demand for labour').

A large number of labour market integration measures for the **youth** were implemented during and after the crisis:

- the Lithuanian Labour Exchange (LLE) implemented the ESF-funded project Be Active in the Labour Market: during this project over 3,000 young people were placed using a subsidised employment measure and almost 3,000 received support for acquisition of skills;
- several measures for employers employing young people without labour market experience were introduced, including reduction of social security contributions;

¹¹ Before the introduction of the amendments, payment of social benefits was stopped for unemployed persons entering into employment. After introduction of the amendments, such persons (if they satisfy certain conditions) might receive social benefits a further six months.

- young people starting their own business can receive support from the Business Development Fund, including consultations, state guaranteed loans, and compensation for interest.

The necessity to pay greater attention to the integration of the young into the labour market is underlined in the Lithuanian NRP (priority action direction 'increase labour market participation and employment assistance, particularly to young people') and the CSR ('tackle high unemployment, in particular among youth, those with low levels of skills, and the long-term unemployed by focusing resources on active labour market policies while improving their efficiency').

Alongside the aforementioned measures and initiatives, the [State Labour Inspectorate](#) (SLI) paid great attention to **undeclared work** prevention and launched some new initiatives to tackle undeclared work. Among such initiatives, the creation of standing groups on illegal work control¹² and the organisation of public information and awareness-raising campaigns¹³ can be mentioned.

3.2. Overview of social policies in place

3.2.1. Relevant legislation in the field of social protection

In Lithuania, the background of state social security is governed by the **Law on the Principles of the State Social Security System of the Republic of Lithuania** (OG, 1991, No 16-411) effective since 21 May 1991. The law stipulates that in cases established by the law the following are eligible for state social security: (1) persons who are of a pensionable age and persons who, as a result of their age, cannot work in their profession; (2) disabled and sick persons temporarily incapable of work; (3) families who lose their breadwinner; (4) persons who must undergo medical treatment or rehabilitation; (5) families with children; (6) persons who are temporarily unemployed; (7) other persons for whom state support is indispensable.

State social insurance is governed in Lithuania by the **Law on State Social Insurance of the Republic of Lithuania** (OG, 1991, No 17-447). This law establishes the following types of social insurance: (1) pension social insurance, (2) sickness and maternity social insurance, (3) unemployment social insurance, (4) social insurance for occupational accidents and occupational diseases, (5) health insurance.

In the light of the laws mentioned above, Lithuanian legislation concerning social protection can be divided into the following areas by the functions of assistance provided: low income, sickness and maternity, health care and risks at work, family/children, disability, old age, unemployment function, and miscellaneous, see Annex 1.

¹² Before 2011, undeclared work (UDW) control was undertaken exclusively by carrying out inspections (complex investigations of selected companies). In order to tackle UDW more effectively, a decision was passed to set up standing groups on illegal work control (SGIWC) that would concentrate their activities exclusively on UDW control. In 2011, 13 SGIWC were set up in the five largest cities. The SGIWC are composed of SLI employees, but officers from other institutions (the State Tax Authority, Police Department, Financial Crime Investigation Service, etc.) are also frequently invited to assist the SGIWC in conducting the inspections. Since UDW control is undertaken by inspectors of SGIWC trained in a specific specialisation (law), this has improved the quality of the evidence collected and administrative remedies applied since 2011. According to the SLI, with SGIWC in place, detection of UDW incidents more than doubled in 2011 compared to the previous year.

¹³ In order to halt the spread of UDW in the country and implement the prevention of UDW more effectively, in 2009 the SLI fundamentally embarked on changing the principles of its activities, placing a greater focus on business consulting, public information, and raising awareness. These activities were implemented through various media channels such as radio, television, printed media, Internet, and information screens in shopping centres and public transport. According to the SLI, more dissemination of information in public spaces and increased awareness of the harms of undeclared work led to, *inter alia*, a no-tolerance attitude towards UDW in society.

The main recent reforms and developments in the area of social protection are related to reforming pension social insurance, improving the targeting of social assistance, increasing work incentives, and reducing poverty.

3.2.2. Reform to pension social insurance

With regard to social insurance policy pursued in the country, major changes in Lithuania over recent years were implemented in the area of pension social insurance. Pension reform was launched in Lithuania in 2010 with a view to build a sustainable and transparent system able to ensure adequate income in old age.

On 24 May 2011, the Parliament of the Republic of Lithuania (PRL) passed a resolution approving the Guidelines for the Reorganisation of the State Social Insurance and Pension System. A bit later, on 15 June 2011, a resolution was passed outlining the priority tasks and long-term measures in the area of the social insurance and pension system. One of the main priority measures approved in the Plan was the extension of the retirement age in the country. It was decided to gradually increase the statutory retirement age from 1 January 2013 by annually adding four months for women and two months for men to reach the retirement age of 65 for both sexes in 2026.

In November 2012, the PRL adopted amendments to the Law on the Reform of the Pension System of the Republic of Lithuania and the Law on the Accumulation of Pensions of the Republic of Lithuania stipulating that during the period from 1 April 2013 to 1 September 2013 Lithuanian residents are to decide about their future participation in the pension accumulation system and the intensity of their participation. Those who opt for supplementary accumulation of pensions with pension funds will be able to increase a portion of contribution to the pension funds payable by individuals with their own funds beginning in 2014 and receive an added incentive payable from the state budget.

It is also important to note that the amendments of 1 January 2009 to the legal acts governing state social insurance in Lithuania extended the list of persons covered by mandatory state social insurance, thus providing them with social insurance guarantees to receive old-age pensions. Since 1 January 2009, state social insurance has been extended to cover farmers and their partners, persons receiving income from author's agreements, and persons receiving income from sports and/or the performing arts.

3.2.3. Social assistance and poverty reduction policy

The **social assistance policy** recently pursued in the country was basically aimed at improving the targeting of assistance to disadvantaged individuals and promoting activity in individuals to integrate into the country's labour market. This situation was mostly determined by the increased deficit caused by the economic crisis in the national budget and the budget of the State Social Insurance Fund.

With a view to better targeting and improving the efficiency of monetary social assistance, as well as using budget funds more rationally, monetary social assistance reform was initiated in Lithuania on 1 January 2012. The primary objective of the reform is to enhance the motivation of working age persons to join the labour market and to reduce long-term dependence on monetary social assistance. Certain criteria (for example, the area of housing eligible for compensation) were tightened, and at the same time more favourable conditions were created for disadvantaged persons to receive social benefits. In compliance with legislative amendments, the requirement of at least 6 months' registration with the labour exchange prior to applying for social benefits was abolished. In addition, eligibility for compensation of heating, drinking water and hot water costs was extended to cover tenants. Likewise, the law provides for promoting the employment of long-term recipients

of benefits by gradually reducing the amount of social benefits payable to them and continuing the payment of a part of the formerly received social benefit for a certain period after their employment (also see Chapter 3.1.4).

In the context of Lithuania's **poverty reduction policy**, it should be noted that in 2000 Lithuania developed its first poverty reduction strategy and approved the Poverty Reduction Strategy Implementation Programme for 2002–2004. Subsequent analogous programmes were developed in 2005–06 and 2007–08. The programmes emphasised prevention of social exclusion risks, improvement of the activities of relevant institutions, promotion of individuals' participation in the labour market, elimination of child poverty, and increase in support for families.

In the NRP adopted in Lithuania in 2012 to achieve its national target of reducing social exclusion, Lithuania committed to follow these priority action directions:

- enhance opportunities for socially disadvantaged groups to participate in the labour market;
- improve the system of education, assistance and services satisfying individual, societal and market needs to prevent the formation of socially disadvantaged groups;
- implement the provisions of the United Nations Convention on the Rights of Persons with Disabilities and carry out special measures facilitating the improvement of conditions for people with disabilities in the field of access to social security and health care, employment, education, and the environment;
- improve access to housing for socially disadvantaged groups.

In March 2013, the GRL commissioned the Ministry of Social Security and Labour to elaborate, with the combined efforts of all state institutions and non-governmental organisations, the Action Plan for Improving Social Inclusion in 2014–2020, with particular emphasis being placed on children and youth. An interdepartmental working group was set up for the elaboration of the plan.

The role of non-governmental organisations (NGOs) and social partners in increasing social inclusion constitutes a key factor determining the design and implementation of policy to reduce poverty and social exclusion in Lithuania. These principles have been entrenched in all documents and strategies on the reduction of poverty and social exclusion. When the principle of the inclusion of non-governmental organisations and their opportunities to participate in the policy process is being analysed, it is worthwhile noting that the network of NGOs is quite well developed in Lithuania. NGO activities in Lithuania differ greatly in terms of their effectiveness and scope of inclusion of individuals, but a majority of them (around 63%) contribute, in one way or another, to reducing poverty in the country.¹⁴ Lithuanian NGOs usually implement projects relating to education and vocational training activities, organise charity campaigns, and assist disabled and young individuals in getting integrated into the labour market.

¹⁴ NGO and Poverty Reduction Policy. Research report. SIC Market Research, 2002.

4. OVERVIEW OF PRESIDENCY PRIORITIES

4.1. Overview of the presidency programme of relevance to the EMPL committee

During the presidency of the EU Council, Lithuania intends to continue previously started work, serve to reconcile the interests of different EU Member States, and seek to ensure that decisions taken will serve the common long-term interests of the European Union and Lithuania. Priorities in the area of social security and labour will be given to:¹⁵

- a) measures increasing employment and reducing unemployment (especially in youth);
- b) reduction of poverty and social exclusion by increasing employment of socially disadvantaged persons;
- c) ensuring the financial stability and sustainability of the social insurance system.

All these priorities are highly relevant and important for Lithuania. The level of economic activity of the Lithuanian population has been one of the lowest in Europe for a number of years. After a rapid and dramatic increase following the 2009 crisis, unemployment is decreasing very slowly in the recovering economy, with long-term unemployment accounting for around 50% of the total number of the unemployed. According to the Minister for Social Security and Labour, efforts will be taken to reduce unemployment by intensified promotion of up-skilling, re-skilling and lifelong learning. Since there were few achievements in this area in Lithuania between 2008 and 2012, the minister's initiatives should be viewed with caution, although tackling these problems is of particular importance for Lithuania.

A similar assessment can be made of other outlined priorities. Lithuanian poverty indicators are among the highest in the European Union (and the situation in the country would seem even worse if absolute poverty assessment indicators were used). Due to low average wages and especially due to low-skilled work with low pay, the *poverty gap* appears to have a significant impact on the living standards and economic activity of the population.

The funding of the social insurance system faces no less of a problem. The expenses of State Social Insurance (SODRA) have been exceeding its revenues since 2008. A dramatic decrease in the number of payers of social insurance contributions (from 1.467 million in 2008 down to 1.253 million in 2010) resulted in the continuous growth of SODRA's debt, which exceeded 11 billion litas in 2012. If the country fails to increase employment at a faster pace and ensure more rapid wage growth, SODRA (with the further decline in the workers-to-pensioners ratio) will face major financial difficulties. It has thus to be noted that Lithuania badly and vitally needs effective solutions under the aforementioned priorities.

4.2. Indication of Lithuania's position on dossiers for which the EMPL committee is responsible

European Social Fund (ESF) and European Globalisation Adjustment Fund (EGAF).

The purpose of the EGAF Regulation is to ensure the continuation of EGAF activities during the next programming period, based on the multiannual financial framework 2014–2020. It is proposed to extend the scope of the EGAF to include farmers. EGF financing would be provided to a Member State if there are at least 500 redundancies over four months or at

¹⁵ Speech of Mrs. Pabedinskiene, Minister for Social Security and Labour, made at the EPSCO sitting in Dublin in February 2013, www.socmin.lt/index.php?-2110555589.

least of 500 redundancies in one sector over nine months. In exceptional circumstances, the number of redundancies can be below 500, i.e., when redundancies greatly affect employment levels or local, regional or national economies.

This issue is relevant to Lithuania, because financial support assigned to a Member State creates opportunities to re-integrate redundant employees in the labour market, thus improving employment and reducing social tensions in the country. In the conditions of the economic crisis and the lack of national funds, the EGAF helped mitigate unemployment in Lithuania in the period between 2008 and 2011.¹⁶

Lithuania does not agree with the reduction of the co-financing rate from 65% to 55% but goes along with provisions that do not discriminate between Eurozone and non-Eurozone Member States. Lithuania is positive about the continuation of the functioning of the EGAF and, therefore, views many compromise proposals positively.

Fund for European Aid to the Most Deprived (FEAMD). The general objective of the FEAMD is to contribute to the achievement of the objective of the Europe 2020 strategy of reducing by at least 20 million the number of people in or at risk of poverty. The measure under the regulation is new and designed to complement the available cohesion measures, ESF in particular. The fund proposed for 2014–2020 would provide assistance to national schemes of Member States aimed at providing food to the most deprived persons and clothing, footwear and other basic consumer goods to homeless and materially deprived children. Each Member State may plan and provide this assistance on a quite flexible basis in accordance with its national schemes. Definition of the criteria for providing assistance will be the responsibility of the Member States. The establishment of the FEAMD is highly relevant in order to ensure not only the further supply of food but also other social inclusion measures for deprived persons in the EU after discontinuation of the EU's food distribution programme (FDP) for the most deprived persons in 2013.

The establishment of the new fund is **highly relevant** for Lithuania, since after discontinuation of the FDP in 2013, the supply of food packages will be cancelled for the most deprived persons in Lithuania (amounting to around half a million). According to the Department of Statistics, one-third of the country's population is in or at risk of poverty or social exclusion. In addition, it is important to note that the FEAMD will not only continue the primary objective of the FDP to supply food but will also provide broader coverage of the problem of homelessness and severe material deprivation.

Lithuania will seek approval of the regulation on the FEAMD, making a provision therein that the resources of the fund should be used according to two criteria set by Eurostat:

- the number of most deprived persons;
- the number of people living in households with very low work intensity.

Lithuania basically supports the draft regulation; no red tape had been identified at the current stage of the consideration of the regulation.

Posted workers. The proposal for the implementation of Directive 96/71/EC aims to improve, enhance and reinforce the way in which this directive is implemented, applied and enforced in practice.

¹⁶ Four projects were implemented between 2009 and 2011: **to support employees dismissed from AB Snaige and to support employees dismissed from construction, furniture manufacturing, and clothing enterprises.** The principal executor of the projects was the Lithuanian Labour Exchange. A total of 2,100 employees were covered by the activities of the project and LTL 9.57 million were used for the activities of this project. For more details on particular projects see: http://www.ldb.lt/Informacija/ESParama/eqf_projektai/Sarasas.aspx

Lithuania supports the key objective of the proposal to ensure better and more uniform application of the directive and its enforcement in practice with a view to respecting the right of posted workers. Lithuania is of the opinion that the proposal should not extend the scope of application of Directive 96/71/EC, however.

Lithuania will propose that it should be a matter for Member States to decide on the implementation and application of Article 12 and that more flexibility should be allowed in relation to the list of national control measures (Article 9).

Both exhaustive and non-exhaustive lists of such measures are acceptable to Lithuania.

Information and consultation of workers. The aim of the initiative is to decide, having evaluated the appropriateness of the procedures of information and consultation of workers specified in three EU directives (98/59, 2001/23, 2002/14), on likely amendments to the directives.

EU Programme for Social Change and Innovation. The proposal for the regulation aims to increase coherence of EU action in the employment and social areas by bringing together the Progress Programme, EURES, and the European Progress Microfinance facility.¹⁷ This would enable simplification of the organisation of measures, improve coherence between the objectives of employment and social policies, and increase the overall efficacy and efficiency of the programmes that are carried out.

The issue is relevant to Lithuania since the programme provides for appropriations for various measures (including social innovations and, in particular, social experimentation) that can be a powerful tool for shaping social security reform in Lithuania and policy adjustments needed to implement Europe 2020.

Lithuania adheres to the framework agreement approved by the Council in June 2012. Lithuania is however flexible about likely compromises to reach a political consensus at the EU level. Lithuania supports stronger mainstreaming of the dimension of women's equality in the text.

Electromagnetic fields. As a relevant agreement was reached on 26 March 2013 during the Irish presidency, consideration of this issue is not foreseen during Lithuania's presidency.

Pensions. The proposed directive on the portability of occupational pensions aims to ensure that the rules of occupational pension schemes do not obstruct free labour mobility among Member States and do not reduce the occupational pension rights of workers at the end of their career. The directive aims at ensuring better labour market flexibility in the Member States with historically developed and distributed occupational pension schemes.

At the national level, the issue is not very relevant for Lithuania, bearing in mind that so far there is not a single occupational fund functioning in Lithuania, while the existing legal regulation corresponds by its essence to initial proposals of the Commission. At the EU level, the issue will be relevant to Lithuania as the presiding country when Ireland hands over further negotiations regarding this directive.

Lithuania supports the opinion of the Council's Legal Service regarding the amendment of the legal basis of the directive

Directive on Gender Equality on Company Boards. The purpose of the proposal is to outline the rules to ensure gender balance in economic decision making. The proposed directive imposes the main obligation to make appointments to the positions at issue on the basis of a comparative analysis of the qualifications of each candidate by applying pre-

¹⁷ http://www.euwt-tatry.eu/edc_media/Structure/Item-0099/TinyFiles/Sci-proposal-en-2.pdf

established, clear, neutrally formulated, and unambiguous criteria. It is proposed that the directive should apply to the company boards of both public and private companies listed on stock exchanges. The proposed directive would exclude small and medium-sized enterprises.

The issue is relevant to Lithuania, as Lithuania's indicator, although close to the EU average, is almost two times lower than the objective set for women (40%) by 2018 for state-owned enterprises and by 2020 for private enterprises.

At this stage, Lithuania maintains a general scrutiny reservation on the whole document.

Economic governance, especially measures in favour of sustainable growth and employment, including youth employment. The proposal provides for the following:

1. introduction of a new recital (57bis) on the Youth Employment Initiative (YEI);
2. resources for the YEI shall amount to EUR 3 billion from the specific allocation for the YEI in 2014-20 and at least EUR 3 billion from ESF targeted investment (Article 84);
3. introduction of a new annex describing the methodology of the YEI;
4. introduction of the new *ex ante* provision on the YEI and the requirement for Member States to have a comprehensive strategic policy framework for achieving the objectives of the Youth Employment Package and in particular for establishing a Youth Guarantee scheme.

Owing to extremely high youth unemployment, this issue is highly relevant to Lithuania.

Lithuania basically supports the initiative to include youth employment facilities in the EU cohesion package. Attention to youth is declared to be of vital importance in light of youth unemployment and the problems connected with that. It is agreed that the GDP capping rule should not apply to resources for the Youth Employment Initiative.

Social dimension of the EMU. No information was available on this issue from the officers of the Ministry of Social Security and Labour, the Ministry of the Economy, or the Ministry of Foreign Affairs. This theme was discussed with the Ministry of Finance, but no material is available at this stage.

5. CURRENT IMPORTANT ISSUES IN EMPLOYMENT AND SOCIAL AFFAIRS

There are two current important issues which have not yet been mentioned, namely the establishment of a task force for increasing employment, and the impossibility to organise a strike in Lithuania.

A task force for increasing employment was set up in February 2013 by order of the prime minister in order to develop a national employment strategy for 2014–2020. At the end of March 2013, the task force prepared and submitted “Draft Priorities for Employment Growth and Their Implementation Directions in Lithuania” (the Draft) to the GRL for approval. If approved by the GRL, this document should serve as the main instrument for the implementation of employment policy in Lithuania in 2013–2020. The following five priorities are specified in the Draft:

- ensuring the integrity of employment policy,
- promoting business and job creation,
- matching skills and labour market needs,
- using potential labour resources,
- ensuring a flexible and inclusive labour market.

At this time, it is difficult to forecast the final results that will be produced by the task force. Some of the proposed measures will probably supplement or expand existing ones, while some of them will be new. It can, however, be argued that in the environment of rapid population ageing, high labour taxation in general, and low wages in the country, issues relating to employment and its quality require a specific focus in Lithuania. Where this task force succeeds in mobilising and bringing together various national authorities and social partners, achievement of palpable results is quite realistic.

In 2011–2012, several Lithuanian courts decided to place **a ban on planned or already organised strikes**, declaring workers’ voting to go on strike or organised strikes to be unlawful:

- on 22 July 2011, the chamber of judges of Klaipeda Regional Court, made an interim judgement banning the strike of the trade union of [Švyturys-Utenos Alus](#);
- on 6 March 2012, having heard the cassation appeal of the trade union of Švyturys-Utenos Alus, the Supreme Court of Lithuania supplemented the arguments laid down in the previous court judgements, declared that *‘where the principle of fair bargaining is complied with by the employer, i.e., there are no unreasonable delays and efforts are taken to reach an agreement, but the parties to employment relations nonetheless fail to reach such agreement, employees are not entitled to exercise their right to strike’*;
- on 13 November 2012, the First District Court of Vilnius declared unlawful the results of a secret ballot held by employees of [UAB Vilnius Public Transport](#) on 23–25 October 2012 regarding token and indefinite strikes. Similarly, the court declared a token strike of this company called on 14 November 2012 to be unlawful.¹⁸

According to the lawyer of the Lithuanian Trade Union Confederation, Mrs. Jolanta Cinaitienė, the placement of a ban on the latter strike of transport workers (which was to be commenced on 14 November) has put a final nail in the coffin of any opportunity to call

¹⁸ Trade unions continue to fight for their right to strike. Article submitted for the EIROnline in March 2013.

a lawful strike in Lithuania: 'Strikes have actually become impossible in Lithuania since 2010'.¹⁹

To defend their right to strike, trade unions have resolved: (a) to put the issue on the restriction of the right to strike in Lithuania on the agenda of the sitting of the TCRL, (b) to organise on 16 January 2013 a joint trade union action aimed at attracting the attention of the government and the public to the failure to guarantee the right to fair collective bargaining and organisation of strikes in Lithuania, and (c) to apply to international trade union organisations for help in analysing and amending legal regulations and case law in Lithuania.²⁰

¹⁹ Case law developed in favour of employers. Trade union news, 02-12-2012: <http://www.lprofsajungos.lt/?lang=lt&mID=1&id=4372>

²⁰ Trade unions continue to fight for their right to strike. Article submitted to the EIROnline in March 2013.

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ANNEX 1: MAIN LEGISLATION IN THE FIELD OF EMPLOYMENT AND SOCIAL SECURITY

<p>Legislation in the field of employment and working conditions</p>	<p>The Labour Code (OG, 2002, No 64-2569) is the main legal act in Lithuania regulating collective and individual labour relations and the working conditions of employees in the country.</p> <p>The Law on Support for Employment (OG, 2006, No 73-2762) provides the legal background, aim, and tasks for the employment support system for jobseekers; the functions of the institutions (agencies) implementing employment support policy; employment support measures; and organisation and funding of employment support measures.</p> <p>The Law on Social Enterprises (OG 2004, No 96-3519) provides possibilities for persons with lower employability to be employed in social enterprises.</p> <p>The Law on Safety and Health at Work (OG, 2003, No 70-3170) specifies the general provisions of occupational risk assessment, the procedure for investigation of accidents at work and occupational diseases, the requirements on safety and health at work, and the general principles of responsibility for violation of legislation on safety and health at work.</p> <p>The principles of equality and non-discrimination are entrenched in the Law on Equal Treatment (OG, 2003, No 114-5115) and the Law on Equal Opportunities of Women and Men (OG, 1998, No 112-3100).</p> <p>The Law on Temporary Employment Agencies (OG, 2011, No 69-3287) specifies the peculiarities of labour relations between temporary workers and temporary employment agencies and defines the rights and obligations of the parties to employment via temporary employment agencies.</p> <p>The Law on the Civil Service (OG, 1999, No 66-2130) identifies the basic principles of the civil service; the status, responsibility, remuneration for work and social guarantees of a civil servant; and the legal basis for the management of the civil service.</p> <p>The Law on Remuneration of State Politicians and State Officials (OG, 2000, No 75-2271) sets the amount of earnings and the conditions of payment of remuneration to state politicians and state officials of the Republic of Lithuania to whom the Law on Civil Service does not apply.</p> <p>The Law on Remuneration of Judges (OG, 2008, No 131-5022) sets the amount of earnings and the conditions of calculation of remuneration for judges in Lithuania.</p>
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<p>Legislation in the field of social security (by function)</p>	<p>Low income function</p> <p>The Law on Monetary Social Assistance for Poor Families and Single Residents (OG, 2003, No 73-3352) is the basic legal act governing social assistance in Lithuania. This law regulates the granting and payment of social benefits and compensation for heating, drinking water and hot water costs.</p> <p>Sickness and maternity, health care, and risks at work function</p> <p>The Law on Sickness and Maternity Social Insurance (OG, 2000, No 111-3574) is the primary legislation governing social security in case of sickness and maternity.</p> <p>The Law on Health Insurance (OG, 1996, No 55-1287) provides for the types of health insurance and the backgrounds for the functioning of compulsory health insurance system in Lithuania.</p> <p>The Law on Social Insurance of Occupational Accidents and Occupational Diseases (OG, 1999, No 110-3207) regulates the social insurance of accidents at work and occupational diseases in Lithuania.</p> <p>Family/children function</p> <p>The Law on Benefits for Children (OG, 1994, No 89-1706) establishes the types of benefits for children, their amounts, the categories of persons entitled to benefits, the conditions and procedure for granting and payment of such benefits, and the financing of such benefits.</p> <p>The Law on Social Assistance for Pupils (OG, 2006, No 73-2755) establishes the types and the amount of social assistance for pupils as well as the conditions and the procedure for granting social assistance and the funding of social assistance.</p> <p>The Law on Foster Families (OG, 2010, No 25-1176) regulates the establishment and management of legal persons whose legal form is foster families; the obligations, responsibilities, funds and assets of foster families; and the reorganisation, restructuring and liquidation of foster families.</p> <p>The Law on Protection against Domestic Violence (OG, 2011, No 72-3475) aims at protecting persons against domestic violence.</p> <p>Disability function</p> <p>The Law on State Social Assistance Benefits (OG, 1994, No 96-1873) sets state social assistance benefits for persons to whom the state assistance is provided in Lithuania because of their disabilities, age, or other reasons specified in this law.</p> <p>The Law on the Social Integration of Persons with Disabilities (OG, 1991, No 36-969) establishes the principles of the social integration of persons with disabilities; defines the scheme, preconditions and conditions of social integration; specifies the institutions implementing integration of persons with disabilities; and establishes the levels of incapacity and capacity for work as well as the delivery of vocational rehabilitation services.</p> <p>The Law on Social Services (OG, 2006, No 17-589) regulates the management, granting and provision of social services to Lithuanian residents.</p>
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	<p>Old age function</p> <p>The Law on State Social Insurance Pensions (OG, 1994, No 59-1153) is the primary law regulating the awarding, amount and payment of state social insurance pensions.</p> <p>The Law on the Early Payment of State Social Insurance Old-Age Pensions (OG, 2003, No 114-5116) regulates the awarding, amount and payment of early state social insurance pensions.</p> <p>The Law on State Pensions (OG, 1994, No 101-2018) regulates the awarding and payment of state pensions (pensions of the first and second degree of the Republic of Lithuania and victims', officials' and servicemen's, scientists', and judges' state pensions).</p> <p>The Law on the Accumulation of Pensions (OG, 2003, No 75-3472) defines the conditions and procedure for the accumulation of pensions and organisation of the payment of pension benefits in Lithuania.</p> <p>The Law on Supplementary Voluntary Accumulation of Pensions (OG, 1999, No 55-1765) regulates the conditions and procedure for organisation of the accumulation of supplementary voluntary pensions.</p> <p>The Law on the Accumulation of Occupational Pensions (OG, 2006, No 82-3248) describes the conditions and procedure for organisation of the accumulation of occupational pensions. It should be noted, however, that this scheme is not functioning in practice.</p> <p>Unemployment function</p> <p>The Law on Unemployment Social Insurance (OG, 2004, No 4-26) is the primary law regulating support in case of unemployment in Lithuania. This law establishes the legal relationship of unemployment social insurance; the categories of persons covered by this insurance; entitlement to this insurance; conditions for granting this insurance; calculation, payment, funding and administration of this insurance; and responsibility for this insurance.</p> <p>Miscellaneous</p> <p>The Law on State Support for the Acquisition or Lease of Housing and for the Renovation (Modernisation) of Apartment Buildings (OG, 1992, No 14-378) regulates the conditions and procedure of state support for the acquisition, construction (reconstruction) or lease of housing and for the rent of social housing available to individuals and families permanently residing in the Republic of Lithuania.</p> <p>The Law on Assistance in the Case of Death (OG, 2011, No 77-3722) establishes the categories of persons entitled to receive a funeral allowance, the amount of the funeral allowance, and the procedure for paying and financing such allowances.</p>
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ANNEX 2: COUNCIL RECOMMENDATIONS FOR LITHUANIA FOR THE PERIOD 2012-2013²¹

1. Ensure planned progress towards the timely correction of the excessive deficit. To this end, fully implement the budget for the year 2012 and achieve the structural adjustment effort specified in the Council recommendation under the excessive deficit procedure. Thereafter, specify the measures necessary to ensure implementation of the budgetary strategy for the year 2013 and beyond as envisaged, ensuring an adequate structural adjustment effort to make sufficient progress towards the MTO, including meeting the expenditure benchmark, while minimising cuts in growth-enhancing expenditure. In that respect, review and consider increasing those taxes that are least detrimental to growth, such as housing and environmental taxation, including introducing car taxation, while reinforcing tax compliance. Strengthen the fiscal framework, in particular by introducing enforceable and binding expenditure ceilings in the medium-term budgetary framework.
2. Adopt legislation on a comprehensive pension system reform. Align the statutory retirement age with life expectancy, establish clear rules for the indexation of pensions, and improve complementary savings schemes. Underpin pension reform with active ageing measures.
3. Tackle high unemployment, in particular among youth, low-skilled and long-term unemployed, by focusing resources on active labour market policies while improving their efficiency. Enhance the effectiveness of apprenticeship schemes. Amend the labour legislation with regard to flexible contract agreements, dismissal provisions and flexible working time arrangements.
4. Increase work incentives and strengthen the links between the social assistance reform and activation measures, in particular for the most vulnerable, to reduce poverty and social exclusion.
5. Implement all aspects of the reform package of state-owned enterprises and in particular ensure a separation of ownership and regulatory functions and a separation of commercial and non-commercial activities. Install appropriate monitoring tools to assess the effectiveness of the reforms and ensure compliance of all state-owned enterprises with the requirements of the reform.
6. Step up measures to improve the energy efficiency of buildings, including through removing disincentives and a rapid implementation of the holding fund. Promote competition in energy networks by improving interconnectivity with the Member States for both electricity and gas.

²¹ Council Recommendation on the National Reform Programme 2012 of Lithuania and delivering a Council opinion on the Convergence Programme of Lithuania, 2012-2015. Council of the European Union, Brussels, 6 July, 2012.

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

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