European Minimum Income Network country report

Lithuania

Analysis and Road Map for Adequate and Accessible Minimum Income Schemes in EU Member States
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http://emin-eu.net/what-is-emin/

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1. **Summary**

Lithuania’s social assistance system worked rather well during the crisis and fiscal consolidation period. The coverage has increased to include a far greater number of impoverished inhabitants. Unfortunately, as demand for funds went up, the government decided to provide strong financial incentives for local governments to reduce the assistance coverage. Municipalities have been granted power to reallocate financial resources of social assistance: recourses that are not utilised for social assistance cash benefits can be used for any other purpose at the discretion of local authorities. As a consequence, the number of receivers and amount spent on social assistance benefit (SAB) fell markedly. Thus, recent reform (since 1 January 2014) may put the minimum income protection in the country at risk.

Take-up of SAB depends a lot on its administration. Statistical data shows strong impact of local administration on the number of assistance beneficiaries. Disparities in the number of beneficiaries among municipalities are huge. Even if demographic, economic and labour market differences are taken into account, the number of beneficiaries differs up to twofold, a solid proof for very high dependency of SAB take-up on the administrative culture of municipalities.

The adequacy of the SAB amount varies greatly by family size. The maximum SAB amount for a single person is very low and equals just a half of at risk of poverty rate. The support to families with children is considerably higher, amounting to 50-60% of median income.

The equivalence scales are too wide which makes the support benefit difference too big for persons of differing family status. It creates deep poverty and inactivity traps for families with children whereas the support for single persons is inadequate.

The size of social assistance benefit lacks a procedure to be reviewed and adapted to changing economic conditions and is not inflation-indexed. Decisions of the government to increase SAB depend on the political cycle.

The minimum income scheme in Lithuania does not encourage inclusion of unemployed persons into the labour market due to low wages, especially paid for unskilled work. The minimum net wage is usually very close to at risk of poverty threshold for a single person. The unemployment (poverty) trap is increasing in recent years because the social assistance benefit not being indexed.

We do recommend several activities in order to improve coverage, take-up, and adequacy of cash social assistance benefit and inclusion policy.

To reinstall the centralised funding of social assistance schemes in order to weaken the incentives by local authorities to reallocate funds envisaged for social assistance to other needs that are not directly related to poverty reduction. Centralised funding would also help cut regional disparities in the provision of social assistance and ensure equal rights to social assistance across the country.

To create a pre-court social assistance appeal service independent of the municipalities which administer social assistance allocation and the central government which funds it. The service should be easily accessible to all social assistance applicants.

Social assistance benefit amount needs to be raised for single persons, at the same time the equivalence scales could be reduced for the third and subsequent family members in order to narrow the poverty trap risk for families with more children.

It is very important to base the size of the social assistance benefit on the reliable basis. For that SAB should be related to the newly constructed Reference Budget or to the At Risk of Poverty Threshold. These two alternatives have to be weighted using deeper economic analysis and consultations with social partners.

The issue of indexing the social assistance benefit should be addressed immediately. Otherwise the minimal income protection measures fail to maintain their value due to inflation.
We recommend differentiating employable social assistance recipients as a labour market group that needs additional support. The activities useful to society should be integrated into the public works programme.

Long-term employable social assistance beneficiaries should be offered individual social integration programmes developed with participation of social assistance specialists, social workers in charge of the integration of social assistance receivers and labour exchange representatives. In order to install such practice on the local government level, appropriate guidance material should be developed on building individual social integration programmes and special training offered to the aforementioned specialist groups.

Municipalities should be encouraged to pursue a model of an “active social assistance beneficiary” by providing a range of measures on motivation, empowerment, etc. for social assistance recipients.

Municipalities are advised to cooperate more closely with NGOs in order to reduce the number of social assistance benefit recipients. This could be done by engaging NGOs not only to participate in social assistance commissions but also provide general social services. For example, a programme and guidance for NGOs should be developed on training mentors for individuals that lack employment motivation. NGOs then could provide advice and mediate social support recipients on the eldership level.

The negative attitude to social assistance recipients is quite prevalent in the mass media and society in general. Social assistance administrators, social workers and even some representatives of NGOs support a policy that tightens the application process to social assistance and don’t care very much about non-take up. We do urgently need to strengthen social work education and to develop a long-term information campaign on social rights, solidarity and the value of well-designed minimum income scheme for the society.
# Chapter 1. Panorama: Short Description of Minimum Income Scheme

## 1.1. General Overview: Description of Minimum Income Scheme(s): different schemes for different groups (working age adults, old age, young people, disability...)? Governance arrangements (national, regional, local level)? General scheme or categorical? Cash benefits or in-kind or both? Underlying principles?

There are two main non-contributory schemes for guaranteed minimum resources:

**Cash Social Assistance** (Piniginė socialinė parama):
Provided to families and single residents unable to provide themselves with sufficient resources for living. Applicants for cash social assistance are required first and foremost to provide themselves with all possible income that they can obtain on their own. Cash social assistance is paid by municipalities from targeted subsidies allocated to them from the national budget (on a pilot basis, five municipalities pay cash social assistance from their budgets). It comprises both Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens išlaidų kompensacijos). Both benefits are means-tested. Their amount is differential.

Families or single residents who own a dwelling in a multi-dwelling building are entitled to support for the cost of a loan taken to finance the renovation of the building, provided they participate in the modernisation project and they are entitled to the compensation for heating expenses.

For the purposes of Cash Social Assistance, family is defined as persons living together: spouses or cohabitants (bendrai gyvenantys asmenys: sutuoktiniai ir sugyventiniai).

**Social Assistance Pension** (Šalpos pensija):
Aimed at ensuring a minimum standard of living for people who are at particular social risk, i.e. disabled persons, persons who have reached retirement age, disabled or retired mothers with multiple children and disabled or retired persons taking care of their disabled relatives. Social assistance pensions are paid to persons who are not entitled to benefits from the budget of the State Social Insurance Fund (Valstybinis socialinio draudimo fondas) or for whom these benefits are very small. Social assistance pensions are paid by municipalities. The claimant is guaranteed entitlement to the benefit if s/he satisfies the conditions laid down by law. Each recipient receives a fixed amount unrelated to their income.

## 1.2. Eligibility Conditions: What are the conditions to obtain minimum income (nationality, residence, age...)? Lack of financial resources, property, means-testing? Willingness to work or receive training?

**Beneficiaries:**
Single residents and families are entitled to Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens išlaidų kompensacijos) if the single resident or at least one of the spouses/cohabitants works or does not work because they are:

* full-time students (until they reach the age of 24),
* pensioners or individuals above retirement age or disabled,
* nursing a disabled or sick family member,
* registered with the local office of Lithuanian Labour Exchange (Lietuvos darbo birža) or with another Member State’s employment service as unemployed and receiving Unemployment Benefit (Nedarbo draudimo išmoka),
* taking care of a child under the age of 3 years or under the age of 8 years, if the child does not attend an educational institution pursuant to doctors’ recommendation or if the child does not have the opportunity to attend an educational institution carrying out pre-school and pre-primary educational curricula, etc.

Social assistance pension (Šalpos pensija) may be granted to:
* disabled children;
* persons heaving reached retirement age;
* disabled persons.

No nationality requirements.
Permanent residence.

Age:
Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens išlaidų kompensacijos):
* No age requirements
Social assistance pensions (Šalpos pensija):
* Minimum age for retired persons: 60 years and 4 months (women) and 62 years and 8 months (men).
* No minimum or maximum age limits for disabled.

Means testing:
Cash social assistance (Piniginė socialinė parama) (Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens išlaidų kompensacijos)):
Granted upon evaluation both of the income received and the value of the property possessed. The following real estate owned by a single resident or a family is taken into account:
* buildings, including buildings under construction;
* land, including land occupied with forests and water bodies.

Social assistance pension (Šalpos pensija): No means test.

Property:
Cash social assistance (Piniginė socialinė parama) (Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens išlaidų kompensacijos)):
The following movable assets owned by a single resident or a family are taken into account:
* vehicles subject to registration;
* agricultural machinery subject to registration;
* livestock, poultry, animals, beehives, if their total value exceeds LTL4,000 (€1,158);
* stocks, bonds, bills of exchange and other securities, shares, if their total value exceeds LTL2,000 (€579);
* works of art, gems, jewellery, precious metals, when the value of a unit exceeds LTL2,000 (€579);
* cash resources, whether held in banks or other credit institutions or not, if their total value exceeds LTL2,000 (€579), with the exception of amounts paid for the maintenance of a child;
* received (unpaid) loans, if their total value exceeds LTL2,000 (€579), with the exception of State loans for students of establishments of higher education and loans to poor persons participating in a project of renovation (modernisation) of a multi-dwelling building;
* money lent to other individuals (unpaid), if their total value exceeds LTL2,000 (€579);
* State compensations for immovable property bought out by the State, as well as savings and other funds, which are being restored.

Social assistance pension (Šalpos pensija): No means test.

Income:
Cash social assistance (Piniginė socialinė parama) (Social Benefit (Socialinė pašalpa) and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir šalto vandens išlaidų kompensacijos)):
The following income received by a single resident or a family, net of income tax and State social insurance contributions, is taken into account:
* income from work, except for income from work of pupils;
* royalties;
* pensions and/or pension benefits, social assistance benefits;
* dividends;
* interests;
* income of an owner of an individual company, received from the taxable profit of such company;
* income from individual activities, including the income received from engaging in the activities with a business certificate;
* income from agricultural activities,
* grants for agricultural practice;
* cash resources received for the maintenance of a child (alimony);
* monthly received income of a social nature, with the exception of compensations of transport costs for the disabled, compensations to donors, social grants and cash social assistance paid pursuant to the Law on the Social Services;
* severance pay paid upon the termination of an employment contract or upon the dismissal of civil servants;
* sickness, vocational rehabilitation, maternity, paternity allowances;
* compensation for property and non-pecuniary damage (including one time compensation for lost working capacity);
* cash resources received as a gift;
* inherited cash resources;
* cash resources received abroad or from a foreign State;
* income from property sale, except for the income included in the property; income from property rent;
* lottery and other cash winnings, prizes;
* other actually received income.

Social assistance pension (Šalpos pensija):
Social assistance pensions are paid to persons who are not entitled to bigger pensions (from the budget of the State Social Insurance Fund (Valstybinis socialinio draudimo fondas), State budget or foreign pension).

Exemptions:
In order to be granted cash social assistance (Piniginė socialinė parama), the following resources are exempted:
* wages of pupils studying at general education schools and vocational institutions according to general education or vocational training curricula;
* social grants and assistance in cash paid pursuant to the Law on Social Services, Social Benefit (Socialinė pašalpa);
* extraordinary grants;
* special social allowances;
* target compensations for nursing or attendance (assistance) expenses;
* income from agricultural land the total area of which does not exceed 1 hectare;
* cash donations (charity);
* grants for students studying at high and vocational institutions.
Amounts paid for the maintenance of a child (alimony) is included in the income of a person who receives such alimony.

**Readiness for work and training:** see 1.5

1.3. **Amounts of the living wage** : differentiation for specific household types, cohabitants, single persons, couples, children, age groups...?
Social assistance pension (Šalpos pensija):
The amount of the social assistance pension depends on the amount of the
social insurance basic pension (currently LTL 360 (€ 104)). The basic pension is
increased upon decision of the Government depending on the Government’s
Program and the budget. The family composition does not have an impact on
the amount of the pension.
The amount depends on the social insurance basic pension fixed by the
Government and on a coefficient varying between 0.75 – 2.0 for different
groups of recipients (LTL270.00 (€78) – LTL720.00 (€209)). In determining the
amount of support, the following factors are taken into consideration: the
number of born and raised children for mothers (5 or less), the time spent
nursing a disabled person (15 years or less), the age of a disabled person at the
date of acknowledging the person as being disabled and the level of disability.

Cash social assistance (Piniginė socialinė parama):
The amount of assistance varies according to the income of the single resident
or of each family member.
Single resident or family.
Family means spouses or an adult man and woman living together but not
legally married, as well as a married person with whom, by the court’s
judgment because of the separation of the spouses, their children have stayed
to live, or one of the parents. Family shall also include:
* their children under 18 years of age,
* persons between the ages of 18 and 24 who are unmarried, unemployed and
  without children: full-time pupils and students of general education schools and
  other institutions of formal educations,
* persons between the ages of 18 and 21 who are unmarried, employed and
  without children: full-time pupils and students of general education schools and
  vocational educational institutions.
The guardian’s (curator’s) family shall not include children who are placed
under guardianship (curatorship).
The monthly benefit level, is 100% of the difference between the actual income
of a family or single resident and the State Supported Income (Valstybės
remiamos pajamos) of LTL350 (€101) per person per month for the first family
member, including the cases where Social Benefit is granted only to a child
(children), 80% for the second member and 70% for the third and any
additional family member.
Case examples,
monthly amounts for households with no other income, excluding family
allowances:
* Single person: LTL350.00 (€101)
* Couple without children: LTL630.00 (€182)
* Couple with 1 child: LTL875.00 (€253)
* Couple with 2 children: LTL1,120 (€324)
* Couple with 3 children: LTL1,365 (€395)
* Single parent, 1 child: LTL630.00 (€182)
* Single parent, 2 children: LTL875.00 (€253).

Case examples (monthly amounts for households with no other income,
excluding family allowances), where Social Benefit is granted only to a child
(children):
* For 1 child: LTL350.00 (€101)
* For 2 children: LTL630.00 (€182)
* For 3 children: LTL875.00 (€253)

Additionally paid Social Benefit (Papildomai skiriama socialinė pašalpa) can be
granted to persons, who are raising a child (children) and who get off Social
Benefit and into employment. Social Benefit paid additionally corresponds to
50% of the average of the previously paid Social Benefit and will be awarded for six months even if the family is not entitled to Social Benefit after employment. Social Benefit is reduced for long-term recipients. The reduction equals:

* 20% if Social Benefit is paid during 36 to 48 months;
* 30% if it is paid during 48 to 60 months;
* 40% if it is paid for more than 60 months (in this case no Social Benefit is granted to beneficiaries without children).

Benefits are adjusted at irregular intervals according to governmental decision based upon price index.

### 1.4. Time duration: is the minimum income scheme limited in time? Are there regular re-assessments?

Social Benefit (Socialinė pašalpa) is awarded for a period of three months, beginning the first day of the month of submission of the application, if at the time of submission the single resident or the family members were entitled to this benefit. Social Benefit may be renewed (unlimited number of renewals) if the circumstances have not changed.

Reimbursement for Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir karšto vandens kompensacijos) is granted for a period of three months from the date of entitlement. The reimbursement may be granted retro-actively up to two months preceding the month of submission of the application, provided the single resident or the family is still entitled at the time of application.

Cash Social assistance (piniginė socialinė parama) (Social Benefit and Reimbursement for the Cost of House Heating, Hot Water and Drinking Water) may be granted for a period shorter than three months.

Social assistance pension (Šalpos pensija):

No specific time limits. Social assistance pensions are granted from the date of entitlement. They may be granted retro-actively up to 12 months preceding the submission of all the necessary documents to the municipal administration.

### 1.5 Conditionality: submission of application, information on personal situation, social inquiry, availability for work...?

**Assessment:**

Cash social assistance (Piniginė socialinė parama):

Cash social assistance is provided by the administration of the municipality of the place of residence declared by a family or a single resident, or, if a family or a single resident did not declare a place of residence, by the administration of the municipality in which the family or a single person lives.

An applicant must complete an application form for cash social assistance and attach the required documents about the income and the property owned by the family.

A decision concerning the granting of Social Benefit (Socialinė pašalpa) and/or calculation and provision of reimbursements shall be taken no later than one month from the date of receipt of the application and of all the necessary documents in accordance with the procedure laid down by the administration of the municipality.

Social assistance pension (Šalpos pensija):

Social assistance pension may be granted to disabled children, retired persons and people recognised as being disabled by the Disability and Working Capacity Assessment Office (Neįgalumo ir darbingumo nustatymo tarnyba) of the Ministry of Social Security and Labour.

The application and documents submitted by the applicant are examined. No social investigation is carried out. A decision concerning the granting of social assistance pension shall be taken no later than 10 working days from the date of receipt of the application.
Readiness for work and training:
Cash social assistance (Piniginė socialinė parama):
Persons of working age who are unemployed must be registered with the local office of Lithuanian Labour Exchange (Lietuvos darbo birža) and should be willing to work, train or retrain.
Refusal of job offer, training, public duties or works supported by the Employment Fund (Užimtumo fondas) may lead to the suspension of, or refusal to grant, Social Benefit (Socialinė pašalpa) and Reimbursement for Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens ir šalto vandens išlaidų kompensacijos). Public duties are called as “Socially Useful Activities” and are organised by municipality. Participants of these activities (usually provision of amenities) don’t receive earnings. Participants of public works in contrast do receive wage from Employment Fund.
With a view to promoting beneficiaries’ independence from benefits, preserving incentives to work and reducing the poverty trap, additionally paid Social Benefit (Papildomai skiriama socialinė pašalpa) is available for persons (raising a child/children) who get off Social Benefit and into employment. At the same time, Social Benefit is reduced for long-term recipients.
Social assistance pension (Šalpos pensija):
No such requirements.

1.6. Link with other social benefits: combination with other benefits or wage possible? Additional social assistance for housing costs, energy, medical expenses, family allowance...?

Reimbursement for Cost of House Heating, Hot Water and Drinking Water (Būsto šildymo išlaidų, geriamojo vandens išlaidų kompensacijos):
Provided for poor families and based upon a means test. A family should not have to pay more than 20% of the family income above the State Supported Income (valstybės remiamos pajamos), i.e. LTL350 (€101) per family member for heating of a standard size of accommodation; 5% of the family income for basic standard of hot water; 2% of the family income for basic standard of drinking water.
Standard size of accommodation:
* 50 m² for a single resident;
* 38 m² for the first family member;
* 12 m² for the second family member;
* 10 m² for the third and any additional family member.
Standard size of drinking water, when the central heating system is used to heat water:
* 2 m³ for the first family member and a single resident;
* 1.5 m³ for the second family member;
* 1 m³ for the third and any additional family member.
Standard size of drinking water, when other types of energy or fuel are used to heat water:
* 3.5 m³ for the first family member and a single resident;
* 2.5 m³ for the second family member;
* 1.5 m³ for the third and any additional family member.
Standard size of hot water:
* 1.5 m³ for the first family member and a single resident;
* 1 m³ for the second family member;
* 0.5 m³ for the third and any additional family member.
Families or single residents who own a dwelling in a multi-dwelling building are entitled to support towards the cost of a loan taken out to finance the renovation of the building, provided they participate in the modernisation project and they are entitled to the compensation for heating expenses.
2.1. Inclusive labour markets

Despite the rapid recovery of Lithuanian economy, situation in the labour market remains unfavourable. The unemployment rate remains high while new job opportunities are emerging slowly (Figure 2.1). In 2013, the number of employed population was by 200 000 less than before the crisis in 2006. The unemployment rate is still rather high (11 per cent in 2014) and the number of unemployed population is still three times as high as recorded in 2007. Not only new jobs, but rather a high rate of out-migration is a factor to note in unemployment reduction.

Figure 2.1. GDP (Chain-linked volume) and number of employed and unemployed population

In recent periods, two positive measures were implemented for low-income employees. The minimum monthly wage was increased from LTL 850 to LTL 1000 since the beginning of 2013. Also, minor changes of the income tax for low-income workers were implemented on 1 January 2014. The basic and additional personal income tax allowances were increased. From 2009 to 2013, the following formula was used to calculate the monthly general allowance: LTL 470 – 0.2 x (monthly employment-related income – LTL 800). Since 1 January 2014, the formula was changed to: LTL 570 – 0.2 x (monthly employment-related income – LTL 1000). These amendments have raised the net monthly income for minimum wage earners by LTL 15.

An additional personal income tax allowance (for each child) is applied for the residents who are raising children under 18 years old. Until 2014, the additional monthly basic allowance for the first child was equal to LTL 100, and LTL 200 for the second and each subsequent child. Since 1 January 2014, the additional monthly basic additional allowance
for the first child was increased to LTL 200. This change has raised the monthly net wage by LTL 15 for working parents (one of them).\(^1\)

The contributory unemployment benefit scheme is fragmented and does not provide sufficient income protection for the unemployed. Only 15-17% of the unemployed receive contributory unemployment benefits (Figure 2.2.). The low coverage of the contributory unemployment scheme and low amount of the unemployment benefit during a period of high unemployment are major factors that have contributed to an increase in the number of recipients of social assistance (see Chapter 3.1). The benefit is paid for 6-9 months period depending on length of insurance records. The amount of benefit decreases after three months of payment and has ceiling. Due to the public finance crisis, in 2009 the Government decided to reduce the ceiling for the unemployment benefit amount. It was capped at LTL 650 per month (which means it is below the per-capita level of at risk of poverty threshold).

Figure 2.2. Recipients of contributory unemployment benefits, placed into job by Lithuanian Labour Exchange and referred to ALMP measures (% of the registered unemployed)


Lithuania has several activation programmes in place for the unemployed (although they are not specifically focused on minimum income benefit receivers): Vocational Training, Support for the Acquisition of Professional Skills, Public Works and others (Table 2.1). The number of participants in active labour market policy measures (ALMP) is very low as well. It amounts only to 2-4 per cent of registered job seekers (Figure 2.2). Supported employment is the most popular ALMP measure (Figure 2.3).

There is week coordination between ALMP and the minimum income scheme, because the centralised Labour Exchange is responsible for ALMP and local municipalities are responsible for social assistance cash benefits. Cooperation of these two systems is limited basically to data provision by the Labour Exchange to the administration of municipalities.

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\(^1\) Lazutka, R., Poviliunas, A. challenges and priorities for action to reach the poverty and social exclusion reduction target. a study of national policies: Lithuania. 2013.
The Labour Exchange does not have special provision of ALMP measures for recipients of social assistance benefits.
<table>
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<tr>
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<th>Vocational training</th>
<th>Supported Employment for the Acquisition of Professional Skills</th>
<th>Public Works</th>
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<tr>
<td><strong>Principal objectives</strong></td>
<td>Vocational training is organised seeking to award qualifications and/or develop professional abilities.</td>
<td>Support for the Acquisition of Professional Skills is organised seeking to provide professional skills that they lack directly at the workplace.</td>
<td>Public works are organised seeking to help jobseekers integrate into the labour market as soon as possible and to create the conditions for earning a living.</td>
</tr>
<tr>
<td><strong>Target group</strong></td>
<td>The programme is accessible by all unemployed selected by Labour exchange agency; no special rules for social assistance recipients</td>
<td>For persons taking up their first employment according to the acquired speciality or occupation, persons who have completed vocational rehabilitation programmes; the long-term unemployed and persons whose unemployment period is or exceeds 2 years from the date of registration with a local labour exchange office; no special rules for social assistance recipients</td>
<td>Unemployed persons, the employees who have been given a notice of dismissal and other jobseekers; no special rules for social assistance recipients</td>
</tr>
<tr>
<td><strong>Mandatory participation</strong></td>
<td>Mandatory for those, who is selected by Labour exchange agency.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>Not defined, depends on training programme</td>
<td>5-12 months (depends on target group)</td>
<td>Up to 6 months during the 12 months period</td>
</tr>
<tr>
<td><strong>Government level</strong></td>
<td>National</td>
<td>National</td>
<td>National together with municipality</td>
</tr>
<tr>
<td><strong>Remuneration for participating (amount)</strong></td>
<td>Amount of student grant is 70 per cent of Minimum Wage</td>
<td>50-75 per cent of wage with the limit of 200 per cent of Minimal wage (depends on target group)</td>
<td>Minimum wage</td>
</tr>
</tbody>
</table>
All social assistance applicants able to work have to register as unemployed with local labour exchange offices. However, all activation measures including public works are designed for unemployed people without respect to their application for social assistance benefits. However, Lithuania has a typical workfare programme (i.e. work for benefit programme). Its official title is Socially Useful Activities (as was noted in Chapter 1, point 1.5). The principal objective of this programme is working in return for social assistance benefits (participants receive only social assistance benefits before participating in “Socially Useful Activities” but do not receive any remuneration for this activity/work). The target group is social assistance benefit receivers who have been long-term unemployed (more than six months). Participation in this programme is mandatory for those assigned to the programme by a municipality. The municipality has the right to set the participation duration for each participant, but usually it is 40 hours per month.

Municipalities design and govern local workfare programmes at their own discretion; their aim is twofold. First, municipalities use manpower of social assistance beneficiaries for some simple works (cleaning of squares and streets). Second, municipalities seek for self-selection of formally unemployed social assistance applicants, because unemployed persons, who officially are unemployed but participate in the shadow economy, are unable to combine their participation in a workfare programme and in undeclared labour activities. Some of them decide not to apply for social assistance, some of them prefer to work in the shadow economy. However, some social assistance applicants refuse to participate in “Socially Useful Activities” because of stigma and they also lose the right to social assistance. This workfare programme is seen as a very strong factor for decreasing the number of social assistance receivers.

Lithuanian authorities have introduced reduction of social assistance benefit as a work incentive measure for long term receivers. Since 1 January 2012, the social assistance benefit amount does depend on benefit duration. Social benefit is reduced for those beneficiaries who are entitled to social benefit for a long time: by 20% if social benefit is paid for 36-48 months; by 30% for 48-60 months; by 40% for more than 60 months (in this case social benefit is not paid for beneficiaries without children). Several municipalities have implemented this provision of the law immediately. They calculate benefit duration starting before 1 January 2012 (before the enactment of the law).
Table 2.2. Sanctions against claimants

<table>
<thead>
<tr>
<th>Ground</th>
<th>Sanction</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to report change of address, change of household composition or change of income</td>
<td>Suspension for adults</td>
<td>3 months</td>
</tr>
<tr>
<td>Failure to attend work readiness interviews or training courses, to accept referrals to active labour market programmes, to accept referrals to job offers*</td>
<td>Termination</td>
<td>6 months</td>
</tr>
<tr>
<td>Received information from public controlling agencies about unreported work and/or unreported income</td>
<td>Suspension for adults</td>
<td>6 months</td>
</tr>
<tr>
<td>Failure to use all opportunities to collect income from all possible resources (e.g. alimony from parent living separately, other social benefits from social protection system)</td>
<td>Suspension for adults</td>
<td>Until requirement will be met</td>
</tr>
<tr>
<td>Failure to participate in useful for community (some kind of public work without remuneration) activities organised by municipality</td>
<td>Suspension for adults</td>
<td>Until requirement will be met</td>
</tr>
</tbody>
</table>

*There is requirement to be registered in Labour exchange agency and to accept work proposal or to participate in active labour market measures. If she/he fails to accept to job offers, training course or active labour market programmes, she/he would be removed from the list of unemployed with the right to apply again to the Labour exchange agency after 6 months. She/he can apply to municipality for social assistance after renewal registration in Labour exchange agency.

The regulatory framework for social assistance in Lithuania provides sanctions against claimants (Table 2.2). Social assistance benefits may be suspended or terminated. Implementation of the sanctions is on the level of municipalities. There is no data collected about the frequency of implementation of the sanctions. However, sanction application may depend on incentives of municipalities to reduce social expenditures. Since the beginning of 2014, the function of social benefit provision has been transferred to municipalities’ discretion and this benefit is paid from their budgets. Before that, the central government budget was responsible for funding the social assistance benefit scheme. Thus, after the assessment of specific local conditions and circumstances, municipalities now have more power in granting social assistance benefit and more incentives to reduce financing. Therefore, a stricter control of benefit payment and implementation of sanctions might be expected.

One rather positive change in the social assistance benefit scheme was implemented on 1 January 2012 when a benefit was introduced. Social assistance benefit is now paid to former long-term (12 or more months) receivers if she/he has started to work and earns between 100 and 200 per cents of minimum wage. The benefit amount is 50% of full benefit before entering into work. The duration of payment is 6 months. It may activate long-term unemployed beneficiaries.

---

2 Suspension: no benefit is awarded for a specified number of months, but benefit recipient remains on the role. Benefit payment is restarted automatically after the specified period is over. In case of suspension, duration refers to the number of months during which no benefit is awarded. Termination: Benefit recipient is removed from the role. He or she can either immediately file a new application, or must wait for a specified period before applying again. In case of termination, duration refers to the number of months before a new application can be filed.

3 We will analyse the impact of this shift on take-up in Chapter 3.
2.2. Access to quality services

The economic crisis did not produce a marked decrease in the accessibility of free or
government-sponsored services. Government spending was cut by way of slashing public
sector wages instead of shutting down certain public services, although the situation varies
to some degree from service to service.

The level of accessibility of health-care services has remained relatively high and
population at large see it in positive light. Only 1.1 per cent of low-income population (first
income quintile) have indicated that their needs for health-care services are not satisfied
(Figure 2.4), however, in spite of the crisis, the indicator keeps improving (Table 2.4).

**Figure 2.4. Self-reported unmet needs for medical examination in first income
quintile, 2012 (per cent)**

Table 2.3. Self-reported unmet needs for medical examination in first income
quintile in Lithuania, 2012 (per cent)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,5</td>
<td>9,4</td>
<td>4,6</td>
<td>3,8</td>
<td>1,7</td>
<td>1,9</td>
<td>1,6</td>
<td>1,1</td>
</tr>
</tbody>
</table>


The economic well-being of households depends a lot on the employment of both parents.
This, in turn, is subject to the availability of preschool child-care services. Lithuania
features a wide city vs. rural divide in the coverage of these services. Only 10 per cent of
1-2-year-olds attend local preschool child-care establishments; in cities this number
reaches 40 per cent. This coverage of children of older ages is twice as high in cities than
in rural areas (Table 2.5).

Municipality-run kindergartens lack vacancies even in bigger cities whereas private
institutions are too expensive for many households. For example, a monthly private
kindergarten fee in Vilnius exceeds the minimal wage which makes such establishments
completely inaccessible to low-income households.

---

4 Improvement of self-reported indicator on accessibility of health services can be hardly interpreted as a result of public health policy, because there were no substantial reforms during the latter period.
Table 2.4. Enrolment in preschool and pre-primary education (end of year, per cent)

<table>
<thead>
<tr>
<th>Age of child</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban areas</td>
<td>36.7</td>
<td>34.9</td>
<td>32.8</td>
<td>34.1</td>
<td>35.4</td>
<td>40.3</td>
</tr>
<tr>
<td>Rural areas</td>
<td>7.2</td>
<td>6.7</td>
<td>5.9</td>
<td>7.5</td>
<td>8.4</td>
<td>9.7</td>
</tr>
<tr>
<td>3–6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban areas</td>
<td>83.3</td>
<td>84.1</td>
<td>84.3</td>
<td>82.8</td>
<td>82.4</td>
<td>81.4</td>
</tr>
<tr>
<td>Rural areas</td>
<td>28.8</td>
<td>34</td>
<td>32.6</td>
<td>35.6</td>
<td>35.6</td>
<td>38.3</td>
</tr>
</tbody>
</table>

Source: Lithuanian Statistics

Researchers have concluded that the main factors of non-attendance of preschool institutions are living in rural areas, a broken family and household poverty. These factors limit the possibilities of children to participate in preschool education and these children experience systematic social injustice. The best opportunities to participate in preschool education are among children who belong to urban population, non-single-parent households and households with no disabled members as well as those with no children under one year of age.  

Table 2.5. The number of subsidies and loans for acquisition of housing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Allocated 10 per cent subsidies</td>
<td>655</td>
<td>573</td>
<td>510</td>
<td>448</td>
<td>238</td>
<td>29</td>
<td>3</td>
<td>39</td>
<td>26</td>
</tr>
<tr>
<td>Allocated 20 per cent subsidies</td>
<td>116</td>
<td>108</td>
<td>103</td>
<td>104</td>
<td>86</td>
<td>15</td>
<td>14</td>
<td>23</td>
<td>20</td>
</tr>
<tr>
<td>Persons (families) who received state supported housing loan</td>
<td>104</td>
<td>100</td>
<td>914</td>
<td>698</td>
<td>429</td>
<td>61</td>
<td>23</td>
<td>80</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Lithuanian Statistics

The Lithuanian Government is failing to solve the housing problem for low income families. Recent studies have shown that the number of persons included in the waiting list to rent social housing is constantly growing. According to the Law on Support for Getting or Renting Housing, the Government provides subsidies for low income inhabitants to purchase their first dwelling or renting municipal flats. The subsidy covers 10-20 per cent of the mortgage loan. Twenty per cent of the mortgage loan or rent is compensated for orphans of up to 35 years of age, families with three or more children, disabled persons, elderly with special needs, families with one of the members disabled. Ten per cent of the loan or rent is compensated for young families with one or two children and families in which one of the parents is deceased. Besides partial compensation of the mortgage loan, the Government provides support for insuring these loans.

Both types of housing subsidies are not accessible for vulnerable families. The number of loans for the acquisition of housing has decreased dramatically after the financial crisis. The Government reduced housing subsidies because of fast growing national budget deficit since 2009. Only 60 families have received this support in 2012 (Table 2.6). Similarly, because of financial constraints, municipalities have rented only 3.4 per cent of the required social housing (Figure 2.5).

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CHAPTER 3. IDENTIFICATION OF OBSTACLES TO THE IMPLEMENTATION OF ADEQUATE MINIMUM INCOME SCHEMES

3.1. Coverage and take-up

The coverage of cash social assistance benefit in Lithuania has been undergoing significant changes in recent years. Before the onset of the crisis, in 2007-2008, around 37,000 inhabitants (1.2% of total population) were receiving these benefits. During the crisis, in 2010-2012, the number shot up to 180,000-220,000 (6-7.3% of total population and about one third of people at risk of poverty according to the 60% poverty threshold). These are average monthly numbers of benefit receivers calculated on the basis of each person receiving the benefit a full year. In real life, of course, some persons receive benefits for just several months per year; therefore the number of those who received benefit at least once per year is at least twice as high.

No reliable information exists on what prevents some persons (those having legal grounds to reside in Lithuania and having ID documents) from accessing social assistance benefits. It should be noted that immigrants (migrants, asylum-seekers, undocumented migrants) in Lithuania are quite few. Homeless persons who have an ID can apply to receive social assistance benefit. They don’t need to have a residence, but have to check in as claimant at the municipality. There is no research as to what extent access to the social assistance benefit system is limited by other factors (lack of information, complexity of system, conditionality, discretionary nature of benefits, lack of support on application, fear of stigma).

However, data from the Survey of Income and Living Conditions (SILC) provides an opportunity to indirectly assess the accuracy of the social assistance benefit system. According to SILC, in 2011, 404,000 persons (13.5% of population) received these benefits at least for one month.

Around 30 per cent of them (124,000) earn a monthly annual average income (LTL 255 in 2011, Table 3.1) that is below the benefit qualification criteria, the State Supported Income (SSI), which has not changed since 2008 and equals LTL 350 per capita per month.
The other 70 per cent (around 280,000) have been receiving social benefit even though their income is above the SSI (a monthly annual average income is LTL 702 per capita per month). One of the reasons may be undeclared income of claimants. The second reason is related to different periods of average income calculation for cash social assistance benefit application and in the SILC. Average income for eligibility of social assistance benefit is calculated on the basis of three months period. Consequently, some people do receive social assistance benefit for several months, despite their relatively high income during the next months and despite their average monthly income per year is higher as qualification criteria - SSI.

Around 84,000 persons (2.8%) whose income is below the SSI (LTL 350) do not receive social benefits (Figure 3.2), even though they meet the income criteria to qualify with an average monthly income of LTL 235. There may be several reasons for that: failing to satisfy the assets criterion, or being able to work but not satisfying employment criteria. For some of such persons the required paperwork associated with applying for and getting social benefits may be too complex, or they may not have the required documents or information on their right to claim social benefits, or they may simply avoid the social benefit system for fear of stigma.

**Figure 3.1. Number of cash social assistance beneficiaries (thousands; average per month)**


**Figure 3.2. Coverage and take-up of social assistance**

Table 3-1. Low income households covered and not covered by social assistance

<table>
<thead>
<tr>
<th>Low income households (average monthly income up to 350 LTL)</th>
<th>Number of people</th>
<th>Disposable income per member of household (LTL)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Thousands</td>
<td>Per cent of population</td>
</tr>
<tr>
<td>Receiving social assistance</td>
<td>124</td>
<td>4.1</td>
</tr>
<tr>
<td>Not receiving social assistance</td>
<td>84</td>
<td>2.8</td>
</tr>
</tbody>
</table>


Take-up of SAB depends a lot on its administration. Local authorities are responsible for SAB payments and they can act more or less friendly to clients. Statistical data on SAB recipients shows strong impact of local administration on the number of assistance beneficiaries. Municipalities do apply the same law on social assistance and they use the same criteria for processing client applications. Nevertheless, disparities in the number of beneficiaries among municipalities are huge. Even if demographic, economic and labour market differences are taken into account, the number of beneficiaries differs up to twofold (Figure 3.3), a solid proof for very high dependency of SAB take-up on the administrative culture of municipalities.

Figure 3.3. The number of recipients of social assistance benefits per 100 of vulnerable families* (right scale) and average monthly wage (left scale) in municipalities

Source: Socialinės paramos šeimai informacinė sistema www.socmin.lt/index.php?-2063405871
*Note: number of beneficiaries in each municipality is divided by the sum of three types of families: families of unemployed, single families and families of thre and more children.
**dotted bars are municipalities of five big cities

Having in mind the high variation of coverage even in such a highly centralised scheme as social assistance, recent reforms may put the minimum income protection in the country at risk. A major factor of the social assistance scheme reform is fiscal decentralisation. Municipalities have been granted power to reallocate financial resources of social assistance: recourses that are not utilised for social assistance cash benefits can be used for any other purpose at the discretion of local authorities. This new legal basis for utilisation of financial resources was implemented in five so-called pilot municipalities (Akmenes, Panevezio district municipality, Radviliskio, Raseiniu, Silales) on 1 January
2012. Since 1 January 2014, the reform has extended to include the remaining 55 municipalities of the country.

The reform was sold as decentralisation of decision making and as a fight against misuse of social assistance by dishonest receivers. The pretext for this reform was the growth of beneficiaries’ number in recent years. Indeed, as Figure 3.1 shows, during 2011 the number of beneficiaries shot up fivefold compared to pre-crisis 2007-2008. However, the increase was due to important reasons.

These were as follows: a rapid rise in unemployment (from 4 per cent in 2007 to 18 per cent in 2010), wage cuts in the private sector as well as the government’s drive towards greater fiscal consolidation. Public sector wages were cut, pensions and unemployment benefits were slashed while categorical family benefit was redefined as income-tested and number of beneficiaries decreased dramatically (Figure 3.4). On the other hand, during the peak of the pre-crisis economic boom, the government had significantly boosted the State Supported Income that acts as a threshold to qualify for social benefits. This threshold has not changed as household income decreased during the crisis (see Chapter 3.2).

Social assistance benefits became the basic measure of income protection during the crisis (Figure 3.4). Data for the period of 2008-2013 demonstrates the effectiveness of the existing social safety net. Social assistance benefits guarantee the minimum income for the majority of persons in need during difficult times and the number of beneficiaries is decreasing in periods of economic growth.

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**Figure 3.4. The number of recipients of various benefits (in thousands)**

Still, as it has been mentioned above, a social assistance scheme reform was launched in 2012 in five municipalities in order to decrease the number of assistance benefit receivers. As a consequence, the number of receivers and amount spent on assistance benefits fell markedly. Special commissions were set up to assess the right of applicants to receive assistance benefits. Commission members were not elected, instead they were invited to participate by local municipality administration. This made such commissions an additional obstacle to overcome for assistance applicants, thus introducing stricter application and assessment rules in order to meet municipality administration’s expectations to cut the number of benefit receivers, rather than find persons in need of such assistance.

As Figure 3.5 demonstrates, since the social assistance benefit reform was launched in the beginning of 2012, five pilot municipalities have started saving money. The number of recipients per 1000 municipality inhabitants and expenditure for SAB per municipality inhabitant has decreased dramatically.
The same trend has been observed in the other municipalities that joined the reform since January 2014. During the nine months of 2014, all municipalities reduced expenditures on social assistance by 16 per cent in average compared to the 2013 (Figure 3.1). The Minister of Social Security and Labour Mrs. Algimanta Pabedinskiene has assessed that fact as better targeting. However, saving money is neither the main priority of the social assistance scheme, nor the main function of municipality.

**Figure 3.5. The comparison of two groups of rural municipalities – one group is pilot municipalities (S5), another group of municipalities of similar number of inhabitants, but not reformed (S11)**

A quantitative study was conducted in August 2013 to reveal the attitude of persons engaged in the provision of social assistance towards the reform. The study covered the following target groups: heads of municipality administration, heads and representatives of municipal social assistance departments, social workers, representatives of elderships (the smallest administrative unit in Lithuania) as well as NGOs.

The respondents singled out the following as the main achievements of the reform:

- increased control measures allow to cut the risk of dishonest social assistance award: socially useful activities is a right way to restore social justice, i.e., persons who receive social assistance should in return do something useful for society (e.g. public work);
- fighting the abuse of social assistance is the main goal of local authorities in this area;
- tightening social assistance benefit rules encourages residents to put more effort into finding a job.

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The respondents opposed the most the following statements about the reform:

- municipal government does not fully perceive the goals of social assistance;
- the savings that result from reforming the social assistance allocation scheme are being channelled to meet municipality's other needs and therefore increase the level of poverty of local population;
- the application of strict anti-abuse measures in cash social assistance threatens an individual's privacy;
- tightening of social assistance increases poverty;
- assigning to perform activities useful to society in exchange of social benefits is unacceptable forced labour.

As the study results demonstrate, social assistance administrators, social workers and even NGOs support a policy that tightens the application process and generates financial benefits for municipalities. The reasons for their negative approach to social assistance recipients require more extensive research. However, this negative attitude is quite prevalent in the mass media. Thus no wonder then that the reform is cutting the number of social assistance receivers quickly.

To sum it up, Lithuania’s social assistance system worked well during the crisis and fiscal consolidation period. The assistance coverage has increased to include a far greater number of impoverished inhabitants. Unfortunately, as demand for funds went up, the government decided to provide strong financial incentives for local governments to reduce the assistance coverage. The reform was started in 2012-2014, when economic growth returned and unemployment fell. The social assistance coverage is declining rapidly thanks to both an improving economic situation and the social support system reform. It is difficult to determine what proportion of persons is losing social assistance due to their improved financial situation, the reduced misuse of social assistance and the tightened social assistance benefit rules. The reform requires fine-tuning in order to highlight these entangled factors and to move its emphasis from deterrence from applying for support benefits to their take-up.

### 3.2. Adequacy

From the very beginning of the 1990s, social assistance benefits (SAB) in Lithuania were related to State Supported Income (SSI), which respectively was based on the Reference Budget (RB). However, since 1993, the RB was reduced dramatically. The number of food items was reduced from 52 to 12, while the share of food products in the basket increased from 45 per cent to 80 per cent\(^9\) and SSI lost its real value. Updates of reduced RB and SSI for cash social assistance were implemented yearly until 2008; after which these updates were discontinued and the RB lost its application. Nowadays SSI is set up on the basis of pure political bases.

The amount of assistance benefits varies according to the income of a single resident or of each family member. The monthly benefit level is 100% of the difference between the actual income of a family or single resident and the State Supported Income (SSI) of LTL 350 (€101) per person per month for the first family member (including the cases where SAB is granted only to children), 80% for the second member and 70% for the third and any additional family member.

\(^9\) 20 per cent of Reference Budget was left for not food products without detailed specification.
Table 3.1. At risk of poverty thresholds and max. Social assistance benefit

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>At risk of poverty threshold</td>
<td>335</td>
<td>437</td>
<td>566</td>
<td>720</td>
<td>831</td>
<td>701</td>
<td>666</td>
<td>749</td>
<td>811</td>
</tr>
<tr>
<td>for single person (LTL)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Supported Income**</td>
<td>135</td>
<td>165</td>
<td>205</td>
<td>285</td>
<td>350</td>
<td>350</td>
<td>350</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>for single person (max amount</td>
<td></td>
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<tr>
<td>of SAB), (LTL)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max SAB for single person</td>
<td>40</td>
<td>38</td>
<td>36</td>
<td>40</td>
<td>42</td>
<td>50</td>
<td>51</td>
<td>47</td>
<td>43</td>
</tr>
<tr>
<td>/at risk of poverty threshold</td>
<td></td>
<td></td>
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<td>(percent)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At risk of poverty threshold</td>
<td>746</td>
<td>918</td>
<td>118</td>
<td>151</td>
<td>174</td>
<td>147</td>
<td>139</td>
<td>157</td>
<td>1703</td>
</tr>
<tr>
<td>for family of two adults and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>two children (LTL) *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Supported Income*</td>
<td>540</td>
<td>660</td>
<td>820</td>
<td>114</td>
<td>140</td>
<td>140</td>
<td>140</td>
<td>112</td>
<td>1120</td>
</tr>
<tr>
<td>for family of two adults and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>two children (max amount of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SAB), (LTL)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Max SAB for family of</td>
<td>72</td>
<td>72</td>
<td>69</td>
<td>75</td>
<td>80</td>
<td>95</td>
<td>96</td>
<td>71</td>
<td>66</td>
</tr>
<tr>
<td>two adults and two children/</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At risk of poverty threshold</td>
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<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>(percent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: 60 per cent of median income
** Note: State Supported Income is for June of every year
Source: Lithuanian Statistics, Authors calculations

The adequacy of the SAB amount varies greatly by family size. The maximum SAB amount for a single person has been very low during the last ten years and it now equals just a half of at risk of poverty rate (Table 3.1). To a large extent this could be explained by a negative attitude towards single supported grown-ups held by politicians and society at large. A grown-up person is expected to earn his or her living or having already earned his/her right to a certain kind of social security coverage (pension, unemployment, sickness or maternity benefit). Compared to most OECD member countries, the net social assistance benefit for a single person in Lithuania is very small and makes up just 23% of median income (Figure 3.6).
Figure 3.6. Income levels provided by cash minimum-income benefits for single person. Net income value in % of median household incomes, 2011 and 2005


The support to families with children (both lone-parent and two-parent families) is considerably higher, amounting to 50-60% of median income, which in this respect places Lithuania among the most generous countries (Figure 3.7 and Figure 3.8), due to generous equivalence scales applied in the country (80-70%). Therefore, each additional family member receives a benefit which is just a little less than that of the first member. The State Supported Income which is used to determine the size of the social assistance benefits was raised substantially in 2005-2008 (from LTL 135 to LTL 350 for a single person or a family’s first member) but later on, as mentioned earlier, was not raised.

Figure 3.7. Income levels provided by cash minimum-income benefits for couple with two children. Net income value in % of median household incomes, 2011 and 2005

As we can see, the size of social assistance benefit has several shortcomings. First, it lacks a procedure to be reviewed and adapted to changing economic conditions and is not inflation-indexed. The economic crisis which struck Lithuania in 2009, pushed down the annual consumer price inflation from 8 per cent in 2008 to just 3 per cent in 2010-2012 (Table 3.2). This produced a positive impact on low-income inhabitants since they are least protected from rising prices.

Table 3.2. Annual consumer price index in December (per cent)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>108,5</td>
<td>101,3</td>
<td>103,8</td>
<td>103,4</td>
<td>102,8</td>
<td>100,4</td>
</tr>
</tbody>
</table>


In Lithuania, not only SSI and consequently social assistance benefits, but the minimum monthly wage, pensions and social security benefits are not indexed as well. Instead, they are usually hiked up by one-off government decisions when the state budget and the social security fund boost their revenue, most often during an economic upturn. During a crisis, the government is not capable of increasing its social benefit spending due to lower budget revenue. Decisions of the government depend on the political cycle as well. The last time social benefits were raised was back in 2008 (while the minimal wage was hiked as of the beginning of 2013). Consequently, even a lower inflation rate after a crisis peak hurts real income of social benefit receivers and makes paid services less accessible.

The equivalence scales are too wide which makes the support benefit difference too big for persons of differing family status. It creates deep poverty and inactivity traps for families with children whereas the support for single persons is inadequate.
3.3. Effectiveness

As it has been shown in Chapter 3.2, social support benefits are more generous to families but rather small to single persons. In both cases, they do not exceed the ‘at risk of poverty thresholds’ and encapsulate the recipients in the at risk poverty zone. The only thing we can measure is to what extent the benefits help alleviate poverty, i.e. increases income of those in poverty.

Social assistance benefits make up 8% of total household income in Lithuania; an average monthly social assistance benefit per household is LTL 309. Because the average size of a socially supported household is 4.1 persons, an average monthly social assistance benefit per capita is LTL 75 (Table 3.2).

Table 3-2. Social assistance benefit (SAB) in the households according to income deciles, 2011*

<table>
<thead>
<tr>
<th>Decile</th>
<th>Monthly average SAB per household, LTL</th>
<th>Monthly average SAB per person, LTL</th>
<th>Monthly average income per person, LTL</th>
<th>Share of SAB in household income per person, per cent</th>
<th>Share of public expenditure on SAB, per cent</th>
<th>Number of SAB beneficiaries</th>
<th>Share of SAB beneficiaries, per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>385</td>
<td>94</td>
<td>204</td>
<td>46</td>
<td>32.0</td>
<td>103 730</td>
<td>25.7</td>
</tr>
<tr>
<td>2</td>
<td>349</td>
<td>85</td>
<td>396</td>
<td>21</td>
<td>25.2</td>
<td>90 269</td>
<td>22.3</td>
</tr>
<tr>
<td>3</td>
<td>341</td>
<td>83</td>
<td>529</td>
<td>16</td>
<td>17.1</td>
<td>62 696</td>
<td>15.5</td>
</tr>
<tr>
<td>4</td>
<td>279</td>
<td>68</td>
<td>648</td>
<td>10</td>
<td>9.3</td>
<td>41 803</td>
<td>10.3</td>
</tr>
<tr>
<td>5</td>
<td>179</td>
<td>44</td>
<td>756</td>
<td>6</td>
<td>5.2</td>
<td>36 599</td>
<td>9.1</td>
</tr>
<tr>
<td>6</td>
<td>226</td>
<td>55</td>
<td>868</td>
<td>6</td>
<td>3.0</td>
<td>16 563</td>
<td>4.1</td>
</tr>
<tr>
<td>7</td>
<td>183</td>
<td>45</td>
<td>980</td>
<td>5</td>
<td>2.6</td>
<td>17 861</td>
<td>4.4</td>
</tr>
<tr>
<td>8</td>
<td>162</td>
<td>40</td>
<td>1147</td>
<td>3</td>
<td>2.0</td>
<td>15 325</td>
<td>3.8</td>
</tr>
<tr>
<td>9</td>
<td>255</td>
<td>62</td>
<td>1423</td>
<td>4</td>
<td>2.7</td>
<td>13 148</td>
<td>3.3</td>
</tr>
<tr>
<td>10**</td>
<td>189</td>
<td>46</td>
<td>2253</td>
<td>2</td>
<td>0.9</td>
<td>6 223</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>309</td>
<td>75</td>
<td>920</td>
<td>8</td>
<td>100.0</td>
<td>404 217</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey of Income and Living Conditions, 2012 (Authors calculations).

* Equivalence scales are not applied in calculations, which are based on assumption about equal size of all households of different decile (4.1 member of household).

** It seems quite paradoxical that even the 2 highest income deciles receive also social assistance benefits. However it may happen because of different units for SAB (families) and SILC (households). Two families could live in one household. One of them, young single mother, could have low income and receive SAB, another, well off parents of this young single mother.

The average monthly income of a social assistance benefit receiver is LTL 565 while the average social assistance benefit is LTL 75, thus amounting to 13% of a social assistance benefit receiver’s total monthly income. It may seem odd that the average monthly income of a social assistance benefit receiver is LTL 565 – much more than the threshold to qualify for social assistance benefits. A person would not qualify if his or her monthly income would be LTL 565 each month of the year, however, income may vary a lot from month to month, and so social assistance benefits are allocated only during those months when other income is below LTL 350.

A major part (75%) of funds used for the social assistance benefit is allocated to the first three population income deciles. Their income is below the at risk of poverty threshold. The social assistance benefit makes up almost half of per-capita household income in the first decile, 20% in the second decile and around 15% in the third decile. That means that the social assistance benefit is an important source of income for 30% of the most impoverished population.

The fact that almost 75% of all social assistance benefit receivers fall into the first four deciles lends credence to the social assistance benefit scheme’s accuracy. Persons in these four deciles receive up to LTL 650 in monthly per capita income, including the social assistance benefit (this makes up around 85% of at risk of poverty threshold for single
person). All this shows that the accuracy of the social assistance benefit scheme in terms of social assistance spending allocation is relatively high – most of the social assistance benefit funds actually reach impoverished households. However, the social assistance benefit also fails to help such households break away from the poverty zone and in this respect the social assistance benefit is not effective (see Table 3.1).

### 3.4. Active Inclusion Policy

The minimum income scheme in Lithuania does not encourage inclusion of unemployed persons into the labour market due to low wages, especially paid for unskilled work. The minimum net wage is usually below the at risk of poverty threshold for a single person (Table 3.3).

| Table 3.3. At risk of poverty threshold and Minimum monthly wage (after taxes) |
|-----------------------------------------------|----------|----------|----------|----------|----------|
| At risk of poverty threshold for single person (LTL)* | 2009 | 2010 | 2011 | 2012 | 2013 |
| Minimum monthly wage (after taxes) | 679 | 679 | 679 | 717 | 846 |

*Note: 60 per cent of median income

Source: Lithuanian Statistics (Authors calculations)

The low-wage trap is most likely to occur at relatively low wage levels due to the fact that the withdrawal of social transfers (mainly social assistance, in-work benefits and housing benefits), which are usually available only to persons with a low income, adds to the marginal rate of income taxes and social security contributions.

The low-wage trap describes a situation where employed persons refrain from working more hours or taking better-paid jobs because this extra income would be too low. This trap shows the tax and benefit losses that specific household categories (a single person, a lone parent with a child, a two-parent family of four, etc.) suffer when wages rise from 33% of the average gross wage to 67%. In other words, the indicator shows percentage of gross income lost after paying the income tax, social security contribution and losing social assistance benefits when his or her wage rises from 33% of the average gross wage to 67%. A high low-wage trap reading workers lose a substantial part of their income after taxes and upon losing the social assistance benefit. This undermines the motivation to work more hours or seek better-paid jobs.

Viewed in the EU context, such losses suffered by a single person in Lithuania are not very high. However, for a household of one working person and one unemployed and two dependent children, the low-wage trap is quite deep (Table 3.4), because, as demonstrated in Chapter 3.2, a single person can only hope for meagre social assistance benefit, while the equivalence scales produce more generous social support for bigger families.

| Table 3.4. Tax rate on low wage earners - Low wage trap |
|-----------------------------------------------|----------|----------|----------|----------|----------|----------|
| EU 27 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Single person without children, at 33 per cent of AW | 49 | 47 | 48 | 47 | 47 | 47 |
| Lithuania | 30 | 27 | 26 | 26 | 26 | 27 |
| EU 27 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| One-earner married couple, at 33 per cent of AW, with two children | 60 | 58 | 60 | 58 | 59 | 60 |
| Lithuania | 58 | 81 | 92 | 92 | 92 | 85 |

Source: Eurostat

10 The low-wage trap is defined as the rate at which taxes are increased and benefits withdrawn as earnings rise due to an increase in work productivity.
Table 3.5. Tax rate on low wage earners - Unemployment trap

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU 27</td>
<td>75</td>
<td>74</td>
<td>75</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Lithuania</td>
<td>80</td>
<td>82</td>
<td>86</td>
<td>70</td>
<td>68</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: Eurostat

The unemployment (poverty) trap\(^{11}\) in Lithuania is below the EU average (Table 3.5). A high unemployment trap value usually indicates that upon starting on a job, the disposable income undergoes minor changes, which deters from working and encourages living on the social benefit. The unemployment (poverty) trap value rose before 2009 while afterwards it has registered a visible decline that could be attributed to the social assistance benefit not being indexed and cuts in the unemployment social insurance benefit.

**CHAPTER 4. SUGGESTED NEXT STEPS TO IMPROVE ADEQUACY, COVERAGE AND/OR TAKE-UP OF MINIMUM INCOME SCHEMES**

Discussions on minimum income scheme and on the preliminary version of the recommendations for decent income support were organized at five regional seminars of members of EAPN Lithuania.\(^{12}\) Final version of the recommendations reflects outcomes of discussion that took place during the EMIN National conference in Vilnius on 15\(^{th}\) October 2014. The national conference attracted 110 participants from wide range of NGOs and governmental and municipal institutions. Below we classify all recommendations in three lists: coverage and take-up of minimum income benefit, adequacy of benefit and active inclusion policy and link with inclusive labour markets.

**4.1. Coverage and take-up**

We do recommend several activities in order to improve coverage and take-up of cash social assistance benefit.

To disseminate positive information about social assistance, its goals, achieved results, social rights of citizens and negative consequences of non-take-up. NGOs and professional organisations of social workers should participate in the public debate and lend support for the need of social assistance.

To encourage local authorities to use funds envisaged for social assistance only to projects that are directly related to poverty reduction. Centralised funding would also help cut regional disparities in the provision of social assistance and ensure equal rights to social assistance across the country.

In recent years, municipalities have focused their effort on targeted social assistance with the support of local communities and NGOs helping to fight abuse. It is now necessary to more actively seek out and find impoverished persons who genuinely need social assistance but who are unable to apply, put their documents in order or overcome stigma. This is the direction for community and NGO activities.

In order to close the regional divide in social assistance allocation, a monitoring and analysis system should be developed. The existing statistical database does its job well for monitoring and analysis purposes, however, the central government should provide

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\(^{11}\) The unemployment trap - or the implicit tax on returning to work for unemployed persons - measures the part of the additional gross wage that is taxed away in the form of increased taxes and withdrawn benefits such as unemployment benefits, social assistance, housing benefits when a person returns to work from unemployment. The 'trap' indicates that the change in disposable income is small and, conversely, the work-disincentive effect of tax and benefit systems is large.

\(^{12}\) In Vilnius, Kaunas, Klaipeda, Siauliai and Panevezys districts.
mandate to use these data to perform a proper situation analysis and use it for closing the regional divide.

To create a pre-court social assistance appeal service independent of the municipalities which administer social assistance allocation and the central government which funds it. The service should be easily accessible to all social assistance applicants.

The main factors limiting the accuracy of social assistance allocation by municipalities is the spread of unregistered economic activity and irregularities in domicile declaration. Such irregularities continue even after cash social assistance provision is discontinued. Therefore we would advise transferring the task of fighting abuse in social assistance allocation to institutions that have the mandate to control illegal economic activities and the domicile declaration process (the tax inspectorate, the labour inspectorate, the police, the migration department etc.) whereas municipalities would simply provide relevant information and offer cooperation with these institutions.

4.2. Adequacy

Raising minimal income requires harnessing other social policy measures. Instead of solely relying on the social assistance benefit, it needs to be used in harmony with the minimum wage, social security and categorical benefit system.

Developing a procedure for providing the basis for the minimum wage size and consistent review (indexation) would be a very important step forward (amount of minimum wage is important for reduction of working poor number and for reduction demand for social assistance). Today it is reviewed ad hoc and depends on the political cycle.

The application of unemployment benefits must be expanded. Currently only a small portion of the unemployed (15-20%) qualify, while the benefit amount itself is inadequately small and its duration is too short. The absence of effective unemployment insurance puts too much burden on the social assistance benefit system that caters for low-income population.

Similarly, the absence of a universal support system for families with children leads to a situation where having children in a family becomes a strong poverty risk factor. When only one of the two parents is employed, the likelihood of the need for the social assistance benefit to support such a family increases.

Even the size of the social assistance is an issue. It needs to be raised for single persons, at the same time the equivalence scales should be reduced for the third and subsequent family members in order to narrow the poverty trap risk for families with more children.

It is very important to base the size of the social assistance benefit on the reliable basis. For that SSI should be related to the newly constructed Reference Budget or to the At Risk of Poverty Threshold. These two alternatives has to be weighted using deeper economic analysis and consultations with social partners.

The issue of indexing the social assistance benefit should be addressed immediately, otherwise the minimal income protection measures fail to maintain their value due to inflation.

4.3. Active Inclusion policy and link with inclusive labour markets

We recommend differentiating employable social assistance recipients as a labour market group that needs additional support. The activities useful to society should be integrated into the public works programme.

Long-term employable social assistance beneficiaries should be offered individual social integration programmes developed with participation of social assistance specialists, social workers in charge of the integration of social assistance receivers and labour exchange representatives. In order to install such practice on the local government level, appropriate
guidance material should be developed on building individual social integration programmes and special training offered to the aforementioned specialist groups.

Municipalities should be encouraged to pursue a model of an “active social assistance beneficiary” by providing a range of measures on motivation, empowerment, etc. for social assistance recipients.

On the national level, spreading local government best practice should be supported by sharing examples and models of effective integration of social assistance recipients.

Municipalities are advised to cooperate more closely with NGOs in order to reduce the number of social assistance benefit recipients. This could be done by engaging NGOs not only to participate in social assistance commissions but also provide general social services. For example, a programme and guidance for NGOs should be developed on training mentors for individuals that lack employment motivation. NGOs then could provide advice and mediate social support recipients on the eldership level.

Lithuania’s Government has to develop a contributory unemployment benefit scheme and to provide sufficient income protection for the unemployed. Low coverage of contributory unemployment scheme and low amount of benefit in a period of high unemployment rate creates excess burden to minimum income scheme. The recent findings of the Employment and Social Developments in Europe 2013 indicate the positive impact of social benefits on the likelihood of getting back into employment “contrary to commonly held beliefs that people receiving unemployment benefits are more likely to get a job than people not receiving benefits.”

Current equivalence scales for the minimum income scheme penalize single beneficiaries and prioritize families. This creates low-wage and unemployment traps for parents. The equivalence scales for the minimum income scheme should be redesigned in order to reduce the low-wage and unemployment traps for individuals with children while the scheme itself should be complemented by a universal child allowance.

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13 Employment and Social Developments in Europe 2013. 
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2023&furtherNews=yes 

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