SIXTH FRAMEWORK PROGRAMME
PRIORITY 7

Citizens and Governance in a knowledge based society

Contract for:

SPECIFIC TARGETED RESEARCH OR INNOVATION PROJECT

PROJECT

“POLICY RESPONSES OVERCOMING FACTORS IN THE INTERGENERATIONAL TRANSMISSION OF INEQUALITIES”

Review of Scientific Literature (Welfare Policy)

Centre for Quality of Studies and Research

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LITHUANIA
Core Question I
What does literature say about challenges raised by IIofI for policy making?

1. What are the patterns of inequality transmissions that are said to be creating situations requiring policy responses?

Social transformations occurring in political, economic and social life since 1990s have inspired many scientists and researchers to start analyzing social issues, such as: social inequality and exclusion, marginalization and polarization, social differentiation and deprivation etc. However, there is still little analysis done on the long-term inequality, including the patterns of inequality transmission in Lithuania. One who is discussing the issues of social stratification usually only briefly touches the risks caused by already existing or probable long-term inequality.

More thorough research has been done in the general analysis of poverty, social exclusion, marginalization and social policy applied to overcome them. Therefore, in the following chapters literature on the issues will be overviewed and discussed. According to economist Vita Karpuskiene (1997), poverty is a social phenomenon, varying in space and time and having a multidimensional effect on individual’s life (p.71). The level of poverty may vary in different societies and is dependent on the economic, social and cultural conditions in a certain place and time. Poverty affects various spheres of personal life, including life quality, education, health etc. Therefore, duration of poverty may have different consequences. It is much easier to overcome a brief poverty than to combat a long-lasting one.

For quite a long time, poverty has been analysed from the economic point of view, rather than the social or cultural. However, recently the definition of poverty has been modified by emphasizing the importance of not only material, but also social and cultural needs an individual may have (Karpuskiene, 1997). Such an explanation of poverty is also applied in the EU’s documents (Micklewright and Stewart, 2000). Recently more research has been carried out by sociologists, political scientists in order to assess poverty role in Lithuania. The first poverty studies were started in 1997. They were included into household budget surveys regularly carried out by the Lithuanian Department of Statistics. Till now these studies provide with statistical information on poverty in the country (Lazutka, 2004). According to sociologist Sonata Maciulskyte (2003), poverty in Lithuania could be defined as a conflict, i.e. maladjustment of individual’s social adaptation to the radical changes of economic development.

Since economic indicators, such as income or expenditures do not thoroughly explain the profile of poverty, some surveys do provide with the data illustrating deprivation in Lithuania. People are often deprived in their consumption of daily goods and basic services, participation in the labour market and community life (Lazutka, 2000).

In 1989 the disposable income of the one tenth of richest population was 4 times higher than the income of the one tenth of poorest people. In 1994, this ratio reached 11 times (Human Development Report Lithuania, 1996).

2. Which are social groups and categories vulnerable to IIofI (e.g. lone-parents, immigrants, refugees, multi-children families, disabled, ethnic minorities, unemployed, poor, low-educated etc.)? What is socio-economic-cultural profile of these groups?
According to the research carried out by UNDP in Lithuania in 2002, the most vulnerable to poverty are people surviving from social benefits, including unemployed and students living on scholarships, farmers (self-employed in agriculture) and pensioners. In 2002, 42.4% of the former lived in poverty, 35.9% of farmers and 21.5% of pensioners lived below the relative poverty line. The national average poverty level was 16.6% in 2002 (Disaggregated Millennium Development Goals, 2004).

Socio-economic factors, such as employment, education, place of residents, as well as size and composition of the family, are very important determinants of poverty for some population groups (see Table 1).

**Residential area.** Statistical data reveal a huge gap between rural and urban areas. In 2002, the poverty level in rural areas (28.5%) was over two and a half times that in urban areas (10.6%). Also, a difference of income sources between rural and urban people must be added to the whole picture, as the largest share of the income of rural population comes from social transfers, such as pensions and other social benefits (32.5%), while only one fifth (21.9%) of urban people described these as their main source of income.

**Education.** The households whose heads had a lower education than post-secondary or vocational one, experienced poverty at a higher level than the national average. Those with no education, had the highest poverty rate of all. In 2002, 37.6% of the households whose heads had no education experienced poverty.

**Household type and child status.** Research shows that child status is one of the most important factors in determining poverty level. Households with children experienced a higher level of poverty than households without children (respectively, 14.9% and 8.6%). However, the risk of poverty of single adults with children was even higher, since 23.2% of such households lived in poverty. Number of children under 18 years old in the household also matters, as the rate of poverty of households with 3 or more children (34.5%) was over twice the national poverty rate (16.6%) in 2002. This data illustrate that single parenthood, as well as having 3 or more children makes one highly susceptible to living in poverty in Lithuania (see Table 2 and Table 3).

Research also shows that residential area is particularly important when comparing the levels of poverty of different social groups in Lithuania. It appears that the poverty level is much higher for employees, pensioners, as well as all types of households, whether or not they had children under 18 years old, were headed by couples or single adults, than for the same categories of people in urban areas. Rural households with 3 or more children were the most vulnerable to poverty, as their poverty level reached 40.9% in 2002. However, it seems that type of household (headed by couple or single adult) plays even more crucial role in poverty level. Almost half (48%) of the people living in households headed by a single adult, who usually is a woman with 3 or more children lived below the relative poverty line in 2002, thus making this household type the most vulnerable to poverty (Disaggregated Millennium Development Goals, 2004).

**Gender and age.** Poverty level was higher in the households headed by women rather than men (respectively, 18.6% and 14%). Also, it appears that more children and young people are living in poverty than older people. In 2000, children under 18 years old composed 26% of the whole population and almost one third (31%) of those living in poverty (Lazutka, 2001).
According to the UNDP Report for Lithuania *Disaggregated Millennium Development Goals* (2004), “few societal groups were more exposed to poverty than households with 3 or more children, households with income solely from social benefits, and farmers and pensioners living in rural areas. And, households having multiple poverty-related characteristics were particularly vulnerable to poverty.” (p.33)

When examining statistical data on poverty, it is however very important to consider subjective evaluation of socio-economic status in Lithuania. Research conducted since 1991 till 1996 showed that the percentage of population who identified themselves with the lowest socio-economic status was increasing during the period under investigation. In 1991 those who considered themselves standing on the first step of the ladder comprised 9% of all participants of the survey, while in 1996 the number reached nearly 17% (Tureikyte, 1996). Unfortunately, this kind of trend is still continuing. Usually, elderly people with incomplete secondary education identify themselves with the lower status.

According to the research conducted in 2000, one third of population (34.6%) consider themselves as poor people (Lazutka, 2001). “Poverty tends to be more widespread among certain segments of the population, and is more likely to appear among those who are only marginally participating in the market economy, or those who have dependent family members.” (Lazutka, 2000:17)

3. Whether low intergenerational social mobility of vulnerable groups is seen as a social problem? What are the explanations for perceiving IIoI as a social problem?

Although intergenerational inheritance of inequality has been little researched in Lithuania, inequality is regarded as one of the most important social problems of the market economies besides unemployment, poverty and homelessness. Following sociologist Meilute Taljunaite (1996), “society is now more politically secure, but in terms of economic, personal and health security, people are still not free from fear or from need.” (p.307)

Economist Ona Grazina Rakauskiene (1997) also points out that social-economic inequality and polarization/atomization of society, as well as poverty caused by the recent economic reforms oriented to the social differentiation rather than equality are among the most serious social problems in Lithuania (p.28).

According to Vytautas Ziukas (2001) who is a deputy director of the department of social policy analysis and forecasting at the Ministry of Social Security and Labour, today poverty is a very complicated multidimensional problem. Therefore, a well-prepared strategy combining micro-economic policy, regional development, agricultural and social development is needed in order to overcome it on the national level. This requires a holistic approach towards the issue, as well as a constructive dialogue to be kept among various social partners.

When analyzing social stratification of Lithuanian population, researchers of one of the leading research institutions *Institute of Labour and Social Research* stress the importance of social support for the families having children under 18 years old and living in poverty. Otherwise these children will never be able to reach higher socio-economic status (Pajuodiene and Sileika, 2001).
Thus, the importance of cultural capital, including education, knowledge, qualification, is increasing for social stratification and social mobility.

4. If and to what extent new phenomena and processes (e.g. ICT development, globalisation, individualisation etc.) create new forms of IIofI? What are social groups and categories mostly affected by these new forms of IIofI? What are policy responses to these?

Globalization of the world economics, rapid political and social transformation accelerates not only world economic development, but also creates social tensions. First of all, these tensions affect those who are unable to adopt changes and overcome challenges (Ziukas, 2001).

One of the major changes in today’s social policy is its increasing dependence on the international level problems, such as: pollution, aging, drugs, AIDS, unemployment, poverty, etc. The processes are fostered by transnational corporations, increasing economic integration, globalization of communications and media. As a consequence, national agendas of the social policy which are facing these changes become increasingly global as they have to consider not only national and local, but also global problems. Despite this the process of decision making and implementation remains in the competence of the national state (Mileviciene, 2003).

Information and ICT are playing an important role in today’s social and economic world. Wired or network society, knowledge society, learning society, interactive society, information society are the terms usually used to describe the current situation of the world (Rimkute and Voloshuk, 2003). There is a mutual relationship between social relations and ICT development. However, there is still very few studies done on the role of ICT in social development in Lithuania, although it is widely accepted that new technologies affect all the spheres of social life. There are quite a few state and private initiatives to promote information society, while providing rural communities with computers and Internet access.

According to the official statistics, only 680 people from 100 thousands are regular Internet users in Lithuania, while in Estonia the number is 1480, in Latvia – 720. Only 3.2% of the households in Lithuania have access to the Internet, while in the old EU countries the percentage reaches up to 36%. Almost every tenth (11.8%) of the households in Lithuania had a personal computer (see Table 4). Differences between urban and rural areas are obvious. In 2001, 23% of Vilnius residents had a computer, while in rural areas, only 4% of the households did. Similarly, 11% of Vilnius population had access to the Internet at home, while only 1.3% of rural people did have such a possibility. Over one third of Vilnius population (36%) and only 8% of rural people knew how to use the Internet. The research also shows that significant part of Lithuanian population does not know anything about the Internet (Rimkute and Voloshuk, 2003:106).

Development of ICT should also contribute to the quality of social welfare by exchanging good practice and “know-how” in the field among EU countries (Ziukas, 2001).

5. Which policy actors (e.g. EU, IMF, World Bank, government, local authorities, agencies, NGOs, private sector etc.) should response to challenges raised by IIofI?
The National Social Committee established by the President of Lithuania in 1999 with the aim to prepare the National Poverty Reduction Strategy promoted an active cooperation through mobilizing efforts of the national government, social partners, NGOs, church, donors, charity organizations, mass media and other active members of society (Lazutka, 2004). The main idea of such a cooperation is to include all key organizations that have knowledge, expertise and remit to contribute to the solution of the most significant social problems. “Mobilization of actors in the fight against poverty and social exclusion means that they are asked to participate in the provision of measures, which contribute to the alleviation of poverty and to social inclusion. <…> Participation means that actors find themselves associated with the development, the implementation and the evaluation of the measures. In other words, the mobilization of people in a situation of exclusion or of organizations representing them emerges from logic where one works with them rather than for them.” (Lazutka, 2004:18)

Mass media is playing a particular role in the Poverty Reduction Action Plan. It should inform society about the current situation and invite active citizens to join the activities intended to help those living in poverty. Also, the media should disseminate examples of good-practice of assistance to people in need and the subsistence of poor people (Lazutka, 2000).

Subsidiarity and solidarity are the basic principles of poverty reduction strategies. Therefore, the role of NGOs and social partners, including politicians, government, experts etc, in overcoming poverty is of particular importance (Ziukas, 2001).

Also, cooperation among EU member states on the issues of social welfare is very important, particularly assuring the quality of social services, defining and overseeing the standards of the services (Ziukas, 2001). “The influence of the EU and ILO upon Eastern European countries manifested itself both in the dissemination of traditional liberal values and propagation of the advantages of Europe’s social welfare states.” (Guogis, 2003:8)

Particular attention among the researchers of social policy is paid to the importance of NGOs. In 2000, there have been 7075 NGOs registered in Lithuania, however, only 2500 were active. Only 8% of Lithuanian population participate in the activities of NGOs (Maciulskyte, 2003). However, the role of NGOs in confronting social problems is increasing mainly because of two factors. First, they are able to provide different services for lower costs than governmental institutions, since they can be more dynamic and effective. Working on the grass-root’s level, they are capable to better define emerging social problems and apply non-traditional measures. They are often dealing with the underestimated issues which are less important for public administrators and politicians (Dromatiene, 2003). Second, they receive foreign aid. According to the research carried out among 50 Lithuanian NGOs in 1998, more than a half of financial resources come from foreign funders (58%). The rest of funds comes from the government, private sponsors, commercial activities, Open Fund of Lithuania, member fees etc. (Zaleskiene and Rutkauskiene, 2003).

Core Question II
What does literature say about politics applied to overcome IIofI?

1. What level (taxation, public spending, institutionalisation, insurance etc.) and form (active/passive) of public intervention are implemented to combat IIofI?

During the last decade a number of strategic documents on poverty and social exclusion have been prepared and an extensive experience has been accumulated in the field. In 1995,
Lithuania adopted the Copenhagen Declaration which addressed three core issues, such as: poverty reduction, creation of job places and promotion of social inclusion of vulnerable and marginalized groups of population in social and economic progress (Lazutka, 2004).

In 1999, a National Social Committee involving representatives of the state, municipalities and NGOs was established with the aim to prepare the National Poverty Reduction Strategy. It has been ready in June, 2000 and was approved by the government in November 2002. The following strategic goals were pointed out:
- to eliminate extreme poverty in Lithuania by 2003 (from 0.9% in 1999);
- to reduce relative poverty to at least 13% in 2005 (from 15.8% in 1999);
- to reduce the poverty level of the poorest social groups (single parents, large families, the unemployed and farmers) to at least 20% by 2005 (Lazutka, 2004).

The Report on the Millennium Development Goals 2002 served as a foundation for the government to monitor its progress in achieving social inclusion and poverty reduction (Lazutka, 2004).

Social security system consists of two parts in Lithuania: 1) social insurance; and 2) social support. The largest part of spendings for social security (80%) is devoted for social insurance. However, spendings for social security in Lithuania in 1997 was only 10.9% of GDP, while in most Western and Visegrad countries it was twice or three times larger (Guogis, 2002). In Table 5, programs of social security in Lithuania are presented.

According to professor of social work Laimute Zalimiene (2001), it is possible to distinguish two stages in the development of social welfare system in Lithuania:

1. The period of 1990-1998 when the number of social welfare institutions was increasing and the range of social services was widening, particularly those provided by NGOs and municipalities. “Decentralization and community service development were the basic principles of their organization.” (p.103) This period meant a quantitative jump in the development of social welfare in Lithuania.

2. After 1998 a new stage of the development of the welfare system started which could be characterized as a qualitative one. New problems such as service quality assessment, correspondence of services to clients’ needs, structure of financing, its rationality, standards for the qualifications of service providers, development of the standards for general and special social welfare institutions, development of control mechanisms of service providers’ activity, needs and possibilities of service privatization have been started to discuss. Thus, in this period a new focus on the effectiveness, quality, standards, costs and needs crystallized.

In 1999, a very important Law on Pension Funds was passed, creating conditions for the formation of private pension funds which meant that responsibility for pension insurance was shared by public and private sectors (Guogis, 2003). However, the process was slow, as until the middle 2003, there were no private pension funds in Lithuania.

Based on the above mentioned characteristics of the development of social policy, it could be stated that current social support system in Lithuania is oriented to the passive measures aimed at alleviating the consequences of poverty instead of its causes.
2. *What kinds of universalistic politics (aimed at the whole respective population, e.g. free education for children) are applied? What kinds of selective politics are applied; what are target groups?*

Most researchers agree that social security system is considered a corporative-clientelist. After 1990-1991 a new national system of social security was designed on the basis of bismarckian-corporative principle of benefits related to the labour market, eg:
- the size of pension was linked to previous pay and work record;
- amount of sickness benefit was linked to pay;
- a negative income tax was applied in the calculation of social benefit, i.e. total personal income consisting of pay and social benefit was always larger for those who received higher pay;
- the social insurance fund was financed by contributions calculated as a percentage of pay;
- a childcare benefit was larger for insured women than for not insured female students. (Guogis, 2002)

Lithuanian model of social welfare also includes features of clientelism by providing special benefits to certain groups of society.

Till 1994 social support system in Lithuania was dominated by the categorical support which was provided irrespective of the family’s or person’s income. However, at the end of 1994, the social support system was started to being reformed. The number of categorical universal benefits was decreased and more attention was paid to the families which did not have enough sources for survival because of the objective reasons. On the other hand, a new categorical benefit was legalized, i.e. family benefit provided for every child up to 3 years old. In order to support families with 3 or more children which lived in poverty, a new pay for these families was legalized in 1998 after household research done by the Department of Statistics showed that average income of these families was 38% less the average income of families with children. In 1998, a new pay for child care was introduced, which was paid to the individuals who decided to take care of children without parents care. This amendment increased the number of children taken into the families (Zalimiene, 2002).

Today social support system in Lithuania includes categorical and means-tested support. Categorical support is provided irrespective of the family (personal) income and includes lump sum when a child is born, pregnancy benefit for studying mothers, family benefit, benefit for families with 3 or more children, maternity benefit etc. (see Table 5). Another kind of categorical support is provided for certain social groups, eg. disabled, elderly people, families with children, the injured etc. Social services could be also defined as some kind of social support which includes non-cash support for elderly and disabled people, problematic children and families, risk groups etc.

The aim of the means-tested support is to provide financial and other incentives to the families living in poverty, particularly those who have children. Therefore, family or personal income is considered when receiving social benefit and lump sum, different compensations and exemptions such as: compensations for heating, cold and hot water, exemptions for children attending preschool institutions, free alimentation for children at school and housing (Zalimiene, 2002). This fact indicates that there is also a selective family support system implemented in Lithuania. Pensioners, disabled people, political dissidents are also eligible for various kinds of exemptions and compensations.
Spending for social security include such risk factors as: illness/health care, disability, old age, widowhood, family/children, unemployment, housing, social exclusion etc. (Ablingiene and Zalimiene, 2003). However, Lithuanian scientists do not agree on the issue, what kind of social support system prevails in Lithuania. For instance, Laimute Zalimiene (2002) points out that categorical universal social support dominates in Lithuania, i.e. support provided irrespective of one's income. She proves the statement by the fact, that spending for the categorical social support composed 67% of the total expenses for social support system in 1999 and 64% in 2000 (p.18-19).

On the other hand, professor of public administration Arvydas Guogis (2002, 2003) is of a different opinion, arguing that although it was declared that social security system was based on the principles of universalism and solidarity in Lithuania, it was only partially true. Following the scientist, no universal model of social security has been developed, where all citizens of the state, even those who did not participate in the labour market, are entitled to benefits.

According to the statistical data, a bit less than a half of all social pays was provided to the elderly people (43%), while spending on families and children composed only 13% (Ablingiene and Zalimiene, 2003:20).

Institutionalized services have been prevailing for a considerable period of time in Lithuania. However, alternative types of service, such as day care centers, temporary children’s care or temporary shelter facilities are also appearing which is a relatively new to all service users, service providers and service organizers (Vareikyte, 2001).

There are over 400 institutions providing social benefits for different social groups, including institutional care centers, temporary shelters, day care centers, mixed social service, etc. Over 300 of them are institutional ones, placing/housing about 20 000 adults and children. These institutions usually are subordinated to the municipalities, counties or parishes. Most of municipalities allocate about 60% of the budget for social service to these institutions (Vareikyte, 2001).

Interestingly, most of the institutional care centers are intended for children (around 200), housing over 15 000 children and only 6 000 of them are orphans. These figures imply that children’s care organization need essential changes. It is important to significantly cut the number of children residing in care institutions by offering alternative services to them and to their families (Vareikyte, 2001).

A relatively big number of institutions has been created for elderly people. 4250 old persons live in 93 elderly people’s homes of various types, including state-owned, municipal or parish ones. Almost the same number of elderly people reside at county and municipal care homes (about 40 % or 1700 people), 13% (533 persons) live at parish or NGO care homes (Vareikyte, 2001).

Despite the fact that institutional care still dominates, the number of non-institutional care centers is increasing. In 1999, there were 17 day care centers providing services for the community members, including children, elderly and disabled people; 37 day care centers for disabled people and 44 day care centers for children from problematic families. This situation proves that social services are becoming more significant for social support system (Vareikyte, 2001).
3. What is responsibility for overcoming IIofI attached to central and local government?

Table 5 shows the importance of centralized social security programs in Lithuania. However, there have been significant changes towards decentralization of the social support system by reducing the influence of central government and increasing responsibility and competence of local authorities as well as individual responsibility for his/her life (Guogis, 2003). Throughout the last decade more social services have been transferred to municipalities and non-governmental sector which is believed to be more effective in providing social services. Despite these changes, national government continues holding a dominant position in the provision of institutional care. In 1997, the ratio among non-governmental, municipal and state institutional care centers for old people was 1:4:6, i.e. only one place in the non-governmental, four places in the municipal and six places in the state institutions (Guogis, 2003). The situation is a bit different in the area of non-institutional social services, while municipalities and NGOs are the main providers of such services.

On the national level, social policy includes pensions and employment system, while local governments are usually responsible for social support policy and social benefits. State Fund of Social Insurance administrates social insurance in Lithuania, while the Ministry of Social Security and Labour together with the municipalities oversees the social support system.

4. What are forms of intervention implemented by other policy actors (employers, unions, churches, NGOs etc.)?

Recently, the role of NGOs has been increasing and encouraged at both, national and local levels of social policy, while believing that they will contribute to the improvement of social support for different social groups, e.g. elderly and disabled people, children, women etc. Services provided by NGO are more effective mainly because their costs are lower, they can exploit voluntary work and receive money from the charity. Lithuanian Catholic Church was particularly active when providing care services for elderly people. Despite that there was too small number of places for elderly people in non-governmental institutions in comparison to the municipality or state owned care centers. On the other hand, NGOs and municipalities are more active in providing non-stationary social benefits (Vareikyte, 2001).

When preparing the Poverty Reduction Action Plan, NGOs together with the national and local government institutions were involved in order to make the document more realistic in technical, social and political respects (Lazutka, 2004).

However, research on the role of NGOs in poverty reduction carried out in 2002 revealed that there is still insufficient cooperation between NGOs and national government when trying to solve social issues like poverty. For instance, half of NGOs (50.9%) under investigation knew about the Poverty Reduction Strategy which was recently approved by the President, only every seventh (13.5%) of the members of NGOs read it and one tenth (9.8%) looked through it (NVO ir skurdo mazinimo politika, 2002).

Research data show that majority (62.5%) of NGOs contributed to the reduction of poverty in Lithuania. Most of these organizations had projects in education and vocational training (53.8%), less than a half of them undertook projects in the spheres of social support (43.3%) and social services and social integration (41.3%). The results which usually were achieved...
during these types of projects usually included camps (29.8%), different public actions (26%), seminars (23.1%) and publications (22.1%).

The main obstacles in NGO activities to combat poverty included lack of financial resources (75%), unfavorable state policy and legal obstacles (52.9%), government underestimates possibilities of NGOs (46.2%). In order to improve the situation and enable NGOs to more actively participate in social life, more financial resources (81.7%) would be needed, as well as different state policy (78.8%).

5. To what extent changing socio-economic and political contexts (e.g. ideology, globalisation, economic policy, economic and Monetary Union criteria, European legislation, conditions for EU membership, post-communism, political swings etc.) influence these interventions?

One of the main features of the post-soviet period in Lithuania is „a political priority being laid upon the economic reforms. Economic and political restructuring is followed by significant change of social structure”(Maciulskyte, 2003:58). Privatization process, adoption of free market conditions, state budget deficit, hyperinflation, decline of industry and agriculture brought socio-economic differentiation and polarization in Lithuanian society. Increasing poverty mass is a social phenomenon, having crucial effect on the social, economic and political development of the country.

Since 1990 there have changed 13 governments in Lithuania which imply a lack of time and competence to constructively solve socio-political problems which caused deepening of social crisis in the country (Maciulskyte, 2003). Following Sonata Maciulskyte (2003), uncontrollable privatization process contributed to the growth of social polarization, i.e. increasing critical mass of potentially conflicting social groups and formation of „two nation” state with different political and cultural values, rather than formation of a stable social structure with a strong middle class (p.36).

Transformations which are taking place in society produce in their turn major changes in the system of social services. In the course of past years the Lithuanian social service system has been rapidly developing. Institutions of various types have been created at municipalities, and new-type services have been provided (Vareikyte, 2001).

International organizations, such as: European Union, International Monetary Fund, World Bank, World Trade Organizations and Organizations for Economic Cooperation and Development (OECD) also made pressure on the government of Lithuania to create liberal welfare state dominated by profit and non-profit institutions (Guogis, 2002).

In 2003, 10 countries joining the EU in 2004 signed the Joint Memorandum on Social Inclusion which highlights the key challenges for Lithuania over the next 12 years, including elimination of extreme poverty and reduction of poverty and social exclusion (Lazutka, 2004). It is believed that Lithuania’s accession to the EU will provide with new possibilities, including financial resources, to fight poverty and social exclusion, eg. through the European Regional Development Fund (ERDF) or European Social Fund (ESF) support.

However, other researchers argue that political elite has been promoting unjustified expectations that joining the EU will solve most of economical and social problems of the
country (Guogis, 2003; Maciulskyte, 2003). According to them, such an approach is based on a groundless prominence of the normative basis. From the economic point of view, even having a GDP growth of 6% in Lithuania, it would be realistic to reach living standards of the old EU countries only after 30 years. Such a situation indicates a danger that after acceding the EU Lithuania will remain a place of permanent poverty (Maciulskyte, 2003). This debate among social researchers proves that more thorough analysis on Euro integration processes, particularly its impact on the social development of the country is needed.

Core Question III
What does literature say about policy impact on IIofI? Please take into consideration the following aspects: legal regulations, fiscal policy, information policy (mass media, counselling)?

3. What is the impact of welfare policy (benefits and services etc.) on creating/preventing IIofI?

According to the Constitution of the Republic of Lithuania, satisfaction of people’s needs and purposes are the basic goal of society’s development which means that economic growth has to be politically, socially and economically relevant to the well-being of all citizens (Ziukas, 2001).

Following the 2000-2004 program of the government, social support system has to be reformed by increasing the effectiveness of social support and achieving that its main provisions would correspond to the requirements of EU (Zalimiene, 2002).

Lithuania’s national target set in the Lithuanian Poverty Reduction Strategy Implementation Programme for 2002-2004 (approved in November 2002) was to eliminate extreme poverty in Lithuania by 2003 (from 0.9% in 1999) and to reduce relative poverty to at least 13% by 2005 (from 15.8% in 1999). However, the statistical data illustrated in Core Question I show that the target hasn’t been achieved yet, as 1.1% of the population lived in extreme poverty in Lithuania in 2002, and the level of rural poverty increased up to 28.5%. The situation improved only in urban areas, where the poverty was reduced to 10.6%.

On the other hand, there is no enough statistical data on the number of the recipients of different types of social support. Because of the lack of records and accountability, it is almost impossible to know the number of people receiving different exemptions, compensations and social services. The number of people receiving means-tested benefits is mainly dependent on the changing conditions to receive the benefit and not the increase or decrease in the need of social support (Zalimiene, 2002). Therefore, drop in number of the recipients of social benefits in 1998 did not necessarily mean significant changes in quality of life, but rather tightened restrictions to receive such a pay (see Figure 2 and Figure 3). On the other hand, the current regulations do not always guarantee that all people living in poverty receive social benefits. According to the probabilistic calculations, it appears that social support does not reach 37% of people eligible for it and 68% of people living below the poverty level (Zalimiene, 2002).

According to Arvydas Guogis (2002), if Lithuanian government had succeeded in canceling special benefits for certain societal groups, eg. state pensions for state officials and other
groups, this would have contributed to the reduction of social exclusion and marginalization, as well as to the less deficit of the budget of state social insurance fund.

The current social support system is oriented to the passive measures aimed at moderating the consequences of poverty instead of its causes. It is necessary to provide the incentives for recipients to leave the social assistance system, which is not always possible. Since most of the social support benefits are aimed at certain population categories, instead of being means-tested, social assistance should be targeted at those social groups, which are vulnerable to or are already experiencing poverty, eg. small scale farmers.

The new law on social benefits adopted in 1996 was one of the starting points in formation of the legal basis of social services for families with children and individuals. However, when analyzing social security of children and their families in Lithuania, social policy analysts Aldona Ablingiene and Laimute Zalimiene (2003) argue that the main problems of the policy are as follows:
- scarce systematic evaluation of the impact of social security system to the families and children
- scarce effectiveness of social security system, since most of social services are provided by institutional service providers rather than community service providers
- local communities, i.e. municipalities pay too little attention to the development of the network of social services for families and children.

Despite all the changes in the social welfare of children, the content and philosophy of the care institutions remains unchanged. Very often these institutions are not capable to solve the problems which children bring from their families and those which occur in the institutions, including social and emotional deprivation, violence, social adaptation of children having experienced separation or loss, therapeutic aid (Braslauskiene, 1999). Despite recent changes in providers of social services, still too much is spent on the institutional social care and too little is allocated for community services in Lithuania (Ablingiene and Zalimiene, 2003). Arvydas Guogis (2003) is of the opinion that without stronger collectivist or communal action in today’s Lithuania it is impossible to implement effective social security.

Many researchers agree that social welfare system has not been optimized and effective in Lithuania yet (Rakauskiene, 1997; Ziukas, 2001; Ablingiene and Zalimiene, 2003). It was also dominated by a narrow view to the social policy, as it mainly focused on social support and social insurance (Rakauskiene, 1997). The main problem of social policy in Lithuania is that it is based on the illusion that poverty is a temporal social issue believing that social status of individuals and groups is very mobile in contemporary society (Maciulskyte, 2003). However, because of the lack of adequate social policy which hardly contributes to the development of individual skills to adapt socio-economic changes, poverty takes a permanent shape in Lithuania.

Currently implemented social policy in Lithuania is only able to react to the already existing social problems. However, no prevention mechanism to combat poverty and other social problems has been developed yet (Maciulskyte, 2003).

Research on poverty and its causes organized by UNDP in 1997-1998 shows that only 8.5% of the recipients of social benefits in Lithuania are satisfied with the existing social support system, while over half of the respondents (54%) are of the opinion that it should be improved (Karpuskiene, 1999). Over two thirds of the respondents (70%) indicated that it was necessary
to increase the amount of the benefits. Almost every fourth recipient of social support (23.1%) indicated that it was important to modify criteria when providing social support. Although majority (68%) did not know anyone who would receive social benefits which did not belong to them, more than one third (over 30%) stated that they knew about such cases. On the other hand, vast majority of people interviewed (71.4%) pointed out that there are people who should be eligible for social benefits, but did not receive them. According to the research results, the main reasons of such a situation are inefficient legislation, complicated bureaucratic procedures, lack of information and stigma.
## Tables and Figures

### Table 1
Poverty level in the most vulnerable groups of population in 1997-2000 (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployed *</td>
<td>39.6</td>
<td>40.8</td>
<td>40.4</td>
<td>41.1</td>
</tr>
<tr>
<td>Households with 3 and more children</td>
<td>37.2</td>
<td>34.5</td>
<td>35.4</td>
<td>37.6</td>
</tr>
<tr>
<td>Single adults with children under 18</td>
<td>21.6</td>
<td>22</td>
<td>25.7</td>
<td>...</td>
</tr>
<tr>
<td>Farmers</td>
<td>30.2</td>
<td>32.2</td>
<td>39.9</td>
<td>35.3</td>
</tr>
<tr>
<td>Living in rural areas</td>
<td>25.9</td>
<td>26.5</td>
<td>28.2</td>
<td>27.6</td>
</tr>
<tr>
<td>With a basic (8-9 year) education</td>
<td>24.4</td>
<td>24.6</td>
<td>26.3</td>
<td>24.2</td>
</tr>
<tr>
<td>Pensioners</td>
<td>22.1</td>
<td>20.9</td>
<td>19.1</td>
<td>20.4</td>
</tr>
</tbody>
</table>

*This type of household covers all non-working people


### Table 2
Poverty level by household type (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Couple without children</td>
<td>11.2</td>
<td>8.7</td>
<td>8.6</td>
<td>9.9</td>
</tr>
<tr>
<td>Single adult without children</td>
<td>13.4</td>
<td>13.1</td>
<td>13.1</td>
<td>12.8</td>
</tr>
<tr>
<td>Other household without children</td>
<td>14.2</td>
<td>15.3</td>
<td>14.7</td>
<td>15.2</td>
</tr>
<tr>
<td>Single adult with children under 18</td>
<td>21.6</td>
<td>22</td>
<td>25.7</td>
<td>14.9</td>
</tr>
<tr>
<td>Couple with children under 18</td>
<td>15</td>
<td>13.9</td>
<td>15.5</td>
<td>15.3</td>
</tr>
<tr>
<td>Other household with children under 18</td>
<td>24</td>
<td>24.8</td>
<td>21.9</td>
<td>24.1</td>
</tr>
</tbody>
</table>


### Table 3
Poverty level by number of children under 18 (%)

<table>
<thead>
<tr>
<th></th>
<th>All households with children under 18</th>
<th>Number of children</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3 or more</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>18.8</td>
<td>14.9</td>
<td>16</td>
<td>37.2</td>
<td></td>
</tr>
<tr>
<td>1998</td>
<td>18.1</td>
<td>14.1</td>
<td>17</td>
<td>34.5</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>18.2</td>
<td>12.4</td>
<td>18.7</td>
<td>35.4</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>18.1</td>
<td>12.9</td>
<td>17.7</td>
<td>37.6</td>
<td></td>
</tr>
</tbody>
</table>

Table 4
ICT usage in Lithuania and EU, 2001 (%)

<table>
<thead>
<tr>
<th></th>
<th>Lithuania</th>
<th>EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular users of the Internet</td>
<td>11.3</td>
<td>35</td>
</tr>
<tr>
<td>(% of the total population)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of households having</td>
<td>9</td>
<td>36.1</td>
</tr>
<tr>
<td>computers (% of the total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>number of households)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of students in ICT and</td>
<td>5.3</td>
<td>4</td>
</tr>
<tr>
<td>related disciplines (% of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>total number of students)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet users who buy on the</td>
<td>3</td>
<td>44</td>
</tr>
<tr>
<td>Internet (% of the total number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of Internet users)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of computers for 100</td>
<td>2.5</td>
<td>8.6</td>
</tr>
<tr>
<td>school students</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of computers for 100</td>
<td>7.1</td>
<td>30.4</td>
</tr>
<tr>
<td>people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Internet users for</td>
<td>6.8</td>
<td>31.4</td>
</tr>
<tr>
<td>100 people</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of mobile phone users</td>
<td>29.3</td>
<td>72.4</td>
</tr>
<tr>
<td>for 100 people</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Table 5
Structure of social security in Lithuania, 2002

<table>
<thead>
<tr>
<th>Social Security</th>
<th>Social Support</th>
<th>Special Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Insurance</td>
<td>Financial social support</td>
<td>Presidential pension,</td>
</tr>
<tr>
<td>Pension insurance,</td>
<td>Social pension/relief</td>
<td>State pensions of 1st and 2nd degree,</td>
</tr>
<tr>
<td>Insurance of illness and</td>
<td>Family allowances,</td>
<td>Pensions for the injured,</td>
</tr>
<tr>
<td>maternity,</td>
<td>Puneral pay,</td>
<td>Pensions for official and military servants,</td>
</tr>
<tr>
<td>Health insurance,</td>
<td>Social benefit,</td>
<td>Pensions for scientists,</td>
</tr>
<tr>
<td>Unemployment insurance,</td>
<td>Compensations for heating,</td>
<td>Pensions for judges,</td>
</tr>
<tr>
<td>Insurance of accidents in workplaces</td>
<td>Other compensations (transport,</td>
<td>Rent for actors</td>
</tr>
<tr>
<td>and professional illnesses</td>
<td>communications etc.)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


Table 6
Number of recipients and amount of expenditure for social benefits

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of recipients</td>
<td>135,9</td>
<td>111,7</td>
<td>99,0</td>
<td>101,8</td>
<td>115,5</td>
<td>+16,7</td>
</tr>
<tr>
<td>Expenditure, LTL in thousands</td>
<td>76,6</td>
<td>76,1</td>
<td>68,3</td>
<td>73,7</td>
<td>88,6</td>
<td>+29,7</td>
</tr>
</tbody>
</table>

Source: Zalimiene, Laimute (2002), “Socialinės paramos sistema Lietuvoje” (Social Support System in Lithuania), Lietuvos ekonomikos apžvalga, Nr.1, p.15.
Figure 1
Changes of average disposable income in 1996-2000 (for one household member per month)


Figure 2
Number of recipients of social support benefits (in thousands)

**Figure 3**
Expenditure for social support benefits (LTL, in millions)

Literature


