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Keskusteluaiheita - Discussion papers

No. 632

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SOCIAL SECURITY IN LITHUANIA: A REVIEW*

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ABSTRACT: The creation of the new social security system in Lithuania began in 1990 after restoration of independence. The report first looks at the development of social security and describes the main laws on social security passed since 1990. The second part discusses the administrative structure of social security and describes the main institutions and their functions. The third part looks at the scope of social protection in the three different schemes: social security, social insurance, and additional social schemes. The financing sources of social security are reviewed in the next section. Finally the benefits are reviewed in detail.

KEY WORDS: Social security, social insurance, social benefits and their funding

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TIIVISTELMÄ: Liettuassa alettiin luoda uutta sosiaaliturvajärjestelmää itsenäisyyden palaututtua vuonna 1990. Tässä katsauksessa tarkastellaan aluksi sosiaaliturvan kehityksen pääpiirteitä ja tärkeimpiä 1990-luvulla säädettyjä sosiaaliturvaa koskevia lakeja. Toiseksi kuvataan sosiaaliturvan hallintoa sekä instituutioita ja niiden tavoitteita. Seuraavaksi tarkastellaan erikseen vakuutusmuotoisia ja avustusluonteisia turvajärjestelmiä. Sosiaaliturvan rahoitustapojen esittelyn jälkeen raportissa luodaan katsaus eri etuusmuotoihin.

AVAINSANAT: Sosiaaliturva, sosiaalivakuutus, sosiaaliset etuudet ja niiden rahoitus.

SOCIAL SECURITY IN LITHUANIA: REVIEW

1. The development of social security system in Lithuania

First part of this study on social security presents the development of social security system in Lithuania and describes the main laws on social security passed since 1990.

The creation of the new social security system began in 1990 after the restoration of Lithuanian independence in March 1990. The first step was the replacement of Soviet legislation by new, which would be compatible with market economy principles.

As early as 1990 social security policy began to be oriented towards institutional separation of social insurance and social assistance, towards attaching priority to the insurance principle, retaining the incentive to work, assuring a subsistence minimum and a transfer adjusted to inflation. The principal body of legislation and the institutional changes necessary to implement these political views were introduced in 1990-1996.

The Law On The Principles Of The State Social Security System (1990) defines the structure of Lithuanian social security system. According to the law the entire population is covered by the state social security system, and the law also specifies the cases (risks) covered by social security scheme. In addition, this law distinguishes the range of competence between social insurance and social assistance, sources of financing and administration.

The Law On Individual Income Security (1990) specifies the so called minimum standard of living (MSL), and the rules for its, as well as other regular payments recalculation according to the price index. This law also introduces special social benefits for families bearing low income.

The Law On State Social Insurance (1991) defines the branches of state social insurance, scope of compulsory insured, the system of social insurance financing and administration.

The Laws On State Social Insurance Pension, State Pensions, State pensions for the Internal Affairs, State Security, Country Defence And Prosecutor's Department Officials and Servicemen, The Provisional Law On State Pensions For Scientists, and The Law On Social Pensions (1994) compile pension laws packet, which accomplished the reform on pensions. The laws define the types of pensions, people entitled to different pension types, pension amounts and their payment sources.

The Law On State Benefits For Families Bringing Up Children (1994, previous version 1991) defines the cases and amounts of benefits for families bringing up children, pregnant women and orphans. Set by this law benefits bear a categorical approach.

The Law On Employment (On Support Of The Unemployed) (1991, a new version 1996) insures Lithuanian population with right for employment and defines its implementation basis - the Employment Fund as well as its financing. The law also secures the framework of social protection for unemployed individuals (entitlement for unemployment benefit and its amount inclusive). The law specifies the institutions responsible for administration of employment measures, including the administrative structure of Labour Exchanges.

A Law on Health Insurance (1996) defines the classes of health insurance, the system of obligatory health insurance: persons insured by obligatory health insurance, fundamentals of obligatory health insurance fund budget formation and compensation of the person's expenses on medical care services from the obligatory health insurance fund budget, institutions performing obligatory health insurance, rights of the persons insured by obligatory health insurance and the duties of medical care institutions while performing the obligatory health insurance and the order of investigation of the disputes.

One of the basic ideas behind the new legislation in Lithuania was to separate social insurance from social assistance schemes as well as separate social insurance from revenue in general. Responsibility for administering social insurance shifted from soviet-type trade unions to the newly established State Social Insurance Fund (SSIF) Board and its local offices. However, trade unions as well as employers' organisations are involved in the administration of social insurance in their role as members of the SSIF Council.

State social insurance is financed from the special contributions of employers, employees and self-employed persons: employers pay 30% of wages, employees - 1% of wages and the self-employed - 50% of basic pension. State social insurance finances are based on an independent SSIF budget, which is under supervision of the SSIF Council, and administrated by the SSIF Board. Unemployment insurance scheme of SSIF is reallocated to the Employment Fund administrated by Labour Exchanges, and Health insurance scheme - to the Compulsory Health Insurance Fund administrated by the National Patients' Fund.

Social assistance are financed from the state and local budgets collected from general taxes. It includes benefits in cash and benefits in kind. Benefits in cash may be paid applying means tested or non means - tested (so called categorical approach).

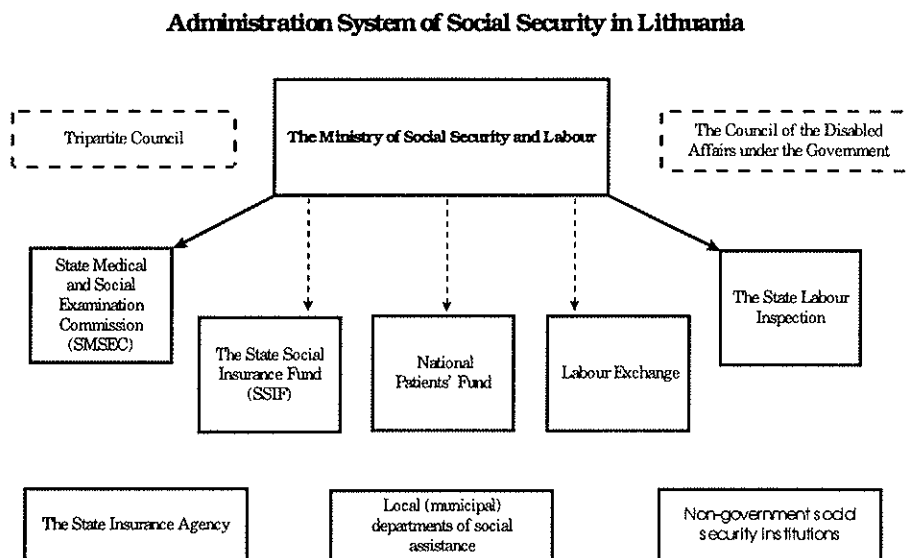
2. Administration

Second part of this study shows the present administrative structure of social security system in Lithuania. The main institutions are presented according to the functions their implement.

The Lithuanian social security system is administrated by the following institutions (see Table 1):

- the Ministry of Social Security and Labour;
- the State Social Insurance Council and the State Social Insurance Board and its local offices;
- the Compulsory Health Insurance Council and the National Patients' Fund and system of its local offices;
- the National Labour Exchange and system of its local offices;
- municipalities social assistance units.

Table 1.



The Ministry of Social Security and Labour is the main institution bearing social policy implementation. Upon fulfilment of this function the Ministry analyses the current social situation, drafts laws and governmental decrees, presents them to the Seimas and Government, maintains international and public relations. In addition, the Ministry of Social Security and Labour carries out administration of state care homes for the elderly, disabled and children, as well as pays State pensions of the Republic of Lithuania. Besides social security policy functions the Ministry is involved in implementation of other important policies, such as labour relations, employment and so forth.

The State Social Insurance Fund Council supervises the State Social Insurance Fund (SSIF). The Council is formed by tripartite principle: five members representing trade unions, five - employers organisations, and five - governmental institutions (the Ministries of Social Security and Labour, Health and Finance). The personal composition of the Council is proposed by the corresponding parties and approved by the Government; the Minister of Social Security and Labour or authorised his representative is the chairman of the Council. The Council bears significant responsibility - it presents the State Social Insurance Fund's budget project and annual report, and submits them for approval to the Government, every quarter decides on the amount of insured income (component defining pension supplementary part), determines the number of State Social Insurance Fund employees, the norms of the personnel and salaries, appoints the Director of the State Social Insurance Fund, arranges checking up of SSIF activities, adopts decisions related to important social insurance fund management issues.

The State Social Insurance Fund Board (SoDra) is responsible for current administration of SSIF. Through its local offices the Board registers the insurers, collects social insurance contributions, maintains personal records on the insured and the contributions paid by them, carries out basic social insurance payments - state social insurance pensions, maternity (paternity) benefits. Sickness allowances are paid by the employers; they in the established manner settle accounts with SSIF. The Board is responsible for the payment of some state pensions, i.e. pensions for the persecuted persons, state pensions for scientists and social pensions. Funds allocated for these pensions (including operating expenditures) are transferred to SSIF from the state budget.

The National Labour Exchange implements employment guarantees declared by State. Tripartite committees are associated with the National and local labour exchange offices; they review the activity of local labour exchange offices and submit propositions regarding its improvement. Labour exchanges dispose of the Employment Fund finances, comprising of transmitted by SSIF unemployment insurance funds and funds acquired from other sources. In reference with employment labour exchanges act as mediator offices; they register persons seeking job, as well as job vacancies, organise professional training and retraining, prepare national and territorial employment programs, alongside with municipalities organise public works and provide unemployment benefits.

The Compulsory Health Insurance Council controls State Patients Fund (SPF) and the Territorial Patients Fund (TPF) activities, determine their permanent staff members, the terms and conditions of payment for work, etc. The Board comprises of the 15 representatives of the Government, patient's funds, doctors, medical treatment institutions and only three representatives of the professional unions (the insured ones). The Board has only a deliberative vote in the main issues; it presents its suggestions regarding the person's health care services that will be paid from health insurance funds, their priorities and charges (the final decision will be made by the Ministry of Health Care); it suggests but not approves the candidates of SPF director (approved by Prime

minister), it presents to the Government's approval the project of health insurance fund budget and its yearly account.

The National Patients' Fund (NPF) performs a general supervision of TPF and appoint TPF directors and etc. The main duties - the conclusion of contracts with health care institutions, payment for the provided services and the management of the insured records are performed by TPF. TPF are of a relatively independent structure and are not be the subdivision of SPF. They have boards of directors that comprise the representatives of both SPF and local administrations.

District administration implements and supervises state policy in the district, including social and health care policy. The head of district administration is appointed by central, not local Government. District administration may manage state owned social institutions like care homes for elderly and disabled, secondary health care institutions, etc.

Local (municipal) departments of social assistance. Towns and districts in Lithuania are covered by the network of these departments. Mainly these two objectives are carried out by the departments: carry out payments of social assistance benefits established by the law, and provide social services.

Other governmental institutions.

State Medical and Social Examination Commission (SMSEC) is entitled to determine the fact and group (degree) of disability, its cause, occurrence time and term. The Commission is guided in its work by the *Regulations*, endorsed by the Government. The SSIF Board has the right to dispute a fact of disability determination for a person entitled for a state social insurance pension.

The Council of the Disabled Affairs under the Lithuanian Government helps to implement the Law On Social Integration of the Disabled. The coordinating committee of the Council comprises of representatives from public organisations of the disabled and those from state institutions. In 1996 42,3 mln. Lt. from the state budget were assigned to the disposal of the Council for funding 66 disability rehabilitation programs.

The State Labour Inspection is a governmental institution, functioning under the Ministry of Social Security and Labour. The inspection secures prevention of occupational accidents. It investigates the observance of the Law Of Labour Protection, also regulations of the labour laws. The inspection takes part in determining the facts and causes of labour accidents.

The State Insurance Agency administrates special state insurance scheme for officials and servicemen.

Some kinds of special pensions are administrated by corresponding ministries and departments, its their responsibility to award and maintain payments of

special state pensions to the Internal Affairs, National Defence, State Security and Prosecutor's department officials and servicemen.

Tripartite Council was established in 1995 under the three parties agreement among the Government, four major trade unions and two employers' organisations. The Council comprises of 15 members (5 representatives of each party). The Council analyses and makes propositions regarding the issues on social, economic and labour problems, as well as drafts on laws and other legal acts, it also makes suggestions on future tripartite cooperation. The council is directed by the chairman, assigned by the rotation principle for the period of four months.

Non-government social security institutions like Caritas, SOS-Children, The Red Cross, Order of Malta, church owned care homes for elderly and disabled and many others concentrate their efforts on social services. Municipality is entitled either directly or in a way of an open bidding to conclude a bilateral agreement with non-governmental organisations, religious societies and both, natural and legal persons providing social services, regarding the terms and conditions of social service rendering, control and financing. Such an agreement can be concluded with family members or relatives who receive social services.

Non-government pension insurance is implemented by some insurance companies. Not many people are insured, as there are no legal acts with special reference to this insurance scheme, and the law envisages no tax advantages.

3. Scope of social protection

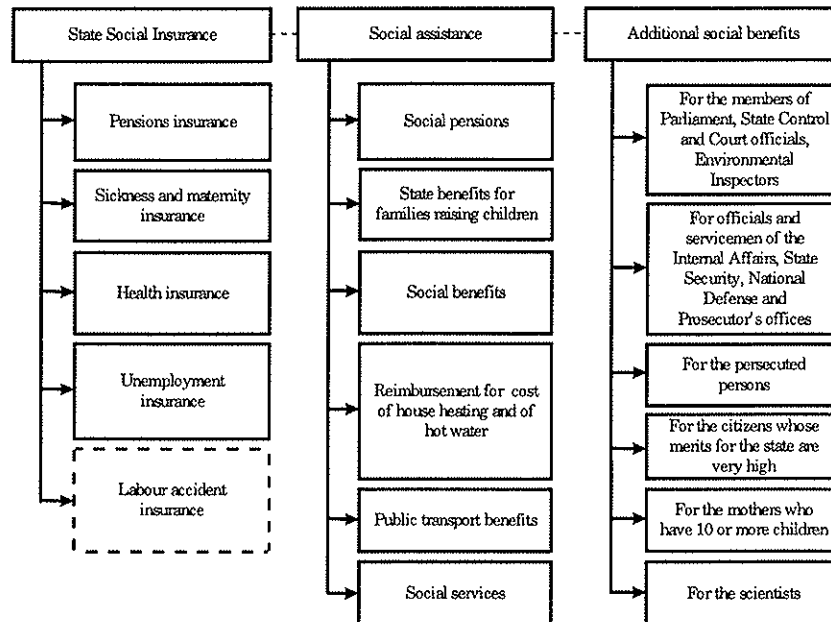
Third part of the study looks into the scope of social protection, which is described according to the different schemes of social security system: social insurance, social assistance and additional social schemes.

Social security system in Lithuania consists of (see Table 2):

- social insurance - is based on contractual and merit principles; the insured pay contributions, or the employer pays contributions on their behalf, in order to receive benefit, the amount of which is dependent on contributions (merit) in the case of some social risks taking place;
- social assistance - is based on the need principle; it is financed from general taxation, and is paid to any person who loses his/her self-dependent income and falls into poverty. Benefit is granted irrespective of a beneficiary's merits;
- additional social benefits - are "compensating" benefits financed from general taxation; they are provided to some groups of Lithuanian population for their special merits or their experienced offences.

Table 2.

The Structure of Social Security System in Lithuania



1. State social insurance constitutes the greatest part of social security system. By law it comprises of the following branches of insurance: *pension insurance, sickness and maternity insurance, health insurance, unemployment insurance, and labour accidents insurance.*

State pensions insurance scheme is compulsory for the below specified permanent residents of Lithuania:

- a) persons employed under a labour or any other contract and receiving income from work, as well as military servicemen and officials receiving remuneration for service: officials of the staff of Ministry of Inner Affairs, Police and internal service, as well as military servicemen of the Ministry of Internal Affairs, officers, re-engaged servicemen and soldiers of National Defence, officials of State Security;
- b) self-employed: owners of private enterprises, other self-employed persons, farmers and their family members employed on the farm. National Defence conscripts and mothers (fathers) on three-year maternity leave are insured in the same way as self-employed persons.

The enumerated categories of persons provided they meet the definite age and insurance record standards (requirements) are covered by State social pension insurance scheme. Nevertheless there exists a difference regarding both social insurance contributions and the amount of pension for these two categories: a) category is compulsory ensured for a basic and supplementary pension; for b) category only basic pension insurance is compulsory. The latter category is eli-

gible to join the supplementary pension insurance scheme on a voluntary basis.

Sickness and maternity insurance is compulsory for permanent residents of Lithuania employed under a labour or any other contract and receiving income from work. This scheme of insurance is applied to other categories of individuals on a voluntary basis. The insured (on a voluntary basis exclusive) are eligible for sickness and maternity benefits from the first day of work (insurance). The right for the benefit is valid 3 days after self-termination of employment as well as after dismissal (discharge) with a right for severance pay.

Health insurance contribution is compulsory for permanent residents of Lithuania employed under a labour or any other contract receiving income from work. Although some health insurance benefits (compensations) pursuant to the law are provided for a wider range of population - self-employed persons and farmers, their children, the unemployed and their children, social insurance pensioners. Health insurance benefits for all these categories differ.

Unemployment insurance contribution is compulsory for permanent residents of Lithuania employed under a labour or any other contract receiving income from work. Nevertheless payment of unemployment benefits as well as other measures carried out by the Employment Fund, as in health insurance case, are applied not only to this category.

Occupational accidents insurance is specified as a different branch of insurance in the Law on State Social Insurance. The law regulating this scheme is in the process of drafting.

The main change with regard to the conditions of social insurance in 1991 has been a differentiation in the insurance conditions affecting self-employed persons. All persons working under employment contract are compulsory insured for all kinds of social benefits, while self-employed are not insured for all social risks, but only for pensions. Receiving (or only declaring officially) low income, they were exempted from contributions until the beginning of 1995. Later this right was abolished. Nevertheless most of self-employees and farmers avoid contributions illegally. At the same time they are excluded from social insurance system and remain uninsured.

2. Social assistance covers such non-insurance payments as *Social Pension, State Benefits for Families Raising Children, Special Social Benefit, Extraordinary benefits for people required social support, Reimbursement for Cost of House Heating and of Hot Water, Public Transport Benefits* and various social services, such as accommodation in elderly or disabled people care houses, free of charge meals, lodging-for-the-night houses, services for the disabled and elderly and at home and so forth. Citizens of the Republic of Lithuania, as well as residing foreign citizens and persons without citizenship eligible for social as-

sistance if they meet the requirements defined in certain types of regulations on social assistance.

3. Special schemes. Some groups of Lithuanian population are entitled to additional State pensions. This group comprises of Lithuanian residents enumerated below:

- a) officials and servicemen of the Internal Affairs, State Security, National Defence and Prosecutor's offices are entitled to special additional pensions and compensation of some kinds of expenditure for medicines, and sanatorium treatment;
- b) the persecuted persons: these persons (in the event of death pursuant to the provisions foreseen by the law their children, spouses, and parents) are entitled to a special additional State pension for the persecuted;
- c) Lithuania citizens whose merits to the state establishing and developing its statehood, economy, culture, science, art and sport is of great value as well as mothers of 10 children are entitled to additional State pensions of the Lithuanian Republic of I and II degree;
- d) scientists with an academic degree are eligible for a special additional State pension for scientists.

Those who are entitled for few types of additional State pensions may select only one of them. State social insurance pension is paid independently with no regard to additional State pension.

4. Financing

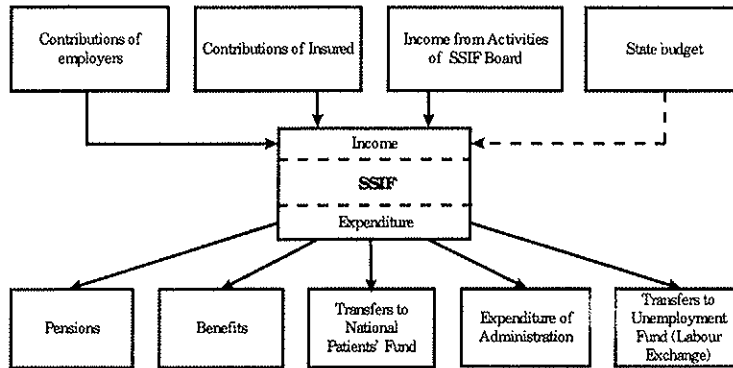
Fourth part of the study describes the financing sources of social security system: social insurance financed by special contributions, and social assistance financed from general taxation.

Lithuanian **social insurance** is financed from the contributions of insurers (employers and insured themselves) and insured (employees). State social insurance finances are based on an independent Social Insurance Fund (SSIF), which is included in neither the state budget nor local budgets (see Table 3).

The Social Insurance Fund is under supervision of the Council, and administrated by the Board. Unemployment insurance scheme of SSIF is reallocated to the Employment Fund administrated by Labour Exchanges. The Employment Fund also has its own revenues, for instance those formed by penalties from employers not following regulations set by the Law On Employment (Law on Support of the Unemployed). Health insurance funds are concentrated in health insurance fund separated from the budget of state and municipalities and it is administered by the State Patients Fund (SPF) and by the Territorial

Table 3.

The Structure of Income and Expenditure of State Social Insurance Fund (SSIF)



Patients Fund (TPF). The state social insurance budget and annual reports presented by the Council are approved by the Government. The Council is responsible not less frequently than once a year carry out audit on the Board's activity.

Upon approval of SSIF budget the Government, taking into consideration recommendations submitted by the Council, sets up general rate of compulsory insurance contributions and rates for certain insurance schemes (branches). Contributions are calculated on payroll basis and covered by employers and their employees. The share of contribution of the latter is defined by the Seimas. The rate of contributions for the basic pension (self-employed persons, farmers and so forth) is also approved by the Government. Contributions of the same type for the insurance of compulsory military servicemen and mothers (fathers) taking care of children under 3 years of age, are paid by the Government.

For the year 1997 contributions set up are as follows: contribution amounting to 30 per cent calculated from the wage is paid by the employer (for pension insurance 22.5 per cent, sickness and maternity insurance 2,8 per cent, health insurance 3 per cent (first half of the year), unemployment insurance 1,7 per cent), 1 per cent contribution for pension insurance is paid by employed under a labour contract the insured themselves. Self-employed persons, farmers and other persons insured only for a basic pension scheme pay the contribution amounting to 50 percent of the basic pension, the payment being carried out on a monthly basis (in December, 1997 the amount of contribution was 66 Lt). In accordance with the amendment to the Law on State Social Insurance in the first half of the year 1995 contributions were calculated only from that amount, which did not exceed the amount of 3 average wages in Lithuania. Later this amendment was abolished.

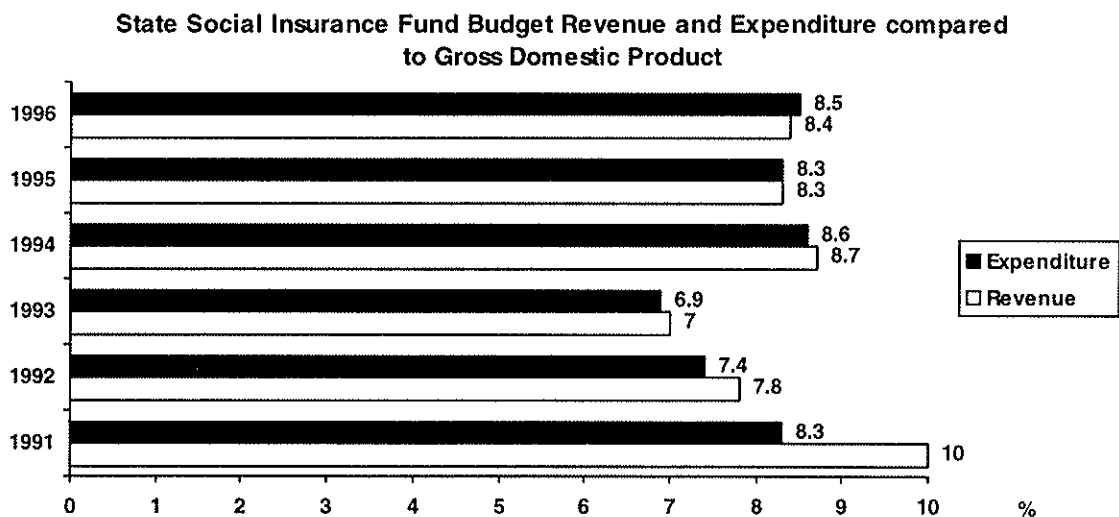
The State Social Insurance Fund may have other revenues: those acquired from the State Social Insurance Fund Board activities, usage of temporary free funds, those from state subsidies foreseen to cover deficit of the Fund (state budget is solvency guarantee for SSIF).

Social insurance contributions are collected by local offices of SSIF Board. Employers and self-employed persons themselves calculate compulsory contributions, as well as transmit them to appropriate accounts. The amount of individual contributions of the insured is reflected in SSIF data sources with entry in one's personal certificate. These records serve as basis (ground) for benefits calculations.

SSIF resources are reallocated on territorial basis. Usually, contributions collected in major cities are used for pensions and benefits payments in rural areas. In case SSIF funds are not sufficient pensions are being paid in the first place, other payments being delayed. SSIF Board makes such decisions upon informing the Council.

The budget of SSIF operates balancing annual income and expenditure. During the first five years of social insurance reform, i.e. from 1991 up to 1995, the budget of SSIF was surplus and its income little exceeded the expenditure. During the recent years the budget of SSIF encounters with certain financial difficulties which, in their turn, more and more limit the possibilities for the increasing social insurance paybacks from the social insurance means. In 1996 the SSIF budget deficit reached 35.4 mln. Lt (0.1% of GDP). It is expected that in 1997 social insurance budget deficit will reach 44.2 mln. Lt.

Table 4.



Source: Department of Statistics.

Important factor predetermined the welfare of social insurance beneficiaries, especially pensioners, is the part of GDP distributed through the social insurance scheme. Lithuania experienced steep decreases in the SSIF budget revenue and expenditure compared to GDP in 1991-1993 (see Table 4). The part of revenue during this period fell down from 10% to 7% of GDP, the part of expenditure, respectively, from 8.3% to 6.9% of GDP. In 1994 the decrease was stopped. It was stipulated by the decreasing of GDP, which (at constant prices) in 1992 fell down by 34%, in 1993 by - 30.4%. Only in 1994 GDP increased and made up +1.0%, in 1995 - +3.0% and in 1996 - +3.6% (data provided by the Department of Statistics). In spite of it, the part of GDP distributed through the social insurance scheme, including pension scheme, in Lithuania is much less than in other European countries and, consequently, the ratio of average pension to average wage is less as well.

Other social security branches (non-insurance) are financed from the state and local budgets collected from general taxes. Taxes and contribution collection systems and inspections are separated. This approach ensures self-dependence of Social Insurance Fund's financial means, as well as its activity self-dependence.

Level of State budget expenditure on social assistance (including additional social benefits) as a percentage of GDP made up 1.9% in 1994, 2.1% in 1995 and 2.4% in 1996 (data provided by the Department of Statistics).

Social insurance as well as social assistance payments non-taxable (sickness, motherhood (fatherhood) benefits exclusive). Determining employers' taxed revenues, social insurance contributions for their employees are excluded.

There are some repayment problems, as SSIF Board is also responsible for carrying out some payments financed from state budget. Sometimes state budget transfers are delayed, as well as social insurance contributions for people employed by the state. In such cases SSIF means are used for crediting the State's commitments. SSIF in its turn is in debt to the Employment Fund, drug stores, sanatoriums and so forth.

The SSIF deficit in the beginning of 1996, as have been mentioned, was stipulated by a hard economic plight of enterprises. Many of enterprises cannot make social insurance contributions, and find themselves more and more indebted. The SSIF Council in accordance with the amendment to the law is authorised to excuse the employers (enterprises, institutions and etc.) from the fine, calculated for belated transmission of contributions; the employers can be excused from contributions or this payment can be postponed, in case enterprises failed to dues settle accounts with the SSIF owing to circumstances over which the enterprises have no control. The Council issued the decree, specifying the cases of abolition and postponement of payments; in cases the enterprise failed to settle accounts in due time owing to bank bankruptcy, natural calamity, sudden changes in raw materials and production prices related to modifications of laws and other legal acts, seasonal nature of production, the

failure of the State and local budgets in settling accounts with enterprises and their partners and so forth. Solving the issue of fine abolition priority is given to the insurers, who are not indebted in regard to contribution payments.

The majority of social insurance benefits is related to certain “basic” values, their modification enables for adjusting (indexation) of these payments. The main part of the state social insurance pension and some state pensions are related to the so called **basic pension**, the amount of which is approved by the Government. The supplementary part of state social insurance pension is related to **insured income**. The amount of the latter is calculated according to an average wage, from which social insurance contributions are collected, and approved by the SSIF Council. The basic pension, state benefits for families with children, as well as some other benefits related to set by the Government **minimum standard of living (MSL)**. Social benefit for families in need is related to **state supported income**, the later being approved by the state as well. The unemployment benefit is related to state supported income and MSL.

5. Basic Benefits

Fifth part of the study presents the basic benefits paid by social insurance, which are related to contributions, and social assistance schemes, which provides benefits in cash for families bringing up children as well as persons in need and benefits in kind.

5.1 Social insurance

The following payments are paid for insured persons from the Lithuanian State Social Insurance Fund (see Table 5):

- pensions;
- sickness allowances, maternity (paternity) benefits and funeral grants;
- payments to the Employment Fund for unemployment insurance;
- payments to the to the Compulsory Health Insurance Fund for health insurance.

The main part of social insurance budget is granted to pensions every year. In 1992 expenditure on pensions made up 74.5% of total expenditure on social insurance, in 1996 - 72.6% (see Table 5). Another important outcome of social insurance policy in 1992-1996 is decreasing part of expenditure granted to benefits (from 16.7% to 9%) and increasing part of expenditures granted to health insurance (from 2.5% to 9.6%).

Table 5. The Structure of Expenditure of State Social Insurance Fund (%)

	1992	1993	1994	1995	1996
State social insurance pensions	74,9	71,2	73,7	75,6	72,6
State social insurance benefits	16,7	13,1	10,9	7,6	9
Transfers to Unemployment Fund	1,8	5	2,2	2,7	3,8
Health insurance	2,5	6,6	8,4	9,4	9,6
Administrative Expenditure	4,1	4,1	4,8	4,7	5

Source: State Social Insurance Fund Board.

1. Sickness Allowance is paid to the person who is insured by state social sickness and maternity insurance when said person falls ill, as well as in case of going for treatment to prosthetic-orthopaedic hospital, to tuberculosis or any other rehabilitation institution after a serious disease which is included in the special list. Sickness allowance is also paid in cases of dismissal from the job because of quarantine or upon the requirements of hygiene doctors. The fact of sickness and sickness-related dismissal from the job must be approved by a sickness certificate issued by a doctor.

The first two sickness days are rewarded by the employer, and beginning with the third sickness day sickness allowances are paid from State Social Insurance Fund. The employer got the responsibility to pay benefit for first two days of illness from the beginning of 1995.

The insured (except the voluntarily insured) have the right to obtain sickness allowance or maternity benefit from the first day of insurance. The right to receive such allowance is valid within 3 days of leaving the job voluntarily, as well as during the period of receiving the severance pay and during an annual paid vacation.

For the first two sickness days sickness allowance is paid in the amount of no less than 80 per cent of the average wage of the employee for the last three months (in case of labour accident or of occupational disease - 100 per cent). After the first two days during the first temporary sickness month the sickness allowance is paid in the amount of 80 per cent of average compensatory wage (in case of labour accident or of occupational disease - 100 per cent), and after the first month of sickness the amount of 100 per cent. The compensatory wage comprises the average wage for last three months of the insured, from which contributions to sickness and maternity insurance have been collected. The allowance can not exceed 3 average wages in Lithuania published officially by Department of Statistics (although it is binding to pay contribution from the full wage). The allowance cannot be lower than the minimum wage.

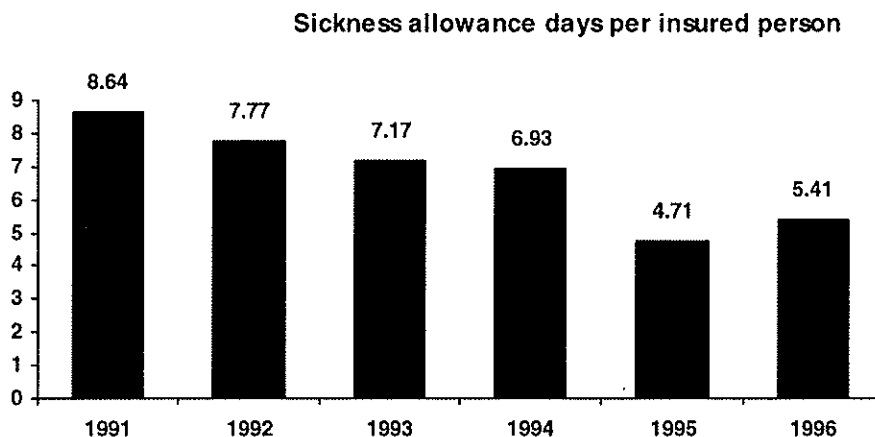
The allowance is paid until regaining of working capacity or determination of disability. The validity of sickness certificate is extended for the established period of time, at the end of which, if the person does not recover, it is obligatory to apply to State Medical and Social Examination Commission (SMSEC) concerning the determination of disability. Sickness allowances for part-time and seasonal workers who become sick during the period of employment contract are payable for no more than 30 days after the employment contract expires. Allowances for employed disabled persons who receive state social insurance disability pensions are paid not more than 90 days per year. This restriction does not apply in the events of labour accidents, or the contraction of an occupational disease or tuberculosis.

The amount of sickness allowance under the soviet system was linked to the duration of work, and if the latter came to more than eight years, compensation was equal to 100% of wages. Under the new rules since 1991 a maximum limit has been established for this allowance, which cannot equal 100% of the former wage during the first month of illness. It had considerable impact on the level of sickness in the country.

One of the indicators of sickness level in the country is the number of sickness allowance days per insured person. It fell down from 8.64 days in 1991 to 4.71 days in 1995 (see Table 6). Particularly big drop occurred in 1995. However, in this case it should be taken into account that since 1995 the first two days of sickness (from January 1995 to November 1995 the first three days of sickness) has been covered by employers from their means.

Another important indicator of sickness level in the country is average length of one case of sickness. It shows that the length of sickness continually grew longer. In 1991 it amounted to 15.5 days, in 1995 - 17.9 days. It means the decreasing number of short-term patients and the increasing number of long-term patients.

Table 6.



Source: State Social Insurance Fund Board.

Cost of State Social Insurance Fund Budget on sickness allowances (as % of total expenditure of this budget) considerably fell down in Lithuania in 1992-1996 (see Table). Expenditure on sickness allowances, which were 7.1% in 1992, decreased to 3.8% in 1995, then rose to 4.7% in 1996. The biggest effect on it, as have been mentioned, had the decrease of sickness level in the country.

Table 7. Expenditure on Sickness Allowances (as % of total expenditure of State Social Insurance Fund Budget)

Kind of benefit	1992	1993	1994	1995	1996
Sickness Allowance	7,1	6,0	5,2	3,8	4,7

Source: State Social Insurance Fund Board.

2. Sickness allowance to cover the cost of the care of children and other family members. While nursing a family member (whom it is necessary to nurse following the directions of a doctor) of insured by sickness and maternity insurance person, the sickness allowance is paid for no longer than 7 days. While nursing a child who is under 14 years of age, the allowance may be paid for additional 7 days. While nursing a child under the age of 7 in inpatient clinics, as well as a child under 14, who is ill with oncohaemetological disease, who has undergone a complicated operation, experienced trauma or burning, the allowance is paid during the whole time of treatment, but no longer than for 122 days. The amount of the allowance is equivalent to that in case of disease of the insured himself/herself. The allowance is paid from State Social Insurance Fund (in this case the initial period rewarded by the employer does not apply).

3. Maternity (Paternity) Benefit is paid to one of the parents insured by state social sickness and maternity insurance. It constitutes of two parts: pregnancy and childbirth benefit and child care benefit.

Women who go through child-birth after 28 weeks or more of pregnancy receive benefits for 70 calendar days preceding delivery and 56 days after delivery. In cases of a complicated deliveries or if more than one child is born, benefit is payable for 70 days after delivery. Women who go through child-birth after 22 weeks of pregnancy are paid benefits for 28 days after delivery (if the child is living, benefits are payable for 56 days after delivery) The full compensatory wage is paid during this period.

At the end of the said period, benefit is paid to one of the parents who takes care of the child. The benefit is paid for one year, at 60 per cent of the compensatory wage, but it can not be lower than established minimum wage.

Big decreases in the number of recipients of pregnancy and childbirth benefits and child care benefits took place in Lithuania in 1992-1996 (see Table 8). The main problem was the decreasing fraction of the newborners, which fell down from 53.6 thous. in 1992 to 39.1 thous in 1996. Economic recession, housing problem, unemployment are the main reasons for such demographic situation. Considerable decreases in the number of recipients of child care benefit in 1995 was also stipulated by the changes in the procedures of payment of this benefit. Up to 1995 child care benefit was payable for every child to 3 years age and the amount of benefit was 1 MSL for a child up to 1.5 year and 0.5 MSL up to 3 years old. Since 1995 child care benefit has been increased relating it to wage and terms of payment have been shortened. A period for payment was shortened from 3 up to 1 year and the amount of benefit was increased up to 60% of compensated wage (a limit of 3 averages wages is applied in this case).

Table 8. Number of recipients of Social insurance benefits (average number; in thousands)

Kinds of benefit	1992	1993	1994	1995	1996
Maternity (paternity) benefit:					
• Pregnancy and childbirth benefit	42,6	31,3	25,2	26,4	24,6
• Child care up to 1.5 year benefit	83,6	62,2	50,7	-	-
• Child care 1.5-3.0 year benefit	104,0	73,0	66,5	-	-
• Child care up to 1.0 year benefit	-	-	-	21,0	25,9
Funeral benefit	38,2	43,1	39,9	38,4	39,0

Source: State Social Insurance Fund Board.

Cost of State Social Insurance Fund Budget on pregnancy and childbirth benefits and child care benefits (as % of total expenditure of this budget) considerably decreased in Lithuania in 1992-1996 as well (see Table 9). Expenditure on pregnancy and childbirth benefits in Lithuania, which were 2.6% in 1992, fell down to 1.3% in 1996, and expenditure on child care benefits, respectively, from 6.4% to 2.4%. The biggest effect on it, as have been mentioned, had decreases in the fertility rates, when the number of the newborners fell down by 27.1% from 1992 to 1996.

Table 9. Expenditure on Social insurance benefits (as % of total expenditure of State Social Insurance Fund Budget)

Kinds of benefit	1992	1993	1994	1995	1996
Maternity (paternity) benefit:					
• Pregnancy and childbirth benefit	2,6	2,2	1,8	1,3	1,3
• Child care benefit	6,4	4,3	3,4	2,0	2,4
Funeral benefit	0,6	0,6	0,6	0,6	0,5

Source: State Social Insurance Fund Board.

4. Funeral Grants. Upon the death of the insured person or his/her family member, a funeral grant is paid from the State Social Insurance Fund. It totals three times the MSL.

Number of recipients of funeral grant paid from the State Social Insurance Fund in 1992-1996 was stable and varied around 40 thous. (see Table 8). Expenditure on funeral grant (as % of total expenditure of State Social Insurance Fund Budget) in 1992-1996 were also steady and amounted to 0.5%-0.6% (see Table 9).

5. Unemployment benefits. Unemployment insurance is the main scheme of the social security which provides unemployment benefits to persons who lost their jobs. The unemployment benefit was introduced in 1990.

According to the law the unemployed are capable to work but not working persons at working age, who do not study at day-time departments of educational establishments, who registered themselves with their local labour exchange as persons looking for work and who are prepared to undergo vocational training.

Unemployed people (if the labour exchange did not offer them work corresponding to their profession, state of health, etc.), whose state social insurance period until the registration at the labour exchange is 24 months or more over the past 3 years, have the right to unemployment benefit. Said period is not required from the unemployed who have not got it due to important reasons: they were dismissed through no fault of theirs, looked after incapable people or nursed the disabled, returned from the national defence service or returned from imprisonment. Graduates from vocational schools, colleges and institutions of higher education, women and single men who are bringing up children up to 8 years of age are not required to have the state social insurance period either. A person who has not got the needed state social insurance period can meet the requirement for this period being directed by labour exchange to perform municipal works or jobs supported by the Employment Fund, or to finish the vocational retraining. It is necessary to work or study for 180 calendar days (or less, if only this amount is lacking for required social insurance period).

Unemployment benefit is payable commencing on the 8th day of registration at the labour exchange. However, the benefit to the unemployed who have the required state social insurance period and who were dismissed from work on their own application, on parties agreement, on the initiative of the employer or upon expiration of employment contract is payable after three months of registration at labour exchange.

Unemployment benefits are paid monthly, but not longer than for 6 months over the period of 12 months. For the unemployed who are within 5 years before of pensionable age, the unemployment benefit payments are extended for two more months. The time during which an individual was performing municipal works or jobs supported by the Employment Fund, or was working ac-

ording to vocational training programmes is not included into unemployment benefit payment time.

The amount of unemployment benefit **P** is calculated according to the formula:

$$\mathbf{P} = \mathbf{R} + (\mathbf{2*MSL} - \mathbf{R}) * (\mathbf{s/25}),$$

where: **R** - stands for state supported income, **MSL** - stands for minimum standard of living, **s** - stands for state social insurance period of an unemployed. The unemployment benefit may not be lower than state supported income and may not be higher than two MSL.

According to this formula the unemployment benefit is paid to the unemployed who have 24 months of state social insurance over the past three years. The persons who are entitled to unemployment benefit but whose state social insurance period is less than 24 months over the past three years are paid the benefit equalling state supported income.

Unemployment benefit is not granted, cut by half or its payment is suspended, if the unemployed refuses offers of employment (that corresponds to his/her professional skills, state of health, etc.), refuses to undergo training programme, for no valid reason fails to visit in time to the labour exchange.

Taking into account official unemployment levels, the government's employment policy may be assessed in a positive light. But the rather attractive looking official unemployment data seem astonishing, bearing in mind that production has decreased sharply. GDP has decreased by 34% in 1992 and by 30.4% in 1993, yet the official unemployment rate remained a mere 2-4% (see Table 10).

The first reason for such inconsistency between the recession in production and the unemployment rate is that the expanding private sector of new enterprises, which is statistically difficult to calculate, is absorbing some of the employees quitting traditional branches of the economy; it also should be bearing in mind here that many farmers have left collective farms.

Illegal employment is on the increase. Official unemployment data are lower due to the fact that people who are genuinely out of work expect nothing from their local Labour Exchange, because unemployment benefits are small, the conditions for receiving them are very strict, and labour exchange offices have very few jobs on offer.

Table 10. Unemployment rate (ratio of the unemployed to labour force, %)

	1992	1993	1994	1995	1996
Unemployment rate	1,3	4,4	3,8	6,1	7,1

Source: State Social Insurance Fund Board.

5.2 Social assistance

Social assistance is the part of social security providing benefits in cash and benefits in kind. The following benefits in cash may be paid to the Lithuanian citizens from the state and municipal resources:

- categorical benefits to certain groups of population independently of their income;
- means-tested benefits to those citizens whose income is less than the certain amount defined by the government.

Benefits in kinds include various kinds of social services granted to people in need.

Categorical social assistance benefits are oriented to the family assistance and are provided accordingly to the Law On State Benefits For Families Bringing Up Children (1994, previous version 1991). They include these kinds of benefits:

- Child-birth grant;
- Maternity (Pregnancy) benefit for studying women;
- Family benefit;
- Benefit for families, raising three or more children;
- Benefit for children of soldiers;
- Settlement grant;
- Orphan's stipend;
- Foster benefits.

1. *A Child-Birth Grant* is paid to every woman who gives birth (except cases when she repudiates the child). The grant is paid at 6 times the MSL from local budget.

2. *Maternity (Pregnancy) Benefit for Studying Women* is paid to pregnant women who are studying at the day-time departments of educational establishments and who have no right to state social insurance maternity benefit. The benefit is paid at 75 per cent of the MSL per month and for 70 days preceding delivery. It is paid through the educational establishment from the state budget.

3. *Family Benefit* for family which has no right to state social insurance maternity benefit is paid from birth of a child until its third birthday. The benefit to the family that is entitled to state social insurance maternity benefit is paid from the child's first to its third birthday. In both cases the benefit is paid at 75 per cent of the MSL per month. It is paid from local budget.

4. *Benefit for families, raising three or more children*, is paid of 1 MSL per month. For fourth and every next child the benefit is increased by 0.3 MSL. This benefit is paid, if family's income per person is less than three amounts of state supported income.

5. *Benefit for children of soldiers* is paid of 1.5 MSL per month for each child. It is paid from local budget.

6. *Settlement Grant*, after completing secondary or specialised secondary school, is paid for orphans and foster children who were brought up in orphanages or were raised by individual persons. The pension amounts to 18 times the MSL. An *orphan's stipend* is paid at 150 per cent of the MSL for orphans enrolled in higher, tertiary or vocational schools, regardless of other stipends.

7. *Foster Benefits* are paid to persons or non-state care institutions raising children for each orphan or foster child who does not receive any other state support from state. The amount of the benefit is equivalent to 150 per cent of the MSL monthly.

8. *Funeral grant* is paid in the case of every resident death at three times the MSL. On the death of a disabled person, pensioner, family member who received special social benefit or a person who, upon the decision of municipalities, was recognised as a so-called supported person, the additional grant is paid at six times the MSL.

Table 9. Number of State social assistance benefits (per year; in thousands)

Kinds of benefit	1992	1993	1994	1995	1996
Child-birth grant	51	42	42	36,4	38,6
Family benefit	-	-	-	1 184,6	1 194,4
Benefit for children of soldiers	1	1	3	2,6	2
Maternity (pregnancy) benefit for studying women	-	-	-
Settlement grant for orphans and children without parental support	0,4	0,4	1	0,3	0,5
Orphan grant	-	-	-
Foster benefit	27	34	35	39,8	50,5
Funeral grant	-	44	88	42,5	40,1
Benefit for single mothers	283	332	341	-	-
Compensation of the pre-school education expenses	63	1131	2546	-	-
Temporal benefit for children, whose parents do not pay alimonies	11	22	38	-	-
Child food allowance up to 1 year	-	278	495	-	-

Source: Social Security and Labour Ministry.

Number of State social assistance benefits in 1992-1996 varied according to the kind of benefit. The biggest part of paid social assistance benefits in 1992-1994 was granted to Compensation of the pre-school education expenses (increased from 63 thous. in 1992 to 2546 thous. in 1994), Child food allowance

up to 1 year (from 278 thous. in 1993 to 495 thous. in 1994), and Benefit for a single mother (from 283 thous. in 1993 to 341 thous. in 1994). In 1995 these benefits were abolished, introducing some new ones, the most important of which is "classical" family allowance for each child irrespective of family income and number of children. In 1995 the number of these benefits made up 1184.6 thous, in 1996 - 1194.4 thous.

Up to 1995 the biggest part of expenditure on State social assistance benefits (as % of total expenditure of State budget on social assistance) also were granted to Compensation of the pre-school education expenses (13.44% in 1994) and Child food allowance up to 1 year (5.53% in 1994). As have been mentioned, in 1995 Family support reform changed a system of benefits applied from 1991 and introduced new benefits, especially highly promising family benefit, which amounted to 11.76% of expenditure in 1995 (see Table 10). It should be noticed the increase of the number of foster benefits, which took place every year in 1992-1996: from 27 thous. in 1992 to 50.5 thous. in 1996, and expenditure on it (as % of total expenditure of State budget on social assistance) increased from 0.43% in 1993 to 0.91% in 1996. It is related with the increasing number of orphans and foster children in families (from 86 thous. in 1992 to 261 thous. in 1996) and non-state child foster homes (from 93 thous. in 1993 to 164 thous. in 1996).

Table 10. Expenditure on State social assistance benefits (as % of total expenditure of State budget on social assistance)

Kinds of benefit	1993	1994	1995	1996
Child-birth grant	1,41	1,82	2,63	2,77
Family benefit	-	-	11,76	10,59
Benefit for children of soldiers	0,01	0,05	0,05	0,03
Maternity (pregnancy) benefit for studying women	-	-	0,01	0,01
Settlement grant for orphans and children without parental support	0,04	0,07	0,08	0,1
Orphan grant	-	-	0,2	0,25
Foster benefit	0,43	0,58	0,79	0,91
Funeral grant	1,28	6,35	3,13	2,7
Benefit for single mothers	1,63	2,07	-	-
Compensation of the pre-school education expenses	5,43	13,44	-	-
Temporal benefit for children, whose parents do not pay alimonies	0,12	0,23	-	-
Child food allowance up to 1 year	2,87	5,53	-	-

Source: Social Security and Labour Ministry.

Family support reform was implemented in 1995, when the Law On State Benefits For Families Bringing Up Children came into force. The law has changed a system of benefits applied from 1991. The main trend of changes was to reduce the number of small benefits and, after saving some money, increase the remaining benefits. Since those benefits were related with MSL, which was indexed insufficiently, all benefits were decreased.

These benefits to the families were cut down since 1995:

- Benefit for a single mother;
- Child food allowance;
- Compensation of pre-school education expenses;
- Temporary benefit for children whose parents don't pay alimonies.

1. *Benefit for a single mother* was paid for every child up to 16 years old (for schoolchildren up to 18 years old). This benefit from 1991 was paid irrespective of scholarship of children. The level of benefit was 0,4 MSL;

2. *Child food allowance up to 1 year* was introduced in 1992.03.26. The level of benefit was 0,75MSL;

3. *Compensation of pre-school education expenses* to families bringing up children at home was 70% of the average state expenses for the education of a child in a pre-school institution;

4. *Temporal benefit for children whose parents do not pay alimonies* was equivalent to 0,4 MSL.

The essence of changes in the system of family allowances in 1995 with respect to the persons insured by the social insurance was that the payment period of social insurance child care benefit was shortened from 3 to 1 year, but the benefit was increased up to 60% of former wage, moreover, a minimal amount of the benefit was guaranteed as not less than a minimal wage (MW). The rate of benefit up to 1.5 year was only 100% of MSL. The latter is considerably lower than MW. Thus, the family allowance during the first year of child's life paid from the means of social insurance is considerably increased. Moreover, when the payment of this benefit terminates, i.e. when a child reaches 1 year, the benefit is paid from the budget of municipalities according to the same order as for the uninsured families until the child becomes 3 years old. Thus, the family allowance for the insured is increased from 1995.

Status of the uninsured also became better in this respect, and the family allowance was started to pay not only for mothers-students, but for all women. The amount of benefit also increased from 70% (when a child is up 1.5 years old) and 35% of MSL (when a child is from 1.5 to up to 3 years old) to 75% of MSL during the whole year payment period. The abolishment of compensation for pre-school education expenses means that the incentive to educate children

in the families is refused. That was aimed at the beginning of the reform period.

Means-tested social assistance benefits are provided to families and single persons who prove that their income is lower than the state-supported income. They include these kinds of benefits:

- Special social benefit;
- Extraordinary benefits for people required social support;
- Reimbursement for cost of house heating and of hot water.

1. Special Social Benefit is the main mean of assistance in cash to low-income families. It applies to families in which able-bodied persons work but their earnings are not sufficient, or they do not work due to valid reasons. The benefit does not apply to families and individuals who are able-bodied and can work, but they do not work and do not search for work.

Social allowance shall be granted and paid to the families, in case the spouses (or one of the spouses) are employed, perform their own duties, study in daytime departments of public (municipal) education institutions, are unemployed, receive disability allowances, and during the studies - education allowances, the persons who are registered in Labour exchange agencies and who perform public duties or works supported by Employment Fund, pensioners or persons of retirement age, who are disable to work and who get medical treatment at in-patient departments. In case one of the spouses is unemployed because of the above mentioned reasons, the other can be unemployed because he or she is nursing a family member or a relative of the Ist or IInd group disablement or a sick person, or a pregnant woman, this person receives a monthly compensation instead of a pension.

Social allowance is granted only to families with children in case one of the parents has got a child up till the age of 3 and the other is unemployed because of the above mentioned reasons, and in case father is employed or unemployed because of the above mentioned reasons and mother bringing up a child up to 14 years old or a disabled child up to 16 years old and being a part-time employee, bringing up 3 or even more children who are up to 16 years old in case at least one of them is up to 8 years of age, bringing up a child of pre-school age according to the doctor's recommendation, bringing up a child of up to 16 years and possessing a plot of land.

Special Social Benefit for single persons is awarded in the same manner as for families without children (except the cases of studies).

Special social benefit is awarded and paid by municipal administration (usually social assistance units) from local budgets. Having verified living conditions of a family, municipalities are entitled to award benefits to other families than those specified above, also not to award benefits or terminate their pay-

ment to families who applying, for the benefit, concealed the additional income. If the benefit is used not according to its destination, the municipalities have a right to pay it by nominal cards to purchase food-stuffs, clothes, etc. The families who are refused to award the benefit, can apply to higher municipal administration.

Upon awarding the benefit, all types of family members earnings are taken into account: periodical, lump-sum, etc., earnings of self-employed persons, received dividends, stipends, compensations, periodical benefits, except the special social benefits, income received from the plot of land, rent income, received alimony for children, and some other benefits. The benefit is calculated according to the data for the period last three months and is payable for three months. At the end of the period a person can apply once again.

The benefit level is 90 per cent of the difference between the state-supported income and the actual family income per month. The state supported income is calculated by multiplying the number of family members by the state-supported income per family member (120 Lt, as determined on January 1, 1997).

2. Extraordinary benefits for people required social support. In addition to the above described Special social benefit, in 1991 social security offices of municipalities by the decision started to pay extraordinary social grants for people living in poverty. But because of lack of means these grants are not important neither by the amount nor by the coverage. In 1996 expenditure for them made up only 0.64% of all expenditures for social assistance (see Table 11).

Number of Special social benefits and extraordinary benefits for people who require social support very increased in 1993 in comparison to 1992 (number of special social benefits - from 3400 thous. to 6788 thous., and number of extraordinary benefits - from 52 thous. to 284 thous) (see Table 11). The biggest effect on it had the economical - social situation in the country which became worse. Social security system, which was created in 1990-1992, was generous. But due to economical and social crisis the GDP decreased by 34% in 1992 and by 30.4% in 1993. The prices went up very quickly and the inflation increased. The income of the large part of population became less than the state supported income and the citizens acquired the rights to the social and extraordinary benefits. That was the reason why the number of these benefits in 1993 increased so substantially. The number of the recipients remained high and the state could not heave financial burden. From the second part of 1993 the state began to restrict the rights to the benefits in a way of limiting minimal standard of living to which the amount of benefits was related. So more and more people lost the right to the social benefits. In 1994 some laws on social policy were changed and from the beginning of 1995 the laws on social policy showed the more restrictive character.

Table 11. Number of State social assistance benefits for persons in need (per year; in thousands)

Kinds of benefit	1992	1993	1994	1995	1996
Social benefit	3400	6788	1384	1573,8	1630,4
Extraordinary benefits for people who require social support	52	284	60	72,8	58,8

Source: Social Security and Labour Ministry.

Expenditure on State benefits for persons in need (as % of total expenditure of State budget on social assistance) decreased in Lithuania in 1993-1996 due to the restriction of the rights to the benefits as well (see Table 12). Expenditure on Social benefit, which were 27.81% in 1993, fell down to 10.26% in 1996, and expenditure on Extraordinary benefits for people who require social support, respectively, from 2.16% to 0.64%.

Table 12. Expenditure on State social assistance benefits for persons in need (as % of total expenditure of State budget on social assistance)

Kinds of benefit	1993	1994	1995	1996
Social benefit	27,81	9,25	12,31	10,26
Extraordinary benefits for people who require social support	2,16	1,33	1,12	0,64

Source: Social Security and Labour Ministry.

3. *Reimbursement for Cost of House Heating and of Hot Water* were started to pay in the winter period of 1993. They are provided when calculating the payment for domestic heating, hot water and natural gas supply. The compensations are based on the so-called standard heated space floor, a standard amount of thermal energy needed for heating, a standard amount of hot water supply, standard amount of natural gas. Low-income families receive subsidies (actually these families are determined according to the same criteria as in case of social benefit) to pay for the heating of standard floor space, for a standard amount of thermal energy used for heating, for hot water and gas. Standards for disabled persons of Group 1 and Group 2, for persons of a pensionable age are established higher than those to other residents (for single persons even higher).

In case the charges for heating of normative general (useful) space of the living quarters approved by the state and the quantity of normative gas or thermal energy consumed for heating of living quarters during the heating season make more than 25 percent of difference between the whole income of the family and the determined minimum income of the family.

Compensations are paid from the state budget. The family that wants to receive compensation has to apply to municipalities and submit corresponding documents. The municipalities, having verified whether the family is entitled to compensation, transfer the data to heating suppliers which calculate the amount of the compensation and present the account the state budget. During the heating season the compensations total about 10 million Lt per month, and about 18 percent of people receive them.

Municipalities Assistance. Various kinds of social services are granted to people in need, i.e. free of charge food, social help at home, single grants in cash, grants for fuel, cheap clothes, cheap bath services, etc.

Thus, during 1990-1991 was created a new social security network. It was designed hoping for a smooth transition to the market economy and a rapid growth of economy. However, a real development of economy during 1991-1993 took quite opposite direction - a deep decline of industry and agriculture, huge structural changes, state budget deficit, and hyperinflation. Therefore, the main efforts of the Government in social security sphere in 1992-1994 were directed towards the maintenance of purchasing power of transfers during the inflation storming. These efforts were and could have been only partially successful. Easier case was with the social insurance benefits since they were financed from the autonomous fund, and it was more difficult with family support and social assistance funded from municipality and state budgets.

However, one became certain in 1994 that original social obligations made by the state were hardly implemented financially. This understanding predetermined the basic future development trends for social security. First, to make qualifying conditions stricter in the sphere of social insurance. Second, to reduce the number of beneficiaries' categories in the sphere of social assistance and family support. On the other hand, inflation has decreased to two-number from 1994, and during 1995-1997 it decreased further and during the 11 months of 1997 it was less than 10%. Therefore, the attention of social policy makers was directed from the constant indexation of transfers to the long-term decisions. Some laws on pensions were passed, and the other social laws were considerably changed in 1994. All that came into force from 1995, therefore that year may be called the year of revising or reconsidering Lithuanian social policy.

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