



# **ESPN Thematic Report on Retirement regimes for workers in arduous or hazardous jobs**

## **Lithuania**

**2016**

Romas Lazutka, Arunas Poviliunas, Laima Zalimiene  
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*Contact:* Emanuela TASSA

*E-mail:* [Emanuela.TASSA@ec.europa.eu](mailto:Emanuela.TASSA@ec.europa.eu)

*European Commission  
B-1049 Brussels*

**European Social Policy Network (ESPN)**

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*Romas Lazutka, Arunas Poviliunas, Laima Zalimiene, Vilnius University*

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## Summary/Highlights

Lithuanian legislation (a) does not treat arduous or hazardous jobs as a separate issue of social policy; and (b) has no special pension schemes or special provisions for people involved in arduous or hazardous jobs.

Arduous or hazardous jobs are treated as jobs with higher occupational risk, where the probability of injury is greater due to hazardous aspects of the job environment. In 2002, the Government of Lithuania approved the classification of arduous or hazardous jobs: there are now 20 categories. There is no statistical information on how many workers are employed in the different categories of arduous or hazardous jobs.

The working time of people who are exposed to occupational risk factors must not exceed 36 hours per week, and the workers must undergo a pre-entry medical examination, followed by further periodic medical examinations. Those under 18 years of age, and pregnant and breast-feeding women are prohibited from working in dangerous or hazardous conditions.

From the Soviet past, the Lithuanian pension system inherited a special working conditions scheme. Under this scheme, compensation is paid to people who worked under conditions regarded as arduous or hazardous. However, this compensation is paid only for work before 1995.

Lithuania offers the possibility for people to take an early retirement social insurance pension up to five years before the statutory retirement age. However, in that case the pension may be reduced by up to 24%, and that reduced pension is paid for the remaining period of retirement. There are no data on the proportion of early retirees who were in arduous or hazardous jobs, but the experience of the economic crisis shows that the main reason for claiming early retirement pension was unemployment.

The only social protection scheme that is indirectly related to risks at work is a lump sum and periodic compensation for loss of work capacity. The periodic compensation is paid to insured individuals if an accident at work or an occupational disease means that they lose at least 30% of their capacity for work.

## **1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs**

The Law on Occupational Safety and Health defines hazardous jobs as those with higher occupational risk, where the probability of injury is greater due to hazardous aspects of the job environment. The same law defines hazardous aspects as dangerous elements of the job environment that could provoke occupational diseases (Parliament of Lithuania, 2003). The dangerous aspects that could cause health disorders or even death are treated as risk factors. The Law on Occupational Safety and Health defines occupational disease as an acute or chronic disturbance of health that is diagnosed as an occupational disease and is caused by hazardous aspects of the job environment.

In 2002, the Government of Lithuania approved a list of hazardous jobs. It includes 20 categories, for example: electrical jobs; jobs with dangerous chemicals; some construction jobs; jobs that are performed at a height of more than 5 metres; forestry jobs; manhole (underground) jobs; jobs under water; work with polluted soil; social work with families at social risk; social work in the area of child protection; etc. The government resolution states that this list is not exhaustive and may be amended (Government of the Republic of Lithuania, 2002). Unfortunately, there is no statistical information on how many workers are employed in different categories of arduous or hazardous jobs.

The Labour Code allows the inclusion of some additional conditions in collective agreements. Among other things, these conditions contain provisions for a safe and healthy working environment and the granting of compensatory allowances. In Lithuania, collective agreements are not widespread; thus it is quite rare to find collective agreements with such additional work-environment conditions.

End-of-career options could include early labour market exit (see section 2 below).

According to the Labour Code, the health and safety of workers at work should be assessed on the basis of the degree to which working conditions and work equipment in the enterprise comply with the requirements of regulatory acts on employee safety and health at work (Parliament of Lithuania, 2002).

Workers who are exposed to occupational risk factors have shorter working time and must undergo periodic medical examinations. In the case of people who operate in a working environment where the concentration of hazardous factors exceeds the acceptable limits set down in legal acts on health and safety at work, the permitted working time depends on the work environment; however, it must not exceed 36 hours per week (Parliament of Lithuania, 2002).

Employees who are likely to be exposed to occupational risk factors must undergo a pre-entry medical examination, followed by further periodic medical examinations in the course of their employment, according to the medical examination schedule for employees approved in the enterprise. Employees who are exposed to occupational hazards at work and who use dangerous carcinogenic substances in the course of their work should undergo medical examinations when they commence employment, periodically during their employment, and again when they change their work or workplace (Parliament of Lithuania, 2002).

Several groups of employees are prohibited from working in hazardous conditions. These include persons who are under 18 years of age, pregnant women, women who have recently given birth and breast-feeding women (Parliament of Lithuania, 2002).

Those under the age of 18 are prohibited from: work involving exposure to agents that are toxic, carcinogenic, cause genetic mutation or are harmful to health; work involving possible exposure to ionising radiation or other hazardous and/or harmful agents; work involving a higher risk of accidents or occupational diseases; and work which a young person might not be able to perform safely due to lack of experience or attention to safety (Parliament of Lithuania, 2002).

Pregnant women or women who have recently given birth may not be assigned to work in conditions that could be hazardous and may affect the health of the woman or her child. The government approves the list of hazardous conditions and dangerous factors prohibited for pregnant women and women who have recently given birth. Using the list of hazardous conditions of work and working environment risk, the employer must establish the nature and duration of the potential effect on the health and safety of a woman who has recently given birth or is breast-feeding. Once the potential effect has been assessed, the employer must take the necessary steps to ensure that the risk is eliminated (Parliament of Lithuania, 2002).

The main message from this analysis of the policy mix is that workers in arduous or hazardous jobs are not regarded as a separate issue of social policy. The lack of hard evidence (for example, how many employees are working in different categories of hazardous jobs, what their special problems are, etc.) gets in the way of evidence-based social policy. The only exception is the situation of servicemen and officers, which is beyond the scope of the report.<sup>1</sup>

## **2 Pension rules for workers in arduous or hazardous jobs**

A general contributory social insurance pension scheme operates in Lithuania; there are no special pension schemes or special provisions for people involved in arduous or hazardous jobs.

From its Soviet past, the Lithuanian pension system inherited a special working conditions scheme. Under this scheme, compensation is paid to those who worked under special conditions, including underground work; work under harmful working conditions and in very hot workshops; work in the former Soviet Far North areas; and certain other cases. There is a transitional period for this compensation, and it is only paid for work carried out before 1995. In 1994, the right to this compensation was abolished from 1995, but it continues to be paid to those who worked in these special working conditions before 1995 (Parliament of Lithuania, 1994b). The compensation is paid alongside the social insurance pension.

There is a scheme that is indirectly related to risks at work: the Social Insurance for Accidents at Work and Occupational Diseases Scheme in the case of permanent incapacity (Government of the Republic of Lithuania, 1994). Besides lump sum and short-term benefits, it provides long-term periodic compensation for inability to work in the case of permanent incapacity. It is a supplementary, long-term benefit paid alongside the general social insurance disability pension.

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<sup>1</sup> A research project "The Analysis of the Superannuation of Officers and Servicemen on Early Retirement Pensions and Their Reintegration into Labour Market" sponsored by the Lithuanian Research Council provides a good example of how to carry out research and produce evidence-based policy recommendations (Smaliukiene, 2013; Smaliukiene, 2014; Gruzevskis and Smaliukiene, 2013; Gruzevskis et al., 2014).

### Box 1. Reference earnings for benefit calculation under the Social Insurance for Accidents at Work and Occupational Diseases Scheme

Reference earnings for benefit calculations are the average insured monthly gross earnings during 12 consecutive months prior to the injury. The benefit is calculated according to the formula:

$$0.5 * d * k * D$$

Where:

d: lost capacity coefficient;

k: compensation coefficient (ratio between the person's insured average monthly income from 12 consecutive months prior to injury and current year's insured income which is valid at the time of injury)  $0.25 < k < 3$ ;

D: current year's insured monthly income valid on month of payment. Current year's insured income is calculated as the average of the wage on which pension insurance contributions are collected, as well as any state social insurance sickness, maternity and unemployment benefits over the year. The Government of Lithuania approves the current year's insured income for the whole country.

The compensation coefficient (k) in case of chronic occupational diseases is calculated according to the formula:

$$K = (K1 * S1 + K2 * S2) / (S1 + S2)$$

Where:

K1 and K2: person's insured income coefficients up to and after the year 1994;

S1: period (years) of pension insurance, which is taken to calculate K1;

S2: period (years) of pension insurance for supplementary part of the pension, which is taken since the year 1994.

Full accumulation of benefit is permitted with new earnings from work and with other social security benefits.

This is a compulsory social insurance scheme, financed mainly through employer contributions. There are no qualifying conditions. The accident at work must be declared immediately. The occupational disease must be declared within three days in the case of chronic disease. In order to gain entitlement to compensation, there must be at least a 30% reduction in capacity. The Disability and Working Capacity Assessment Office of the Ministry of Social Security and Labour assesses the level of incapacity.

Lithuania offers the possibility for workers to claim an early retirement social insurance pension. This may be paid to workers who have completed the required number of years for a pension (30 years) and who are within five years of retirement age. The pension is reduced by 0.4% for each month of early retirement. The reduced pension amount is then paid for the full period of retirement.

## 3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

**Compensation for special working conditions** is paid only for work before 1995, and is paid on reaching the statutory retirement age. It is marginal, with only 5,000 beneficiaries (0.8% of old-age pensioners) receiving the compensation. The average amount of compensation is EUR 168, or 66% of the average old-age pension (EUR 255 in 2016). The compensation is paid alongside the social insurance pension.

**Early retirement** or **advanced old-age** pensions are paid up to five years before statutory retirement. They are not attractive because of the substantial reduction in the amount of the benefit for each month of early retirement (see section 2). However, the

high unemployment rate during the most recent financial crisis did lead to a rapid increase in applications. The number of early retirement pension recipients has increased by more than 60% since 2008, but is still only about 2% of all old-age pensioners. The average early retirement pension is EUR 185, or 73% of the average old-age pension.

**The long-term periodic compensation for loss of work capacity** in the case of permanent incapacity caused by an accident at work or an occupational disease does not offer the option of retirement. The long-term periodic compensation is paid in the event of an accident. The average amount of compensation is EUR 380 or 150% of the average old-age pension. The compensation is paid together with social insurance disability or old-age pension. In 2015, there were about 6,000 beneficiaries of this compensation.

There are **not enough statistics to evaluate how occupational diseases** are distributed among different categories of hazardous jobs (see Table 1). The significant decrease in the incidence of occupational disease in the different categories could have various interpretations: for example, it could be that the procedure for diagnosis of occupational disease has become more rigorous; or possibly the reduction has been achieved thanks to safety programmes; or it could be due to a reduction in unemployment in some sectors. Unfortunately, we do not have the evidence to identify the main reason(s).

**Table 1. Number of cases of occupational disease**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Infectious and parasitic diseases</b>	5	6	1	2	8	5	4	2	3	4	2
<b>Diseases of the nervous system and sensory organs</b>	483	740	779	593	456	419	216	174	116	153	165
<b>Diseases of the respiratory system</b>	31	27	19	18	26	17	14	8	11	5	16
<b>Diseases of the musculoskeletal system and connective tissue</b>	281	582	641	502	526	401	229	211	252	245	278
<b>Injury, poisoning and certain other consequences of external causes</b>	127	16	2	2	3						
<b>Other diseases</b>	8	6	2	1	5	2	2	3	2	3	4

Source: Statistics Lithuania.

The main message from the analysis of the policy mix is that workers in arduous or hazardous jobs are not treated as a separate issue of social policy. The lack of specific evidence (for example, how many employees are working in different categories of hazardous jobs, what their special problems are, etc.) gets in the way of evidence-based social policy.

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