



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Host Country Discussion Paper - Lithuania

**Active labour market policy measures
and social support – a tale of two
lovers who haven't met each
other...yet.**

**Peer Review on "Way to work –
strengthening the links between active
labour market policy measures and social
support services"**

Vilnius, Lithuania, 11-12 June 2018



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DG Employment, Social Affairs and Inclusion

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Executive summary

The aim of the Peer Review in Lithuania is to discuss how active labour market policy (ALMP) measures and social support can be harmonised (the latter consisting of monetary social support and social services). This paper examines unemployment trends in Lithuania, identifies the social groups that encounter the most significant problems in the labour market, outlines the main harmonisation principles for ALMP measures and social services, and presents a collaboration and integrated assistance model designed for the harmonisation of ALMP measures and social support in Lithuania.

The general unemployment rate in Lithuania is relatively low compared to the EU average. Positive employment trends have been observed in the last six years. However, there are two main employment problems in Lithuania: long-term and structural unemployment. Out of all unemployed people, 37.9% people are long-term unemployed. High rates of long-term unemployment are a concern as lengthy job searching automatically becomes a barrier to employment, the long-term unemployed lose some of their skills and may be discriminated against by employers, thus resulting in longer periods of unemployment and a reduction in employability. Structural unemployment is also a serious issue. It occurs because many people in Lithuania have low levels of digital literacy and technical skills. Almost half of Lithuania's employers (49%) claim to be confronted with a shortage of qualified staff.

This paper identifies four distinct groups of people that experience troubles in the labour market: young people, the elderly, people with low levels of education and people with disabilities. It is important to mention that one person can belong to more than one group (e.g. young people with low educational attainment). For this reason, the further study of these groups is based not on employment barriers as opposed to the groups themselves. There are three main groups of employment barriers: lack of skills, lack of financial motivation and lack of job opportunities. For the long-term unemployed, the most relevant barrier is lack of knowledge and/or employment-related skills.

In order to harmonise ALMP measures and social services and solve the issues faced by unemployed people, there are five main harmonising principles presented in this paper: i) individual integration plans and their evaluation; ii) the continuity of monetary social support when a person is employed; iii) reduction of monetary benefits when a person does not adhere to the pre-defined integration plan; iv) obligation to repay the support measures provided if a person has worked illegally; and v) an integrated information system encompassing municipalities and labour exchanges (public employment services). These principles were developed according to European Commission recommendations, qualitative interviews with stakeholders and an analysis of other countries' practices. All subsequent recommendations are based on these principles.

Collaboration and integrated assistance (CIA) model is designed according to above-mentioned principles and is based on a one-stop-shop principle. That means that when a person comes to a municipality or labour exchange he can get all services and measures needed to integrate him/her in the labour market. There is no need to go from one institution to another to get help and assistance. According to the CIA model, the labour exchange or the municipality develops an individual integration plan (which includes ALMP measures and/or social services) for a person in need. Afterwards, a case manager is assigned along with a case team – a group of specialists who decide what specific measures are needed. Then the person completes the activities listed in his/her integration plan, while the case manager evaluates the progress (in some instances the case manager can modify the plan). When a person has completed all the pre-defined activities, the case team evaluates his/her performance and assigns the individual to the pilot job programme (approx. duration – one month), during which extensive monitoring and support is provided. After this measure the individual is expected to be able to work and live without direct governmental support (except for circumstances when social benefits are maintained for six months as an incentive to reintegrate into the labour market).

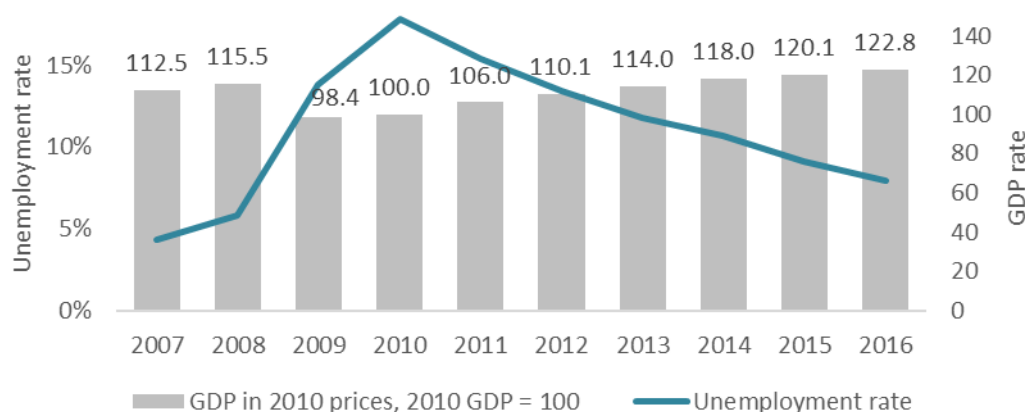
1 Labour market situation in Lithuania

In 2016, total Lithuanian employment and unemployment figures were slightly better than the European Union (EU) average, and the positive trend of change has been noticeable over the last six years. Compared to the EU average, Lithuania demonstrates a higher employment rate, a lower proportion of unemployed and economically inactive people, and lower unemployment rates for some demographic groups such as women and young people (Eurostat, 2017). However, 30.6% of working age people remain non-working (see definition in Figure 2) and the risk of poverty for the unemployed and economically inactive persons remains high (60.5% and 35.5% respectively). Developments in the Lithuanian labour market will be further explored in the following sub-sections highlighting key trends and challenges that will help to analyse ALMP interventions and social support; and design recommendations for their harmonisation.

1.1 Unemployment dependency on GDP

Employment and unemployment rates in Lithuania are closely linked to the gross domestic product (GDP) growth. As estimated by the Bank of Lithuania, the Okun coefficient is 0.4, which means that the unemployment rate decreases by 0.4% on average when GDP increases by 1% (Ebeke & Everaert, 2014). This is significantly higher than the EU average (where the Okun coefficient is 0.29), thus indicating a higher level of unemployment dependence on the economic cycle. According to the International Monetary Fund (IMF), the Okun coefficient in Lithuania is estimated to be even higher at 0.49 (Ebeke & Everaert 2014). Similar values were observed in the United States of America (0.45) and Finland (0.50). The relatively high Okun coefficient illustrates the flexibility and capacity of the Lithuanian labour market to recover from economic lows (OECD, 2016). On the other hand, as the economic downturn in Lithuania significantly increased the number of unemployed, it is important to ensure an adequate level of income and active labour market measures to help them find employment. The following sub-section will review the size of the working and unemployed groups that exist in Lithuania.

Figure 1. Trends in Lithuanian GDP and unemployment rates 2007-2016

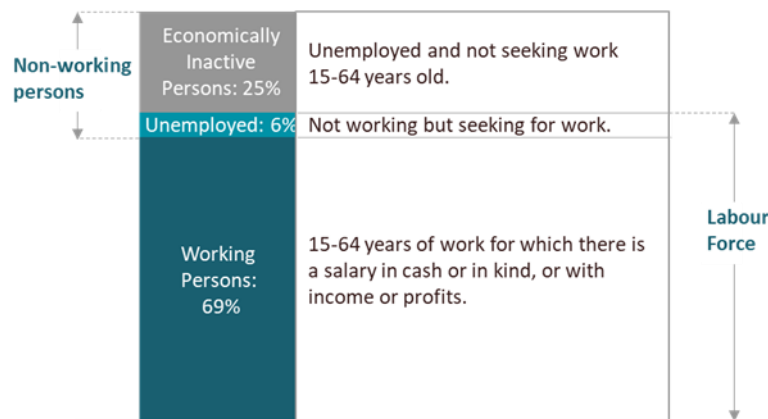


Source: Eurostat

1.2 Composition of the labour market

A non-working person is defined as an unemployed person who is only engaged in an unremunerated employment activity; or a person who is inactive in the labour market (*Employment Act*, 2016). Figure 2. shows the distribution of the Lithuanian population according to their economic activity status.

Figure 2. Population breakdown by economic activity status in the Lithuanian population aged 15-64, 2016



Source: Eurostat, Lithuanian statistics

Looking at the evolution of the number of non-working people aged 15-64 in Lithuania, the above-mentioned trends are visible, i.e. the proportion of non-working people changed according to the national and global economic situation. During 2007-2010, the proportion of non-working people grew by an average of 6.7% per year in total annual growth rates¹ (or from 35.0% in 2007 to 42.5% in 2010) followed by a subsequent fall of 5.3% in the annual rate (from 42.5% in 2010 to 30.6% in 2016) (Eurostat, 2017). In 2016, the level of unemployment in Lithuania was 2.8 percentage points below the EU average, and the country was ranked ninth in the EU-28. Continuing economic growth is expected to further reduce the number of unemployed people and thus expand the labour force.

Newly introduced changes to the Labour Code Law (July 2017) have also had a positive impact on employment growth. The Labour Code helps to facilitate the labour market integration of young people (in studies) and people with young children (Ministry of Finance, 2017). However, employment growth is still slow due to a mismatch between labour supply and labour demand. In accordance with the studies and recommendations by IMF, the Organisation for Economic Cooperation and Development (OECD), the Council of Europe and other institutions, the lack of competencies is one of the major labour market problems in Lithuania (European Council, 2016). Structural unemployment rate in Lithuania is 10-12%². Main reasons for structural unemployment is low digital literacy, lack of candidates with technical background and skills. 49% of employers claim to be confronted with a shortage of qualified staff (OECD, 2017).

1.3 Unemployment rate

The unemployment rate measures the part of the labour force that is unemployed but seeking employment. In 2007-2010, a sharp rise in unemployment was recorded in Lithuania due to the global economic crisis and its consequences: an average increase of 42.6% in the compounded annual growth rate (CAGR), resulted in an unemployment rate of 17.8% in 2010. During this period, the level of unemployment in the country

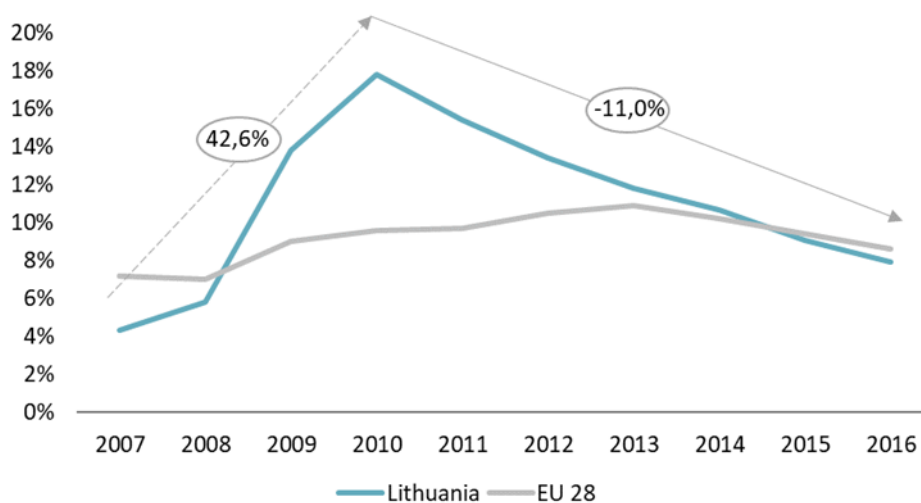
¹ The total annual growth rate (compounded annual growth rates) is the percentage that shows the real average yearly value increment.

² Structural unemployment is a "natural" level of unemployment that would be established in the absence of economic fluctuations. It leads to labour market inadequacy, institutional factors and fiscal means for people of working age.

was considerably higher than the EU average because of the stronger link between economic growth and employment³. During 2007-2010, large reductions in the labour force were evident in the construction, manufacturing and marketing sectors (ESTEP, 2014). The public sector (particularly in education, health and public management) also saw a decline in staff. The sharp rise in unemployment was followed by a labour market recovery (see Figure 3): during 2010-2016 unemployment rates fell by 11.0% in CAGR and in 2016 it reached 7.9% (0.5 percentage points below the EU average). The expectation is that the country's economy and demand for labour will continue to grow while the population declines and the unemployment rate will drop to 5.4% by 2020 (Ministry of Finance, 2017). Unfortunately, even then unemployment would be higher than the pre-crisis period (in 2007 the unemployment rate was only 4.3%). As a result of low and declining unemployment rates, wages are expected to increase by over 6% annually during 2017-2020 (Ministry of Finance, 2017).

The increase in wages would encourage more people to seek employment. A study conducted in 2014 shows that in Lithuania the main factor in reducing employment motivation for the unemployed is low wages (Mykolas Romeris University Social Research Centre, 2014). According to the Lithuanian Department of Statistics, in 2016 20.2% of employees received the national minimum wage (350 EUR per month in 2016) or less than the national minimum wage (Lithuanian Department of Statistics, 2017). Low wage trends are also registered in the territorial labour exchanges. Available workplaces often remain vacant because employees are not paid enough (Mykolas Romeris University Social Research Centre, 2014). Given the low salaries and high taxes on wages, people in certain situations can ensure almost the same quality of living from social benefits and services as employment, and, therefore, have no financial incentives to seek employment.

Figure 3. Unemployment rates in Lithuania and the EU-28 2007-2016



Source: Eurostat

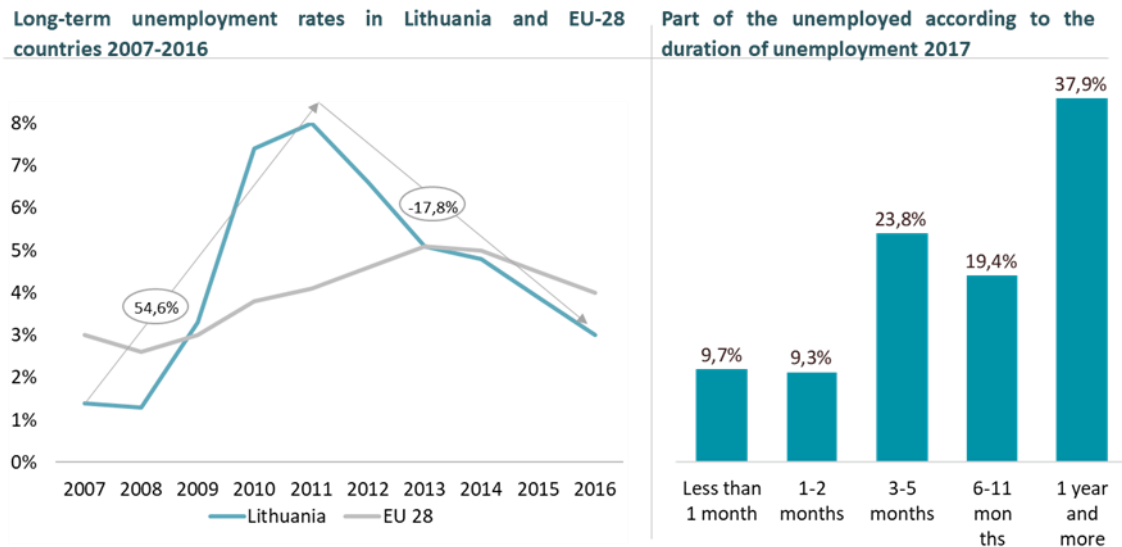
1.4 Long-term unemployment

Despite the decreasing level of general unemployment in the country, the number of long-term unemployed is considered to be an acute problem in Lithuania (ESTEP, 2014). The long-term unemployment rate reacts more strongly to economic changes than regular unemployment (during the economic crisis period long term unemployment had an CAGR of 54.6% compared to 42.6% for unemployment generally) (Eurostat, 2017). A similar trend is observed both in the recovery of the economy, with an average decrease of 17.8% CAGR for long-term unemployment compared with 11% for

³ That is demonstrated by a higher factor of Okun's. Different sources indicate that this rate is equivalent to 0.40-0.49 in Lithuania and to 0.27 on average in the EU.

unemployment as a whole. Moreover, long-term unemployment has been observed at an accelerated rate in 2007-2011 not only in rural areas, but also among older people.

Figure 4. Unemployment duration rates



Source: Eurostat, Lithuanian statistics

In the second quarter of 2017, many unemployed in Lithuania had been unemployed for more than one year, i.e. they are classified as long-term unemployed. They amounted to 38,700 people or 37.9% of the total number of unemployed (8,000 persons less than in the same quarter in 2016) (Lithuanian Department of Statistics, 2017). Such lengthy job searching automatically becomes a barrier to employment: the long-term unemployed lose some of their skills and may be discriminated against by employers, thus resulting in longer periods of unemployment and a reduction in employability. (Kroft et al, 2012). In addition, long-term unemployment has negative consequences on human mental and social wellbeing: it is associated with depression, anxiety, sleep disturbances, loss of self-esteem and tense family and social relations. According to OECD, a major cause of long-term (especially extremely long-term⁴) unemployment in Lithuania is a lack of skills and qualifications.

The relatively small proportion of people unemployed for 6-11 months was linked to the previous procedure for the payment of unemployment benefits: until July 2017 unemployment benefits were paid for six months. Although the unemployed may have been the subject of a social allowance in the event of termination of the unemployment benefits, corresponding to the provisions of the Lithuanian Republic law of social support for deprived persons, the majority of households would have had a significant drop in income, so the motivation to look for employment remained.

1.5 Institutional framework

In order to ensure quality social policy, the Parliament and the Government of the Republic of Lithuania, together with the Ministry of Social Security and Labour of the Republic of Lithuania (MSSL), form the policy of support for employment and social support. This policy is implemented by the Lithuanian and territorial labour exchange and municipalities. In addition, a separate institution – the Social Service Care Department of the MSSL assesses, supervises and quality controls the social support components.

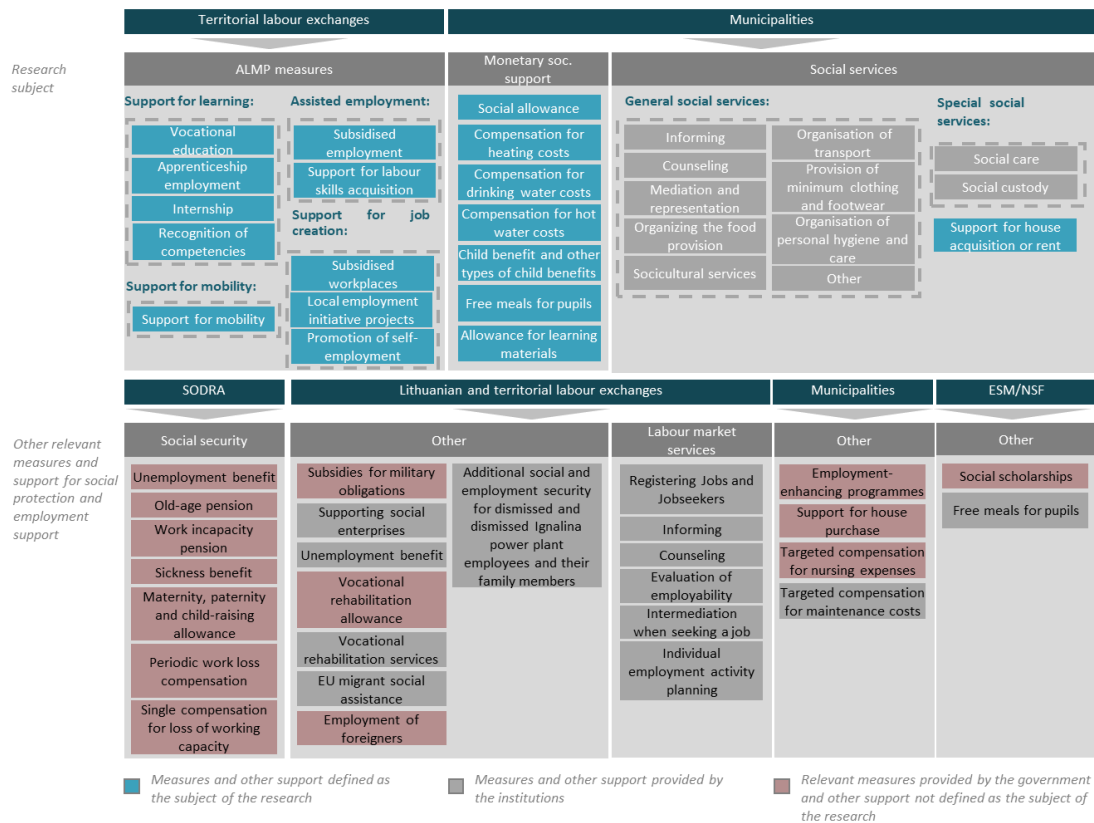
⁴ The most long-term unemployed people are not working in 48 months. and longer. According to the OECD, 2014 very long unemployment rates in Lithuania were 0, 92% and the EU on average 0, 64%.

On the policy implementation level, employment support and social support policies are not strongly linked in Lithuania. Under article 16 of the Employment Act, implementation of the employment promotion policy is a competence of Lithuanian and territorial labour exchanges which provide all labour market services and ALMP measures. Although municipalities are included in employment policies, their functions are limited to the preparation and implementation of employment enhancement programmes and participation in the implementation of the ALMP measures to support job creation. On the other hand, social support policies are an autonomous function of municipalities (labour exchanges are not involved) (*Law on Local self-government, 2017, Law on social services, 2017 and Law of financial support for deprived residents, 2017*).

1.6 ALMP measures and services provided in Lithuania

Figure 5 below provides an overview of ALMP measures, monetary social support and social services provided in Lithuania. It also highlights the authorities responsible for the provision of the services or facilities.

Figure 5. ALMP measures and services provided in Lithuania







Source: Created by the authors

1.7 Social groups that are difficult to integrate into the labour market

Following an analysis of the employment indicators of demographic groups based on age, level of education and disability, people with low educational attainment have been found to be most hard to integrate into the labour market (see Figure 6.). Compared to other groups, people with low educational attainment demonstrate the highest unemployment rate (25.1%), which declined relatively slowly in the period 2012-2016. However, in Lithuania individuals aged 15-64 with low educational attainment comprise

only 12.4%, which in an absolute sense represents 14,900 people, or 37.8% less than the average number of people in other groups, shown in Figure 6.

Figure 6. Comparison between groups of people with low employment rates⁵

Group of persons	Causes of unemployment	Unemployment rate,%	Unemployed, thous.	Economically inactive persons, thous. (%)
 <25 y-o. Youth	<ul style="list-style-type: none"> Lack of working experience Low educational level 	14,5	17,8	225,0 (62,8%)
 Elderly people	<ul style="list-style-type: none"> Low educational level and no qualifications in the market Health disorders Low motivation to work 	7,7	21,2	117,2 (30,2%)
 Persons with low educational level	<ul style="list-style-type: none"> Low educational level Lack of skills needed for work 	25,1	14,9	174,9 (74,0%)
 Disabled	<ul style="list-style-type: none"> Activities restrictions Time limits available for work Restrictions on mobility 	No info	10,4	No info

Source: Created by the authors

Figure 6 shows the main causes of the unemployment for each demographic group. It is important to note that one person may belong to more than one group. Examples of these combinations of demographic characteristics are young people and elderly people with low educational attainment levels or elderly people with disabilities. For this reason, OECD published an article "Faces of Joblessness in Lithuania: Anatomy of Employment Barriers", where it proposes not to focus on the demographic groups, but rather to focus on employment barriers, distinguishing them into three main groups: skills, lack of financial motivation and lack of job opportunities (Immervoll & Scarpetta, 2012). For the long-term unemployed and individuals weakly involved in the labour market⁶ the most relevant barriers in Lithuania are related to the failure of job-related skills: lack of knowledge or associated work experience, health restrictions. According to the employment barriers Browne and Pacifico (2016) distinguish between ten groups facing employment problems in Lithuania:

1. "Pre-pension persons and medical conditions" (20% of the long-term unemployed or persons involved in the labour market);
2. "Elderly economically inactive persons with limited work experience and health restrictions" (20%);
3. "Long-term unemployed with limited experience and low employment opportunities" (17%).
4. "Low-income persons who are underemployed on the labour market" (14%)
5. "Qualified mother caring for children or other persons in high income households" (8%);

⁵ The population of problem areas is understood to be people living in villages and municipalities with high unemployment rates. To estimate the employment rate of Lithuanian villages.

⁶ People who have been weakly involved in the labour market are considered to have unstable employment, low working hours or extremely low incomes.

6. "Young people with limited work experience" (7%);
7. "Young long-term unemployed with no previous experience in employment and opportunities for employment" (6%);
8. "Disabled persons with low educational attainment and lack of working experience" (5%);
9. "Young mothers without work experience and care obligations" (2%)
10. "The committed mothers with low educational levels and poor work experience" (2%).

The classification of Browne and Pacifico (Browne & Pacifico, 2016) used to differentiate non-integrated persons shows that these individuals are often confronted with several unemployment or insufficient employment reasons. According to the survey, two thirds of such persons face two barriers and half of them – at least three labour market barriers. Complex harmonisation of the ALMP tools, social services and monetary social support is needed to reduce these barriers. For example, in order for mothers with low educational attainment and limited work experience to be attractive workers, they need both ALMP measures (training support, employment assistance) and social services to ensure proper maintenance of children or other dependent persons during the working hours. Moreover, while many of the unemployment benefits (e.g. lack of skills or experience) are addressed through the ALMP, according to researchers, some 12% of long-term unemployed are not motivated to work on high social allowances, and 13% of long-term unemployed are limited by other care responsibilities which can be solved with social services.

The following section provides guidance on policy coordination in relation to harmonisation of ALMP measures and social support.

2 Policy recommendations on the harmonisation of ALMP measures and social support

2.1 Institutional cooperation through one stop shop

According to the OECD, the integration of social services and the provision of ALMP measures is regarded as a good practice that enable families facing different types of problems to provide a complex set of services (OECD, 2015). This is confirmed by the EU Council recommendation of 15 February 2016 on the integration of the long-term unemployed into the labour market (2016/C 67/01), which suggests coordinated employment support and social services on a one-stop-shop basis. Taking into account this principle, this section compares institutional models of employment promotion and social support policy applied in Lithuania and a selection of other countries. The reason for focusing on these countries here is that they were part of a recent study commissioned by the Ministry of Social Security and Labour.

Table 1. Comparison of Lithuanian and other countries' employment support and social support institutional models

	Lithuania	Estonia	Finland	Poland	Romania
The key authorities responsible for the ALMP	National and territorial labour markets	EUIF	Municipalities, KELA ⁷ , Employment and Economic Development Centre	PUP	National and regional labour markets
Main institutions responsible for social support	Municipalities	Municipalities	Municipalities, KELA	Counties and municipalities	General directorates for social support in counties and municipalities
Is there a one-stop shop (i.e. does ALMP measures and social support be provided in an integrated manner)?	X	X	✓	X	X
Do the authorities cooperate in formulating a package of services?	X	✓/X	✓	✓/X	✓/X

Source: Created by the authors

As shown in Table 1, Finland is the only state providing social support and ALMP measures in a "one-stop-shop" (in many of the countries concerned, the provision of social support and ALMP measures is not integrated: social support is provided by municipalities, whilst ALMP measures are provided by institutions that are similar to

⁷ KELA – Finnish public agency administering Social Security.

territorial labour exchanges (i.e. local public employment services). In Finland, the municipalities, employment and economic development centres, KELA and non-governmental organisations are the joint network providing cross-sectoral joint services. As a result of the integration of services implemented, the institutions are generally evaluating the needs of the unemployed people, registered in employment and economic development agencies, and they have an individualised plan of employment. Such integrated provision of services allows for coordination between the different institutions by providing comprehensive and personalised services for the unemployed.

Although the one-stop-shop in Estonia has not been implemented, EUIF and municipalities are collaborating in providing services to long-term unemployed and people facing difficulties in returning to the labour market. They select inactive people who need the services of both institutions, assess the difficulties which they are experiencing and conclude cooperation agreements, which are agreed as to which services will be provided to them. This inter-institutional cooperation enables inactive individuals to receive personalised service packages consisting of both ALMP and counselling on psychological, social issues and other social services.

The example of Romania shows that the provision of the ALMP instruments and social support needs to be coordinated at all governance levels: national, regional and local. While the harmonisation of labour market and social policies is being coordinated at a regional level (i.e. between Directorates-General for social support in regional labour exchanges and counties), ALMP measures and social support is poorly aligned on a municipal level. In the context of Romania's example, it should be noted that it is not enough to coordinate ALMP measures and social support policies only at the Ministry of Social Security and Labour (MSSL) level in Lithuania – successful ALMP measures and social support integration requires efficient development of lower level territorial cooperation.



Taking into account the recommendations of the Council of the EU and the practices of the countries analysed, it is suggested to develop closer cooperation between municipalities and national and territorial labour markets in the form of ALMP measures and social support in a "one-stop shop".

The European Commission's analysis distinguishes four key assumptions required for coordinated provision of ALMP measures and social support (European Commission, 2016):

- **General objectives of the institutions.** The cooperating institutions shall agree on common objectives and shall raise the measurable key performance indicators needed to achieve common goals.
- **Common Information System.** A common Information System (IS) or high-quality inter-system integration ensures effective inter-institutional exchange of information.
- **Flexibility.** The cooperating institutions are adjusting to the specificity of each other's activities in order to jointly address the social and unemployment problems that individual families face.
- **Employee involvement.** The employees of the cooperating institutions are included in the implementation of the one-stop shop, ensuring their support and confidence in the new measures of ALMP and social support methods.

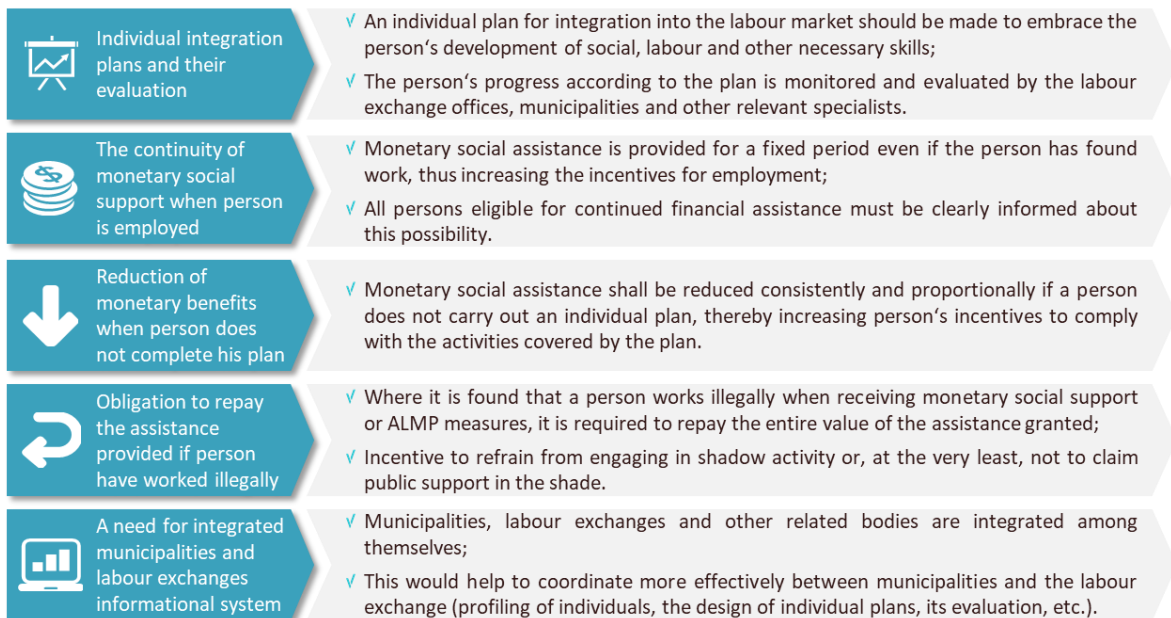


In the implementation of the "one-stop shop" in Lithuania, it is proposed to take account of the recommendations of the European Commission and to ensure appropriate conditions (i.e. to raise common objectives of territorial labour exchanges and municipalities, to establish a common information system, ensure the flexibility of the cooperating institutions and the involvement of their staff).

2.2 Guidelines for the harmonisation of ALMP measures and social support

Further principles for the harmonisation of ALMP measures and social support are presented below on the basis of European Commission recommendations, qualitative interviews with stakeholders (Lithuanian Labour Exchange, municipalities, NGOs) and an analysis of other countries' practices (see Figure 7).

Figure 7. The principles of the ALMP measures and social support harmonisation



Source: Created by the authors

The following proposed measures are based on the above-mentioned principles. The purpose of these measures is to harmonise coordination of the ALMP, monetary social support and social services so as to facilitate integration of the unemployed into the labour market.

Individual integration plans and their evaluation. Labour exchange career counsellors and municipal staff should jointly develop a personal labour market integration plan ("individual plan") covering the needs of social, labour and other skills development. The process of implementing the plan should be assessed through the participation of municipalities, the labour exchange and other professionals involved (the process of developing an individual plan and the specialists participating in it are more widely presented in section 3.1).

The continuity of monetary social support when a person is employed. Monetary social support should be paid for a fixed period even after a person has found a job. This would ensure greater incentives to find a formal job and increase the individual's income further.

According to current Lithuanian Republic legislation, employed persons can get 50% of the former social allowance (up to six months). Half of the past social allowances is paid out only if the following conditions are satisfied:

- The person must be officially employed and receive no less than the national minimum monthly wage (MMW) or minimum hourly salary, but not more than 2 MMW or 2 minimum hourly salaries;
- The person has been registered in the state employment office of Lithuania or another state's employment office for at least six consecutive months;
- At least one individual in a household was the beneficiary of the social allowance at least one month in the last three months before employment;
- At least one individual in a household meets at least one of the conditions necessary to receive monetary social support;
- The application for an additional part of the social allowance in the case of a job is made during the first six months of employment.

These conditions are complex and complicated, and the beneficiaries do not understand or even know about them in individual cases, and municipalities do not always inform the employed persons on the possibility to receive part of their financial assistance in order to save money. In order for the envisaged measure to be effective, it should cover a wider range of target groups and beneficiaries. It is also important that these target groups and beneficiaries are clearly informed about the possibility to get social allowances when employed.

OECD distinguishes generosity and information availability as key factors essential to the effectiveness of such measures in order to integrate people into the labour market. Taking into account these recommendations, it is suggested to improve the availability of information on social benefits and employment promotion, i.e. ensure that the recipient of the allowance, meeting the conditions, knows in advance about the possibility to maintain 50% of monetary social benefits. Having implemented the model of cooperation between municipalities and labour exchanges (for a more detailed description see section 3.1), the information function would be executed by a case manager who constantly has direct contact with the recipient of the allowance and could be able to remind him/her on time (i.e. at the time when the person becomes ready for the labour market) about the opportunity to maintain partial social allowance in employment. Additionally, it is suggested to broaden the continuity of social benefits by changing public opinion so that people do not think that monetary social support beneficiaries lose all monetary social support when they start working. If additional publicity does not contribute to the desired effect, it is proposed to increase the continuation rate of the social allowance from 50% to 100%.

Reduction of monetary benefits when a person does not complete his personal plan. If the recipient of monetary social support fails to abide by the individual plan, municipalities should consistently and proportionally reduce the monetary social support provided (or replace it with social services - catering, support clothing, etc.). This would encourage the unemployed to carry out the activities outlined in the plan; this would help them find a job and/ or help them develop skills they need for work. Such a measure to reduce monetary social support will reduce the likelihood of illegal gain. However, this measure should be applied with caution, taking into account the risk of poverty among beneficiaries (especially children).

Obligation to repay the assistance provided if a person has worked illegally. In cases of suspicion of illegal employment, the labour exchange or municipalities should inform all relevant institutions immediately and a suspicious case should be further investigated by the State Labour Inspectorate, the State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania, the Financial Crime Investigation Service under the Ministry of the Interior or the police. Upon detection of an offense, the offender would be legally obliged to repay all the support provided (monetary social

support, the value of social services and ALMP measures and unemployment insurance benefit). This measure would also act as a financial incentive not to engage in shadow activities or at least not to claim state support while working illegally. It needs to be noted that similar measures are envisaged in Article 15 of the Law of the Republic of Lithuania on Social Security for the Unfavourable Poor and the Law on Social Security of the Republic of Lithuania. According to the above-mentioned articles, if an unlawful receipt of monetary social support or unemployment social insurance benefit is established, the person must return the received monetary social support and (or) unemployment insurance payments. However, in order to achieve greater efficiency, it is proposed to extend the aforementioned measures by obliging the offender to reimburse the state funds for social services and ALMP measures. In order to be effective, employees of labour exchanges should provide municipalities with monthly lists of people who are likely to be in shadow, which the municipality would evaluate and investigate. In addition, every six months municipalities, together with labour exchanges, should organise preventive events on the topic of illegal labour;

A need for integrated municipalities and labour exchanges informational system (IS). In order to ensure the effective implementation of proposals, the social support for family IS and the labour exchange's IS should be closely integrated. This integration would contribute to a more effective coordination between municipalities and labour exchanges to increase the effectiveness of the profiling of non-working people and the establishment of individual plans, and to allow the implementation of measures outlined above.

3 Policy implementation

This section presents the collaboration and integrated assistance model (hereinafter referred to as the 'CIA model') of municipal administrations (that organise and provide monetary social support, social services, developing and implementing employment promotion programmes), and territorial labour exchanges (implementing the ALMP measures, combining job promotion and motivation services for non-working people and social beneficiaries).

The design and main functions of the following model are based on the output of a recent study for the Ministry of Social Security and Labour. The study was based on a review of a selection of other countries' practices, the current situation in Lithuania and qualitative interviews with stakeholders, such as Lithuanian labour exchange specialists, representatives of municipalities and NGOs.

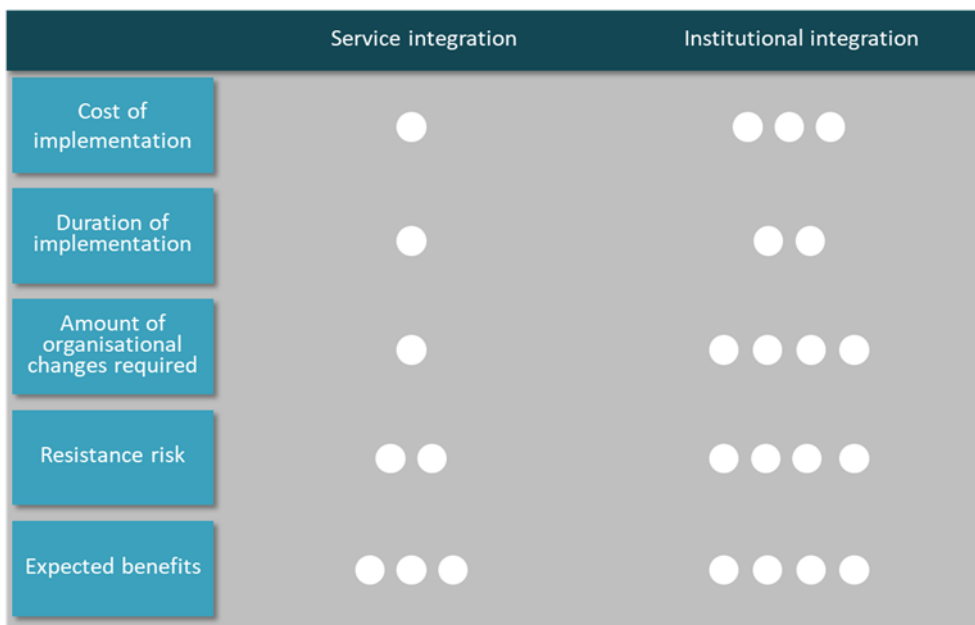
3.1 CIA model

This section describes the CIA model process in the complex provision of aid to non-working people.

It needs to be noted that in order to achieve a harmonised and efficient model of employment promotion services there are two options: *integration of services or institutions*.

The purpose of the service integration model is to ensure the cooperation between municipalities and territorial labour exchanges in the form of monetary social support, social services and ALMP measures. In the integration of services, it is necessary to harmonise the objectives of these services and instruments and to clearly define the responsibilities of each institution. The second option is to pursue institutional integration, i.e. carrying out all relevant functions (social support and ALMP) by a combined (single) institution – territorial labour exchanges or municipalities.

Figure 8. Comparing the potential of integration alternatives



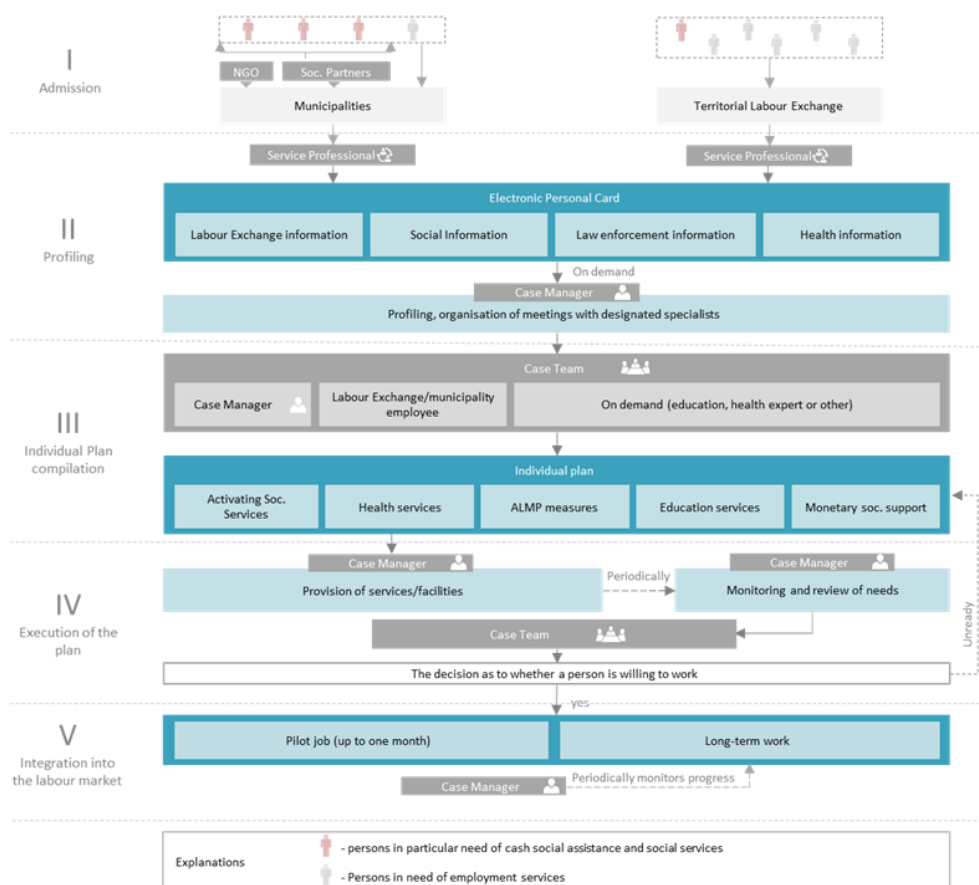
Source: Created by the authors

Based on a preliminary cost/benefit analysis that encompasses the potential cost of implementation, duration of implementation and organisational risk of institutional resistance (see Figure 8), the MSSL selected service integration as a preferred alternative: this option is expected to be less costly, quicker and will create less resistance in both organisations as well as other interested parties if compared to institutional integration. After the implementation of services integration, it is proposed to assess possibilities of institutional integration. Integration of services will help to create preconditions for further institutional integration (e.g. by reducing the risk of resistance, harmonise the services and tools provided by municipalities and the territorial labour exchanges, setting up a common infrastructure (the IT system used), etc.).

Similar models are currently present in countries such as Finland, Sweden, Germany and Estonia; such practice is also promoted by international organisations. For example, in Sweden social insurance and public employment agencies jointly develop individual plans for non-working people receiving long-term health benefits (OECD, 2010). Multidisciplinary teams working together to analyse the non-working persons with health and social problems in Finland and Germany (Ruth, 2015). In addition, the World Bank sets out the need for an intermediary to coordinate services and measures in different fields by offering the 'mediator' or 'case manager' function (Villalobos, 2012). The organisation stresses the importance of system integrations required for coordination of services.

A detailed CIA model has been designed to harmonise the services and tools provided by municipalities and the territorial labour exchanges and to ensure close cooperation between these authorities. Figure 9. depicts the CIA model diagram highlighting key components of integrated provision of services.




Figure 9. CIA model diagram



Source: Created by the authors

The CIA model introduces three main roles: a service professional, a case manager, and a case team. The following illustration briefly describes the functions and responsibilities of each of these players in the new model execution process.

Figure 10. Main roles of CIA model

	Description	Responsibilities
 Service Professional	✓ A municipality or a labour exchange specialist filling an electronic personal card.	✓ To provide service for the requesting person during the initial contact; ✓ To fill an electronic personal card; ✓ To validate Case Manager appointment.
 Case Manager	✓ An independent professional who coordinates the case of a particular individual (i.e. appointment and provision of services to the person). A case manager may be a municipal employee during the transition period.	✓ To determine what areas of services and tools are needed by the user on electronic personal card data; ✓ To organize meetings of the requesting person with specialists in established fields; ✓ To organize a case-team hearing; ✓ To coordinate and monitor individual plan implementation.
 Case Team	✓ A group of professionals representing different areas of interest to which a particular person is entrusted.	✓ To establish an individual job-integration plan based on a person's profile; ✓ To decide on a person's preparations for the labour market.

Source: Created by the authors

It should be noted that in the long term, similar model roles should be established in all municipalities but specific positions responsible for functions described in the figure above can be determined separately for each municipality.

3.1.1 Cooperation between municipalities and the labour exchange

The working process of CIA model is illustrated in Figure 9, consisting of five key steps:

I. Admission. Depending on the individual needs, a person who is not working can approach the municipality or territorial labour exchange office. Individuals who only need labour market services or ALMP should apply to the territorial labour exchange, while people who need social services and the monetary social support should contact the municipality. Acknowledging the fact that part of the economically inactive individuals who are in need of social services do not contact the municipality, NGOs and other social partners are also included in the process (police, medical institutions, for example). These NGOs and social partners can locate economically inactive people who need social support and help them reach the necessary services.

II. Profiling. All individuals who have come (or are encouraged to come) to the municipality or territorial labour exchange have an electronic card (e-card) issued to them. This process is performed by a service professional who, in one of the currently operating information system (IS) creates (or updates) an e-card. In order to automate the process of information collection for the selected person, IS and other registers should be integrated. It should be noted that the e-card contains confidential personal information only with owner's consent.

The e-card shall indicate the relevant personal data:

- Labour exchange information - data collected by the national labour exchange, such as personal education, work/practice experience, desired work, skills and certificates, etc.;
- Social information – data stored in social support for families IS, e.g. age of person, place of residence, marital status, receipt of monetary social support, social services, etc.;

- Health information – data collected by the disability and labour force surveillance service, "E-Health" health database and drugs, tobacco and alcohol control department information systems. Data should include such features as the rate of incapacity for work, the diagnosis of illnesses that may affect the employability of a person, dependencies;
- Law enforcement profile – data on suspects, accused and convicted persons, such as information on individual criminal records, are collected from the register.
- Information on individual cases of illegal (undeclared) work – the state tax inspectorate and the state labour inspectorate are compiling data on illegal/undeclared work.

If not all mandatory e-cards are filled in using integration with other IS and registers, the service professional records the missing information according to the verbal responses provided by the person (if necessary, the documents supporting the requested information, or other methods of checking the information used). NGO members or social workers, after locating an inactive person, can issue an e-card in their place of residence in order to reduce the number of visits to the municipality.

According to the characteristics indicated on the e-card, the IS indicates further steps, that must be taken. If a person meets the requirements, he or she is given the unemployed status (unemployment status can be given not only by labour exchange, but also by municipality). In addition, if the information on the person's card shows that the case is not complex, then the service professional can independently assign the necessary services for the person. In this case, the simplified CIA model process continues. In other cases, when the service professional, on the basis of the identifiable characteristics shown by IS, identifies that the case is complex, the person is assigned a case manager. Typically, case manager services should be purchased from NGOs or private companies in order to ensure their independence, but in the absence of sufficient number of managerial service providers in individual municipalities, the functions of the case manager could be performed by municipal or territorial labour exchange staff.

Case manager profiles the person based on data indicated on the e-card. During the profiling process, case manager identifies and organizes meetings with specialists who are needed according to person's profile (e.g. education, medicine, employment, social worker, etc.). Specialists, when they see e-card data and contact the person assigned to them, identify the needs of this person and discuss possible ways of solving the problems. In an extremely complex cases, the person is additionally ordered an escort person's service which ensures that the person will go to the appointments he has. It should be noted that although the work of the service professional is funded by the institution to which the person applied (territorial labour exchange or the municipality respectively), case manager and attendance services are funded by the municipality from its budget or additional state grants.

III. Individual plan compilation. Taking into account the personal needs identified at stage II, an individual plan shall be drawn up for the person. The plan is designed jointly by the case manager and case team.

During the meeting a case team analyses the situation of a person and creates an individual plan that should facilitate successful integration of the person into the labour market. The case team decides what services and facilities are needed and in what order they should be provided in order to prepare a person for the labour market. Individual plans may include activating social services (hereinafter referred to as AS services), health services (e.g. counselling, rehabilitation), ALMP instruments, welfare assistance or other relevant services. After assessing the person's situation, needs and services suitable for him, the case team prepares an individual plan suitable for the person concerned for the relevant period (for example, for the year). It should be noted that if

one needs services, one of the services may be the person accompanying the accompanying person.

IV. Execution of the plan. After the Individual Plan has been prepared by the case team and the case manager agrees with the person, the person will be given the services assigned to him. Individual services, depending on the nature of the services, are provided by territorial labour exchange, municipal authorities and institutions, public authorities, NGOs, private companies and other social partners. The duration of the individual plan will vary according to the specifics of each case. The case manager constantly monitors whether a person is involved in the provision of services assigned to him and periodically evaluates the progress of the individual plan and may, if necessary, summon a case team or specialists in individual areas to review the need for specific services or measures. The case team is also summoned when an individual plan is fully executed or the case manager decides that a person is likely to be ready for the job market or that the person is completely uninterested in exchanging and there is no longer any need to continue the individual plan. The case team reviews each case and decides whether a person is ready for the job market, whether it is expedient to continue the plan.

The services covered by the individual plan are financed according to their nature (e.g. ALMP tools and labour and market services are financed by territorial labour exchange, while social services, monetary social support and case manager services are financed by municipalities).

V. Labour market integration. When a case team decides that a person is ready for a job, a person can begin to integrate into the labour market. First of all, the person is assigned to pilot work. During pilot work territorial labour exchange subsidizes a person's pay for a probationary period to an employer who allows a person to try to integrate into the work life (up to 1 month). If needed, the person participating in the pilot work can be provided with a personal escort service. If the test work is successful, the employer can extend the contract with the person and give him a permanent job. If a person is recruited, the case manager periodically performs personal progress monitoring; in complex cases, supervises whether a person has succeeded in integrating into the labour market. If it turns out that this integration is not successful (i.e., the person cannot participate in the labour market or during the pilot work it turned out that he is not yet ready for work), case manager updates the individual plan and, if necessary, repeat the CIA Model II-V step.

The stage of integration into the labour market is the responsibility of the labour exchange and, therefore, territorial labour exchange funds the services and tools at this stage (i.e. labour market services and ALMP Measures).

The key aim of this model is to successfully integrate people into the labour market in order to ensure that, in the long term, beneficiaries have a stable job and are able to take care of themselves and their families independently (i.e. without social support).

3.1.2 Funding of the case manager

CIA model provides a new function – the case manager. As specified in Figure 10, in a standard case this function should be implemented as an NGO or a private service provided by a company, but in individual municipalities without sufficient service providers, a case manager could function as a municipal employee.

The costs for the case manager's service could be covered using additional government grants to municipalities and/or municipal budgets (possibly from a long-term savings of social allowance). The purchase of case management services from NGOs or private organisations is expected to be carried out on the basis of a procurement procedure for activating social services.

3.1.3 Contentious points of the CIA model

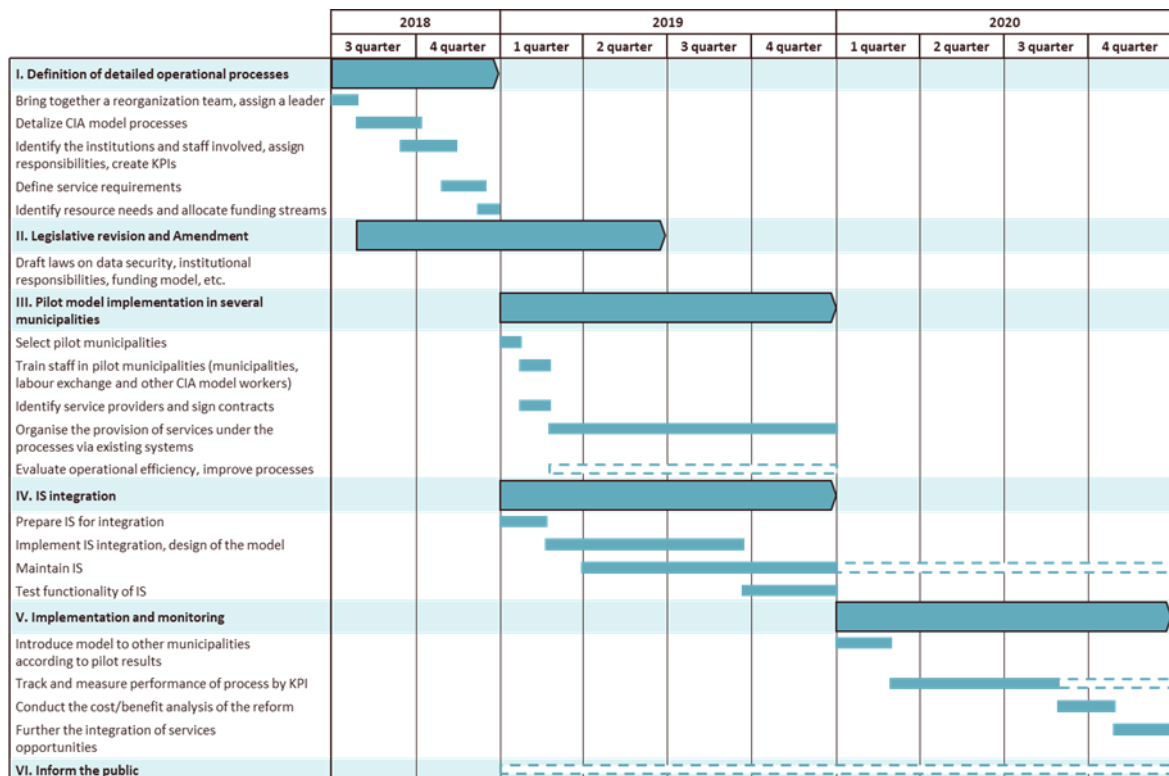
Although the CIA model, presented above, is useful in harmonising ALMP measures and social services, and would potentially contribute to solving some of Lithuania’s current labour market issues, it is worth pointing out a couple of contentious points:

- Constant gatherings of different case teams in stage III of the CIA model (Figure 9), would result in relatively high costs, because many different specialists should be on-board for every single individual in order to meet a variety of needs and issues. Therefore, funding shortage for this measure is possible.
- There is a risk for a repetitive reintegration cycle to occur in stage IV of the model (Figure 9): the case manager periodically reviews the needs of an individual for additional ALMP measures or social services. Ideally, after one or two cycles a person should be ready to integrate into the labour market, but it is highly likely that the individual facing severe challenges would still be lacking essential skills and unable to work. A higher number of integration cycles would also increase total costs and could eventually lead to budget deficits.

3.2 Implementation plan

This section deals with the implementation of a model harmonising the promotion of employment and motivating services for those receiving non-working and social support. It is assumed that the plan will start on 1 July 2018 and continue for 2.5 years until 31 December 2020.

Figure 11. Proposed CIA Model Implementation Plan



Source: Created by the authors

3.2.1 Current status of CIA model implementation

MSSL is currently organising workshop meetings with stakeholders on the implementation of the CIA model. During these meetings, working groups will discuss the strengths and weaknesses of the proposed CIA model, outline possible improvements and implementation specifics. MSSL is planning to finalise the model by the fourth quarter of this year and start implementation by January 2019.

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