



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Peer Country Comments Paper – Lithuania

Time to change traditional approaches to the more innovative ones?

**Peer Review on 'Approaches to integrate long-term
unemployed persons'**

Berlin (Germany) 13-14 October 2016



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Contact: Emilio Castrillejo

E-mail: EMPL-A1-UNIT@ec.europa.eu

Web site: <http://ec.europa.eu/social/mlp>

European Commission

B-1049 Brussels

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1 Labour market situation in the peer country

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Lithuania's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

Long-term unemployment (LTU) has been a persistent problem in Lithuania, often accounting for 50% or more of the total number of the unemployed (see Table 1). LTU in Lithuania belong to the group of people who are additionally supported to enter the labour market, so particular projects for LTU and the Service Package Scheme for LTU are implemented by the PES, the Lithuanian Labour Exchange (LLE) (for more details see below). It is interesting to note that LTU existed in the country not only in post-recession periods (e.g. in 2000-2002 and 2010-2011), but also during the periods of fast economic growth (e.g. in 2004-2005 and 2013-2014)¹.

Table 1. Long-term unemployment (12 months or more) as a share of the total unemployment in Lithuania and EU-28 in 2000-2015 (in the age group 15-64) (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
LT	50.4	56.0	56.6	44.4	53.1	52.9	45.2	32.4	21.6	23.7	41.7	52.1	49.2	42.9	44.6	42.8
EU	:	:	45.3	45.8	45.0	46.2	46.0	42.9	37.1	33.3	40.0	42.9	44.5	47.3	49.6	48.5

Source: Eurostat

Insufficient preservation of existing jobs and the lack of job creation as well as low wages contribute to the growth of unemployment (including LTU). It should be noted that some unemployed get registered with the PES in order to receive social benefits rather than to find a job, as eligibility for social assistance and partly compensation of utility bills depend on the registration. Surveys and research carried out by the Institute of Labour and Social Research² demonstrated that long-term unemployed more often preferred low, but guaranteed income from social assistance, rather than higher, but less certain income from labour. As a result, the dynamics of the number of the long-term unemployed shows a rather slow decrease or even a certain increase during economic recoveries³.

Compared to Germany both the unemployment rate and long-term unemployment rate are twice as high in Lithuania. In 2015,

- the unemployment rate (15-74) in Lithuania was 9.1% and in Germany – 4.6% (EU-28 average was 9.4%);
- the long-term unemployment rate (% of active population aged 15-74) in Lithuania was 3.9%, in Germany – 2.0% (EU-28 average was 4.5%).

Accordingly, in both countries the LTU share of the total unemployed is similar: in 2015, 43% in Lithuania and 44% in Germany.

In addition, long-term youth unemployment is similar. In Lithuania long-term youth unemployment is even twice as high compared to Germany: the long-term unemployment rate among youth from 15 to 24 and from 25 to 29 years in Germany is close to 2%, whereas in Lithuania it is 4% (in the EU-28, this rate is close to 6%).

¹ Country Challenges Report. Lithuania. European Commission. October, 2015

² Gruzevskis B., Okuneviciute-Neveauskiene L., Biveinyte S. Problems of long term unemployment in Lithuania and ways to resolve them. Scientific Report. Institute of Labour and Social Research, 2006.

³ Country Challenges Report. Lithuania. European Commission. October, 2015

It should be noted that, after reaching the peak during the crisis/post-crisis periods (2010-2011), both the unemployment rate and the LTU rate have been gradually falling in Lithuania.

With regard to the characteristics of the long-term unemployed in Lithuania , it is worthwhile mentioning that men more often tend to become long-term unemployed than women (in 2015, the LTU rate was 4.4% for men and 3.4% for women). People over 25 having secondary or lower education are estimated to account for 80% of LTU in Lithuania; more than half of them have no professional qualifications.

Both in Lithuania and Germany, the likelihood of becoming LTU increases with the age of the unemployed: approximately 30% of unemployed individuals aged 15-24 are long-term unemployed in Lithuania (and approximately 20% in Germany), 46% of unemployed individuals aged 25-49 are long-term unemployed in Lithuania (and 42% in Germany) and 52% of unemployed individuals aged 50-74 are long term unemployed in Lithuania (and 59% in Germany).

2 Assessment of the policy measure

2.1 General principles

According to the Law on Support for Employment (LSE)⁴, long-term unemployed shall mean people under 25 years of age whose unemployment period exceeds 6 months and people over 25 years of age whose unemployment period exceeds 12 months, calculating from the day of registering with a Local Labour Exchange office. According to LSE, long-term unemployed belong to the group of people who are additionally supported to enter the labour market.

Unemployed people registered at a Local Labour Exchange (LLE) office receive information, consultation, profiling, matching with job vacancies, individual employment activity planning services and active labour market policy measures.

Unemployed people under 25 who have been registered at the LLE for a period exceeding 6 months or unemployed over 25 who have been registered at the LLE for a period exceeding 12 months become eligible to the Service Package Scheme for the long-term unemployed⁵. According to the Scheme, services provided by the LLE to long-term unemployed should aim at their reintegration into the labour market and sustainable employment. For this purpose, Individual Employment Activity Plans (IEAP) for long-term unemployed are reviewed and assessed by the LLE consultant, obstacles to employment are identified, individual needs of the unemployed are taken into account and conditions are created for them to take part in job-driven measures. In compliance with the Scheme, the following measures are recommended for long-term unemployed:

- Measures promoting activation/motivation (group consultancy, special motivation classes, promotion of self-employment, psychological consultancy, mentoring);
- Training how to use job search techniques (individual counselling, e-service training, developing job search skills);
- ALMPM: support for employment, support for job mobility⁶, support for self-employment (subsidies to obtain business certificates for self-employment), support for working skills acquisition, support for disabled people (vocational rehabilitation, employment in social enterprises).

Long-term unemployed may be offered different combinations of the above measures and the sequence of these combinations takes individual situations of the unemployed into account. In the context of integrating LTU, a priority is always given to increasing skills and opportunities to enter the labour market.

2.2 Networks for activation

In Lithuania, the central and actually the only authority responsible for labour market integration of the unemployed, including LTU, is the Lithuanian Labour Exchange with its 10 local subdivisions – Local Labour Exchange offices. Social services are organised and provided by municipalities for all people in need, there are no special services for unemployed or long-term unemployed. The provision of social services is not linked to labour market integration services, so the LLE does not cooperate with municipalities in this area.

Unemployed people of working age who have the necessary unemployment social insurance period (i.e. have been working for at least 18 months during the last 36 months) and meet other statutory conditions are entitled to unemployment social

⁴ No X-694, 15 05 2006

⁵ Adopted by the Order No V-735 (20 12 2013) of the Director of the Lithuanian Labour Exchange

⁶ reimbursement of travel and living expenses when person is employed far from his/her living place

insurance benefit (USIB). USIB is generally paid for a period of 6 months by State Social Insurance Fund Board (*Sodra*). This term may be extended to up to 9 months for people who have been in employment for more than 25 years. In any case, LTU are not entitled to USIB; they can only claim cash social assistance and other measures of social assistance provided by municipalities.

Until 2012, the social assistance system for LTU was poorly linked to the labour market integration of LTU. However, support for employment and social assistance became more interrelated and social assistance recipients better targeted through the cash social assistance reform implemented in Lithuania in 2012-2014.

For example, promoting employment for long-term unemployed is sought by setting out that all people who were unemployed for more than a year shall be paid, once in employment, 50% of their previous cash benefits in addition to their wage for a period of 6 months (this procedure was earlier applied only to long-term unemployed people with children).

Also, amendments were introduced stipulating that cash social assistance shall not be granted to the recipients who discontinue their registration with the LLE. The period of payment of full social benefit was reduced from 36 months to 12 months (during 12 to 24 months it is paid with a 20% reduction, during 24-36 months there is a 30% reduction, during 36-48 months there is a 40% reduction and during 48-60 months 50% of the benefit is reduced. In September 2016 the Parliament adopted a new decision that after 60 months of reduced cash benefit the cash benefit is replaced by a benefit in-kind.

The cash social assistance reform also introduced more rights to municipal administrations in granting cash social benefits to unemployed people. For example, municipalities (local authorities) are now entitled to leave social benefit unreduced to the recipients of working age if the LLE failed to offer them a job or participation in ALMPM during the period of payment of social benefit.

Within the framework of granting cash social assistance, municipalities are also entitled to engage unemployed people capable for work or employed people who receive social assistance and do not participate in ALMPM in socially useful activities (such as clearing, support/volunteering during cultural and sports events, assistance for old or disabled people and similar activities not requiring special skills or qualifications). By engaging unemployed, municipalities help them to gain working skills.

Therefore, although special networks of activation, like in Germany, are not in place in Lithuania, we can say that since 1 January 2015 the existing system aims to promote labour market integration of long-term unemployed through the mutual coordination of PES services and social assistance services/systems. Unfortunately there is no evaluation of the reform and its impact on the long-term unemployed, however we may say that the reform increased targeting and transparency of cash social assistance and significantly reduced recipients of cash social assistance in the municipalities.

2.3 LTU integration into the labour market

In Lithuania, integration of long-term unemployed into the labour market appears to be sought by a mutually supportive combination of two measures – ALMPM and involvement of employers into the process of integration of the unemployed into the labour market.

As already written, long-term unemployed in Lithuania belong to the group of people who are additionally supported to enter the labour market. Accordingly, they have a priority to participate in ALMPM. In order to enhance labour market integration of long-term unemployed even more, on 1 August 2014 the LLE launched a new project financed from EU structural funds, under the title "Support for employment of the long-term unemployed". The purpose of the project is to assist long-term unemployed who are registered with the LLE and those who have been out of work for 2 or more years before registering with the LLE in acquiring and improving qualifications, on-the-job

competencies and skills they lack. Project partners are 10 LLE offices; the project duration runs from 01. 08. 2014 to 31. 12. 2016; the project value is EUR 18,138,398.

A total of more than 10,000 long-term unemployed and those who have been out of work for a long time, registered with the LLE, will participate in project activities during the project period. Long-term unemployed participate in such measures as vocational training, support for the acquisition of working skills, subsidised employment and support for the job mobility (see explanation above). The majority of long-term unemployed and those out of work for a long time are in the project's measures "vocational training" (more than 4,500 persons) and "subsidised employment" (about 4,000 persons).

According to the LLE, the most successful employment of long-term unemployed is through public (community) works and subsidised employment measures. An assessment of the effectiveness of ALMPM carried out by the LLE shows that 6 months after participation of the long-term unemployed in ALMPM, the effectiveness of the measures (share of long-term unemployed who participated in ALMPM still in employment after 6 months) was: 54.9% for subsidised employment; 58.6% for support for the acquisition of working skills; 76.8% for vocational training and 65.0% for job rotation.

In order to improve the effectiveness of labour market integration of long-term unemployed, the LLE puts great emphasis on cooperation with employers. LLE's work with employers is currently regulated by the Procedure for Cooperation with Employers and the Procedure of Visiting Employers, both approved in 2013.

In accordance with the valid procedures, LLE's services to employers are provided on two levels:

- Level I – general services consisting of information services and employment agency services;
- Level II – services to strategic employers consisting of the signing of cooperation agreements and preparation of target programmes for better supply of appropriate employees.

A strategic employer is an employer who has influence on the local labour market and contributes to higher employment in a territory serviced by the LLE. LLE's work with employers is organised so that strategic employers are paid more attention, i.e. LLEs sign cooperation agreements and prepare target programmes for them. A number of unemployed are placed in the enterprises, however LLE could not provide information on the share of LTU placed in the result of the cooperation.

3 Assessment of the success factors and transferability

3.1 Networks for activation

One of the main success factors of Germany's experience is a complex nature of services available for long-term unemployed and the involvement of different stakeholders. As a rule, such a scheme involving a complex approach to the problem is successful in many cases.

When comparing the Lithuanian with German experiences in this area, we can say that although individualised counselling and increased efficiency of LTU activation policy as of 2015 (in 2015, the absolute number of long-term unemployed was by 28% lower than the 2013 level) are viewed positively in general in Lithuania, the complexity of the provided services and the number of stakeholders involved remain insufficient.

Based on Germany's experience, we can say that intensified co-operation between the LLEs and other institutions providing complementary (social) services for LTU in Lithuania would increase possibilities of LTU integration into the labour market. The idea could be implemented like in Germany – through the establishment of the so-called "activation centres" in which different services and support offers would be bundled or through close cooperation between the experts of Local Labour Exchange Offices and divisions of municipalities, responsible for social services. In addition to recruitment and career consultants, professionals providing social services, health care professionals, psychologists, addiction professionals or, as is the case in Germany, professionals providing debt counselling services could be engaged in the activities of such centres as needed.

With regard to high-quality complex services for long-term unemployed, issues that are of great importance for Lithuania include sufficient funding for the necessary number of professionals and a stronger focus from "buying" to "making". Currently the majority of professionals working with the unemployed in Lithuania are so called "intermediaries" and the main focus of labour market integration of unemployed (including LTU) is put on the ALMPM, actually on "buying" of services – subsidies for employers, payment for vocational training or skills acquisition service providers, etc. Whereas in our view greater emphasis on in-house activation services/centres would in some case be more efficient.

3.2 LTU integration into the labour market

Out of the the main elements of Germany's system of LTU integration into the labour market (including the "job hunters", a generous wage subsidy for employers and short-term training for participants, as well as mandatory "on-the-job coaching" of employee-employer matches) subsidised employment and vocational training appear to be the best developed measures in Lithuania. It should be noted in this context that a substantial portion of LTU also participate in public (community) works in Lithuania.

It should be further noted that the measure of subsidised employment available for long-term unemployed in Lithuania is considerably shorter than in Germany. In Lithuania, subsidies for the long-term unemployed are paid for up to six months (comparing to 18/36 months in Germany). Employers who recruit people registered with the LLE are paid subsidies to partially cover wages indicated in relevant employment contracts and wage-dependent compulsory state social insurance contributions payable by the insured (the total amount of subsidy cannot exceed 2 minimum monthly wages (MMW); currently, in September 2016, MMW is 380 euro in Lithuania, so the maximum subsidy is 760 euro).

With regard to the aforementioned LLE's project which is currently in progress aiming at integration of the long-term unemployed into the labour market, from August 2014 until August 2016, almost 2,200 long-term unemployed participated in subsidised employment measures, 1,900 long-term unemployed participated in vocational training measures, 740 long-term unemployed participated in the support for acquisition of skills

measures and 160 long-term unemployed participated in the job mobility measures. Unfortunately, unlike in Germany, all these measures are implemented separately, selecting only one measure best suiting to the needs of each long-term unemployed.

Such measures as "job hunting" and "on-the-job coaching" are absent in Lithuania. Although there are no objective assessments, the aggregate efficiency of measures applied in Germany in the area of labour market integration of the long-term unemployed is obviously higher compared to Lithuania. Unfortunately, one of the main elements for implementation of most of the aforementioned measures is sufficient funding and human resources that are, as a rule, rather modest in Lithuania.

Another important element which is probably much weaker in Lithuania has to do with positive attitudes of employers in employing long-term unemployed. While most employers are quite positive about recruiting "ordinary" unemployed and actively cooperate with the LLE in this area, employers have far less favourable attitudes towards long-term unemployed, who often have certain complex problems. Considering this, it is quite probable that Lithuanian employers would regard a one-year-long "on-the-job coaching" measure as an additional burden. Even if such a measure was implemented, it should probably last for a shorter period of up to 3 months.

4 Questions

- Could you provide a more comprehensive definition of the “on-the-job coaching”?
- What are the main differences between the Jobcentres (408) and public employment services in terms of operational/organisational aspects, especially – the local labour agencies and their branch offices? What are their aims, functions and responsibilities?
- Please provide a list of professionals involved in the activities of “activation centres”?
- How do “job hunters” “acquire” vacancies for programme participants in practice?

Annex 1: Example of relevant practice

Name of the practice: *Amendments to the Law on Cash Social Assistance (LCSA)*

Year of implementation: *amendments started to implement since 1 January 2012*

Coordinating authority: *Ministry of Social Security and Labour*

Objectives: *one of the objectives of the amendments was to increase work incentives for the unemployed, especially the long-term unemployed, and to encourage them to enter the labour market*

Main activities: *amendments stipulated that:*

- cash social assistance shall not be granted to the recipients who discontinue their registration with the LLE;
- all people who receive social benefit and have been unemployed for more than a year (actually – LTU) shall be paid upon employment 50% of their previous cash benefits in addition to their wage for a period of 6 months (previously payment of social benefit was terminated upon employment of the long-term unemployed);
- in order to encourage long-term non-working people (including long-term unemployed) to enter the labour market, a gradual reduction of social benefits was introduced; the period of payment of full social benefit was reduced from 36 months to 12 months;
- granting of cash social assistance was attributed to the independent functions of municipalities; municipalities were allowed to involve working age unemployed persons receiving social benefits and not participating in ALMPM into the socially useful activities and thus to maintain their working skills.

Results so far: *though there is no specific evaluation of the whole reform, we may say that:*

- giving more rights for municipalities in administering cash social assistance to municipalities considerably improved the targeting of social assistance, increased the transparency of cash social assistance as well as the role and responsibility of local authorities and reduced the number of recipients of social benefits (including LTU); these changes were stimulated by changing previously formal allocation of benefits to the more individualised approach;
- the continuation of payment of social benefit upon employment of long-term unemployed increased motivation of the recipients of social benefits to participate in the labour market; guaranteed higher income of social beneficiaries (and their families); reduced incentives to enter/stay in the shadow labour market;
- gradual reduction of cash social assistance to long-term unemployed social beneficiaries who fail to find a job for more than a year and do not participate in ALMPM on one hand enhanced recipients' motivation to take lower-paid jobs and reduced incentives to engage in shadow economy. On the other hand reduction of social assistance led to a reduction of living standards for such individuals and their families.

Annex 2: Summary table

Labour market situation in the Peer Country

- Long-term unemployment has been a persistent problem in Lithuania, often accounting for 50% or more of the total number of the unemployed
- Compared to Germany, both the unemployment rate and long-term unemployment rate in Lithuania are twice as high (accordingly – 4.6% and 2.0% in Germany, 9.1% and 3.9% in Lithuania)
- In both countries long-term unemployed account to a similar share of the total unemployed – in 2015, 43% in Lithuania and 44% in Germany
- Long-term unemployment rate in Lithuania is higher among men, less educated or older people as well as among persons without professional qualifications

Assessment of the policy measure

- According to legislation, long-term unemployed in Lithuania belong to the group of people who are “additionally supported to enter the labour market”
- Though the main authority responsible for the labour market integration of the unemployed in Lithuania is the Lithuanian Labour Exchange, support for employment of long-term unemployed and social assistance provided for them by municipalities became more interrelated after the cash social assistance reform implemented in 2012-2014
- In Lithuania, the integration of long-term unemployed into the labour market appears to be sought by a mutually supportive combination of two measures – ALMPM and involvement of employers.

Assessment of success factors and transferability

- Although individualised counselling and recently implemented LTU activation measures are viewed positively in general, the complexity of the services and the number of stakeholders involved remain insufficient in Lithuania.
- Intensified co-operation between the LLEs and other institutions providing complementary (social) services for LTU in Lithuania would increase possibilities of LTU integration into the labour market.
- With regard to high-quality complex services for LTU, issues that are extremely urgent for Lithuania include sufficient funding for the necessary number of professionals and a stronger focus from “buying” to “making”.
- Among the main elements of LTU integration into the labour market, subsidised employment and vocational training are the best developed in Lithuania

Questions

- Could you provide more comprehensive definition of the “on-the-job coaching”?
- What are the main differences between the Jobcentres (408) and public employment services in terms of operational/organisational aspects, especially – the local labour agencies and their branch offices? What are their aims, functions and responsibilities?
- Please provide a list of professionals involved in the activities of “activation centres”?
- How do “job hunters” “acquire” vacancies for programme participants in practice?

