

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

June 2018

# The aim of this Peer Review is to discuss how ALMP measures and social support can be harmonised

## In the host country discussion paper we

1.

Present current unemployment trends in Lithuania, and highlight the effectiveness / coherence of the ALMP measures and social support.

2.

Identify social groups that encounter the most significant problems in the Lithuanian labour market.

3.

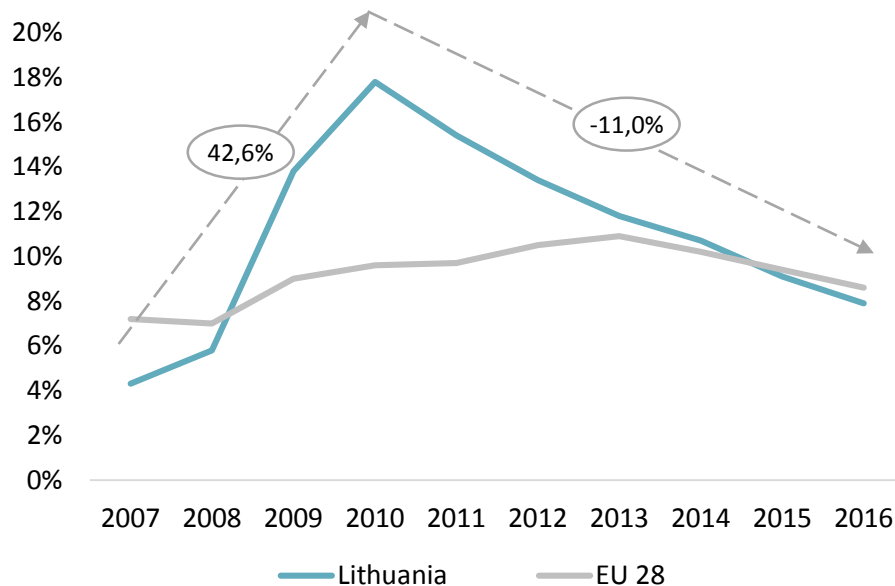
Present harmonisation principles for ALMP measures and social support.

4.

Present a collaboration and integrated assistance (CIA) model for the harmonisation of ALMP measures and social support in Lithuania.

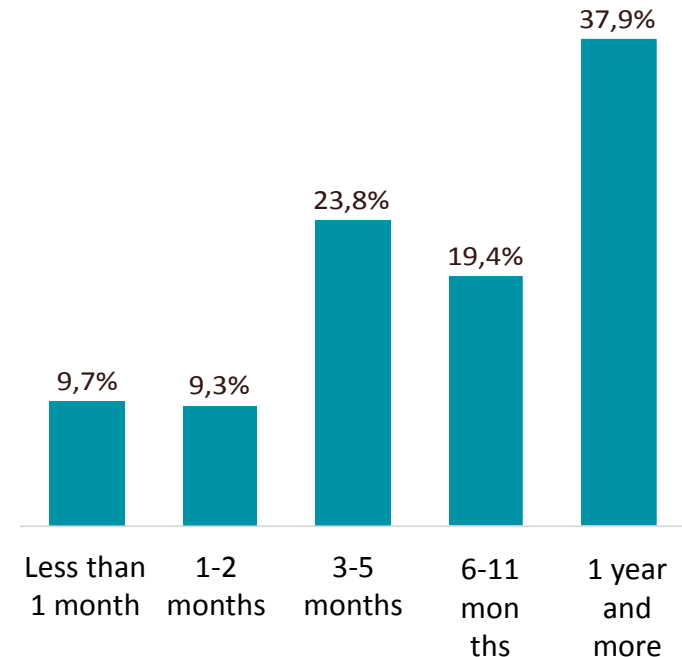
# While unemployment rates are decreasing in Lithuania, long-term unemployment remains a significant issue

Unemployment rates in Lithuania and EU-28 countries, 2007-2016



- ✓ In Lithuania, as the economic situation improved, the long-term unemployment rate declined from 17.8% in 2010 to 7.9% in 2016 (down by 9.9 percentage points);
- ✓ Since 2015, unemployment rates have been lower in Lithuania than in the EU-28 countries: in 2017 the average unemployment rate in EU-28 was 7.7%, compared with 7.1% in Lithuania.







Share of the unemployed according to the duration of unemployment, 2017



- ✓ In Lithuania, the long-term unemployed (1 year and more) represent 37.9% of the total unemployed;
- ✓ Almost 60% of the unemployed remain jobless for 6 months or longer;
- ✓ The proportion of long-term unemployed can be reduced by abolishing barriers to employment.

# Employment barriers are addressed by ALMP measures, social services and monetary social support

## Employment barriers that long-term unemployed face:

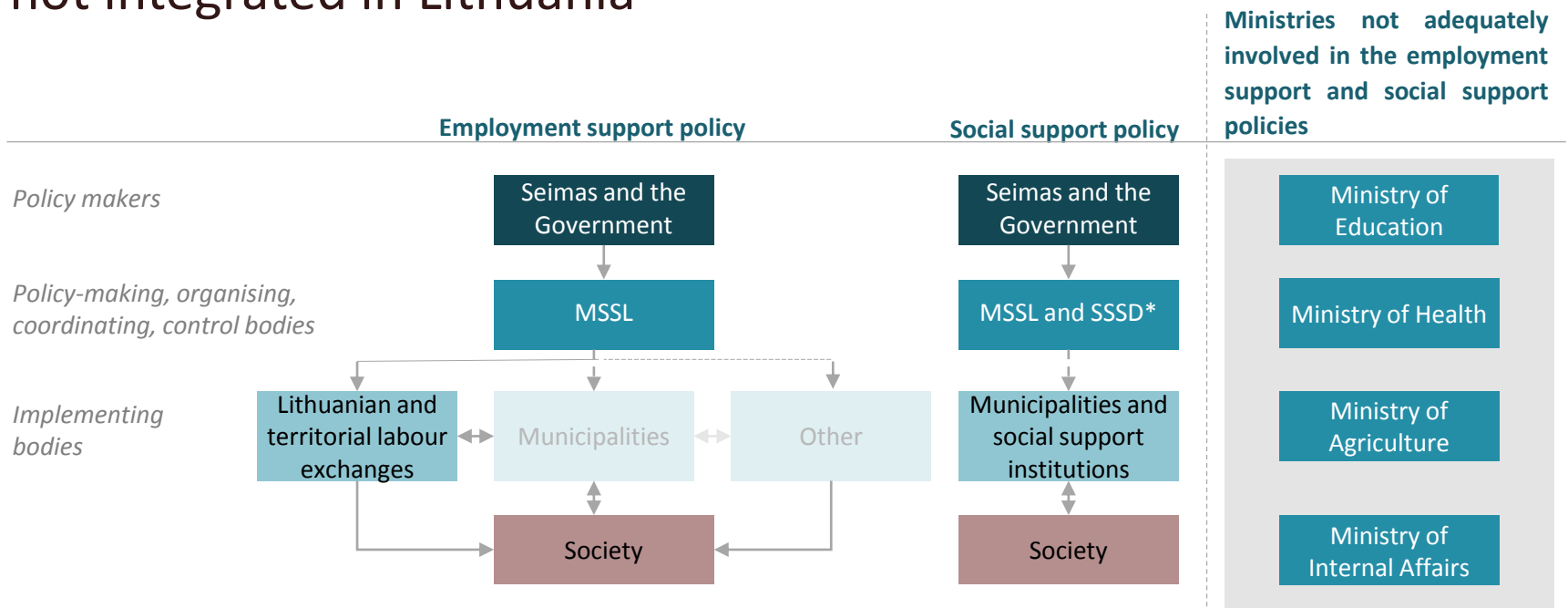
 Low educational attainment*	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> Lack of skills and education needed to work</li> <li>✓ <b>Share of long-term unemployed**:</b> 29%</li> <li>✓ <b>Solution:</b> ALMP measures</li> </ul>	 Care obligations	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> The need to supervise a child or an adult who is not self-reliant</li> <li>✓ <b>Share of long-term unemployed:</b> 13%</li> <li>✓ <b>Solution:</b> social services</li> </ul>
 Lack of working experience	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> lack of (1) work experience or (2) recent work experience</li> <li>✓ <b>Share of long-term unemployed:</b> (1): 16%, (2): 100%</li> <li>✓ <b>Solution:</b> ALMP measures</li> </ul>	 Low financial incentives	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> A person does not work, because (1) he/she receives sufficient income without a job or (2) his/her income does not significantly increase after finding a job</li> <li>✓ <b>Share of long-term unemployed:</b> (1) 19%, (2) 12%</li> <li>✓ <b>Solution:</b> monetary social support</li> </ul>
 Health issues	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> physical or mental health issues</li> <li>✓ <b>Share of long-term unemployed:</b> 42%</li> <li>✓ <b>Solution:</b> social services, ALMP measures</li> </ul>	 Jobs shortage	<ul style="list-style-type: none"> <li>✓ <b>Problem:</b> Shortages of jobs in individual regions, certain specialities etc.</li> <li>✓ <b>Share of long-term unemployed:</b> 35%</li> <li>✓ <b>Solution:</b> ALMP measures</li> </ul>

- ✓ The main employment barriers for the long-term unemployed are a lack of work experience, health issues and job shortages;
- ✓ Employment barriers can be addressed through the ALMP measures, social services and monetary social support.

\*The educational attainment is not higher than that of basic education (i.e. ISCED level 2);

\*\*Share of long-term unemployed that face the relevant barrier.

# Currently the provision of ALMP measures and social support is not integrated in Lithuania



- ✓ Currently, the formation of employment support and social support policies falls under MSSL's competence – other ministries are not adequately involved in the process;
- ✓ In accordance with Article 16 of the Law on employment, the implementation of employment promotion policies is the competence of Lithuanian and territorial labour exchanges;
- ✓ Although municipalities are formally involved in employment policies, their functions are limited to the development and implementation of programmes to increase employment;
- ✓ Social support policy is an autonomous function of municipalities in which the labour exchanges are not involved;
- ✓ A lack of integration between employment support measures and social support measures prevents an integrated assessment of the unemployed person needs.

# Providing a "one-stop-shop" for ALMP measures and social support

	Lithuania	Estonia	Finland	Poland	Romania
Is "one-stop-shop" developed?	X	X	✓	X	X
Does the authorities cooperate in formulating a service package?	X	✓/X	✓	✓/X	✓/X

*European good practices*

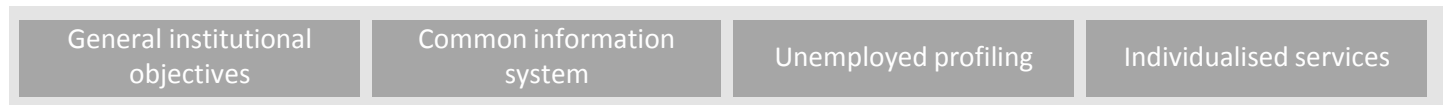
**Estonia**  
 EUIF and municipalities cooperate in the provision of services for the long-term unemployed and those facing difficulties in returning to the labour market.

**Finland**  
 Finland has a "one-stop shop": municipalities, the Employment and Economic Development Centre, KELA and non-governmental organisations, is a common network providing cross-sectoral joint services.

*Recommendation*

A recent study for the MSSL proposed closer co-operation between municipalities and labour exchanges by means of providing ALMP measures and social support in a "one-stop-shop" basis.

*Conditions for implementation*



# Increasing financial incentives for employment to very low\* and low\*\* wage workers in Lithuania

**NIDI for a household with 2 unemployed persons and 2 children in the low income category\*, 2015, % of the previous financial support**



- ✓ The level of net increase in disposable income (NIDI) is a relative indicator of the increase in income of the unemployed when they are engaged in labour market;
- ✓ In Lithuania, in a very low income group\* unemployed people living in different types of households have a low level of financial incentives to work: their income (in comparison with unemployment benefits and monetary social support) would increase by just 1-6%.
- ✓ For the different types of household that belong to the very low and low income groups the NIDI in Lithuania is lower than in the other countries being analysed;
- ✓ For example, in case of a household made up of 2 unemployed persons and 2 children in a low income category, a income would increase by only 3% after finding a job

Increasing financial incentives to find a job for very low and low income earners can be an effective way to get people into work. This can be done by ensuring continuity of financial support for a fixed period of time after getting employed (i.e. unemployment insurance and monetary social assistance).

\* Very low income group – individuals who until a job loss earn 33% of the average wage in the country.






\*\* Low income group – individuals who have earned 45% of the average wage in the country before the loss of job.

This analysis assumes that the person, in the case of employment, would earn the equivalent wage to his / her former wage.

Source: European Commission database: Tax and benefits indicators database“.

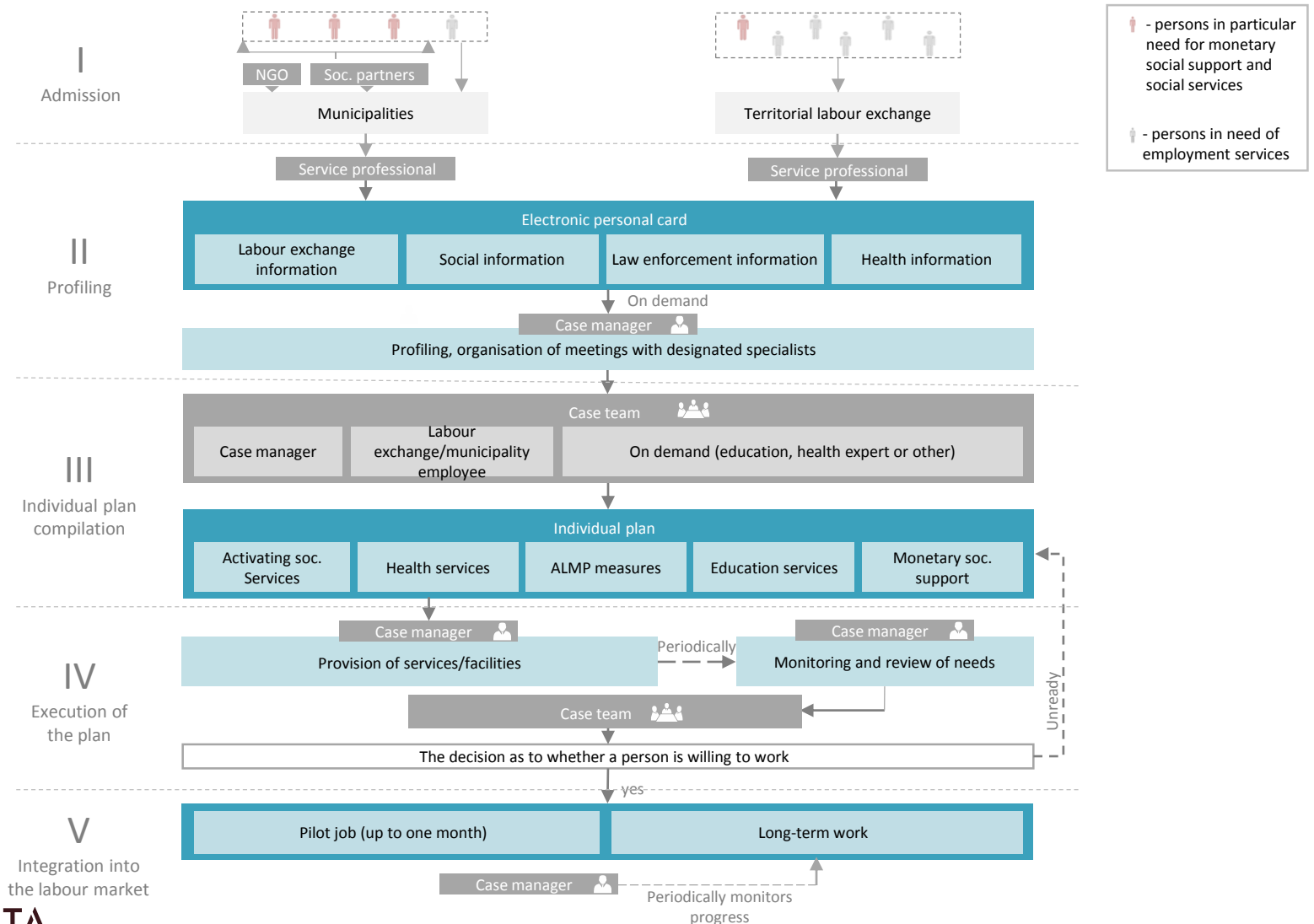
# To promote employment it is important to coordinate ALMP measures and social support

## Measures to support the coordination of ALMP measures and social support




 <p>Individual integration plans and status monitoring</p>	<ul style="list-style-type: none"><li>✓ An individual plan for integration into the labour market should be made to embrace the person's development of social, labour and other necessary skills;</li><li>✓ The person's progress according to the plan is monitored and evaluated by the labour exchange offices, municipalities and other relevant specialists.</li></ul>
 <p>The continuity of monetary social support when person is employed</p>	<ul style="list-style-type: none"><li>✓ Monetary social assistance is provided for a fixed period even if the person has found work, thus increasing the incentives for employment;</li><li>✓ All persons eligible for continued financial assistance must be clearly informed about this possibility.</li></ul>
 <p>Reduction of monetary benefits when a person does not comply with the plan</p>	<ul style="list-style-type: none"><li>✓ Monetary social assistance shall be reduced consistently and proportionally if a person does not carry out an individual plan, thereby increasing person's incentives to comply with the activities covered by the plan.</li></ul>
 <p>Obligation to repay the value of assistance provided if a person has worked illegally</p>	<ul style="list-style-type: none"><li>✓ Where it is found that a person works illegally when receiving monetary social support or ALMP measures, it is required to repay the entire value of the assistance granted;</li><li>✓ Incentive to refrain from engaging in shadow activity or, at the very least, not to claim public support in the shade.</li></ul>
 <p>A need for an integrated informational system between municipalities and labour exchanges</p>	<ul style="list-style-type: none"><li>✓ Municipalities, labour exchanges and other related bodies are integrated among themselves;</li><li>✓ This would help to coordinate more effectively between municipalities and the labour exchange (profiling of individuals, the design of individual plans, its evaluation, etc.).</li></ul>



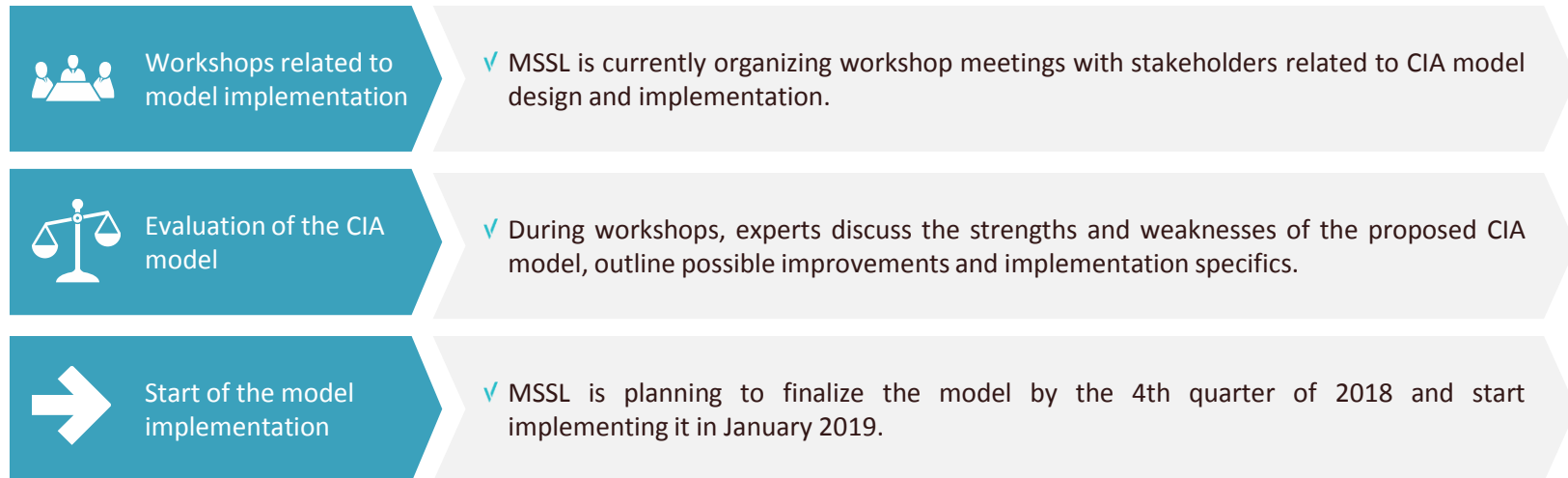
# CIA model can help reintegrate individuals into the labour market by taking into account their individual needs



# Three main roles – service professional, case manager and case team – are integral to the operation of the CIA model

	Description	Responsibilities
 Service Professional	✓ A municipality or a labour exchange specialist who provides primary consultation and enters relevant data to a personal e-card.	<ul style="list-style-type: none"><li>✓ To provide service for the requesting person during the initial contact;</li><li>✓ To enter relevant data to a personal e-card;</li><li>✓ To validate case manager appointment.</li></ul>
 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.	<ul style="list-style-type: none"><li>✓ To determine what areas of services and tools are needed by the user on electronic personal card data;</li><li>✓ To organise meetings of the requesting person with specialists in established fields;</li><li>✓ To organise a case team hearing;</li><li>✓ To coordinate and monitor individual plan implementation.</li></ul>
 Case Team	✓ A group of professionals representing different areas of interest in which a particular person has problems related to unemployment.	<ul style="list-style-type: none"><li>✓ To develop a comprehensive job-integration plan based on an individual's profile;</li><li>✓ To decide on a person's ability to integrate into the labour market.</li></ul>

# Currently CIA model is discussed during workshops organized by MSSL, preliminary launch date set to January 2019



- ✓ Key steps of the implementation plan are: definition of detailed operational processes; legislative revision and legal amendments; pilot model implementation in several municipalities; informational system integration; full-scale reform implementation; monitoring and controlling.
- ✓ Overall implementation of all measures suggested by the CIA model should take ~2.5 years.

# CIVITTA

Estonia - Latvia - Lithuania - Belarus – Russia – Ukraine – Moldova – Romania – Serbia

[www.civitta.com](http://www.civitta.com)