

Assoc. prof. Arvydas Guogis
at Mykolas Romeris University, Vilnius, Lithuania
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On Lithuanian social policy model

Social Security System Creation in Independent Lithuania (1990-2007) and Its Main Characteristics

After collapse of the Soviet Union and the restoration of Lithuanian independence, there have been partial discussions about the problems of social policy and appropriate welfare state model choice. After discussions representatives of Lithuanian Ministry of Social Security and Labour and advisers of Social Policy group came to approval of the Bismarckian model. The Bismarckian model is mostly orientated to those employees, who participate in the labour market and pay state social insurance contributions to the State Social Insurance Fund. “Corporative Bismarckian” development in Lithuanian social security may be confirmed by analysis of main social security laws of 1990-1991 and the reform of state social insurance system in 1995. New social security system was designed on the basis of contributions related to the labour market, for example:

- the size of pension depended on previous pay and work record;
- sickness benefit was linked to pay;
- calculation of social benefit was based on negative income tax. This means that total personal income consisting of pay and social benefit was always larger for those whose pay had been larger;
- the State Social Insurance Fund was financed by contributions deducted from pay;
- the size of child care benefit was larger for insured women than for non-insured, for example, students (Guogis, Bernotas & Ūselis, 2000, 136).

The establishment of the State Social Insurance Fund which was separated from state (national) budget testifies to the fact that social security in Lithuania was based on the labour market. It is particularly well illustrated by the fact that unemployed

people, who were not registered at the Labour Exchange, had no access to health care apart from primary vital health care services.

From 1990-1991 the limited number of welfare state functions and services were indicated in Lithuania: social security and health care systems, education system, housing and transport compensations, social benefits. Lithuanian state social security consisted of social insurance, social assistance and special additional state pensions. State social provision system was created and adjusted to free market system, and it was functioning through centralized institutions and local governments. However, in Lithuania most political, media and academic elite understood state role just as a 'passive keeper', i.e. an attitude towards weak state and free market has dominated. Such an attitude did not allow making a favourable environment for social democratic welfare state creation, which would need acknowledgement of strong state role and a large degree of its intervention.

During all reforms there was an external pressure from the IMF, WB, WTO and OECD organizations aimed at creation of liberal welfare state in which market and not-for-profit institutions would be prevalent. Nevertheless, internal political support for the creation of such a welfare state within a country was not sufficient and opposition against the idea of liberal state was quite strong (results of elections in 2000, 2002). Lithuanian population still claimed for more responsibility for unemployment, inflation and poverty from the state. Some wanted to come back to safety of the real socialism and its predictable future. Many people, especially of older age, believed that state should take care of them in all difficult life stages. However, full progressive tax system was never created in Lithuania. Partial exception for work income is non-taxable minimum. It should be noted that during the sociologist survey to the question if they agreed to pay more taxes to have more social benefits, 62,1% of population responded negatively. Nevertheless, 1999 sociological survey results indicate that the most of Lithuanian population pointed out that social benefits were necessary (one of the main social problems, in respondents' view, were low pensions and low unemployment benefits) (Morkūnienė 1999).

As a matter of fact, from 1990 to 2006 social insurance system of German Bismarckian type functioned in Lithuania. It belongs to corporative welfare state type and was able to secure only low benefits because of insufficient economic progress. Only limited social assistance programmes were devoted to fighting poverty, which was also characteristic for corporative welfare state (1997-2006 state social security

allocation to social insurance comprised about 85%, around 13% was allocated for social assistance and around 2% for special, additional state pensions) (Lazutka 2001, 141). The corporative model was selected as an attempt to increase incentives to participate in the labour market rather than to repeat the Bismarckian principle or under the influence of labour market partners (trade unions' and employers' organizations) (Guogis 2003, 7). However, one has to notice that 'Lithuanian' corporative model was considerably different from the Bismarckian model introduced in Germany, Belgium or Luxemburg, and the difference laid in special state benefits and clientelism primarily. Intensification of clientelism, the roots of which reach privileges of Soviet nomenclature and which does not contribute to social justice in the country, is indeed illustrated by special additional state pensions to particular people, such as former representatives of force structures, scientists, judges, artists and the like. Introducing of voluntary private pension funds allowed contributing to social inequality and differentiation further. Mostly people who earn more and are younger declare their wish to participate in private pension funds. After two years (of 2003-2004 private pensions reform) half of the labour force in Lithuania became the clients of the private pension funds. In methodological view, introduction of private pension funds means gradual refuse of the corporative model, introducing main elements of the marginal model and entrenching the liberal direction.

Intensification of tendencies towards the marginal model in Lithuania is testified by the increase of dependency on the market. Quantitatively it is expressed in calculating the decomodification degree. The decomodification degree in Lithuanian social security was not high before either, but later it decreased even further. In 1997, the decomodification degree reached 23,8, while the score for 2000 stood at 22.2 only (Guogis 2002a, 43).

The Lithuanian turn towards the refuse of state support was also proclaimed by the Conservative government's withdrawal of many exemptions to welfare recipients in the beginning of 2000. Intensified liberal marginal tendencies of 2003-2004 were foreseen by A.Guogis, D. Bernotas and D. Ūselis in their study "Lithuanian Political Parties' Notion of Social Security" conducted already in 2000. It indicated that only 3 marginal parties came out in favour of the universal institutional model of social security, while the rest 17 either did not have any prevailing opinion or supported the liberal type. (Guogis, Bernotas & Ūselis, 2000, 88).

Nordic experience shows that welfare state policy should depend on the rule of political powers. Under left powers, boundaries of welfare state should be expanded, under right powers – on the contrary, they should be narrowed. In Lithuania there was hardly any similar tendency during the independence period. The system of social guarantees is relatively low in Lithuania, and the rule of Lithuanian socialdemocrats in coalition with socialliberals in 2001-2004 here hardly changed anything substantially. One should not forget that there is also a small range of benefits, which are given on the grounds of the social citizenship in Lithuania. However, present monetary social support is not efficient enough. There is a strong need of an integrated attitude to state support for families. Social services are developing, but still much has to be done.

In Lithuania at the turn of the century there were no strong social powers, social movements or institutes of civil society, which would be interested in state regulation to a larger extent. The fact is confirmed by the share of state expenses in GDP, which in Lithuania stood at between 20 - 30% in the beginning of the XXI-st century. It is interesting to note that in neighbouring Estonia, Latvia and Poland this share comprised from 35% to 40% in 2002 (Gyls 2003, 33), although in the mass-media these countries are considered as more liberal. In Lithuania the share of social security expenses composed only about 11% of GDP in 1997-2006, while with health care expenses reached only 16% of GDP (Guogis 2002b, 84).

Various institutes of civil society could help to show social engagement and enhance social security. However, civil society still slowly develops in Lithuania. The role of non-governmental organisations is still not sufficient. At first sight, it looks like collectivist sentiments should have been strengthened during the Soviet times in Lithuania. However, historic facts testify that collectivism was rather one of artificial nature during the Soviet times in Lithuania. In Lithuania, as in many other Eastern European countries, there is no strong trade union, social democratic, anti-globalization or other well-known social movement. (Guogis 2003, 7). Lithuania lacked strong trade unions and there was no sufficient experience in corporative institutions and consensual way of social decision taking. State allocated too few resources to cover social expenses. Mostly benefits of minimal size were allocated. The burden of welfare creation was moved on family shoulders, while traditional woman role was strengthened. Corporative welfare institutions still operated on a hierarchical basis. Moreover, the role of the latter ones started to decline after the pension reform of 2003-2004, when private pension funds were established.

It is evident that there are many recent achievements in the work of state social security institutions (effectiveness of municipalities in organising and providing of social services, successful implementation of the elements of New Public Management in State Social Insurance Fund, etc.). But much has to be done further in improving of social administration in Lithuania. „Benchmarking“ among Lithuanian social security institutions, especially among municipalities, is one of such examples. There has to be paid attention to the reasons of some state social security backwardness in Lithuania: a) the lack of financial resources, b) accelerating globalization and transformation rates – when the system can not „develop into deepness“ but is forced to chase headlong perfunctory all the time accelerating processes. The strife is followed not against the reasons but against the separate negative social consequences. The preventive activities are very limited, c) the lack of new progressive administrative theories and decisions, d) insufficient development of social policy, social security and social exclusion research, e) frequent confinement of social administration agents on barely theoretical solutions and solving problems „on paper“, f) unfavourable international and native influence of ideology and practise of extreme liberalism. The conclusion is possible to make that characteristic contradiction in Lithuanian social security is between its organisational maturity and scarcity of real results after implementation of social security measures. But in any case one has to pay attention that many macro-social indicators after 1998-1999 economic crisis in Lithuania began to improve. In 2000-2007 there was recorded a slow, but gradual rise of old-age and disability pensions, the rise of minimal and average wages, gradual decline of unemployment and, at last - the good result of decline of poverty in 2003. It seems that good economic performance of Lithuania (of 7-9 percent GDP rise per year) may produce better social quality by itself.

From 2004 Lithuania became a real member of the European Union. As it is widely known social security in the European Union is left to national administration competencies and national jurisdiction. But the fact that old European Union countries are more socially orientated and having a possibility to influence Eastern European economic and social development through structural funds and other programmes is of vital importance for Lithuanian social situation in general and social security in particular.

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