

Creating an Observatory for Raising Social
Awareness on EU Social Inclusion Policy in the
South-West Region of Romania

Seminar

- Does social spending increase social security? -



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FOREWORD

Social security is one of the most important socio-economic systems for a country in modern times. To establish and improve a social security system corresponding to the level of economic development is a logical requirement for coordinated economic and social development. It is also an important guarantee for the social stability and the long-term political stability of a country.

Romania is one of the largest countries in the South-Eastern Europe, with a still weak economic base and presenting disparities between NUTS II regions and between urban and rural areas. Reinforcing the social security system and making it more effective represents for Romania an extremely demanding task.

Romania's social security system includes social insurance, social welfare, the special care and placement system, social relief and housing services. As the core of the social security system, social insurance includes old-age insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance.

The measurement of social security coverage and its determinants is not a simple mathematical exercise, since several definitions must be developed for the variables to be measured. The discussion on coverage measurement includes two aspects that, to a certain extent, could be treated independently. On the one hand, the topic of coverage involves a significant conceptual debate. In fact, before

choosing indicators to measure the effectiveness of a pension system as far as access for the population is concerned, one must define the system's objectives, that is to say, what part of the population and what risks are intended to be covered. On the other hand, coverage measurement is methodologically complex. Even when relatively simple indicators are adopted, their construction poses problems for several reasons. Sources are often nonexistent or limited in their reliability. Furthermore, many individuals fall into "grey zones" of the spectrum. Also faced are the inherent complexities of comparing different periods, countries, or regions. These problems cannot always be resolved, but they must be acknowledged in order to prevent incorrect conclusions.

When time passing, the magnitude of the Social Security problem grows. Consequently, the possibilities for intervention decrease, leaving only very few degrees of freedom for taking measures. Thus, there are important reasons for making changes earlier and accurate:

- There are more choices available earlier
- Changes can be phased in more gradually
- The cost of repairing Social Security can be spread more evenly over more generations of workers and beneficiaries
- The longer change is delayed, the heavier the impact will be on each individual who is affected
- There will be more advance notice for those who will be affected, so they can plan for their retirement
- Confidence in the ability of Social Security to continue to pay benefits to future
- generations of retirees will be strengthened
- There will be less disruption in labor market participation
- There will be less disruption in decisions about consumption and saving

The main goal of this volume is to present some characteristics of two Member States of the European Union, from the social spending in relation to social security point of view, in order to provide a “think-tank” for those implied in analyzing this field. The main reasons for choosing the examples in the volume were pointing to the fact that Spain is one of the EU Member States with which Romania has special collaboration relations (especially from seasonal work force migration) and Lithuania is a new EU Member State with a very similar structure from the social assistance system point of view.

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PART I - MAIN CHARACTERISTICS OF THE SOCIAL SECURITY SYSTEMS

Increasing needs – decreasing resources

The system of social transfers has been forced to adapt, given the rapidly increasing need for social protection and the severe restrictions imposed by decreasing resources.

The increasing need for social protection is first and foremost the result of the appearance of large numbers of unemployed persons, and of the decreased purchasing power of wages and social benefits. This has reduced economic security and means that many families are no longer able to satisfy their basic needs. This situation has been aggravated by the fact that the population's savings have been decimated by inflation. The social security system must now face a new situation and assume *new responsibilities*. These are:

1. A large number of unemployed people need social protection;
2. The number of pensioners has increased substantially, as part of the natural ageing process of the population, and also due to the number of early retirements;
3. Recognition of the need to provide material and moral reparations to war veterans, persons persecuted under the socialist regime, etc., to improve public involvement in assistance for certain vulnerable segments of the population (disabled people, etc), and

for special categories on the margins of society (street children, beggars, etc);

4. Worsening poverty and the absolute necessity to support families living in desperate poverty.

The social security system is under constant pressure because of the increasing needs of the population. This is especially felt at times when economic measures are implemented which have negative social effects.

The task of meeting these needs has been seriously restricted by the *limited resources* available for social protection measures. These restrictions are due to:

1. Decreasing national production, which thus lowers government revenue and affects the social security budget, among others;
2. Restrictive budgetary policy, as part of an overall macrostabilisation policy.

This lack of resources has been exacerbated by the lack of financial discipline of those commercial enterprises which have not paid their taxes and social insurance contributions, by the enormous financial blockage and by the spread of the underground economy.

The manner in which the social security system has responded to these various needs has had varying effects, both good and bad, for social equity.

Expanded coverage

The first response to the increased need for social protection was to expand the system's coverage. This was implemented by creating new types of protection: protection for unemployed persons, protection for the disabled, social assistance, increased maternity leave up to one year, pensions, damages and assistance for war veterans and for those who had been persecuted for political reasons, for those wounded in the Revolution

and the families of those who died. A second response to ensure greater coverage was to *loosen or change the conditions in order to qualify for social protection*. These involved the possibility of early retirement with a pension from the state social insurance system, lowering the retirement age for farmers by two years, making child benefits available for all children, and extending these benefits up to the age of 18 for all children in the education system or with disabilities.

The social security system : organisation and services

Although there has been a policy of extending social protection to all social groups in vulnerable situations, *there are segments of the population which do not benefit from any social security*. This is a special problem in the case of the *long term unemployed*, who make up a large part of the total number of unemployed persons. The difficulty in finding a job at this time, when restructuring is resulting in increased unemployment, especially in areas where unemployment is already high and where the work force was concentrated in large induserprises. Insufficient protection or the lack of protection for unemployed persons in these areas may result in pockets of poverty. There is no special assistance for *single parent families*, and no social pensions for *elderly people who are not covered by any of the present pensions systems*. The existence of a large number of beggars, the appearance of street children and the increased number of thefts is evidence that suitable mechanisms have not yet been found to protect those on the margins of society. *These gaps in the social security system were supposed to have been covered when the new social assistance scheme was implemented*. This was designed to take account of differences, and in order to ensure a certain income level

for all families whose total income from wages, social benefits or other sources was below the strict minimum. *This system of social assistance is seen as a last resort – the last safety net.* However, the lack of sufficient local budgetary resources for this social assistance, and the practical difficulties linked to its implementation have meant that it has been impossible to ensure even minimal protection for a large number of persons and families. *The black labour market has now become a special problem. Persons working in this segment of the labour market are not covered by any social insurance, which means that they are excluded from medical leave, compensation for medicines, hospital services, unemployment benefits and, at a later stage, pensions.* The large extent of this black labour market will have serious implications in the future regarding access to social services. For many of those working in this situation, there is at present no alternative employment available in the formal labour market, and thus no chance of being included in the social insurance system.

Decreasing levels of social protection

The level of protection offered by the social security system has been reduced as a result of long term high inflation and the serious tightening of social security budgets. The large growth in the number of beneficiaries of these social services has also contributed to decreased levels of protection. *This has resulted in substantial falls in living standards for beneficiaries of social services. It has also meant that the social security system is incapable of fulfilling its role in ensuring acceptable living standards, around which each social protection scheme is designed.*

The distribution of social services is ensured by a set of instruments used by the state to correct situations of inequality which for various reasons have appeared in society. These corrections are most important in the case of unequal income distribution resulting from the incapacity of individuals or families to ensure their own resources. The fact that the state is no longer capable of ensuring this function leaves room for increased social inequality.

The erosion of protection levels has occurred in almost all segments of social security, affecting many aspects of social equity.

The spectacular fall in the purchasing power of social services is significant. It must be remembered that the standard of these services at the end of the 1980s was extremely modest, in line with the general living standard of the entire population. Falls in the real level of social services have been much greater than in real wages. This points to an unequal distribution of the social costs of transition, with unemployed persons, families with children and pensioners being the most affected. The ratio between the value of social services and the average net wage has fallen, meaning that there is increasing disparity between living standards for those receiving social services and those earning wages.

The extremely low levels of farmers' pensions when compared to other state pensions highlights the inequality of the social protection system, which in this case has not significantly changed since 1989. The average farmer's pension in December 2003 was only 19.7% of the average state pension.

The falling purchasing power of social benefits is mainly due to a substantial increase in the number of beneficiaries within each benefit scheme and in total. While the system has remained egalitarian from the point

of view of providing protection to all those at social risk, the increased number of beneficiaries has affected the equity of the system, because of changes in the levels of protection provided. The most complicated situation from this point of view concerns pensions. An increase of 1.3 million pensioners has meant that the state social insurance system is under extreme pressure to limit pension increases. This has led to inequitable elements in the system, and the inclusion of pensioners coming from special social insurance systems (for artisans, churches, artists unions) which were unable to maintain payments. The too easy introduction of early retirement has resulted in a number of relatively young persons included in the social insurance system, who are capable of maintaining themselves through work.

Minimum necessary consumer expenditure

The minimum level of necessary consumer expenditure has been calculated on the basis of a limited basket of normal goods and services. The need to ensure sufficient intake of calories and proteins was taken into account in calculating expenses on food, but making sure to choose the cheapest options. The basket also includes normal and strictly necessary non-food items and services. No investment in items of long term household use, nor in long term wardrobe items has been included. The basket complies with the levels and structures of what is normally termed "minimum subsistence".

Trend to minimal levels of protection

The pressures and restraints imposed on the social security system and its policy of priority protection for beneficiaries of small benefits has meant that there has

been a trend towards social services designed to ensure only minimal protection.

The indexing-compensation system for pensions has aimed at better protection for small pensions. As part of the process of adjusting pensions in line with inflation, fixed compensations have resulted in smaller decreases in the real value of small pensions, and even an increase in some cases. The differentiation applied while increasing basic pensions and setting minimum levels for each type of pension has had a similar effect. An important effort has been made to ensure greater equality within each group of pensions, and greater equity among pensioners receiving small or very small pensions.

Despite the positive effects of this policy, the indexing/compensation policy has meant a powerful leveling process among pensions. This is in flagrant opposition to the insurance principle which demands strong linkages between levels of services and of contributions. This implies a certain proportionality between pensions and salaries. This leveling process is inequitable and is seen as such not only by pensioners, but also by employees. The fast fall in the purchasing power of large pensions is inequitable because the pensioners involved have built their lives around these, including their retirements, based on their contributions during their working lives. They are no longer in a position to improve their situation through their own labour.

The main thrust of the pension reform measures is aimed at strengthening the principle of insurance, at increased correlation between pension and contribution levels. This implies pension differentiation and encouraging the development of complementary private pension schemes. There has also been a tendency towards greater leveling of unemployment benefits at low levels. This has been

achieved by indexing some of the benefits to the size of the minimum wage, which has been maintained at a very low level. The variety of unemployment benefits has also been reduced. The need to reduce the non-stimulating element of unemployment benefits as well as to cut back on abuse of the system, has resulted in fixing the top limit of unemployment benefits at twice the minimum wage.

A strong decrease in the real level of child allowances led to a system of minimum protection in family benefits and to the end of assistance for mothers with three or more children. These measures were taken as part of the general budgetary restrictions, in order to reduce the proportion of family allowances, seen as too generous, as part of public spending and family income. Coverage for child allowances was however increased, with all children being included in the system, and the removal of differentiation of allowances according to levels of family income. The allowance became universal and the same for all children. Families with small incomes no longer enjoyed special protection, a situation which did not offer minimum protection but was based on the principle of selection. Given the sharp fall in real value of the allowance, its universal nature meant it provided very low levels of support on an egalitarian basis. Its was too small for a poor family to buy much with, and was of no relevance for families slightly better off.

The new government's social protection programme plans substantial increases in the level of child allowances, while maintaining its universal nature. It also proposes a supplementary allowance for families with several children. This implies more support for families in difficult circumstances, since it is well known that families with several children are in much greater risk of living in poverty.

The shift of social policy towards minimum protection was to a large extent inevitable, given the difficult budgetary conditions. This policy shift was used to increase social equity by giving priority support to those most affected by the transition period. This however meant abandoning, on at least a temporary basis, the objectives of ensuring protection from severe falls in living standards among certain categories traditionally included in the social protection system. This applies to those who benefit from social insurance and family allowances, both of which were designed to provide more than minimum protection. Falling real values of services has also meant that for most services, even minimum protection became impossible.

Economic growth with high employment will result not only in a certain minimum level of social protection, but will also mean a return to the traditional system of social security.

PART II – THE STRUCTURE OF A TYPICAL SOCIAL SECURITY SYSTEM

Introduction

Protecting the poor and the vulnerable during normal times and during periods of economic reform is critical for alleviating poverty and sustaining the reform process. Inflation, contraction in output, decline in real wages, and other developments in some low-income adjusting countries, and countries in transition, underscore the need for public social safety nets to protect vulnerable groups from short-term poverty. Such safety nets are especially needed in countries where:

- the coverage of formal systems of social security is inadequate, and a large proportion of the population is poor and excluded from formal sector employment and consequently from social security benefits;
- formal systems are in disarray, fiscally unsustainable, and unable to protect vulnerable groups;
- family-based social security arrangements are fading.

In most developing countries, conventional programs of income maintenance and unemployment compensation are either infeasible fiscally and/or unable to handle the dual nature of economies with large informal sectors and widespread open unemployment. At the same time, the need for social assistance is acute because adjustment or transition may have lowered living standards of vulnerable groups. Moreover, such transfers may be necessary to build political consensus for sustaining economic reform.

Characteristics of Vulnerable Groups

Generally speaking, three types of vulnerable groups exist:

- the chronically poor, whose income levels are below an acceptable minimum (e.g., poverty line) even during periods of economic growth;
- the temporarily poor, whose income levels fluctuate above and below an acceptable minimum level during periods of natural or economic shocks;
- those groups, poor or not, directly affected by adjustment (e.g., workers of a closed, loss-making public sector unit or those employed in the private sector during recessions).

The Range of Instruments

Governments have the choice of two main instruments for reducing short-term poverty. The first instrument is an income-generation program; it carries some obligation from the recipient, such as the requirement to work. This instrument consists either of credit-based self-employment programs or of labor-intensive public works programs. Both involve subsidies to a lesser or greater extent. Both can also be adopted either as temporary measures to ease hardship caused by economic shocks or, more broadly, as "direct" measures to alleviate poverty.

The second instrument is a transfer. Unlike an income generation program, it carries no obligation from the recipient. Governments can transfer resources to the poor in cash or in-kind. A range of programs is available including: nontargeted in-kind transfer programs, such as general consumer subsidies;

weakly targeted cash transfers, such as universal family and child allowances;

better targeted programs, such as food stamps or cash compensations to poor households following the abolition of subsidies on food staples and severance payments;

cash transfers such as child allowances.

Each type of transfer has particular merits and drawbacks. In general, cash transfers are preferred because they leave consumption decisions to the recipient. This plan avoids distortions in the product markets that may occur with in-kind benefits. Moreover, cash transfers are generally more transparent in the budget, and the cost to the government can be estimated and known in advance. In some situations, however, in-kind benefits are the preferred choice. In-kind benefits can be direct subsidies on goods or services that can only be consumed by the recipient (the classic example is free school lunch); they can also be the provision of goods or services (or vouchers) easily converted into cash by the recipient. One immediate practical problem is: Which commodity to subsidize? The best choice is a good whose consumption will increase when its price is lowered (subsidized) proportionately more for the poor than the nonpoor.

In theory, in-kind transfers are preferred if the good in question is in the nature of a public good, or if competitive markets for that good are absent (e.g., in energy distribution, scale economies may dictate that only one provider can operate efficiently). However, there are other important considerations. In-kind benefits that have a negotiable cash value do not guarantee that recipients will use the benefit only for consuming the particular good. Countries seeking to influence consumption may find that providing goods or vouchers results in very little additional control and a lot more administrative work than cash benefits. On the other hand, the real value of in-kind benefits do not erode during inflation as

nonindexed cash benefits do. In countries with weak institutional or administrative capacity, certain types of in-kind benefits may be easier to implement than cash transfers. Even many rich countries provide in-kind assistance (e.g., food stamps in the USA). Political considerations may force some countries to provide education in the public sector or other such services for achieving nationalistic goals.

Finally, it is sometimes easier to target in-kind transfers than cash transfers because of the scope for self-selection (e.g., subsidizing coarse grains consumed only by the poor can ensure self-targeting). However, self-selection only helps to eliminate some people who do not truly need the benefit; self-selection does not guarantee 100 percent take-up rates by the targeted group. Self-selection can reduce costs and leakage of benefits to the better-off, but it does not ensure that benefits always go to the poorest. Moreover, both cash and in-kind benefits can be structured for greater self-selection.

An important aspect common to both cash and in-kind benefits is targeting. Targeting can be based on an income-tested definition of the poor, or it can be focused on selected groups defined by category (e.g., children, the disabled). All targeted programs involve a trade-off between the desire to cover all the poor and the risk of wasting resources if the program benefits leak to the nonpoor. Financial constraints dictate the level of coverage provided, but the kind of targeting also affects costs. For example, it costs more per claim to identify smaller groups in geographically dispersed locations. Also critical are these two factors: the avoidance of disincentives to work for persons just above the income-level that qualifies for benefits, and the provision of incentives to get recipients to move off program rolls.

While targeted approaches are preferable, targeting assistance—cash as well as in-kind—to the poor has never been easy. First, identifying the recipients on the basis of a means testing or by household characteristics is often difficult.

For example, in a country like Albania, the scant knowledge available about the living standards, and income and expenditure patterns prevent any systemic efforts to identify the poor and target assistance to them. Second, even when identification is possible, weak administrative capacity proves a limiting factor. Third, governments are forced to initiate social safety net reform under many constraints, including a lack of public understanding about the necessity to target and the benefits of targeting. Even with a well-informed public, social safety net reform (as other changes in economic regime) creates winners and losers, and governments can be faced with genuine popular opposition from groups who will lose existing benefits.

For example, removal of open-ended general consumer subsidies tends to be politically unpopular. Typically, when a subsidy is abolished, most governments find it difficult not to meet the demands of vocal and organized groups for compensation, even though they are not poor. Governments must necessarily balance the interests of protecting the poor with the political imperative of compensating the vocal and organized groups. One way to strike a balance is to resort to a self-selection approach where feasible, rather than exclude some groups from the scope of programs altogether.

In both adjusting and transitional economies, any transfer program that imposes a heavy fiscal drain simply has no chance of being sustained. The fiscal necessity of reducing entitlements needs to be balanced with the need to reach the poor, and governments must deal with the difficult choice of deciding who shall be protected. Such entitlements as pensions (typically the main fiscal burden) may be at the expense of assistance to other needy groups, such as poor children. Transfers may crowd out resources for investment; so there is a trade-off between providing temporary income transfer to vulnerable households and long-term economic growth that benefits all households. Such trade-off may be

more stark in the FSU countries than elsewhere, given the large declines in output since 1990. High levels of transfers also require high levels of taxation and with such levies come inevitable distortionary and disincentive effects. Disincentives to work are most likely to emerge as incomes are raised and the transfer is withdrawn in countries with high implicit marginal taxation.

The amount of public spending on social protection, and who benefits from them, usually varies across countries depending on:

- the strength of private safety nets;
- the preexisting structure of poverty and the composition of vulnerable groups;
- the nature of programs and the extent of targeting;
- administrative capacity;
- available financial resources;
- the speed and sequencing of adjustment or transition;
- the political context of the reforms.

Safety Nets in Practice

When creating policy, it helps to distinguish between those poor people with potential to move beyond poverty (e.g., those of working age, in good health) if appropriate short-term help were provided, and those poor in need of long-term support (i.e., the disabled, children, the infirm and the elderly) because of limited capacity to generate income.

Before the efficiency and adequacy of publicly provided safety net programs are reviewed, it is useful to know the strength of private safety nets and how they vary between countries.

Countries with strong informal safety nets fall into two categories. One group consists of countries where impressive economic growth obviates the need for formal safety nets. This group of countries have avoided expensive public safety net programs by a combination of circumstances: buoyancy of

private safety nets, rapid economic growth, and poverty reduction. The second group comprise countries where slow economic growth, poverty, and adjustment-induced pressures are harsh on vulnerable groups, notwithstanding the prevalence of informal systems of support. In the latter group of countries, cost-effective, publicly funded safety nets are needed. Yet, designing a publicly funded and targeted safety net that does not displace private transfers is a challenge in these countries. Moreover, the overarching necessity to accelerate growth makes the policy for poverty-targeted safety net programs particularly difficult—an excessive reliance on safety nets may reduce investable resources for growth. Without growth, no amount of targeted programs can provide relief to the poor. In order to keep spending levels low, the size of benefits and the coverage of programs have to be carefully chosen. When making the choice, governments have to bear in mind not only the potential for crowding out private safety nets but also the sharp trade-offs between investments in growth and spending on poverty-targeted programs.

Thus, in choosing between the instruments and their duration and coverage, governments have to confront the following key issues: how much to spend and how to finance programs; how to target assistance to the poor, within politically feasible limits; how to select a delivery mechanism that is most appropriate; and how to avoid adverse effects on incentives for labor supply and private savings and transfers. Also this important policy issue arises in the countries undergoing adjustment or transition: how to integrate a safety net program within the reform package, bearing in mind the above issues.

What specific programs have been instituted to mitigate short-term poverty among the vulnerable groups? How successful have these programs been? Answers to these questions are found in five broad sets of programs reviewed in this section:

- food subsidies and related interventions;
- food for works and other public works programs;

- credit-based self-employment programs;
- social funds, social action programs and related interventions to moderate short-term adverse consequences of adjustment;
- child allowances.

Food Subsidies and Related Interventions

The main objective of ration schemes is to provide fixed quantities of food at fixed prices. Such schemes aim to switch the impact of price changes from the buyers of rations to the government, thus reducing both chronic and transitory food insecurity among the poor.

In countries lacking the infrastructure necessary to target programs to the families on the basis of means tests, self-selection by commodity choice appears to be the most appropriate vehicle for channeling food subsidies. Where such self-selection is hard to achieve and identification of the poor strains the administrative machinery, health and nutrition programs for children and women in regions of high mortality would probably serve the goal of household welfare more efficiently than either rationed food or general food subsidies.

Where the program is based on carefully designed targeting principles, food security and nutrition programs have reached the vulnerable groups.

Overall, the conclusion is that food stamps yield a more progressive pattern of transfers than food rations or a general food subsidy. However, only a few countries succeeded in controlling administrative costs and achieving a reasonable measure of success in targeting. It is possible, evidence suggests, to combine a food stamp program with innovative requirements that can ensure better targeting and lower administrative costs.

Public Works

Experience gained with respect to public works in different country environments suggests that the program, if properly designed, can simultaneously address four problems: food insecurity, lack of employment opportunities, environmental degradation, and poor infrastructure. When wages are set low and the created assets are maintained, public works can target the poor (and women among them) and generate both transfer benefits and stabilization benefits; the result often helps improve poverty and prevent famine.

Credit-based Livelihood Programs

This is not a consistent line of action of different Governments. Evidence suggests that the programs benefited the near-poor and the nonpoor more than the ultrapoor. The programs were implemented in regions already prosperous. The benefit-cost ratios of the major livelihood programs were unfavorable, and the incremental employment and income effects were negligible. Even the modest gains disappeared in less than two years after the projects were started; hence the record on sustainability was poor. The repayment rates were also unsatisfactory.

As an alternative, some countries developed programs for small and medium enterprises development as one of the main strategies under different Social Funds.

Social Funds and Related Interventions

In response to adjustment-induced hardships on the poor, the most notable forms of intervention have been social action programs (SAPs), social funds (SFs), and social investment funds (SIFs). The activities under these funds include infrastructure building and public works, child and

maternal feeding and nutrition programs, support for setting up of small and medium enterprises, support to small farmers, miners, students and health care programs. The principal source of finance for the funds are the contributions from external donors with government support.

The funds vary in degree of autonomy, ability to reach the poorest groups and regions, the extent of decentralization, and financing. Depending on these factors, the overall impact of the funds on the poor also varies across countries.

To sum up, the demand-based nature of social funds is clearly a departure from past attempts to address short-term poverty. This direction, however, does not guarantee a fiscally viable safety net. First, a social fund, however well designed, cannot bring much relief to the poor if the programs are manipulated or inefficiently implemented. Second, even if effectively implemented, the social fund cannot protect the poor fully unless social expenditures are redirected toward the poor. Third, poor targeting, especially the inability to reach women, continues to be a weakness in social funds and in many other safety net initiatives. Fourth, to the extent most of the Funds are externally funded, with very little government support, their sustainability is threatened, unless governments or NGOs fund the projects after external support ends.

Child and Family Allowances

Direct cash transfer in the form of child allowance is the most significant form of social assistance.

Rapid decline in output and fiscal contraction in most FSU countries have raised doubts whether the program can be sustained in its present form. One option often advocated is to refocus family and child allowances more closely on the groups determined most vulnerable by a means test. Yet this option has inherent problems, since large families are more likely to be in poverty than small families. Single mothers with

large families are even more likely to be in poverty. Categorical targeting, such as geographic targeting or limiting family allowances to three or more children (except for a child or two children in single parent families), offers a possible approach.

Design of Safety Nets

To mitigate the short-term adverse effects of major economic reform measures on the poorer members of society, it is necessary to introduce safety nets. Countries can rely on various policy tools—a range of cash and in-kind transfer instruments is available, including family and child allowances, consumer subsidies, and public works. The choice and scope of instruments depend on particular country circumstances, including the mix of adjustment policies, the speed and sequencing of measures, the composition of target groups, the extent and depth of poverty, administrative capacity, the availability of financing and political economy factors.

Experience from a variety of country situations reviewed in this paper suggests a few key lessons to keep in mind when designing safety net programs:

- it is important to integrate safety net programs into economic reform programs instead of introducing them as "add ons" after the reform is initiated;
- the instruments should build on, and complement, existing arrangements, both formal and informal. For example, when extended families help their members during crises, and community-based mechanisms allow members to pool risks, safety net instruments should not replace these existing informal arrangements;
- when targeting is imperative and central or local governments are weak, local communities and

nongovernmental agencies have to be relied on as intermediaries for channeling assistance;

- certain safety nets should remain transitory measures; they should not become permanent. Fifth, it is best to finance safety nets from tax revenues collected from normal domestic sources. Under extreme conditions of fiscal contraction, as in the FSU countries, donor assistance may be needed in the interim.

When reform entails major short-term unemployment especially in some regions (for example, following the closure of a mine in a region), social safety nets include labor-intensive public works to create job opportunities for the poor. However, whether introduced as a general strategy to alleviate poverty or as a transitory safety net, public works are effective in targeting benefits to the poor only if low wages are offered to ensure self-targeting. When public works run efficiently, they can strengthen existing infrastructure, improving the supply response from the economy and providing visible evidence of reform benefits.

In general, social assistance programs are best financed from the general revenues. However, excessive levels of funding for transfers will either:

- crowd out other developmental expenditures, given current levels of taxation;
- require heavy taxation that can have well-known disincentive and distortion effects.

Therefore, spending levels have to be consistent with the government's overall target for fiscal balance. Public expenditure reviews should help governments choose among competing uses for its scarce fiscal resources. At the same time, an analysis of revenue-raising efforts of governments is also critical to get a balanced picture of the fiscal crisis.

To keep spending levels down, appropriate designing of safety nets is crucial. Thus, transfer programs should in general be temporary; programs are best designed when self-targeted, and have built-in incentives for households to graduate out of the transfer as income levels improve. Public works programs at lower than market wage illustrate this design issue: workers who manage to get employment at the going market wage automatically exit out of the program. Social assistance channeled through community-based targeting can keep overall coverage and costs low.

Governments have to make difficult political choices. Resource constraints have reinforced the prospects for a targeted strategy in many countries (including such countries as India, which rarely, if ever, adopted a targeted approach in the past) as the constituency for reform was built up. Unless the outreach of programs and benefits are held in check, and targeting is effective, adverse effects on incentives to work are inevitable.

PART III - SOCIAL SECURITY SYSTEM IN LITHUANIA, CASE STUDY

INTRODUCTION

The development of social security system in the last few years was influenced by three relevant factors. First, it was the accession of Lithuania to the European Union. The second factor comprised rapid development of Lithuania's economy, continuous reduction of unemployment and improvement of financial capacity of the State as a whole and of social security institutions. Third, it is important that since 2001 the Government work was stable and the governing majority in the Seimas did not undergo any changes.

The aforementioned circumstances favourably affected subsequent development of social security system, increase of certain benefits, and implementation of social programmes. Therefore, in general it can be stated that the year was successful in terms of development of social security system. This Report will provide good news to the reader from particular fields of social security, employment and labour. The publication contains the most recent information on amendments to legal acts, envisaged improvements of social security, and statistical data about phenomena relevant to this sphere, social benefits and their recipient.

Certainly, the scope of this report, like-wise of each publication, is limited. Therefore, it is impossible to describe in it the whole system of social security. Priority is given to reflecting events, phenomena, policies and achievements, which fall within the last few years.

The structure of the report on the Social Security System in Lithuania starts with the most recent data about labour market development, labour relations and working conditions. The report highlights changes in economic activity and employment of population of Lithuania, the main characteristics of unemployment. It also covers the problems of labour relations and measures recently taken to regulate them. The pension reform, which has been started, plays an important role in the sphere of social insurance and pensions. During the past years the main focus was on the development of infrastructure, skills upgrading and certification of social workers in the sphere of social services. Much attention is devoted to social protection of victims and individuals attributed to social risk groups.

The period between 2003 and 2004 was of great importance to Lithuania and its European foreign and national policy. On 1 May 2004 our state became a full member of the EU. Integration and membership in the EU undoubtedly is amongst the most important factors of the current period, which conditions miscellaneous social, structural and economic changes in Lithuania and in the whole Europe. Works already performed during integration in the EU had great influence on the labour market and social sphere in our country. Already during the process of integration Lithuania actively participated in the programmes implemented by the EU in the fields of co-ordination of social policy, pension reform, employment strategy development, etc. Development of our social policy is envisaged in cooperation with other EU Member States, through implementation of different employment and social policy measures and using appropriations from the Structural Funds, while approximating it to social policy standards applied by the EU Member States.

1. MISSION AND STRATEGIC GOALS OF THE MINISTRY OF SOCIAL SECURITY AND LABOUR

The mission of the Ministry of Social Security and Labour is to develop and implement an effective system of social support, social insurance and labour harmonised with the European Union Law and capable of strengthening the social security of the population.

Pursuant to the Strategic action plan, the Ministry of Social Security and Labour is carrying out its mission in 2004 seeking the following strategic objectives:

1 To assist residents in their integration into the labour market, ensure fair labour relations and safe working conditions.

2 To develop an effective social assistance system and ensure the social integration of socially vulnerable groups of the society.

3 To maintain sustainability of the social insurance system and implement the pension reform introducing accumulation in pension funds, and concurrently securing the stability of current payment of social insurance benefits.

The objective to assist residents in their integration into the labour market, ensure fair labour relations and safe working conditions is being attained through the execution of those programmes:

- Unemployment reduction programme;
- Programme of scientific research of the standards of living, employment of population, social insurance and social support in Lithuania;
- Programme for the prevention of occupational diseases and improvement of safety at work;
- Programme for the use of the Guarantee Fund;
- Special skills upgrading programme for social workers;
- Special PHARE programme;

- Special programme of the European Regional Development Fund (for the implementation of SPD);
- Special programme of the European Social Fund (for the implementation of SPD);
- Special programme of the European Social Fund (for the implementation of the Community's EQUAL initiative);
- Programme for the financing of VAT levied on appropriations from European Structural Funds and sources of co-financing.

The objective to seek efficiency of the system of social support and guarantee social integration of socially vulnerable groups is being attained through implementation of 6 programmes:

1. Programme for the provision of residents with compensatory equipment;
2. Programme for the development of social services in the institutions subordinate to the Ministry;
3. Programme of support to socially vulnerable groups and other activities of the Ministry;
4. Social services infrastructure development programme;
5. Programme for the provision of social services in children's day centres of NGOs;
6. National programme for the drug control and prevention of drug addiction.

The objective is to maintain sustainability of the social insurance system and implement the pension reform introducing accumulation in pension funds, and concurrently securing the stability of current payment of social insurance benefits is being achieved by implementing 1 programme:

1. Programme of state and support (social) pensions and of state social support.

Seventeen programmes were implemented by the Ministry during the year 2004.

The strategic objectives are being attained by using the funds allocated from the State Budget.

2. LABOUR POLICY

2.1. LABOUR MARKET

The main factors which influenced the situation in the labour market in last few years, were rapid growth of economy and implementation of measures of the Programme of Increasing Employment of the Republic of Lithuania for 2001-2004. Together with the improvement of the overall economic situation of the country they have a positive impact on the labour market and increased employment of the population. Exclusive attention was paid to unemployment reduction and prevention measures targeted towards areas with the highest unemployment rate, territories and enterprises adversely affected by restructuring and privatisation, social groups marginalised from the labour market.

In implementing the measures provided for in the Programme of Increasing Employment of the Republic of Lithuania for 2001-2004 and in observance of provisions the Joint Assessment Paper of Lithuanian Employment Policy Priorities prepared by the Government of the Republic of Lithuania and the European Commission, the Secretary of the Ministry of Social Security and Labour issued the Decree establishing the following objectives for the Lithuanian Labour Exchange and the Lithuanian Labour Market Training Authority for the last few years:

- to increase employability of disabled people, unqualified and long-term unemployed individuals;

- to reduce territorial disparities of unemployment rate (between neighbourhoods, municipalities and regions (countries));
- to organise and carry out labour market vocational training and counselling as the main active labour market policy measure, to increase employment of the unemployed and individuals additionally supported in the labour market, as well as their abilities to adapt to the labour market and be competitive;
- to improve the quality of services rendered to the unemployed and employers, increase effectiveness of the labour market vocational training and counselling programmes.

In addition to the implementation of these objectives, between 2003 and 2004 great attention was paid to further regulation of the labour market, drafting and adoption of the new legal acts.

2.1.1. Employment

In early 2004, the population of Lithuania was 3,45 million. The great majority, i.e. 66,8 per cent of all population are urban residents. Urban individuals of working age account for larger percentage share (about 62 per cent), whereas rural individuals of working age make up about 54 per cent.

As from 1992, population numbers started reducing and reached 260,6 thousands, i.e. 7 per cent. About 10-20 thousands of people seeking jobs and better remuneration emigrate annually. The share of people age 65 and over increased and the share of children age under 15 reduced in total population numbers. Population ageing is conditioned by reducing birth-rate and increasing future average life expectancy.

Despite negative demographic changes the labour market condition improved mostly due to the growth of economy. The number of employed individuals keeps growing since 2002. According to the population employment survey data presented in Table 2.1.1.-1, in 2003, compared with 2002, the number of employed individuals in different spheres of activity increased by 32 thousand, or by 2 per cent, whereas the average number of employed in 2003 was 1438 thousands.

EMPLOYMENT AND UNEMPLOYMENT OF POPULATION				
2001 2002 2003				
WORKFORCE THOUS. 1635,9 1690,0 1041,9				
EMPLOYED	THOUS.	1331,8	1405,9	1438,0
UNEMPLOYED	THOUS.	384,0	224,4	203,9
EMPLOYMENT RATE (AGE 15-64)	%	57,3	59,6	60,9
WOMEN	%	55,9	57,1	58,4
MEN	%	58,5	62,3	63,7
EMPLOYED BY SECTOR:				
AGRICULTURE	%	17,1	17,8	17,9
INDUSTRY AND CONSTRUCTION	%	27,1	27,3	28,1
SERVICES	%	55,6	54,7	54,0
UNEMPLOYMENT RATE	%	17,4	13,8	12,4
YOUTH (15-24 M.)	%	31,1	23,0	25,0
WOMEN	%	14,7	12,9	12,2
MEN	%	19,9	14,6	12,7

Table 2.1.1-1. Data of the Labour Force Survey

The growth of population employment rate was followed by rapid growth of employment rate among older people (age 50-64). It went up from 51,8 per cent in 2002 to 55,6 per cent in 2003. Given small pensions receive by great majority of pensioners, many people still work after reaching the retirement age. In 2003, the retirement age of women was 59,5 years and that of men è 62 years. However, according to the population employment survey data, youth (age 15-24)

employment rate kept reducing. This tendency is observed since 1998. Youth employment rate reduced from 23,6 per cent in 2002 to 22,6 per cent in 2003.

In 2003, about 80 per cent of employed population were engaged as hired employees. About 20 per cent were self-employed of whom every eighth was also the employer. Selfemployed individuals accounted for 58 per cent in agriculture, 5,5 percent in services sector, about 5 percent in construction, and 2 percent in industry.

An important factor contributing to the growth of employment rate was increasingly growing number of permanent jobs created in Lithuania's economy. In the last three years territorial labour exchanges annually registered about 132-137 thousands of job vacancies. During the same period supply of non-permanent jobs sent up from 87 thousands in 2001 to 97 thousands in 2003.

2.1.2. Unemployment

According to the population employment survey data, in 2003 unemployment rate in Lithuania was 12,4 per cent, i.e. the lowest during the past 6 years (in 2001 unemployment rate was 17,4 per cent and was the highest during the aforementioned period). In 2003, male unemployment rate was lower than female and stood at 12,7 and 12,2 per cent respectively. Upon increase of the labour force demand, beginning with 2002 more and more people engaged in hired work, became self-employed or established own business. Due to that unemployment rate kept gradually reducing (see Chart 2.1.2.-1).

The growth of employment of the population is followed by reduction of absolute number of the unemployed. On 1 January 2004, the Lithuanian Labour Exchange registered 159 thousands of the unemployed. During the year number of the unemployed reduced by 32,3 thousands, or by 17 per cent. In the beginning of 2003, the number of men and

women in the structure of the unemployed was almost equal, however, in the course of the year the comparative share of unemployed women gradually increased. As of 1 January 2004, women accounted for 53,6 per cent of the unemployed.

The number of the long-term unemployed keeps reducing, however, its still remains high. In 2003, the number of unemployed registered in the Lithuanian Labour Exchange who were seeking employment longer than for one year, reduced from 58 to 41, and in the end of the year their share among the unemployed accounted for 26 per cent.

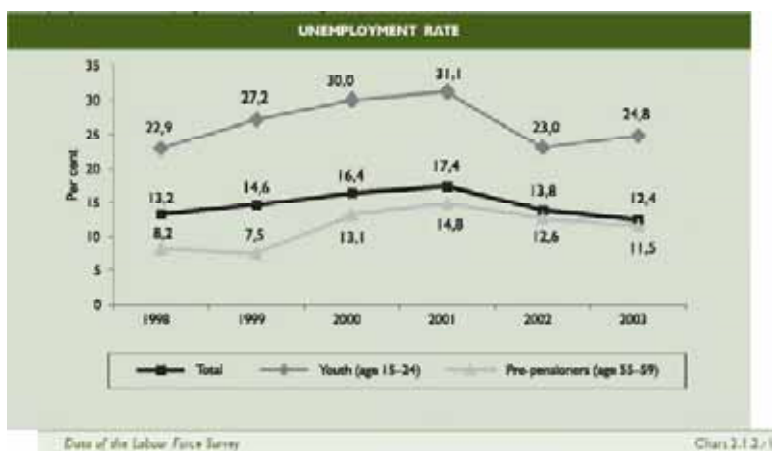


Fig. 2.1.2.-1.

2.1.3. Improvement of Legal Basis Regulating the Labour Market

After enactment of the new Labour Code of the Republic in Lithuania in 2003, the provisions of the Republic of Lithuania Law on Support of the Unemployed were approximated with it in spring. Reasonable management of the Employment Fund was improved, defining goals and sources of implementation of the projects of local employment

initiatives (state and municipal budgets and Employment Fund's proceeds). After amendments introduced in the Republic of Lithuania Law on Support of the Unemployed, in 2003, financing of the projects of local employment initiatives was commenced from the Employment Fund proceeds. Having selected and implemented 86 projects out of 141 project proposed for the year 2003. Upon approval of the new Regulations of the Lithuanian Labour Exchange, the structure of the Labour Exchange was changed and its management was regulated.

On 18 November 2003, the Law on Equal Opportunities was passed. This Law is aimed at ensuring the enforcement of equal human rights enshrined in the Constitution of the Republic of Lithuania, and prohibiting direct and indirect discrimination of all types on the grounds of age, sexual orientation, disability, race, ethnicity, religion or beliefs. The Law contains provisions, obligating state and municipal authorities and institutions, educational establishments, institutions of science and studies, employers, sellers of goods, producers and providers of services to take measures preventing violation of equal rights, and creating equal opportunities to individuals attributed to the aforementioned groups to actively participate in the life of the society. The Law on Equal Opportunities came into effect as from 1 January 2005. The Equal Opportunities Ombudsman's Office will control implementation of this Law.

Seeking to improve social protection of unemployed pre-pensioners the Plan of Measures for Improvement of Employment and Social Protection of Unemployed Pre-pensioners for 2003-2005 was approved.

Opportunities of labour exchanges in organising public works together with municipalities and improving employment of rural inhabitants were expanded by virtue of the Republic of Lithuania Government Resolution 6 on Amendment to the RL

Government Resolution No. 169 of 10 February 1998 on Approving the Procedure of Execution of Public Works.

In implementing the Programme of Increasing Employment for 2001-2004, Recommendations for Application of Flexible Forms of Work 7 were approved. Flexible forms of work are meant to improve flexibility of the labour market by creating larger employment opportunities for people and more favourable conditions for reconciling work and family responsibilities, the time of studies, rest and work.

The Concept of Jobs Monitoring System⁸ and the plan of measures of its implementation were approved. With the help of this System changes in quantitative and qualitative indices in enterprises, institutions or organisations, separate territories, branches of economy and in the country will be monitored and assessed and used as a basis for analysing condition of the labour market, evaluating effectiveness of employment measures and determining the need for new jobs.

Legal employment of citizens of the Republic of Lithuania abroad according to bilateral agreements and through mediation of private employment mediation enterprises, institutions and organisations. A new Procedure for Issuing Licenses to Mediate in Employing Citizens of the Republic of Lithuania Abroad⁹ regulating issuance and revocation of licenses to mediate in employing citizens abroad, also in vessels flying a flag of a foreign state.

In the end of 2003, the Seimas of the Republic of Lithuania passed the Law on Social Insurance of Unemployment. This Law aims at forming financially stable and reliable system of unemployment insurance which guarantees sufficient subsistence income for individuals provided with this insurance cover in case of loss of jobs or seeking a new job according to professions they have or are acquiring. Reorganised system of unemployment insurance should tighten control over validity of allocation of unemployment benefits and improve motivation of unemployed people to be

active jobseekers. The new unemployment insurance system is approximated with the social insurance system applicable in the country and forms its part; it is also linked with the active labour market policy measures and system of social support

The Law on Social Insurance of Unemployment defines categories of individuals eligible to compulsory unemployment insurance cover, eliminating individuals who have no income linked with labour relations. Compulsory insurance cover will be provided to individuals receiving remuneration for work – individuals working under employment contracts in enterprises, institutions, organisations or other organisational structures, serving in elective posts in elected organisations on the basis of membership, civil servants, state politicians, military men, etc. The Law establishes some other requirements that are mandatory in order to qualify for unemployment benefits: before enrolment with the territorial labour exchange the unemployed must have at least 18 months unemployment insurance period during the last 36 months, he must be dismissed from work on employer's initiative in the manner established by laws, without any fault of employee, due to circumstances that do not depend upon employee and in case of employer's bankruptcy. Unemployed people who have taken a childcare leave to look after children age 1-3 years are also entitled to unemployment benefits.

The amount of unemployment benefit was increased. Unemployment benefit calculation methodology was essentially reorganised. The unemployment benefit comprises the fixed and variable components. The fixed component represents state-supported income, and the variable component is linked with former insured income of the unemployed. The variable component of the benefit will amount to 40 per cent of the former wage.

2.2. LABOUR RELATIONS

In 2003, significant attention was devoted to the improvement of labour relations and further perfection of the legal basis regulating such relations. The most significant event in this area was the enforcement of the Labour Code on 1 January 2003. While drafting the Labour Code due regard was given to the experience accumulated of Eastern and Central Europe, provisions of the International Labour Organisation Conventions, recommendations and the Revised European Social Charter, transposing to the national legal acts the provisions of most of the directives of the European Union. The Government of the Republic of Lithuania adopted new, and amended and supplemented the existing, Resolutions on the model form of the employment agreement, seasonal work, assistance (help), voluntary works, amount of compensations for work performed during a trip, field work, work related with journeys or of movable nature, duration, procedure and conditions of granting additional holidays, rules of registration of employment contracts, procedure of issuance and holding of the worker's identification certificate and submission thereof to the control-ling authorities, procedure of drawing up the list of categories of employees entitled to extended annual holidays and approval of duration of such holidays, work assessment procedure in enterprises financed from State or municipal budgets, and the procedure of calculation of the length of service, peculiarities of certain types of employment contracts, working hours shortening procedure, working hours in state and municipal enterprises, institutions and organisations, and part-time work.

2.2.1. Bilateral and Collective Labour Relations

Individual and collective labour relations the regulation whereof is equally important to both employers and workers play an important role in the system of labour relations.

Relations covered by the Labour Law are essentially deemed to be collective relations, however, not infrequently labour relations are identified with civil relations, prioritising in this respect individual employment contracts. This allows to conclude that bilateral (individual) labour relations remain prevailing in Lithuania.

Collective labour relations. At present, more attention is devoted to collective labour relations, since in view of Lithuania's integration into the European Union, the principle of collective autonomy thus widely used and applied in the European Union Member States is also being implemented in Lithuania. This principle suggests that while regulating labour relations increasing importance must be attached to agreements concluded between social partners (i.e., representatives of employer and employee's organisations). Tendencies shaping themselves in the regulation of labour relations during the recent years show that the Government of the Republic of Lithuania has been liberalising the labour relations and a growing number of issues are being referred to the competence of agreements of social partners. The Labour Code of the Republic of Lithuania established the system of social partnership constituted by the Tri-partite Council of the Republic of Lithuania and other tripartite and bilateral councils (commissions, committees), set up in accordance with procedures established by laws or collective agreements.

Where labour relations exist, the rights and interests of employees can be represented and protected by trade unions. If a trade union is not set up in an enterprise, institution or organisation and if the meeting of employees did not assign

the function of representation and protection of employees to a trade union of the relevant sector of economy, employees are represented by the labour council selected by secret ballot during the general meeting of employees. The status of labour councils and procedure of their formation are defined by the Law on Labour Councils the adoption whereof is pending in the nearest future in the Seimas of the Republic of Lithuania. The Republic of Lithuania Law on Trade Unions establishes the grounds for activities of trade unions, their rights and responsibility in relations with employers, bodies of state power and administration, as well as with trade unions in protecting the interests of own members. This Law establishes that citizens of the Republic of Lithuania and other persons permanently residing in Lithuania at least 14 years of age working under employment contracts or on other grounds have the right to freely join into trade unions and participate in activities thereof.

2.3. PAYMENT FOR WORK

Lithuania's labour costs are among the lowest in the European Union. Since May 1, 2004, the minimum monthly salary is 500 LTL (€145), the minimum hourly salary is 2,95 LTL (€ 0,9). The average gross monthly wage in the 4th quarter of 2004 was 1,310 LTL (€379).

Average Monthly Salaries in Industrial Sectors, 2004 4Q

Sector	Salary
Transport and Communications	1,396LTL (€404)
Construction	1,359LTL (€ 394)
Manufacturing	1,224LTL (€ 355)

Source: Lithuanian Department of Statistics

Highest Average Monthly Salaries by Sector, 2004 4Q

Sector	Salary
Administration institutions	3,248LTL (€ 941)
Financial intermediation	2,640 LTL (€ 765)
Insurance and pension funding	2,121 LTL (€ 614)

Source: Lithuanian Department of Statistics

Lowest Average Monthly Salaries by Sector, 2004 4Q

Sector	Salary
Agriculture, hunting and forestry	1,022 LTL (€ 296)
Manufacture of wood and wood products	910 LTL (€ 264)
Hotels and restaurants	818 LTL (€ 237)

Source: Lithuanian Department of Statistics

NB: The employer pays 31% social security contribution on gross salary.

Employment Contracts

The parties must agree on the following conditions when signing an employment contract:

- o the employee's place of work;
- o description of duties; and
- o salary.

Additional clauses (i.e., those covering probationary hiring periods, shorter working hours, etc.) may be included in an employment contract upon agreement of both parties.

Probationary hiring periods may not exceed 3 months. All employment laws are applicable during the probationary hiring period. Labour contract clauses, which are mandatory for the contracting parties, are provided for by the law and model agreements.

Since the re-establishment of independence, Lithuanian unions have been pragmatic with little or no labour unrest reported.

Working Hours

The regular workweek is 40 hours. A shorter period may be negotiated.

There is a national minimum annual holiday/vacation of 28 calendar days, not including public holidays. Maternity leave and childcare leave are available until a child is 3 years old.

Official State Holidays

January 1 (New Year's Day); February 16 (Lithuania's Independence Day); March 11 (Day of the Restoration of Lithuania's Independence); Easter (Sunday and following Monday); May 1 (Labour Day); First Sunday in May (Mother's Day); June 24 (Midsummer's Day); July 6 (State Day, the Coronation of King Mindaugas); August 15 (Mary's Ascension Day); November 1 (All Saints' Day); December 25-26 (Christmas).

2.4. SAFETY AND HEALTH AT WORK

Safety and health at work is an important field of labour policy the purpose of which is to ensure safe and healthy work conditions for workers. This includes all preventive measures designated to maintain the working capacity, health and lives of workers at work which are implemented or planned at all stages of the operation of an

enter-prise so that the workers are protected from occupational risk or that the risk is reduced to a maximum possible level.

2.5. DEVELOPMENT OF HUMAN RESOURCES

One of the key priorities of Lithuania is increasing investments into people and education. Lithuania is implementing its employment policy in observance of the Lisbon strategy objectives, emphasising the importance of more effective investments into human resources with a view to improving work quality and productivity. For the purpose of implementing these objectives, the Human Resources Development Division set up at the Ministry of Social Security and Labour in 2003 is responsible for the enforcement of the labour market vocational education and training (VET) policy of the Government of the Republic of Lithuania, functioning of the labour market VET system, preparation and implementation of the strategy of the labour market human resources policy and participation in pursuing the Republic of Lithuania Government policies in the field of free movement of individuals.

In 2003, like previously, the Lithuanian Labour Market Training Authority at the Ministry of Social Security and Labour worked in the field of implementation of the human resources policy. There-fore, the Social Report of this year contains material about activities of this Authority in the aforementioned field. In future, the role of the Human Resources Development Division under Ministry of Social Security and Labour will gradually increase.



2.6. TECHNICAL SAFETY

With a view to approximating the national legislation with legal acts of the EU regulating free movement of goods and services, the Government of the Republic of Lithuania authorised the respective ministries to approve technical regulations covering mandatory safety requirements for goods and products and the procedure for assessing conformity to these requirements. The Ministry of Social Security and Labour was obligated to establish mandatory safety requirements and the procedure of setting such requirements in observance of the New Approach Directives with regard to the following goods:

- Personal protective equipment è PPE (Directive 89/686/EEC),
- Machinery (Directive 98/37/EC),
- Lifts (Directive 95/16/ES),
- Wire-ropes, chains and hooks è lifting equipment (Directive 73/361/EEC),
- Cableway installations designated to carry people (Directive 2000/9/EC).

The great majority of goods regulated under the New Approach Directives are used at the work-place. Directive concerning the minimum safety and health requirements for the use of work equipment by workers at work (89/655/EEC, as amended by Council Directive 95/63/EC), based on Article 138 of EC Treaty imposes obligations on the employer to take measures ensuring that work equipment accessible to workers (e.g., machinery and apparatus) is suitable for work performed and that the worker is able to use it without endangering his safety or health.

The single market is one of the great achievements of our time. This economic space, where goods, services, capital and labour circulate freely, provides a foundation for prosperity in the European Union. The European Union has developed original and innovative instruments to remove the barriers to free circulation of goods. Among these the New Approach to product regulation and the Global approach to conformity assessment take pride of place. These two approaches are widely described by the European Commission Directorate-General for Enterprise.¹ The common thread between these complementary approaches is that they limit the intervention of public authorities to what is essential and leave business and industry the greatest possible choice on how to meet their public obligations.

2.7. EUROPEAN UNION STRUCTURAL FUNDS EUROPEAN SOCIAL FUND AND ITS SUPPORT TO LITHUANIA

2.7.1. EU structural funds and planning of their support in Lithuania

European Union (EU) structural funds are financial instruments of regional policy whose principal objective is to narrow the gap between the development levels of the various

regions and to help areas lagging behind in their development. EU regional policy means the entirety of measures targeted towards the development of underdeveloped areas and promotion of cohesion between regions aimed at more rapid general economic growth of the country and improvement of the quality of life of social groups.

At present, implementation of the EU regional policy in the EU Member States is financed from appropriations allocated from the four Structural Funds of the European Union the names and spheres of intervention of which are provided in the table below:

EU STRUCTURAL FUNDS	
EU structural fund spheres of intervention	
EUROPEAN REGIONAL DEVELOPMENT FUND (ERDF)	PRODUCTION SECTOR, INFRASTRUCTURE, LOCAL DEVELOPMENT AND TECHNICAL SUPPORT
EUROPEAN SOCIAL FUND (ESF)	DEVELOPMENT OF HUMAN RESOURCES, IMPLEMENTATION OF NATIONAL ACTION PLANS FOR EMPLOYMENT, INCLUDING ACTIVE LABOUR MARKET POLICY MEASURES, SOCIAL INTEGRATION, EDUCATION AND TRAINING, MEASURES AIMED AT CREATING INFORMATION SOCIETY AND ENSURING EQUAL OPPORTUNITIES
EUROPEAN AGRICULTURAL GUIDANCE AND GUARANTEE FUND (EAGGF – GUIDANCE SECTION)	RURAL DEVELOPMENT MEASURES (REORGANISATION OF HOLDINGS, TRAINING, PROCESSING AND MARKETING)
FINANCIAL INSTRUMENT FOR FISHERIES GUIDANCE (FFG)	RESTRUCTURING MEASURES OF THE FISHERIES SECTOR

Table 2.7.1.-1.

Being a full member of the EU, Lithuania is eligible to receive considerable financial support from the Structural Funds of the EU and the Cohesion Fund.

Since Lithuania is considered a single area for the purpose of the EU Structural Funds, in 2004-2006 Lithuania will receive support from all of the four EU Structural Funds under one programme of the so-called Objective 1 (for the purpose of this Objective appropriations at present are allocated to

regions with gross domestic product (GDP)s below 75% of the Community average).

The Single Programming Document of Lithuania for 2004-2006 is a strategic document drafted by Lithuania and approved by the European Commission, which sets out the objectives of actions of the EU Structural Funds and of Lithuania, specifies contributions from the EU structural funds and from other sources of financing.

The Government of the Republic of Lithuania approved the Single Programming Document of Lithuania for 2004-2006 by virtue of the Resolution No. 1679 of 24 December 2003 on Approving the Draft Single Programming Document of Lithuania for 2004-2006 Agreed with the European Commission (Valstybes zinios (Official Gazette), 2003, No. 12-5609). The European Commission approved Lithuania's SPD on 22 June 2004.

One of the key priorities of the Single Programming Document is the Development of Human Resources. Investments into the development of human resources, improvement of qualification and competence of employed individuals, strengthening social integration are key factors guaranteeing the increase of employment, sustain-able economic development and improvement of social welfare. Development of human resources is financed from the European Social Fund.

The European Social Fund (ESF) - one of the four structural funds - the main financial instrument of the European Union employment policy aimed at the implementation of the European Employment Strategy through promotion of employment and development of human resources. ESF support is firstly aimed at preventing and combating unemployment, developing human resources and promoting integration into the labour market, reducing social exclusion, increasing employment level, strengthening equality between women and men.

Investments envisaged under the Single Programming Document of Lithuania (SPD) into this sphere will support and supplement employment policy strategy pursued by the Government seeking the following objectives:

- promote workforce competences and abilities to adapt to labour market needs;

- improve quality and accessibility of education and vocational training;

- reduce social exclusion and guarantee wider social integration. European Social Fund's appropriations may be allocated to the following spheres:

- developing active labour market policy and preventing and combating unemployment, ensuring prevention of long-term unemployment, creating favourable conditions for the longterm unemployed to return to the labour market and supporting occupational integration of young persons and persons returning to the labour market after a certain period;

- equal opportunities in accessing the labour market, in particular for socially excluded groups;

- vocational training, education, counselling, lifelong learning policy factors aimed at facilitating and improving access and integration into the labour market, improving and maintaining ability to guarantee employment for oneself and promoting workforce mobility;

- promoting qualified, skilled and adaptable workforce, streamlining of work organisation, development of entrepreneurship and conditions for job creation, boosting abilities and human potential in the field of scientific research, science and technology;

- specific actions to improve women's access to, and participation in, the labour market, including their career, opportunities to create new jobs and start up own business, and to reduce vertical and horizontal segregation on the grounds of gender in the labour market.

ESF financial support allocated for the development of human resources in those fields of activity, which are part of integration into the labour market:

- education and vocational training, including vocational training of the level of compulsory education, industrial practice, introductory training, developing and improving general abilities in the first instance, regaining employment, actions aimed at promoting employability, guidance, counselling and continuous vocational training;
- subsidies to individuals working under employment contracts and to self-employed;
- second level studies in the field of scientific and technological development as well as training of managers and technicians in the institutions of scientific research and enterprises;
- creation of new sources of employment, including social economy.

2.8. EUROPEAN COMMUNITY INITIATIVE EQUALAND ITS IMPLEMENTATION IN LITHUANIA

EQUAL - is the European Communities initiative, which tests new ways of tackling discrimination and inequality, experienced by those in work and those looking for a job. It is implemented through mobilisation of local partners into development partnerships and international cooperation. EQUAL is financed from the European Social Fund.

EQUAL is integrated in the European Employment Strategy and the European Strategy for Combating Discrimination and Exclusion.

With a view to ensuring proper preparation for implementing the European Communities EQUAL initiative in Lithuania, the Government of the Republic of Lithuania passed the Resolution No. 427 of 8 April 2003 on Administration of D

the European Communities EQUAL initiative in Lithuania by virtue of which the Ministry of Social Security and Labour was assigned the functions of the managing authority of the European Communities EQUAL initiative responsible for reliable and effective management of support under this initiative.

Ministry of Social Security and Labour as a managing authority:

- organises and manages the drafting of the European Communities EQUAL initiative Single Programming Document and its annex and supervision of their implementation;

- assumes responsibility for reliable and effective management of support;

- plans appropriations necessary for the implementation of the European Communities EQUAL initiative;

- in concert with other responsible authorities prepares the European Communities EQUAL initiative procedural manuals;

- examines and approves payment applications for the State Treasury prepared by the implementing authority and submits them to the paying authority for collection.

EQUAL initiative is based on several principles and implementation measures common for the entire programme. It applies a new approach to addressing these problems based on the following outstanding principles: impact on national policy; thematic priorities; partnership principle; innovativeness; equal opportunities and international cooperation.

International cooperation should be developed so as to create value-added for the participating development partnerships and tasks performed by them. Each development partnership should establish close cooperation with at least one development partnership in another Member State of the

European Union. Implementation of the EQUAL programme is based on the general rule of cooperation with other development partnerships. International cooperation calls for preparing, comparing and testing ideas, methods and measures. This activity can take the form of joint seminars, training, development of joint products, exchanges of experts and project managers as well as hiring of experts.

At the European level EQUAL supports nine thematic priorities. On recommendation of the Commission the Member States were free to select two out of eight themes. The ninth theme Helping the integration of asylum seekers is mandatory for all Member States.

In observance of analysis of inequality and discrimination in the labour market, identification of employment policy priorities of Lithuania and EU and having regard to the results of consultations with institutions and organisations concerned, Lithuania selected the following priority themes of support:

Theme A

Facilitating access and return to the labour market for those who have difficulty integrating or reintegrating.

According to Theme A the following objectives will be implemented:

Objective 1. Increasing access to the labour market combating discrimination faced by social risk groups and promoting equality.

Objective 2. Establishment, testing and adaptation of support mechanisms for integration or reintegration into the labour market.

Theme G

Reconciling family and professional life, as well as the reintegration of men and women who left the labour market,

by developing more flexible and effective forms of work organisation and support services.

Objective 1. Developing and testing family and professional life reconciliation measures.

Objective 2. Creating possibilities to interrupt one's professional career and supporting reintegration into the labour market.

Theme I

Helping the integration of asylum seekers.

Having regard to the general economic context and employment analysis provided in the EQUAL Single Programming Document, the main groups which face inequality and have difficulty integrating into the labour market:

- disabled;
- pre-pensioners;
- youth;
- ex-offenders;
- drug addicts;
- ethnic minorities;
- people of untraditional sexual orientation;
- women (with a view to strengthening their position in the labour market and enforcing the principles of gender equality);
- long-term unemployed;
- victims of trafficking in people;
- asylum seekers.

Project activity may cover one or more afore-mentioned target groups. It should be noted that the list of target groups is incomplete.

3. SOCIAL INSURANCE AND PENSIONS

Lithuania has a state social security system providing for compulsory social insurance for all permanent residents in Lithuania and social assistance from state funds.

Benefits provided by state social insurance include:

- pensions
- sickness allowances, maternity and child-birth benefits, child care benefits child care benefits
- unemployment benefits

Employers contribute 27% of the company payroll and employees pay 3% of their wages and salaries, for a combined rate of 30%. Since January 1, 2000, employers must pay 3% for compulsory health insurance, and 1% for emergency and accidents insurance. Total social security contribution is 34%(31% by the employer and 3% by the employee). Contributions to the Lithuanian Social Insurance Fund are fully tax deductible.

Pensions

The current Pension Law came into force on January 1, 1995. It provides for three types of pensions: old age, disability, and survivor/widow(er) pensions.

Pensions are calculated according to a set formula taking into account salary and years of service.

Lithuania is reforming its retirement pension system. Old-age pensions are being shifted to a scheme based on years worked and the amount paid into the state pension fund. Currently, women who have reached the age of 59 and men who have reached the age of 62 and 6 months are eligible for old-age pensions (in 2006, the retirement age will increase to 60 for women and 62,5 years for men).

4. SOCIAL SUPPORT

According to the Lithuanian National policy of the Social Security System, social support to families and children and with cash social assistance to low-income families (single individuals), having regard to income received and property possessed by the family, and covers statistical information about such support and its beneficiaries. On 18 May 2004, the Republic of Lithuania Law on Child Benefits was passed (hereinafter è Law), which came into effect on 1 July 2004, seeking the following main objectives:

1) encouraging families to grow and maintain their children, providing support to every child from his birth until majority;

2) protecting children from social risk families and guarantee utilisation of benefits for the needs of children: strengthening responsibility of parents for maintaining their children; developing social services to families and organising preventive work with social risk families; extending powers granted to municipalities replacing benefits with alternative forms of support;

3) increasing support to pregnant studying women;

4) guaranteeing uniform administration of benefits through municipalities.

After enforcement of the Republic of Lithuania Law on Cash Social Assistance to Low income Families (Single Individuals), which came into effect on 1 April 2004, implementation of the uniform system of cash social assistance provided on the basis of the principle of assessment of income and property, guaranteeing minimum income for low-income families for living and payment for indispensable communal services was started in the country. The new Law did not change the amounts of social benefits and of compensations for cold and hot water.

The right to receive a social benefit, like previously, is granted to families and single individuals, whose income per family member does not exceed the level of supported income established by the Government.

Conclusions

For the purpose of complex reform of the system of state benefits to families and guaranteeing social security for all families with children, on 18 May 2004 the Republic of Lithuania Law on Child Benefits was passed (enacted on 1 July 2004) reorganising family benefits for children age below 3 and benefits to families with 3 children and more, providing social support to each child in the family until majority.

Upon enactment of the Republic of Lithuania Law on Cash Social Assistance to Low income

Families (Single Individuals) on 1 April 2004, implementation of the uniform system of cash social assistance provided on the basis of the principle of assessment of income and property, according to which social support is allocated in observance of both, income and property of the family.

In 2004, in realising the measures of implementation of the Government Programme for 2001-2004, the Ministry of Social Security and Labour drafted the Republic of Lithuania Government Resolution on Approval of the National Demographic (Population) Policy Strategy aimed at creating more favourable conditions for demographic behaviour and wellbeing of the population, reducing the level of depopulation and improving social è demographic development of the country.

The Ministry of Social Security and Labour also envisages conducting the survey Defining the Structure and Work Requirements for Municipal Institutions Administering and Providing Social Support; Analysis of Utilisation of Costs of Administration and Provision of Social Benefits and

Compensations Established by Law in the Municipalities and Developing Their Calculation Methods aimed at analysing administration and provision of social benefits and compensations established by Law at the municipal level, providing assessment and proposals as to the calculation of administrative costs and establishment of staff workloads.

4.1. SOCIAL SERVICES

Social services form part of social support, which covers services rendered by stationary and non-stationary social services institutions to individuals or their groups, and general social services provided at the communal level or at the client's home.

Since 1998, the system of social services is being decentralised, giving priority to the development and extension of non-stationary services. The Government Programme for 2001-2004 envisages gradually replacing institutional social services by more effective and cheaper services provided at home and in children's day centres. The Regulations on Development Trends of Home Social Services and on Guaranteeing More Effective Work of Inpatient Care Institutions¹ establish the following main priority trends of the development of social services: provision of home help and non-stationary social services. Development of non-stationary social services infrastructure is also a priority trend of the development of social services according to the Social Services Infrastructure Development Programme approved by the Government.

In 2002, implementation of the Social Services Provision Reform² was launched targeted towards motivation of the community, provision of support to individuals and families trying to find ways of self-help, carrying out a more clear assessment of the need for social services, matching social

services with employment measures and with the systems of cash assistance and health care.

Upon approval of the National Plan on Support of Human Rights and Protective Actions in the Republic of Lithuania³, in 2003, implementation of the objective of the joint programme of the United Nations and the Government of the Republic of Lithuania - Improving the Protection of Rights of Older People and preparations for the initial stage of drafting legislation regulating quality social services for older people (social services standards) was commenced.

4.2. SOCIAL INTEGRATION OF THE DISABLED

Social integration of the disabled is a wide social process aimed at creating the opportunities for the disabled to live full-fledged life and enjoy equal opportunities and rights.

One of the four goals of the European Union is equality of members of the society. However, the existence of objective circumstances of physical inequality of people, e.g. when people suffer from certain bodily or mental disability, requires from the state and society to create for the disabled the necessary conditions of life and work so as to enable them to live full-fledged life and to engage in activity which is accessible to them.

According to the data of the Ministry of Social Security and Labour, in 2003, 229 230 individuals living in the country received disability pensions. They accounted for about 6,5 per cent of the total country's population.

The disabled for whom disability group is established become entitled to receive the disability pension which is paid to individuals provided with state social insurance cover from the State Social Insurance Fund (hereinafter SODRA) funds, whereas those who have no state social insurance cover are supported (social pensions) from the State Budget funds.

In 2003-2004 disabled individuals were more active jobseekers than in the previous years. According to the Lithuanian Labour Exchange data of 2003, 7897 disabled people were enrolled with the Labour Exchange and were active jobseekers. The great majority (87 per cent) of them were awarded disability Group III. Individuals suffering from more severe disability were less active in seeking for jobs.

4.3. SOCIAL POLICY ON VICTIMS AND SOCIAL RISK GROUPS

Social policy in respect of victims and social following programmes: the Programme of Return of Deportees and Political Prisoners and their Families to Lithuania for 2002-2007, the Programme of Social Adaptation of Convicted Individuals who were Released from Places of Imprisonment, Institutions of Correctional Labour and Social and Psychological Rehabilitation for 2001-2004, the National Programme for the Drug Control and Drug Addiction Prevention for 1999-2003, and the Programme for the Control and Prevention of Trafficking in People and Prostitution for 2002-2004. In 2003-2004, support to the main groups of victims and social risk was further developed risk groups is pursued in implementing the.

5. EU MEMBERSHIP - RELATED ACTIVITIES IN LITHUANIA

Following ratification of the Treaty of Accession, Lithuania joined the EU on 1 May 2004. Integration into and membership in the EU undoubtedly are amongst the key factors, which influence various social, structural and economic developments in Lithuania and Europe. Results of surveys of different authors show that both regions, Member States of the EU and candidate countries, as

the entire whole, will benefit from this process, however, the impact on the Eastern and Central Europe countries will be considerably greater than on the present Member States of the EU.

The process of integration is continuing for more than ten years and the positive results of this process are already observed. Activities carried out upon integration in the EU had considerable impact on the labour market and social policy of our country. A lot of new legal acts were adopted; authorities in the social sphere gained strength and improved the quality of their work. Using financial support of PHARE Programme activities of labour exchanges, labour market training authorities, labour inspectorate, State Social Insurance Fund Board, other bodies and the Ministry itself noticeably improved. Harmonisation of Lithuania's legislation with the EU Acquis considerably improved our labour law, facilitated protection of employees' rights, improvement of working conditions, ensuring equal opportunities for women and men, and development of social partnership. These provisions are enshrined in miscellaneous legal acts of Lithuania.

Already during the process of integration Lithuania actively participated in the EU programmes on the coordination of social policy, pension reform, development of employment strategy, etc.. As from 1 May 2004, we participate in these processes as full members on equal conditions with other old and new Member States of the EU. In implementing different employment and social policy measures and using financial support from the Structural Funds, we expect to develop and enhance our social policy approximating it to social security standards common to the EU Member States, or, in other words, joining the combination of social policies of the EU Member States called the European Social Model based on good economic indicators, high level of social protection and taking care of each member of the society. European Social Model enables people from the EU Member States to use one

of the world's strongest systems of social security, where the states are seeking to promote the overall adequate quality of life and the required subsistence level ensuring the possibility to live in active, integrated and healthy society.

The change of Lithuania's status from the candidate country to the EU Member State, the nature of its European policy respectively changed, and activities of public authorities in the field of EU affairs acquired a new dimension. During accession negotiations the matters of building administrative capacities, transposition of EU Acquis, institutional development, approximation of Lithuania's legislation with the European Union Law dominated in the EU agenda. After EU accession, the European policy is becoming an integral part of the national policy. Already now decisions passed within the EU policy framework have direct impact on the most important national policy areas of Lithuania and in future this impact will grow. Participating in the activities of EU bodies as a full member, Lithuania is involved in formulating consistent positions on matters deliberated in the EU authorities seeking to achieve the highest level of protection and realisation of Lithuania's interests in the EU. In order to be able to properly represent Lithuania's interests and be active in formulating the EU policy, we must join the decision-making process at the earliest stage and influence its contents in the direction favourable to us. This task is related with great responsibility assumed by the ministerial staff, because success of our membership in the European Union and consideration of Lithuania's interests in the EU authorities will depend upon our preparedness to represent our state.

5.1. PARTICIPATION IN THE ACTIVITIES OF INTERNATIONAL ORGANISATIONS

During 2003, in observance of Article 19 of (International Labour Organisation) ILO Statute, Reports on

1964 Employment Policy Convention (No. 122), 1984 Employment Policy (Supplementary Provisions) Recommendation (No. 169), 1975 Human Resources Development Convention (No. 142) and 1998 Job Creation in Small and Medium-sized Enterprises Recommendation (No. 189), and comprehensive reports on the application of ten ratified conventions in Lithuania in observance of Article 22 of ILO Statute were prepared.

Between 2003 and 2004, five conventions were submitted to the Seimas of the Republic of Lithuania for ratification. In the first instance, with a view to developing employment policy of Lithuania and implementing it through measures conforming to the international standards, The Convention concerning Private Employment Agencies (No. 181), adopted on 19 June 1997 in Geneva was submitted for ratification. The Law on ratification of this Convention came into force on 16 March 2004. Ratification of 1981 Convention concerning Equal Opportunities and Equal Treatment for Men and Women Workers: Workers with Family Responsibilities (No. 156) was envisaged by virtue of the Measures of Implementation of the National Programme of Equal Opportunities for Women and Men for 2003-2004 approved by the Republic of Lithuania Government Resolution No. 712 of 3 June 2003. The Law on ratification of this Convention came into force on 8 May 2004. The International Labour Convention concerning Employment Policy (No. 122) adopted in 1964 was also ratified (on 7 March 2004). This Convention obligates the contracting parties and ILO members to establish and implement policy aimed at economic growth and development, improving subsistence level, and addressing unemployment reduction and employment promotion problems. For the purpose of implementing the Programme of the Government (Family, Children and Youth Support), two more international labour conventions were submitted for ratification: 1) 1999 International Labour Convention on the Worst Forms of Child

Labour (No. 182) and 2) 2000 International Labour Convention concerning the Revision of Maternity Protection Convention (as amended) of 1952 (No. 183). Convention No. 182 is considered of particular relevance and attributed to the so-called basic and the most important International Labour Conventions. Meanwhile, the Maternity Protection Convention is relevant with regard to Lithuania's demographical situation. The Law on ratification of these two Conventions was adopted on 25 March 2003 and came into force as from 21 May 2003. Denunciation of the Night Work (Women) Convention (No. 4) was registered on 11 November 2003.

In 2003, Lithuania submitted its comments regarding the International Labour Organisation's Draft Code of Practice on Violence and Stress at Work: a Threat to Productivity and Decent Work. In addition, answers were provided to the Questionnaire Statistics on the Employment Situation of People with Disabilities and in consultation with social partners - to ILO questions on sectoral activities.

In October 2003, the representative from the Ministry of Social Security and Labour attended the 5 meeting of the Committee of the Council of Europe held in Strasbourg. In the assessed the results of several conferences recently organised by the Council of Europe, the progress and shortcomings meeting the countries' commitments under the requirements of the European Code of Social Security and the International Labour Organisation Convention No. 102 were assessed. The countries, which had not signed and ratified the Code yet, including Lithuania, were invited to do it.

The Ministry of Social Security and Labour is preparing to initiate the signature of the European Code of Social Security adopted by the Council of Europe in 1964. The European Code of Social Security establishes minimum social security standards necessary for maintaining and promoting the satisfactory level of the system of social security. Moreover, in Par. 2, Article 12 of the European Social Charter of 1996

(Revised) ratification of this Code is assessed as the indicator of adequate social security of the country (Lithuania has not ratified Par. 2, Article 12 of the Charter).

Lithuania submitted the so-called Zero Re-port to the Council of Europe on the Compliance of Lithuanian legislation with the requirements of the European Code of Social Security between July 2000 and June 2001. The Council of Europe, in cooperation with ILO experts, submitted the conclusions on the abovementioned Zero Report of Lithuania, stating that Lithuania's social security legislation was to a large extent in accordance with the requirements of this Code and that there were no obstacle to signature and ratification by Lithuania of the European Code of Social Security.

On 31 January 2003, the Government adopted Resolution No. 143 which in addition to other strategic objectives enforced Lithuanian attempt to become a member of the Economic and Social Council (ECOSOC) of the United Nations in 2005-2007.

ECOSOC is one of the main six bodies of the UN. It is consisted of UNO members, elected by the General Assembly for three-year term. ECOSOC carries out and initiates surveys, prepares reports and provides recommendations to the General Assembly on international economic, social, cultural, educational, health protection and human rights matters. In addition, it also coordinates activities of specialised UN agencies (likewise the International Labour Organisation, the World Health Organisation), provides information and assists the Security Council.

Due to Lithuanian attempt to become a member of ECOSOC, the Ministry of Social Security and Labour established the following priority activities according to its competence:

- Promotion of women's rights in all programmes and activities of the UN system;
- Development of opportunities for disabled people;

- Promotion of participation of old people in economic and social processes;
- Poverty reduction in least-developed countries;
- Promotion of child rights protection;
- Promotion and implementation of the fundamental rights and principles of employment;
- Increasing opportunities for men and women in the field of employment and earnings;
- Increasing effectiveness of social protection for all people;
- Strengthening tripartite cooperation and social dialogue.

In the implementation of these priorities, the Ministry of Social Security and Labour is actively involved in the work of the United Nations Development Programme, UN Social Development Commission, Commission on the Status of Women, Committee on the Elimination of Discrimination Against Women, and of the International Labour Organisation. The Ministry is forming the donor's image of Lithuania in the abovementioned institutions.

5.2. INTERNATIONAL TREATIES

Presently, 10 bilateral agreements (arrangements) are in force in the field of social security:

1. Arrangement on Payment (Transfer) of Pensions to Eligible Residents of Poland or Lithuania, concluded on 2 June 1992 (came into force on 2 June 1992);

2. Arrangement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the Procedure of Provision of Social Guarantees to the Retired Military Officers from the Russian Federation Permanently Residing in the Republic of Lithuania, concluded on 18 November 1993 (came into force on 18 November 1993);

3. Arrangement between the Government of the Republic of Lithuania and the Government of the Republic of Latvia on Cooperation in the Field of Social Welfare, concluded on 17 December 1993 (came into force on 31 January 1995);

4. Agreement between the Republic of Lithuania and the Republic of Estonia on Social Security signed on 28 May 1996 (came into force on 10 February 1997);

5. Agreement between the Republic of Lithuania and the Republic of Belarus on Social Security signed on 4 February 1999 (came into force on 15 December 1999);

6. Agreement between the Republic of Lithuania and Czech Republic on Social Security signed on 27 May 1999 (came into force on 1 August 2000);

7. Arrangement between the Government of the Republic of Lithuania and the Government of the Russian Federation on the Pensionable Welfare signed on 29 June 1999 (came into force on 29 May 2001).

8. Agreement between the Republic of Lithuania and the Republic of Finland on Social Security signed on 12 September 2000 (came into force on 1 August 2001);

9. Agreement between the Republic of Lithuania and the Republic of Ukraine on Social Security signed on 23 April 2001 (came into force on 8 February 2002).

10. Arrangement between the Government of the Republic of Lithuania and the Government of the United States on the Payment of Social Insurance Pensions Abroad concluded by an exchange of Notas (came into force on 17 January 2003).

The United Nations Development Programme supports and contributes to the development of the fields attributed to the competence of the Ministry of Social Security and Labour, with special focus on poverty reduction, social exclusion and equal opportunities.

The United Nations Development Programme contributed, and is contributing, to the development and implementation of the National Poverty Reduction Strategy and the National Plan of Action for Equal Opportunities.

PART IV - SOCIAL SECURITY SYSTEM IN SPAIN, CASE STUDY

The Social Security System of Spain is the set of administrative bodies with competences on regulation, planning and management directed to guarantee to Spanish citizens and foreigners who have the residence in here; the set of social benefits in terms of health, welfare, and economy.

The management of the Social Security System in Spain is set by three public bodies which depends on the Ministry of Labour and Social Affairs: el **Instituto Nacional de la Seguridad Social** (National Institute of Social Security), la **Tesorería General de la Seguridad Social** (State Treasury of Social Security), y el **Instituto Social de la Marina** (Social Institute of Marine Affairs).

MINISTRY OF LABOUR AND SOCIAL AFFAIRS

The Ministry of Labour and Social Affairs is the body in charge of proposals and execution of the main guidelines about policies in labour, social security, and social care.

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The organization chart of the Social Security System is represented by this diagram:



Main Competences

- Development of the functions legally assigned.
- It is attached to this Ministry el Real Patronato sobre Discapacidad (the Royal Patronage of Disability).

SOCIAL SECURITY SECRETARIAT

This is the superior body of the department

Main Competences

- General Management and control of the Committees and of the General Treasury of the Social Security, unless competences assigned to the other departments.
- Leadership on the juridical planning of the Social Security.
- Leadership and coordination on the management of the financial resources and general expenses of the Social Security.
- Planning, coordination and management of the social benefits from the State and from the Social Security.

- Control of the Management of the Benefit and Labour Accident Societies, Labour Foundations, and co-operating organizations; which operate as complementary organizations.
- Some others legally conferred by the Art. 9 of the Royal Order 2169/84 of 28th November.

STATE SECRETARIAT OFFICE

It is the body that supports and assists permanently to the Junior Minister of the Social Security, and its competences are:

- Provide to the Junior Minister with all the technical information necessary for the execution of its competences.
- Know the activities and programmes of the different Centers dependent on the Social Security Secretariat .
- Realize any other report or research commended by the Junior Minister of the Social Security in the execution of his competences.

STATE ECONOMIC PLANNING OFFICE OF THE SOCIAL SECURITY

Main Competences

- Development of the economic and financial functions of the Social Security, which correspond to the Ministry of Labour and Social affairs, carrying out the planning and carrying out the economic and financial researches, the same way as demographic ones.
- Control of the economic order of the Management Committees and other collaborators.

- Draw up the preliminary budget of the Social Security, in conformity with the policy of social protection established by the Government.
- Know and report all the measures taken with regards the funding and expenses of the Social Security.
- Explain all the economic information regarding the Social Security System.
- Control and coordinate the management of the Labour Accident and Professional Illness Societies, the same way as collaborator organisations.
- Participate in activities related with the international scope.

STATE INTERVENTION OF THE SOCIAL SECURITY

The State Intervention of the Social Security is attached to the Secretary's Office of the Social Security.

Main Competences

- Leadership of the public accountancy with regards the Social Security.
- Advice to the Management Bodies derived from its control functions.
- Coordination of all the regional bodies that make up this institution.
- Indicate the rules of which the General Budget of the Social Security must be ruled.
- Report three-monthly to the Committees of the Budget with the information about the execution of the budget.

LEGAL SERVICE OF THE SOCIAL SECURITY ADMINISTRATION

This organisation is in charge of legal advice, the same way as representation and defense in trials, of the Management Committees and Common Services of the Social Security Administration.

NATIONAL INSTITUTE OF THE SOCIAL SECURITY

This is the body attached to the Ministry of Labour and Social affairs, which manage all the economic benefits of our public Social Security System; and it is in charge of the acknowledgement of the right of health assistance.

Main Competences

- Acknowledge, gestion and control of the following benefits:
 - Retirement
 - Permanent Inability
 - Death and survival
 - Temporary inability
 - Motherhood
 - Risk during pregnancy
 - Familiar benefits
 - Scholar benefit
- Acknowledge of the right to health care
- Management of the Special Fund for employees of the Social Security System
- Take part in negotiations for any international agreement

SOCIAL INSTITUTE OF MARINE AFFAIRS

This body is attached to the State Secretary's Office of Social Security, and works under the Ministry of Labour and Social Affairs.

This organisation is in charge of the management, administration and acknowledge of the right to the social and economic benefits of the people who work in the sea; the same way as the register of companies which work in this field.

On the other hand, The Social Institute of Marine Affairs works for the education and vocational training of these people and their families, and makes researches about the general and particular situation.

STATE TREASURY OF SOCIAL SECURITY

This is a common service within the Social Security System, and it is also attached to the Ministry of Labour and Social Affairs, where all the financial resources and administration are unified.

Main Competences

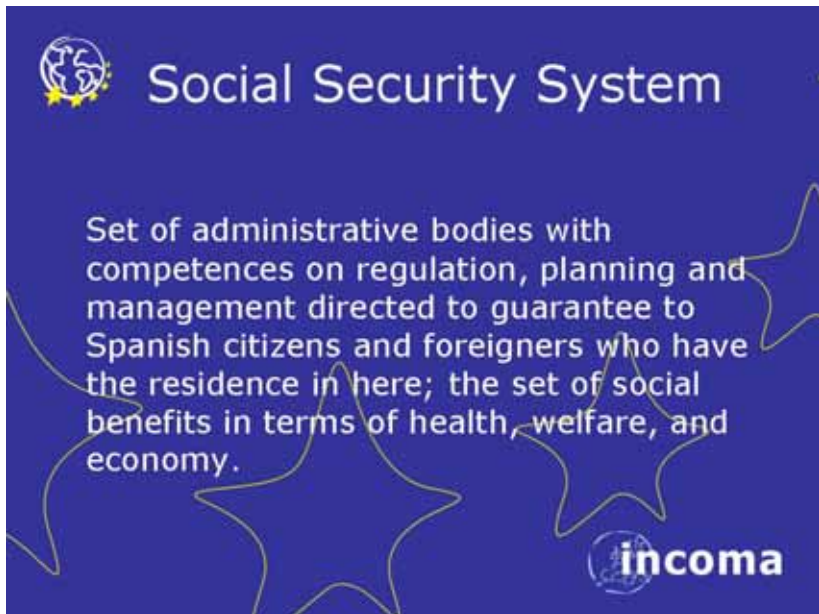
- Registration of companies
- Memberships and leaves
- Management and control of social contributions and financial resources of the Social Security System
- Ownership, management and administration of all the assets of the system
- Organisation of payments and its financial canals
- Drawing up of the budget

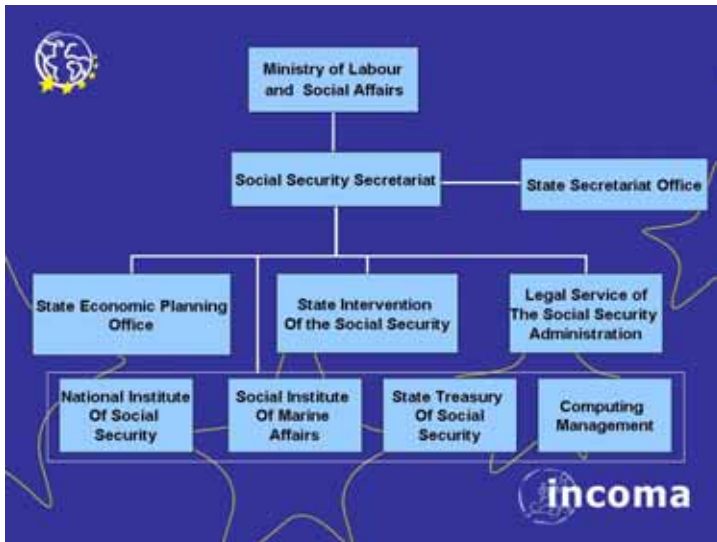
COMPUTING MANAGEMENT OF THE SOCIAL SECURITY SYSTEM

This is another common service of the Social Security System, also attached to the State Secretary's Office.

The services carried out by this body include all the plans and measures required within the computing field in order to fit the latest technologies, and manage all the information the system produces.

The slides presented within the seminar by Mr. Ignacio Camacho, INCOMA, Seville, Spain





Ministry of Labour and Social Affairs

- It is the body in charge of proposals and execution of the main guidelines about policies in labour affairs, social security, and care.
- Development of functions legally assigned.



Social Security Secretariat

- General Management and control of the Committees and of the General Treasury of the Social Security.
- Leadership on juridical planning
- Leadership and coordination on the management of the financial resources and general expenses
- Planning, coordination and management of the social benefits from the State and from the Social Security



State Secretariat Office

- It is the body that supports and permanently assists to the Junior Minister.
- Provide the Junior Minister with all the technical information necessary for the execution of its competences
- Know the activities and programmes of the different Centres dependent on Social Security Secretariat
- Realize reports commended by the Junior Minister of the Social Security in the execution of its competences





State Economic Planning Office

- Development of economic and financial functions, carrying out the planning and making researches
- Control of the economic plan of the Management Committees and other collaborators
- Draw up the preliminary budget
- Know and report all the measures taken with regards the funding and expenses of the Social Security
- Control and coordinate the management of the Labour Accident and Professional Illness Societies
- Participate in activities related with the international scope



State Intervention of Social Security

- Leadership of public accountancy
- Advice to the Management Bodies derived from its control functions
- Coordination of all the regional bodies that make up this institution
- Indicate the rules of which the General Budget must be ruled
- Report three-monthly to the Committees of the Budget with the information about its execution





Legal service

- Legal advice
- Committees and institution defense



National Institute of Social Security

- Acknowledgement, management and control of economic benefits
- Right to health care
- Management of Special Fund for employees of the Social Security System
- Take part in negotiations for international agreements





Social Institute of Marine Affairs

- Management, administration and acknowledgement of the right to social and economic benefits of people who work in the sea
- Registration of companies of the sea
- Education and vocational training of these people and their families



State Treasury of Social Security

- Common service where all the financial and administration are unified
- Registration of companies
- Membership and leaves
- Ownership and management of all the assets
- Organisation of payments and its financial canals
- Drawing-up of the budget





Computing Management

This is a common service, which carries out all the plans and measures required within the computing field in order to fit the latest technologies, and manage all the information the system produces



GENERAL BUDGET OF THE SOCIAL SECURITY SYSTEM





Funds

- Social contributions of employees
- Direct Transferences
- Others



General Expenses

- Economic Benefits: retirement, permanent and temporal inability, death and survival, motherhood, familiar benefits
- Health Care: primary care, specialised care, others
- Social Services
- Treasury and computing
- Others: organisation, financial costs...



PART V – STATISTICAL DATA
ROMANIA
LITHUANIA
SPAIN

CHELTUIELI CU PROTECȚIA SOCIALĂ A ȘOMERILOR
EXPENDITURE FOR UNEMPLOYED SOCIAL PROTECTION

milioane lei / million lei

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total	6797	44912	177879	482134	717406	754503	3215599	5332475	8290324	9333853	9404370	11346334	14690775
Ajutor de șomaj Unemployment benefit	4203	31788	110400	292805	205037	183643	625095 ¹⁾	1334808	2252600	1951695	2810166	4246386 ²⁾	6214640 ³⁾
Ajutor de integrare profesională Allowance for vocational integration	-	-	-	4998	59405	58315	101933	200850	283047	370661	434120	451462 ⁴⁾	389902 ⁴⁾
Alinațe de sprijin Support allowance	-	3607	47426	108826	229047	200166	215599	497681	1043516	1340319	1168913	1069159	254149
Calificarea și recalificarea șomerilor Unemployed qualification and requalification	132	352	1108	1269	1602	2986	14012	19212	25432	30183	24197	40510	64631
Plata absolvenților Graduates remuneration	58	305	923	5404	4520	4856	8088	42000	66024	89476	118634	201231	356019
Plăți pentru stimularea șomerilor care se angajează înainte de expirarea perioadei de șomaj ⁴⁾ Incentives for unemployed who got employed before unemployment period expiry ⁴⁾	-	-	-	-	-	-	-	-	-	-	-	117873	277701
Plăți pentru stimularea mobilității forței de muncă ⁴⁾ Incentives for labour force mobility ⁴⁾	-	-	-	-	-	-	-	-	-	-	-	16531	42931
Plăți pentru stimularea angajatorilor care încadrează șomeri din categoria defavorizați ⁴⁾ Incentives for employers who hire unfavoured unemployed ⁴⁾	-	-	-	-	-	-	-	-	-	-	-	61437	420978
Plăți compensatorii efectuate în cadrul programelor de restructurare, privatizare și lichidare Compensations granted within the programmes of restructuring, privatization and removal of assets	-	-	-	-	-	-	1739203	2303917	3319147	3186215	996191	1131180	1317728
Alte cheltuieli Other expenditures	2404	8860	18022	70832	217595	304537	511699	933907	1300558	2298504	3854129	3968365	5353316

¹⁾ Includiv alocațiile pentru compensarea creșterii prețului la pâine. / Including allowances for compensating the bread price increase.

²⁾ Includiv indemnizația de șomaj acordată persoanelor aflate în șomaj ca urmare a pierderii locului de muncă, conform articolului 39 din Legea nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă și a veniturilor de completare, conform O.U.G. nr. 170/2001 și O.U.G. nr. 8/2003.

³⁾ Includiv indemnizatii de șomaj acordate persoanelor aflate în șomaj după pierderea locului de muncă, conform articolului 39 din Legea nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă și a veniturilor de completare, conform O.U.G. nr. 170/2001 și O.U.G. nr. 8/2003.

⁴⁾ Includiv indemnizația de șomaj acordată absolvenților instituțiilor de învățământ, conform articolului 40 din Legea nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

⁵⁾ Includiv indemnizatii de șomaj acordate absolvenților instituțiilor de învățământ, conform articolului 40 din Legea nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

⁶⁾ Categori noi de cheltuieli, conform Legii nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

⁷⁾ Categori noi de cheltuieli, conform Legii nr. 76/2002, privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

Sursa: Agenția Națională pentru Ocuparea Forței de Muncă.

Source: National Agency for Employment.

INDEMNIZAȚII DE ȘOMAJ
UNEMPLOYMENT INDEMNITIES

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
	Media lunară (lei / persoană) Monthly average (lei / person)												
Ajutor de șomaj Unemployment benefit	5200	5900	16750	50654	63750	90000	246805 ²¹	337228	455237	660464	906720	1311607 ²²	1714512 ²³
Ajutor de integrare profesională Allowance for vocational integration	-	-	-	36000	42644	64700	118936	166897	276580	381440	641807	712182 ²⁴	1076202 ²⁵
Alocatie de sprijin Support allowance	-	4022	8640	20365	36275	50500	87472	153117	222151	281326	346648	455030	547903
	in procente față de salariul minim net pe economie In percentage as against the net minimum salary by economy												
Ajutor de șomaj Unemployment benefit	63,6	64,6	71,3	102,7	97,4	112,8	135,8	103,8	118,9	96,6	72,5	77,5	66,6
Ajutor de integrare profesională Allowance for vocational integration	-	-	-	70,7	65,0	65,0	65,0	57,5	66,4	54,2	40,6	42,1	43,0
Alocatie de sprijin Support allowance	-	43,6	41,1	41,2	60,0	60,0	53,2	47,1	53,3	40,0	26,8	26,9	21,9

²¹ Includiv alocațiile pentru compensarea creșterii prețului la pâine. / Including allowances for compensating the bread price increase.

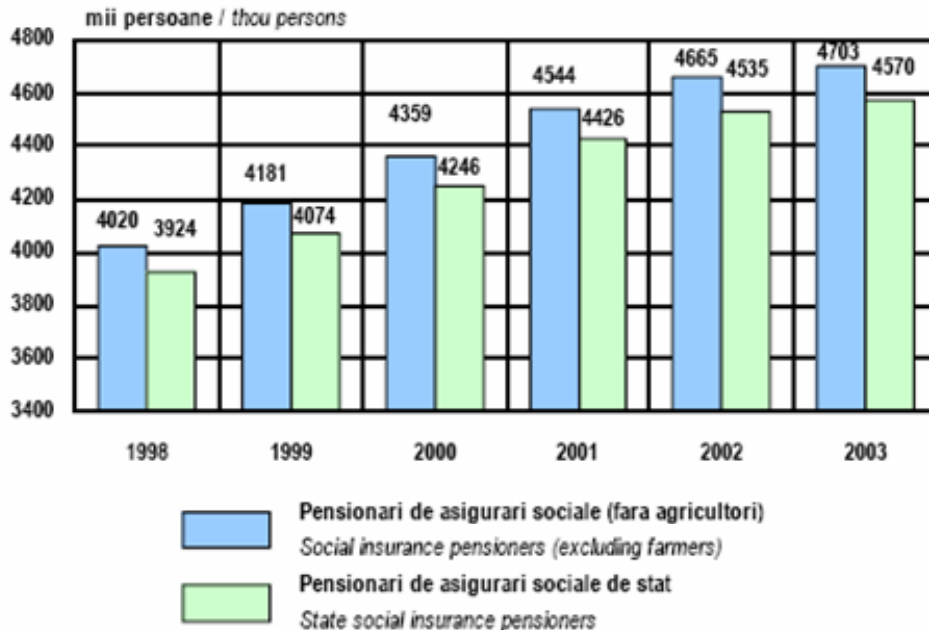
²² Includiv indemnizația de șomaj acordată persoanelor aflate în șomaj ca urmare a pierderii locului de muncă, conform articolului 39 din Legea nr. 76/2002, precum și alte sume acordate în completarea veniturilor salariale ale angajaților și stimularea mobilității forței de muncă, conform articolelor 72-75 din Legea nr. 76/2002 privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

²³ Including unemployment indemnity granted to unemployed persons after losing their jobs, according to the article 39 of Law no. 76/2002, and other amounts granted to complete salary income of employees and incentives for labour force mobility, according to the articles 72-75 of Law no. 76/2002, on unemployment insurance system and on incentives for labour force employment.

²⁴ Includiv indemnizația de șomaj acordată absolvenților instituțiilor de învățământ, conform articolului 40 din Legea nr. 76/2002, precum și alte sume acordate în completarea veniturilor salariale ale angajaților și stimularea mobilității forței de muncă, conform articolelor 72-75 din Legea nr. 76/2002 privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă.

²⁵ Including unemployment indemnity granted to graduates of educational institutions, according to the article 40 of Law no. 76/2002, and other amounts granted to complete salary income of employees and labour force mobility, according to the articles 72-75 of Law no. 76/2002, on unemployment insurance system and on incentives for labour force employment.

EVOLUȚIA NUMĂRULUI MEDIU AL PENSIONARILOR
EVOLUTION OF AVERAGE NUMBER OF PENSIONERS



NUMĂRUL MEDIU AL PENSIONARILOR
AVERAGE NUMBER OF PENSIONERS

mii persoane / thou persons

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Pensionari de asigurări sociale (fără agricultori) <i>Social insurance pensioners (excluding farmers)</i>	2570	3018	3201	3253	3439	3600	3740	3875	4020	4181	4359	4544	4665	4703
<i>din care:</i> <i>of whom:</i>														
Pentru limită de vârstă <i>For age limit</i>	1859	2279	2376	2365	2480	2568	2656	2753	2851	2961	3067	3206	3216	3178
Cu stagiu complet de cotizare <i>With due complete stage</i>	1160	1521	1583	1599	1674	1750	1830	1921	2018	2125	2247	2362	2381	2296
Cu stagiu incomplet de cotizare <i>With due incomplete stage</i>	699	758	793	766	806	818	826	832	833	836	840	854	835	882
Cu pensie anticipată <i>With anticipate pension</i>	-	-	-	-	-	-	-	-	-	-	-	1	8	10
Cu pensie anticipată parțial <i>With anticipated partial pension</i>	-	-	-	-	-	-	-	-	-	-	-	9	63	92
De invaliditate <i>Invalidity</i>	208	222	263	307	374	433	469	493	527	567	609	660	706	751
Gradul I <i>I degree</i>	15	15	17	18	20	21	22	23	24	25	26	27	28	30
Gradul II <i>II degree</i>	190	192	217	250	303	349	375	390	419	453	491	536	553	557
Gradul III <i>III degree</i>	3	15	29	39	51	63	72	80	84	89	92	97	125	164
De urmaș <i>Successor allowance</i>	503	517	562	581	585	599	615	629	642	653	663	668	672	672
Pensionari de asigurări sociale de stat <i>State social insurance pensioners</i>								3782	3924	4074	4246	4426	4535	4570
Pensionari de asigurări sociale - agricultori <i>Social insurance pensioners - farmers</i>	1007	1016	999	1139	1478	1587	1612	1649	1682	1713	1751	1767	1677	1572
Beneficiari de ajutor social <i>Social benefit pension type</i>	35	31	27	22	20	17	15	13	11	10	8	7	6	5
Pensionari I.O.V.R. <i>War invalids, orphans and widows pensioners</i>	67	66	65	62	58	54	50	46	42	37	35	33	30	27
Invaliditate <i>Invalidity</i>	16	17	19	19	17	16	15	14	12	11	11	10	9	8
De urmaș <i>Successor allowance</i>	51	49	46	43	41	38	35	32	30	26	24	23	21	19

Numele pensionarii asiguratei sociale de stat Number of state social insurance pensioners	Limită de vârstă / Age limit			Pensie anticipată Anticipated pension	Pensie anticipată parțial Partial anticipated pension	Invaliditate / Invalidity			De urmaș Successor allowance	Average monthly quantum of the pension (lei / person)	
	Total	din care: / of which:				Total	din care: / of which:				
		Cu stagiul complet de cotizare With due complete stage	Cu stagiul incomplet de cotizare With due incomplete stage				Gradul I I degree	Gradul II II degree			Gradul III III degree
4584796	3996736	2193954	862804	11282	102296	766471	30425	551816	184230	648149	Total
15063	11961	395	11566	1	15	388	20	243	125	3998	Under 400000
5414	4000	52	3548	-	800	129	6	81	42	485	400001 - 4500000
9387	4400	47	4363	-	2630	242	14	141	87	1115	4500001 - 5000000
18625	5275	66	5209	-	4463	379	9	251	119	8508	5000001 - 5500000
33469	6090	168	6422	-	5934	583	22	404	157	20382	5500001 - 6000000
30810	7803	1876	5927	-	5105	1006	36	650	320	15896	6000001 - 6500000
41924	8607	3639	5068	-	2692	1484	48	951	485	26241	6500001 - 7000000
35767	8349	4768	4581	-	1867	1512	48	997	457	23039	7000001 - 7500000
39658	9454	3602	3652	24	969	6796	53	992	4760	27066	7500001 - 8000000
42954	3266	1170	2096	57	619	3652	48	813	2791	33360	8000001 - 8500000
41632	2657	673	1884	24	630	11616	46	796	10135	47376	8500001 - 9000000
85752	3332	407	2845	11	550	13977	48	1151	12740	87982	9000001 - 9500000
118222	2619	392	2237	11	656	12851	49	1127	11684	102983	9500001 - 10000000
273166	5442	763	63649	43	1158	53849	157	18355	15337	143704	10000001 - 110000000
226320	136309	748	134461	42	1402	44627	193	33261	11204	46010	110000001 - 120000000
210500	150063	1176	148887	41	1818	37262	2048	24805	10409	21116	12000001 - 130000000
320641	265334	2081	263255	44	2328	49046	1649	39740	7486	13748	130000001 - 140000000
223334	116868	8458	108510	58	2713	93718	858	84454	8406	9656	14000001 - 150000000
149208	40266	14917	26349	110	3045	89263	1526	87379	9078	7674	150000001 - 160000000
114431	34215	26482	7723	105	3104	71377	2973	58571	9833	5630	16000001 - 170000000
90169	24611	18929	6288	118	3247	67056	5894	41196	6138	71099	160000001 - 170000000
87709	25872	21785	4187	128	3174	53752	4052	40199	9501	4883	18000001 - 190000000
79974	28266	25079	3193	131	3112	41907	2571	30770	8666	3658	190000001 - 200000000
76556	46146	43604	2542	111	3118	24892	1824	15463	7705	2189	20000001 - 210000000
99099	74070	71940	2130	96	3212	20533	1306	12831	6396	1998	210000001 - 220000000
262152	240955	239301	1654	83	3178	16930	1097	10489	5344	1006	22000001 - 230000000
262095	244285	242774	1491	112	3399	13051	825	8528	4199	748	23000001 - 240000000
187112	172390	171083	1227	149	3356	10670	503	6709	3458	627	24000001 - 250000000
162933	170291	169109	1092	228	3344	8553	412	5109	2732	507	25000001 - 260000000
177290	166407	165387	1020	315	3366	6810	321	4285	2204	392	26000001 - 270000000
144299	134929	134031	897	397	3182	5910	256	3452	1652	341	270000001 - 280000000
124624	116638	115683	755	514	2926	4262	224	2876	1362	284	280000001 - 290000000
175903	168895	168217	699	579	2732	3967	159	2232	1005	241	290000001 - 300000000
191461	178131	178655	1276	1616	3359	5947	383	3834	1730	398	30000001 - 325000000
149359	140125	139201	924	1586	3639	9521	291	2322	919	286	32500001 - 350000000
79917	73836	73161	676	1382	2416	2183	177	1800	476	160	35000001 - 375000000
47223	45144	42539	605	1000	1590	1370	94	1011	265	119	37500001 - 400000000
58906	50837	50120	718	1186	1767	1884	91	1515	278	131	40000001 - 450000000
31232	28890	28336	554	522	791	968	97	612	119	51	45000001 - 500000000
35271	22731	22029	702	383	629	1227	51	1041	135	91	50000001 - 750000000
2506	2246	2104	62	14	62	174	7	150	9	10	75000001 - 1000000000
1397	1182	1159	23	1	13	190	1	182	7	11	Over 100000000

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Pensia medie lunară (lei / persoană) <i>Average monthly pension (lei/person)</i>														
1602	3357	8759	27079	61370	80108	126842	259947	400489	688789	937170	1338851	1691184	1954642	<i>Social insurance pensions (excluding farmers) of which:</i>
1821	3621	9619	30185	68949	98847	142318	291521	453661	791763	1080050	1535718	1944341	2263087	<i>For age limit</i>
2180	3980	10812	33636	77960	111714	160886	328994	515885	914456	1238051	1757124	2219676	2647389	<i>With due complete stage</i>
1256	2901	7238	22988	50228	71337	101214	204998	303001	479580	657487	925779	1158602	1263271	<i>With due incomplete stage</i>
-	-	-	-	-	-	-	-	-	-	-	2377184	2912463	3092561	<i>With anticipated pension</i>
-	-	-	-	-	-	-	-	-	-	-	1346426	1487130	1747364	<i>With partial anticipated pension</i>
1420	2952	7523	23519	50662	71439	101463	204898	306959	531568	733509	1083965	1380317	1543966	<i>Invalidity</i>
1821	3748	9625	30330	64839	91912	131538	268875	402500	644569	917382	1333134	1623776	1767737	<i>I degree</i>
1396	2933	7589	23946	51883	73489	104668	211993	317927	549298	780322	1140056	1424710	1573794	<i>II degree</i>
958	2512	5731	17590	37693	53191	75473	150501	225689	409752	536606	774622	1128914	1401616	<i>III degree</i>
868	2362	5700	16315	36086	54122	79319	165084	241121	358366	458647	634729	809634	969930	<i>Successor allowance</i>
							254917	388228	669777	911321	1305121	1634945	1870402	
488	543	910	3874	12254	16460	26035	69113	103241	142935	188383	271651	343816	384893	<i>State social insurance pensions</i>
														<i>Social insurance pensioners - farmers</i>
715	1598	4649	13403	30206	42984	61554	124834	184645	275204	331381	435228	539425	587949	<i>Social benefits - pension type</i>
726	2160	5607	16516	36570	52940	77396	173944	260444	831295	1199498	1310501	1569260	1810314	<i>War invalids, orphans and widows pensioners</i>
1011	2459	6190	18740	41720	59034	84504	222387	338453	1407477	1916894	2058945	2457399	2868957	<i>Invalidity</i>
638	2052	5367	15569	34343	50325	74360	153602	228223	594847	891229	989483	1195768	1373332	<i>Successor allowance</i>
Pensia suplimentară de asigurări sociale fără agricultorii <i>Supplementary pension excluding farmers</i>														
201	236	730	3123	8470	15174	20281	38588	60382	-	-	-	-	-	<i>Monthly average pension (lei / person)</i>
2271	2717	2856	2945	3145	3310	3459	3603	3755	-	-	-	-	-	<i>Average number of beneficiary pensioners (thou persons)</i>

INDICII PENSIEI MEDII REALE A PENSIONARILOR DE ASIGURĂRI SOCIALE DE STAT ¹⁾
AVERAGE REAL PENSION INDICES OF STATE SOCIAL INSURANCE PENSIONERS ¹⁾

procente / percentage

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
1990	100,0	77,5	63,7	56,5	55,3	61,2	62,8	49,7	48,8	47,6	43,9	46,3	48,0	51,4
1991		100,0	82,1	72,8	71,2	78,9	80,9	64,1	63,0	61,4	56,6	59,8	61,9	66,3
1992			100,0	88,7	86,8	96,1	98,6	78,1	76,7	74,7	68,9	72,8	75,3	80,8
1993				100,0	97,8	108,3	111,1	88,1	86,5	84,2	77,7	82,0	84,9	91,1
1994					100,0	110,7	113,5	90,0	88,4	86,1	79,4	83,8	86,8	93,1
1995						100,0	102,6	81,3	79,8	77,7	71,7	75,7	78,4	84,1
1996							100,0	79,3	77,8	75,8	69,9	73,8	76,4	81,9
1997								100,0	98,1	95,6	88,2	93,2	96,4	103,4
1998									100,0	97,4	89,8	94,9	98,2	105,3
1999										100,0	92,2	97,4	100,8	108,1
2000											100,0	105,6	109,3	117,3
2001												100,0	103,5	111,0
2002													100,0	107,3

¹⁾ Inclusiv pensiile din sistemul Ministerului Apărării Naționale, Ministerului de Interne și Serviciului Român de Informații.

¹⁾ Including the pensions of the Ministry of National Defence, the Ministry of Interior and the Romanian Intelligence Office system.

ALOCAȚII ȘI ALTE AJUTOARE ACORDATE POPULAȚIEI
ALLOWANCES AND OTHER BENEFITS GRANTED TO THE POPULATION

milioane lei / million lei

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
De la bugetul de stat <i>From state budget</i>	22775	31400	57573	109329	364226	490666	636449	2939674	4588786	4900018	5294963	9000494	10645650	13318334
Alocații de stat pentru copii ¹⁾ <i>State allowances for children¹⁾</i>	17477	26190	52305	155725	359199	487912	636215	2932714	4544998	4794796	5148898	8776005	10631075	12630499
Ajutoare pentru soțiile de miliții în termen <i>Benefits for wives of conscripts</i>	15	23	43	116	355	323	234	400	396	357	217	161	5945	7775
Alocații de încadrare și plasament familial <i>Allowances for family placement</i>	-	-	-	-	-	-	-	-	42854	97127	136083	204098	254152	338282
Indemnizații la naștere <i>Birth indemnities</i>	297	162	137	87	39	21	-	-	-	-	-	-	-	-
Alocații pentru copii nou-născuți <i>Allowances for new-borns</i>	-	-	-	-	-	-	-	-	-	-	-	-	208881	260921
Ajutoare pentru mamele cu mai mulți copii <i>Benefits for mothers with several children</i>	4986	5025	5088	4992	4633	3310	-	-	-	-	-	-	-	-
Ajutoare de urgență <i>Priority benefits</i>	-	-	-	-	-	3	23	213	538	7738	9655 ²⁾	20220 ²⁾	25597 ³⁾	52845 ⁴⁾
De la bugetele locale <i>From local budgets</i>	-	-	-	-	-	70187	164804	149395	142993	151114	194183	174014	4231188	5703654
Ajutoare sociale <i>Social benefits</i>	-	-	-	-	-	67568 ⁵⁾	152868	126856	112405	105130	136703	117189	4205153	5624814
Indemnizații la naștere <i>Birth indemnities</i>	-	-	-	-	-	2435 ⁶⁾	10462	19104	26988	35362	39253	37354	9	9
Ajutoare de urgență <i>Priority benefits</i>	-	-	-	-	-	184	1254	3435	3600	9622	18197	18471	25025	78840

¹⁾ Inclusive alocația suplimentară pentru familiile cu copii. / Including supplementary allowance for families with children.

²⁾ Inclusive din Fondul Național de Solidaritate. / Including from Solidarity National Fund.

³⁾ Inclusive ajutorul financiar acordat în baza Legii nr. 366/2001 pentru aprobarea O.U.G. nr. 118/1999, privind înființarea și utilizarea Fondului Național de Solidaritate.

⁴⁾ Including financial aid granted based on Law no. 369/2001 approving the Government Emergency Ordinance no. 119/1999 on setting up and using the National Solidarity Fund.

⁵⁾ De la 1.08.1995 / Since 1.08.1995

⁶⁾ Începând din anul 2002, indemnizațiile la naștere au fost înlocuite cu "alocații pentru copii nou-născuți", plătite din bugetul de stat în baza Legii nr. 415/2001, privind venitul minim garantat.

⁷⁾ Starting 2002, birth indemnities were replaced with "allowances for new-borns", paid from the State Budget based on Law no. 415/2001 on the minimum guaranteed salary.

Unemployment registered by the INEM

Units: thousands persons

	2004M03	2004M06	2004M09	2004M12	2005M03	2005M06
TOTAL	2.181,5	2.054,1	2.050,5	2.112,7	2.144,8	1.974,9
MALES	882,2	814,9	822,2	878,0	863,2	758,5
FEMALES	1.299,3	1.239,2	1.228,3	1.234,7	1.281,7	1.216,3
16-24 years old. MALES	134,1	125,0	124,1	127,1	127,5	117,4
16-24 years old. FEMALES	166,1	150,7	145,4	141,7	151,9	138,0
25-44 years. MALES	440,4	394,5	402,6	438,1	426,9	357,4
25-44 years. FEMALES	761,7	715,5	709,9	709,3	733,4	677,5
45 years and over. MALES	307,7	295,4	295,5	312,7	308,8	283,7
45 years and over. FEMALES	371,5	373,0	373,0	383,7	396,4	400,8
TOTAL	2.181,5	2.054,1	2.050,5	2.112,7	2.144,8	1.974,9
Agrarian sector	53,7	52,2	49,2	50,3	56,5	57,6
Sector INDUSTRY	311,6	294,9	296,4	303,6	310,5	287,6
CONSTRUCTION	238,8	224,6	230,1	252,7	247,4	212,3
Sector SERVICES	1.306,4	1.218,4	1.224,2	1.264,8	1.308,2	1.185,7
Without previous job	271,0	264,1	250,7	241,4	222,3	231,7

1) Information source: Ministry of Labour and Social Affairs

Demand for jobs, offers, placements registered

Units: persons

	2004M03	2004M06	2004M09	2004M12	2005M03
DEMAND. Total	1.631.491	1.595.745	1.742.618	1.365.898	1.453.769
DEMAND. Males	886.006	846.764	913.914	721.290	777.560
DEMAND. Females	745.485	748.981	828.704	644.608	676.209
DEMAND. First job	290.007	320.279	336.782	251.341	260.919
DEMAND. Other than the first job	1.341.484	1.275.466	1.405.836	1.114.557	1.192.850
OFFERS REGISTERED	257.632	226.464	196.563	168.115	178.376
PLACEMENTS. Total	1.409.227	1.350.173	1.444.839	1.182.922	1.247.743
PLACEMENTS. Males	793.702	758.879	803.528	616.040	691.320
PLACEMENTS. Females	615.525	591.294	641.311	566.882	556.423
PLACEMENTS COMMUNICATED. Total	1.190.368	1.145.015	1.264.302	1.024.556	1.075.189
PLACEMENTS MANAGED. Total	218.859	205.158	180.537	158.366	172.554
PLACEMENTS. Agrarian sector	171.382	126.703	134.505	187.630	124.549
PLACEMENTS. Sector NON AGRARIAN	1.237.845	1.223.470	1.310.334	995.292	1.123.194
PLACEMENTS. Sector INDUSTRY	102.817	105.776	127.944	70.878	89.519
PLACEMENTS. CONSTRUCTION	234.971	202.282	237.244	139.888	208.294
PLACEMENTS. Sector SERVICES	900.057	915.412	945.146	784.526	825.381

1) Information source: Ministry of Labour and Social Affairs

Unemployment benefit recipients

Units: Persons and Rates

	2004M03	2004M06	2004M09	2004M12	2005M03	2005M05
BENEFIT RECIPIENTS	1.276.087	1.221.496	1.220.195	1.318.681	1.292.351	.
Contributory. Unemployment total	668.317	627.250	628.408	704.312	685.049	657.391
Contributory. Unemployment partial	97	181	220	215	198	213
Assistance. Temporary agrarian work	187.959	200.400	205.066	197.448	185.459	.
Assistance. Subsidy	386.342	348.598	338.386	379.560	385.297	364.232
GROSS unemployment coverage rate	62,4	62,8	62,7	67,1	65,7	.
NET unemployment coverage rate	73,5	73,8	73,1	77,6	76,1	.

1) Information source: Ministry of Labour and Social Affairs

Source: Monthly Statistics Bulletin. INE

Contracts registered by the INEM

Units: no. contracts

	2004M03	2004M06	2004M09	2004M12	2005M03	2005M06
Total contracts						
Total	1.420.641	1.391.623	1.475.755	1.223.322	1.307.345	1.566.969
Males	802.094	779.724	821.667	640.576	724.845	879.332
Females	618.547	611.899	654.088	582.746	582.500	687.637
Undefined						
Total	144.848	117.330	123.422	91.663	140.672	133.022
Males	81.452	64.832	64.262	48.970	77.992	73.864
Females	63.396	52.498	59.160	42.693	62.680	59.158
Temporary						
Total	1.275.793	1.274.293	1.352.333	1.131.659	1.166.673	1.433.947
Males	720.642	714.892	757.405	591.606	646.853	805.468
Females	555.151	559.401	594.928	540.053	519.820	628.479
Full time						
Total	1.105.414	1.081.356	1.118.969	934.084	1.007.878	1.208.459
Males	690.139	666.645	705.729	541.741	621.695	749.239
Females	415.275	414.711	413.240	392.343	386.183	459.220
Part time						
Total	315.227	310.267	356.786	289.238	299.467	358.510
Males	111.955	113.079	115.938	98.835	103.150	130.093
Females	203.272	197.188	240.848	190.403	196.317	228.417

Work permits for foreigners

Units: persons

	2003M01	2003M03	2003M06	2003M09	2003M12
Total					
TOTAL	24.175	26.445	14.158	14.187	10.730
Under 20 years old	680	680	735	599	530
20-24 years	4.073	4.179	2.228	2.315	1.750
25-54 years	19.127	21.248	10.983	11.067	8.271
55 and over	295	338	212	206	179
Males					
TOTAL	14.681	15.437	8.470	8.206	6.316
Under 20 years old	448	452	480	394	347
20-24 years	2.415	2.337	1.255	1.256	1.005
25-54 years	11.656	12.478	6.603	6.433	4.867
55 and over	162	170	132	123	97
Females					
TOTAL	9.494	11.008	5.688	5.981	4.414
Under 20 years old	232	228	255	205	183
20-24 years	1.658	1.842	973	1.059	745
25-54 years	7.471	8.770	4.380	4.634	3.404
55 and over	133	168	80	83	82

1) Information source: Ministry of Labour and Social Affairs

Unemployed classified by age group and sex

Units: Thousands of persons

Options:

Download as:



	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1	2005Q2
Both Genders						
UNEMPLOYED	2.287,2	2.227,2	2.180,9	2.159,2	2.099,5	1.944,7
From 16 to 19 years old	149,9	149,3	153,5	138,8	156,4	170,9
From 20 to 24 years old	390,3	386,7	384,6	368,0	375,6	337,2
From 25 to 54 years old	1.613,0	1.548,2	1.501,0	1.512,5	1.426,6	1.294,7
55 years and over	134,1	143,0	141,7	139,9	140,9	141,9
Males						
UNEMPLOYED	1.008,7	972,4	970,5	931,4	940,9	890,1
From 16 to 19 years old	79,0	79,5	90,3	72,6	85,8	85,5
From 20 to 24 years old	185,3	182,6	170,0	167,5	172,7	156,5
From 25 to 54 years old	666,5	630,2	631,2	604,4	603,5	562,3
55 years and over	77,9	80,1	79,1	86,9	78,9	85,7
Females						
UNEMPLOYED	1.278,5	1.254,8	1.210,3	1.227,8	1.158,7	1.054,6
From 16 to 19 years old	70,8	69,8	63,2	66,1	70,6	85,4
From 20 to 24 years old	204,9	204,1	214,6	200,5	202,9	180,7
From 25 to 54 years old	946,5	918,1	869,9	908,1	823,2	732,4
55 years and over	56,2	62,9	62,6	53,0	62,0	56,2

Unemployed classified by economic sectors and sex

Units: Thousands of persons

	2005Q1	2005Q2
Both Genders		
Total	2.099,5	1.944,7
Agriculture	107,2	110,7
Industry	180,6	165,0
Construction	168,6	147,0
Services	772,9	670,2
Searching for first job	256,8	258,1
Unemployed 1 year or more	613,5	593,7
Males		
Total	940,9	890,1
Agriculture	55,6	60,7
Industry	108,0	108,2
Construction	162,6	139,7
Services	297,6	263,8
Searching for first job	90,7	93,6
Unemployed 1 year or more	226,3	224,1
Females		
Total	1.158,7	1.054,6
Agriculture	51,6	50,0
Industry	72,6	56,8
Construction	5,9	7,4
Services	475,3	406,5
Searching for first job	166,2	164,5
Unemployed 1 year or more	387,1	369,5

Labour cost by worker and month, sectors, cost components

Units: euros, base 2000, %

	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1
Total									
Total cost									
Euros	1.919,03	1.988,83	1.942,03	2.119,69	1.985,91	2.052,23	1.990,59	2.177,50	2.044,77
Index	109,2	113,1	110,5	120,6	113,0	116,7	113,2	123,9	116,3
Rate	5,2	4,6	3,6	3,7	3,5	3,2	2,5	2,7	3,0
Total Cost of wages									
Euros	1.412,52	1.478,58	1.430,41	1.599,16	1.457,21	1.523,93	1.461,46	1.641,14	1.493,80
Index	106,5	111,5	107,8	120,6	109,9	114,9	110,2	123,7	112,6
Rate	4,9	4,2	3,1	3,3	3,2	3,1	2,2	2,6	2,5
Ordinary Cost of wages									
Euros	1.270,47	1.276,77	1.292,76	1.294,49	1.303,45	1.302,18	1.317,50	1.317,45	1.332,17
Index	109,5	110,1	111,4	111,6	112,4	112,2	113,6	113,6	114,8
Rate	3,4	3,2	2,7	2,5	2,6	2,0	1,9	1,8	2,2
Other costs									
Euros	506,51	510,25	511,62	520,53	528,70	528,30	529,13	536,36	550,97
Index	117,3	118,2	118,5	120,6	122,5	122,4	122,6	124,2	127,6
Rate	6,0	5,5	5,2	5,0	4,4	3,5	3,4	3,0	4,2

Labour cost by worker and month, sectors, cost components

Units: euros, base 2000, %

	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1
Industry									
Total cost									
Euros	2.148,97	2.278,41	2.228,89	2.421,29	2.241,36	2.339,63	2.300,94	2.503,57	2.322,23
Index	108,6	115,1	112,6	122,4	113,3	118,2	116,3	126,5	117,4
Rate	5,2	5,5	4,4	3,9	4,3	2,7	3,2	3,4	3,6
Total Cost of wages									
Euros	1.572,87	1.692,52	1.642,82	1.828,09	1.635,04	1.740,94	1.696,49	1.887,88	1.687,19
Index	105,7	113,8	110,4	122,9	109,9	117,0	114,1	126,9	113,4
Rate	5,0	5,1	3,7	3,7	4,0	2,9	3,3	3,3	3,2
Ordinary Cost of wages									
Euros	1.413,40	1.431,43	1.442,51	1.442,01	1.457,87	1.466,43	1.481,70	1.474,95	1.493,25
Index	110,1	111,5	112,3	112,3	113,5	114,2	115,4	114,8	116,3
Rate	3,0	3,4	2,5	2,4	3,1	2,4	2,7	2,3	2,4
Other costs									
Euros	576,10	585,89	586,07	593,20	606,32	598,69	604,45	615,69	635,04
Index	117,2	119,2	119,3	120,7	123,4	121,8	123,0	125,3	129,2
Rate	6,0	6,8	6,3	4,6	5,2	2,2	3,1	3,8	4,7

Labour cost by worker and month, sectors, cost components

Units: euros, base 2000, %

	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1
Construction									
Total cost									
Euros	1.761,32	1.939,62	1.850,13	2.058,30	1.867,47	2.045,89	1.951,86	2.140,80	1.926,59
Index	107,9	118,8	113,3	126,0	114,4	125,3	119,5	131,1	118,0
Rate	6,0	6,3	6,4	6,3	6,0	5,5	5,5	4,0	3,2
Total Cost of wages									
Euros	1.228,79	1.388,82	1.295,10	1.491,75	1.292,95	1.445,84	1.354,31	1.537,40	1.323,49
Index	103,3	116,8	108,9	125,4	108,7	121,6	113,9	129,3	111,3
Rate	5,1	4,9	5,1	5,1	5,2	4,1	4,6	3,1	2,4
Ordinary Cost of wages									
Euros	1.192,38	1.203,32	1.218,74	1.234,99	1.242,14	1.250,60	1.269,70	1.271,97	1.268,47
Index	111,7	112,7	114,2	115,7	116,4	117,2	118,9	119,2	118,8
Rate	4,3	4,1	4,2	3,8	4,2	3,9	4,2	3,0	2,1
Other costs									
Euros	532,53	550,80	555,03	566,55	574,52	600,05	597,55	603,40	603,10
Index	120,0	124,1	125,1	127,7	129,5	135,2	134,7	136,0	135,9
Rate	8,2	10,1	9,4	9,6	7,9	8,9	7,7	6,5	5,0

Labour cost by worker and month, sectors, cost components

Units: euros, base 2000, %

	2003Q1	2003Q2	2003Q3	2003Q4	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1
Services									
Total cost									
Euros	1.872,61	1.901,69	1.866,14	2.032,15	1.927,43	1.962,15	1.901,48	2.081,75	1.983,61
Index	110,2	111,9	109,8	119,6	113,4	115,5	111,9	122,5	116,7
Rate	5,0	4,0	2,9	3,3	2,9	3,2	1,9	2,4	2,9
Total Cost of wages									
Euros	1.395,08	1.425,09	1.387,48	1.544,62	1.433,16	1.470,72	1.409,52	1.583,78	1.468,99
Index	108,0	110,3	107,4	119,5	110,9	113,8	109,1	122,6	113,7
Rate	4,8	3,9	2,6	3,0	2,7	3,2	1,6	2,5	2,5
Ordinary Cost of wages									
Euros	1.237,58	1.239,85	1.258,29	1.257,44	1.266,00	1.260,38	1.275,70	1.276,71	1.295,67
Index	109,4	109,6	111,2	111,1	111,9	111,4	112,8	112,9	114,5
Rate	3,5	3,0	2,7	2,5	2,3	1,7	1,4	1,5	2,3
Other costs									
Euros	477,53	476,60	478,66	487,53	494,27	491,43	491,96	497,97	514,62
Index	117,3	117,1	117,6	119,7	121,4	120,7	120,8	122,3	126,4
Rate	5,6	4,1	4,0	4,5	3,5	3,1	2,8	2,1	4,1

Labour Cost per worker and month by NACE-93 sections and cost components

Units: euros

	2004Q1	2004Q2	2004Q3	2004Q4	2005Q1
Total					
Total Cost of wages	1.457,21	1.523,93	1.481,48	1.641,14	1.493,80
C. Mining and quarrying					
Total Cost of wages	1.780,12	1.939,56	1.807,96	2.067,13	1.826,28
D. Manufacturing industry					
Total Cost of wages	1.590,80	1.699,41	1.666,55	1.854,22	1.643,85
E. Production and distribution of electrical energy, gas and water					
Total Cost of wages	2.815,61	2.828,37	2.499,25	2.766,40	2.871,92
F. Construction					
Total Cost of wages	1.292,95	1.445,84	1.354,31	1.537,40	1.323,49
G. Commerce and Repairs					
Total Cost of wages	1.263,73	1.299,97	1.254,40	1.423,98	1.293,41
H. Catering					
Total Cost of wages	917,29	975,48	1.006,43	1.101,44	948,65
I. Transport, storage and communications					
Total Cost of wages	1.769,96	1.730,72	1.672,77	1.809,17	1.793,54
J. Financial intermediation					
Total Cost of wages	3.403,45	2.882,10	2.777,79	3.100,18	3.671,31
K. Real estate and rental activities; business services					
Total Cost of wages	1.351,23	1.388,35	1.378,05	1.504,80	1.357,24
F. Education					
Total Cost of wages	1.238,08	1.470,30	1.357,17	1.534,38	1.305,80
N. Health and veterinary activities, social services					
Total Cost of wages	1.589,82	1.849,39	1.609,99	1.912,49	1.621,89
O. Other social activities and services provided to the community; personal services					
Total Cost of wages	1.218,19	1.300,67	1.247,03	1.381,51	1.230,94

