



## POLICY NOTE

### CASH SOCIAL ASSISTANCE BENEFIT NON-TAKE-UP IN LITHUANIA

Vitalija Gabnytė, Tautvydas Vencius

*Ministry of Social Security and Labour<sup>1</sup>, Lithuania*

#### INTRODUCTION

The right to adequate minimum income benefits is one of the 20 key principles under the European Pillar of Social Rights (EPSR), launched in 2017, to support fair and well-functioning labour markets and welfare systems in Member States. Specifically, Principle 14 states that “Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services”<sup>2</sup>. However, many people do not receive the social benefits to which they are entitled and this is the common issue across the EU<sup>3</sup>.

In order to ameliorate social protection policies in Lithuania and improve targeted and effective cash social assistance (CSA), as well as to ensure better use of public funds, a reform of the CSA system was envisaged in 2011 and launched in 2012 with the primary aim to enhance motivation among working-age population to integrate into the labour market and reduce long-term welfare dependency, risks of benefit traps and CSA abuse by providing assistance to those who need it most.

Lithuania in February 2019 held a Peer Review on “Ensuring adequate assistance for those most in need (Minimum Income)”. The Peer Review underlined some of the positive aspects of the Lithuania CSA decentralization reform which included the close collaboration of various local level stakeholders, including social workers, and the active involvement of local community members in the decision-making process. **Although, as it was pointed out, the risk that the larger discretionary power of municipalities, if not exercised carefully, may lead to larger non-take-up of social rights.**

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<sup>1</sup> Project no. 10.1.1-ESFA-V-912-01-0019 “Establishment of a system for forecasting, deciding, coordinating and monitoring the effectiveness of social assistance policies“ and Financial Social Assistance and Housing Unit.

<sup>2</sup> [https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles\\_en](https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights/european-pillar-social-rights-20-principles_en)

<sup>3</sup> <https://www.eurofound.europa.eu/publications/report/2015/social-policies/access-to-social-benefits-reducing-non-take-up>

Benefit non-take-up is a widespread problem, unfortunately, there are no calculations or studies on this topic in Lithuania. Navicke (2015)<sup>4</sup> in her doctoral dissertation analysed coverage of the social assistance by those who are in need of assistance (people below poverty line of 60% median and reporting in SILC having “big difficulty” making end meet (self-employed people were excluded) in Lithuania. Results showed, that based on 2013 SILC (Survey of Income and Living Conditions) data, 57% of those in need of social assistance received cash social assistance.

Other countries are looking for ways how to identify benefit non-take-up. One way is to use administrative data and identify those who are eligible for the benefit. Another possible way is to use microsimulation to establish non-take-up rates of various benefits and for particular groups. To do this, EU tax-benefit microsimulation model EUROMOD can be used. For instance, some countries (Estonia, Finland, Belgium, Greece, etc.) with EUROMOD help, apply different calculations in order to show partial benefit take-up. The purpose of this policy note is to present the results of cash social assistance benefit non-take-up in Lithuania using EUROMOD. It is worth to mention that, since the reform of CSA system, municipalities has a discretionary power to decide who are entitled to the CSA benefit. The territory factor is important for the benefit non-take-up, but due to data (SILC) limitations we are unable to analyse this at the municipality level.

This policy note goes as follows: first we introduce the CSA system reform in Lithuania, second, using EUROMOD and SILC data, we identify eligible people to CSA benefit and analyse what are the CSA benefit non-take-up rates in Lithuania. Estimates will be made and presented in the general population and in the selected 5 household types: single persons, lone parents, 2 adults without children, 2 adults with 1-2 children and 2 adults with 3 and more children. For the CSA benefit non-take-up, data for the following years will be analysed, covering the pre-economic crisis, economic crisis and economic crisis recovery period (2007-2016). For the household decomposition by CSA benefit non-take-up 2016 data is being used.

## **CSA SYSTEM REFORM IN LITHUANIA**

The CSA reform covered the period from 2012 to 2015. Its main elements: the transfer of independent responsibility for CSA provision to the municipalities and the introduction of measures promoting labour market (re)integration among working-age CSA recipients. The autonomous function on CSA has been transferred to the municipalities due to the fact that at a lower

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<sup>4</sup> Navickė, J. (2015). The role of cash social benefits in poverty reduction in Lithuania: Discipline, redistribute, include, invest (Doctoral dissertation, Vilnius University).

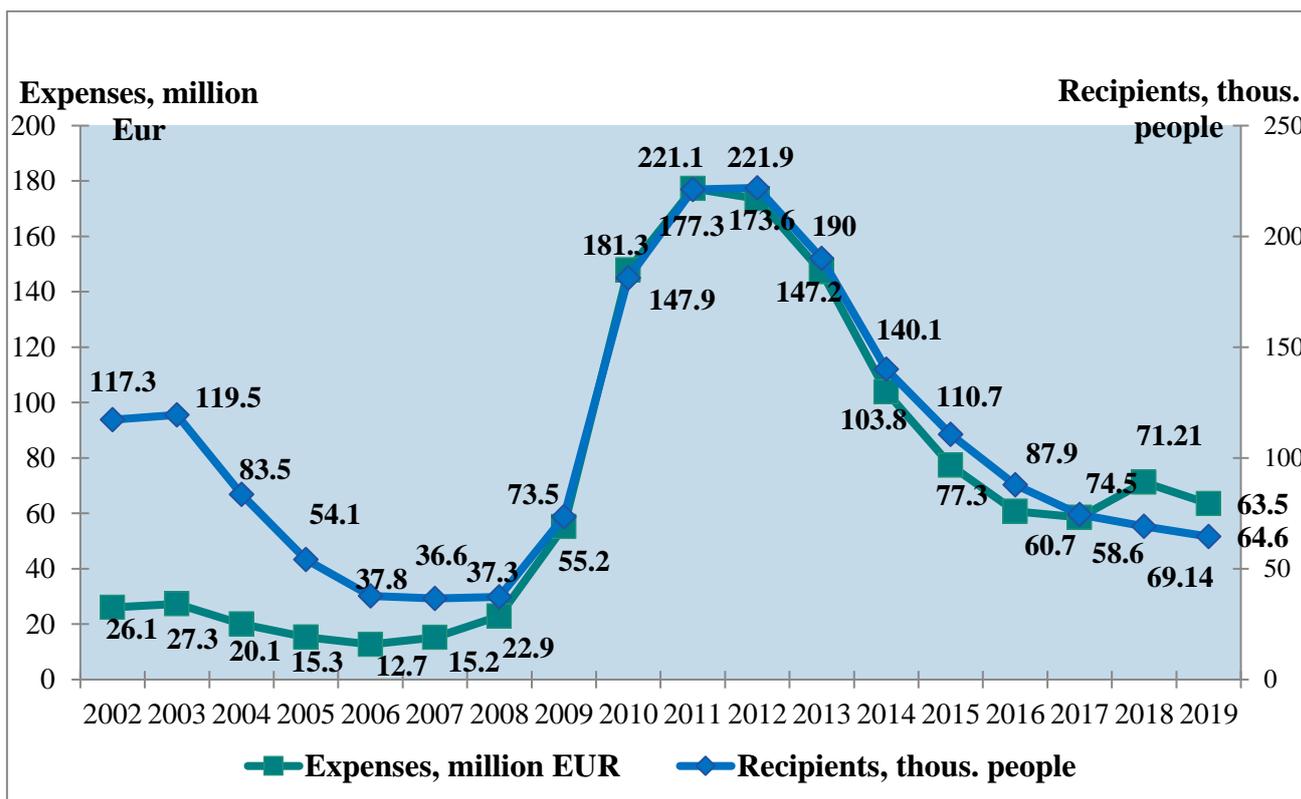
regional level it is possible to better target social assistance and identify persons who are eligible or ineligible for this benefit.

In 2012, the principles of the CSA reform were first implemented in five municipalities and, after assessment of results, extended to all municipalities in 2015. Statistical indicators and the material provided by the municipalities suggest that the implementation of the CSA reform led to a considerable reduction in the number of CSA recipients, an increase in the level of CSA benefits, better targeting of CSA, growing possibilities to provide more and varied social services at local level, and more active inter-agency collaboration. Particular attention should be drawn to gradually increasing (financial) incentives for CSA recipients to (re)enter the labour market through employment or temporary economic activities and thus abstain from the shadow labour market.

Since the CSA reform implementation, there was a considerable decline in the number of CSA recipients (see Picture 1). The number of social benefit recipients decreased three times from 221 900 to 74 500 or by more than 66% from 2012 to 2017 and the expenditure for social benefit decreased accordingly. In addition, the number of compensations for heating, hot and drinking water expenses recipients decreased by more than 50% - from 198 800 thousand in 2012 to 97 300 thousand in 2017. In addition to this, expenditure for compensations for heating, hot and drinking water expenses decreased by almost 68%<sup>5</sup>.

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<sup>5</sup> Source: Ministry of Social Security and Labour



**Picture 1.** Annual average number of recipients (thous.) and expenditure (million euro for social benefits in Lithuania in 2002-2019\*. Source: Ministry of Social Security and Labour

*\*Note: before economic crisis period (2006-2008), the annual average number of CSA recipients was around 1.1-1.2% of the total population; during economic crisis period (2009-2012) – the share was more than 7%; in 2016, after the implementation of CSA system reform, it was around 3% of the total population and the share of CSA recipients is still decreasing.*

Of course, the number of CSA recipients was declining during the economic recovery of the country and due to decreasing unemployment levels. However, it is noteworthy that because of the changes made during the reform a lot of people may have decided not to seek support due to stricter regulation. Another issue for the drastic decline of the CSA recipients may be due to municipalities aim to save money from cash social assistance in order to increase fund for other social needs. The municipalities have no obligation to repay funds not used for the cash social assistance to the state budget. Since 2018 municipal budget funds not used for calculation and payment of cash social assistance must be used by the municipalities only and for other social purposes, like: implementation of social rehabilitation and integration measures for persons (families) at social risk; development of family and community support to children, disabled, elderly and their families; financial support to reduce poverty and social exclusion; prevention of violence, suicide, addiction, trafficking; social integration of disabled; development of communities and non-governmental organizations and the implementation of their social programs; implementation of employment

promotion programs; municipal and social housing fund development, reconstruction and repair; to finance social services measures, to modernise and implement their infrastructure; to improve social services workers work conditions and to increase their wages; to increase the wages of social benefit specialists working in the municipal administration. The Ministry of Social Security and Labour carrying out monitoring of the implementation of the Law on cash social assistance for poor residents is conducting analysis of the use of funds that were not used for cash social assistance.

## CSA BENEFIT NON-TAKE-UP IN LITHUANIA

As it was mentioned before, there are various ways to identify benefit non-take-up. Looking at the Lithuanian case, it is possible to identify those who are eligible, but do not receive CSA. It is possible to do this by looking at original SILC (Survey of Income and Living Conditions) data and simulated EUROMOD data. With some limitations described below we estimate the non-take-up with an assumption that those who receive CSA only in the simulated (EUROMOD) data, but not in the original (SILC) data may be considered as those who do not take CSA. The CSA benefit non-take-up here is defined the same as the Matsaganis et al. (2010)<sup>6</sup> describes: benefit non-take-up is a share of entitled non-receivers compared with the sum of entitled receivers and entitled non-receivers. There are some constrains using survey data for the CSA benefit non-take-up analysis.

First of all, the problem of representativeness of the targeted (CSA recipients) group. Table 1 presents the results for 2016 by household type comparing Ministry of Social Security and Labour (MSSL) data with the SILC data.

**Table 1.** Total annual number of CSA recipients in 2016 in Lithuania comparing Ministry of Social Security and Labour data with SILC data. Source: own calculations.

Household type	MSSL data	SILC	Diff. (MSSL data/SILC)
<b>Single person</b>	58425	39354	148%
<b>Lone parent</b>	37216	48925	76%
<b>2 adults without children</b>	12348	20282	61%
<b>2 adults with 1-2 children</b>	37640	57193	66%
<b>2 adults with 3 or more children</b>	30851	31998	96%
<b>Total annual number of CSA recipients</b>	176480	197752	89%

<sup>6</sup> Matsaganis, M., Levy, H., & Flevotomou, M. (2010). Non-take up of social benefits in Greece and Spain. *Social Policy & Administration*, 44(7), 827-844.

*\*Note: MSSL data – Ministry of Social Security and Labour data; SILC – Survey of Income and Living Conditions.*

As it can be seen, almost all CSA recipients by household type (except single person household) are overrepresented in the SILC data. This data mismatch may be because SILC representativeness is for the total population in Lithuania. The CSA recipients' population is small (in 2019, it consisted 2.6% of the total population) and when we decompose those recipients by household type, data mismatch becomes possible.

Also, there are differences in definitions, i.e. average annual number of CSA recipients *versus* total annual number of CSA recipients. In the SILC data we get annual CSA recipients number. This means, that, as it was mentioned before, income test is applied every 3 months in order to get CSA benefit. Even if the person got this benefit for the short time period, in the SILC data we get average monthly benefit for the 12 months. It is not possible to find out for how long CSA benefit recipient got this benefit. Ministry of Social Security and Labour usually use average annual number of the CSA recipients (see Picture 1).

Third constrain for the CSA benefit non-take-up is related with the simulations. First of all there are some limitations to include and simulate all the CSA benefit entitlement rules. These rules are complicated and because of the data constrains we are unable to identify all people who are entitled or unentitled to this benefit. Table 2 (see below) shows the mismatch between original data and simulated data. Also, widespread shadow economy not only between household disposable incomes, but also for remittances. Using SILC data we are unable to know the real number and sum of remittances. To solve this (shadow income) issue, we are using EUROMOD tax compliance adjustment. This adjustment compares people income from the survey (which they presented) and from the registry data. If the incomes from those two sources mentioned before do not match, we remove potential CSA benefit recipients from the CSA benefit system. This is a strict condition, but it helps a little to solve shadow income problem.

Keeping in mind all those constrains, it is still possible to analyse what could be approximate CSA benefit non-take-up rate in Lithuania. Table 2 (see below) presents benefit non-take-up results for 2016 by household type.

**Table 2.** *Total annual number of CSA benefits recipients by household type and CSA benefit non-take-up in Lithuania in 2016. \* Source: own calculations.*

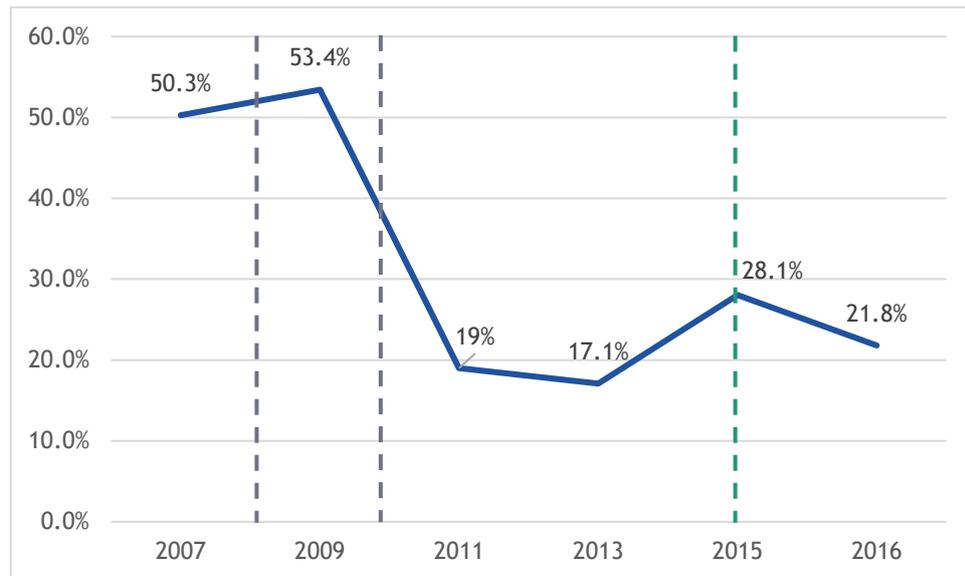
Household type	SILC (a)	EM	Only EM (b)	CSA benefit non-take-up (c= b/(a+b))
Single person	39354	27633	17398	31%

<b>Lone parents</b>	48925	62280	31061	<b>39%</b>
<b>2 adults without children</b>	20282	5415	1258	<b>6%</b>
<b>2 adults with 1-2 children</b>	57193	21711	5875	<b>9%</b>
<b>2 adults with 3 or more children</b>	31998	12489	404	<b>1%</b>
<b>Total annual number of CSA recipients</b>	197752	129528	55996	<b>22%</b>

*\*Note: For the EUROMOD simulations tax compliance adjustment was used. Years refer to income year.*

Results show that the total CSA benefit non-take-up in Lithuania in 2016 (using tax compliance adjustment) is about 22%. Also, table 2 shows the match between SILC and EM. It shows that simulations are problematic due to complexity of the CSA benefit rules. We simulate less than there are in SILC, which means that the CSA benefit non-take-up should be evaluated keeping in mind all previously mentioned constrains. Biggest CSA benefit non-take-up rate is between two household types: single person and lone parents. This non-take-up may be for various reasons: 1) those people could not apply for CSA, because household income is tested every 3 months in order to get CSA; 2) household income are slightly higher than the income test boundary; 3) due to widespread shadow economy, people do not seek to get CSA because of the control factors (municipality has a right to check household income, the situation in the household, to ask those who are able to work, but not working (officially) to register within the employment office, etc.). Lone parents and single persons benefit non-take up rate may be high because of the above mentioned rules, that social services apply: since the family has a right to CSA benefit, social services has a right to do an inspection at the recipients house and if they notice, that lone mother (or father)/ single person do not live alone (has a partner) and did not update the social services for the new circumstances that arise, they may lose the CSA benefit. It is noteworthy, that these are results for the CSA benefit non-take-up for 2016, when using EUROMOD we make tax compliance adjustment.

It is important to look at the dynamics of CSA benefit non-take-up in Lithuania in 2007-2016 period. Picture 2 presents the results. To make data for 2007-2016 comparable, we do not apply tax compliance adjustment for the 2016.



**Picture 2.** CSA benefit non-take-up in Lithuania in 2007-2016, %\*. Source: own calculations.

\*Note: Years refer to income year. For 2016 CSA benefit non-take-up is calculated without tax compliance adjustment. Gray dotted lines shows the year when there were methodological changes in the Lithuanian SILC methodology (between 2007 and 2009) and changes in the total resident number after the population census (between 2009 and 2011), light green line shows CSA system reform.

Results show that during pre-economic crisis (2007-2009) period benefit non-take up rate was high – over 50%. This means, that the share of those who got CSA benefit only after simulations was larger than the share of CSA benefit recipients in the SILC data. Also, there were methodological changes in Lithuanian SILC data collection between 2007 and 2009. Since then, Statistics Lithuania started to collect information about person (household) income from the registry data (before that they collect information about income from the respondent and used registry data for the imputations or additional information). The high benefit non-take-up rate may also be due to low benefit amount for one person. Table 3 presents maximum CSA benefit amount for one person per month and the relation with the minimum wage at that time.

**Table 3.** Maximum CSA benefit amount for one person per month, EUR and the ratio to minimum wage at the time during 2007-2016 in Lithuania\*. Source: own calculations.

Year	SSI	Ratio to MMS
2007	59	34%
2008	83	36%
2009	101	58%
2010	101	58%
2011	101	58%
2012	101	58%
2013	101	35%
2014	101	35%
2015	102	31%

<b>2016</b>	102	29%
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*\*Note: SSI – state supported income (maximum amount of CSA benefit for one person); MMS – monthly minimum wage. Till 2015, Lithuanian currency was Litas. Currency exchange rate to Euro calculations were made for the SSI, MMS sizes for 2007-2014 (were 1 EUR = 3.45 Litas).*

Results show, that during pre-economic crisis period maximum amount for CSA benefit per month for one person is around 34-36% compared with MMS. This ratio may result that the CSA benefit amount is relatively low and it gets lower as your income gets higher. The minimum wage was also substantially lower compared to the average wage.

Since 2009, during the economic crisis period, CSA benefit non-take-up rate dropped down, and reached 17-19 %. That kind of benefit non-take-up reduction may also be because of the previous mentioned methodological changes in Lithuanian SILC (weights for the population were corrected due to population census data in 2011), but also this may be because of the reduced stigma in the context of the economic crisis, that the right to this kind of benefit get those who do not want to work or are families at the social risk. Also, during economic crisis period, the unemployment rate was high in Lithuania, which means that household income decreased and more people became entitled to this benefit. In addition to this, the CSA benefit amount increased since 2009 and it was 58% of MMS size of that time (see Table 3).

2015 can be considered as a start of an economic crisis recovery period. Also, in 2015, as it was mentioned before, CSA system reform was implemented in Lithuania and this reform gave higher rights for the municipalities to decide who are entitled to the CSA benefit. Picture 2 shows, that in 2015, benefit non-take-up was 28% and in 2016 the benefit non-take-up rate was reduced by 6.3 p.p. The reduction may be due to the CSA system reform, because municipalities can better monitor provision of support for those who needs it. The dynamics of CSA benefit non-take-up is as it was expected, i.e. high non-take-up rate before and at the onset of economic crisis, decreased non-take-up thereafter and increase/ stabilize for the CSA system reform years and as an economy recovers again.

## **CONCLUSIONS**

There is no methodology of how to evaluate benefit non-take-up rate in Lithuania. This policy note, keeping in mind all previously mentioned constrains, tried briefly estimate what could be approximate CSA benefit non-take-up in Lithuania. For this evaluation SILC data and EUROMOD simulations were used. There is a way to improve this evaluation by using administrative data. At this time, Ministry of Social Security and Labour is in the process to get administrative income data.

However, administrative data has its own constraints, too (incomes are visible only from the registry data, that is why shadow economy and remittances are not visible, etc.).

The dynamics of CSA benefit non-take-up is a reverse picture of the annual average recipients of CSA benefit (see Picture 1). While there is a small number of CSA benefit recipients, benefit non-take-up rate is high and *vice versa*. One of the reasons why benefit non-take-up rate before economic crisis period was high is that not all who were entitled to this benefit apply to get it. This may be due to shadow economy and due to the existing stigma for those who receive this benefit, relatively low maximum CSA benefit amount per month and the number of CSA benefit recipients was not high.

During economic crisis period, CSA benefit non-take-up decreased and the number of recipients - increased. This may be the result of the high unemployment rate, increased maximum CSA benefit amount for one person during this period and also due to reduced stigma for the CSA benefit recipients, because during that time to get help did not show that you or your family have a lack of social skills, or you get this benefit to profit.

After economic crisis period CSA benefit non-take up is a slightly higher than during the economic crisis period, but the number of the CSA recipients decreased. This may be due to before mentioned shadow economy, still existing social stigma for the CSA benefit recipients and also this could be due to municipalities' discrepancy to decide who is entitled to this benefit. Unused funds for cash social assistance may be used for other social purposes (see above), which also may be the issue why not everyone who has a right for this benefit get it.

The analysis of CSA benefit non-take-up for 2016 showed, that there are two types of households, where more than one third of that kind of household population are entitled, but do not get this benefit. It is single person and lone parent households. It is important to pay attention at the analysis limitation due to data restrictions (CSA benefit recipients representativeness problem, shadow economy, annual average benefit data, etc.), but results show, that CSA benefit non-take-up in Lithuania may be around 22% which means, that almost one fifth of those who are entitled to this benefit, do not get it for various reasons.