



# OECD ECONOMIC SURVEY OF LITHUANIA 2018

*Promoting inclusive growth*

Vilnius, 5 July 2018

<http://www.oecd.org/eco/surveys/economic-survey-lithuania.htm>



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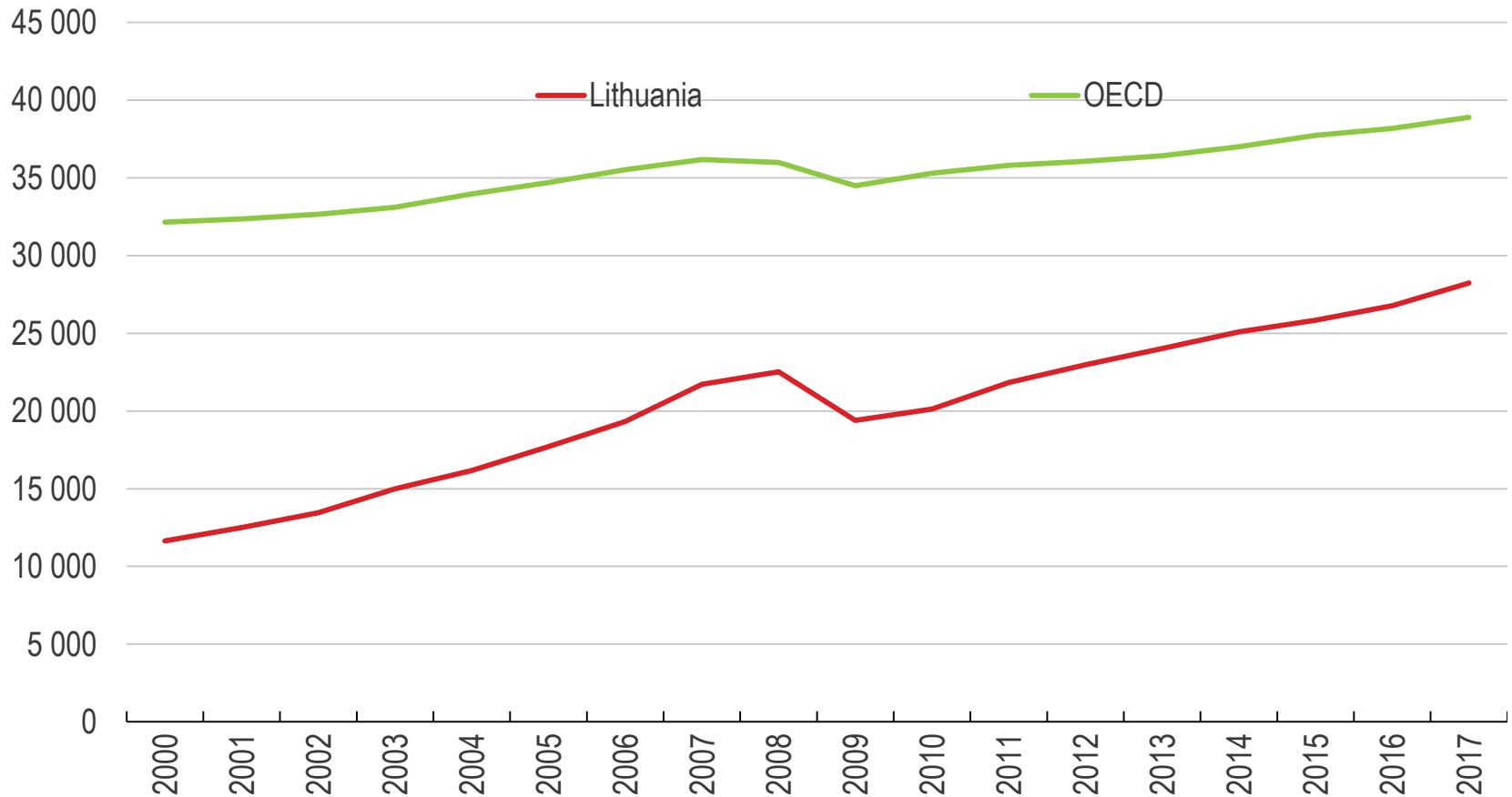


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# Incomes are converging

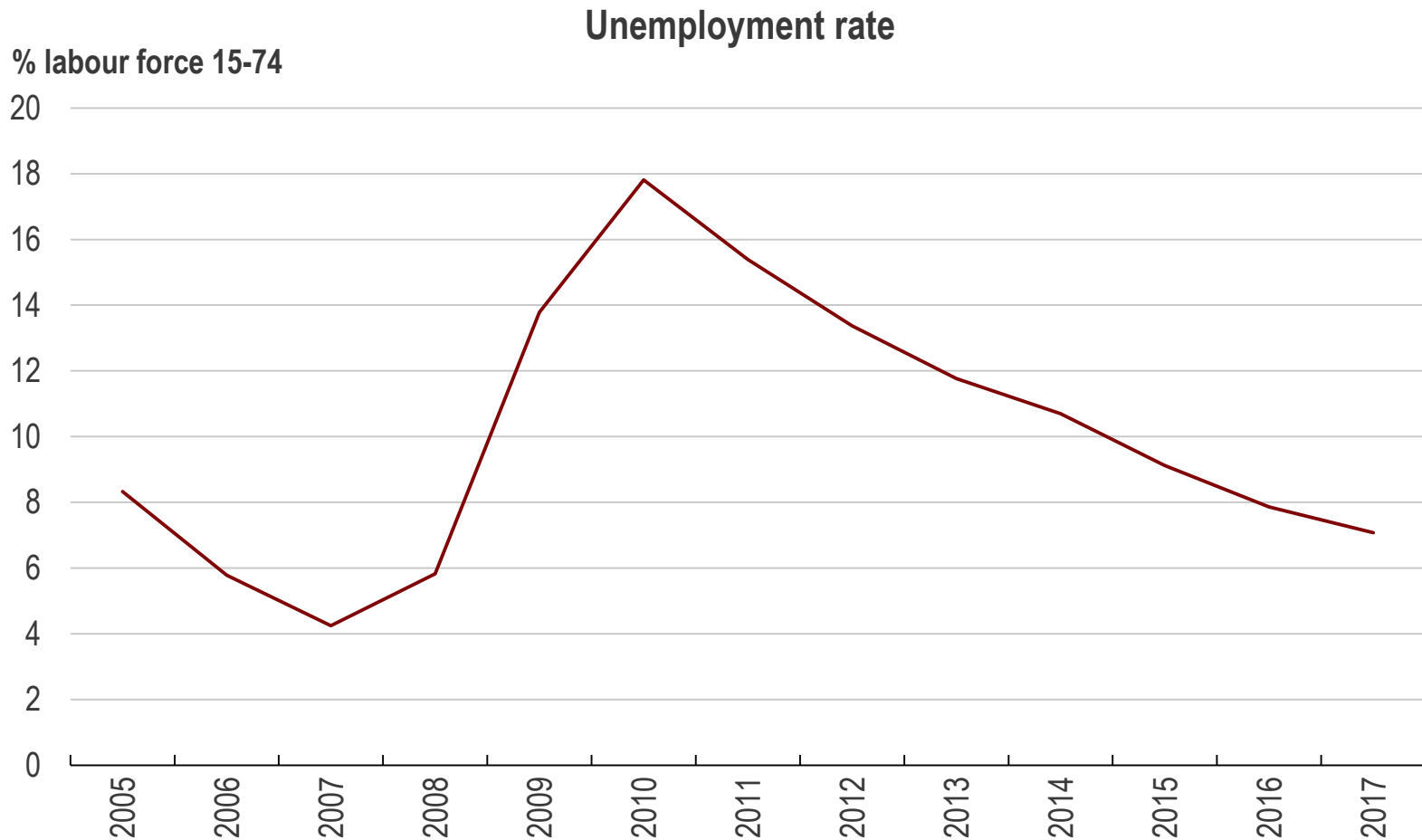
GDP per capita, 2010 USD PPP



Source: OECD Economic Outlook database.



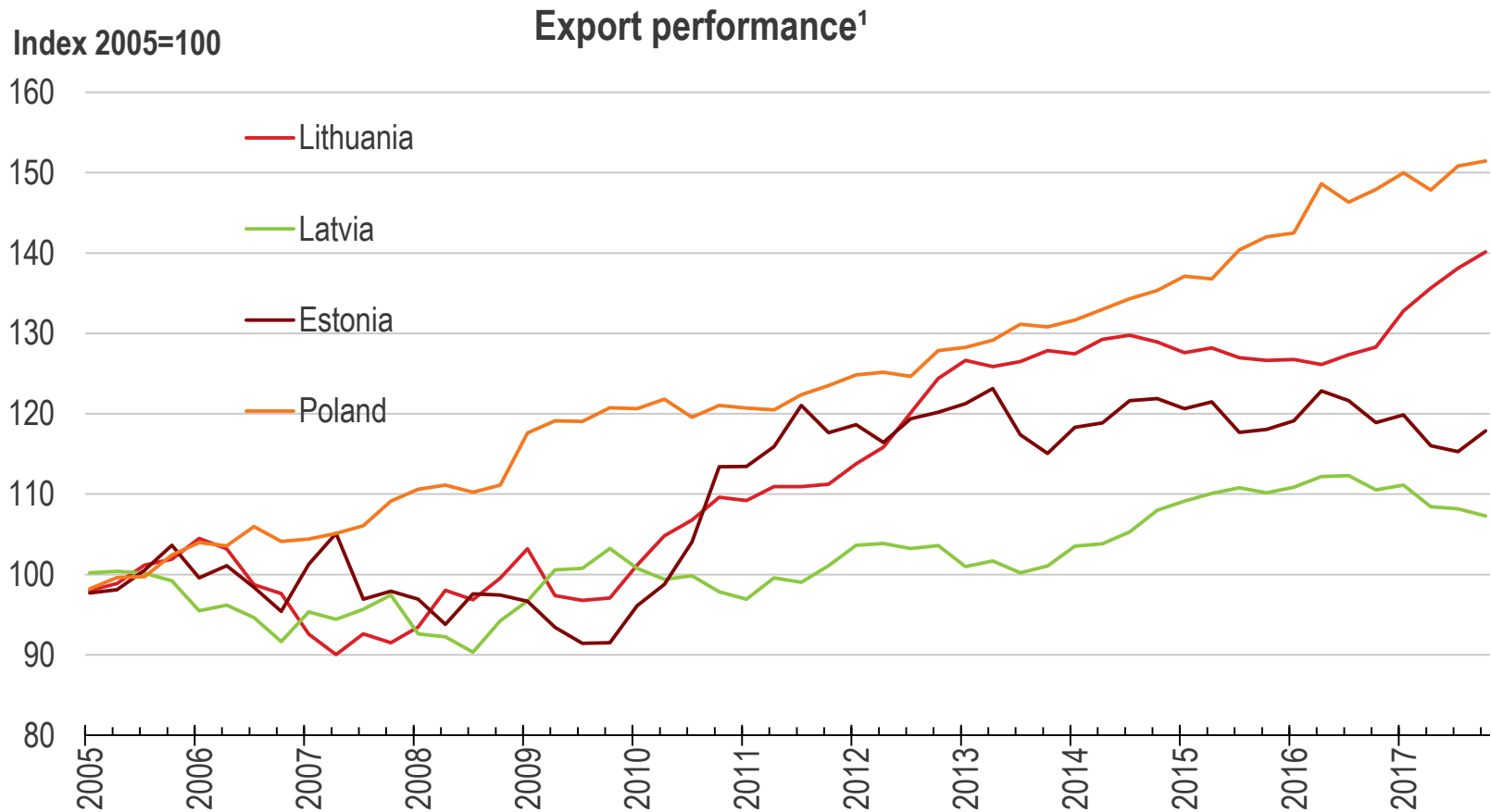
# Unemployment is declining



Source: OECD Labour force statistics database.



# Export performance is robust

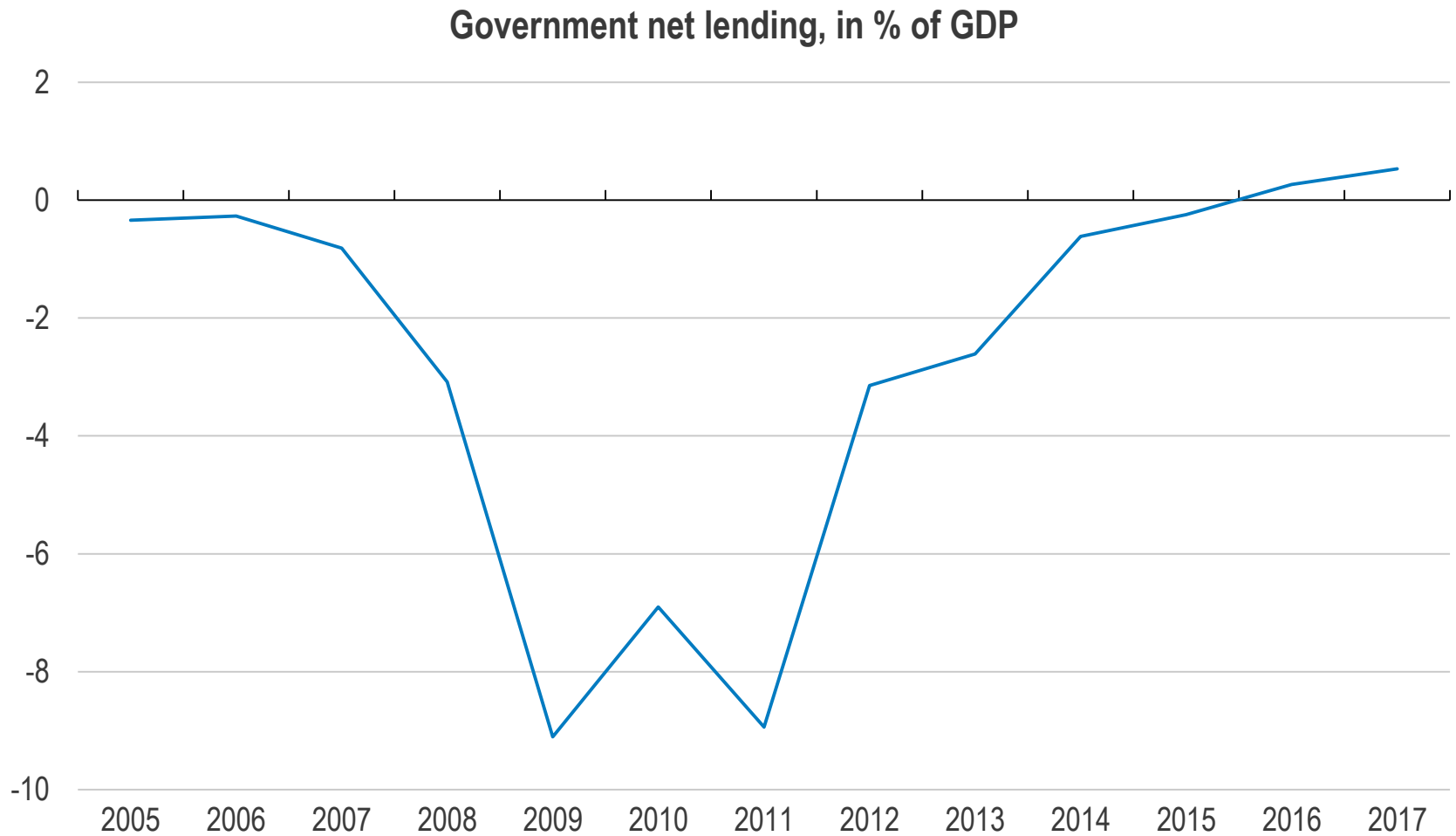


1. Export performance is measured as actual growth in exports relative to the growth of the country's export market, which represents the potential export growth for a country assuming that its market shares remain unchanged.

Source: OECD Economic Outlook database.



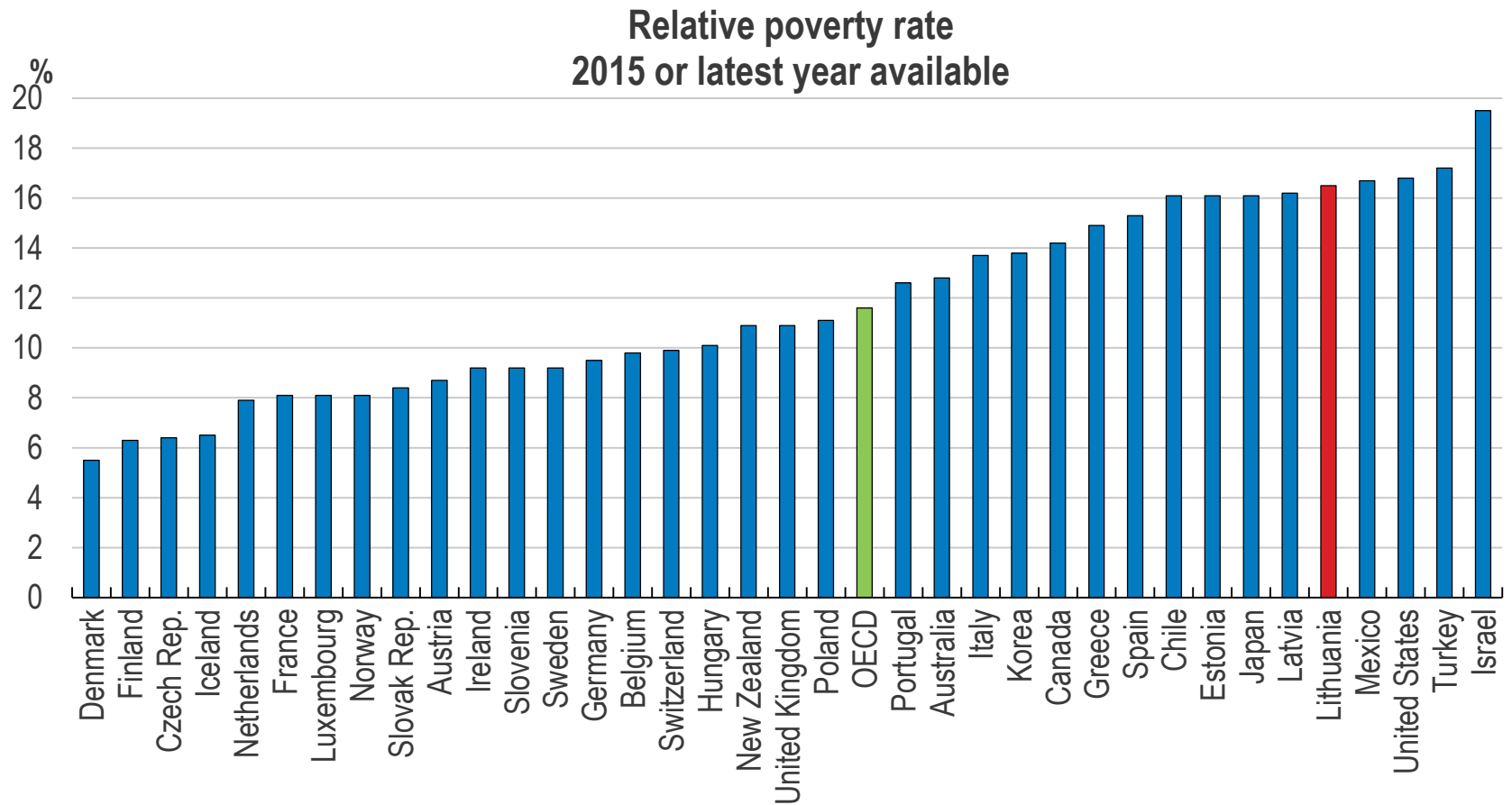
# The budget is now in surplus



Source: OECD Economic Outlook database.



# Poverty remains high

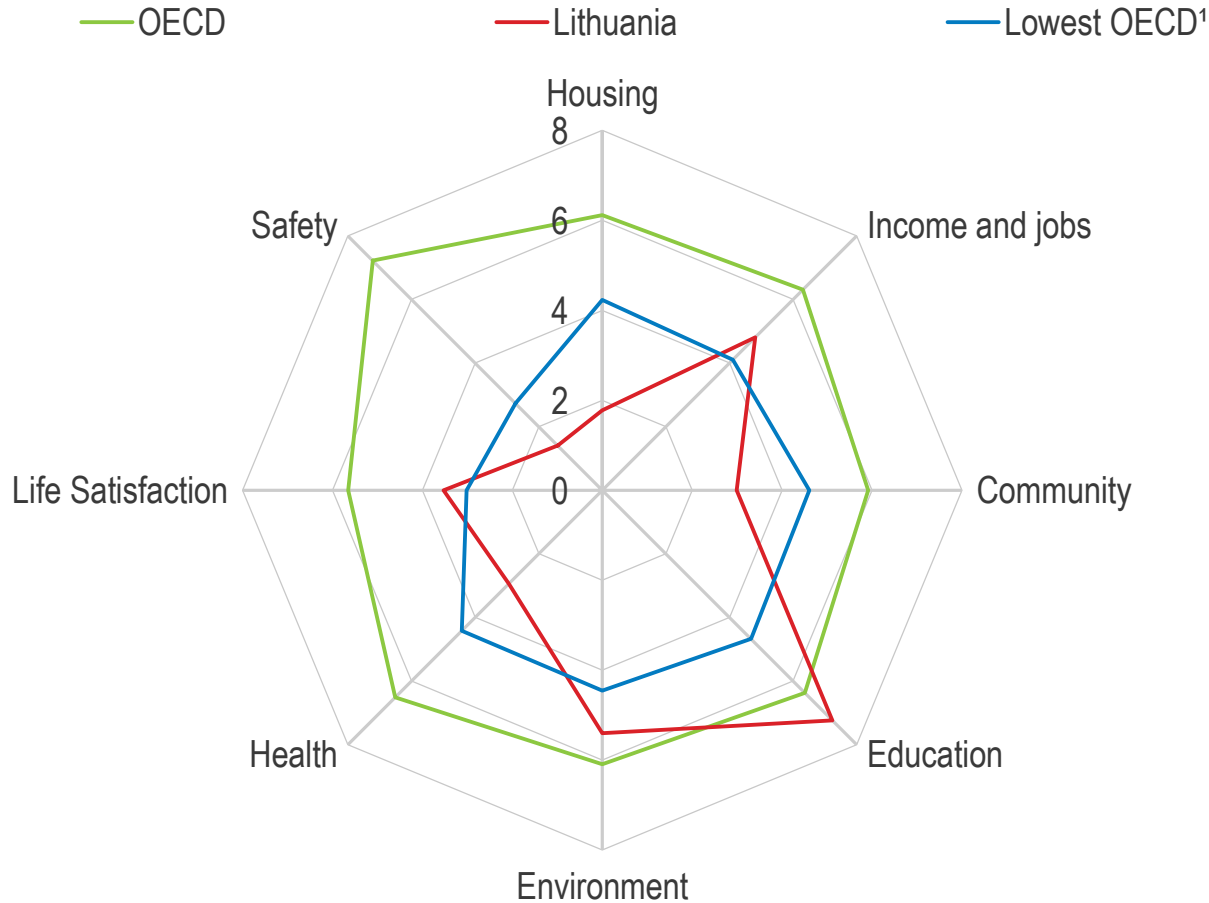


Note: The relative poverty rate is the ratio of the number of people whose income falls below the poverty line; taken as half the median household income of the total population. The indicator is calculated in disposable income after taxes and transfers.

Source: OECD Income Distribution and Poverty database.



# Well-being could be improved



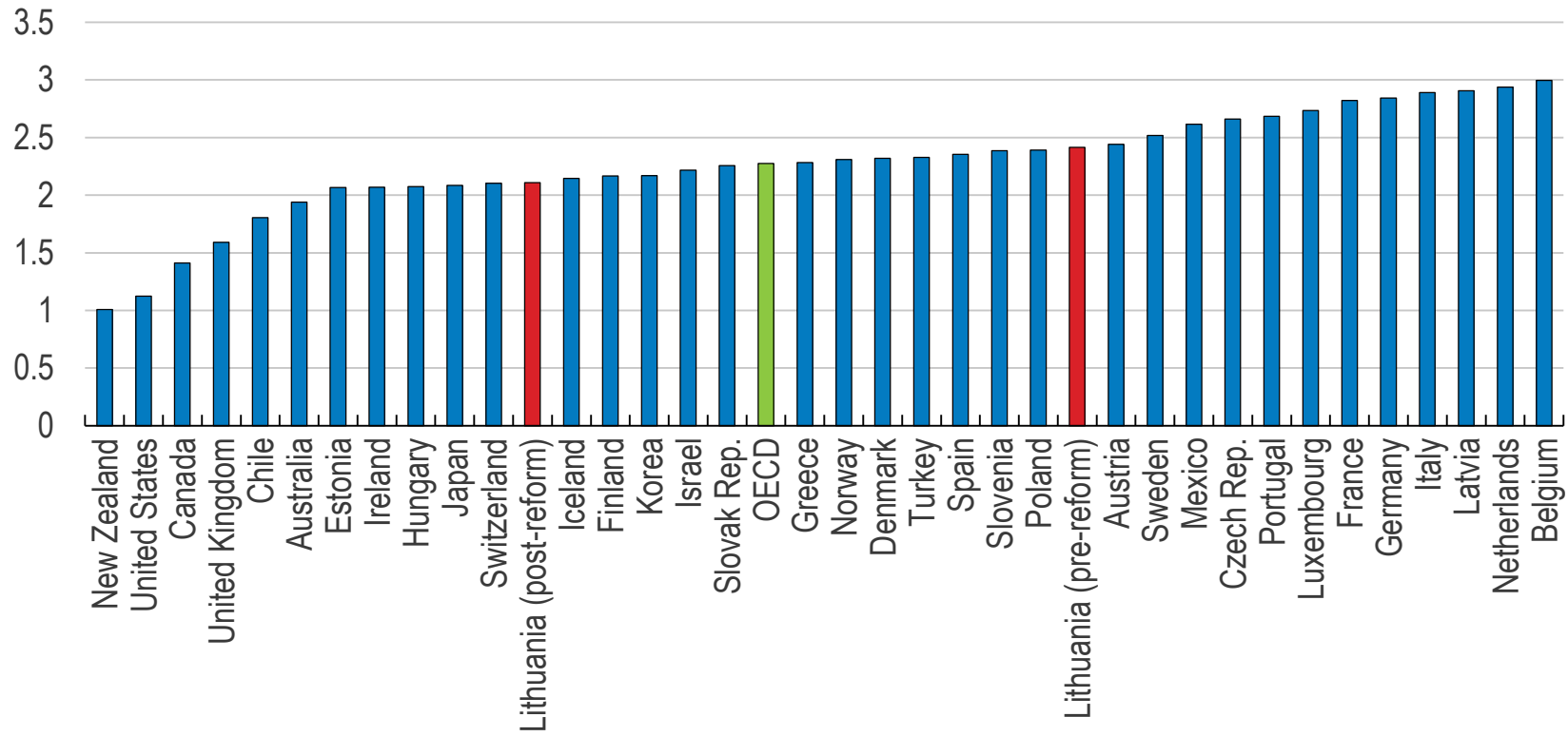
1. Lowest OECD refer to the 17 countries with the lowest score among the OECD countries. Data are for 2016 or latest available year.

Source : OECD Better life index indicators database; Eurostat; Gallup database; and World Bank World Development Indicators.



# The New Social Model improved labour market flexibility...

Strictness of employment protection legislation: Regular workers  
Scale from 0 (least restrictions) to 6 (most restrictions), latest year



Note: The indicator is calculated in disposable income after taxes and transfers.

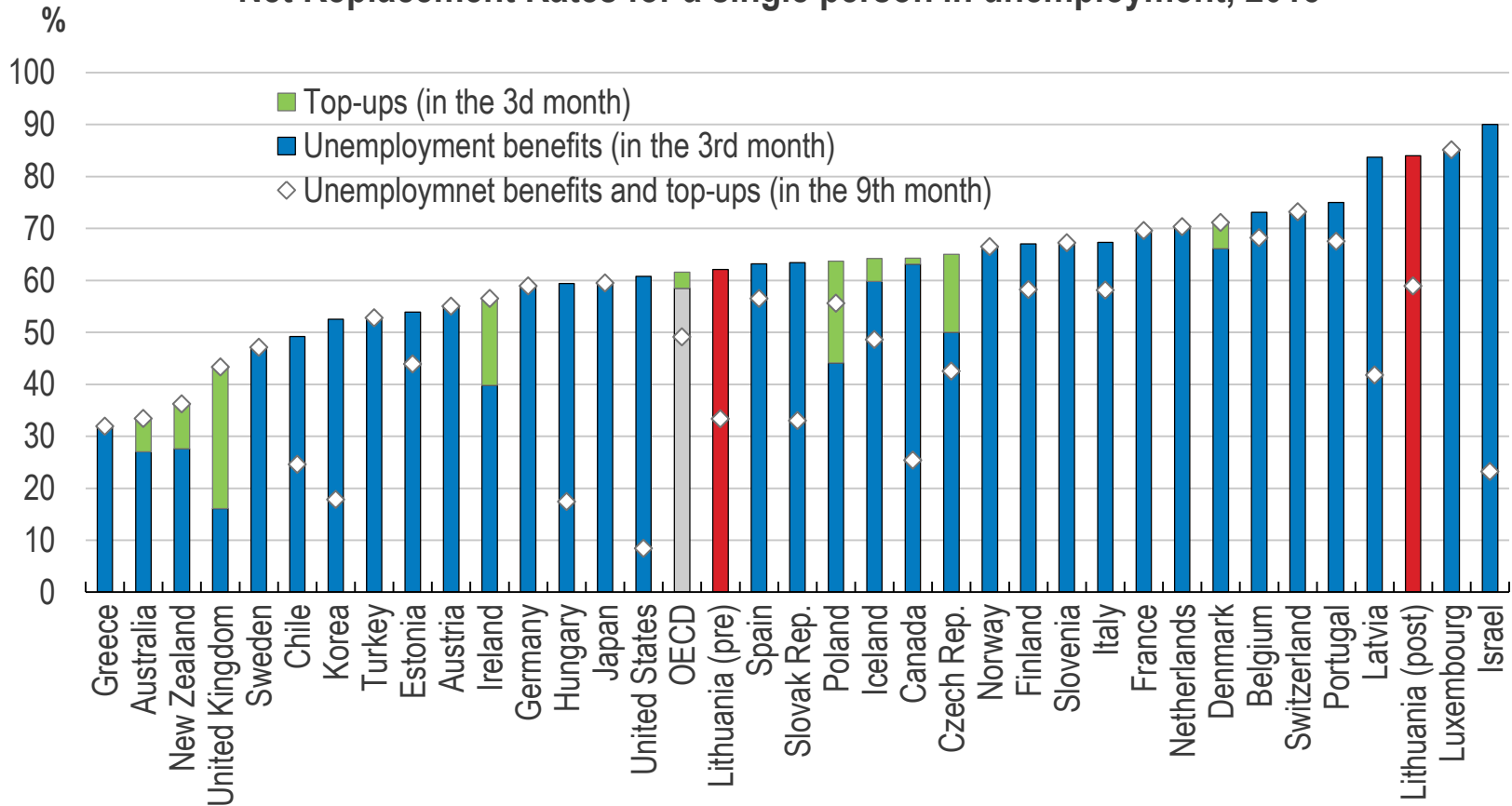
Source: OECD Income Distribution and Poverty database.





# ... and unemployment benefits are now more generous

Net Replacement Rates for a single person in unemployment, 2015

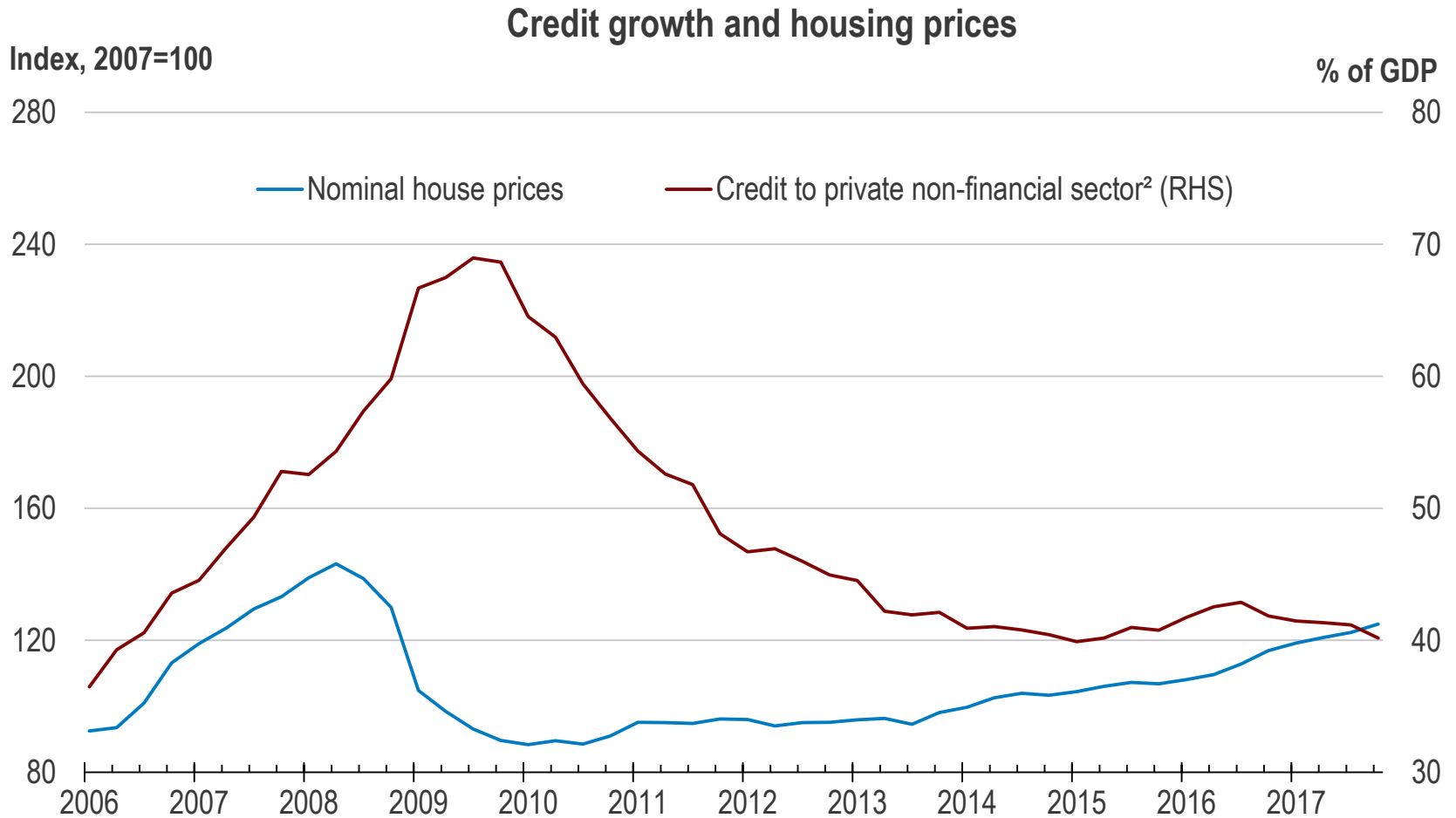


Note: For Lithuania, the results for January and July 2017 represent the situation before and after introduction of the New Social Model reform, respectively; 2015 for the remaining countries.

Source: OECD (2018), OECD Reviews of Labour Market and Social Policies: Lithuania, OECD Publishing, Paris.



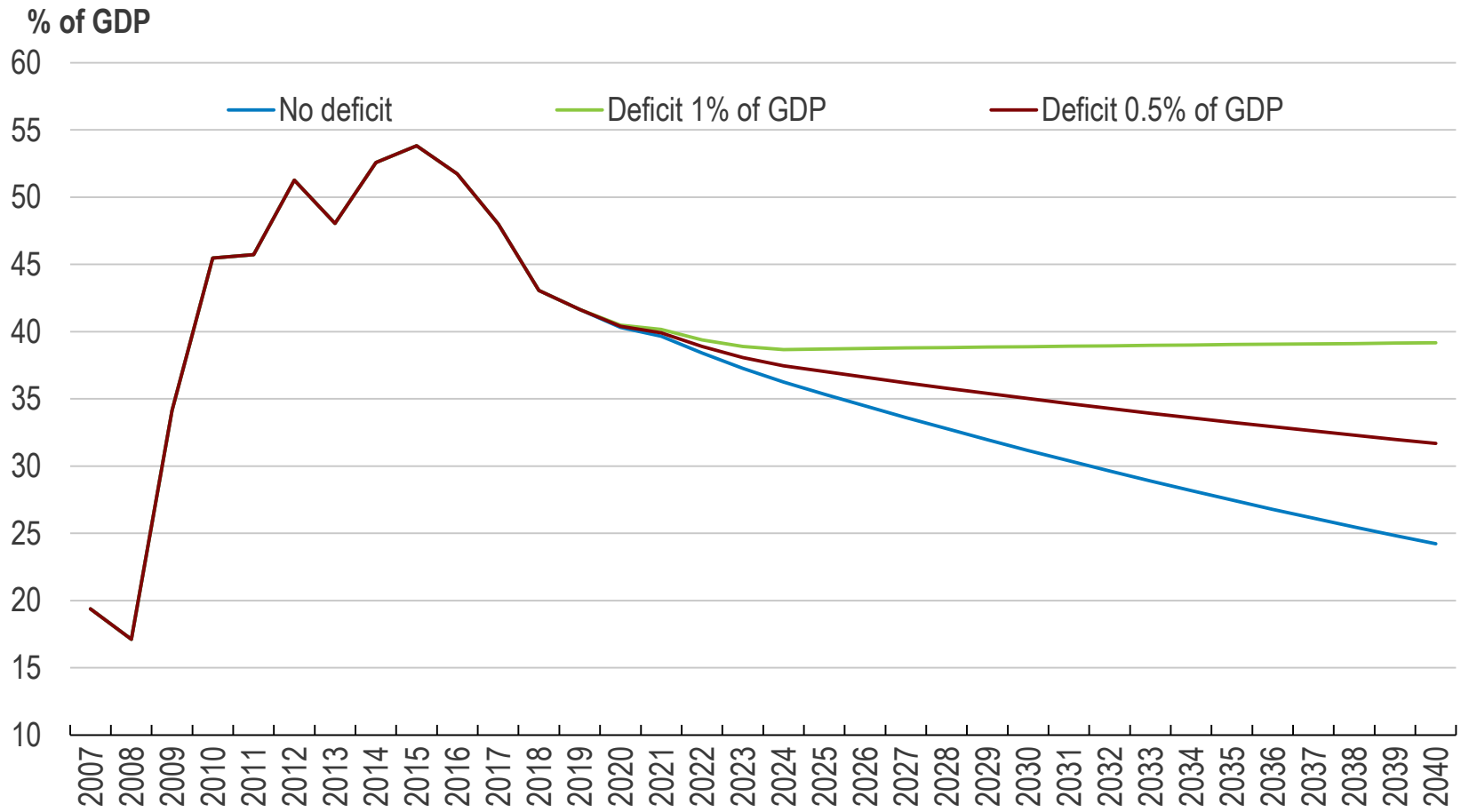
# Private sector debt and house prices remain below historical peaks



Source: European Central Bank; OECD Economic Outlook database; and OECD House price index database.



# Debt is falling but could decline further

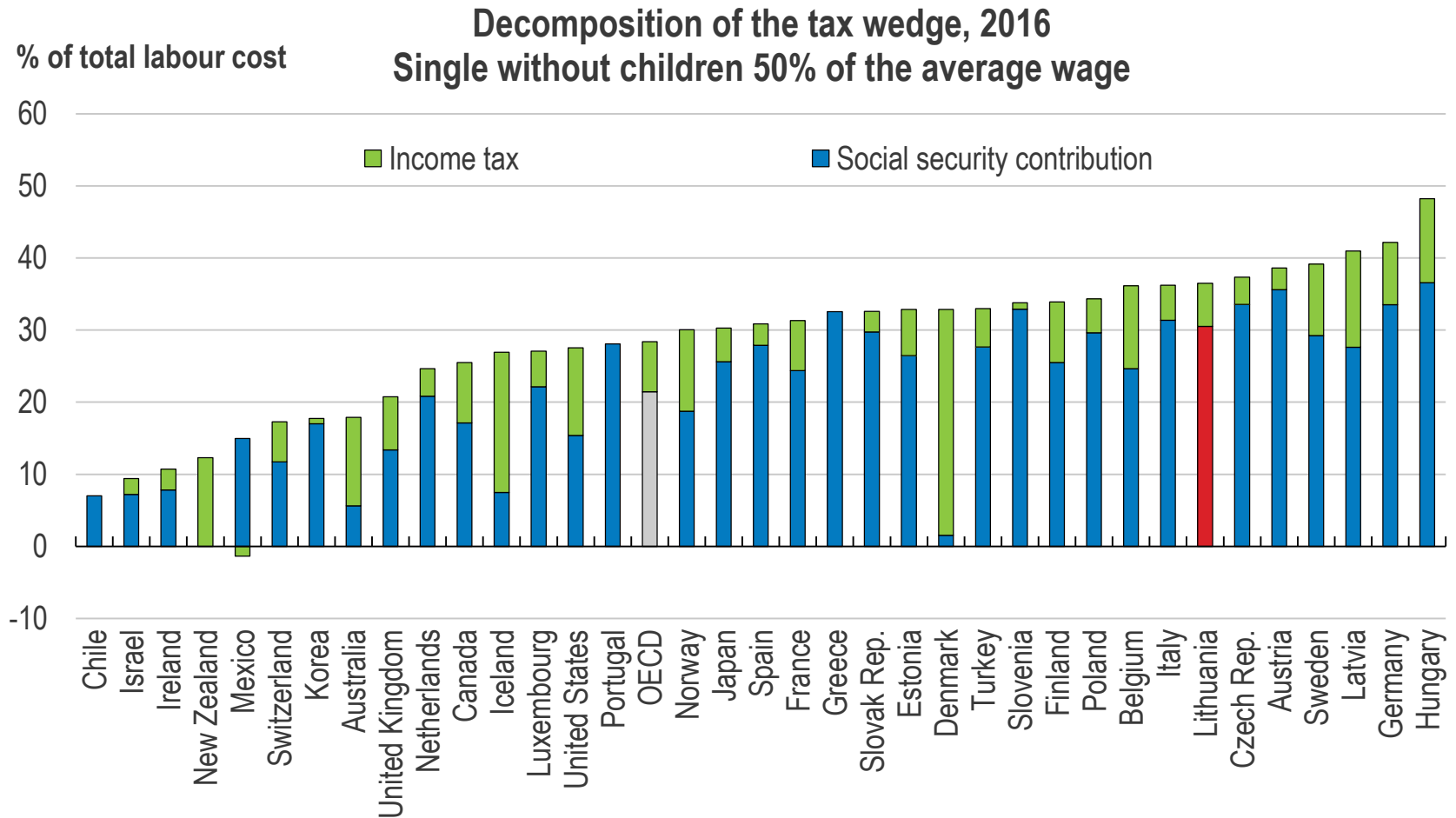


Note: Projected debt reduction paths under different deficit scenarios.

Source: OECD calculation.



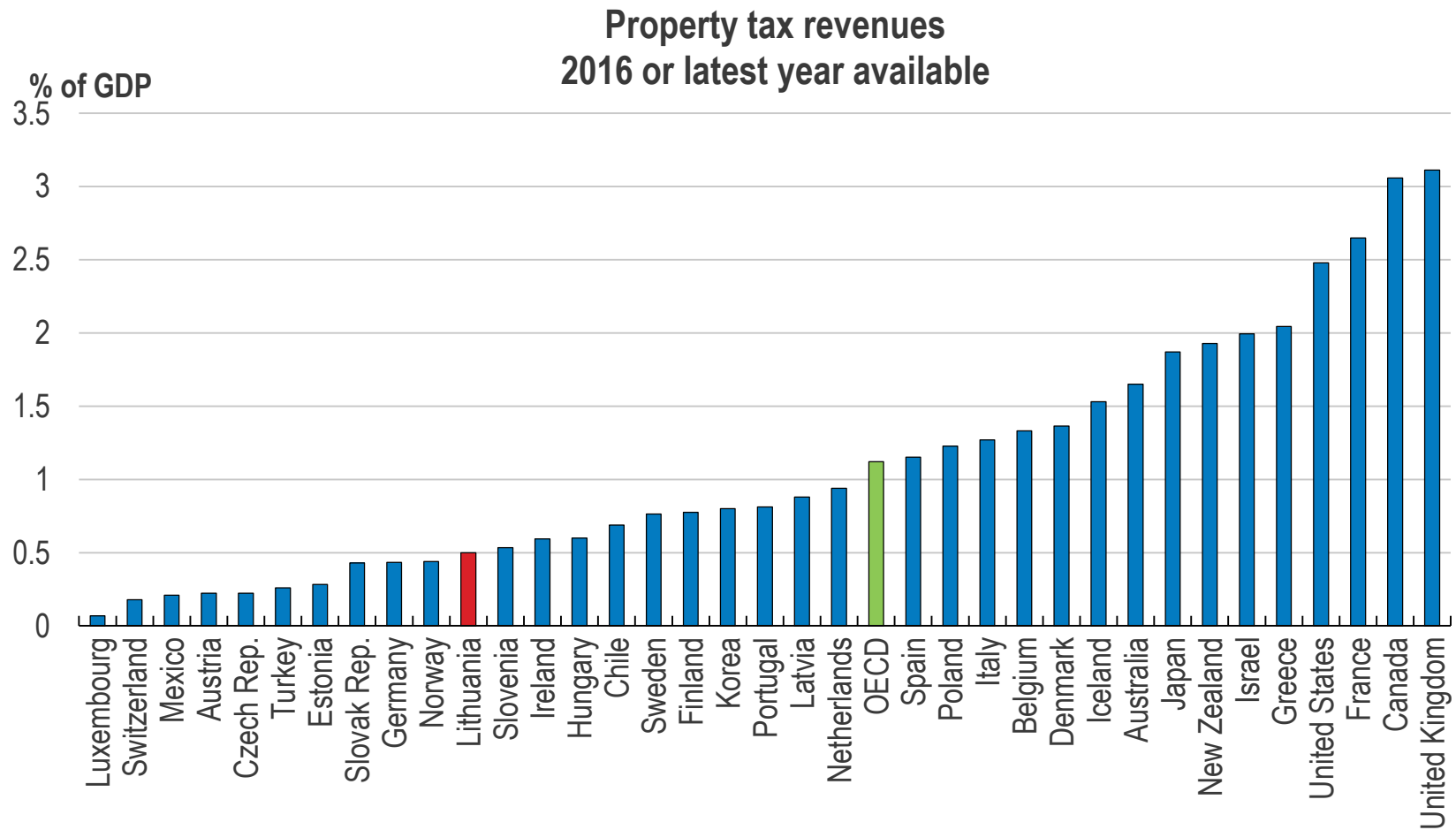
# High social security contributions reduce employability of the low-skilled



Source: OECD taxing wages database.



# Property taxes are low



Source: OECD Revenue statistics database; and Ministry of Finance of Lithuania.



## Key recommendations for more inclusive growth

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- Set a debt target and establish a credible path to reach it
- Reduce social security contributions, especially for low-income workers
- Increase property taxation, while exempting low-income households
- Assess spending efficiency by carrying out spending reviews
- Actively use macro-prudential measures once financial imbalances emerge



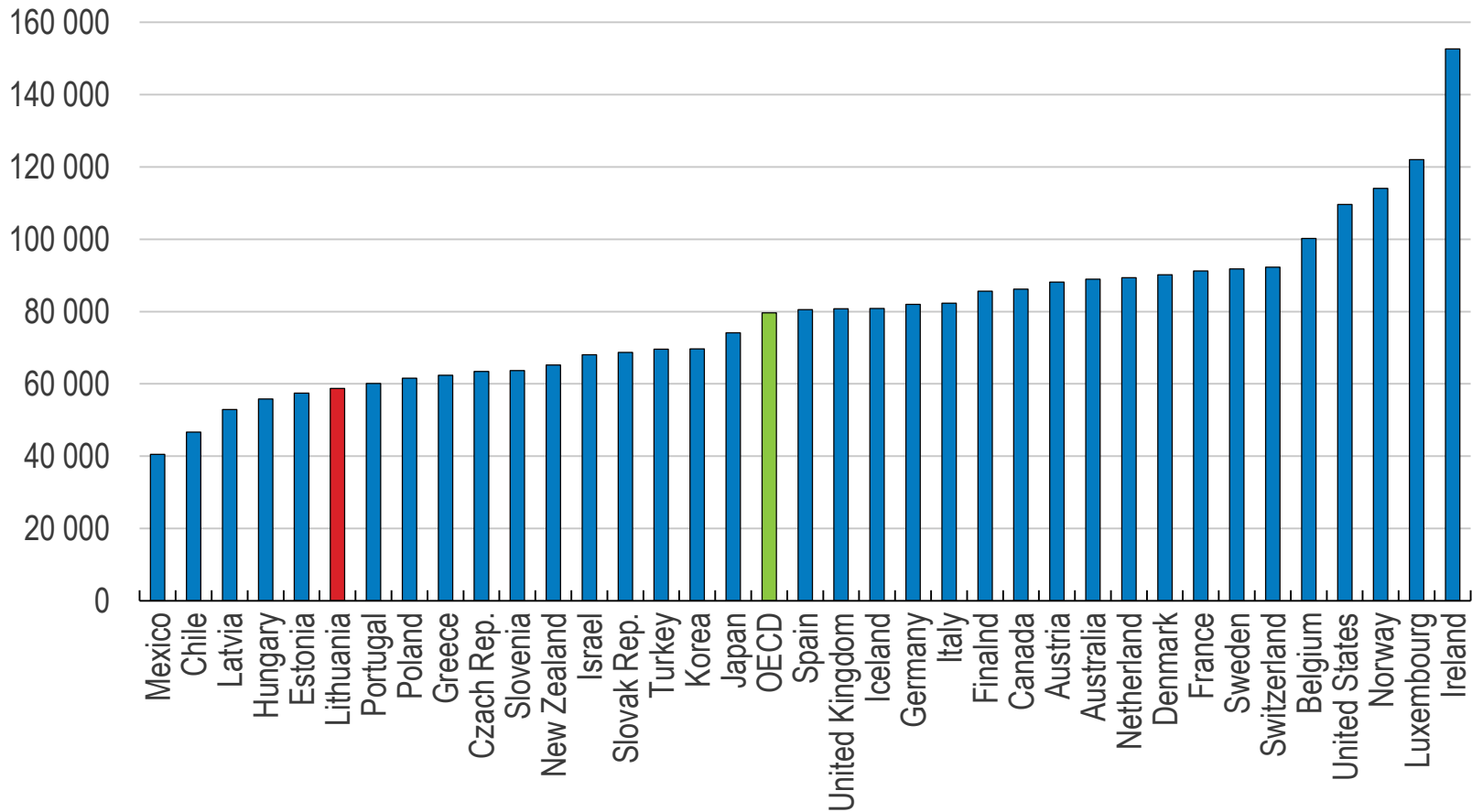
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# Productivity and inclusiveness: a twin challenge



# Labour productivity is low

Labour productivity, USD PPP per worker, 2017



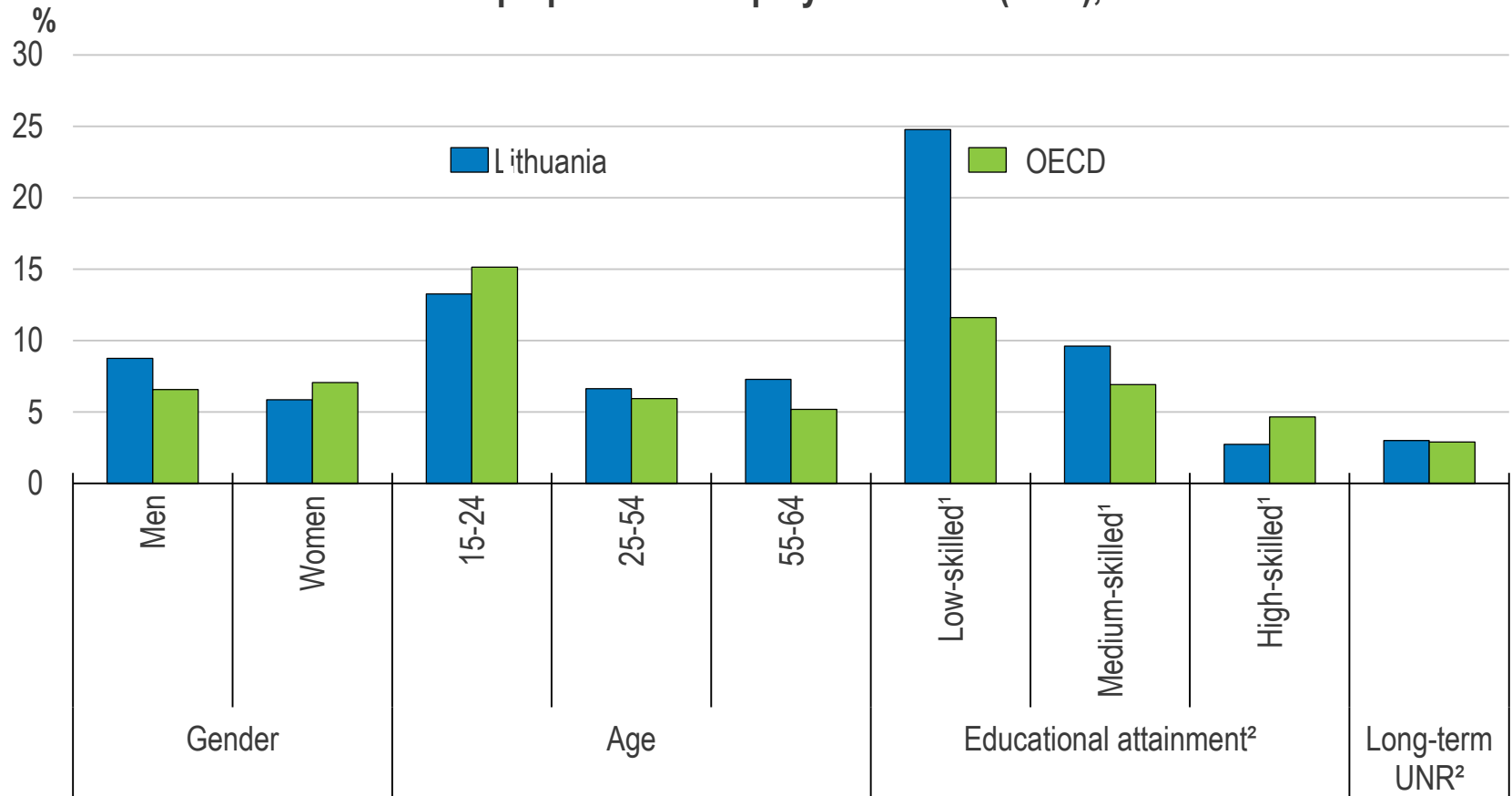
Source: OECD Economic Outlook database.





# The labour market is not very inclusive

Group-specific unemployment rates (UNR), 2017



1. Calculated on the labour force aged 25-64.

2. Data refer to 2016.

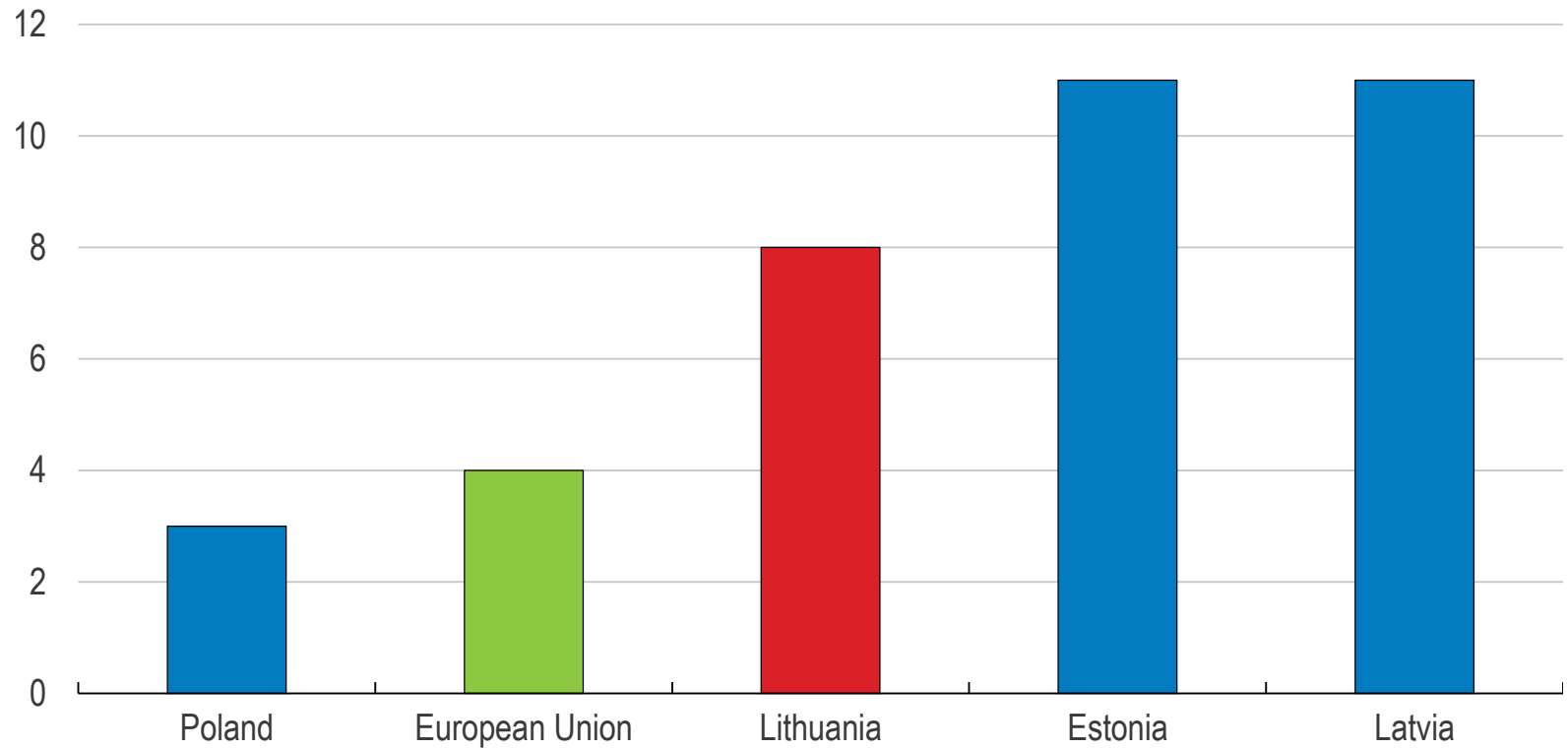
Source: OECD Gender employment database



# Informality is high

## People carrying out undeclared paid activities

% of population aged  
15+

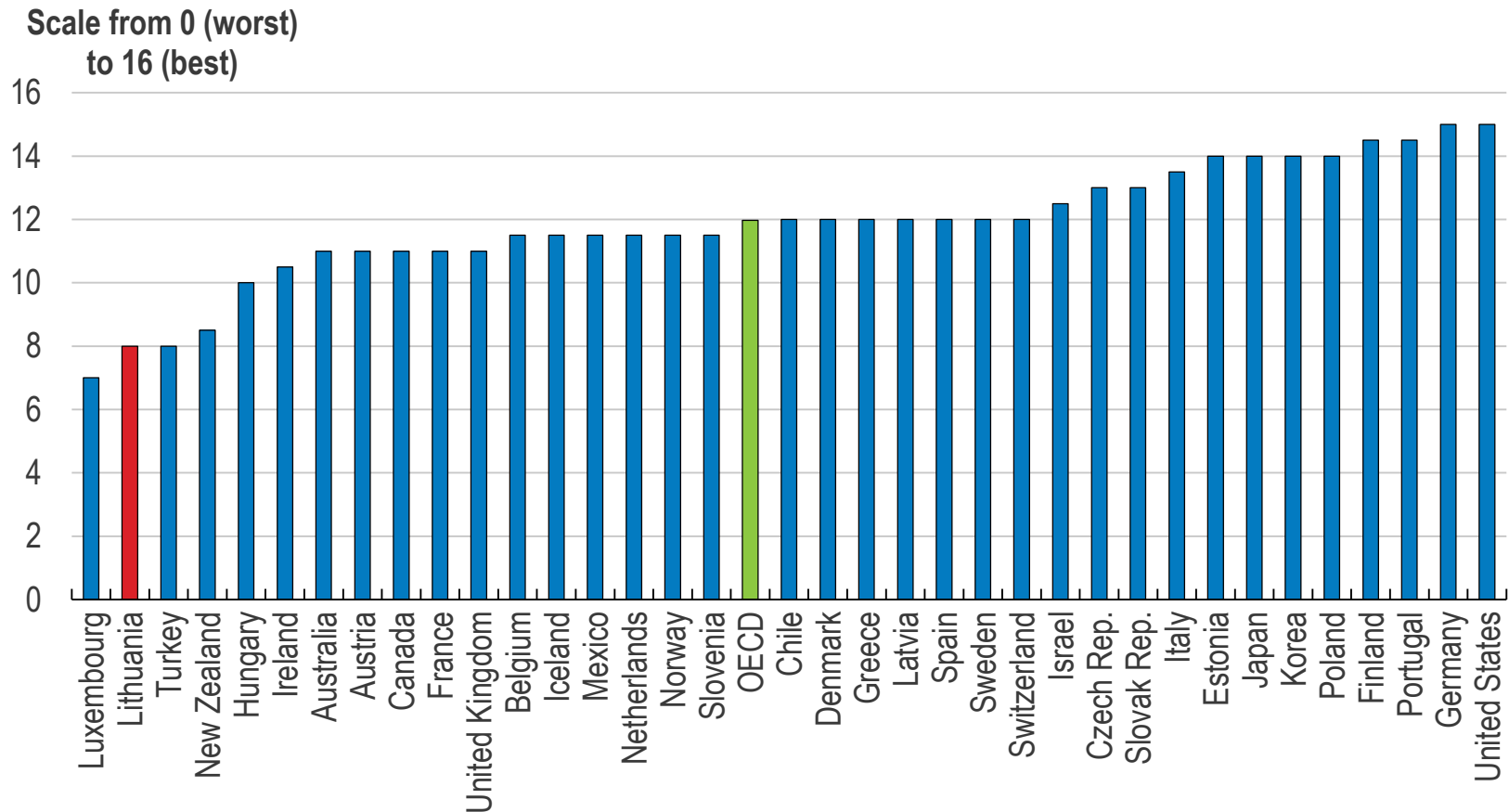


Source: Eurobarometer.



# Insolvency procedures are cumbersome

Strength of insolvency framework index (0-16), 2017



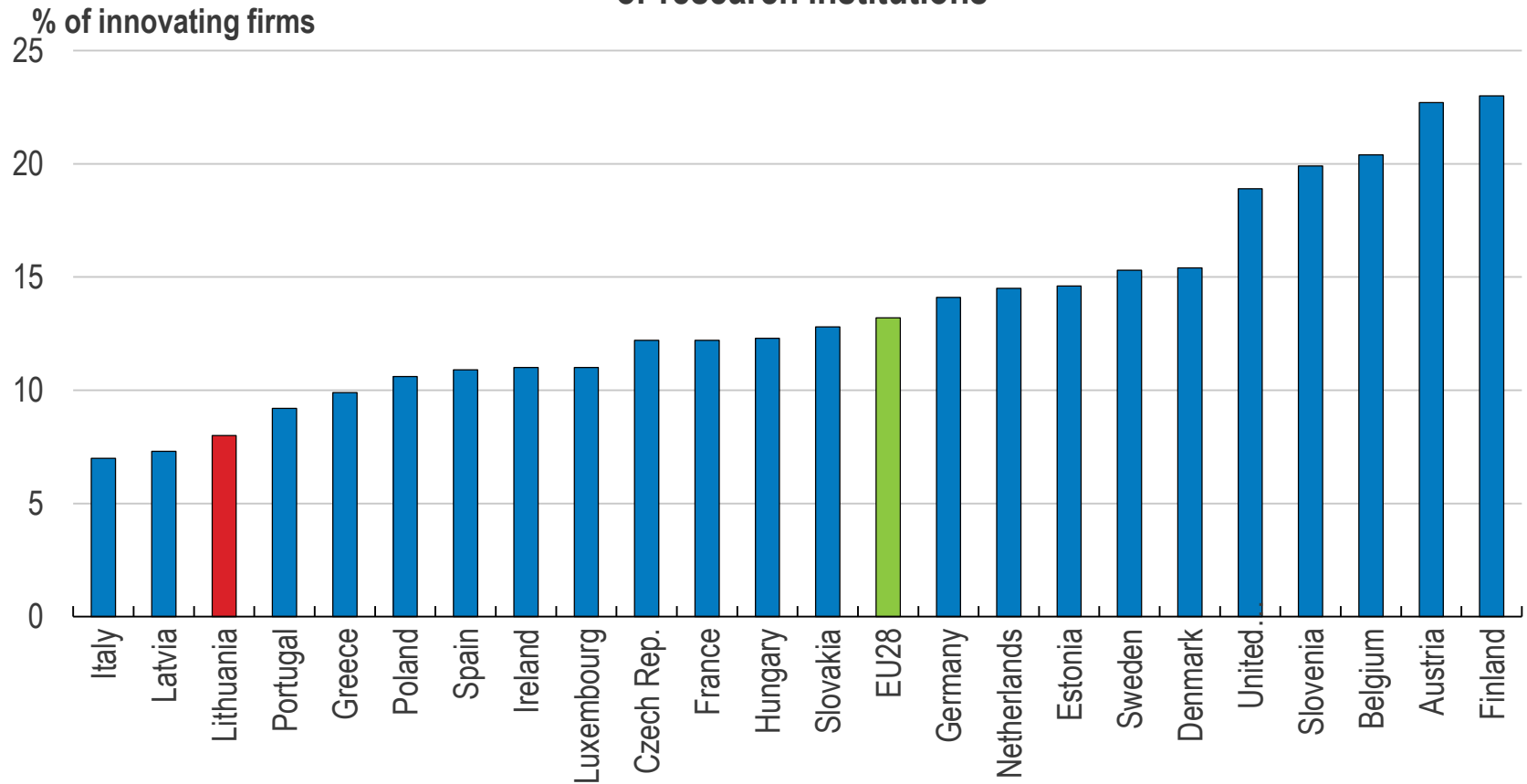
1. The strength of insolvency framework index is a composite indicator of the quality of the insolvency framework based on the time, cost and outcome of insolvency proceedings involving domestic legal entities.

Source: World Bank Doing business 2018 database.



# Firms and research institutions could collaborate more

Firms collaborating on innovation with higher education or research institutions

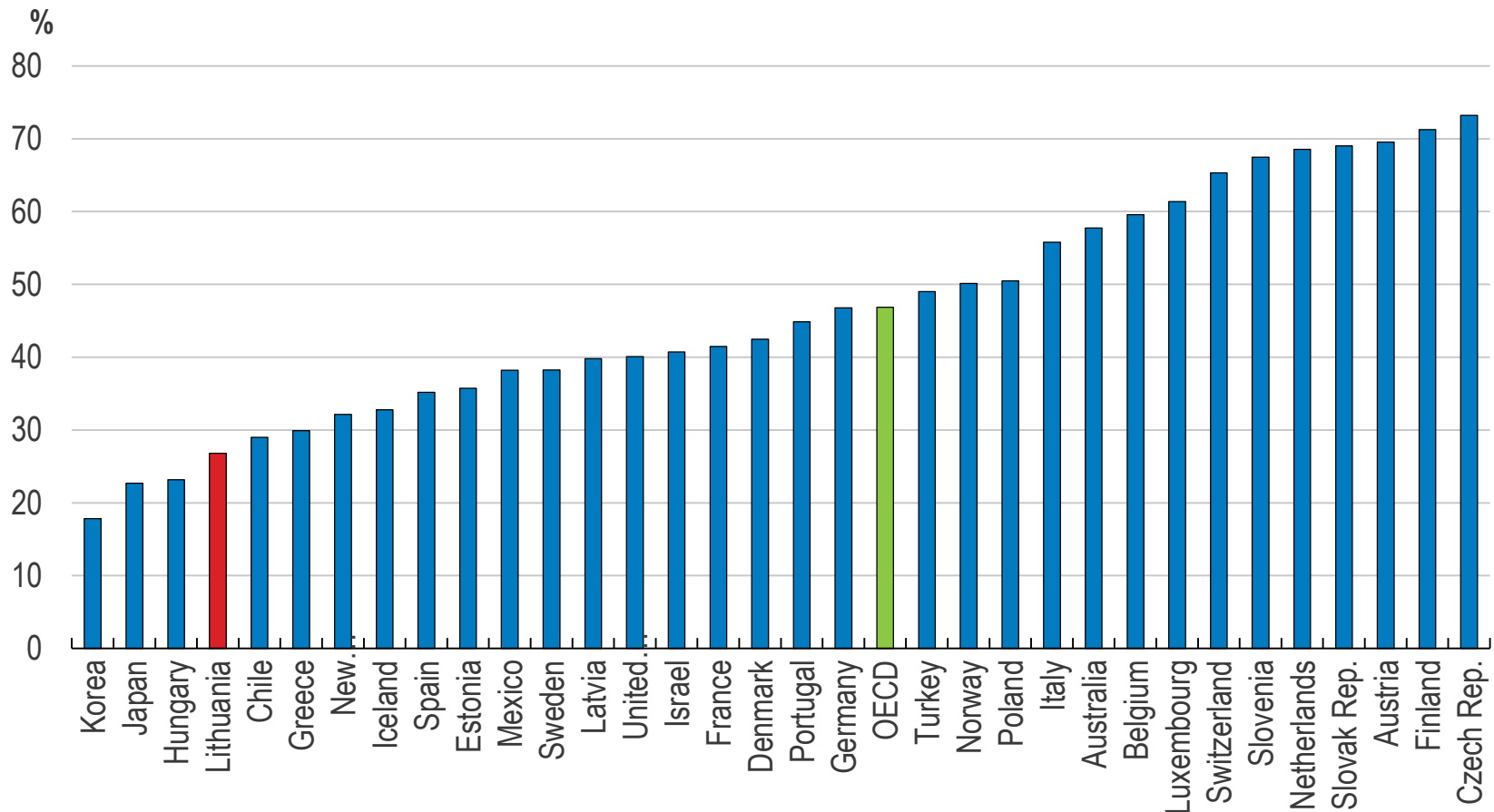


Source: Eurostat.



# Vocational education and training should be strengthened

Share of vocational students on upper secondary students, 2015

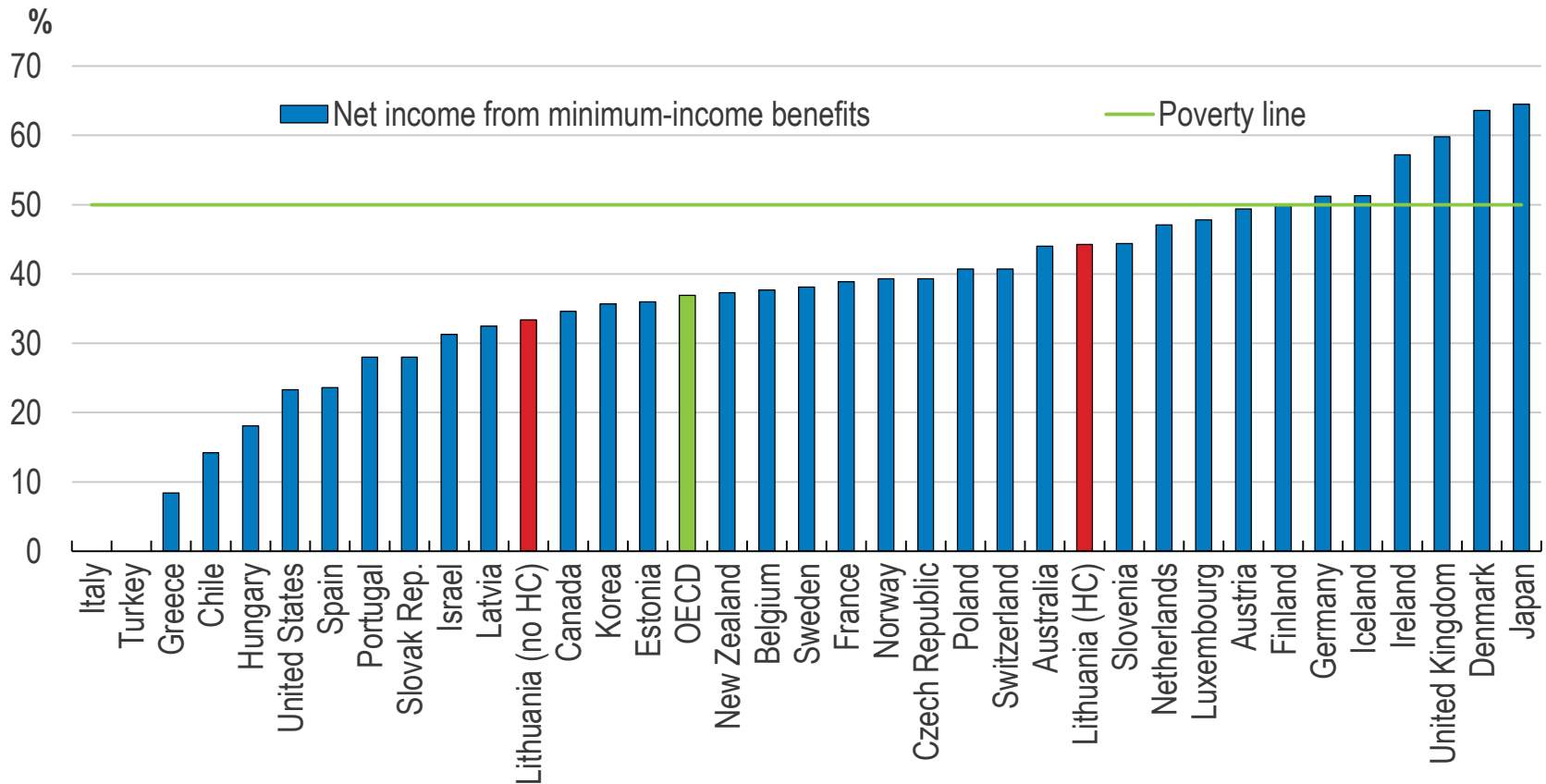


Source: OECD education at a Glance 2017.



# Social support is relatively weak

Net income from minimum-income benefits as a % of the median equivalised household income, couple with two children, 2015<sup>1</sup>

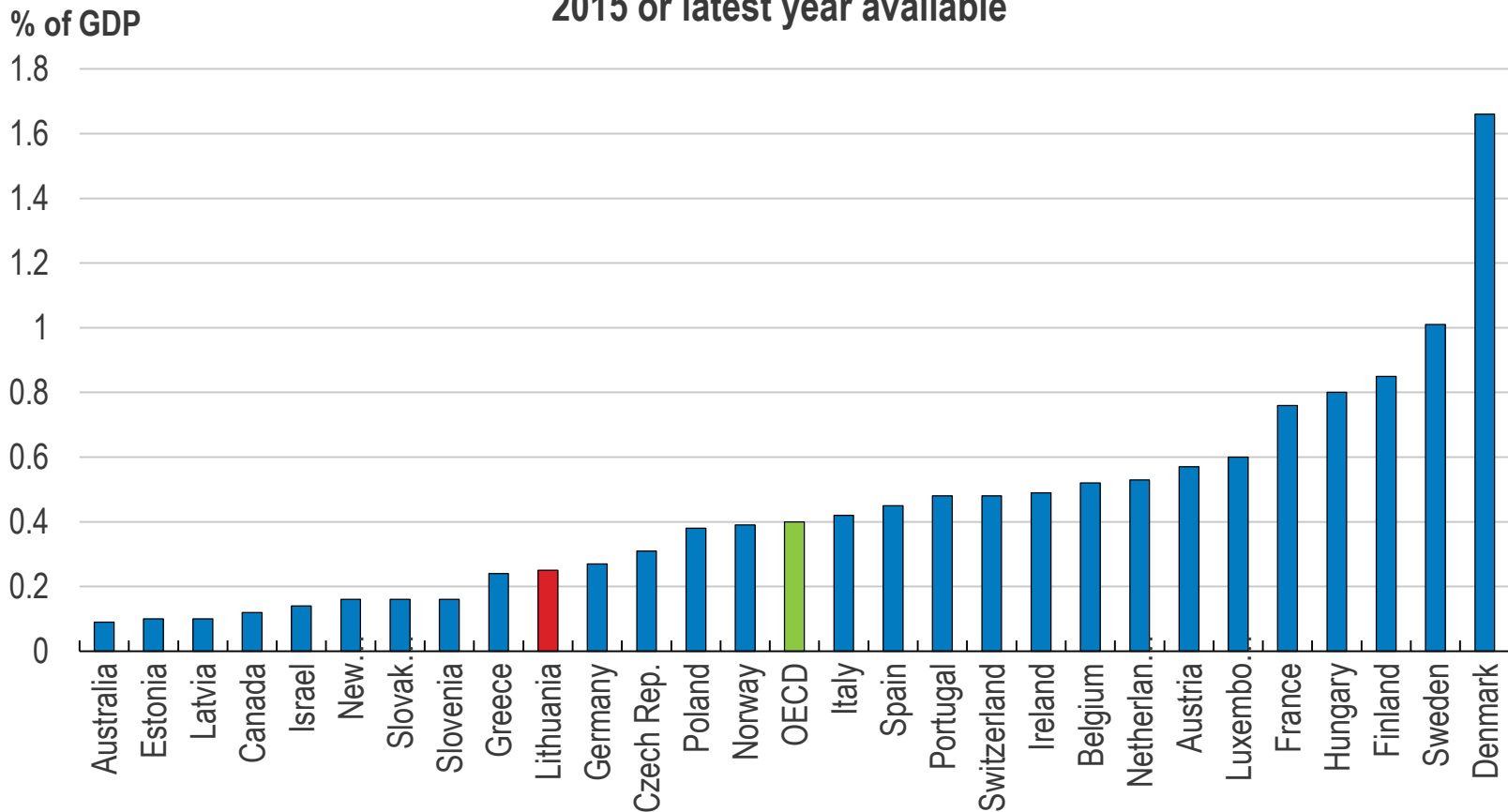


1. 2017 for Lithuania, with Heating Compensation ("Lithuania (HC)") and without ("Lithuania (no HC)").  
Source: OECD (2018), OECD Reviews of Labour Market and Social Policies: Lithuania, OECD Publishing, Paris.



# More should be done to get people back to work

Public expenditure in activation programmes<sup>1</sup>  
2015 or latest year available



1. Active labour market programmes (categories 2-7) include: cover training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives.

Source: OECD Labour database.



# Key recommendations for raising productivity and inclusiveness

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- Address skills mismatch by continuing the reform of the education system at all levels
- Strengthen work-based learning, including apprenticeships
- Continue the reform of innovation policy and strengthen collaboration between firms and research institutions
- Simplify bankruptcy procedures and facilitate restructuring
- Increase investment in active labour market programmes upon close monitoring of results
- Further increase the level of social assistance while maintaining strong work incentives





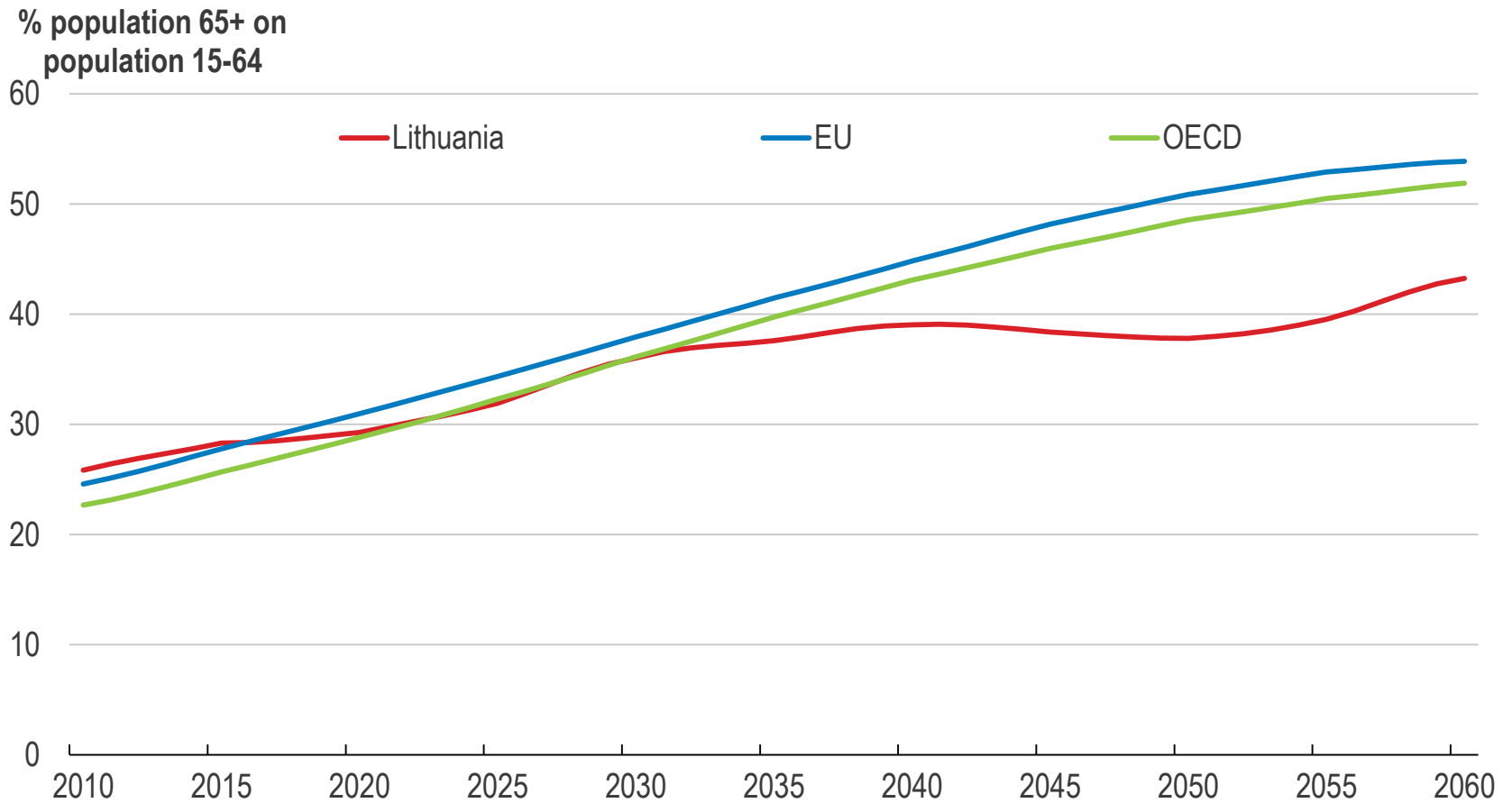
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# Ageing together



# The population is ageing

Old age dependency ratio, projections, 2010 - 2060

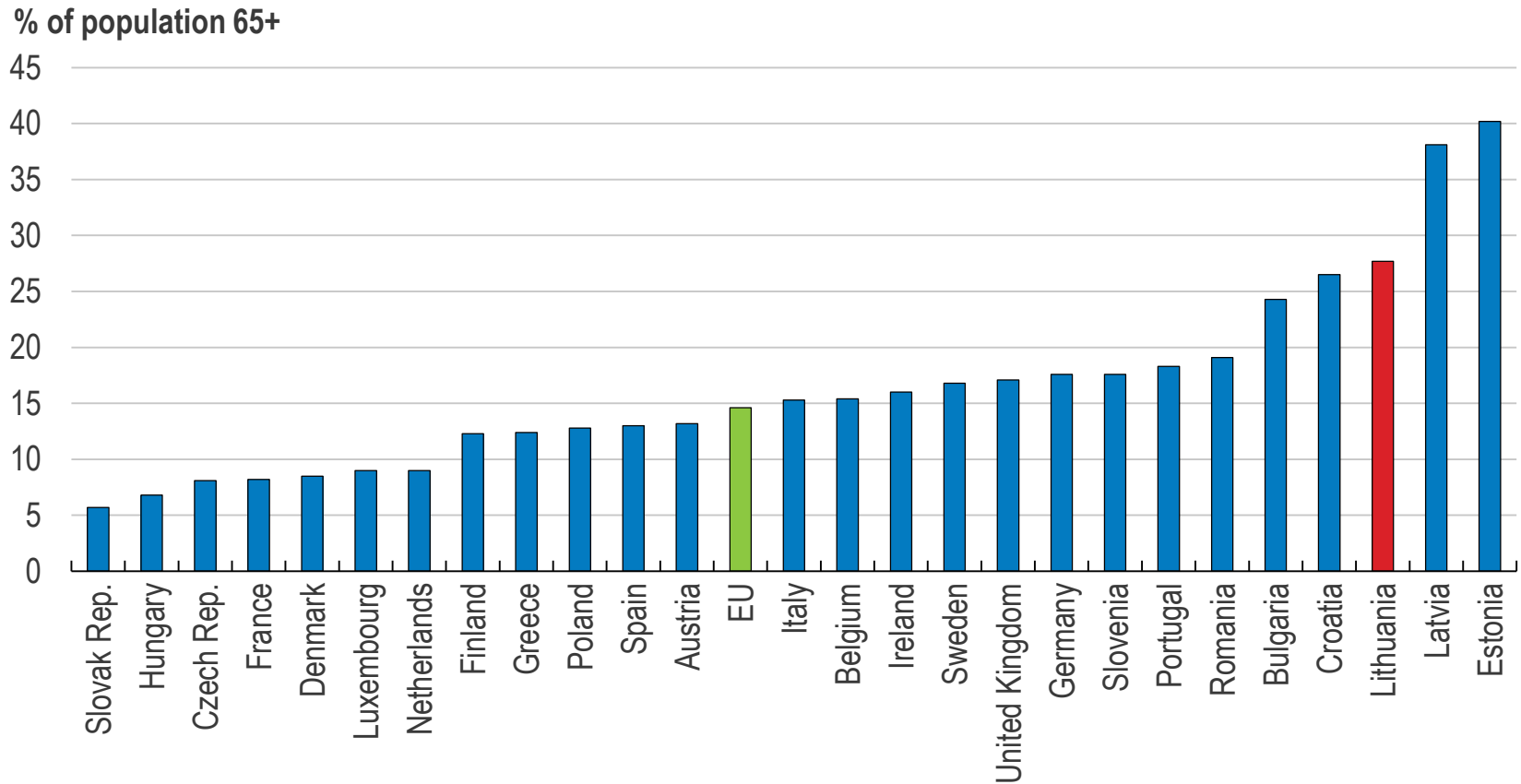


Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects.



# The pension system is not targeted at the poor

Old age population at risk of poverty, 2016

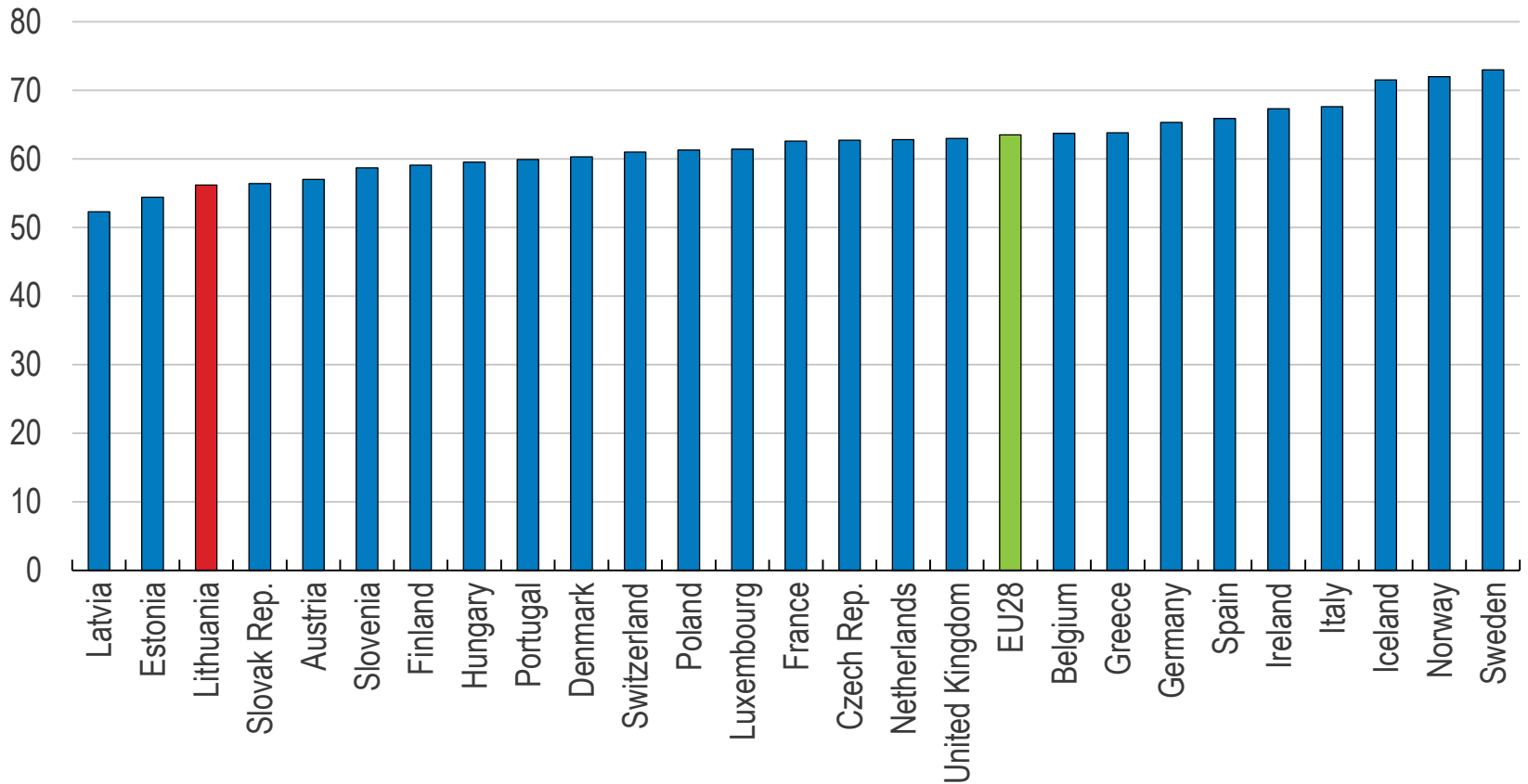


Source: Eurostat.



# Life expectancy of men is low

Healthy life years at birth for men, 2016

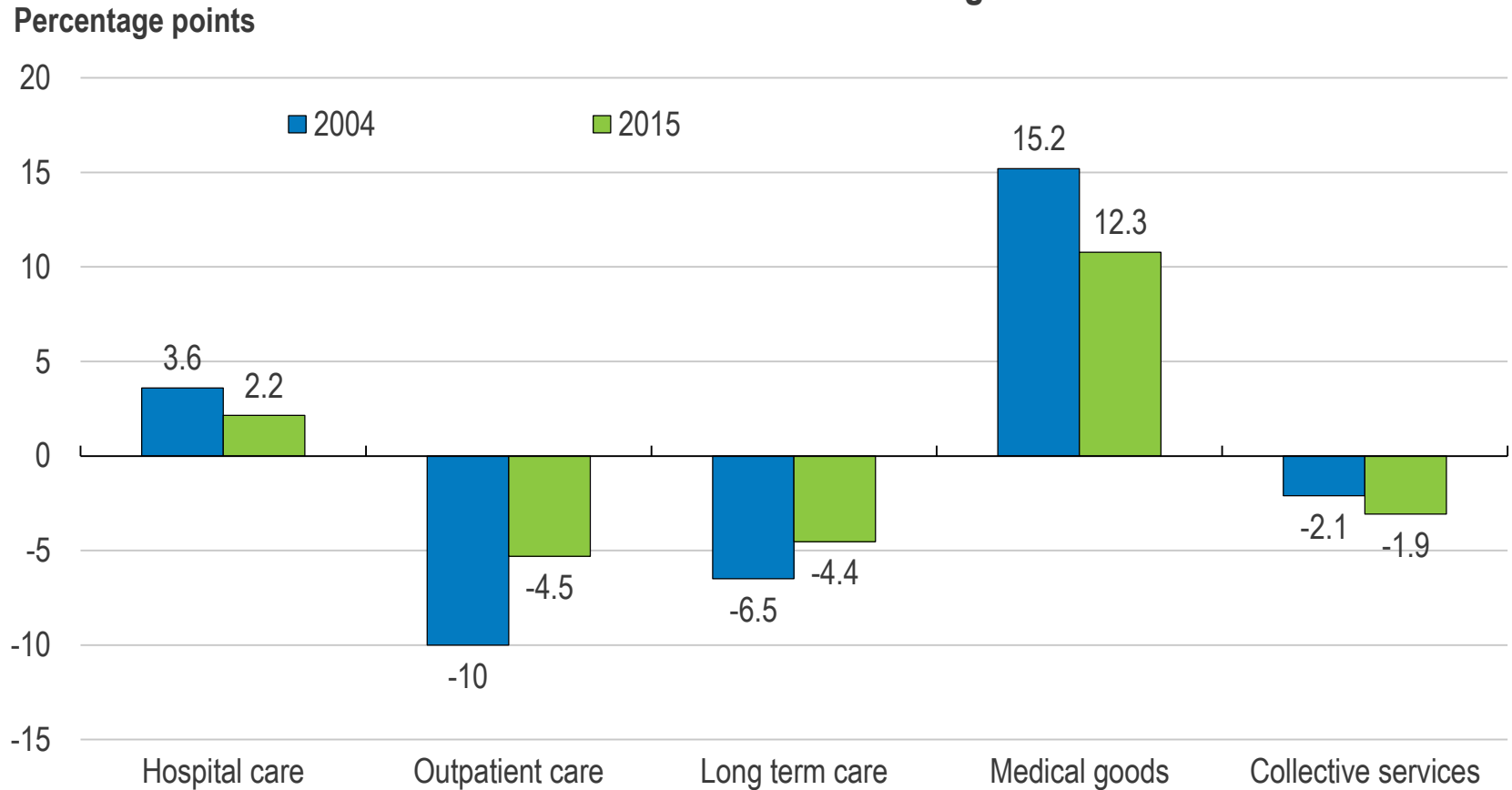


Source: Eurostat Health statistics database.



# Health care is too hospital-centric

Health expenditure by function,  
difference to OECD average

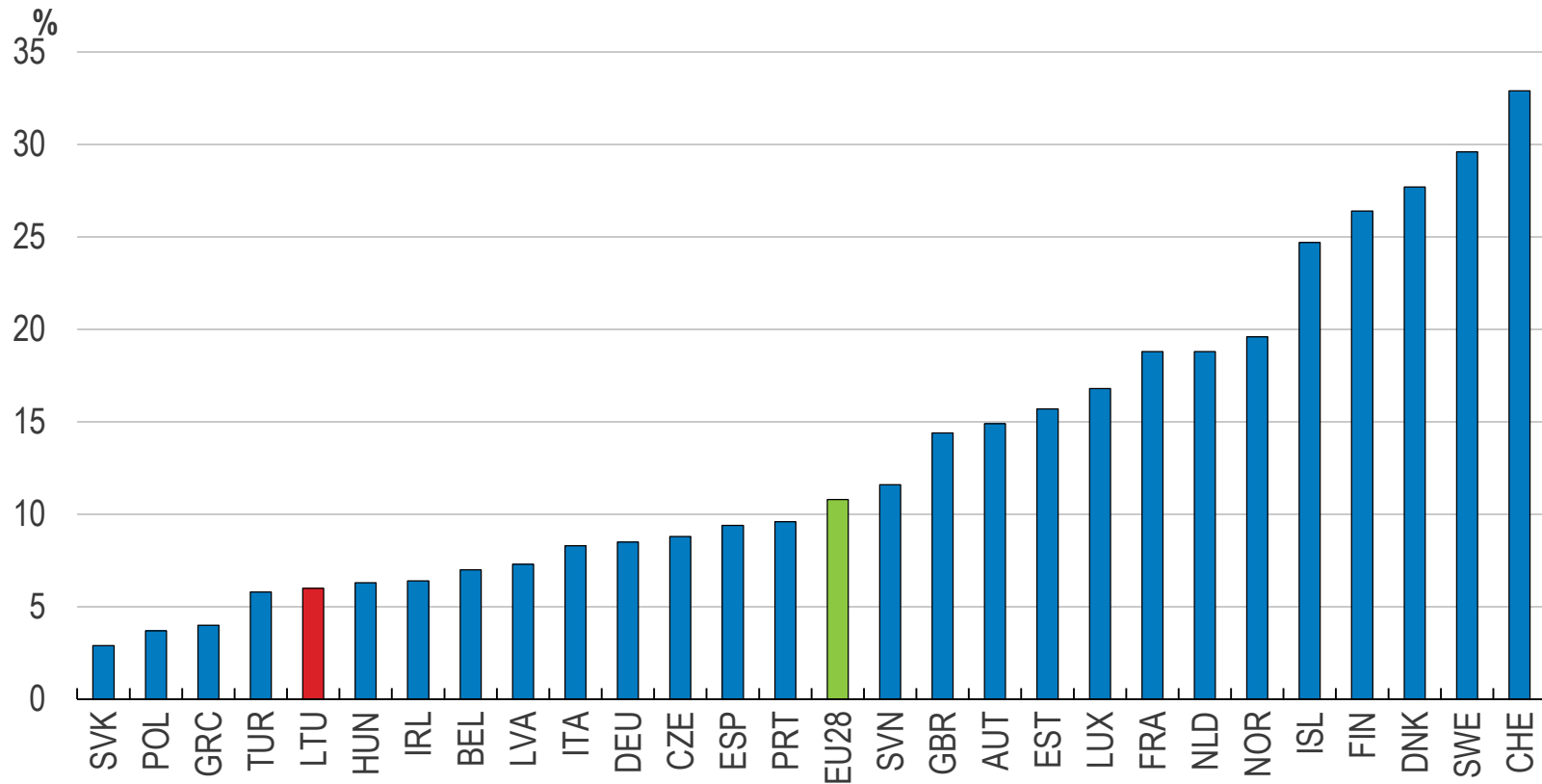


Source: OECD Health Statistics database.



# Participation in life-long learning is low

Participation rate in lifelong education or training, 25-64 year-olds, 2016



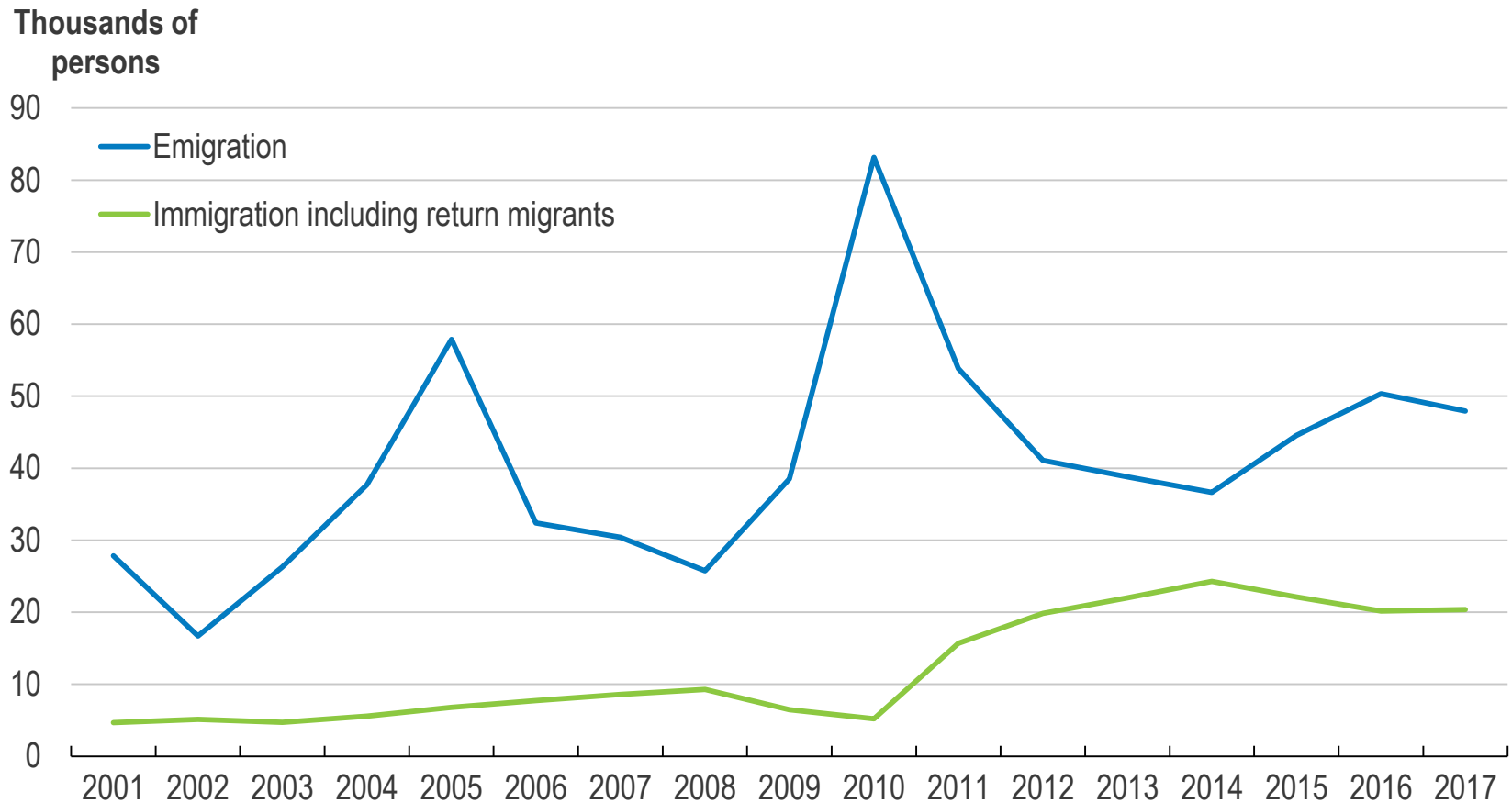
Note: Data refer to the share of 25 to 64 year-olds who participated in education or training in the 4 weeks prior to the survey.

Source: Eurostat (2017), Education and training statistics database.



# Net migration contributes to skill shortages

Emigration and immigration, absolute numbers



Source: Statistics Lithuania.



# Key recommendations for an ageing society

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- Continue moving pensions from the pay-as-you go (first) pillar to the funded (second) pillar
- Fund the wage-independent basic pension through the general budget rather than social contributions
- Continue reorganising the hospital sector and improve outpatient and long-term care
- Provide financial incentives for life-long learning to firms and employees, especially older
- Reach out better to emigrants and ease restrictions for high-skilled immigrants
- Extend and improve support for childcare, to help parents reconcile work and family





# For more information

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