

## **Social entrepreneurship and other models to secure employment for those most in need (Croatia, 29-30 October 2013)**

### **Social Enterprises in Lithuania<sup>1</sup>**

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#### **1. Introduction**

The *Law on Support for employment* (2006) and the *Law on Social enterprises* (2004) determine the state support in Lithuania for those most in need.

Active labour market policy measures (ALMP) in Lithuania are defined by the Law on Support for Employment and consists of vocational training, support for job creation (subsidies for job creation, implementation of projects of local employment initiatives, support for self-employment), territorial mobility of unemployed and supported employment (which include subsidised employment, support for the acquisition of professional skills, public works and job rotation). The Law on Support for Employment also stresses that disabled people, long-term unemployed, youth, aged 29, older workers, as well as some other groups are considered to be additionally supported in the labour market, while youth, aged 24 and less are treated as long-term unemployed after 6 months of the unemployment spell, compared to 12 months for all other groups.

Currently the ALMP measures in Lithuania are not treated and financed separately. The Lithuanian Labour Exchange at the Ministry of Social Security and Labour implements projects, financed by the ESF and Unemployment Fund (national funds). Those projects are composed of combinations of ALMP measures.

Specific measures for social vulnerable groups are determined in the Law on Social enterprises. A social enterprise may be granted State aid of the following types: partial reimbursement of wages and state social insurance contributions; subsidy for the creation of workplaces; adaptation of workplaces to disabled employees and acquisition or adaptation of their work equipment; subsidy for the training of the employees who are attributed to the target groups. Additional State aid of the following types may be provided to a social enterprise of the disabled: subsidy for the adaptation of the work environment of disabled employees, production premises and rest rooms; subsidy for the reimbursement of additional administrative and transport expenses; subsidy for the reimbursement of expenses of an assistant (sign language interpreter).

Seeking to increase the employment level and to create conditions for every citizen to find a job according to his/her gained qualification, a new Employment increase programme for 2014-2020, in a close collaboration with ministries, social partners

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<sup>1</sup> Prepared for the Peer Review in Social Protection and Social Inclusion programme coordinated by ÖSB Consulting, the Institute for Employment Studies (IES) and Applica, and funded by the European Commission.

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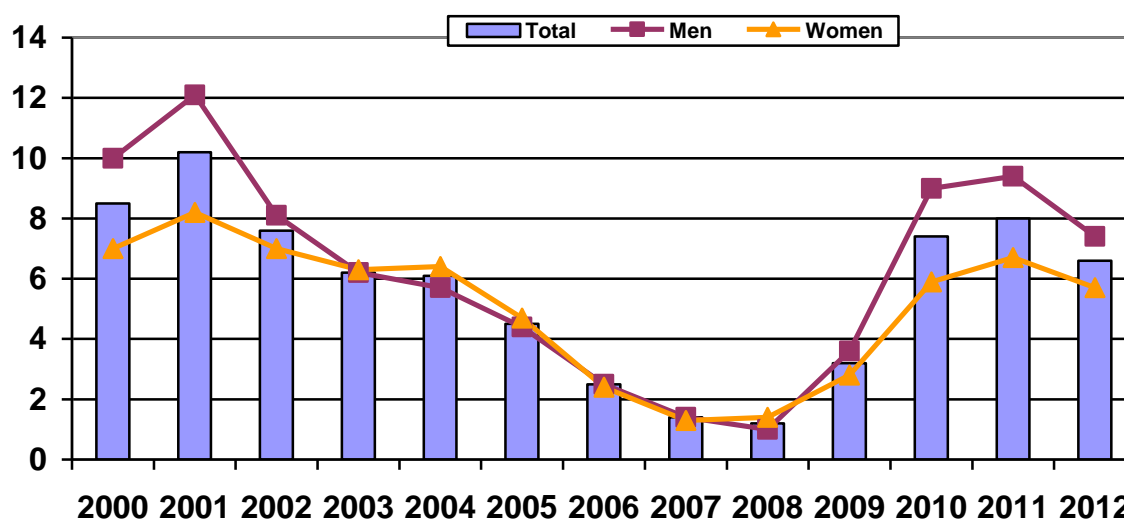


and other associated institutions, has been prepared. It is expected that implementing measures, determined in this programme, new possibilities for business development will be created, new working places will be established, structural and long-term unemployment will decrease, motivation to participate in the labour market will be increased for older people, youth, disabled and other social vulnerable groups.

## 2. Disadvantaged groups at the labour market

The analysis of the situation at the national labour market shows that some groups of the population are affected by the fluctuations of the economy more than others. The most numerous groups of unemployed are long-term unemployed and low-skilled. The share of low-skilled was high during the peak of the economic crises but is also growing with the higher labour supply.

**Chart 1. Long-term unemployment (% of total labour force)**

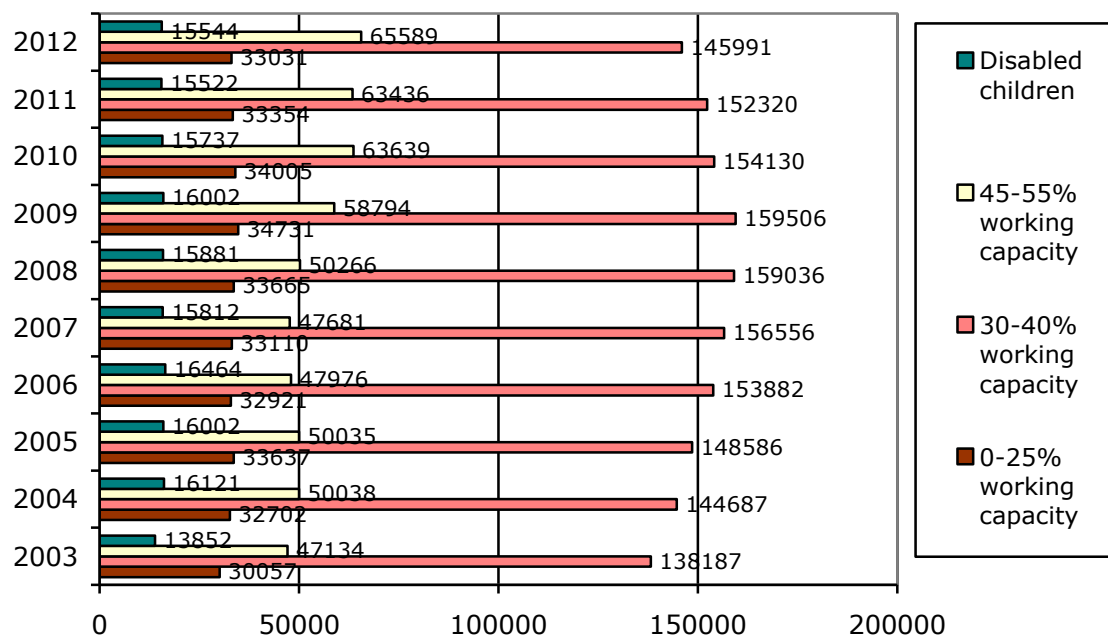


Source: Statistics Lithuania

There were 260,155 disabled people in Lithuania in 2012 that constitute about 10% of the total population. Disabled people willing to work can contribute from employment services. The share of disabled people among unemployed is about 5%.



**Chart 2. Disabled**



The activities of the Lithuanian employment service (Lithuanian labour exchange) are especially orientated to those who are mostly vulnerable. Such target groups of unemployed that are entitled for additional support is listed in national legislation (Law on Support for Employment, 2006): disabled, wards in respect of whom custody in the family, social family or child care institution has been established before reaching the age of majority – until they reach the age of 25, persons taking up their first employment according to the acquired speciality or occupation, the long-term unemployed, persons over 50 years of age who are capable of work, pregnant women, at the choice of a family, a mother (adoptive mother) or a father (adoptive father), a guardian or a custodian who actually raises a child under 8 years of age or a disabled child under 18 years of age (before 1 July 2005 – a child recognised as an invalid) and persons, looking after their sick or disabled family members, persons who have been released from places of imprisonment, where the duration of imprisonment was longer than 6 months, persons whose unemployment period is or exceeds 2 years from the date of registration with a local labour exchange office, persons addicted to drugs, psychotropic or other psychoactive substances, who have completed psycho-social and/or vocational rehabilitation programmes, victims of trafficking in human beings, who have completed psycho-social and/or vocational rehabilitation programmes, persons who are entitled to additional employment guarantees under the Republic of Lithuania Law on Additional Employment and Social Guarantees for Employees of the State Enterprise Ignalina Nuclear Power Plant, political prisoners and exiles and their family members.

### 3. Social enterprises as a tool for social inclusion

Social enterprises together with the active labour market policies that are regulated by the Law on Support for Employment (2006) are the main mechanisms of integration of the most vulnerable groups into the labour market.



The Lithuanian Law on Social Enterprises (2004) provides the following definition of social enterprise: *Social enterprise is a legal entity of any form (individual enterprise, joint stock company, public institution) that satisfies the following conditions:*

- *The workers belonging to the target groups constitute no less than 40% of the total staff and the number of such employees is not less than 4;*
- *Founding documents indicate the operating goals of this legal person relating to employment of the persons who are attributed to the target groups, development of their working and social skills as well as their social integration;*
- *The legal person does not carry out activities included in the list of non-supported activities of social enterprises as approved by the Government of the Republic of Lithuania or an institution authorised by it, or the income received from such activities over the tax period accounts for not more than 20% of the total income received by this legal person and to not implement temporary employment activity.*

The Law on Social enterprises also provides the definition of social enterprise for disabled, where the share of disabled target group consists of at least 50% of the annual average number of employees with special stress on support for severely disabled people.

Besides state support mentioned in the first paragraph, social enterprises according to the Law on Profit tax is not paying a profit tax. Also special conditions for social enterprises are determined in the Law on Public procurements. Contracting authorities must, when conducting simplified procurement procedures, procure at least 5% of the total value of contracts awarded in simplified procurement procedures from social enterprises of the disabled, social enterprises for the purpose of procurement of supplies manufactured, services provided or works performed by them, with the exception of the cases when these institutions and enterprises do not manufacture supplies, do not provide services or do not perform works for the contracting authority.

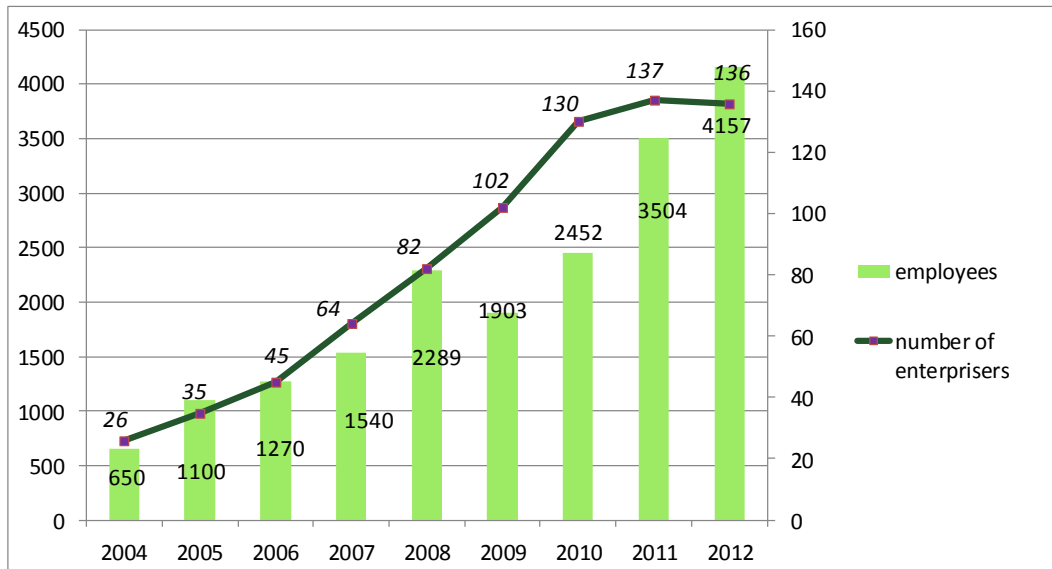
Another distinctive feature of social enterprises form the other supportive mechanisms is the *Social integration and social skills development plans*. The plan is elaborated at the enterprise level together with the application to get that status of social enterprise or social enterprise for disabled. As it was observed during the study (The impact of labour, 2013) the implementation of the measures envisaged in these plans are rather formal in most enterprises.

Lithuania has its own traditions of work integration of disabled people through work. As a part of central planned economy cooperatives had a considerable presence in some Soviet countries (Lithuania among them as well). The work and vocational training enterprises for disabled people (visually impaired, deaf) that were established in the late 1960s also operated quite successfully in independent Lithuania. Those firms were among the first that got the status of social enterprises when the Law on Social Enterprises came into force in 2004 (Official Gazette, 2004, No. 96-3519).

In 2004, 26 companies got the status of social enterprises. Since 2004 the number of social enterprises extended to 137 in 2012.



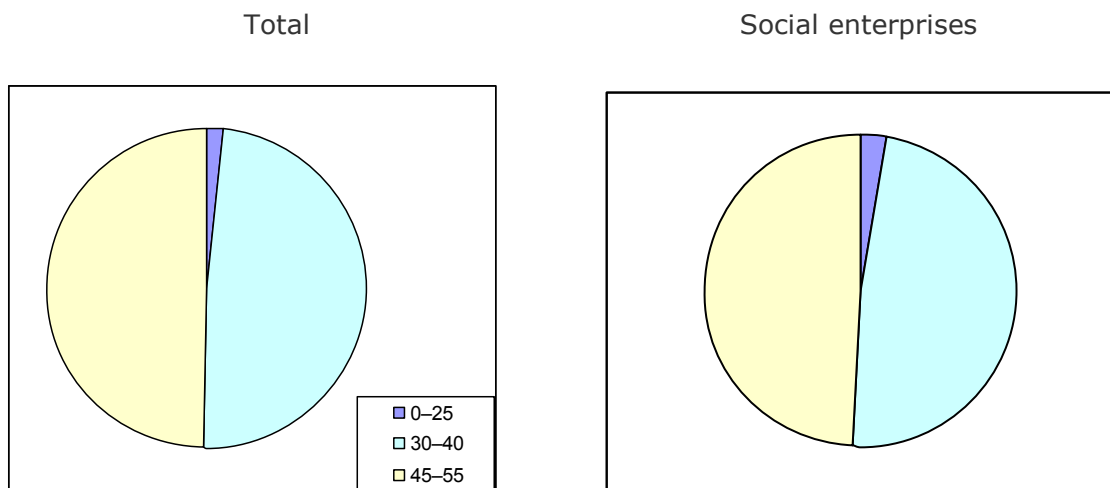
**Chart 3. Social enterprises and employees**



Despite the fast growth of the number of social enterprises during the last years they constitute only 0.002% of all economic entities operating in the country. However people with disabilities employed in social enterprises represent 0.08% of all employed disabled people.

It was mentioned that social enterprises mainly serve as a tool for integration into work for disabled people. It should be mentioned, that the share of the employed people with severe disabilities is higher in social enterprises than in the open labour market.

**Chart 4. The structure of the employed disabled by work capacity (%)**



Unfortunately, Lithuanian social enterprises fail to employ vulnerable target groups of unemployed other than disabled (other vulnerable groups constitute only 0.2%).

## 4. Conclusion

Such distinctive features of Lithuanian social enterprises can be mentioned to describe the peculiarity of the development of national social enterprise sector:

The national social enterprises operate under the specific legislation. The organisations and enterprises that meet eligibility criteria can apply for the status of social enterprise.

The main target group employed in social enterprises is disabled people. This is relevant for both with social enterprise and social enterprise for disabled.

The main economic activities of social enterprises are production or services.

In general Lithuanian social enterprises reinvest the profit to the needs of the enterprise, although part of the enterprises with low productivity don't gain profit or gain minor profit so the question of return on capital is not relevant for them.

With little exceptions there is no mechanism entrenched for social accountability of social enterprises to those they are meant to serve. Only social enterprises operating in close collaboration with NGO's representing disabled people do such practice.

Clear orientation to work integration activities and quite narrow range of vocational activities to offer for disadvantaged groups suggest that the total level of innovative ones is low among Lithuanian social enterprises. Though some outstanding examples such as social enterprises providing research activities or tele-marketing can be listed.

At the meantime the concept of social enterprise is under consideration in Lithuania. The financial constraints put under threat the sustainability of operation of social enterprises. However the need for the social enterprises in Lithuania is expected to rise. The structure of the national labour market and quite low level of its inclusiveness cause the need for work integration services in the country. The number of social enterprises that produce goods and services with social utility or are driven by a collective interest is also supposed to rise.

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