

LITHUANIA

# TOWARD A SYSTEMIC APPROACH TO SOCIAL PROTECTION

POVERTY WATCH 2024







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# POVERTY WATCH 2024

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## INTRODUCTION

Welcome to the seventh annual Poverty Watch review, which we are co-producing with our members and academics. Each year, based on the experience of our members and the insights of people living in poverty, we select topics for the Review that we believe should be discussed more widely in society. This year, we are particularly focusing on inequalities of all kinds, which have a fundamental impact on the socio-economic well-being of our societies, and which are manifested in different spheres of life and affect the daily life of society. Inequality is not a popular topic in Lithuania, and its reduction is often associated with the communist and occupation regimes, although everyone who lived during those times remembers well the extreme inequality that depended on a person's loyalty to the system. We are also aware that it is not possible to have complete equality in society - we are all different, and our different abilities and interests are with us throughout our lives. However, in this year's review, we want to stress that extreme inequalities of income and opportunity divide and damage us as a society, disrupting the development of a state in which all citizens find their place, fulfil their potential and contribute to the building of the state. So, this year, I invite you to look into inequality and have a discussion about it!

I am particularly grateful to my colleagues Agata Subotovič and Rimgailė Baltutė, to researchers Dr. Rasa Erentaitė and Dr. Tautvydas Vencius, to Deimantė Budrytė, a social politics student who had an internship at the organisation, to the members of the Board, to the members of the EAPN Lithuania who participated in focus groups, gave interviews and provided insights, and to the people who have faced material challenges and who have been kind enough to share their experiences.

Aistė Adomavičienė, Head of the EAPN Lithuania

**About us:**

Founded in 2006, the Lithuanian National Anti Poverty Network (EAPN Lithuania), unites and strengthens 68 non-governmental organisations (NGOs) working in poverty and social exclusion reduction.

**Motto:** Lithuania without exclusion and poverty.

**Mission:** To reduce poverty and social exclusion by mobilising and strengthening NGOs.

**Vision:** A voice for NGOs making a difference in social policy.

EAPN Lithuania's objectives:

- To unite Lithuanian NGOs working in the field of poverty and social exclusion reduction and strengthen their institutional capacity and cooperation with national and local authorities in Lithuania;
- Participate in social policy formulation and implementation processes.



## POVERTY RISK LEVEL

According to data from the State Data Agency, the poverty risk threshold in 2023 was 564 EUR per month for a single person and 1,185 EUR for a family consisting of two adults and two children under 14 years of age. In 2023, approximately 589,000 residents of the country lived below the poverty threshold. The poverty rate in the country in 2023 was 20.6%, which represents a 0.3 percentage point decrease compared to 2022 (Figure 1<sup>1</sup>). However, the decrease is not significant, and the poverty rate remains largely unchanged—within the margin of error. For many years, Lithuania’s poverty indicators have been among the highest in the European Union.

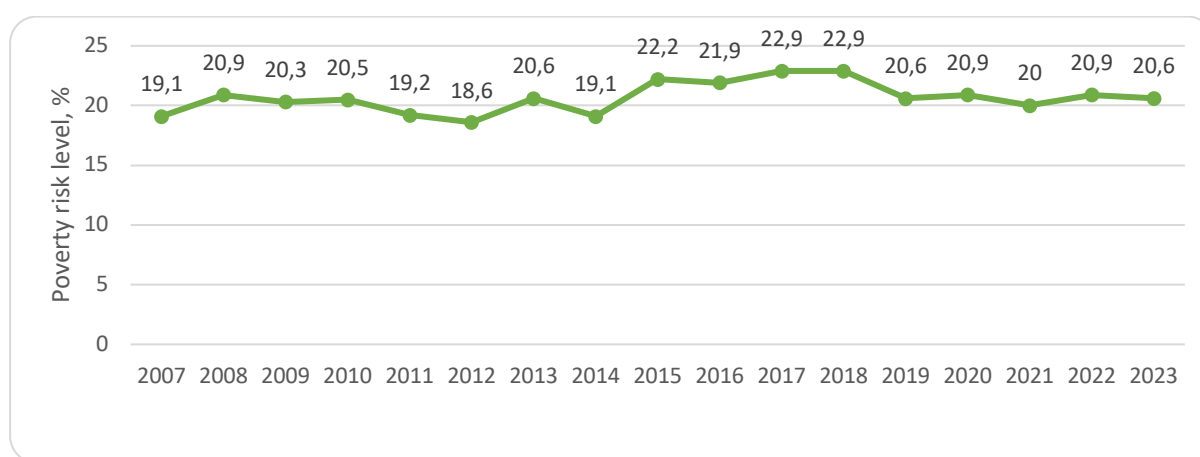


Figure 1: Changes in the level of poverty risk in Lithuania<sup>2</sup>

## POVERTY RATE BY AGE AND GENDER

The 2023 review, with a strong emphasis on various forms of inequality, reveals pronounced gender disparities. The poverty rate for men stood at 18.6%, while for women it was 22.3%<sup>3</sup>. These differences are especially significant among the elderly population. In 2023, the at-risk-of-poverty rate for men aged 65 and older reached 23%, whereas for women of the same age group, it surged to 43.2%<sup>4</sup>. This gap is driven by several factors: notably, there are considerably more elderly female pensioners due to their life expectancy being nearly 10 years longer than that of men<sup>5</sup>. In addition to the larger number of female pensioners, women’s social insurance pensions are considerably lower than those of men. According to Eurostat data, in 2023, the

<sup>1</sup> State Data Agency, [Skurdo rizikos lygis](#).

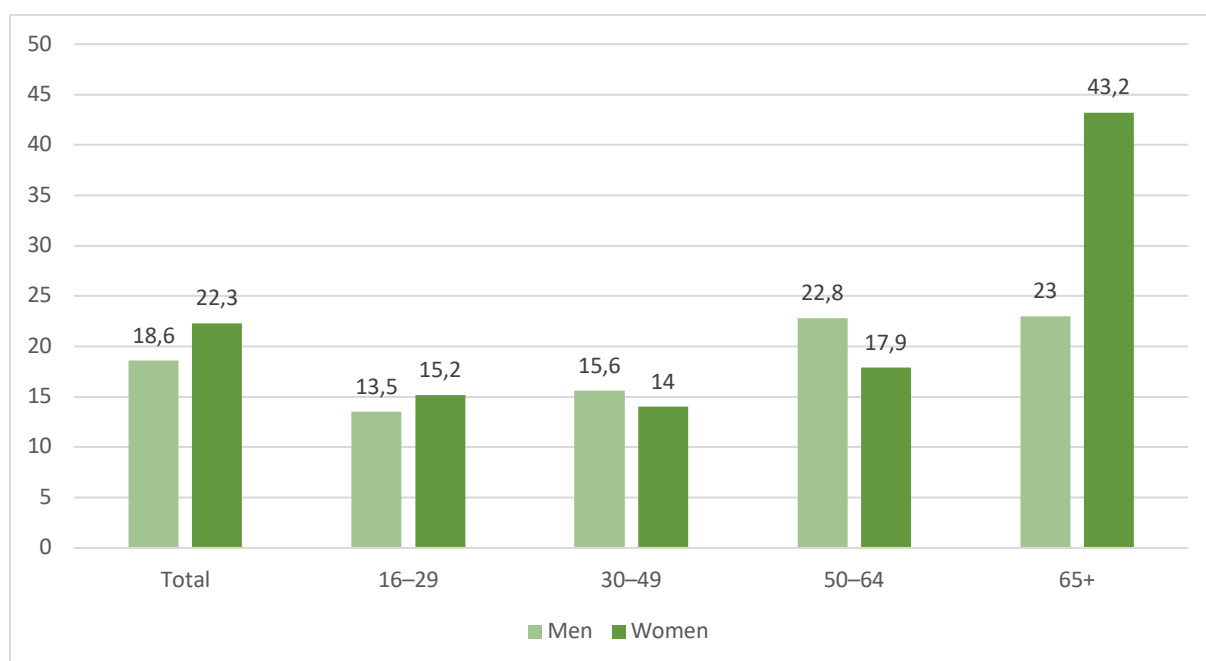
<sup>2</sup> State Data Agency, [Skurdo rizikos lygis](#).

<sup>3</sup> Eurostat, [At-risk-of-poverty rate by poverty threshold, age and sex](#).

<sup>4</sup> Eurostat, [At-risk-of-poverty rate by poverty threshold, age and sex](#).

<sup>5</sup> State Data Agency, [Vidutinė tikėtina gyvenimo trukmė](#).

average social insurance pension for women in Lithuania was approximately 14% lower than for men<sup>6</sup>. The feminization of poverty was explored in detail in the previous year's review.



**Figure 2. POVERTY RATE BY AGE AND GENDER<sup>7</sup>**

## MOST VULNERABLE GROUPS

For many years, the most vulnerable groups in Lithuania, in terms of poverty risk, have been the **unemployed, single individuals, single parents raising children, old-age pensioners, people with health issues, and children.**

As the overall at-risk-of-poverty rate in the country decreases, the situation for most vulnerable groups has improved. The largest reduction in poverty risk was observed among single parents raising children (a decrease of 6.5 percentage points), single individuals (a decrease of 4.3 percentage points), and old-age pensioners (a decrease of 3.9 percentage points). The at-risk-of-poverty rate also slightly decreased for children (by 0.8 percentage points) and for those whose activities were restricted due to health problems (by 0.4 percentage points).

However, there is cause for concern due to the significant increase in the poverty risk among the unemployed, which rose by 8.5 percentage points. This highlights certain structural challenges faced by the country's unemployed population.

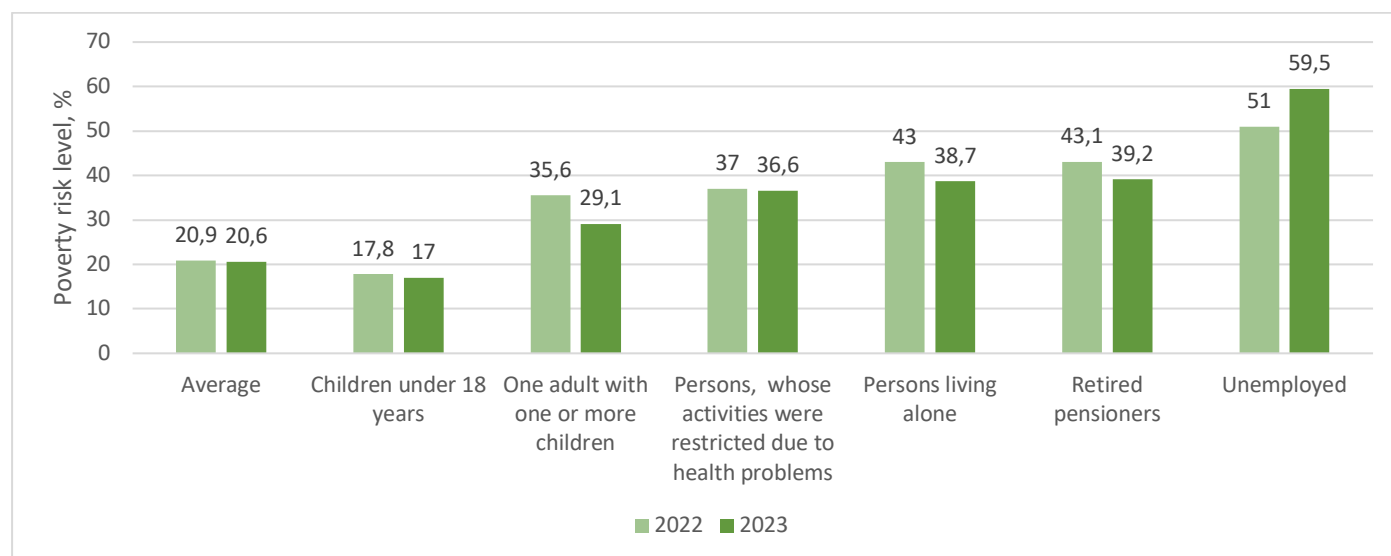
The reduction in poverty among single parents was mainly driven by an increase in child benefits and additional allowances for low-income families. In 2023, compared to 2022, the child benefit increased by approximately 12%. The average old-age pension also grew by around 12% in 2023, reaching approximately 95% of the at-risk-of-poverty threshold. The

<sup>6</sup> Eurostat, [Gender pension gap by age group](#).

<sup>7</sup> Eurostat, [At-risk-of-poverty rate by poverty threshold, age and sex](#).



minimum monthly wage (MMW) paid net in 2023 reached 633 EUR, exceeding the poverty risk threshold for that year.

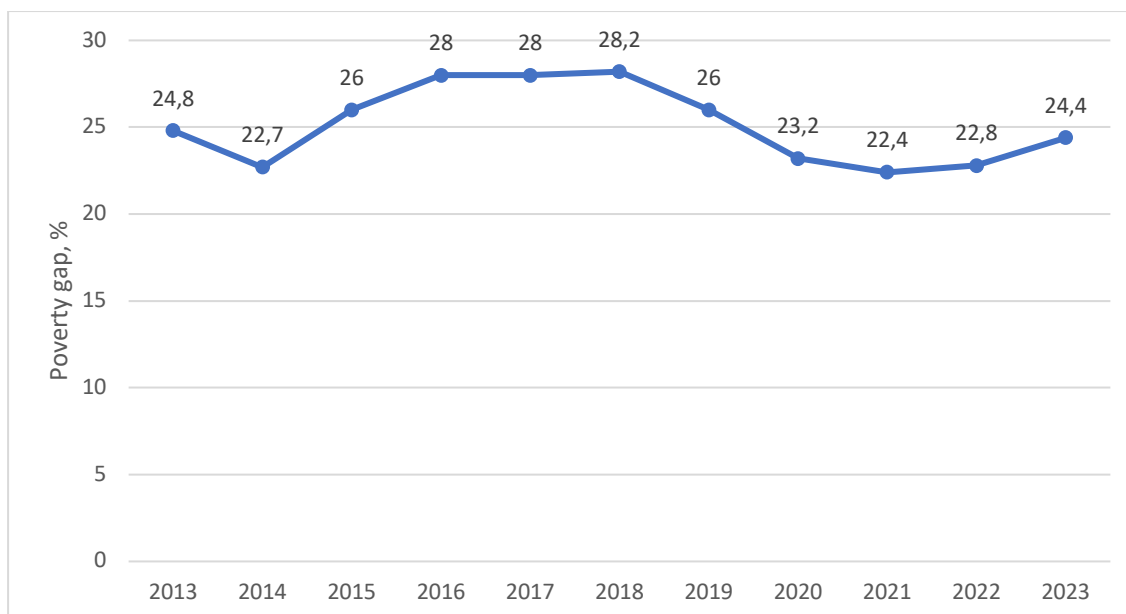


**Figure 3: Most vulnerable groups**

## POVERTY GAP

The poverty gap in Lithuania is larger than in many European Union countries. This is primarily related to the very low level of social benefits, which significantly lag behind the at-risk-of-poverty threshold, pushing people into deeper poverty. The lowest poverty gap is observed in Belgium, Cyprus, Finland, and Ireland, while the highest is found in Croatia, Hungary, Slovakia, and particularly Romania, where the poverty gap is nearly double the EU average.

In recent years, a concerning trend has emerged – since 2021, the poverty gap has been increasing, rising by 1.6 percentage points in 2023 alone. This indicates that more people in Lithuania are experiencing deeper poverty. The increase in this indicator may be linked to the economic downturn caused by the COVID-19 pandemic, followed by record inflation and an energy price crisis, which significantly affected household incomes. Although wages and social benefits have risen, the incomes of the most vulnerable individuals have not kept pace with inflation.



**Figure 4. Poverty gap trends in Lithuania<sup>8</sup>**

## **LEVEL OF RISK OF POVERTY AND SOCIAL EXCLUSION**

The at-risk-of-poverty or social exclusion rate reflects the share of the population that meets at least one of the following conditions: living at risk of poverty, experiencing severe material and social deprivation, or living in very low work-intensity households. This rate has remained relatively stable for many years and continues to be higher than the European Union average (Figure 5). However, when examining the individual components of this indicator, important trends emerge: over the past five years, the number of people experiencing severe material and social deprivation has decreased and currently stands at 6.1%, which is below the EU average<sup>9</sup>.

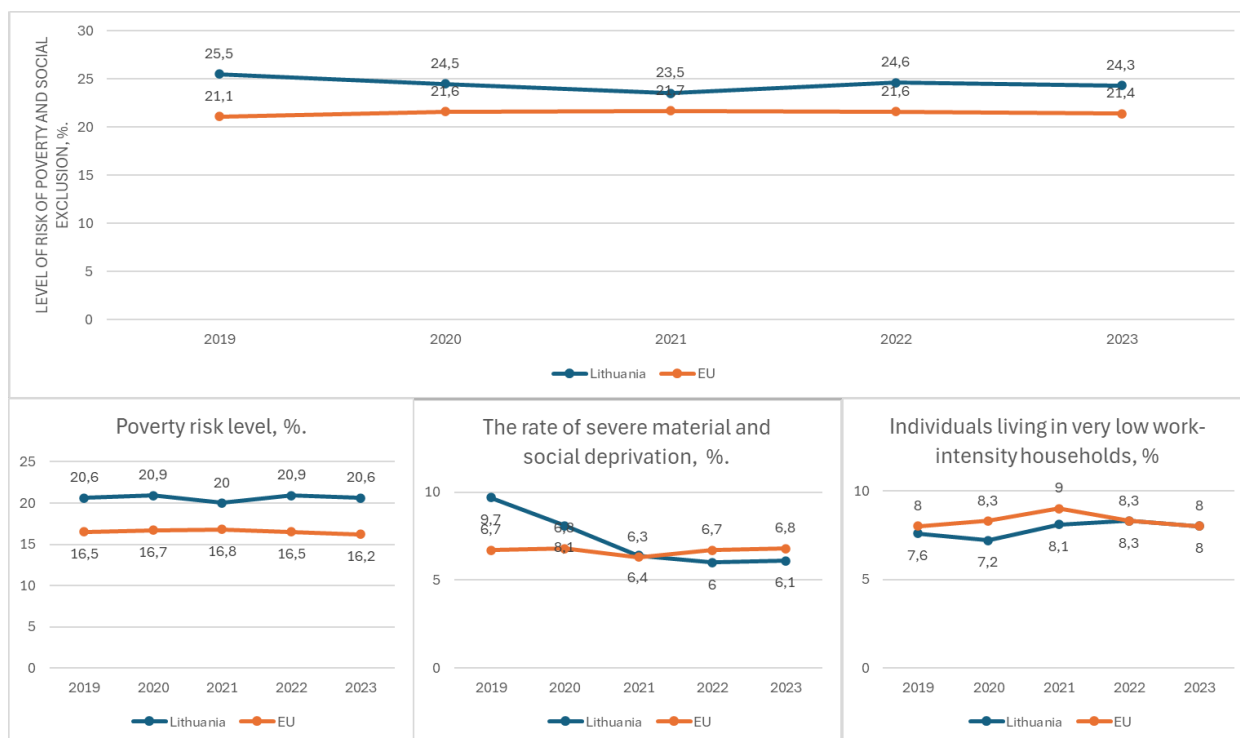
While an increase in the number of people living in very low work-intensity households was observed in 2022, this indicator declined in 2023 and now stands at 8%<sup>10</sup>.

<sup>8</sup> Eurostat, [Relative at risk of poverty gap by poverty threshold](#).

<sup>9</sup> Eurostat, [Severe material and social deprivation rate](#).

<sup>10</sup> Eurostat, [People living in households with very low work intensity](#).





**Figure 5. Changes in the level of risk of poverty and social exclusion in Lithuania<sup>11</sup>**

## ABSOLUTE POVERTY RATE

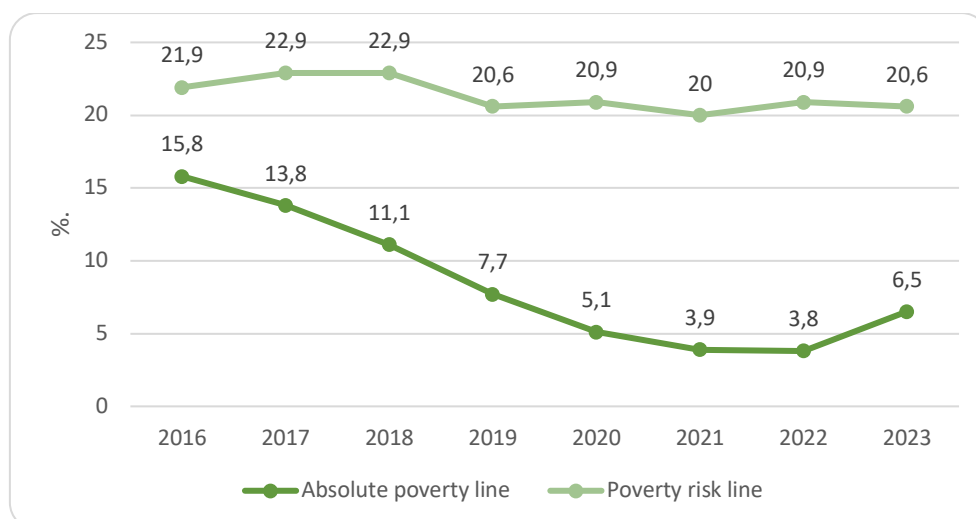
The absolute poverty threshold is an income level calculated annually by the Ministry of Social Security and Labour of the Republic of Lithuania, which defines the minimum amount needed to cover a person's basic food and non-food (goods and services) needs. Individuals whose income falls below this level are considered to be living in absolute poverty.

In 2023, the absolute poverty threshold increased by approximately 32%, reaching 354 EUR per month for an individual and 743 EUR for a family with two children under the age of 14. This significant increase was driven by the record-high inflation in 2022. Since the minimum consumption basket (MVPD) is indexed based on the projected inflation for the following year, it lagged behind actual inflation last year, leading to a delayed increase this year<sup>12</sup>.

In 2023, more than 187,000 permanent residents of Lithuania lived in absolute poverty, 2.7 percentage points more than in 2022. Compared to 2022, the absolute poverty rate in 2023 increased the most among children under 18 (by 4.1 percentage points). The number of working-age individuals living below the absolute poverty line grew by 2.6 percentage points, and the number of old-age pensioners in absolute poverty rose by 2 percentage points. The increase in absolute poverty is a serious concern, as it indicates that more people are unable to meet even their most basic needs.

<sup>11</sup> Eurostat, [Persons at risk of poverty or social exclusion by age and sex](#).

<sup>12</sup> Read more about the specifics of calculating the minimum consumption needs level (MVPD) on the Poverty Watch 2022.



**Figure 6. Absolute poverty line and poverty risk line in Lithuania, EUR<sup>13</sup>**

## KEY CHANGES TO REDUCE POVERTY AND SOCIAL EXCLUSION

### Raising personal income

This is the third consecutive year of consistent increases in the MMW (Minimal Monthly Wage). In three years, the MMW has increased by more than €280, rising by 10% to €924 in 2023. In addition, in 2024, with a 20% increase in the non-taxable income rate, the net MMW has increased from €633 to €709. The consistent increase in the MMW is important and makes a significant contribution to improving the living conditions of working people. However, according to the SDA (State Data Agency), in-work poverty has not changed significantly and has risen slightly in recent years<sup>14</sup>. This trend is worrying as it means that there is an increasing number of people on very low incomes, living in very low labour-intensity households, on atypical contracts or otherwise on very low incomes. In Lithuania, in-work poverty has not received much attention from policy makers. Most of the measures aimed at reducing in-work poverty have focused on raising the wages of low-income earners, yet despite significant increases in the MMW, in-work poverty has been increasing. Therefore, it is important to note that reducing in-work poverty cannot be limited to raising the MMW.

In addition, the incomes of other residents have risen. The average old-age pension in 2024 increased by almost 12% from €542 to €605. Similarly, the average old-age pension with the requisite length of service increased from €575 to €644 in 2024.

Some benefits, such as cash incentives for the poor or disability pensions, still fall far short of minimum consumption needs and, with food prices continuing to rise, barely cover essential

<sup>13</sup> State Data Agency, [Absoliutaus skurdo lygis](#).

<sup>14</sup> State Data Agency, [Poverty risk level](#)

costs. The increase of €19 in state income support brings it to €176 this year. The average monthly social benefit this year is projected to reach €152<sup>15</sup>.

## **Services**

The range of social service providers is widened - from 1 July 2024, social services can be provided not only by legal entities (social service institutions) but also by natural persons<sup>16</sup>. This initiative increases the availability and diversity of services, especially in regions where social services are more limited or inaccessible.

## **Social cards**

From January 2024, instead of receiving food and hygiene products, people in need will receive quarterly social cards that can be used to buy food and other necessities (e.g. personal hygiene products, household goods, home cleaning products, baby items, clothes, shoes, etc.) at a supermarket of their choice<sup>17</sup>. This initiative, although still in need of a thorough evaluation, has received positive feedback in the meetings organised by the EAPN Lithuania with people experiencing poverty. Residents were happy to no longer have to carry heavy bags of food and to be able to choose more freely what to buy. Also, during the meetings, people shared that social cards provide more dignity than food aid. At the same time, the amount of money transferred per person is very small, only €25 per quarter. In addition, in some municipalities, beneficiaries can receive 5 kg of food donations once a quarter - donations of expiring and last-day food or long-life food collected during the donation campaigns.

## **Reducing the burden of indebtedness**

One of the most important developments in poverty reduction has been the adoption of the legal work package<sup>18</sup>. The legal work package, launched in July, not only provides for stricter controls on employers to reduce undeclared work, but also for a reduction in deductions from those in arrears. Deductions for people in debt earning up to the MMW have been reduced from 30 to 10 percent (with an exception for deductions relating to maintenance, damages, maiming or other bodily injury or deprivation of life of the survivor), to 30 percent for those earning between the 1 MMW and 2 MMW, and to 50 percent for those earning above the 2 MMW. Also, from now on, unemployed people with debts who are registered with the Employment Service and have started working will be able to take a 6-month “debt holiday”. It is also important to note that these amendments enable debtors to avoid losing their last home of very

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<sup>15</sup> Ministry of Social Security and Labour of the Republic of Lithuania, [Higher social benefits from the beginning of next year](#)

<sup>16</sup> Ministry of Social Security and Labour of the Republic of Lithuania, [Minister M. Navickienė: social services will become better quality and more accessible, more service providers will be created](#)

<sup>17</sup> Ministry of Social Security and Labour of the Republic of Lithuania, [Poor people with social cards will decide for themselves which food products to buy](#)

<sup>18</sup> Ministry of Social Security and Labour of the Republic of Lithuania, [Incentives for debtors to work legally and get out of debt, and stricter controls for those working illegally](#)

low value: the threshold for recovery from the debtor's last home, above which it is possible to recover the last home in which the debtor resides, has been increased and indexed from €4,000 to 10 MMW, and the additional protection of the time limit within which the debtor will not lose the last home if he proves that he will make the payments has been doubled, from 18 to 36 months. According to the EAPN Lithuania, these changes will increase the motivation and chances of returning to the labour market for those in arrears, and will significantly contribute to reducing illegal employment and social exclusion in our society.

### **Changes in the area of ill-health pensions**

From September 2024, important changes in social security will be implemented which will allow people with disabilities and people of retirement age to work without losing their entitlement to a social security pension<sup>19</sup>. Disability pensions will also be granted to people who have been recognised as having lost 45-55% of their working capacity after the age of 24. Prior to these changes, only those who were recognised as disabled before the age of 24 could work and receive a supplementary pension, which could be seen as discriminatory. These changes are welcome and will allow more people with disabilities to participate in the labour market without fear of losing their financial support. This will make a significant contribution to their economic participation and to reducing social exclusion.

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<sup>19</sup>Ministry of Social Security and Labour of the Republic of Lithuania, [All people with disabilities and those who have already reached retirement age will be able to work without losing their access to the social assistance pension](#)



# MANIFESTATIONS OF INEQUALITY IN LITHUANIA

## INEQUALITY OF OPPORTUNITIES THAT LEAVE US ALL AT A LOSS

Prepared by Dr Tautvydas Vencius

“Despite the country’s small size, regional disparities in income, productivity and unemployment are not only among the highest in the Organisation for Economic Co-operation and Development (OECD) countries but are also growing. Economic growth is concentrated in a few major cities and resorts along the Baltic Sea, while many rural and peripheral areas are stagnating, and emigration is often the only way to escape poverty”<sup>20</sup>. This is the description of Lithuania’s socio-economic situation that the OECD uses to launch its 2020 Economic Survey. This succinct summary reflects the problems we face. In addition, over the last decade, Lithuania has recorded a relative poverty risk rate of around 20%, income levels varying by more than 6 times over several years, the structure and socio-demographic characteristics of social assistance recipients hardly changing, and more than a third of the unemployed are long-term unemployed. These indicators make it clear that society is becoming increasingly stratified, leading to greater disparities between those with more and those with fewer opportunities. The disparity of opportunities is well reflected in the concept of **social mobility** - the movement between social positions in a multidimensional social space - which allows us to take stock of the challenges and barriers that arise in a society that limit the opportunities for higher education, occupational status, income or even better health. Some researchers summarise that the life paths of people from vulnerable groups are not easy: they need more effort and time to achieve both higher education and a higher professional position.<sup>21</sup> The concept of social mobility therefore encompasses and emphasises a range of institutional, economic and social factors. It is institutional factors that most often determine individuals’ access to education and employment. Economic factors are mainly related to investment in human capital and tax systems. Social factors relate to innate abilities, parental social and cultural capital, early years experiences, education, labour market participation.

Research shows that in Lithuania, the most important barriers to social mobility are the negative impact of the family and neighbourhood environment and the lack of social skills passed on by parents to their children. Improvements in the situation are hampered by the still weak inter-institutional cooperation and the lack of adequate support and services for the whole family. The inequalities and disparities in opportunities between urban and rural children are particularly accentuated, and this becomes even more acute when families are unable or reluctant to accept help from social workers or other professionals, thus making it more difficult for them to provide timely assistance to children. It is also considered that the social support system does not fulfil the theoretical objective of activating individuals, as the conditions and

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<sup>20</sup> OECD, 2020. OECD Economic Surveys. Paris: OECD Publishing. Available online: <https://doi.org/10.1787/62663b1d-en>

<sup>21</sup> Pott, A., Crul, M., Schneider, J., 2022. New Social Mobility. IMISCOE Research Series. Springer

awareness of empowering measures are insufficient and their design is described as discouraging change.<sup>22</sup>;

**So, what are the most different options, and why are these differences to the detriment of us all?**

### ***Are opportunities enhanced by social support?***

Lithuanian social support system is described by researchers as “underfunded and highly stigmatising”<sup>23</sup>. Despite the fact that about 20% of the population is at risk of poverty, only 2-3% of the population receives social assistance for the disadvantaged. Moreover, this system creates a discriminatory environment for social assistance recipients and establishes hierarchical power relations between the organisers, providers and recipients of social assistance<sup>24</sup>. Social assistance has a strong negative impact on work incentives in the lowest income households<sup>25</sup>. Moreover, the conditions for accessing the tested benefits are much stricter in Lithuania than in Latvia and Estonia, but the expenditure per GDP is higher - 0.5% (in Latvia, 0.2% and in Estonia 0.1%).

While both society and policy makers are constantly discussing the activation of social assistance recipients and other vulnerable groups, and setting the goal of getting everyone of working age into employment, this is a target that is still difficult to achieve for some groups. Nevertheless, the activation of beneficiaries is currently largely limited to the practice of compulsory registration with the PES (Public Employment Services), which is identified as the main tool for potential integration into the labour market. On the other hand, it is often argued that the skills of recipients of cash social assistance are developed through so-called socially useful activities. In practice, however, this is usually limited to a range of regular environmental maintenance tasks that are not commensurate with people’s educational qualifications. For some people, these activities are not only physically demanding but also stigmatising. The above points point to the use of more control-oriented social policy measures in the country instead of long-term solutions, and to the lack of person-centred, problem-oriented and contextualised solutions in the social support system.

### ***Social capital and distribution of opportunities***

Parents with higher education are also more likely to expect their children to achieve more in education and work<sup>26</sup>. This implies that the social capital of the family, parents’ expectations of their children’s future, and the resources provided are important elements in the transmission of parental social status. Statistics show that one fifth of recipients of social benefits who are raising children receive them for a long period of time (12 months or more). This share was almost 26% in 2022 (5.6% p.p. more than in 2021). This reflects the likelihood of long-term poverty, the experience of which in early development and childhood can have a negative

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<sup>22</sup> Vencius, T., 2023. [Factors of intergenerational social mobility in Lithuania.](#)

<sup>23</sup> Navickė, J., 2023 (p. 98). [Social policy and the life course: adapting the life course policy analysis framework](#)

<sup>24</sup> Navickė, J., Lazutka, R., 2016. [Work incentives across the income distribution and for model families in Lithuania: 2005-2013](#)

<sup>25</sup> Aidukaitė, J., 2018. ["Baltic Welfare State" or "Welfare States"? A Comparative Analysis of Social Security Systems in Estonia, Latvia and Lithuania' in The Great Dispersion](#)

<sup>26</sup> Brazienė, R., 2020. [The Role of Youth and Parental Education](#)

impact on a child's development and their ability to improve their future life. Therefore, it can be argued that social capital influences children's opportunities for personal and social development and structures their expectations. It is also recognised that pupils are strongly influenced by their peers and friends at school, and that certain social norms in the peer group or a lack of social capital in the wider community can lead to a reduction in motivation for learning, expectations for the future, and thus in opportunities for upward social mobility. Even having relatives or friends who have completed tertiary education can be an important factor influencing educational decision-making, as many people from low socio-economic status groups do not believe that tertiary education can help them and are less confident in their ability to complete it, simply because of the lack of people in their environment who have completed tertiary education. Research shows that this is mainly due to a lack of attention paid by the social protection, education and health sectors to families and children who are at social risk. This is due to a lack of timely services, both for the family as a whole (social, parenting skills, other family services) and for children only, such as access to a day-care centre or opportunities for non-formal education. For example, in 2021, only 3.5% of school-age children received day-care services. This coverage seems very low, especially considering that day-care centres can compensate for the social skills that parents do not pass on.

### ***Vulnerable groups and labour market inclusion***

Vulnerable groups face restrictions on active inclusion<sup>27</sup>. Active inclusion “refers to the promotion of social inclusion and participation in the labour market for people of working age who are experiencing poverty or social exclusion” (p. 106), and includes not only inclusive labour market measures, but also financial support and increased access to public and social services. It is important to note that labour market inclusion in this context also refers to the removal of various barriers to employment.

Employment of vulnerable groups is not a targeted part of public social policy. Although individual initiatives, such as the Model for Employment Promotion and Motivation of Unemployed and Socially Supported Persons (the Model), which was implemented between 2019 and 2022, have been applied, such and similar initiatives are not adequately funded and systematic training of case managers is not organised, and municipalities can choose between using case-based assistance or employing people in unskilled fixed-term jobs that do not address the underlying problems, which require highly individualised attention and a clear strategy of cooperation between social assistance, social services and employment. Moreover, while research insights suggest that support and accompaniment after employment is essential, this is given only scant attention in the current system. All of this leads to people falling back out of the labour market due to recurrent health problems, social skills that are still not established, various challenges at work, etc.

### ***Housing affordability limiting opportunities***

Young people's opportunities are limited and the lack of access to their own home is a challenge for many. Many young people save or take out a loan from a bank just to buy their

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<sup>27</sup> Gruževkis, B., Krutuliene, S., Miežienė, R., 2021. [Constraints to active inclusion and the role of social services: the case of Lithuania](#)

own home, which prevents them from investing in other needs such as education, travel, etc. This is also a frequent criticism of the financial incentive for young families to buy their first home, which is limited to the regions and not to the major cities. On the other hand, there are cases where families living in social housing are also territorially excluded, with housing being allocated in villages that lack infrastructure, informal employment opportunities for children and adequate transport links: *“As far as social housing is concerned, it has to be somewhere where there are jobs, not somewhere far away from the city, so that people can work. If they are in need of social housing, they should be able to get to that job and earn money, and we don’t have to keep them trapped in the support system all the time, where they can’t get out.”* (NGO representative). In addition, the waiting time for social housing has been a challenge for many years and, although decreasing, still averages 5.74 years (but in Vilnius, for example, it can be as long as 12 years)<sup>28</sup>. Moreover, the problem of homelessness in Lithuania, which according to available statistics has been increasing in recent years (according to the VDA, 4009 people lived in temporary accommodation in 2021, 4317 in 2022 and 4318 in 2023), does not receive adequate attention.

### ***“New” social risks and constraints***

Research shows that countries with high income inequality tend to have lower social mobility<sup>29</sup>, which leads to overall inequality of opportunity. In societies with greater equality of opportunity, all individuals are able to realise their talents and abilities and thus contribute to the common good. Social security systems have been designed to cover risks such as sickness, old age, pregnancy, accidents at work and occupational diseases and unemployment. These risks are certainly still relevant today, but new social challenges have also emerged that are directly linked to people’s capabilities. For example, insufficient or no qualifications that can lead to long-term unemployment, long-term childcare as a threat to women’s employment, the intergenerational transmission of poverty, single parent poverty, etc. Even today, structural changes, economic fluctuations and the demands of the social support system limit opportunities not only to enter employment but also to participate fully in social life. Despite the fact that the various modernisation processes have already brought about many changes, for vulnerable groups in society these changes have in many cases had the opposite effect: the inability to adapt to the new economic and social conditions has led to long-term unemployment, the need for social assistance, and a range of personal problems, which ultimately prevent successful upward social mobility.

Even accessibility to jobs and services is becoming a new risk of our times. It is no secret that access to services in rural areas is limited by accessibility, as the public transport network in some areas is very minimal. This is at least partly supported by the share of municipal transport expenditure per capita recorded in the data on monitoring the effectiveness of social assistance, which shows that there is still a 7-fold gap between the municipalities that spend the most and the least on transport. The issue of transport becomes even more pressing in the context of the

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<sup>28</sup> LRT.lt, [Waiting time for social housing is getting shorter, but some people still don't get it for more than a decade](#)

<sup>29</sup> Corak, M., 2013. [Income Inequality, Equality of Opportunity, and Intergenerational Mobility](#) *The Journal of Economic Perspectives*



closure of various institutions (banks, post offices, schools, etc.). Residents of smaller towns and regions feel “cut off” from the services, entertainment and goods they take for granted in big cities.

Thus, it has to be acknowledged that gaps in education, social security, health, economic inequality, lack of cultural capital, low socio-economic status and other challenges mentioned above are becoming significant barriers to a better social position - higher education, higher income, better occupation. While opportunities are objectively increasing, it should be noted that not all groups in society are able to take advantage of them, and this is particularly the case for disadvantaged families and their children. Thus, when addressing social problems, it is important to assess not only the “classic” problems of Lithuanian social policy (persistent poverty and inequality, long-term unemployment, etc.), but also to pay attention to new challenges (digitisation processes, the consequences of the economic recession and the Covid-19 pandemic, the impact of the persistent poverty and inequality, etc.)<sup>30</sup>.

*“If you’re in poverty, it’s your own fault. And if the people are to blame, then the government has nothing to do for them.”*

*“I heard the Mayor’s speech blaming people who can’t work. It seems to be people’s own fault that they find themselves in a difficult situation. It feels very much that there is a focus only on numbers and statistics.”*

*“It makes me angry that if you’re on benefits, you’re no longer human.”*

*“Equality, freedom and dignity are just words.”*

Experiences of people living in poverty

## **UNEVEN EXPERIENCES AND ACHIEVEMENTS OF STUDENTS**

Prepared by Dr. Rasa Erentaitė, Dr. Rimantas Vosylis

One of the main goals of modern education policy is to ensure an optimal learning environment for every student and to provide all students with the support they need to learn effectively, irrespective of their background or the type of school they attend (OECD, 2023). In other words, the aim is to ensure that education is equitable, that the same high quality of education is available to all pupils, and that everyone receives the support they need for optimal learning, including compensatory measures for disadvantaged pupils and schools<sup>31</sup>. Although it is not

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<sup>30</sup> Vencius, T., 2023. [Factors of intergenerational social mobility in Lithuania.](#)

<sup>31</sup> IYCF, 2023. [Lithuania. Education in the country and regions 2023. Educational Equity.](#)

easy to assess unequivocally the extent to which this education policy objective has been achieved, the most common approaches to assessing educational equity are comparisons of achievement between different sub-groups of pupils (e.g. by gender, socio-economic, family, cultural - SEC - status), and the extent of the differences in achievement between schools.

Recent education surveys reveal some inequalities in learning outcomes in Lithuania's general education system. For example, school characteristics account for around 30% of the variation in mathematics achievement among eighth-graders (according to the results of the OECD PISA 2022 mathematics test<sup>32</sup>). The importance of the school in national tests of pupils' achievements (e.g., In the NMPP 2022 tests for eighth graders) is also above 20% (in mathematics, reading, science and social studies), and is even more pronounced in the achievement tests for tenth graders<sup>33</sup>. In other words, pupils perform quite differently depending on the Lithuanian school they attend. The disparity between schools in Lithuania is greater than in Finland or Denmark, for example, where the achievement gap between schools is less than 10% (according to the OECD PISA mathematics test results<sup>34</sup>). Achievement also varies between pupils from different social contexts. For example, there are significant differences in pupils' achievement according to students' SEC backgrounds, with eighth-graders from the most disadvantaged backgrounds on average performing lower in maths, science literacy and reading than their peers from advantaged backgrounds (according to OECD PISA 2022 results<sup>35</sup>). A similar gap is observed in the analysis of continuous data on student achievement, with family deprivation adversely affecting students' achievement trajectories from grades 4 to 8<sup>36</sup>.

However, pupils' achievements and their trajectories already reflect the end result of education but provide little information about the processes and factors that shape inequalities in attainment. Looking at the educational process itself and the factors that shape its equity, the most common analyses focus on the equity of the material aspects of the learning environment (such as resources per pupil, school space per pupil or number of pupils per Internet access point) and on the equity of teachers' qualifications<sup>37</sup>). However, it should not only be about students' equitable access to the material resources needed for effective learning, the equivalence of teachers' and other school professionals' qualifications and the opportunities for upgrading them across schools, but also about students' subjective learning experiences in relation to the motivational environment in schools and classrooms (OECD, 2023). It is this latter aspect - the motivational environment of the school - that reflects the potential of the school, both in terms of facilities and teacher qualifications, to shape students' understanding of why they need to learn, what constitutes success in learning, the ways in which learning success is worth pursuing, and the ways in which they can be achieved and what can help to

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<sup>32</sup> IASM, 2024. *Lithuania. Education in the country and regions 2024. Development of social and emotional competences.*

<sup>33</sup> Edu Vilnius, 2022. [Vilnius City Municipality Education Progress Report 2022](#)

<sup>34</sup> IASM, 2024. *Lithuania. Education in the country and regions 2024. Developing social and emotional competences..*

<sup>35</sup> Ibid.

<sup>36</sup> Erentaitė, R., Vosylis, R., Simonaitienė, B., Melnikė, E., & Sevalneva, D., 2023, [Uncovering heterogeneity in achievement during the Covid-19 pandemic: Math grades trajectories and their predictors in middle school.](#)

<sup>37</sup> IYCF, 2023. [Lithuania. Education in the country and regions 2023. Educational Equity.](#)

achieve it. The motivational environment is what each student experiences first-hand and can directly influence students' subjective perceptions of the value of learning, their engagement in learning and their learning outcomes. At the same time, it is perhaps the least analysed aspect of general education from a continuity perspective.

To partially fill this gap, a continuous research study "Goals Lab"<sup>38</sup> was carried out in Lithuanian gymnasiums in 2019-2020 over two academic years. It was aimed at to uncover not only the academic achievements of pupils, but also aspects of their motivation, well-being and the motivational environment of the school. The analysis was carried out at the extent to which pupils' subjective learning experiences are related to the school they attend and the SEC environment<sup>39</sup>.

### **Classroom goal structures, objectives and learning achievements for pupils**

There are many different reasons to learn, make an effort and get involved in academic activities at school. On the one hand, it is possible to strive to acquire new knowledge and skills, to master and excel in new activities and tasks. These are competence-oriented learning objectives. On the other hand, one may simply want to demonstrate one's knowledge, to show one's superiority, e.g. by outperforming one's peers, by obtaining the highest grades, or by gaining external recognition. These are learning goals that are directed towards *demonstrating competence*. *Competence-building* objectives will encourage the learner to focus on tasks, to participate in activities, to complete assignments, to find effective learning strategies (e.g. to start with easier tasks in order to understand the principles used in more difficult tasks), in other words, to study consistently and persistently<sup>40</sup>. At the same time, the objectives of *demonstrating competence* will guide the learner to be primarily concerned with how he/she appears to the person assessing him/her (e.g. the teacher) - whether he/she is perceived as capable, gifted and able to perform the tasks, which may lead to fear of making mistakes, reluctance to take on difficult, demanding tasks<sup>41</sup>. Although the direct links between achievement goals and academic achievement are generally not strong, meta-analyses have confirmed that competence-building goals are associated with higher achievement, while competence-demonstrating goals may not be, or may even be negatively related to students' achievement<sup>42</sup>.

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<sup>38</sup> The research was carried out within the framework of the Lithuanian Research Council's Research Groups Programme project (contract number S-MIP-19-26). A detailed description of this study and more results can be found at <https://tikslulaboratorija.ktu.edu>.

<sup>39</sup> The study involved 1268 gymnasium students (51.7% girls, average age 14.87) in 72 different grades from 36 Lithuanian gymnasiums in 14 municipalities<sup>39</sup>. The sample of this study allows for a statistical assessment of the homogeneity of subjective aspects of the learning experience and of academic achievement between different grades (schools)<sup>39</sup>. Below we present the main key insights on the evenness of the motivational environment (classroom goal structures) and the links to the goals and learning achievements of grammar school students.

<sup>40</sup> Elliot, A. J., & Hulleman, C. S., 2017. Achievement goals. In A. J. Elliot, C. S. Dweck, & D. S. Yeager (Eds.), *Handbook of competence and motivation: Theory and application* (pp. 43-60).

<sup>41</sup> Ibid.

<sup>42</sup> Wirthwein, L., Sparfeldt, J. R., Pinquart, M., Wegerer, J., Steinmayr, R., 2013. [Achievement goals and academic achievement: A closer look at moderating factors](#). *Educational Research Review*, 10, 66-89.

The goals that pupils pursue in their learning also depend on the motivational messages (known in the literature as *goal structures*) they see in their school or classroom<sup>43</sup>. In a *competence-oriented classroom*, teachers target learning, emphasise comprehension, set high academic expectations, encourage active participation, engagement, independence and collaboration, use relevant and interesting learning materials, provide emotional support and help with challenging tasks, but avoid grades or extrinsic incentives. At the same time, *classrooms focused on demonstrating competence* emphasise grades, see assessment as very important, have limited student autonomy, and use rote learning more than meaningful learning. In such a classroom, success is seen as outperforming peers, reaching or exceeding standards of achievement, and pupils are allowed to understand that the most valued pupils are the ones who perform best, regardless of their effort or learning process.

There is a broad consensus that mastery-oriented, competence-enhancing goal structures in learning environments are more conducive to learning and learners<sup>44</sup>. The question is whether all schools, classrooms and teachers have the capacity to create a competence-oriented motivational environment and to encourage their pupils to strive for excellence in learning in the first place. So, the study aims to assess how pupils from different classes/schools view the goal structures inherent in their learning environments, whether they are equally favourable everywhere, and how this relates to the learning goals and achievements pupils set for themselves.

Retrieved from Statistical analysis<sup>45</sup> revealed that students' motivational experiences depend partly on the class they attend. The study differences between classes explain 10% and 15% respectively of how pupils see the goals of reinforcing competence and demonstrating competence in their environment. Similarly strong classroom effects have been found in some previous studies carried out in foreign countries, although such comparisons are somewhat complicated by differences in national education systems. So, the results of both the authors' and the studies carried out abroad show that students' motivational experiences are not the same from one classroom to another, with some classrooms having a more motivational environment for learning and students than others. Where, on average, pupils see more mastery- and competence-oriented goals in the classroom, pupils' achievement (annual grades) is also higher on average. It is likely that in such classrooms, teachers consistently emphasise the importance of competence building for all pupils, set high academic expectations for all, encourage active participation, engagement, independence and collaboration, use relevant and interesting learning materials, provide emotional support for pupils, and provide help with challenging assignments, all of which have a positive impact on the academic performance of all pupils in the class.

Equally important, in those classes where students see more motivational messages aimed at demonstrating competence, actual academic performance is not higher than in other classes. In other words, the emphasis on grades, the promotion of competition, the singling out of the

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<sup>43</sup> Erentaitė, R., Vosylis, R., Raižienė, S., Augustinienė, A. and Simonaitienė, B., 2022. [Ready to rise: adolescents' goals in an unequal society.](#)

<sup>44</sup> Bardach, L., Oczlon, S., Pietschnig, J., & Lüftenegger, M. (2020). [Has achievement goal theory been right? A meta-analysis of the relationship between goal structures and personal achievement goals.](#) 112(6), 1197-1220.

<sup>45</sup> The statistical analysis carried out in the study is described in detail in Erentaitė and Vosylis' manuscript of 2024.



highest achievers, and the lack of attention to the learning process and students' effort are not related to the actual academic achievement of students in these classes. At the individual level, the objectives of demonstrating competence are even negatively correlated with student achievement. In other words, those pupils who see more competency-oriented messages than their classmates have lower grades. It can therefore be argued that the motivational environment of classrooms and schools that emphasise the demonstration of excellence does not add value to their students, either in terms of contributing to the higher average achievement of all of their students, or in terms of contributing to the higher average achievement of individual students.

At the same time, competence-oriented goal structures are also favourable in terms of individual student achievement. Those students who see more competence-building messages than their classmates are more academically oriented, that is, they are more likely to both acquire new knowledge and skills and to demonstrate them in order to achieve high grades. This adoption of both types of goals at the individual level is highly adaptive in a competitive learning environment (e.g. in a grammar school or university), where both excellence and high achievement are important<sup>46</sup>. The study shows that this orientation towards success is more pronounced among students from richer families and more favourable SEC environments. This suggests that a favourable socio-economic and cultural family environment fosters a holistic orientation towards learning success - both excellence and good grades. It can therefore be argued that pupils from families with a more favourable SEC environment are more prepared to succeed in a competitive educational environment. Conversely, students from less affluent backgrounds enter education with lower motivation for success - they are less likely to both master new skills and content and less willing to demonstrate their competence. In general, students from less affluent backgrounds perceive fewer competency-oriented messages in their learning environment, in other words, they feel less motivated to achieve high grades and results. This is linked to the well-known observation that a less favourable socio-economic context is associated with less individualistic, less competitive and more communal attitudes<sup>47</sup>. As shown by the authors of this chapter's study, such attitudes are also adopted by students from less favourable SEC environments, which is not favourable in competitive learning environments.

### Summary

In summary, the findings reveal the importance of an under-researched aspect of educational inequality - the motivational school environment and subjective learning experiences. Pupils in different classes have different motivational experiences. Classes in which pupils perceive their learning environment as more conducive to competence have, on average, higher academic achievement. Importantly, this effect of the classroom motivational environment is stronger than the effect of the classroom environment on students' achievement. This suggests

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<sup>46</sup> Niemivirta, M., Pulkka, A., Tapola, A., & Tuominen, H., 2019. [Achievement goal orientations: a person-oriented approach](#). In K. Renninger & S. Hidi (Eds.),

<sup>47</sup> Kraus, M. W.; Piff, P. K.; Mendoza-Denton, R.; Rheinschmidt, M. L. & Keltner, D., 2012. [Social class, solipsism, and contextualism: how the rich are different from the poor](#).

that attempts to create competence-oriented goal structures in the classroom and at school may outweigh the negative impact of an unfavourable socio-economic and cultural environment on student achievement. In general, it is important to implement classroom-level initiatives to strengthen the orientation towards excellence in classrooms where this orientation is relatively weak. This could not only increase students' motivation but also improve the overall level of achievement of the whole class. In addition, personalised motivational support is essential for those pupils whose orientation towards excellence is lower than that of their classmates. Such pupils are more likely to come from less affluent backgrounds, so it is important to provide targeted individualised motivational support to pupils from less advantaged SEC backgrounds. By creating a supportive motivational environment, a school grows its potential to support every student, including those who do not have a learning environment that is academically supportive and conducive to learning in their immediate environment (family, neighbourhood, peers).

*“It’s been 30 years of independence, and I try to remember how we learnt and how people learn now, and nothing has changed, it’s the same. But if your child is struggling, nobody cares. Everybody is still learning by heart.”*

*“We only look at the results, it’s not about the person.”*

*“At school, everything is focused on results, exams. Doing things that are not necessarily what you need for life, for critical thinking.”*

Experiences of people living in poverty

## **WHAT ARE THE CONDITIONS FOR LITHUANIAN CHILDREN?**

*Child Guarantee* is a programme launched by the European Union in 2021 to ensure that all children in Europe, especially vulnerable and disadvantaged children, have equal opportunities and access to basic services. It aims to combat child poverty and social exclusion by ensuring access to health, education and social services.<sup>48</sup> One of the fundamental objectives of the Child Guarantee is to guarantee that every child has the right to adequate and appropriate housing, which is essential for their healthy and safe development. A child can only exercise his or her rights through other persons, primarily his or her parents or guardians. However, Lithuania, having ratified the United Nations Convention on the Rights of the Child in 1995, has undertaken to ensure that children are protected, supported and their rights are fulfilled. Therefore, if a child's parents or guardians are not able to guarantee the child's right to decent housing, the state should help the family.

*“There are still families we help with seemingly basic things, like buying beds for their children, because there are none. There are still families who ask us to replace the roof because*

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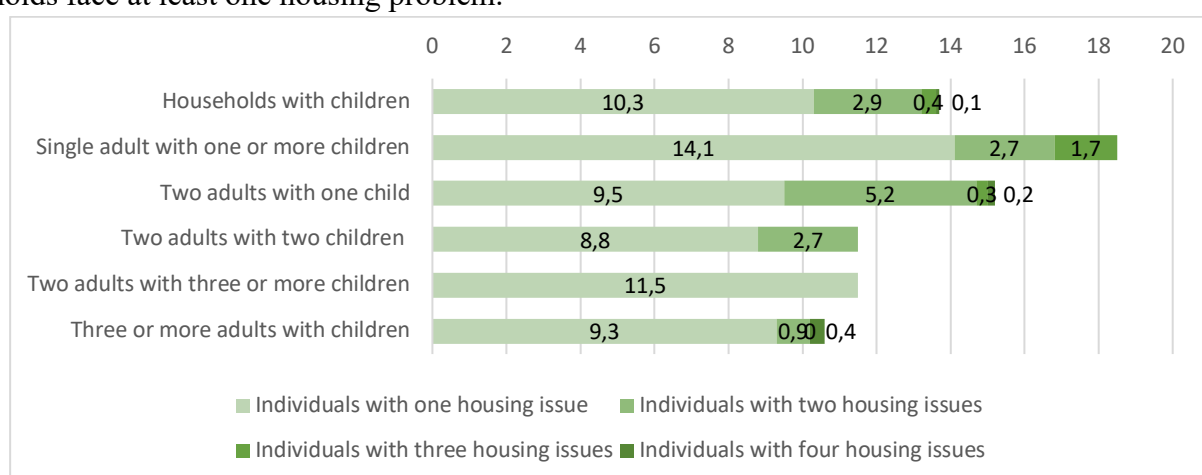
<sup>48</sup> European Commission, [European Child Guarantee](#)

*water is leaking through it. That makes the house both colder and wetter. There is still a lot of this<sup>49</sup>*”, shared R. Dičpetrienė, the head of Save the Children, in a recent article. This part of the review aims to analyse the conditions in which Lithuanian children from vulnerable families live, and how housing conditions affect their daily lives and opportunities.

## Overview of living conditions for children

For the analysis of the living conditions of Lithuanian children, data from the State Data Agency for 2023 are used. One focus group and 3 interviews with parents with children in financial difficulties were also organised to hear about the experiences of vulnerable people.

When analysing housing problems, the focus is primarily on deficiencies such as no flush toilet, no bath or shower, dripping roofs, damp walls, rotten windows or floors, and dark, inadequately lit housing (see Figure 1). Almost 14% of households with children face at least one of these problems. It can be observed that the largest proportion of households with children facing these problems are single parents with children. As many as 18.5% of these households face at least one housing problem.



**Figure 1. Distribution of persons by the number of housing problems faced by the household, 2023<sup>50</sup>**

## *Living in unsuitable conditions*

It is important to note that housing problems lead to feelings of insecurity. For example, one family said that they had had electrical problems in the past that almost led to a fire. Also, a family shared that their old wooden floors are damaged, and they have to use carpets. However, even this does not always prevent injuries - their daughter once stubbed her toe and had to be taken to hospital. Such situations show how poor housing can threaten the safety and health of family members.

<sup>49</sup> LRT.lt, [Rasa, who has seen child poverty for 16 years: are we the new Scandinavia? I'm a little unsure](#)

<sup>50</sup> State Data Agency, [Material and social deprivation](#)

When analysing housing problems, the most common problem faced by households with children is living in an unsuitable environment: 11.8% of households with children live in areas where air and environmental pollution is caused by traffic or industry, 9.9% are exposed to noise from adjacent apartments, the street or industries, and 2.8% live in neighbourhoods notorious for crime, violence and vandalism. During the focus group and interviews, families shared that they also have to face these problems: *“Now the children feel safer, although the windows are still Soviet-era, and they let the noise in”, “We live in the countryside, surrounded by farmers. In the mornings it is more difficult because the tractors go close to the houses and the cows graze in the fields. We don’t get enough sleep.”*

In terms of other housing problems, 6.1% of families with children live in too dark, inadequately lit dwellings, 7.9% have dripping roofs, damp walls, rotten windows or floors, 2.1% do not have a shower or a bath, and 1.8% do not have a flush toilet.

It is important to note that living in inadequate conditions has many negative consequences for children’s health and development. Children living in damp and poorly insulated housing are more likely to suffer from respiratory diseases such as asthma and bronchitis<sup>51</sup>. Poor housing quality is also associated with a higher incidence of infectious diseases. It is also important to note that children growing up in poor housing conditions are more likely to experience emotional and social difficulties such as anxiety, depression and behavioural problems<sup>52</sup>. Many of the families who took part in the focus group and interviews said that they need major repairs, including replacing windows and pipes, but the high cost often puts a brake on these plans. One mother with children shared: *“There is mould and damp, the house is old, and I want to change something, but I do the maths and the prices are scary. When you live alone with three kids, you can’t afford it.”* Other parents interviewed also spoke of unhealthy housing conditions caused by leaking water after roof repairs, mould, damp and old houses. They would like to carry out repairs but cannot afford it because of the high costs.

### ***Overcrowded housing***

Living in overcrowded housing is also considered a housing problem. The number of households with children living in overcrowded housing has increased in recent years (see Figure 2). This trend is worrying as overcrowding can seriously damage children’s physical and mental health by limiting their space to learn, play and develop properly. The number of households with three or more adults and children living in overcrowded housing increased from 49.9% in 2022 to 63.6% in 2023. The most vulnerable are large families, 59.6% of whom lived in overcrowded housing, and lone parents, 47.9%. *“Although we dream of having a second child, the current conditions do not allow us to fulfil this dream because there is simply not enough space.”*

The interviews revealed that overcrowding has a significant negative impact on children’s learning conditions, with a lack of desk space and even space for children to concentrate and do homework: *“We really want to improve conditions for children, but a 10 square metre room can only accommodate a bunk bed, two wardrobes and a single desk. The*

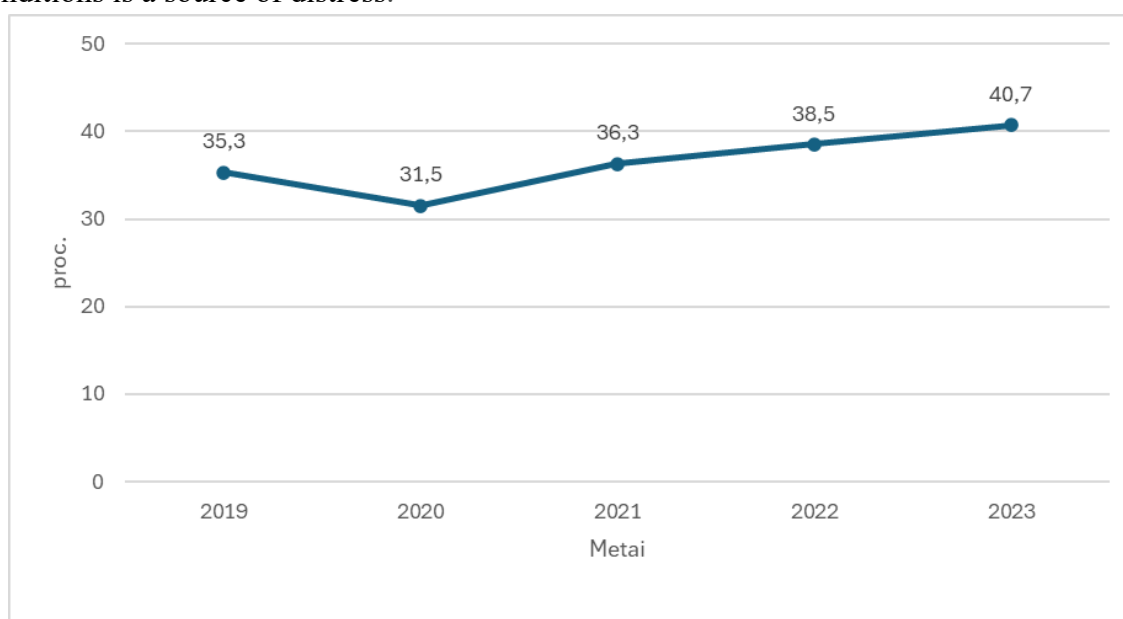
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<sup>51</sup>WHO, [Housing impacts health: new WHO guidelines on housing and health](#)

<sup>52</sup> ESRI, [Housing adequacy and child outcomes in early and middle childhood](#)



*children do their homework at the kitchen tables and keep their books and tools in their backpacks or cupboards.”* Clearly, this not only affects the quality of learning, but also the emotional state of the children - seeing their classmates living and studying in very different conditions is a source of distress.

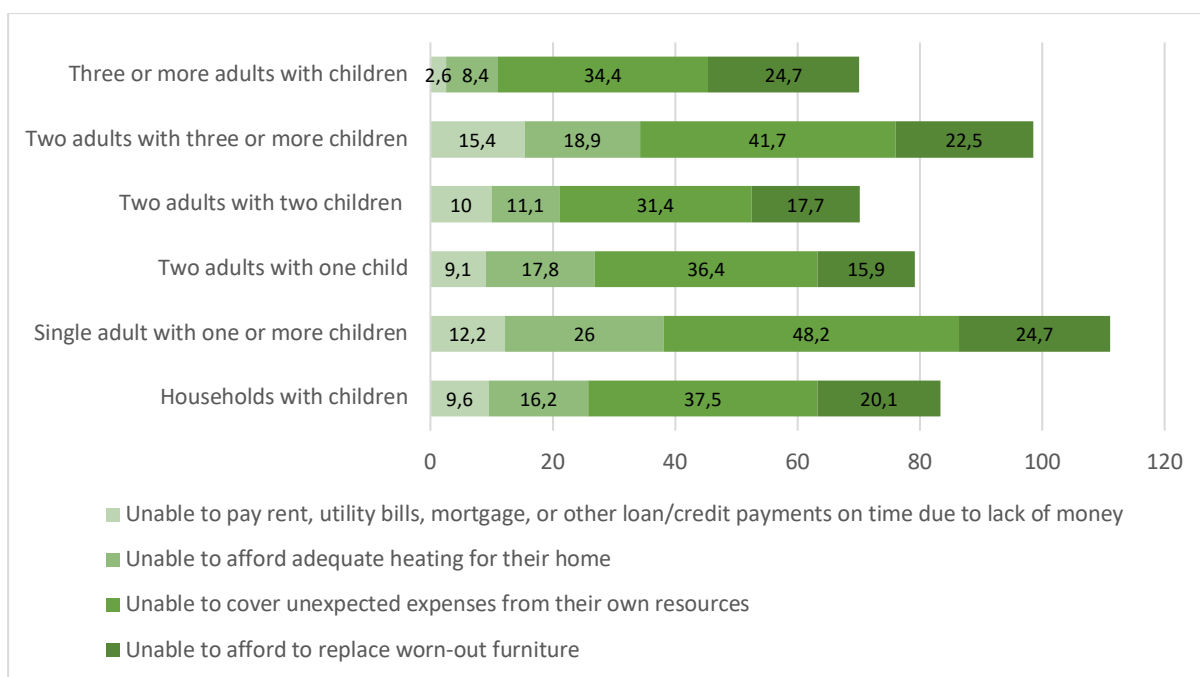


**Figure 2. Households with children living in overcrowded accommodation<sup>53</sup>**

### ***Economic difficulties***

Economic hardship is another area of concern. According to the VDA, the economic hardships faced by households fall into six groups: problems with rent, utility bills, housing or other loans, credit payments; not being able to spend at least a week of holidays away from home; not being able to afford to heat the home sufficiently; problems with food; problems with paying for unexpected expenses; not being able to replace worn-out furniture. While all the groups are directly related to children’s well-being, four of these indicators are analysed in more detail and are directly related to housing conditions (see Figure 3). It can be seen that single adults with children are most affected by problems such as not being able to heat their home sufficiently (26%), not being able to pay for unexpected expenses (48.2%), or not being able to replace worn out furniture (24.7%). Economic hardship is also a major problem for large families, according to the data.

<sup>53</sup> State Data Agency, [Persons living in overcrowded accommodation](#)



**Figure 3. Households with children living in households facing economic hardship<sup>54</sup>**

The survey revealed that the most common problem faced by vulnerable families is the inability to heat their homes sufficiently. A father of 7 children shared his difficulties in winter: *“When it’s cold, when the wind blows, it’s 12 degrees or even 10 degrees at home.” “In winter, it used to be so cold that we would go to work or school not only to work or study, but also to warm up, because the temperature in the apartment would reach 12 degrees. Even though we were up all night taking care of fire, the heat still didn’t rise above 12 degrees. We lived like that for 8 years.”* These problems have serious negative consequences. Physically, family members suffer from discomfort and increased health problems related to the cold. This also results in poorer educational performance for children, as the cold and uncomfortable living conditions make it harder for them to concentrate and learn effectively. Economic hardship exacerbates these problems, as vulnerable families are often unable to invest in improving their home heating systems, leaving them trapped in a cycle of poverty and unable to improve their quality of life.

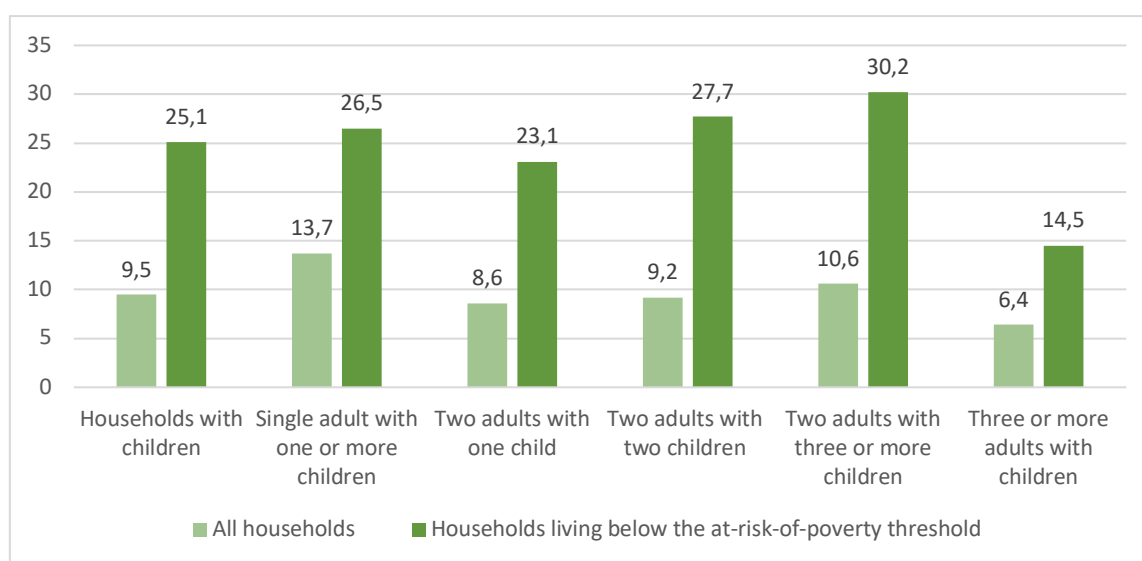
The focus group also revealed that families are unable to replace worn-out furniture, which makes their daily lives even more difficult. Lack of savings prevents these families not only from improving their quality of life, but also from acquiring the necessary educational tools for their children. Worn out furniture creates an uncomfortable and unsafe environment where children find it difficult to concentrate and learn effectively. The focus group also revealed that children are ashamed to invite friends to visit because of their poor living conditions, which further limits their ability to socialise and participate in society.

### ***Challenges of maintaining a home***

<sup>54</sup> State Data Agency, [Persons living in households facing economic hardship](#)

When analysing the share of disposable income spent on housing maintenance, households with children living below the poverty line have to bear a significant financial burden for housing maintenance (see Figure 4). The largest share of disposable income for housing maintenance is spent by large families living below the poverty line (30.2%), by two adults with two children (27.7%) and by single parents with children (26.5%). This means that the remaining income that could be spent on children's needs, such as education, health care and leisure, is significantly lower. This situation has a negative impact on children's quality of life and their chances to develop fully.

During the focus group, a mother of many shared, *"Income and expenditure is a sensitive topic, as income is often insufficient to cover necessary expenses, and the biggest challenge is the rent for housing. It costs around €500 per month. This is followed by the children's school supplies, and the rest is for food. I'm not even talking about other needs."* Other interviews showed similar trends: families first pay the housing fees, the rest goes on food, and there is hardly any money left to cover the children's other needs. An interviewee shared, *"With seven children, we face big challenges to make ends meet. Heating wood, repairs. Now my eldest son wants to go to camp, so I don't know what we will do. Housing costs and food eat up almost all the money."*



**Figure 4: Share of disposable income allocated to housing maintenance for households with children<sup>55</sup>**

## Summary

<sup>55</sup> State Data Agency, [Share of disposable income earmarked for housing maintenance](#)

The living conditions of Lithuanian children, especially those growing up in vulnerable households, are often not suitable for their healthy and safe development. Many families face housing problems such as inadequate heating, dampness, poor insulation and overcrowded living spaces. This not only poses physical health risks to children, but also has a negative impact on their emotional and psychological well-being. Also, families facing economic hardship are often unable to provide adequate living conditions for their children, and the cost of housing often represents a large proportion of their disposable income. In addition, poor living conditions can lead to social isolation and bullying at school. In interviews and focus groups, it emerged that children from poorer backgrounds often face negative attitudes towards their living conditions from their peers, classmates and even neighbours. Such situations can further deteriorate their emotional health, hinder their social integration and disrupt their development.

The implementation of the Children's Guarantee must be a cornerstone in ensuring that children and their families have the support and resources they need to guarantee their right to adequate and appropriate housing. It is important to promote long-term political and social reforms to ensure that all children in Lithuania have the opportunity to grow up healthy, safe and with the right conditions to fulfil their potential.

## THE COST OF INCOME INEQUALITY

Income inequality is a phenomenon that reflects the unequal distribution of income among the population. The unequal distribution of income across the population leads to unequal opportunities in different areas of life, from the ability to consume and live in decent housing, to the ability to buy goods and services necessary to maintain health, to access quality education, to participate actively in political activities, and to choose the job of their choice. Income inequality is a potential source of social and political conflict, a factor affecting employment and employment security and a brake on economic growth. High levels of income inequality in a country lead to poverty, migration, lower levels of education, negative impacts on the health of the population and other micro- and macro-level socio-economic consequences<sup>56</sup>.

Income inequality in the world is caused by a variety of interrelated and complex factors: constant changes in the structure of the economy, transformations in the labour market, tax policies, inequalities in the quality and accessibility of education, the concentration of wealth among the rich, various forms of discrimination and political and economic instability.<sup>57</sup> SDG 10 aims to reduce inequalities within and between countries by ensuring equal opportunities for all people regardless of age, gender, race or economic status<sup>58</sup>. It

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<sup>56</sup> A. Dilius, 2017, [\*Assessing the impact of income inequality on economic growth in groups of European Union countries\*](#). Doctoral dissertation, Šiauliai

<sup>57</sup> [World inequality](#) report

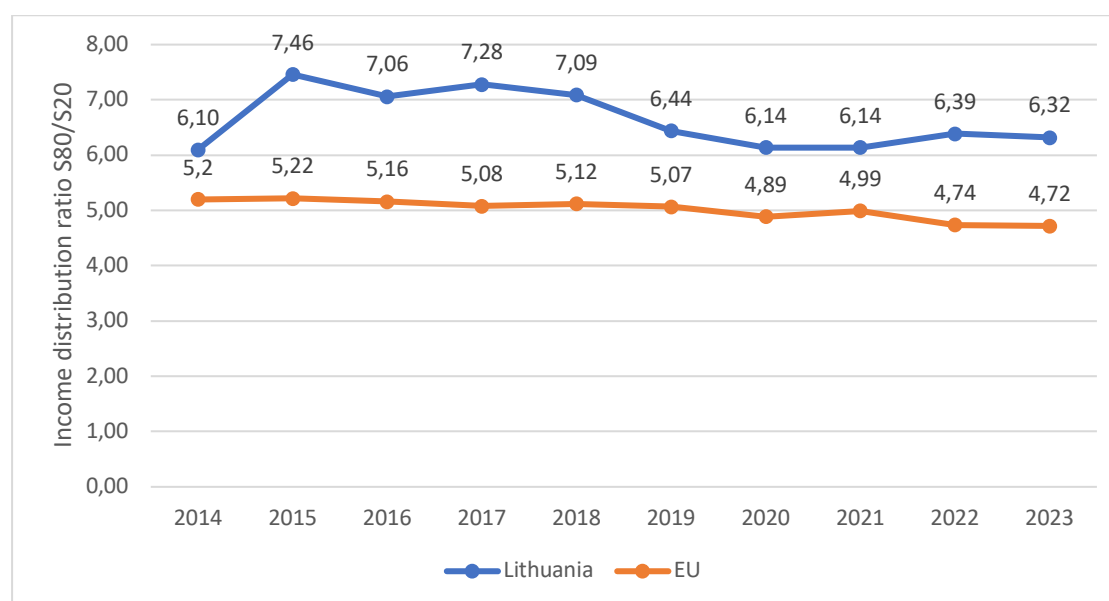
<sup>58</sup> [Lithuania SDG](#)

includes ensuring social, economic and political rights and reducing income inequalities among the most vulnerable groups.

### Income inequality: trends in Lithuania and the EU

During two decades of EU membership, Lithuania has made significant political, social and economic progress and achieved consistent economic growth. Despite the significant progress and steady economic growth since EU accession, the positive effects of this growth have not been felt equally by all Lithuanians. Economic growth in Lithuania has often been concentrated in certain sectors and regions, leaving vulnerable populations behind. One of the most pressing problems has been income inequality, which has remained very high since EU accession.

In order to analyse changes in income inequality in Lithuania and the European Union, we use the income quintile ratio method, which measures the ratio of the top 20% of incomes to the bottom 20%. When Lithuania became an EU member state, the income level of the richest 20% and the poorest 20% in Lithuania differed by a factor of 6.95 (see Figure 5), while the EU average was 5.03. In 2015, a record increase in income inequality was observed in the country, which was 2.24 times higher than in the EU. Thereafter, income inequality in Lithuania has been steadily decreasing, but in 2022 a slight spike was observed. In 2023, the income gap between the highest and the lowest earners was 6.32 times. It is important to note that since EU accession, the level of income inequality in Lithuania has been very volatile, ranging from 5 to 7.46 times. Meanwhile, income inequality in the EU has remained at a similar level throughout this period.

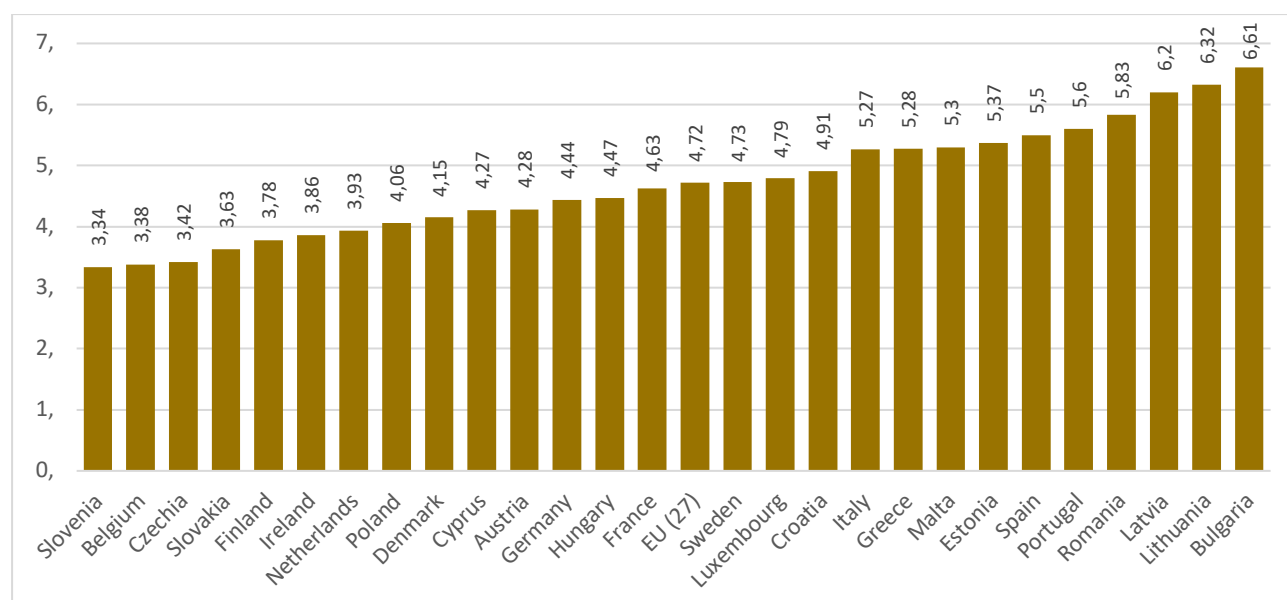


**Figure 5: Changes in income inequality in Lithuania and the European Union<sup>59</sup>**

<sup>59</sup> Eurostat, [Income quintile share ratio S80/S20 for disposable income by sex and age group](#)



When analysing the level of income inequality between EU countries, Slovenia, Belgium, the Czech Republic and Slovakia have the smallest gaps between the top 20% of income earners and the bottom 20% of income earners. Meanwhile, in Bulgaria, Lithuania and Latvia, the gap in equivalent disposable income between the highest and the lowest earners is more than 6 times.



**Figure 6: Income inequality in the EU, 2023<sup>60</sup>**

In recent years, income inequality has risen again in Lithuania. It is important to analyse how the incomes of different segments of the Lithuanian and EU societies have changed over a ten-year period (see Figure 7). The analysis focuses on the change in income in quintiles, i.e. the change in the distribution of income between five equal-sized groups of the population, where each group represents 20% of the total population. In simple terms, this means looking at how income changes between different groups of the population, from the lowest earners to the highest earners. There is a worrying trend in Lithuania: in 2023, compared to 2013, only the most affluent segment of the population saw an increase in income. The richest 20% of people in Lithuania saw their incomes rise by 0.8%. Meanwhile, all other groups of the population experienced a relative decline in incomes, including those at risk of poverty, despite the increase in benefits for the poor and the rise in the minimum monthly wage. By contrast, in the European Union, income has increased for the poor, as well as for middle earners, while it has decreased by 0.7% for the richest. This slightly evens out the income inequality in the European Union between the richest and the poorest and those in the middle class. It can be

<sup>60</sup> Eurostat, [Income quintile share ratio S80/S20 for disposable income by sex and age group](#)

concluded that income inequality in Lithuania has not decreased over the ten-year period because income has been concentrated among the richest in the country.

	Lithuania			European Union		
Income quintile	2013	2023	Change in revenue share in percentage points	2013	2023	Change in revenue share in percentage points
	% of total revenue			% of total revenue		
1	6,9	6,7	-0,2	7,9	8,1	0,2
2	12	11,8	-0,2	13,3	13,6	0,3
3	16,6	16,3	-0,3	17,5	17,7	0,2
4	22,7	22,6	-0,1	22,7	22,7	0
5	41,7	42,5	0,8	38,6	37,9	-0,7

**Figure 7: Disposable income per household member in quintiles 2013-2023**  
**Compiled by the authors on the basis of Eurostat data<sup>61</sup>**

### **Causes and consequences of income inequality in Lithuania**

A recent European Commission report highlights that income inequality in Lithuania remains critically high<sup>62</sup>. Analysis over the past decade has shown that incomes have only risen among the richest, exacerbating income inequality in society. Although there are many causes of income inequality, the case of Lithuania focuses on the main ones, which have also been highlighted in recent years by the European Commission (2022; 2023; 2024).

For several years in a row, the reports have highlighted that several factors contribute to high income inequality. Firstly, the inadequacy of old-age pensions, which contributes to the very high level of pensioner poverty - 36.1% (2023)<sup>63</sup> - one of the highest in the EU. It is important to note that women are particularly vulnerable to old-age poverty. It is also worrying

<sup>61</sup> Eurostat, [Distribution of income by quantiles](#)

<sup>62</sup> European Commission, [2024 Country Report - Lithuania](#)

<sup>63</sup> State Data Agency, [Poverty risk level](#)

that a recent OECD study<sup>64</sup> states that Lithuania ranks last in terms of the future pension replacement rate, i.e. the ratio of the level of pensions to the wages received. The study forecasts that people entering the labour market in 2022 will receive only around 30% of their average salary when they retire.

Another factor highlighted in EC reports is the limitations of social benefits (other than pensions) in reducing income inequality. While social benefits alleviate poverty among vulnerable populations, and sometimes even help certain groups to escape it, their size and coverage are often insufficient to reduce income inequality across the country. A study on the adequacy of the minimum income system commissioned by the Ministry of Social Security and Labour of the Republic of Lithuania<sup>65</sup>, concluded that the adequacy of the minimum income in Lithuania is insufficient. On average, social insurance benefits for people who lose their jobs are below the poverty risk threshold, and for those who are not entitled to social insurance benefits, the social benefits paid do not even reach the minimum consumption needs<sup>66</sup>. It should be noted that according to the latest Eurostat data, in 2021, 18.5% of GDP was allocated to social protection in Lithuania, while the EU average was 29.9% of GDP<sup>67</sup>. For a number of years, EU Council recommendations have called on Lithuania to ensure the coverage and adequacy of the minimum social protection system and to increase the effectiveness of the tax and social benefit system in protecting against poverty, but no serious steps have been taken so far.

Regional differences also contribute to high levels of income inequality across districts. For example, Vilnius district's GDP per capita is about 133% of the EU average<sup>68</sup>. Meanwhile, other districts have a much lower GDP per capita, e.g. Tauragė district's GDP per capita is only about 49% of the EU average. These figures show the large regional disparities in Lithuania, which have a negative impact on the country's economic development and social well-being in different regions. Regional disparities in Lithuania also have a significant impact on other areas such as employment, education, health and social services. Regions with lower GDP often have fewer jobs and lower employment, contributing to higher unemployment and lower incomes. This also leads to less investment in education and health systems, which limits people's access to high quality education and healthcare. It is therefore necessary to monitor and address regional disparities to ensure balanced economic development, social cohesion and greater income equality across the country.

However, the main problem underlying the high level of income inequality in the country is a regressive tax system that does not ensure social justice. The reports highlight that the progressivity of Lithuania's personal income tax for high incomes is too low and that the current tax system makes a limited contribution to reducing income inequality. This leads to

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<sup>64</sup> OECD, [Pensions at Glance 2023](#)

<sup>65</sup> Ministry of Social Security and Labour of the Republic of Lithuania, [Adequacy Study of the Minimum Income System](#)

<sup>66</sup> Ibid.

<sup>67</sup> Eurostat, [Expenditure on social protection](#)

<sup>68</sup> European Commission, [2024 Country Report - Lithuania](#)

an insufficient redistribution from GDP - in 2021, Lithuania redistributed 32.3% of GDP, compared to the EU average of 41.2%. This means that Lithuania invests less in public services and social protection than most EU countries. The 2023 Report also highlights the problem of unequal taxation, which creates the conditions for tax arbitrage, where income from different activities is under-taxed. This contributes in particular to income inequality, as people with higher incomes can avoid higher taxes and thus further increase their incomes compared to lower earners. Thus, in order to reduce income inequality and ensure social justice, the tax system needs to be fundamentally reformed, yet the reform presented by the Ministry of Finance in 2023 was rejected.

## Conclusions

Income inequality is a dynamic, ever-changing phenomenon, the growth of which has long-term negative effects. At the individual level, it undermines quality of life and threatens psychological well-being and increases social tensions. At the state level, income inequality causes political instability, undermines public confidence in public institutions and slows economic growth. It is important to note that income inequality is an important challenge for Lithuania, requiring sustained and consistent efforts. In order to ensure social justice and reduce social exclusion, it is necessary to implement policies that reduce income inequality between different social groups in the country and provide equal opportunities for all the population.

*“On a low income, I felt worthless because I had no job, no food to eat, and no way to buy things. This is how people lose their motivation to try.”*

*“I don’t like the fact that those who work see those who don’t work differently, as inferiors.”*

*“There is a sense of inequality between the lower and upper classes.”*

Experiences of people living in poverty

## **EAPN LITHUANIA'S PROPOSALS AND RECOMMENDATIONS TO REDUCE POVERTY, SOCIAL EXCLUSION AND INEQUALITY**

To create a supportive and balanced motivational environment in educational institutions, it is crucial to strengthen monitoring efforts, enhance the competencies of specialists, ensure the availability of educational support services, and foster positive motivational attitudes. EAPN Lithuania provides the following recommendations:

1. To boost the learning motivation of all students, particularly those facing deprivation, it is important to cultivate a culture of high expectations for each student that is focused on competency development. In a competency-driven educational environment, teachers purposefully teach students how to learn, emphasize the importance of understanding the material, set high academic standards, encourage active participation, engagement, independence, and collaboration. Teachers use relevant and interesting learning materials for students, provide emotional support, help with challenging tasks, and avoid relying solely on grades or external rewards. Notably, such an environment is based on the belief that goals can be achieved through hard work, effort, and the pursuit of personal progress.
2. High-quality and accessible educational and career counseling services, as well as extracurricular activities and clubs, are essential for supporting adolescents experiencing deprivation. Adolescents from disadvantaged socio-economic backgrounds are less likely than their peers to encounter individuals in their social circles who hold highly valued educational qualifications or prestigious professions. They also have fewer opportunities to develop specific skills that would enable them to realize their potential. This can significantly hinder the subjective understanding of the value of education, engagement in learning, and academic outcomes for students from disadvantaged backgrounds.
3. It is important for educational institutions and specialists to assess the extent to which disparities in student achievement and motivation related to socio-economic background (SEB) are present, as well as the achievement and learning environment disparities between different classes and schools. This requires systematic monitoring of student performance, motivation, and gaps between classes, schools, and student subgroups based on SEB. Specialized analytical tools, such as the "No-Gap" tool designed for primary education institutions, can be employed to achieve this goal.
4. To enhance the competencies of specialists working directly with children and adolescents experiencing deprivation, it is essential to disseminate evidence-based information on social inequality and its impact on child and adolescent development outcomes. It is important to explain what social inequality is, its structural causes, how it manifests in society, the education system, and families, and what resources are critical for children's and adolescents' development and education. The effects of social inequality on children's and adolescents' cognitive development, academic achievement, and motivational attitudes should also be addressed. Collaboration



between researchers studying aspects of social inequality and local municipalities, as well as national educational institutions, is vital in developing training, educational materials, and digital resources for school leaders, teachers, and other educational professionals.

5. At the national, municipal, and institutional levels, it is important to expand compensatory measures that enhance the competitive opportunities of young people from disadvantaged SEB backgrounds within the education system, higher education, and professional careers. For example, the development of scholarship programs and the expansion of support services for young people should be promoted.

Children's living conditions, especially in the early years of life, are crucial for their physical and emotional well-being and future development. In order to improve the living conditions of Lithuanian children, especially those living in vulnerable households, and to ensure their right to adequate and appropriate housing, EAPN Lithuania makes the following recommendations.

1. Developing the social housing stock to provide sufficient and appropriate housing for families with children. Ensure that all social housing meets safety and health standards to ensure adequate living conditions for children.
2. Providing social assistance to families facing difficulties due to poor living conditions, helping them to find lasting solutions and improve their quality of life. Accordingly, increase funding for NGOs working with children, especially those providing support and services to vulnerable families.
3. In order to improve the household and living conditions of vulnerable families, it is recommended to increase the use of lump-sum support payments for housing repairs, furniture renovation or the purchase of essential household items.
4. To facilitate the resettlement of families, especially those living in vulnerable households, it is recommended that municipalities provide a "social credit" for relocation or for improving living conditions. "The social credit" should be granted to families at zero interest and with the possibility of adjusting the repayment period. This assistance would enable people to apply to the municipality, which would provide financial support to cover the costs of relocation or home improvements.
5. In order to reduce the burden of electricity bills on vulnerable families, it is proposed to adjust the current electricity reimbursements. For families with a per capita income below the MVPD, the compensation should cover 80% of the actual cost of electricity consumption in the home. In order to promote energy saving, the compensation should be limited to the calculated and legally defined amount of kWh per month (e.g. 80 kWh for one person and 20 kWh for subsequent persons).
6. As the informal market is one of the reasons why people are unable to benefit from the heating and rent rebates, it is recommended to strengthen controls on the rental market.
7. Promote cooperation between public authorities, NGOs and communities to ensure comprehensive support for children and families living in vulnerable situations.

Reducing income inequality requires an ambitious tax reform that provides adequate funding for public services, contributes to the government's objectives of reducing poverty risk and income inequality, contributes to the development and quality of public services, and allows for improvements in the benefits system to ensure that people meet their minimum consumption needs. EAPN Lithuania proposes:

1. Make the tax system more progressive. The current Lithuanian tax system is not effective enough in reducing poverty, social exclusion and income inequality. A more targeted redistribution of taxes would contribute significantly to reducing income inequality and increasing the size of the state budget. In addition, based on proposals from the OECD and the World Bank, we call for the introduction of an additional taxable step for incomes below 60 average annual wages (AAW).

2. To reduce tax arbitrage and the income inequalities it creates, pooling different types of taxable income and harmonising personal income tax rates for different activities. Taxes should aim at social justice, i.e. they should not depend on the type of income but on the amount of income. The tax system should not allow for tax arbitrage, whereby income from different types of activity is taxed less.

3. Overhauling and removing a large number of unjustified tax incentives. According to the Ministry of Finance of the Republic of Lithuania, in 2021, the annual cost of all existing tax incentives to the state and municipal budgets amounted to around €2.2 billion. It is important to note that some of these reliefs are necessary and raise the take-home pay of the lowest earners. However, some of the concessions are distorting the fairness of taxation and increasing income inequality.

4. Tax luxury property and luxury goods. The share of property taxes collected in Lithuania is significantly lower than the EU average: 0.3% of GDP in Lithuania, compared to 2.2% in the EU. Extremely expensive property and goods that are not essential or important (e.g. private jets, yachts, luxury jewellery, etc.) are affordable by the wealthy, who should contribute to the common good by paying more taxes within their means. A higher tax on luxury goods and property would raise more revenue for the budget.

5. Strengthen controls on VAT evasion and liability for shadow activities. Lithuania does not collect around 25% of VAT, i.e. around €1 billion a year is not reaching the budget. Strengthening the capacity of control bodies, controls and increasing penalties are necessary to tackle VAT evasion.