

# Youth unemployment in a time of crisis

DECENT WORK FOR ALL:  
A KEY FOR EFFECTIVE INDUSTRIAL RELATIONS  
**BRIEFING ON THE SITUATION IN LITHUANIA**

15





## Acronyms

ESF: European Social Fund  
GDP: Gross Domestic Product  
LDF: Lithuanian Labour Federation  
LLES: Lithuanian Labour Education Society  
LO (Landsorganisationen): Danish National Trade Union Federation (Denmark)  
LPSK: Lithuanian Trade Union Confederation  
LPSDPS: Lithuanian Service Sector Workers' Union  
NGO: Non-governmental organisation  
SIPTU: Services, Industrial, Professional and Technical Union (Ireland)

## Youth unemployment

Youth unemployment in Lithuania is the second highest in the EU according to Eurostat, reaching 31.2% in August 2009, and continues to rise rapidly. According to the Lithuanian Labour Exchange, 61,600 people in the 18-24 year age bracket registered as unemployed in the first nine months of 2009, compared to 38,700 for the whole of 2008. Nearly 60% of unemployed youth are males, as the crisis has hit hardest in male-dominated industries such as construction and transport. Boguslavas Gruzevskis, director of the Labour and Social Research Institution, believes it is time to allocate significant public funds to address the challenge of high youth unemployment. Research by the Lithuanian Labour Education Society (LLES)<sup>2</sup> shows that youth tend to be the first to be laid off, as they have the shortest employment history and cost the least in compensation for employers (in particular in view of severance pay). Some are forced to sign documents stating they have left of their own will.

## Overview

Lithuania has been hard hit by the economic downturn. The country's budget deficit is expected to reach close to 10% of GDP in 2010 and economic growth will remain sluggish for up to three years. GDP experienced the sharpest fall in the EU in the second quarter of 2009<sup>1</sup> (-20.4% compared to the same period in 2008), and is set to fall substantially. Government debt is rising rapidly and is forecast to reach 49.3 % of the economy by 2011. The situation has been compounded by the shutdown of the Ignalina nuclear power plant by 1 January 2010, a condition of entry into the European Union. Ignalina has been providing about 80% of the country's electricity, and so the shutdown of the power plant will more than double the cost of power generation and force Lithuania to import electricity.

Wages are also declining. Average monthly gross salaries fell by 7.7% between the third quarter of 2008 and the same period in 2009. The construction industry was hardest hit, followed by mining and real estate.

Unemployment has risen reaching nearly 17% by October 2009, according to Eurostat, and the rise is set to continue as employers seek to cut costs. Other cost cutting measures include pay reductions, reduced working time with a concomitant cut in pay, or increased working time with no increase in pay. The young in particular are feeling the effects of the employment crisis, and many are opting to leave the country in search of jobs elsewhere. According to the draft of the EU's Joint Employment Report, issued in December 2009, unemployment among young people (aged 15-24) rose dramatically in 2009. Labour market segmentation is a structural challenge in several Member States, and the crisis has shown how it imposes the burden of labour flexibility mainly on young people through the widespread use of atypical contracts.

<sup>1</sup> According to Eurostat

<sup>2</sup> Part of the "Baltic Platform" and a member of SOLIDAR

## Theory

### The legislation

#### Measures to cut the deficit

Social benefits are due to be cut as part of government plans to balance the budget. A temporary law is due to be introduced cutting social benefits, probably for one year, affecting pensions, unemployment benefits and child allowances. There are also plans to reduce maternity leave benefits. The minimum wage has been frozen at 800 litas (232 Euros) although employers would like to see it reduced further.

Working pensioners will face reductions in their pensions based on their earnings, in a measure designed to encourage them to leave the labour market and make way for younger workers. Cuts will range from 2.5% for low income earners to 70% for high income earners. It is hoped that about half the 130,000 jobs currently taken by working pensioners will be freed. This is hard to predict however, given the uncertainty over the level of retirement pensions and other benefits these older workers can expect to get in future.

Unemployment benefits are to be reduced, from a maximum of 1,041 litas (300 Euros) to a maximum of 650 litas (188 Euros), according to draft legislative proposals. Benefits have already effectively been cut since August 2009 when a measure was introduced to delay the payment of benefits until the end of the period of severance pay. (Hence if a worker receives severance pay for four months, unemployment benefit will be paid from the fifth month). Previously, unemployment benefits were paid from the moment of being unemployed, regardless of entitlement to a severance package.

Maternity and parental benefits – based on the workers' salary - are to be cut by 10% from July 2010.

#### Measures to help the unemployed

To relieve the unemployment situation, money has been made available from the European Social Fund (ESF) to pay workers temporarily laid off by struggling companies to carry out public works. Workers from companies that apply for help may take part in this programme for six months out of 12 and it is expected that 1,300 employees will benefit from the project, due to run until October 2012. Another ESF funded project, "Temporary Jobs", paying workers to carry out other tasks such as cleaning and repairs during a stoppage in production, is expected to help 250,000 workers during the period 2007-2013. Currently however the numbers actually involved in temporary employment measures is very low. About 13,000 persons working or having worked in companies with economic difficulties and from regions with the highest rates of unemployment are expected to be involved in public works for a maximum duration of six months until the end of 2012.

Active employment measures have been used to help the young unemployed, 14% of whom have taken part in one of these measures, which consist of vocational training, public works, work skills training and employment in subsidised jobs. Priority is given to unskilled young women and men.

## Migration

Emigration from Lithuania has risen sharply. In the first nine months of 2009 more people left the country than in the whole of 2008. Half of those people are under 30, driven by rising levels of unemployment, an increase in tuition fees and the attraction of better quality higher education abroad. Unfortunately few young people are prepared for life abroad, nor are they aware of the potential dangers, such as exploitation, including sexual exploitation. Trade unions provide counselling and information for migrant workers and lobby the government to make temporary employment agencies play a more responsible role. In line with an EU regulation to be transposed into national legislation and implemented by the end of 2009 a recent government decision prohibited temporary agencies from charging a fee from the (future) employee in exchange for finding a job. The Ministry of Labour and Social Security has asked that the temporary agencies no longer need to be licensed, but stated that in the future the agencies would be monitored.



## Meet Andrius

When Andrius, now 25, graduated from university, he didn't look for a job in his field of study. Instead he went to work for the construction company where he had worked part-time as a student. Taking trash, carrying bricks, cleaning the site, he received more than his peers for entry-level jobs after graduating. He didn't worry that part of the money was handed over in an envelope. In his view social benefits were for older workers and pension contributions an unnecessary expense. "I thought it was better to get more money now than to wait another 40 years for a pension." But work in the construction industry began to dry up, and wages went down. Andrius turned to the Employment office and received un-employment benefits for two months. The Employment Office did not help him find another job, and after a prolonged but fruitless search he decided to migrate to the UK, as he heard that construction workers were needed to prepare for the Olympic Games in London. With the help of Lithuanian friends already living there Andrius found a temporary job in the construction sector. The pay is not what he expected, but he is hoping that it is a start and he will find a permanent and better paid job soon.

## Meet Lina

Lina (28) worked for over a year in the tourism agency in Lithuania. In the summer of 2008 business was booming, but by the end of the year the industry was suffering badly from the effects of the financial crisis. The owner of the agency decided to close the office where Lina was working. She was asked to leave the job of her own "free will", which she did under pressure. Having little knowledge about labour contracts she did not oppose the decision. Lina was unable to find another job in the tourism industry and as time passed she decided to turn to the Employment Office for unemployment status and benefits. "I found out, that in order to receive the benefits, I had to work for at least 18 months. If I had known that, I might have stuck it out a little longer at work. I was left without a job or benefits. The Employment Office has not suggested another job in ticket sales." Lina started to look for other jobs, in any sector, but has not found one. Now all she thinks about is migrating to another country.

### Youth policy

Lithuania has a Youth Law, under which the State Youth Council was created. It is a coordinating body consisting of six representatives from state institutions and six representatives from youth NGOs. The Youth Affairs Department distributed 1.3 million litas (376,500 Euros) in state grants for youth programmes. Some of this money goes to youth NGOs and NGOs working with young people, although a growing number of public entities are now competing for this financing, reducing the role of the NGOs. The projects funded have mainly concentrated on setting up youth centres, and some on voluntary work. Very few are related to youth employment, labour rights education or training.

## Practice An evaluation

### The measures are failing young people

The prospects of young people finding a job via the labour exchange are minimal in the current economic climate, and the system has also been found to be unwieldy and ineffective. Most unemployed young people will not receive any employment benefits. To qualify for unemployment benefit, a person has to have worked at least 18 months out of the last three years, with the result that only 10% of young workers are entitled to and receive the benefit. By registering however, they may be sent for training or take part in the active employment measures listed above, or can at least benefit from the information and consultation services provided by the youth labour centres. The drawback is that these centres only exist at the regional level, and there are only 11 of them across the country. Furthermore, the training often consists of counselling sessions at the Employment Office which many view as a waste of time and money. They take the training simply to be eligible for the money.

During healthy economic times, the training provided as part of active labour market measures proved fairly successful, but as youth unemployment has risen, such measures have proved increasingly costly and the training – usually directed at the low-skilled – has often proved unpopular and ineffective.

The State Youth Council has been slow to respond to the crisis in youth unemployment. Finally in October 2009 it organised the first open discussion on Youth and Unemployment. It emerged that most state institutions believe the solution is for young people to seek micro-credits to set up their own business. In the view of the Lithuanian Labour Education Society (LLES), the author of this report, "Rather than promoting cooperation, solidarity and civil society participation, state institutions appear to promote individualism, leaving young people to take care of themselves."

The LLES carried out its own research into the protection of young workers in Lithuania. It found that very little work was done by state institutions in relation to youth employment and labour rights and that state institutions were very reluctant to cooperate with the LLES in its research. Representatives of the Lithuanian Youth Council, the youth NGO network, told the LLES that youth employment and youth labour rights were not among their priorities. One member, the Association of School Students, even actively advocated a liberalisation of the labour code to allow adolescents and young adults to work more working hours and under less state supervision than today.

## Social dialogue

Social dialogue and partnership has been regulated by the Labour Code since January 2003 but is not yet widely accepted in the country. The principal formal structure for this dialogue is the Tripartite Council composed of government, employer and worker representatives. The agreement of the social partners is required in order to amend labour legislation. Many employers however are not yet willing to accept trade union representatives as partners in discussing labour law and employment conditions, they tend rather to consider them as enemies. Furthermore, the unions feel the new conservative government is trying to avoid negotiating with them.

Aleksandras Posochovas, the chairman of Lithuanian Service Workers' Trade Union (LPSDPS) points out that "we don't have a normal social dialogue culture in Lithuania as it is in the Western countries. When we had economic growth we were able to achieve better guarantees for workers. With the crisis, government decisions have pushed us back by many years. Now we have just an imitation of social dialogue with the government. Even in the Tripartite Council we as trade unions and surprisingly even the employers have opposed the government suggestions to cut government spending on employees and pensioners, but it got through anyway."

Tripartite negotiations did take place however on a packet of crisis management measures. After three months of talks, a National Agreement aimed at savings of up to 5 billion litas (1.45 billion Euros) in the 2010 budget was signed in October 2009. The trade unions, the Lithuanian Trade Union Confederation (LPSK), the Lithuanian Labour Federation (LDF) and the Lithuanian Trade Union 'Solidarumas' and businesses pledged their support for the government's planned budget cuts up to 2011 and structural changes to help reduce the deficit. The trade unions resisted proposals to liberalise labour legislation aimed at making lay-offs easier and won agreement that the government would not be able to change labour legislation without the approval of the social partners through the Tripartite Council. The day after the agreement was signed however, proposals were put forward in parliament for measures to liberalise the labour code, and employers discussed liberalisation in the media.

The National Agreement has been the target of much criticism. Smaller independent trade unions not affiliated to any of the three confederations that signed the agreement were not involved in the negotiations. They believe the agreement is too business oriented and has nothing in it to protect the workers. Before the agreement was signed, some teachers', cultural workers', and public sector unions held protest demonstrations. Pensioners have also been vociferous in their condemnation, and many of their organisations did not sign the agreement. The Lithuanian Elderly Persons Association applied for permission to hold a protest demonstration on 10 December 2008 near the parliament, but was instead offered permission to demonstrate near the disused sports palace far removed from government institutions.

## Civil dialogue

Civil dialogue is not working at all, according to the authors of this study. The NGOs feel they are not listened to, with the exception of a few strong organisations. They have been actively seeking more recognition for their demands and civil dialogue, but in the meantime social dialogue clearly prevails, despite its failings. Financing for NGO programmes has been reduced significantly, and applications for grants are excessively bureaucratic. Civil society actors attempted to enter or be associated with processes of social dialogue. This, however, led many union leaders to show resistance to accepting NGOs as valid participants in social dialogue, both as a matter of principle (as social dialogue traditionally only involves representatives of employers and of employees) and because they question their representativeness<sup>3</sup>.

<sup>3</sup> To partly compensate for the non-functioning civil dialogue and non-access to social dialogue, LLES works closely with the trade unions providing new ideas and suggestions to encourage trade union cooperation, and means of building closer cooperation among all left-oriented social groups, NGOs, trade unions, political parties and movements.

## The Tripartite Council

The Tripartite Council, set up in 1995 on the basis of an agreement between the government, the trade unions and employers' organisations, advises the parliament and the government on socio-economic and labour matters. It has a maximum membership of 21 (i.e. not more than seven representatives from each party), and its Secretariat is financed from the state budget. Chairmanship of the council is rotated on a four month basis, to preside over its plenary meetings and permanent and temporary commissions.

The Tripartite Council's tasks are:

- to issue recommendations on draft state laws and government decrees concerning socio-economic and labour matters
- to draw up studies and reports on economic and social matters falling within the remit of the social partners
- to draw up and implement the common annual and biennial programmes for collaboration between the partners



## Meet Miroslavas

Miroslavas (28) has worked for the gaming industry in Lithuania for more than three years. He joined the gaming trade union when he started work and is very pleased to have done so. During the boom years the industry grew fast, and many new companies opened their own gaming places. Casino workers were in high demand. But then the crisis hit the gaming industry and companies started to fire employees. "We had staff cuts in our company too. But I was safe with my job, because of the strong trade union presence. The collective agreement signed with the company meant the jobs of trade union members were secure. The management prefers to fight individuals rather than the union." According to Miroslavas, some of the employees were at first opposed to the trade union's presence in the company, but later changed their minds and joined the union.



## Good practice

### Organising young people

Until recently, there were very few young people in trade unions. Young workers have traditionally worked in service sector jobs where there has been little or no trade union representation. Furthermore, with many elderly leaders from the old soviet era, the unions were perceived as being too old fashioned and failing to defending the interests of youth. There have been changes however.

To increase the participation of young people in trade unions, three national trade union centres decided to establish national youth organisations: LPSK Youth, Lithuanian Labour Federation Youth Organisation and Lithuanian Trade Union 'Solidarumas' Youth. They are very similar in structure, bringing together members from 14 to 35 years of age. The organisations represent young workers professional, labour, economic and social rights and interests. The main goals of the trade union youth organisations are:

- To represent the interests of members in relations with employers and state institutions.
- To make proposals to social partners when discussing the youth-related legislation.
- To explain Lithuanian laws to their members and train them in how to use legislation.
- To promote youth civil activeness.
- To cooperate with other youth organisations in Lithuania and abroad.

Edita Zitkevic, coordinator for LPSK Youth explains that "we often work together with other national trade union youth organisations. For two years in a row we organised a Decent Work Campaign, we are together in demonstrations, manifestations and actions, and we participate in joint summer camps and training. Our role is to promote youth activities within the national trade union centres and to have the youth voice heard in trade union structures."

The LPSDPS, a member of the LPSK, stands out as a dynamic example of youth organising. Over 60% of its members are under 30. Although the LPSDPS team is young, it has negotiation and management experience and has achieved rapid membership growth. The branch union started its activities in the UAB Lithuania Statoil workers' trade union, with 400 members. It now represents 5,000 workers from a wide range of sectors including transport, security, the gaming Industry, catering, etc.

Aleksandras Posochovas, chairman of LPSDPS, lists the strategic decisions that led to this membership growth:

- 1) We decided that membership fees go first to the centre and are later distributed to local organisations. This makes it possible to develop the union strategically, from a long-term perspective.
- 2) The union has put resources into grassroots organising. This active face-to-face organising activity is the backbone of our membership growth.
- 3) We have taken a pro-active approach, targeting young individuals and recruiting them into the union. We have proved to them that stronger unions and worker representation are necessary.
- 4) The union invested a lot in legal representation. When we were setting up, the union leaders and activists were punished, moved to worse working conditions, lower paid duties or even fired. We spent a lot on our lawyers to win the court cases. As workers in the companies saw the real representation of trade unions, they trusted the unions more and were not afraid to join them despite all the pressure or harassment.

International training was also very important. As Aleksandras recalls, "I personally participated in many international events, listened to new ideas, got acquainted with the Nordic social model. We couldn't apply it straight to our work, because it wouldn't work, but we were able to adjust it to our realities and we succeeded."

## Helping migrant workers abroad

Trade unions have played a significant role in helping migrant workers, informing them about working conditions and the trade union presence abroad. It is hoped that in doing so they will avoid exploitation and being seen simply as a source of cheap labour for low-skilled jobs.

Over the last four years the Baltic trade unions have signed cooperation agreements with Nordic colleagues. As part of this process the LPSK has signed a cooperation agreement with LO-Denmark. Together with the Nordic partner the unions prepare and translate materials into the Baltic languages or Russian for migrant workers to the Nordic countries.

Fellesforbundet of Norway is the most active in this field. They employed Baltic migrants (Lithuanian and Latvian) as interpreters and organisers when visiting worksites. On their website ([www.fellesforbundet.no](http://www.fellesforbundet.no)) there is plenty of information for migrants in their native languages, migrant workers can fill membership applications online, and training has been carried out in Lithuania. With the help of Fellesforbundet, Lithuanian trade unions organised successful campaigns informing potential migrants about trade unions in Norway.

The SIPTU of Ireland is another good example; they hired Baltic migrants to provide counselling in their native languages, translated materials, published leaflets and brochures.

## Summary

Lithuania is facing the impact of the economic crisis, which as elsewhere has turned into an employment crisis. Young people are often the hardest hit, as they are the easiest to lay off. State policies and measures appear to have compounded the situation, particularly as the criteria for qualifying for unemployment benefits mean that most young workers are not eligible. Little attention has been given to vocational training for young people, or for training in labour rights. Trade unions and NGOs have successfully turned their attention to young workers however, providing advice, support and training, protecting young workers and increasing union membership.

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## About the project

“Decent Work for All: A Key for Effective Industrial Relations” is a one-year project which aims to produce recommendations on how to improve working conditions around Europe in sectors with higher incidences of precarious working conditions (ie construction, health and long-term care) and more vulnerable groups (ie youth, undocumented migrants) through coordinated efforts by governments, employers and trade unions in the framework of social dialogue. It also looks into the role of social partners in fighting precarious labour and promoting decent work and quality jobs.

This briefing, coordinated by SOLIDAR, was produced by SOLIDAR member Lithuanian Labour Education Society (LLES).

All “Decent Work for All: A Key for Effective Industrial Relations” briefings are available on [www.solidar.org](http://www.solidar.org)

SOLIDAR is a European network of 53 NGOs active in over 90 countries working to advance social justice in Europe and worldwide. SOLIDAR lobbies the EU and international institutions in three primary areas: social affairs (more social Europe), international cooperation (development cooperation) and education (lifelong learning for all).

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Printed on recycled paper  
©SOLIDAR  
February 2010

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## Recommendations

- Social NGOs and trade unions should develop closer alliances amongst themselves and with like-minded organisations.
- More public investment should be directed at infrastructure projects to keep people in work and at life-long learning, research and development.
- Social guarantees should be maintained during the economic crisis and the period covered by unemployment benefit extended.
- Youth labour centres should be created in all 60 municipalities in Lithuania, by means of additional consultants within existing employment office structures.
- Where possible online distance training programmes should be introduced for the young unemployed.
- The State Employment Office should:
  - adapt training to the changing labour market
  - simplify the process for registering as unemployed
  - adopt the EUROPASS CV format
  - cooperate more closely with NGOs on counselling and training
  - prolong unemployment benefit payments for disadvantaged youth
- The Labour Inspectorate should be given greater authority to prevent unlawful lay-offs and other breaches of employment contracts.
- As the accountability of the temporary agencies is low, the Ministry of Social Affairs and Labour should continue licensing these agencies and put an end to the new practice of charging potential employees with a counselling fee (which is just another form of employment fee).
- As to governance and participation rights of all stakeholders, access to relevant information and wider debates should be organised and more time allocated on consultations prior to decisions on legislation changes.