



# **Lithuania – a country of paradox. What decisions are already needed today?**

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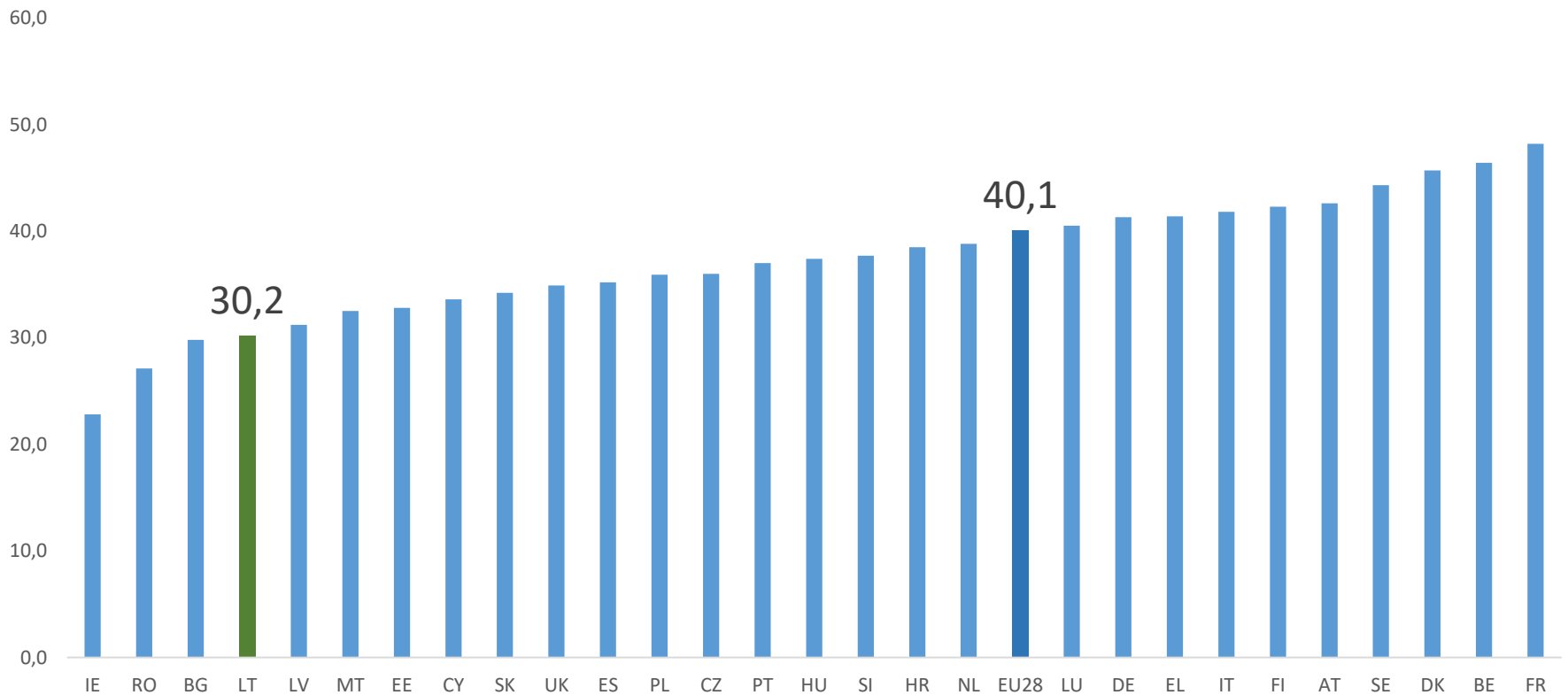
# Paradox 1: You love your country.

But do you love it as much as Estonians do?

- Over the last decade Lithuania experienced one of the largest relative depopulations in the EU (-12% from 2009 to 2019). Estonian population decreased by less than 1% during the same period.
- You do not love to contribute to your country: tax compliance remains relatively low, VAT gap is one of the highest in the EU.
- Your shadow economy is high.

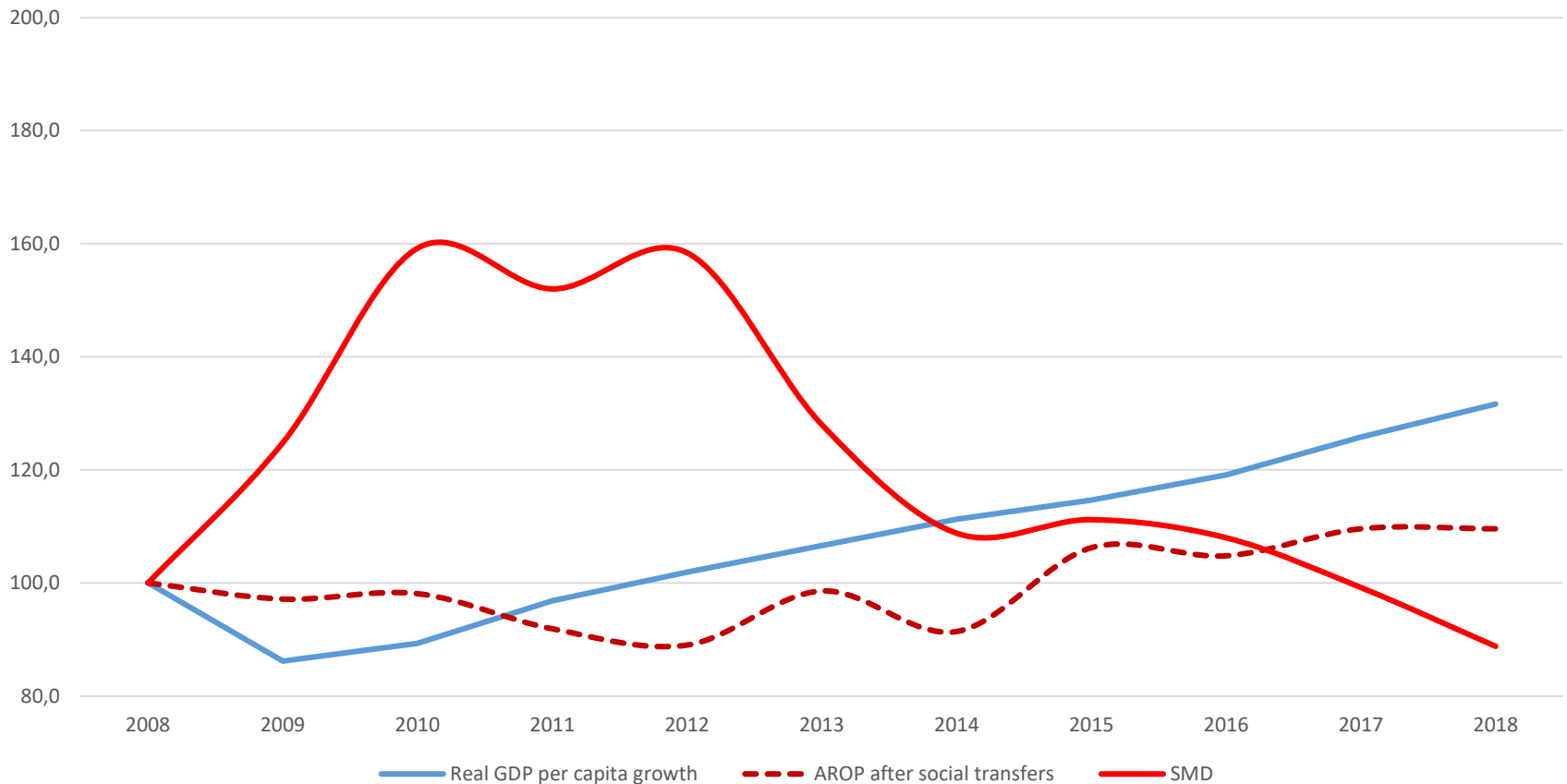
# Too many taxes?

Total receipts from taxes and social contributions , % of GDP,  
2018



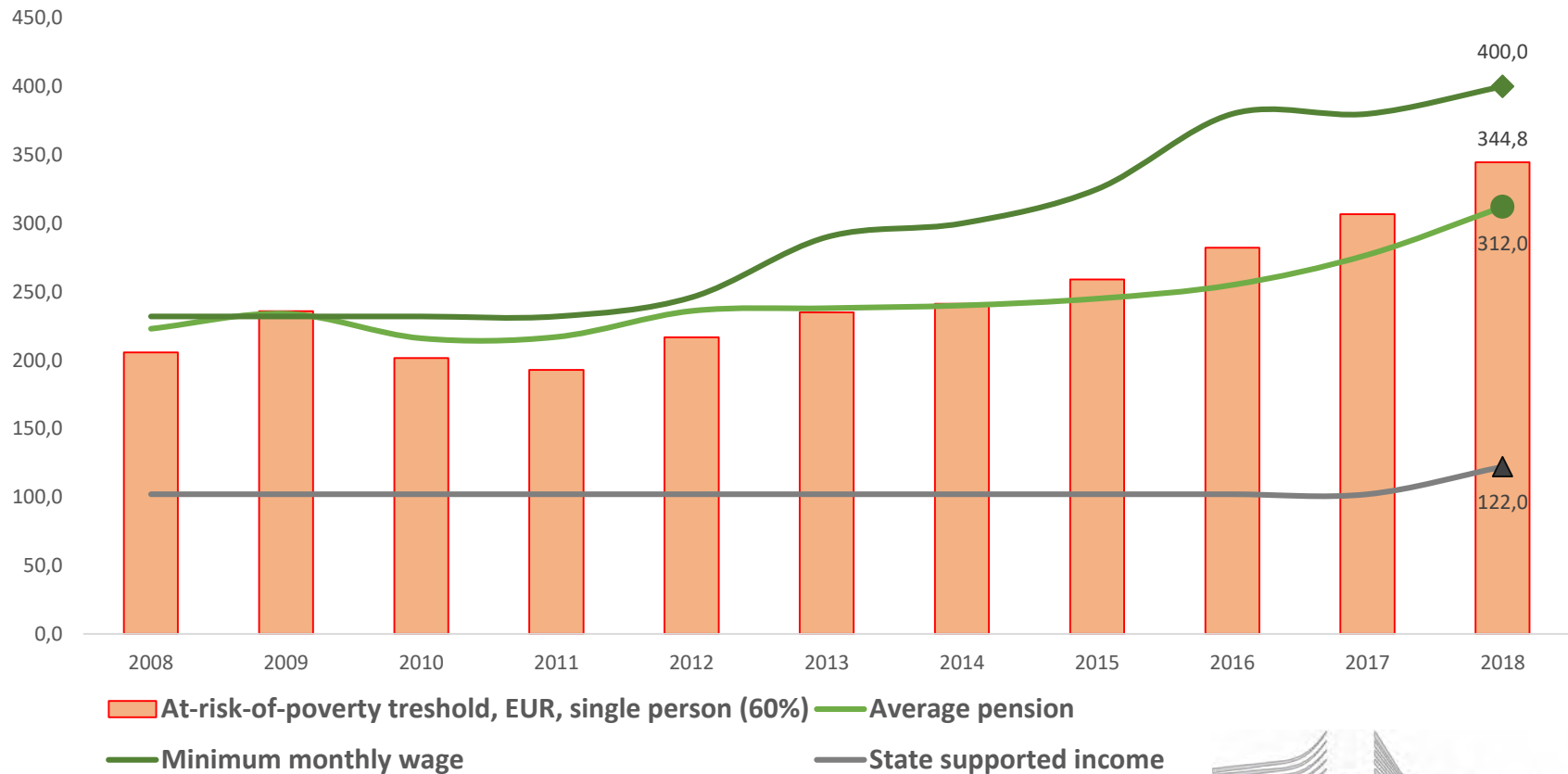
# Paradox 2: The economy is growing strongly, but poverty remains high

GDP per capita, AROP and Severe material deprivation, index, 2008=100



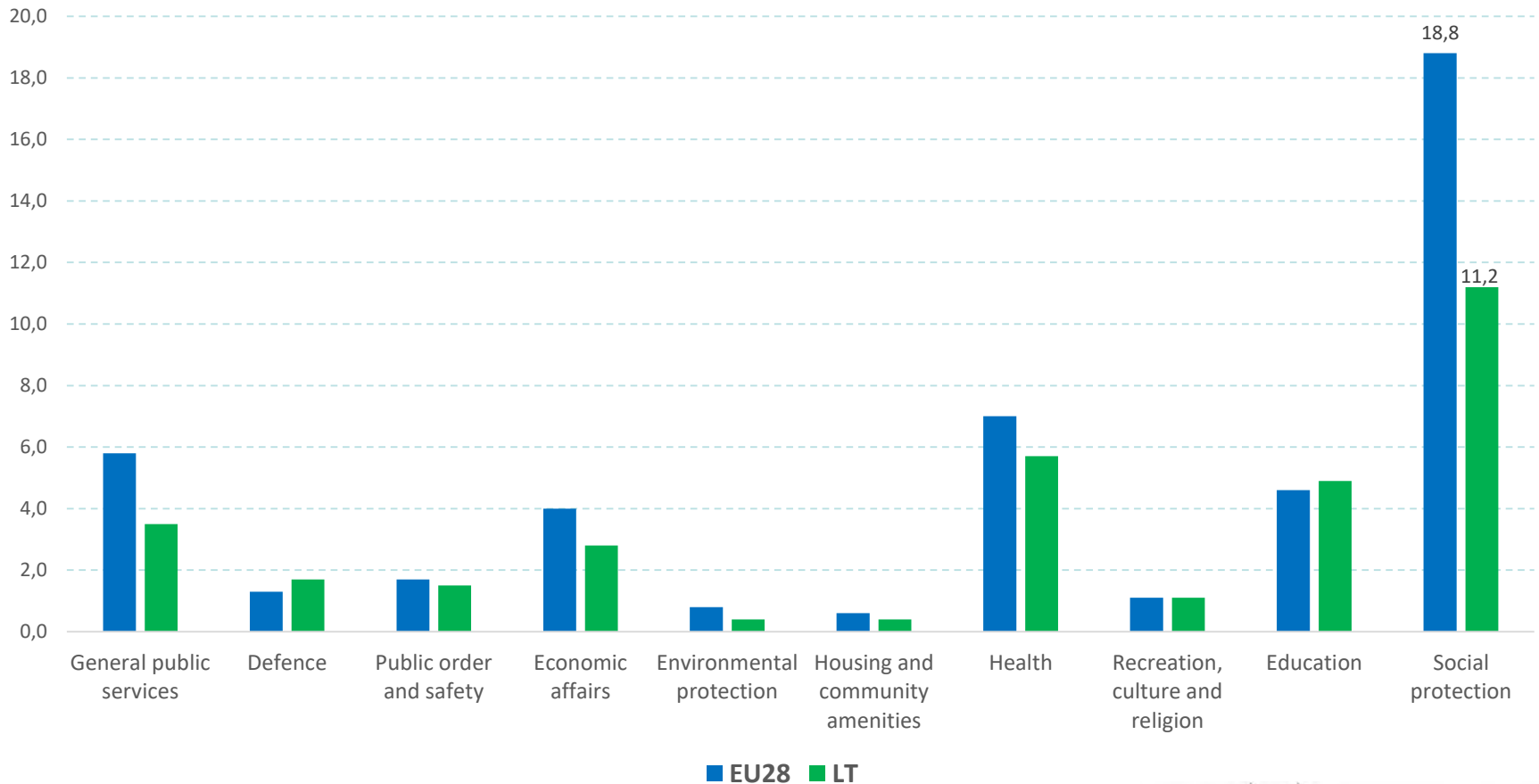
# Wages increase quickly, but benefits fail to keep pace with the evolution of wages

Average old age social insurance pension, MMW, SSI and at-risk-of-poverty threshold for single person, in EUR



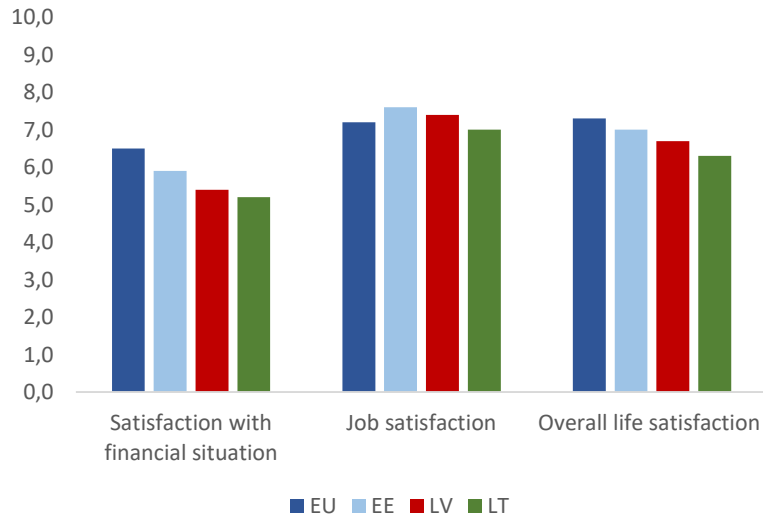
# Where does the money go?

General government expenditure by function, % of GDP, 2017



# Does it matter?

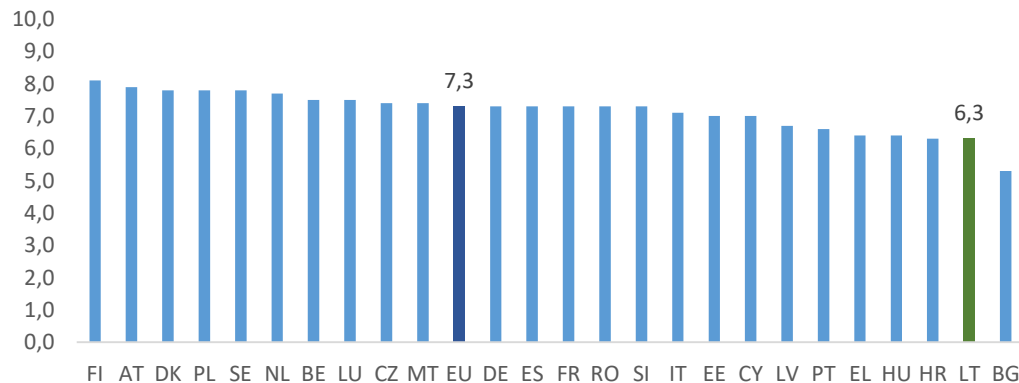
Life satisfaction survey, 2018



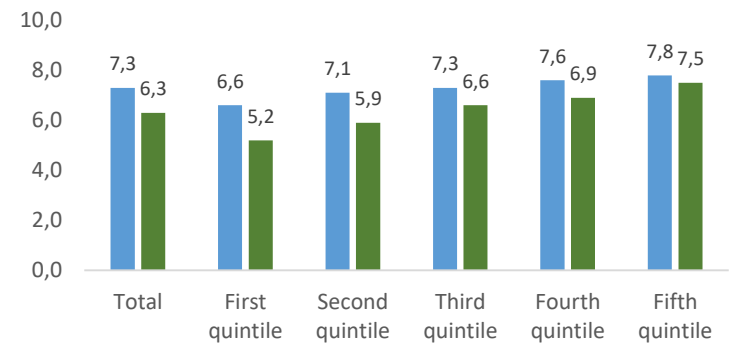
Satisfaction changes in Lithuania 2013 - 2018



Overall life satisfaction, 2018

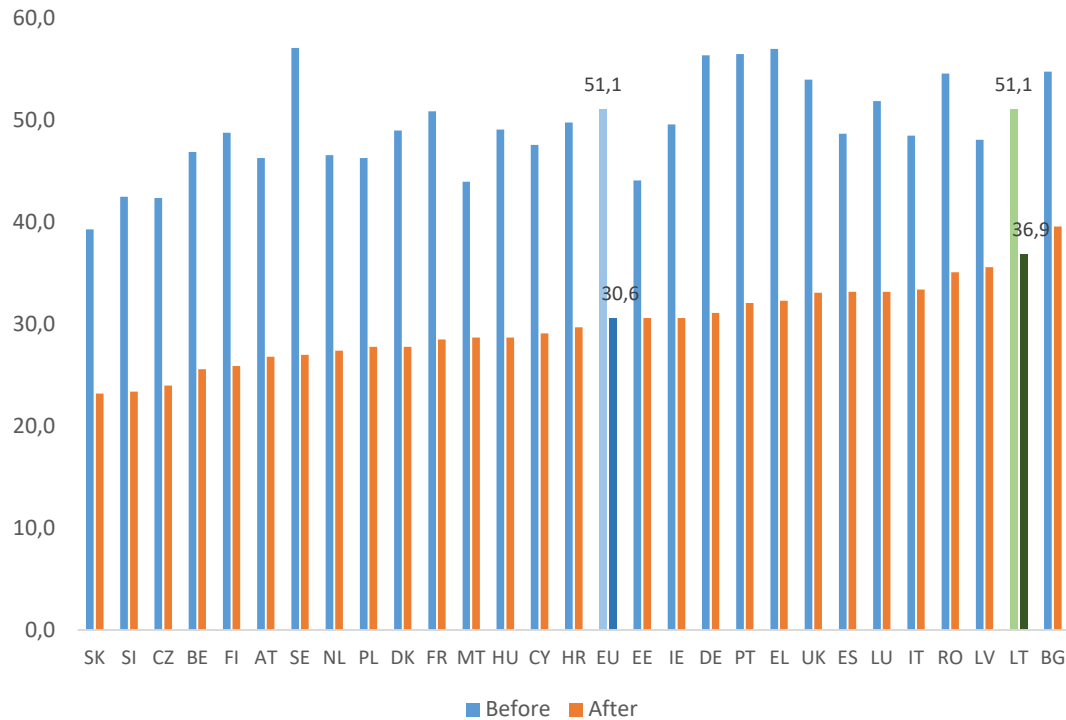


Overall life satisfaction by income quintile, 2018

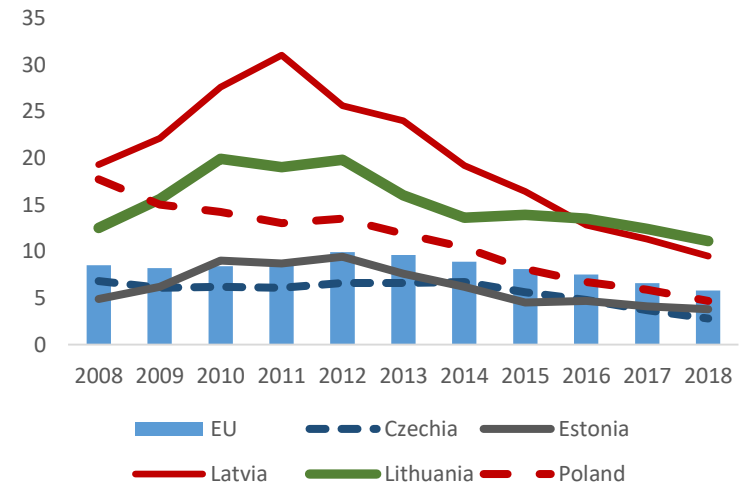


# Does it have to be like that?

GINI before and after social transfers, pensions included  
in social transfers



Severe material deprivation, % of  
total population





# What decisions are already needed today?

*“Provided that **reforms of the social safety net are implemented in an efficient and financially sustainable manner**, there is reason to believe that the initial widening of income differentials will partly be reversed. Moreover, there seems to be **considerable room for reforming the tax system**, which could also have important **redistributive effects**. Although ... income differentials have widened markedly, it should be emphasized that this process is not inevitable. Rather, it depends to a large extent on the **concrete policy measures implemented**. As the experience ... shows, **growth-oriented policies may well be consistent with equity**.”*

# Decisions needed

- *Improve working conditions and **quality of life***
- *Improve the benefits, the social safety nets: better designed benefits (outreach->coverage and personalisation, adequacy in time)*
- *In a financially sustainable way:*
  - *improve tax compliance,*
  - *broaden the tax base to sources less detrimental to growth,*
  - *more progressivity*

**But the most important decision...**

*What is the type of  
society you want to live in  
Lithuania?*

**Thank you for your attention!**