# SOCIAL POLICY CHANGES IN THE THREE BALTIC STATES OVER THE LAST DECADE (2000–2012)

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**Abstract.** *This paper deals with changes in social policy (social security and health care) in the three Baltic states over the last decade. It seeks to elucidate the emerging differences among the three Baltic states in their social policy arrangements. The study employs inductive methods for the analysis of social security institutions, pursuing a comparative institutional analysis by means of macro level descriptive statistics. The paper demonstrates that in the period 2008–2012, the differences among the three countries in social policy arrangements have exacerbated. Estonia has handled the global financial crisis much better and managed to keep more solidarity and universalism in so cial policy as well as higher benefit levels as compared with Latvia and Lithuania.*

**Key words:** *social security, health care, Baltic states, welfare state, differences*

## Introduction

The Baltic states offer an interesting case for studying social policy. They experienced the Soviet authoritarian rule in 1940–1941 and 1945–1991, and this made a significant impact of their subsequent development trajectories. The social policy has been reformed drastically in the three Baltic states over a period of more than twenty years. However, despite some success in the post-communist transition, the three countries are still lagging behind the developed democracies, especially when the minimum wage, social spending, and income inequalities are compared with those of the Western democracies (Aidukaite, 2009, 2011 a, b). A number of studies (Bohle, 2007; Lendvai, 2008) that explored changes in social policy in the new EU member states, including the three Baltic states, have emphasized similarities instead of differences among the three countries. A few studies (Aidukaite, 2006, 2011b; Bernotas, Guogis, 2006), however, show that differences among the three countries do exist if we examine them at the micro level. This paper seeks to show changes in social policy arrangements in Estonia, Latvia, and Lithuania. It covers the period from 2000 up to 2012. However, the emphasis is put on the period 2008–2012 when the most recent changes in social policy were implemented.

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This period is also marked by the experience of the financial crisis of 2008/2009. The crisis hit Latvia and Lithuania harder than Estonia. This fact has further effects on the social indicators of these societies. The study seeks answers to the questions: how have the social policy arrangements changed in the three Baltic states? Have differences in social policy arrangements widened or narrowed in the three countries after the global financial crisis of 2008/2009?

The analysis in this study is based on national and international statistics (the Eurostat, the Statistical Office of Estonia, the Central Statistical Bureau of Latvia, and the Statistical Office of Lithuania). The sources regarding the legislation of the Baltic countries' social policy systems are primarily various international and national publications and reports published by the Ministry of Welfare of Latvia, the Ministry of Social Affairs of Estonia, and the Ministry of Labour and Social Security of Lithuania. The study employs inductive methods for the analysis of social security institutions, pursuing a comparative institutional analysis by means of macro level descriptive statistics.

The paper is organized as follows. First, to illustrate the socioeconomic situation in the Baltic States, the major social indicators will be reviewed as they have developed in the three countries during the last decade. Second, the progress of the "Baltic welfare state" will be shortly discussed. Third, various social policy areas (social security and health care) will be reviewed in detail. Finally, the concluding remarks will be offered. Following all steps, the emphasis will be put on the emerging differences among the three countries.

## Socioeconomic situation in the Baltic States

Once called "Baltic tigers" due to their rapidly growing economies in 2004–2007, today, although to a different degree, the three countries are struggling with the consequences of the global financial crisis of 2008/2009. Estonia without any doubt can be called "a success story" as compared with Latvia and Lithuania. The financial crisis has hit Estonia to a lower degree. The GDP fall was not as deep as in the neighboring "sister'" countries, and the recovery was faster (see Fig. 1). The Estonian government managed to avoid cuts in pensions taken by the governments of Latvia and Lithuania. Furthermore, the country managed to join the euro zone in 2011, while Latvia and Lithuania had been still hit by the financial crisis.

In 2010, the UN clustered Estonia into the *Very High Human Development* countries' group, giving the 34$^{th}$ place among the 42 most developed world economies. Lithuania and Latvia remained in the *High Human Development* group, although on the top, occupying the 44$^{th}$ (LT) and 48$^{th}$ (LV) places, respectively, together with the Bahamas, Chile, Argentina, Kuwait, and others. In 2011, three Baltic "sisters" were again together in the group of the *Very High Human Development* index. However, Estonia was much ahead

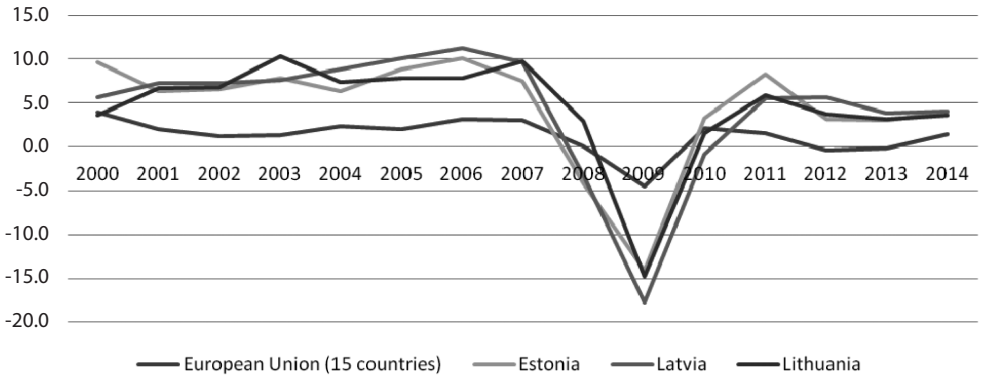


**FIG. 1. The real GDP growth rate in the Baltic States (2000–2013) as compared with the EU-15 average (percentage change on previous year)**

*Source:* the Eurostat data.

of Lithuania and Latvia, occupying the 34th position, while Lithuania was placed in the 40th and Latvia in 43rd positions (UNDP, 2011). In 2012, Estonia made an improvement in its Human Development Index value as compared with the previous year and "jumped" to the 33rd position, while Lithuania and Latvia went down to the 41st and 44th positions, respectively (UNDP, 2013a, p. 16).

Nevertheless, despite a comparatively good economic performance, the Estonian government does not spend more than the other Baltic states on social protection expressed as a share of the GDP. All three Baltic countries spend less on social protection as compared with the EU-15 and the EU-27 average (Aidukaite, 2009, 2011b). According to the Eurostat data, the three Baltic States in 2000–2010 on average spent from 13 to 19% of their GDP on social protection, while the EU-15 and the EU-27 average was about 27%. However, if social protection expenditure is measured in euro per inhabitant, Estonia spends more than Latvia and Lithuania: in 2010, Estonia spent 1.932 euro per inhabitant, while Latvia 1.437 and Lithuania 1.603 euro (Fig. 2).

The income inequality, expressed as the Gini coefficient, is also high in these societies, ranging from 37.6 in Lithuania (2008) and 37 in Estonia (2000), to 36.6 in Latvia (2008). This is much higher that in Germany (28.3 in 2000), Poland (34.1 in 2008), Sweden (25 in 2000) or Hungary (31.2 in 2007) (UNDP, 2013b).

The at-risk-of-poverty rate (cutoff point 60% of median equivalised income after social transfers) has been usually higher in the Baltic states than the EU-27 or EU-15 average (Fig. 3). According to the latest Eurostat data for 2011, Lithuania (20%) and Latvia (19%) are among the EU countries with the highest poverty rates in the EU. Estonia, however, in 2011 managed to maintain a lower poverty rate (17.5%) than Latvia and Lithuania. In 2010, Estonia's poverty rate (15.8%) was even lower that the EU-27

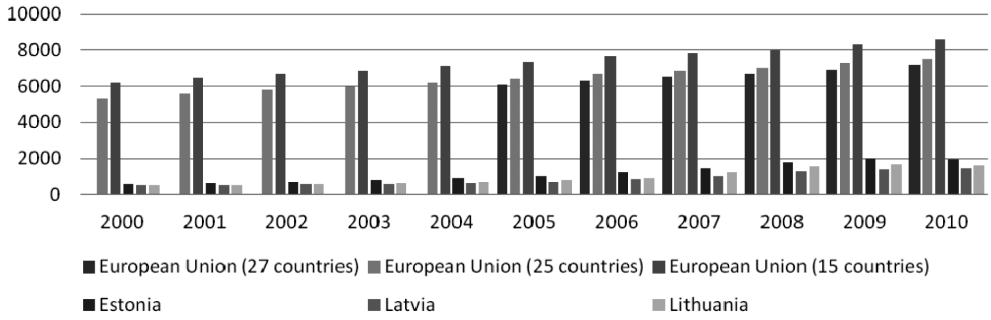


**FIG. 2. Expenditure on social protection (euros per inhabitant)**

*Source:* the Eurostat data.

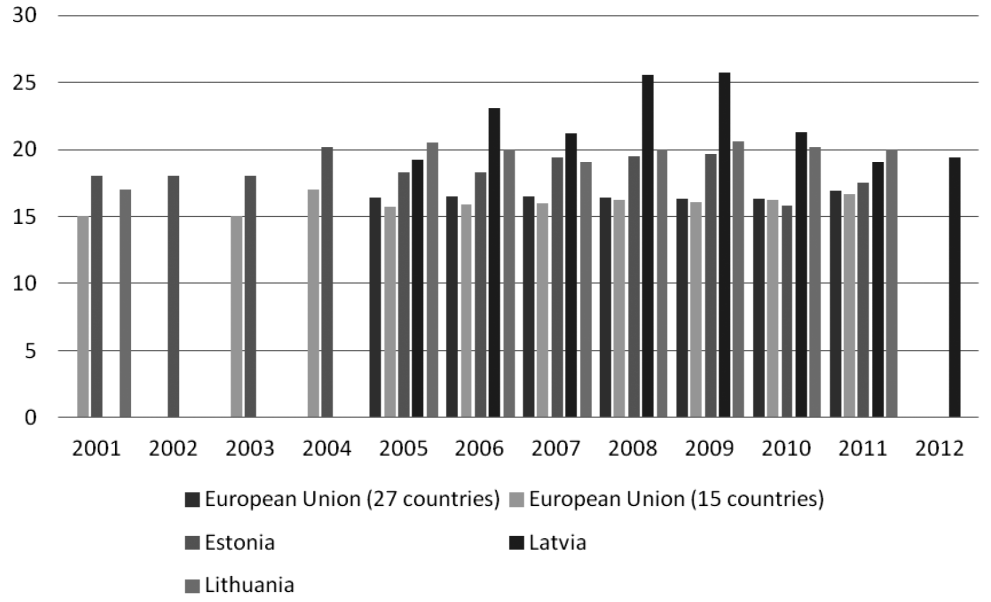


FIG. 3. **The at-risk-of-poverty rate (cut-off point: 60% of median equivalised income after social transfers)**

*Source:* the Eurostat data.

average (16.2%). Furthermore, the Baltic States are among the new EU member states with the highest share of shadow economy. The GDP share in the shadow economy in 2005 amounted to 39% Latvia, 38% in Estonia, and 30% in Lithuania. Only Romania (51%) had a bigger shadow economy than Estonia and Latvia. Lithuania, however, had a smaller shadow economy than Latvia, Estonia, Bulgaria, and Romania (based on Schneider, 2007; quoted by Aidukaite, 2009, p. 96; 2011b, p. 71).

Previous studies (Aidukaite, 2006, 2011b; Casey, 2004) have shown that the high shadow economy might be explained by high social taxes in the Baltic States. Total social tax contributions (the shared responsibility between employer and employee) amount to 33% in Estonia and Latvia and to 34% in Lithuania. However, the quality of public social services and the generosity of social benefits is relatively low. For instance, the old-age pension is very low in Lithuania, but also in the other Baltic States, making the elderly people in these societies live in poverty (Aidukaite, 2011b). In 2012, the average monthly old-age pension paid in Lithuania was 236 euros (814 LTL), in Latvia it amounted to 256 euros (180 LVL), and in Estonia to 269 euros (Lietuvos statistikos departamentas, 2013; Latvijas Statistika, 2013; Statistics Estonia, 2013). The replacement rate of the old-age pension is maintained at low levels and accounts for only 30–40% of the gross average wage in the Baltic States (Muller, 2002). This is low by the Western European standards. The situation is similar for other benefits such as unemployment, universal child allowances, and other social benefits (Aidukaite, 2006).

The three Baltic states are also among the EU countries with the lowest minimum wage. However, the minimum wage has always been higher in Estonia than in Latvia and Lithuania (Aidukaite, 2011 a, b). According to the latest (2013) Eurostat data, currently in the three Baltic States the monthly minimum amounts to 320 euros in Estonia, to almost 290 Euros in Lithuania, and to 287 euros in Latvia. This is very low if compared to such countries as Belgium, Luxemburg, the UK or Ireland. In the latter countries, the minimum wage exceeds 1.200 euros.

To sum it up, the Baltic States after 20 years of transition are still the laggards of the EU according to their social indicators such as income, shadow economy, and minimum wage. The social protection expenditures in the Baltics are among the lowest in the EU. Nevertheless, the situation in Estonia is better as compared with Latvia and Lithuania. Unemployment, the at-risk-of-poverty rate, deprivation have usually been lower in Estonia (Aidukaite, 2011a). For instance, in 2012 the unemployment rate in Estonia was 10.2%, while these figures for Latvia (14.9 %) and Lithuania (13.3%) were higher (Fig. 4). Tthe level of social security benefits was higher in Estonia than in the other Baltic States (Aidukaite, 2006). The differences among the three countries are especially pronounced if we take subjective satisfaction into account. The European social survey data of 2008 show that satisfaction with one's life, with the way democracy functions in the country, and with the overall state of education and health care are higher in Estonia than in Latvia or Lithuania (Lauristin, Vihalemm, 2011).

## The "Baltic welfare state": achievements after 20 years

Scholarly studies (Trumm, Ainsaar, 2009; Guogis, Koht, 2009; Rajevska, 2009) indicate that since 1991 the social protection system of the three Baltic States has been reformed

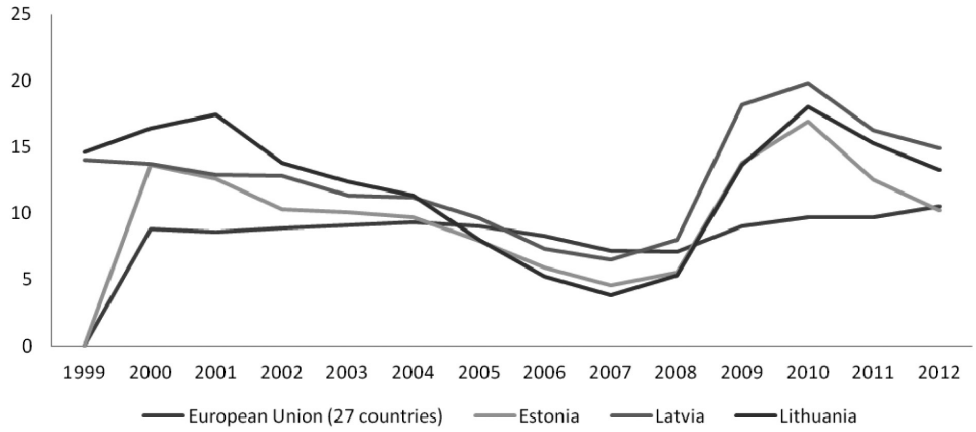


FIG. 4. **The total unemployment rate in the three Baltic states versus the EU-27 average, annual average (%)**

*Source:* the Eurostat data.

somewhat into a more liberal direction, which means a more individual responsibility for its welfare and a lower state responsibility to ensure a decent standard of living for its population. Some scholars (Bohle, 2007; Lendvai, 2008) even have grouped Estonia, Latvia, and Lithuania as closely falling into the neoliberal model based on macroeconomic indicators of low welfare state spending, high income inequality, low minimum wage, and a low degree of decomm odification in these societies.

Indeed, it could be claimed that in all three countries the current system of social protection has become less universal and comprehensive if compared with the Soviet period (for details on the Soviet period, see Aidukaite, Bogdanova, Guogis, 2012; Guogis, 2011). The private initiatives with the implementation of the private pension insurance funds have been increasing in the Baltics. Housing has become the private responsibility of an individual. Currently, citizens have a choice either to use public health care services financed through the social insurance contributions and state subsidies or to visit private health care clinics or hospitals that have no agreements with the sickness funds, requiring full coverage for their services from the patients. Student fees have been introduced at the universities in the Baltic States, and private universities have appeared, offering alternative degrees and professions compared with those from the public higher education (Aidukaite, 2009).

Estonia, Latvia, and Lithuania have started from the identical social protection system inherited from the Soviet period. Currently, one might observe not only similarities, but also differences. Differences in the social protection system may be found if we study social security programs in detail (at a micro level). A. previous study (Aidukaite, 2006) has indicated that, in general terms, the social security system of Estonia and

Latvia may be described as a mixture of elements taken from the basic security (where eligibility is based on contributions or citizenship, and flat-rate benefits are provided) and corporatist (with eligibility based on labour force participation and earnings-related benefits) models. Weak elements of the targeted model (in which the eligibility is based on a proven need, and the level of benefits is minimal) may be found, too. Lithuania has seen a combination of the corporatist and the basic security models, however, with much stronger elements of the targeted model in the social security system.

To sum it up, when it comes to social policy structures and a coverage of the population, the "Baltic" welfare state still shows more comprehensive solutions of social problems than of residual ones. Nevertheless, when it comes to the social benefit levels, minimum salaries and the share of the GDP spent on social protection, a "Baltic" welfare state shows disadvantages as compared with well-developed welfare states (Aidukaite, 2009, p. 102). This is especially remarkable for Latvia and Lithuania. As shown above, the average pension and the minimum wage were/are higher in Estonia than in Latvia or Lithuania. However, if the total social protection expenditures expressed as percentage of GDP are compared among the countries, the differences are little. However, we should keep in mind that Lithuania has a larger population than Latvia and, in particular, Estonia and, consequently, more retirees, children, and others depending on social protection benefits and services.

In the following discussion, we shall examine in detail the differences in various social policy areas.

## Social security system in the Baltic States: differences and similarities

### *Social assistance*

As stated above, in Lithuania one can find much stronger elements of the targeted model in the social security system. Indeed, at present, all three countries have means-tested benefits for low-income families, but in Lithuania they are more wide-ranging and more heavily financed. Estonia usually spends on average 1.9% of its total social expenditures on means-tested benefits, and Latvia spends no more that 1.7%, while Lithuania spends on average 3.3% of total social expenditures on means-tested benefits (Aidukaite, 2011b, Table 3.2.1, p. 72). In Lithuania, means-tested benefits are quite wide-ranging, such as a social benefit, compensation for heating, cold and hot water, free school meals, a lump sum benefit, and a benefit for families with children. In Latvia, some means-tested benefits are also quite extensive, e.g., social assistance benefits for low-income families, housing benefit, a benefit for food, meals, a benefit for purposes related to the education and upbringing of children (Rajevska, 2009). Estonia, however, has one means-tested benefit, the so-called subsistence benefit (Trumm, Ainsaar, 2009). In Lithuania, the qualifying conditions for the means-tested benefits are much stricter than in Latvia and

Estonia. To qualify for means-tested benefits, the claimant has to pass not only the income test, but also the property and assets tests, while in Estonia and Latvia it is enough to pass the income test to qualify for these benefits.

### *Sickness and family support systems*

Sickness and maternity (pregnancy) benefits have not seen much change since the Soviet period. In the Baltic countries, sickness and maternity benefits were, and still are, earning-related, although there is a minimum and maximum ceilings set by the state. The entitlement or qualifying conditions for benefits is based on the requirements of social insurance contributions and residency. All expenses are paid from the social insurance money financed by pay-as-you-go schemes: in Lithuania the State Insurance Fund, in Latvia the Social Insurance Budget, and in Estonia the Health Insurance Fund (Aidukaite, 2004, 2006, 2011b).

The financial family-support systems up to the child's first birthday in the Baltic States are similar to those of the Scandinavian countries in their design. There are quite generous maternity, parental, and paternity leaves based on previous salary and employment. All the three countries have generous birth grants paid for each child born. Latvia and Estonia have also universal child allowances payable to each child until his/her third birthday. However, Latvia and Estonia have also universal child benefits up to the child's fifteenth (in Latvia) or sixteenth (in Estonia) birthday, and if a child continues to study it is even paid longer. These benefits were not retrenched during the financial crisis of 2008. In Latvia, the sum paid was reduced slightly, and currently it amounts to 8 Lats (11.5 euros) to every child (the MWL, 2012). Before that, it had been increasing in accordance with the number of children in a family (Aidukaite, 2006). In Estonia, the child benefit (paid until children turn 16 or, if they continue studying, until they turn 19) has not been reduced during the financial crisis and at present amounts to 19.18 euros (300 EEK) for the first and the second children; starting from the third child, it increases to 57.54 euros (900 EEK) (the MSAE, 2012).

The Lithuanian government, meanwhile, in 2008–2012 has managed to retrench almost all universal family benefits. At present, Lithuania has an employment-related benefits as mentioned above (maternity, parental, and paternity). For those who do not qualify for maternity and parental benefits, the state gives support on a means-tested basis. Any further support is provided only to poor families with children.

It should be mentioned that there are also some categorical benefits in the three countries, such as special benefits for children of parents who are on military duty, benefits for orphans, and parents on guardian duties.

Notably, Estonia spends most in absolute terms on benefits for families and children, while Lithuania and Latvia follow in that order. According to the Eurostat data, the total

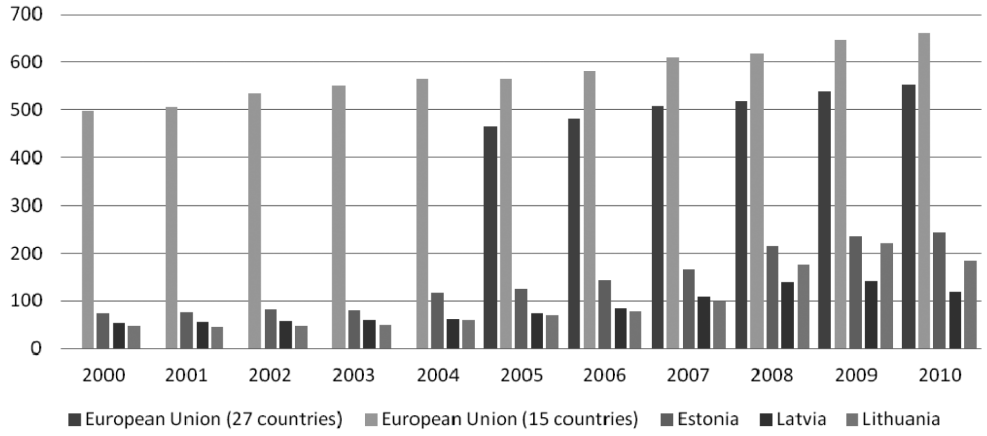


Fig. 5. **Expenditure on family/children (euros per inhabitant)**

*Source:* the Eurostat data.

family/child expenditures in euro per inhabitant in Estonia as compared with Latvia and Lithuania have always been the highest, ranging from 73.2 in 2000 to 243.7 euros in 2010 (Fig. 5), while figures for Latvia fall in this order: 54 and 120.4 euros. Until 2007, Lithuania spent least as compared with the other two countries on families and children in absolute terms. Starting from 2008, Lithuania has outnumbered Latvia and spent 176.2 euros. In 2010, Lithuania spent 183.2 euro per inhabitant. The increase in expenditure can be explained by the gradual introduction of universal benefits in Lithuania in 2004–2008 and by the introduction of a generous parental leave (in 2006–2009), which paid 100% of the previous parent's wage (with some minimum and maximum ceiling implemented) for a period of 2 years. As mentioned above, starting from 2009, the universal benefits were retrenched, and currently the Lithuanian government gives support to families with children mainly on a means-test basis.

Thus, the family and child support system is more generous in Estonia than in Latvia and Lithuania. Lithuania gives support to families with children, based on their previous social insurance contributions or on the means-tested basis. Estonia and Latvia give support based on previous contributions and citizenship (residency). In addition, means-tested benefits are also available to poor families and individuals.

### *Pension insurances*

The three Baltic States are rapidly ageing societies. This situation is caused by the declining fertility rates, but also by the increasing emigration (Ainsaar, Stankuniene, 2011). In response to the unfavorable demographic situation, three countries have opted for privatization of the pension systems in order to ensure the financial sustainability of the

pension insurance. According to the pension reform, the pension system with 'three pillars' has been established in Estonia, Latvia, and Lithuania. The first pillar is a compulsory, state-managed, non-funded scheme based on current contributions or taxes (pay-as-you-go); it started operating in Estonia in 1993, in Lithuania in 1995, and in Latvia in 1996. The second pillar, a state-funded compulsory pension scheme, began to operate in Latvia in 2001 and in Estonia (a compulsory privately managed and funded pension scheme) in 2002. In Lithuania, the second pillar is a voluntary privately managed funded pension scheme which was introduced in 2004 (Aidukaite, 2006, 2009, 2011b). In Latvia and Lithuania, the second pillar is financed by redirecting money from mandatory state social insurance contributions. It was expected that contributions to the second pillar would increase gradually. The starting point in Latvia (2001) was 2% of the total social insurance contributions directed to the second pillar and in Lithuania (2004) 2.5%. However, due to the global financial crisis, the governments in both countries had to reduce the contributions (from 8 to 2% in Latvia, from 5.5% to 1.5% in Lithuania) (the MWL, 2012; Gudaitis, 2010). These measures were taken as temporary, but they are still in place. The reduction of the state contributions to the second pillar in Latvia and Lithuania has meant that the future retirees that participate in the second pillar will get lower pensions than expected.

The second pillar in Estonia is financed partly from additional contributions by employees and partly from the reallocation of the share of the pension insurance part of social tax. If a person pays 2% of gross income for compulsory old age insurance, the state will contribute another 4% (Trumm, Ainsaar, 2009, p. 161). The Estonian government had also taken some measures to reduce the social insurance fund deficit and redirected state contributions from the second pillar to the first in 2009 and 2010 but returned to 2% state second pillar contributions in 2011 and to the original 4% in 2012, with a catch-up period of 6% state contributions scheduled for 2014–2017 (Schwarz, 2012).

The third pillar is a voluntarily funded private pension scheme. It started operating in Latvia and Estonia in 1998, and in Lithuania the third pillar was implemented as late as in 2004 (see Aidukaite, 2006; Casey, 2004).

The second pillar is only envisaged for the old-age pension. The first and third pillars are intended for old-age, disability, and survivors' pensions. With the implementation of the second and third pension insurance pillars, the high-income groups can protect their standard of living through private insurance. The implementation of pension insurance privatization meant an important shift in the social policy design of the Estonian, Latvian, and Lithuanian welfare systems as well as significant implications for their future development. However, the transfer of contributions from the first pillar to the second one had undermined the generational solidarity in the Baltics. It also contributed to the social insurance budget deficit from which all current pensions are paid (see, e.g., Gudaitis, 2010; Lazutka, 2007).

At present, the first pillar still bears the burden of the lion's share of the old-age payment, i. e. comprises the largest share of retirees and is most heavily financed. Old-age pensions cover all those who pay social insurance contributions. In addition, all three pillars have flat-rate pensions for those not eligible for an employment-related pension. This flat-rate pension is financed from tax revenues (Aidukaite, 2006).

### Unemployment insurances

In all the three countries, unemployment insurances are earnings interrelated to some extent, but with the minimum and maximum ceilings implemented. The qualifying conditions are strict for unemployment benefits in Lithuania: at least 18 months in paid employment, social insurance contributions or citizenship for those who have no work record. In Latvia, it is enough to be in employment and to have an insured period of at least 9 months to qualify for unemployment benefits. Estonia has the most generous design for unemployed. For those who have a work record, the unemployment benefits are paid from the Insurance Fund. It is enough to be in paid employment and paid contributions for 6 months in order to qualify for employment-related benefits. The unemployment benefits can be also received on the basis of proven need. They are paid from the state budget (Aidukaite, 2006; the MWL, 2012; the MSAE, 2012; the MSALL, 2012).

The duration and level of unemployment benefits in all three countries depend on the social insurance contributions and the work record. The duration of unemployment benefits payment is the shortest in Lithuania and paid up to six months to those whose work record is shorter than 25 years (Lietuvos Respublikos Seimas, 2008). Latvia comes next with its nine-month payment to those who have an insurance of one to 19 years (the MWL, 2012). In Estonia, it is paid up to 6 months in case the insurance period is less than 4.6 years, up to 9 months if the insurance period is 4.5–9 years, up and to one year if the work record is 9 years or more (the MSAE, 2012).

The replacement rate for unemployment benefits is very low in Lithuania. The maximum ceiling for unemployment benefits was cut back even more during the crisis. At present, it cannot amount to more than 650 LTL (188 euro) per month (Verslo žinios, 2009). In Latvia, the unemployment benefit is paid depending on the unemployment period. For an unemployed person with the insurance length of one to nine years, the first two months it is paid to the full amount, the next two months 75% of the granted unemployment benefit, and the last five months 45 Lats (64 euro) per month (the MWL, 2012). In Estonia, the value of unemployment insurance benefit is related with the insured person's salary prior to unemployment, comprising 50% of the insured person's average remuneration per calendar day for the first 100 days and then 40% since the 101st day of unemployment (the MSAE, 2012).

Overall, the unemployment benefits in the Baltic societies are very modest, and the duration of the entitlement of this support is short as compared with the practices of several EU member states (Aidukaite, 2006). Although the expenses on unemployment as a percentage of social benefits have slightly increased in the Baltic states since 2000, Estonia (2.1%), Latvia (4%) and Lithuania (2.5%) in 2008 still spent much less on unemployment than the EU-27 average (5.2%) or the euro area-16 average (5.9%) (Aidukaite, 2011b, Table 3.2.2, p. 73). However, if the duration and replacement rate are compared among the three Baltic States, Estonia has a more favourable situation for unemployed, follwed by Latvia and then byLithuania.

## Health care in the Baltics

Estonia, Latvia, and Lithuania are among the EU countries with the lowest health care spending (Dobravolskas, 2009; Rajevska, 2009). These counties have also the lowest life expectancy in the EU. However, if the three Baltic States are compared, differences may be found. Estonia spends on health care slightly less ( Fig. 6) than Latvia and Lithuania. However, the higher spending on health care in Lithuania and Latvia is explained by the price expansion rather than by an improvement in accessibility and quality (Aaviksoo, Sikkut, 2011; Dobravolskas, 2009). The life expectancy at birth is the highest in Estonia (76 years, 2010), followed by Latvia (73.7 years) and Lithuania (73.5 years), whereas the EU-27 average in 2009 was 80.1 years (2009) (European Commission, 2012).

Studies have revealed (Aaviksoo, Sikkut, 2011; Bankauskaite, Saarelma, 2003; Jakusovaite et al., 2005) that after the restoration of their independence, the three Baltic states inherited a centralized system that mainly delivered inefficient health care management and resource allocation. All three countries opted for the restructuring and decentralization of the system in order to increase the efficiency and quality of health services. At present, in all three countries the health care systems are based on solidarity. In Estonia and Lithuania, health care is mainly financed through social insurance contributions and the state budget (Dobravolskas, 2009; Kahur, 2009). In Latvia, the financing of health care services comes from the state budget, voluntary health insurance, out-of-pocket payments, and local municipalities (Joksts, 2009). In all three countries, entitlement to health care is universal; however, studies show that the equity of access to services is compromised. Estonian patients have to pay less than Latvians or Lithuanians for health care services. In Latvia, there have been user charges for all health care services since 1996 (Joksts, 2009); this prevents people from getting medical assistance more frequently (Aaviksoo, Sikkut, 2011). For example, in 2009, medical examination was unavailable due to its cost to 1.7% of people in the lowest income quintile in Lithuania, 1.9% in Estonia, and 17.6% in Latvia (Aaviksoo, Sikkut, 2011, p. 64).

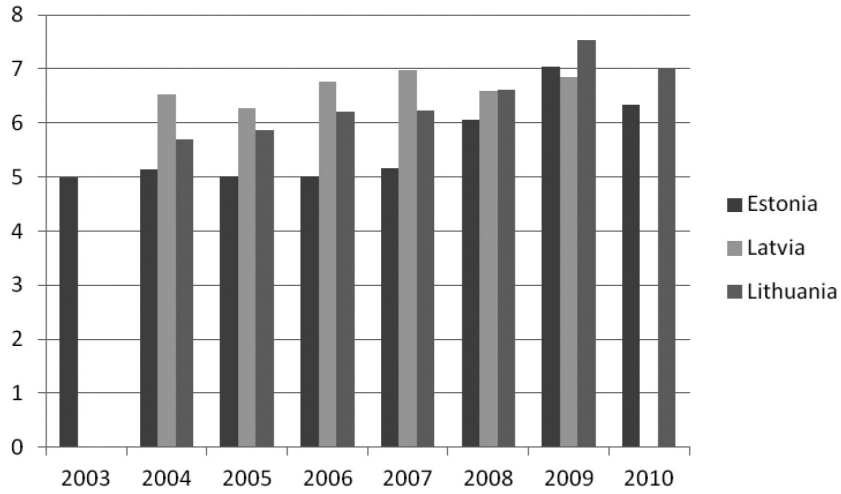


FIG. 6. **Health care expenditure (% of GDP) by all health care providers in the three Baltic States**

*Source:* the Eurostat data.

The access to health care is still quite high in Lithuania. However, studies (Bankauskaite, Saarelma, 2003, p. 28) report that the corruption of medical and allied personnel as well as the improper behaviour, negligent or negative attitudes, and the incompetence of individual practitioners are still prevalent. In contrast, the Estonian health care system is praised for its efficiency and compatibility in its volume and availability with other developed countries (see Aaviksoo, Sikkut, 2011). The Latvian health care system is criticized for its decreasing accessibility and increasing privatization. As stated by Rajevska (2009, p. 340), the proportion of private payments for health care (around 48%) is closer to the American rather than European model.

## Conclusions

We have reviewed changes in social policy (social security and health care) arrangements in Estonia, Latvia, and Lithuania over the last decade (2000–2012). A detailed examination of social policy arrangements of Estonia, Latvia, and Lithuania has revealed differences among the three countries. These differences have become particularly pronounced during and after the financial crisis of 2008/2009. The design of social security in Estonia is most comprehensive and generous if the three countries are compared, especially their family support systems. As to the other benefits such as pension and unemployment, Estonia, again, is a leader with its higher benefit levels and longer payment duration (for unemployment). The reform of the pension insurance is also most sustainable in Estonia. The situation in Lithuania is least promising as regards social security

coverage and generosity; especially this has become apparent after the post-crisis period (2008–2012) when some retrenchments have been implemented in family policy, pension insurance and unemployment benefits.

The health care system in terms of its accessibility is least promising in Latvia. In Lithuania, its quality is compromised. Estonia has the most efficient system of health care, and this is reflected in its increasing life expectancy.

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