Article

Economic Inequality and Social Welfare Policies in Latvia and Lithuania: Assessing the Impact on Vulnerable Populations

Abstract: This study examines economic inequality in Latvia and Lithuania, focusing on the impact of social welfare policies on vulnerable groups in these countries. Motivated by growing concerns over socio-economic disparities in post-Soviet states, the research evaluates the effectiveness of government interventions in reducing these inequalities. The introduction contextualizes the socio-economic conditions of Latvia and Lithuania, stressing the importance of tackling economic inequality. A literature review summarizes previous research on the subject and identifies gaps that this study addresses. The methodology employs a mixed-methods approach, combining quantitative data from national statistics with qualitative analysis of policy documents and previous studies. The findings highlight significant differences in inequality levels and the varying success of social welfare policies in both countries. The study identifies key vulnerable populations, including the elderly, unemployed, minorities, and low-income families, who are most affected by economic inequality. The discussion compares these findings with prior research and critiques current policies. The study concludes with policy recommendations for improving social welfare measures, emphasizing the need for targeted interventions and comprehensive reforms. By offering a comparative analysis, the research provides valuable insights for policymakers, scholars, and social advocates, advocating for tailored policies that address the specific socio-economic contexts of Latvia and Lithuania while promoting equity and social justice.

Keywords: economic inequality; Latvia; Lithuania; post-Soviet states; social exclusion; social welfare

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1. Introduction

Too high inequality is an economic and social problem that worsens a country's long-term economic condition. Economic inequality and social welfare policies are crucial aspects of so-cio-economic research, particularly in the context of Eastern Europe. Following the collapse of the Soviet Union, Eastern European countries embarked on a transformative journey from centrally planned economies to market-oriented systems. This transition brought about significant economic growth and development but also introduced new challenges, including rising income inequality and social disparities. The adoption of market reforms and the privatisation of state-owned enterprises resulted in a substantial wealth gap, with the benefits of economic growth unevenly distributed among the population.

Latvia and Lithuania, two Baltic states with shared histories of Soviet occupation and subsequent independence, provide compelling case studies for examining economic inequality and social welfare policies. After the restoration of independence in 1991, extensive reforms were carried out in the social policies of Latvia and Lithuania. Latvia's transition to a market economy was marked by rapid economic reforms, privatisation, and integration into global markets. The country experienced robust economic growth, especially after joining the EU in 2004. However, this growth was accompanied by increased income inequality and regional disparities.

Similarly, Lithuania underwent significant economic changes post-independence. The country adopted market reforms, which spurred economic growth but also resulted in substantial income inequality. Lithuania has one of the highest levels of income inequality in the EU, with pronounced disparities between urban and rural areas. The capital city, Vilnius, and other major cities have seen considerable economic development, while rural regions struggle with lower economic activity and higher poverty rates. Comparing the Baltic states, Lithuania and Latvia have the highest levels of inequality, which have remained high over the years, even within the broader context of the EU member states.

This research aims to evaluate the impact of economic inequality and social welfare policies on vulnerable populations in Latvia and Lithuania. Understanding how these policies affect those most at risk is crucial for improving their design and implementation. In both countries, where economic inequality is a significant issue, assessing the effectiveness of social welfare measures in reducing disparities and fostering social inclusion is particularly important. Effective social policies contribute to societal stability, which is especially relevant in the current geopolitical context.

To assess economic inequality and social welfare policy, it is essential to analyse the countries' social security systems and consider their economic situations. This article is structured as follows: the first section provides a review of existing literature on economic inequality in Latvia and Lithuania, highlighting key trends and factors contributing to income disparities; the second section offers an overview of the social welfare policies implemented in both countries, examining their evolution, current state, and effectiveness in addressing inequality. Through this analysis, the article seeks to identify the successes and shortcomings of these policies and suggest potential areas for improvement to better support vulnerable populations.

The research will address three key questions: 1) What are the main trends of economic inequality in Latvia and Lithuania? 2) What is the current state of social welfare policies, and how effective are they in addressing economic inequality? 3) How do social welfare policies impact vulnerable populations, and what are the main challenges faced by these groups?

2. Exploring the Nexus of Inequality and Welfare:
A Review of Key Studies in the Baltic Context

Economic inequality in Latvia and Lithuania has been studied from various aspects, particularly in the context of their transition from Soviet republics to independent states and future EU member states. This transition period marked a significant increase in economic disparities. To better understand the socio-economic situation of Latvia and Lithuania, it is essential to consider their history. The Baltic states regained their independence from the Soviet Union (USSR) in 1991.

Following independence, the economies of Latvia and Lithuania experienced difficult times, as the economy essentially collapsed – GDP fell rapidly, and the state budget deficit reached significant proportions, creating socio-economic challenges and contributing to inequality among the population. Economic growth in both countries began to recover after their entry into the European Union in 2004. More than three decades after regaining independence, Latvia and Lithuania still face high levels of inequality among their populations.

Economic inequality in Latvia and Lithuania has been shaped by various historical, political, and economic factors. During the transition from a centralised Soviet-style economy to a market-based system, many former industrial workers found themselves economically inactive, facing the loss of employment and income guarantees (Stankûnienë & Jasilioniene, 2008). More recently, studies have shown that the Baltic countries have high levels of inequality that are not effectively addressed by their tax and redistribution policies (Cantante, 2020).

In terms of social welfare policies, Latvia and Lithuania have undergone significant reforms since regaining independence. These reforms have aimed to address the challenges of the transition period, such as the loss of employment and income guarantees (Stankûnienë & Jasilioniene, 2008), as well as the needs of vulnerable populations. However, the effectiveness of these policies in reducing economic inequality and supporting the well-being of the population remains an area of ongoing research and debate.

Schmidt-Catran (2016) conducted a study that highlighted the impact of economic inequality on public demand for redistribution. The findings revealed that higher levels of economic inequality were associated with increased public demand for redistribution. This suggests that economic inequality has significant implications for policy preferences and welfare programs in Latvia and Lithuania.

When examining social welfare policies in Latvia and Lithuania, it is essential to consider the implications for vulnerable populations. Mandel (2012) investigated the consequences of welfare state policies for gender wage inequality. The study provided insights into how welfare policies can either exacerbate or mitigate gender-based economic disparities, which is particularly relevant in the context of social welfare policies in Latvia and Lithuania.

In addition, Auers (2015) provided a comprehensive overview of the comparative politics and government of the Baltic States, including Latvia and Lithuania. While the focus was not exclusively on social welfare policies, the political and governance frameworks outlined in the book are crucial for understanding the context within which social welfare policies are formulated and implemented in the region.

Waisel (2013) offered insights into vulnerable populations in healthcare, emphasising the need for targeted policies to address the unique challenges faced by these groups. These find-

ings are relevant in the context of social welfare policies that aim to reduce economic inequality and provide support to vulnerable populations in Latvia and Lithuania.

2.1. Welfare State Regimes and Economic Disparities: The Contributions of Esping-Andersen and Kvist

This chapter explores the theoretical foundations of economic inequality and social welfare, drawing on the work of theorists like Gøsta Esping-Andersen and Jon Kvist. Their insights into welfare state regimes and social investment help explain the mechanisms behind economic disparities and the impact of social policies, particularly in Latvia and Lithuania.

Gøsta Esping-Andersen's influential typology of welfare state regimes has been pivotal in the study of social policy and inequality. In his seminal work, "The Three Worlds of Welfare Capitalism," (1990) Esping-Andersen categorises welfare states into three distinct types: liberal, conservative, and social democratic. According to him (p.58), "[Welfare] states may be equally large or comprehensive, but with entirely different effects on social structure. One may cultivate hierarchy and status, another dualisms, and a third universalism. Each case will produce its own unique fabric of social solidarity." Esping-Andersen's statement encapsulates the diversity and complexity of welfare state regimes, underscoring how different models of social welfare produce distinct outcomes in terms of social equity and cohesion.

The liberal model, often seen in countries like the United States and the United Kingdom, tends to foster hierarchy and status by emphasising means-tested benefits and market solutions, which can lead to significant income disparities and social stratification (Korpi and Palme, 1998; Pacheco, Haselswerdt and Michener, 2020) . The conservative model, prevalent in countries like Germany, Belgium, The Netherlands, and France, reinforces existing social hierarchies and family structures, often resulting in dualisms where benefits are tied to employment status and family roles (Hemerijck and Marx, 2010; Manow and Kersbergen, 2009). In contrast, the social democratic model, exemplified by Scandinavian countries, promotes universalism through comprehensive and inclusive social policies that aim to reduce inequality and ensure a high level of social solidarity (Baldwin, 1989; Korpi and Palme, 1998; Ferragina, Seeleib-Kaiser and Spreckelsen, 2015).

Esping-Andersen's typology highlights how different welfare regimes shape social outcomes. Scandinavian universalistic welfare states promote social solidarity and mobility through extensive, egalitarian services. In contrast, conservative and liberal welfare states may reinforce social divides, with the former emphasizing traditional roles and employment-linked benefits, and the latter potentially neglecting the most vulnerable, worsening inequality.

Expanding on Esping-Andersen's typology, Jon Kvist (1999) explores the role of social investment in reducing inequality, emphasizing the importance of education, healthcare, and family support. His research highlights how social investment strategies can enhance individual capabilities and promote inclusive growth. Kvist's framework complements Esping-Andersen's by addressing the root causes of inequality through proactive policies (Kvist and Greve, 2011).

In our context, from Esping-Andersen's perspective, Latvia and Lithuania present unique cases that deviate significantly from the archetypal welfare state models seen in Scandinavia. The social democratic model, characterised by universalism and extensive welfare provisions, contrasts sharply with the more residual welfare systems found in these Baltic states. Since

gaining independence, both Latvia and Lithuania have struggled to establish robust welfare systems, leading to significant social and economic disparities (Aidukaite, 2009). Esping-Andersen's framework suggests that the limited decommodification and social stratification inherent in these systems contribute to persistent inequality, as social benefits are not universally accessible and often depend heavily on one's position in the labour market.

Jon Kvist's emphasis on social investment provides another lens through which to understand the economic and social challenges in Latvia and Lithuania. Unlike the proactive social policies advocated by Kvist, which focus on education, healthcare, and family support to enhance individual capabilities, the welfare systems in Latvia and Lithuania have historically been underfunded and insufficiently developed (World Bank, 2023). This lack of investment in human capital has resulted in significant gaps in education (OECD, 2020; European Commission. Directorate-General for Education, Youth, Sport and Culture, 2023) and healthcare (OECD, 2023a; OECD, 2023b), exacerbating social inequality. For example, disparities in educational attainment and healthcare access between urban and rural areas are pronounced, limiting opportunities for upward mobility and perpetuating cycles of poverty.

One explanation for the inequalities observed in Latvia and Lithuania lies in their economic transition from centrally planned economies to market-oriented systems. This transition period in former soviet states was marked by significant economic upheaval, including the privatisation of state assets and the emergence of new economic elites (Sutela, 1998).

Inequality in Latvia and Lithuania is driven by labor market structures characterized by high informal employment and job insecurity, particularly in low-skilled sectors. Esping-Andersen's analysis suggests that inadequate social protections worsen these conditions, while Kvist emphasizes the need for policies that support skill development and stable employment, which are lacking in both countries. Additionally, demographic challenges, such as population decline due to emigration and low birth rates, strain social welfare systems. Kvist argues that insufficient investment in family support policies, like affordable childcare, contributes to these trends, worsening the impact of an aging population and shrinking workforce.

On the other hand, O'Connor, Orloff, and Shaver extend the analysis and models of Esping-Andersen and Kvist by comparing the gendered impacts of welfare policies across different regimes, highlighting the varied outcomes for women. Their work supports the need for more inclusive and gender-sensitive welfare policies. In this way, the nature of welfare states extends beyond mere political relevance, as it plays a pivotal role in the broader academic discourse among social scientists and historians (O'Connor, Orloff, and Shaver, 2003, p.9). These debates explore the origins and evolution of policy frameworks, examining their effects on the relationships between states, markets, and families, as well as the intersections of democracy, capitalism, and gender relations. The welfare state is a key focus for understanding state-society dynamics and the connection between gender and politics.

2.2. Bridging the Gap: Addressing the Underexplored Dynamics of Social Welfare in Baltic States

Despite extensive research on welfare state models, gaps remain, particularly regarding transitional systems in post-Soviet states like Latvia and Lithuania. While Esping-Andersen's and Kvist's frameworks offer insights into welfare types and social investment, they have not fully addressed the unique challenges faced by these countries since the Soviet Union's collapse.

This study aims to bridge this gap by applying these theories to the Baltic States, exploring the evolution of their welfare systems and their impact on vulnerable populations.

Existing literature often compares established welfare models but neglects transitional welfare regimes. While most studies focus on Western Europe and North America, there is less analysis of emerging models in transitional economies. This study addresses this gap by comparing welfare policies in Latvia and Lithuania using Esping-Andersen's and Kvist's theories, offering insights into how transitional welfare states balance market solutions and social investment.

Kvist's work on social investment is well-documented, but there is a lack of empirical studies on its effectiveness in post-Soviet contexts. Research has mainly focused on advanced welfare states, leaving a gap in understanding how social investment performs in emerging systems. This study will fill this gap by evaluating social investment strategies in Latvia and Lithuania, assessing their impact on vulnerable populations, and identifying challenges unique to transitional economies. Additionally, the study will explore how welfare policies affect various vulnerable groups – such as ethnic minorities, the elderly, and individuals with disabilities – offering a nuanced analysis of these impacts to enhance understanding of welfare system design in transitional contexts.

While broader studies often aggregate the Baltic States, each country faces distinct social challenges and policy responses. Lithuania has more extensive social safety nets compared to Latvia's fragmented approach, while Estonia's focus on technology has led to digital advancements but also a digital divide. This study aims to provide a detailed analysis of each Baltic state's unique path and its impact on social welfare outcomes. Additionally, it seeks to encourage more regional research attention on Estonia, Latvia, and Lithuania, given their growing significance in regional interconnection.

3. Research Design and Methodological Framework: Investigating Economic Inequality and Social Welfare in Latvia and Lithuania

This study uses a mixed-methods approach to examine the impact of social welfare policies on economic inequality and vulnerable populations in Latvia and Lithuania. In the field of social policy research, mixed-methods approaches have proven particularly valuable. For example, Creswell and Plano Clark (2011) highlight that integrating quantitative and qualitative data allows researchers to draw on the strengths of both methods while mitigating their individual limitations. Quantitative data generalizes findings across large populations, while qualitative data offers detailed, contextual insights that clarify these results. This synergy is crucial for studying complex systems like welfare policies, where understanding both broad impacts and specific mechanisms is essential. Tashakkori and Teddlie (2010) show how mixed methods enhance research by combining survey data with interviews, as seen in educational reform studies. Similarly, Greene (2007) integrated clinical trial data with patient interviews to evaluate health interventions. These examples demonstrate how mixed-methods research provides a more comprehensive view of complex issues.

3.1. Addressing Research Limitation

While the mixed-methods approach provides a comprehensive framework for analysing the impact of social welfare policies in Latvia and Lithuania, it is essential to acknowledge and address potential research limitations. One of the primary concerns is the reliability and validity of statistical data. Data discrepancies can arise due to differences in data collection methods, reporting standards, and the availability of up-to-date information across sources. To mitigate this issue, we will cross-verify data from multiple reputable sources such as national statistical offices, Eurostat, and the World Bank, ensuring a consistent and accurate dataset for analysis (Johnson and Onwuegbuzie, 2004; Teddlie and Tashakkori, 2012).

Another limitation is the potential bias in the qualitative analysis of policy documents. Interpretative biases can influence the conclusions drawn from policy reviews, as researchers' perspectives might affect how policies are understood and evaluated. To counter this, we will employ a systematic approach to document analysis, using established frameworks to assess policy content objectively (Bowen, 2009; Yuan and Zeng, 2017). Furthermore, involving multiple researchers in the document review process can provide diverse viewpoints, reducing individual bias and enhancing the credibility of our findings (Bryman, 2006).

4. Assessing Economic Inequality:
Comparative Data Insights from Latvia and Lithuania

Latvia has one of the highest inequality rates in the EU, with the fifth highest risk of poverty and social exclusion and the second highest risk for those aged 65 and over. Economic data and surveys show Latvia lagging behind its neighbors, with Lithuania surpassing Latvia in GDP per capita a decade ago and the gap widening in recent years.

Economic inequality in Latvia and Lithuania disproportionately affects certain groups within their populations. Based on statistical data and various reports, the primary risk groups for inequality in both countries include the elderly, rural populations, families with children, unemployed individuals, and young people. Economic inequality in Latvia is a significant socio-economic challenge that affects various population groups. According to the Central Statistics Bureau of Latvia (CSB), there have been marked differences in income levels among different societal groups in recent years. For example, in 2022, 22.4% of the Latvian population was at risk of poverty (Central Statistics Bureau of Latvia, 2022). The risk of poverty was particularly high among pensioners – 40.1% of all residents aged 65 and over were at risk of poverty, and this risk was even higher among single pensioners, reaching 67.8% (Central Statistics Bureau of Latvia, 2022). This indicates a critical need for more effective social protection measures for this group.

In Lithuania, the elderly face significant poverty and economic vulnerability due to insufficient social support and pensions that don't match living costs. Both Lithuania and Latvia exhibit stark regional disparities, with urban areas like Riga and Vilnius having higher incomes and economic activity compared to rural regions, which suffer from limited services and higher poverty rates. Families with children, especially single-parent households, experience higher poverty risks due to inadequate social support and high living costs. Unemployed individuals and those in low-wage jobs also face economic challenges, with insufficient social protection exacerbating their vulnerability in both countries.

Youth unemployment remains a critical issue in both countries. Young people often struggle with finding stable employment and may end up in low-paid or temporary jobs, contributing to economic insecurity and hindering career development. Additionally, many young people in both Latvia and Lithuania emigrate in search of better opportunities, which affects their economic prospects and the demographic structure of the countries. Latvia's income inequality coefficient (Gini coefficient) indicates significant differences between high and low-income groups. In recent years, the Gini coefficient in Latvia has remained one of the highest in the EU, reflecting deep socio-economic gaps. In 2022, Latvia's Gini coefficient was 35.4, higher than the EU average of 30.2, indicating substantial income inequality (Eurostat, 2022).

In 2022, Latvia's quintile share ratio was 6.3, indicating that the top 20% of earners had over six times more income than the bottom 20% (Eurostat, 2022). This persistent inequality has remained stable in recent years. Lithuania also shows significant regional disparities, with Vilnius experiencing higher economic growth compared to rural areas, which suffer from higher poverty rates and limited services. The Gini coefficient in Lithuania was 35.1% in 2022 and increased to 35.7% in 2023, reflecting a widening income gap (Eurostat, 2023).

The Lithuanian government has implemented socio-economic measures to tackle inequality, including increased support for vulnerable groups and improvements in labor market conditions and education. Despite these efforts, inequality remains high, and further reforms are needed. Latvia's National Security Concept highlights that internal security is impacted by demographic decline, high poverty, and income inequality. Both Latvia and Lithuania face significant challenges with economic inequality, as reflected by high Gini coefficients and quintile share ratios compared to the EU average.

Addressing the needs of high-risk groups is vital for reducing economic inequality in Latvia and Lithuania. Key policies should focus on rural development, pension reforms, family support, and enhanced social protection for the unemployed and low-income workers. Additionally, efforts to integrate ethnic minorities and support young people entering the workforce are essential for promoting inclusive growth. According to Esping-Andersen's framework, Latvia and Lithuania diverge from Scandinavian welfare models, struggling to establish comprehensive systems since independence. Their underfunded welfare systems and limited social benefits contribute to persistent inequality, exacerbated by gaps in education and healthcare. Kvist's emphasis on long-term social investment highlights the need for more robust human capital development, which remains insufficient in both countries.

4.1. Implications for Social Welfare Policies in Latvia and Lithuania: Effectiveness, Best Practices, and Areas for Improvement

Social welfare policies are crucial in addressing income inequality and improving living standards. Latvia and Lithuania, with their post-Soviet reforms, provide a valuable case for assessing welfare system effectiveness. Latvia's system includes universal child benefits, a progressive tax system, and support for low-income families, yet the Gini coefficient remains high compared to the EU average (Eurostat, 2022). The uneven distribution of benefits, especially disadvantaging rural areas with limited access to services, undermines the effectiveness of these welfare policies in reducing income inequality.

On the other hand, Lithuania's social welfare policies, including universal child allowances, housing subsidies, and social pensions, have somewhat reduced poverty rates but

have not fully addressed income inequality (IMF, 2023). While increases in minimum wages and social insurance benefits have shown positive results, disparities between urban and rural areas persist. Best practices include the use of progressive taxation systems, which aid in wealth redistribution, and universal child benefits, which support families and reduce child poverty, though more targeted interventions are needed to further reduce inequality.

Despite some progress, Latvia and Lithuania face significant challenges, notably regional disparities. Addressing these requires enhancing social services and infrastructure in rural areas, and implementing targeted policies for rural development, pension reform, family support, and social protection for unemployed and low-income workers. It is also crucial to support ethnic minorities and young people by addressing youth unemployment and improving access to education and vocational training. To improve their welfare systems, both countries must better integrate social services to reduce bureaucratic barriers and enhance efficiency. Ensuring the sustainability of these programs involves tackling funding and financial management issues through innovative mechanisms and efficient resource allocation. Adopting more inclusive social policies, including investments in education, healthcare, and family support, is essential. Kvist's research underscores the importance of these investments for economic growth and individual capabilities. However, Latvia and Lithuania's welfare systems have historically been underfunded and less developed compared to Kvist's proactive model.

4.2. Mapping Economic Gaps – General Evident Impacts on Vulnerable Populations

European policymakers have long aimed to prevent the rise of a permanent elite, a concern rooted in democratic principles. This issue is particularly pertinent for Latvia and Lithuania as they transition from Soviet rule to independent democracies. In these countries, the consolidation of wealth and power among a small elite threatens democratic ideals, with economic power translating into political leverage that entrenches this elite. Post-Soviet privatisation and economic restructuring have led to the emergence of influential business elites who may stifle competition and maintain policies benefiting their interests, undermining broader social equity.

Examining the social mechanisms of welfare states is crucial, particularly for understanding how different demographics, such as women and the LGBT community, interact with these systems. In Latvia and Lithuania, these groups often face significant social exclusion and inequality, compounded by gaps in social protection and labor market integration. Focusing on these challenges aims to reveal the systemic barriers these communities encounter within the welfare frameworks of these Baltic nations. In this context, the studies by M.V. Lee Badgett, Kees Waaldijk, and Yana van der Meulen Rodgers (2019), as well as those by Laura Cabeza-García, Esther B. Del Brio, and Mery Luz Oscanoa-Victorio (2019), have drawn our attention and compelled us to scrutinise the aspects related to the social vulnerabilities of these groups.

Latvia and Lithuania, like many countries, have established welfare systems designed to ensure social protection and equal opportunities. However, the effectiveness and inclusivity of these systems can vary significantly, especially for marginalised groups. Women and LGBT individuals in these countries may face distinct forms of exclusion and inequality that are not always adequately addressed by existing policies or institutional practices. Thus, examining these issues is crucial for understanding the broader implications of welfare state mechanisms on vulnerable populations.

Financial and social inclusion for women is a fundamental pillar of achieving gender equality and fostering sustainable economic development. Historically, women have been encumbered by various barriers that limit their access to financial resources, economic opportunities, and full social participation. These barriers often manifest as wage gaps, restricted access to credit, and limited representation in decision-making roles. Addressing these disparities is essential not only for promoting fairness but also for ensuring that women can equally benefit from and contribute to economic and social systems. As Marianne Dutkiewicz and Amanda Ellis (2018, p.2) pointed out in their report, "over 90 percent of countries – including 15 G20 members – still have at least one discriminatory law hindering women's economic activity in the formal sector. This costs everyone, not just women: Limiting women's access to employment opportunities alone costs the East Asia and Pacific region $42–$47 billion annually".

Financial inclusion is vital for access to financial services like savings accounts, loans, and insurance. Women, especially in developing regions, face obstacles such as legal restrictions, lack of identification, and cultural norms. Discrimination within financial institutions compounds these issues, making it challenging for women to secure loans or open accounts. To address these barriers, policies should be implemented to improve women's access to financial services, support their entrepreneurial efforts, and ensure equitable treatment by financial institutions.

In Latvia and Lithuania, women face persistent financial exclusion despite improvements in access to banking services. According to a 2022 report by the European Institute for Gender Equality (EIGE), women in Latvia experience a significant gender pay gap of approximately 14.6%, which is higher than the EU average of 13.0% (European Institute for Gender Equality, 2022). This disparity limits women's earning potential and contributes to their financial instability. Additionally, a survey by the World Bank highlights that women in Lithuania are less likely to have access to formal credit compared to men, with a credit gap of 10% that affects their ability to start or sustain businesses (World Bank, 2022).

In 2019, women held 29% of leadership positions in large listed companies in Latvia, compared to just 10.8% in Lithuania (Dzene and Sennikova, 2020, p.15). This underrepresentation is exacerbated by insufficient support for work-life balance. Social inclusion in Latvia and Lithuania involves factors like community participation, education, healthcare, and influence in decision-making. Traditional gender roles and inadequate support systems, such as limited affordable childcare and flexible work options, hinder women's social inclusion. Addressing these challenges requires targeted policies to enhance work-life balance, educational opportunities, and women's leadership roles.

In Latvia and Lithuania, LGBT individuals face economic marginalisation due to discriminatory social attitudes and inadequate legal protections. The lack of comprehensive anti-discrimination laws limits their employment opportunities and career advancement, as social stigma and cultural norms contribute to economic disadvantage. This discrimination in the workplace, combined with societal prejudice, creates barriers to stable and well-paying jobs, further entrenching economic inequality.

Applying Esping-Andersen's and Kvist's welfare state theories highlights how the conservative welfare models in these countries perpetuate gender and sexual orientation inequalities. Esping-Andersen's theory shows that conservative regimes reinforce traditional family structures and social hierarchies, resulting in unequal distribution of benefits and support. Similarly, Kvist's research underscores the need for inclusive policies that address the specific chal-

lenges faced by marginalised groups. Without robust legal protections and targeted support, women and LGBT individuals in Latvia and Lithuania continue to face significant barriers to economic equality and social inclusion.

5. Final Discussion and Remarks

In our analysis of the welfare systems in Lithuania and Latvia, we applied Esping-Andersen's typology of welfare regimes, which categorizes them into Liberal, Conservative, and Social Democratic models. Both Baltic states exhibit elements of Liberal and Conservative regimes, reflecting a hybrid model influenced by their post-Soviet history and EU integration. The Liberal model's emphasis on minimal state intervention and market reliance contrasts with the Conservative model's focus on traditional family structures and employment-based social insurance. This hybrid nature highlights the transitional phase of their welfare systems as they balance market efficiency with social protection.

Incorporating Kvist's framework, which examines the inclusion of vulnerable social groups, reveals that despite advancements, significant gaps remain in addressing the needs of marginalized populations such as the elderly, low-income families, and ethnic minorities. Economic inequality persists due to inadequate support and systemic barriers. Targeted interventions are essential to improve the adequacy of social benefits, enhance service accessibility, and address systemic discrimination. Improved data collection, better access to education, and vocational training are crucial for reducing economic disparities and fostering a more equitable society. While both countries have made progress, ongoing efforts are needed to ensure all citizens benefit from social protection reforms and achieve a better quality of life.

Conflicts of interest

The authors declare no conflict of interest.

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