

BOX 3. RELATION BETWEEN POST-DOWNTIME SUBSIDIES AND INCOME CHANGES

After the onset of the pandemic, downtime and post-downtime subsidies (sometimes called employer subsidies) became one of the main measures supporting the economy. The goal of downtime subsidies was to preserve jobs. These subsidies, aimed at compensating a certain share of wages, were paid to employers who had to put their employees on downtime due to the restrictions imposed on their activities or lack of clients or orders. This was to reduce the number of cases where employers decided to dismiss their employees. The aim of post-downtime subsidies was to help employers during the period of economic hardship after the spring lockdown (in case of a possible slowdown or only a partial recovery in demand) and contribute to the retention of employees.

Post-downtime subsidies were granted to companies in the following main cases¹⁴:

1. If they announced downtime during the lockdown. The subsidies were paid for employees who were on downtime;
2. If they were included in the State Tax Inspectorate list of companies affected by COVID-19. The subsidies were paid for 10 employees, if the company employed up to 20 staff members, and for 50% of employees, if the company employed 21 staff members or more;
3. If the company employed new supported unemployed persons, e.g. persons with disabilities, low-skilled workers and young employees.

It should be noted that in the second and third cases announcing downtime was not necessary. Post-downtime subsidies were paid during a period of 6 months: in general, during the first two months, the subsidy amounted to 100% of a certain employee's wage, in the third and fourth months – to 50%, while in the fifth and sixth months – to 30% (but the subsidy could not exceed the minimum monthly wage). Employers were obliged to retain at least 50% of the employees for whom this support was paid for at least 3 months after the end of the subsidy payment. If the obligation was not fulfilled, there was no liability to return the subsidy, yet the employer could not be eligible for supported employment, job creation, adaptation subsidy and local employment initiative projects for the next 12 months.¹⁵

Post-downtime subsidies were one of the main state support measures. In 2020, state support amounted to €611 million, comprising approximately 50% of the direct state support for businesses and around 5.7% of state budget revenue in 2020 (excluding EU support funds). The amount of subsidies paid during downtime was almost three times smaller – only €213 million. As there was a significant number of post-downtime subsidies paid, it would be useful to determine whether they were indeed paid out to the sectors that were most significantly affected by the pandemic.

The impact of the pandemic can be determined from the decline in sales revenue observed between March and December, as compared to the same period in 2019. According to this criterion, only three out of ten types of activities that received most of post-downtime subsidies (catering services, sales of motor vehicles and manufacture of wearing apparel) faced a dramatic decline in sales revenue (over 10%) and received €89 million in subsidies (see table below). Two types of activities (wholesale trade and healthcare services) experienced a significant increase in sales revenue (over 5%) (at a similar pace as in 2017–2019) but were also paid €89 million. Other five activities faced a relatively small decline or mild increase in sales revenue (up to 5%) and received €184 million in subsidies. As a matter of fact, a decline in income may have been influenced by factors other than the pandemic, e.g. global market trends and allocation of companies to other economic activities.

¹⁴ More information can be found [here](#) (available in the Lithuanian language).

¹⁵ More information can be found [here](#).

In general, only €120 million or 20% of the total amount of subsidies was paid to companies carrying out economic activities that experienced a decline in sales revenue reaching over 10%.

Almost half of subsidies were paid to companies engaged in activities where sales revenue did not significantly change (annual change of -5% to 5%). Enterprises engaged in activities where sales revenue substantially increased (over 5%) received €138 million. Ten activities which faced the highest revenue growth (in euro) received €173 million, while ten activities that encountered the steepest revenue decline received €156 million in subsidies. Therefore, such allocation of support funds means that both the severely-hit sectors and those that were not significantly impacted by the pandemic received rather similar amounts in post-downtime subsidies. If the same amount had been paid out only to those activities that experienced a decline in revenue, they would have received more than twice as much in subsidies.

Subsidies received and changes in sales revenue by economic activity

Economic activity	Post-downtime subsidies, EUR millions	Downtime subsidies, EUR millions	Ratio of downtime and post-downtime subsidies	Annual change in sales, %	Annual change in sales, EUR millions
G47. Retail trade	66.0	21.6	3.1	1.6	172.8
G46. Wholesale trade	57.4	14.4	4.0	5.5	1,112.6
H49. Land transport	46.3	11.0	4.2	-2.6	-168.0
C31. Manufacture of furniture	42.7	7.9	5.4	0.8	12.7
I56. Catering	41.0	30.9	1.3	-27.3	-210.4
G45. Sale of motor vehicles	34.2	9.7	3.5	-12.0	-431.5
Q86. Healthcare	31.5	10.3	3.1	7.5	70.1
F43. Specialised construction	14.9	4.7	3.2	-0.1	-1.3
C14. Manufacture of wearing apparel	13.8	4.1	3.3	-13.4	-46.2
C10. Food production	13.5	3.1	4.3	1.3	45.9
F41. Construction of buildings	11.9	4.1	2.9	1.2	32.1
P85. Education	11.7	4.8	2.4	-8.6	-17.3
C25. Metal products	11.7	2.7	4.3	-2.5	-25.8
C16. Wood	11.3	2.2	5.2	0.7	7.5
C13. Manufacture of textiles	10.1	3.9	2.6	-3.0	-11.8
H52. Warehousing	9.9	3.3	3.0	-3.5	-152.7
I55. Accommodation	9.6	8.9	1.1	-56.7	-146.8
C29. Manufacture of vehicles	8.0	1.7	4.8	7.9	27.8
N78. Employment activities	6.7	1.3	5.2	-7.3	-24.7
M69. Legal and accounting activities	6.2	1.1	5.6	11.2	33.6
C22. Rubber and plastic products	6.1	1.1	5.7	-1.3	-13.5
R93. Sports activities and recreation activities	6.1	4.9	1.2	-38.4	-51.0
L68. Real estate transactions	6.0	2.8	2.2	-0.2	-3.0
C33. Repair and installation of machinery and equipment	5.9	1.1	5.5	-10.1	-60.8
M70. Activities of head offices and management consultancy activities	5.7	1.5	3.7	-7.0	-55.3
C27. Electrical equipment	5.7	1.1	5.4	-7.3	-25.4
C32. Other manufacturing activities	5.7	2.6	2.2	28.6	70.4
S96. Other personal service activities	5.3	2.8	1.9	-1.4	-1.1

Sources: Employment Service, Interdepartmental Tax Data Warehouse and Bank of Lithuania calculations.