

# Social Policy Institute

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Ministry of Labour, Social Affairs and Family of the Slovak Republic

## "First Aid" for Slovakia:

### Updated report on the economic policy response to the COVID-19 pandemic

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## Summary

Following the outbreak of COVID-19 pandemic, the Government of the Slovak Republic introduced several measures to mitigate negative social and economic impacts of Covid-19. On March 25, 2020, the government introduced "pandemic nursing benefits", a special allowance to care for a family member in an extraordinary situation. The measure aims to help especially working parents of children up to 11 years of age during the nationwide lockdown of schools. On March, 31, 2020, the government approved the "First-Aid" package of economic measures to help employees, businesses and the self-employed, which was co-financed by the European Social Fund. Parallel to these measures, new legislation was introduced to enable the deferral or remission of social contributions of affected employers. The "First Aid" program was extended until the end of September 2020. This report focuses on the above-discussed measures in the portfolio of the Ministry of Labour, Social Affairs and Family of the Slovak Republic.

As of July 31, 2020, offices of labour, social affairs and family concluded approximately 117 thousand contracts with employers or self-employed persons affected by the emergency situation declared on March 12, 2020. Overall, the financial aid of almost 460 million euro was used to support approximately quarter of all jobs in Slovakia. To be more specific, the financial aid equalled to 82.8 million euro in March, 176.3 million euro in April, 142.1 million euro in May 2020 and 58.3 million euro in June (so far). The number of supported jobs equalled to 371 thousand in March, 465 thousand in April, 495 thousand in May and 192 thousand in June (so far).

"First Aid" was paid mostly to large and micro enterprises and self-employed persons. From the sectoral point of view, the aid was directed particularly to manufacturing, wholesale and retail trade, and construction. Over time, the share of the manufacturing on the total aid paid has grown. As of July 31, 2020, almost half of the total financial contribution for June was paid to beneficiaries in the sector of manufacturing.

Most of the funds (47.5 % of the total financial contribution) were distributed under the Scheme 3B, i.e. flat contribution for the part of each employee's wage cost depending on the decrease of revenues. Compared to previous months, Scheme 1 for employers who were forced to shut down their operations based on the measures of the Slovak Public Health Authority was used less often on average. However, it reached 15 % of the total financial contribution in the sector of public administration, defence and compulsory social security and 13 % in education. The average contribution per worker decreased from 379 euro in April to 286.7 euro in May and subsequently increased to 303.4 euro in June 2020.

In addition to the financial aid distributed through "First Aid" schemes, changes were made to the social insurance system. New allowances (so-called pandemic nursing and sickness benefits) were created for employees affected by the school lockdown or by mandatory quarantine. As a result, there was a notable increase in the number of allowances to care for a family member. From March to July 2020, Social Insurance Agency paid 361 834 more nursing allowances compared to the same period of last year. The year-on-year increase in expenditures reached almost 120 million euro.

## “First Aid“ for employees, entrepreneurs, and self-employed

On March 31, 2020, the Government of the Slovak Republic passed the necessary legislative act regarding the “First Aid“, a set of economic measures designed with a goal of managing and dampening the impact of the coronavirus-related measures on the economy. Direct support and aid for employers and self-employed is managed through six measures (see Table 1) and co-financed by European Social Fund. Since then, the period for which the measures have been in force has been repeatedly extended in order to support the segments of the economy that continue being exposed to the decline in economic activity related to the COVID-19 pandemic. As of July 15, 2020, the Government of the Slovak Republic has decreed that the measures will remain in force until September 30, 2020.<sup>1</sup>

Table 1 “First Aid” Schemes

Scheme	Date of Introduction	Eligible Claimant	Target Group	Conditions <sup>a, b</sup>	Contribution <sup>b</sup>
1	6 April 2020	Employer or self-employed (as employer)	Employee	Employers who were forced to shut down their operations based on the measures of the Slovak Public Health Authority; employers with furloughed workers.	80% of the employee's average salary (max. 1 100 €)
2	9 April 2020	Self-employed person	Self-employed person	Drop in revenues of at least 20% [10%]	180 € [90 €] to 540 € [270 €], depending on the extent of revenue drop
3A	17 April 2020	Employer or self-employed (as employer)	Employee	Activity affected by economic slowdown; employers with furloughed workers	Up to 80% of the employee's average salary (max. 880 €)
3B	21 April 2020	Employer or self-employed (as employer)	Employee	Employers that recorded a drop in revenues of at least 20% [10%]	180 € [90 €] to 540 € [270 €] per worker, depending on the extent of revenue drop, up to 80% of the average employee's wage
4A	23 April 2020	Self-employed person	Self-employed person		Flat contribution of 210 € [105 €]
4B	23 April 2020	Single-member private limited liability company	Single-member private limited liability company		Flat contribution of 210 € [105 €]

Note: Eligibility period: from March 12, 2020 on. <sup>a</sup> Conditions do not apply to the public sector <sup>b</sup> Eligibility requirements valid in March 2020 funding round in [] parentheses.

Table 2 documents the drawing of financial support. Whereas only 82.8 million euro was distributed to affected companies and self-employed in the March funding round, more than double (176.3 million euro) was distributed in the April round. Preliminary data indicate the steady, if slightly decreased drawing of funds in May. As of July 31, 142.1 million euro was drawn. However, the total sum is expected to increase because eligible companies may apply for the May funding round up to July 31, 2020. The sum drawn for the June funding round, 58,3 million euro, is only preliminary and expected to increase substantially because eligible companies may apply for the June funding round up to August 31, 2020.

<sup>1</sup> See the decision UV-14341/2020 by the Government of the Slovak Republic from July 15, 2020.

Scheme 3B represents 46 % of the total sum paid and is by far the most used scheme of the “First Aid” program. However, in a few particular sectors, it was the Scheme 1 for which the government has received the most claims (see Tables 2a-2d in the Appendix). In March 2020, claims within the Scheme 1 category were largely applied for by wholesale and retail businesses<sup>2</sup> but the proportion of contributions to this sector paid for by claims within Measure 1 category has decreased in April and May 2020. Based on the preliminary data for June 2020, this trend seems to continue, with Scheme 1 representing only about 1% of the total sum paid to wholesale and retail businesses.

**Table 2 Financial contributions for March, April, May and June 2020 within the “First Aid” program, as of July 31, 2020<sup>a</sup>**

Measure	Number of supported entities	Number of supported workers	Financial contribution	Average contribution per worker	Requested amount
<b>March 2020</b>					
1	13 681	65 469	18 669 990.00 €	285.17 €	18 750 900.10 €
2	39 536 <sup>b</sup>	39 536	9 909 406.10 €	250.64 €	9 935 873.00 €
3A	2 638	68 166	18 288 790.00 €	268.30 €	18 296 905.40 €
3B	12 566	186 089	34 755 970.50 €	186.77 €	34 808 983.40 €
4A	10 565 <sup>b</sup>	10 565	1 110 930.00 €	105.15 €	1 119 690.00 €
4B	966 <sup>b</sup>	966	101 535.00 €	105.11 €	105 000.00 €
<b>Total</b>	<b>79 952</b>	<b>370 791</b>	<b>82 836 621.60 €</b>	<b>223.41 €</b>	<b>83 017 351.90 €</b>
<b>April 2020</b>					
1	11 216	56 339	27 914 134.10 €	495.47 €	27 914 318.60 €
2	47 367 <sup>b</sup>	47 367	22 318 064.10 €	471.17 €	22 318 136.10 €
3A	4 516	103 023	43 940 988.80 €	426.52 €	44 003 846.70 €
3B	17 684	245 210	79 367 596.30 €	323.67 €	79 368 914.90 €
4A	12 231 <sup>b</sup>	12 231	2 572 005.00 €	210.29 €	2 572 005.00 €
4B	1 118 <sup>b</sup>	1 118	235 095.00 €	210.28 €	235 095.00 €
<b>Total</b>	<b>94 132</b>	<b>465 288</b>	<b>176 347 883.30 €</b>	<b>379.01 €</b>	<b>176 412 316.30 €</b>
<b>May 2020</b>					
1	3 930	23 822	10 015 815.10 €	420.44 €	10 015 868.40 €
2	41 073 <sup>b</sup>	41 073	18 395 537.90 €	447.87 €	18 395 547.90 €
3A	4 247	106 769	40 425 490.20 €	378.63 €	40 426 120.50 €
3B	16 419	314 297	71 228 383.30 €	226.63 €	71 304 920.40 €
4A	8 524 <sup>b</sup>	8 524	1 790 370.00 €	210.04 €	1 790 370.00 €
4B	943 <sup>b</sup>	943	197 985.00 €	209.95 €	197 985.00 €
<b>Total</b>	<b>75 136</b>	<b>495 428</b>	<b>142 053 581.50 €</b>	<b>286.73 €</b>	<b>142 130 812.20 €</b>
<b>June 2020</b>					
1	275	1 649	672 210.80 €	407.65 €	672 210.80 €
2	25 658 <sup>b</sup>	25 658	11 274 524.50 €	439.42 €	11 274 524.50 €
3A	2 210	54 321	18 498 036.10 €	340.53 €	18 498 036.10 €
3B	7 381	104 676	26 620 299.50 €	254.31 €	26 629 890.50 €
4A	5 273 <sup>b</sup>	5 273	1 107 110.00 €	209.96 €	1 107 110.00 €
4B	581 <sup>b</sup>	581	122 010.00 €	210.00 €	122 010.00 €
<b>Total</b>	<b>41 378</b>	<b>192 158</b>	<b>58 294 190.90 €</b>	<b>303.37 €</b>	<b>58 303 781.90 €</b>

Source: Central Office of Labour, Social Affairs and Family (COLSAF) information system. Note: <sup>a</sup>The data in the information system are of preliminary character and are to be further adjusted e.g. by transferring entities between measures. <sup>b</sup>Figures represent the number of supported self-employed persons. Based on the character of measures 2 and 4 we presuppose the number of supported entities to be equal to the number of supported workers (column 3).

In comparison to April 2020, the total amount of aid claimed for May 2020 and June 2020 has decreased. As of July 31, 2020, the amount paid for May 2020 has thus far been 142 million euro, which is a decrease of almost 19% in comparison to April 2020. The majority of this decrease can be attributed to claims made within Scheme 1 category (a decrease of 18 million euro, or by about two thirds), and Scheme 3B category (a decrease about 8 million euro, i.e., 10.3%). The decrease in claims made within the Scheme 3A was

<sup>2</sup> See Domonkos, Fašungová, Hábel, Komadel, Veselková & Vojtechová, 2020

comparatively lower (a decrease by about 3.5 million euro, i.e., 8%). Consistently with this development, the share of contributions paid within Scheme 1 on the total amount paid for all “First Aid” measures has decreased from 22.3% for March 2020 to only 1.2% for June 2020. Conversely, the largest share of paid contributions is from the Scheme 3B, about a half of total sum paid in each month.

In spite of the decrease in the total amount paid by the state in contributions to employers and workers in economic distress, the amount of workers supported through the “First Aid” measures has increased by 30 thousand (6.5%) between April 2020 and May 2020. The largest increase in the number of supported employees was within the Scheme 3B (an increase of more than 69 thousand, i.e., 28%) and a modest increase within the Scheme 3A (about 3 thousand employees). In May 2020, the number of employees supported through Schemes 3A and 3B reached 421 thousand. In spite of the overall increase in the amount of supported employees, the amount of employees and self-employed supported by Scheme 1 has decreased by more than 32 thousand (57.7%) between April 2020 and May 2020. The highest increase in the number of supported employees between March 2020 and April 2020 was within Schemes 3A (47.9%) and 3B (30%). The average state financial contribution per worker has decreased by 25% from 379 euro in April 2020 to 287 euro in May 2020. By contrast, between May and June 2020, the average per-worker contribution grew moderately and reached about 303 euro.

Table 1 in the Appendix contains the data on the structure of “First Aid” recipients categorized by the number of employees from micro-enterprises (at most 9 employees) to large enterprises (at least 250 employees) valid as of July 31, 2020.<sup>3</sup> Similarly to previous months, approximately two thirds of June’s support was claimed by micro-enterprises (including those without any employees) and by large enterprises. The remaining third was claimed by small and medium-sized enterprises. Compared to May, the share of the total amount claimed by micro-enterprises rose (from 24% to 31%), while the share of large enterprises fell (from 41% to 33%). From the perspective of the number of supported employees, the share of large enterprises exceeds 38%, while the share of micro-enterprises is only slightly larger than one fourth.

#### Box 1 Cumulative figures for March – June 2020

As of 31 July 2020, the total of paid financial contributions sums up to 456 543 433.42 euro. The total contribution requested for the March – June 2020 period was estimated at 459 875 418.20 euro as of the same date and the number of applications for all measures was estimated at 121 301. However, we need to emphasize that the deadline for applications and statements regarding May’s aid was on 31 July 2020, and therefore the figures are not final as not all cases have been processed. More importantly, major adjustments are expected for May’s and June’s figures where applications are still open.

Data on the structure of “First Aid” recipients categorized by the type of economic activity (NACE), valid as of July 31, 2020, are available in Table 2 in the Appendix. The largest share of both the received aid and the number of supported employees was within the NACE category C – Manufacturing. The share of this sector on the total amount of received aid has increased by 35.8% in March 2020 to 48.7% in June 2020. Conversely, the share of the second most supported sector of the economy, wholesale and retail trade (NACE category G), has decreased from 20.7% to 10.7% during the same time period. More than 5% of the total amount of received aid was received by enterprises from sector of accommodation and food service activities (NACE category I), construction (NACE category F), and professional, scientific and technical activities (NACE category M).

<sup>3</sup> Data Appenix is available at the web page of the Social Policy Institute:

<https://www.employment.gov.sk/sk/ministerstvo/vyskum-oblasti-prace-socialnych-veci-institut-socialnej-politiky/analyticke-komentare/prva-pomoc-slovensku.html>

**Box 2 How long does it take to receive aid?**

The COVID-19 pandemic and the resulting state of emergency presented an unprecedented challenge for the Slovak public sector in general and especially for the network of the Offices of labour, social affairs and family (OLSAFs). On top of their standard agenda, the Offices needed to quickly carry out significant amounts of additional tasks closely connected to the state of emergency and the ever changing epidemic conditions. These tasks included provision of financial contributions within the "First Aid" program. As of 31 July 2020, the provision is paid within a little more than 6 working days from the moment of receiving the application or monthly statement.<sup>4</sup>

Entities that have applied for aid in one month and have a signed agreement are not required to sign new agreements for subsequent months. Instead they only need to present a monthly statement which makes the provision of aid for these entities administratively simpler and less time-consuming. The whole process is thus reduced to 2 - 5 working days.

Tables B1 and B2 show information about the duration of the processing for new applications and for monthly statements for April, May and June connected to existing agreements from previous months. A significant reduction in the duration can be observed from mid-May when, in addition to new applications, the OLSAFs began to accept monthly statements connected to existing applications.

**Table B1 Duration of the processing of aid provision (from receiving the application or statement to payment) <sup>a</sup>**

Measure	Average processing time	
	Calendar days	Working days
1	10.33	7.13
2	7.31	5.23
3A	8.61	6.25
3B	8.54	6.19
4A	17.18	11.85
4B	21.09	14.66
<b>Total</b>	<b>8.58</b>	<b>6.10</b>

Source: COLSAF. Note: <sup>a</sup> Average processing time for applications and statements received until 19 July 2020 and processed by 31 July 2020 at the latest. The moment of registration in the COLSAF information system is considered as the date of receipt.

**Table B2 The processing time is being reduced <sup>a</sup>**

Week of receiving the application / statement	Average processing time	
	Calendar days	Working days
06 April - 12 April	20.86	13.16
13 April - 19 April	17.02	12.15
20 April - 26 April	17.90	12.09
27 April - 03 May	17.93	11.75
04 May - 10 May	15.48	10.84
11 May - 17 May	12.11	9.00
18 May - 24 May	5.86	4.44
25 May - 31 May	7.23	5.38
01 June - 07 June	3.94	2.96
08 June - 14 June	3.67	2.83
15 June - 21 June	3.40	2.59
22 June - 28 June	3.76	2.82
29 June - 5 July	3.33	2.61
6 July - 12 July	2.23	1.74
13 July - 19 July	2.16	1.67
<b>6 April - 19 July</b>	<b>8.58</b>	<b>6.10</b>

Source: COLSAF. Note: <sup>a</sup> Average processing time for applications and statements received until 19 July 2020 and processed by 31 July 2020 at the latest. The moment of registration in the COLSAF information system is considered as the date of receipt.

<sup>4</sup> In an effort to eliminate the possible discrepancy between the date when the applicant sends the application and the date when it is registered in the information system, two days were added to the estimated duration of the process.

The average amount of received aid categorized by the size of the claimant and the sector of the economy has varied considerably. In June 2020, medium enterprises received the lowest average contribution per worker (262.4 euro), while micro-enterprises received the largest average contribution per worker (369.4 euro). Categorized by the type of activity, the lowest average aid per worker (232.8 euro) was received by enterprises active in the sector of water supply, sewerage, waste management and remediation (NACE category E), and the highest average amount of aid received per worker (377.9 euro) was received by enterprises active in the construction sector (NACE category F).<sup>5</sup>

## Pandemic nursing benefits

The nationwide lockdown of schools from 16 March 2020 until further notice created a need for alternative childcare options for workers. The Ministry of Labour, Social Affairs and Family reacted by establishing a new “pandemic nursing benefits” scheme, for which sickness-insured parents are eligible if they personally take care of a child up to 11 years of age, during the crisis situation (since 12 March 2020) related to the spread of COVID-19.<sup>6</sup>

The number of all nursing benefits paid in April 2020 rose by more than 400% compared to the same month of 2019. Because of the enormous increase in the number of applicants, some claims for March were not processed in April but were transferred to following months. This is illustrated by more than twice as large year-on-year increases in May and June (Table 3). The changes in expenditures for these nursing benefits are even more significant. In the light of gradual opening of kindergartens, primary and secondary schools throughout June 2020, the number of allowances paid in July fell compared to the previous month. However, the return to school was voluntary and based on parent choice. As a result, the number of allowances paid in July 2020 recorded a year-on-year increase of more than 330 percent and the expenditure still grew by almost 1 100 percent.

Table 3 Paid nursing benefits

Statistic	Month	2019	2020	Change
Number of allowances	March	25 297	24 854	-443 (-1.8 %)
	April	15 690	80 407	64 717 (412.5 %)
	May	13 918	149 855	135 937 (976.7 %)
	June	13 477	131 851	118 374 (878.3 %)
	July	13 015	56 264	43 249 (332,3 %)
Expenditure	March	2 725 362.70 €	3 003 815.50 €	278 452.80 € (10.2 %)
	April	1 704 749.80 €	15 462 513.04 €	13 757 763.24 € (807.0 %)
	May	1 554 373.60 €	46 755 878.17 €	45 201 504.57 € (2 908.0 %)
	June	1 475 014.00 €	45 373 924.08 €	43 898 910.08 € (2 976.2 %)
	July	1 480 207,10 €	17 747 667,64 €	16 267 460,54 € (1 099,0 %)

Source: Sirius information system (weekly data). Note: Paid allowances correspond to claims from preceding months.

## Pandemic sickness benefits

Anti-pandemic measures include compulsory isolation of persons who have confirmed or suspected cases of COVID-19. A “pandemic sickness benefit” was created for sickness-insured persons who are recognized by a physician as incapable for work due to quarantine measures or isolation.

<sup>5</sup> For the purposes of this comparison, we abstracted away from including claimants, for whom it was impossible to determine their sectoral classification based on NACE or the size of the organization based on the number of employees.

<sup>6</sup> In case of children with long-term illnesses the age limit is up to 16 years. See Amendment to Act no. 461/2003 Coll. on social insurance through Act No. 63/2020 Coll.

The year-on-year increase in the total number of sickness benefits is not as large as in the case of nursing benefits but significant changes can be observed nevertheless. This is due to the fact that the “pandemic benefits” form a much smaller fraction of sickness benefits compared to nursing benefits.<sup>7</sup> Again, not all claims for March have been processed in April so the increase in April 2020 is around one third of the value of April 2019. The year-on-year increase in the number of allowances reached the peak of 61.3 % in May 2020 and gradually fell to 9.4 % in July 2020.

Table 4 Paid sickness benefits

Statistic	Month	2019	2020	Change
Number of allowances	March	154 834	143 256	-11 578 (-7.5 %)
	April	143 625	193 587	49 962 (34.8 %)
	May	121 150	195 389	74 239 (61.3 %)
	June	115 231	146 826	31 595 (27.4 %)
	July	114 831	125 594	10 763 (9.4 %)
Expenditure	March	39 278 114.75 €	43 000 851.38 €	3 722 736.63 € (9.5 %)
	April	40 582 739.83 €	51 420 984.73 €	10 838 244.90 € (26.7 %)
	May	37 332 972.71 €	61 535 957.75 €	24 202 985.04 € (64.8 %)
	June	36 153 616.20 €	52 924 231.60 €	16 770 615.40 € (46.4 %)
	July	34 957 463.48 €	44 764 626.43 €	9 807 162.95 € (28.1 %)

Source: Sirius information system (weekly data). Note: Paid allowances correspond to claims from preceding months.

## Deferral or remission of social contributions of affected employers

Ministry of Labour successfully pushed for legislative changes, which enable an employer or a self-employed person with mandatory sickness and pension insurance to postpone the payment of mandatory social insurance contributions for March 2020 to December 31, 2020, if their revenues decreased by more than 40 percent. This option has been made available for firms experiencing a major decline in revenue also in May – July 2020.<sup>8</sup>

Furthermore, employers and self-employed persons are not required to pay social insurance contributions for April 2020 if their establishment was closed due to a decision of the competent authority (Public Health Office of the Slovak Republic) for at least 15 days. This form of support was available also to public sector subjects. Table 5 lists the most recent data on the demand for the scheme of support.

Table 5 Deferral or remission of social contributions of affected employers

Scheme		Claimant		Total
		Self-employed	Employer	
Deferral (March 2020)		5 785	6 827	12 612
Remission (April 2020)	Count	16 785	21 688	38 473
Deferral (May 2020)		2 507	3 433	5 940
Deferral (March 2020)		817 136.37 €	17 885 824.01 €	18 702 960.38 €
Remission (April 2020)	Sum	2 383 329.95 €	66 624 214.84 €	69 007 544.79 €
Deferral (May 2020)		2 409 458.64 €	75 364 374.90 €	77 773 833.54 €

Source: Social Insurance Agency. Note: Data as of July 3, 2020. The data includes the public sector subjects according to ESA2010.

<sup>7</sup> In April 2020 “pandemic nursing benefits” formed around 80 % of all nursing benefits while “pandemic sickness benefits” formed only 10 % of all sickness benefits. Source: information system of the Social Insurance Agency.

<sup>8</sup> For more detail, see Government Decree 131/2020 Coll.

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