



Boosting Lithuania's Productivity: Attract and Develop Highly Qualified Talent and Executives in Lithuania

Lithuania's long-term economic growth depends increasingly on its ability to attract, develop and retain highly qualified employees and executives. Productivity - defined as the value created per unit of labor input - is the key driver of competitiveness, income growth and national prosperity. While Lithuania has demonstrated economic resilience in recent years, the labor productivity growth has slowed and even declined as compared with the EU averages¹. At the same time, businesses consistently report shortages of skilled talent and strong managerial capabilities as major constraints to investment and innovation¹.

This whitepaper argues that Lithuania must adopt a long-term dual strategy: **(1) attract global high-skilled talent and executives and (2) systematically develop managerial capabilities domestically**. These goals are mutually reinforcing and require coordinated policy action across education, taxation, innovation and labor market systems.

The Productivity and Talent Challenge

Lithuania's economic challenge is no longer simply about creating more jobs, but about generating more value per worker and per hour worked². According to the 2025 European Commission Country Report - Lithuania³, productivity per hour worked decreased between 2022–2024, while rising unit labor costs risk eroding cost competitiveness unless productivity growth is strengthened⁴. Furthermore, “76% of firms identify access to skilled workers as a key barrier to long-term investment, compared to the EU average of 59%”¹.

An analysis published by Invest Lithuania in 2024 “The Acceleration of Lithuanian economy: strategic guidelines for rapid growth”⁵ stresses the need for significant productivity acceleration, noting that

¹ Commission staff working document 2025 Country Report - Lithuania accompanying the document recommendation for a Council recommendation on the economic, social, employment, structural and budgetary policies of Lithuania (2025): https://economy-finance.ec.europa.eu/document/download/6c6b5a51-d3d3-4843-8035-df042a92e031_en?filename=LT_CR_SWD_2025_215_1_EN_autre_document_travail_service_part1_v3.pdf

² OECD GDP per hour worked <https://www.oecd.org/en/data/indicators/gdp-per-hour-worked.html>

³ Commission staff working document 2025 Country Report - Lithuania accompanying the document recommendation for a Council recommendation on the economic, social, employment, structural and budgetary policies of Lithuania (2025): https://economy-finance.ec.europa.eu/document/download/6c6b5a51-d3d3-4843-8035-df042a92e031_en?filename=LT_CR_SWD_2025_215_1_EN_autre_document_travail_service_part1_v3.pdf

⁴ Analysis of the transformation of the Lithuanian economy, Innovation Agency Lithuania (2025) <https://inovacijagentura.lt/site/binaries/content/assets/analitika/inovacijos-new/lietuvos-ekonomikos-transformacijos-analize-2025.pdf>

⁵ The Acceleration of the Lithuanian economy: strategic guidelines for rapid growth, Invest Lithuania (2024) <https://investlithuania.com/wp-content/uploads/Lietuvos-ekonomikos-akceleracija-strategines-gaires-sparciam-augimui.pdf>



persistently low productivity reflects untapped growth potential and maintains the gap with more developed EU countries. The 2025 human capital analysis done by Work in Lithuania⁶, highlights that expanding high-skilled employment and attracting global talent are essential enablers of productivity and competitiveness growth.

Managerial capability is a critical constraint within this broader challenge. OECD Economic Surveys consistently show that Lithuanian managers underperform relative to OECD averages, particularly in strategic thinking, digital leadership and people management⁷. This results in weak technology adoption, low employee engagement and underutilized innovation potential. Without strong leadership, investments in digitalization and R&D fail to translate into productivity gains.

Demographic trends intensify this issue. A rapidly declining working-age population in Lithuania increases the urgency to attract foreign specialists while improving domestic talent development systems. Addressing this dual challenge is essential to sustain long-term economic growth.

Attracting Highly Qualified Talent and Executives

To increase company productivity, managers and other highly qualified employees are actively attracted in many countries through targeted economic policy measures. Over twenty OECD countries apply special tax regimes to attract highly skilled workers and executives. These measures are typically temporary, targeted and focused on high value-added roles with strategically important skills, ensuring that they function as economic competitiveness instruments rather than general migration policies⁸.

Denmark and the Netherlands demonstrate that carefully designed, temporary tax regimes can materially improve a country's ability to attract senior specialists, researchers and executives without undermining public finances. Denmark's researcher and highly paid employee scheme taxes qualifying income at a flat effective rate of 32.84% for up to seven years, compared with marginal rates exceeding 55% under the standard system, subject to a minimum monthly salary of DKK 65,400 (2026). Evaluations indicate that each participating expatriate generates an estimated net annual fiscal surplus of approximately EUR 20,000 through higher productivity, employment and consumption⁹.

⁶ Hiring international talent in Lithuania: from labor market trends to company readiness, Work in Lithuania (2025) https://workinlithuania.com/app/uploads/2025/12/WIL_Santrauka_Tarptautiniu_talentu_samda_Lietuvoje_2025.pdf

⁷ OECD Economic Surveys: Lithuania 2025 https://www.oecd.org/content/dam/oecd/en/publications/reports/2025/03/oecd-economic-surveys-lithuania-2025_b2939e8f/4abf1ea5-en.pdf

⁸ OECD (2024), *Tax incentives for attracting high-skilled migrants*, Migration Policy Debates No. 35. <https://www.oecd.org/migration>

⁹ Danish Tax Agency (Skattestyrelsen), Tax scheme for foreign researchers and highly paid employees; Confederation of Danish Industry (DI), Expat Study. <https://skat.dk>
<https://www.danskindustri.dk>



Similarly, the Netherlands' 30% ruling allows up to 30% of the foreign employees' gross salary to be paid tax-free for up to five years (2025–2026), subject to a minimum salary threshold of EUR 48,013. Despite the partial exemption, participants collectively contribute over EUR 128 million in personal income tax annually, indicating that increased talent inflows can compensate for lower effective tax rates per individual¹⁰.

Lithuania applies standard progressive taxation to highly qualified foreign and domestic professionals alike. There is no targeted tax instrument addressing relocation costs, international competition for executives or short-term knowledge inflows.

Country	Special regime	Effective treatment	Time-limited
Lithuania	No	Standard progressive PIT + SSC	No
Denmark	Yes	32.84% all-in flat tax	Yes (7 yrs)
Netherlands	Yes	30% salary tax-free	Yes (5 yrs)

Lithuanian government should consider introducing a limited-time tax arrangement for internationally recruited highly skilled specialists and executives, restricted to predefined high value-added roles and subject to minimum salary thresholds. Even a moderate reduction in effective tax burden during the initial years of relocation could materially improve Lithuania's competitiveness while preserving long-term tax revenues once participants transition to the standard regime.

For Lithuania, implementing a targeted, limited-time tax incentive scheme for highly qualified professionals and executives could:

- Increase inflows of global talent
- Strengthen and scale leadership capacity in key sectors
- Accelerate knowledge transfer and innovation
- Improve firm-level productivity and competitiveness

Develop Talent and Leadership Domestically

As highlighted before, Lithuanian managers underperform relative to the OECD average, particularly in strategic thinking, digital leadership and people management⁶. Many firms remain founder-led and centralized, creating bottlenecks in decision-making and scaling businesses. While firms increasingly invest in digital tools, automation and artificial intelligence, many managers lack the ability to make data-driven decisions, understand the value-creating potential of AI or integrate technologies into transformed

¹⁰ Government of the Netherlands, *30% ruling for incoming employees*; OECD policy review of migrant tax regimes.
<https://business.gov.nl>
<https://www.oecd.org>



business models and processes. As a result, public and private investments in digitalization often fail to generate productivity gains.

Several European countries have introduced state-supported programs to strengthen managerial quality, digital capabilities and productivity, particularly among SMEs. In Ireland, Skillnet Ireland provides government co-funded leadership and executive training through sector-based business networks, supporting innovation management, digital transformation and strategic leadership among more than 26,000 businesses annually.¹¹ Germany has built a broad Mittelstand support ecosystem combining management mentoring, innovation consulting and digitalisation grants, helping SMEs improve both technology adoption and the leadership capabilities needed to manage organisational change effectively.¹² Denmark focuses on continuous executive upskilling through cooperation between government, universities and employer organisations, with strong emphasis on innovation management, adaptability, cross-functional collaboration and practical use of digital technologies.¹³ The Netherlands promotes digital and strategic leadership through RijksAcademie voor Digitalisering en Informatisering Overheid (RADIO), which develops AI literacy, innovation management and data-driven decision-making skills, contributing to the country's broader digital leadership ecosystem.¹⁴

We therefore recommend that Lithuanian government leads the development of a unified, long-term national strategy for managerial and leadership development, explicitly linked to productivity growth, innovation and digital transformation objectives. Government leadership is critical to ensure coherence, scale and long-term impact of this initiative. While individual companies invest in their people, the scale of the skills gap requires a coordinated national response led by the Lithuanian government. Relying solely on the private sector to close a gap that is 7% wider than the OECD average is insufficient for rapid economic catch-up.

Key priorities should include:

- **Leadership Education and Training:** Expand continuous learning systems to address the lack of change management skills, poor people leadership and improve on digital leadership, cyber resilience;

¹¹ Skillnet Ireland (2025), Building Competitiveness Through Skills
<https://www.skillnetireland.ie/>

¹² Building expertise in the use of artificial intelligence in public administration
<https://www.bakoev.bund.de/>

¹³ Danish Agency for Higher Education & Science (2025) – Adult education and continuing training in Denmark
<https://ufsn.dk/english/education/the-danish-education-system/adult-education-and-continuing-training/>

¹⁴ RijksAcademie voor Digitalisering en Informatisering Overheid (RADIO) (2025) - Digital Skills, AI Literacy and Leadership Programmes
<https://www.it-academieoverheid.nl/>



- **International Exposure:** Subsidize advanced leadership programs at top global universities, promote exchange programs with EU and US partners to attract best practices to Lithuania;
- **Soft Skills Development:** Promote emotional intelligence, communication, leadership, conflict resolution and adaptability training¹⁵;
- **Digital and Strategic Capabilities:** Build competencies in AI, data-driven decision-making, and innovation management.

Particular focus must be placed on micro-enterprises (0-9 employees), which make up 95.2% of all Lithuanian businesses and SMEs (10 - 50 employees). They often lack resources for high-level training. Government support through grants, low-interest loans and structured mentorship programs can help close this gap and improve productivity across the broader economy.

To sustain long-term impact, Lithuania needs a high-performance ecosystem that supports productivity and strong management. Active collaboration between businesses and universities would help drive innovation and R&D. By expanding executive networking and mentorship programs, along with national awards for top-performing and innovative managers would strengthen the overall leadership culture. Managerial competence is a core pillar of economic policy - without strong leadership, other investments deliver limited results.

Conclusion

Lithuania's path to sustainable productivity growth depends on a dual approach: strengthening managerial capabilities and attracting highly qualified global talent.

Without targeted measures to bring in experienced professionals and executives, knowledge inflows will remain limited. At the same time, without stronger leadership capabilities, investments in digitalization and innovation will continue to underdeliver.

These priorities must be addressed together. By combining talent attraction with systematic leadership development, Lithuania can unlock higher productivity, stronger competitiveness and long-term economic resilience.

¹⁵ Harvard Business Review 2025, Soft Skills Matter Now More Than Ever <https://hbr.org/2025/08/soft-skills-matter-now-more-than-ever-according-to-new-research>