



Flexicurity pathways - building strategic approach of social partners organizations through mutual learning

Estonian country report

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1. Flexibility and security on the domestic labour market in the years 2000-2007

1.1. Assessment of the situation on the labour market and the differences in the participation of social-demographic groups

Socioeconomic background

In 1999 Estonian economy was hit by the so-called Russian crises, which led to the decreasing GDP and increase in unemployment in 1999. While the economic growth was restored already in 2000, unemployment continued to increase and reached its peak of around 14% in 2000. Since 2000 Estonia experienced rapid economic growth (on average 8.6% in 2000-2007) with strong employment growth and decline in unemployment from around 14% in 2000 to 4.8% in 2007. This was accompanied by the decreasing long-term unemployment (LTU) rate, which dropped from 5.9% in 2000 to 2.3% in 2007 and is below the respective indicator for EU (according to Eurostat the respective indicator in EU was 3.0%). Slowdown in growth rates emerged in 2007 and turned into fall in 2008, when GDP dropped by 3.6% (see also figure 1 and table 3 in annex 1) and unemployment increased to 5.6%, which is still below the EU15 average.

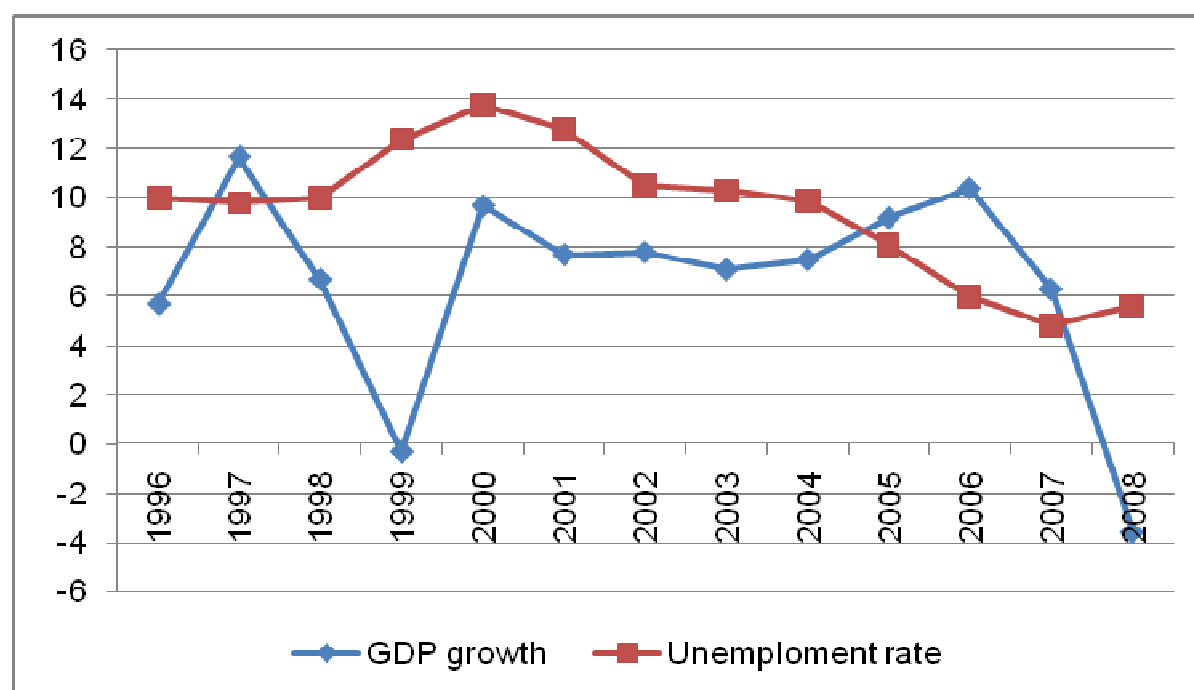


Figure 1. GDP growth and unemployment in Estonia, %

Source. Statistics Estonia

Total economic activity of the population aged 15-64 increased from 69.6% to 72.9%, which is slightly above the EU15 average of 72.1% in 2007. Activity rates increased for young and old age cohorts and for males and females (see also table 1 in annex 1). This was accompanied by the rapid increase in employment rates. The employment

rate for 15-64 years old increased from 60.4% to 69.4% in 2007, which exceeds the EU 15 average of 67%, but is slightly below the EU employment target for 2010 of 70% (see also figure 1 and table 1 in annex 1).

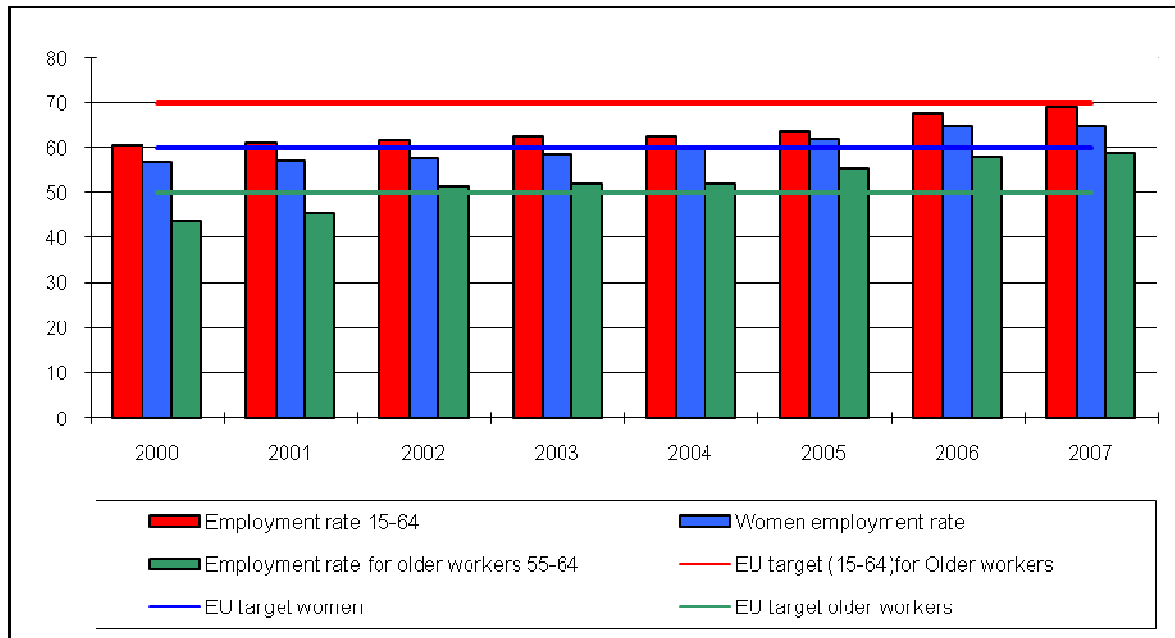


Figure 2. Progress towards EU employment targets in Estonia

Source: Eurostat

Older workers experienced strongest employment growth. Employment rate for 55-64 years old increased from 46.3% to 60% and was especially remarkable for women in that age group (by 21.1 percentage points to 60.5%). The main reasons behind the relatively high employment of older workers in Estonia include the increasing retirement age and incentives in pension system, which support working in retirement age. The retirement age has been raised for both men and women and since 1996¹ all working pensioners are entitled to receive a full pension while working. Thus, it means that the grant of pension and withdrawal from the labour force are not conditionally linked in Estonia. Moreover, if a person already receives an old-age pension and still pays social tax at the same time, then this will increase their insurance component, which in turn increases the amount of old-age pension to be received in the following years. Due to the rise in women retirement age, it is likely that the labour supply of women aged 55-64 will increase during the forthcoming years. Also, relatively low pensions compared to the EU 15 could work as additional incentive for working. Overall, Estonia is one of the best performing countries in EU regarding the employment rates of older workers. Compared to the EU averages the employment rates of older workers are much higher in Estonia (see also table 2 in annex 1) and exceed EU employment target for 55-64 already since 2002.

¹ The retirement age for men is 63 years and that of women will be gradually increased to 63 years by 2016.

Female employment rate has increased steadily since 2000 and reached the EU objective of 60% in 2005. However, compared to the best performing EU countries, where the female employment rates are above 70%, there is a good potential for increasing the female employment rate in Estonia. The potential source for that could be increasing part-time employment among females as in 2007 only 12.1% of females worked part-time in Estonia as compared to the 32.6% in EU25 and 36.7% in EU15. This might be the result of the low wage level, which makes it economically unprofitable to take up part-time employment. Gender wage gap in Estonia is one of the highest in EU (25% in 2005). Another reason could be high child care costs, which lead to the inactivity trap. The main reason why females work part-time in Estonia is the inability to find full-time job, in EU countries the reason is taking care for children and other dependants. Hence, development of childcare facilities and flexible work forms, which allow combining work and family obligations, could contribute to increasing female employment.

Demographic developments

Due to demographic developments Estonian population will be smaller and older in 2050. According to the population projections by Statistic Estonia² the population decreases from 1 340 935 in 2008 to 1.25 million by 2020, and further to 1.08 million by 2050 (see figure 2).

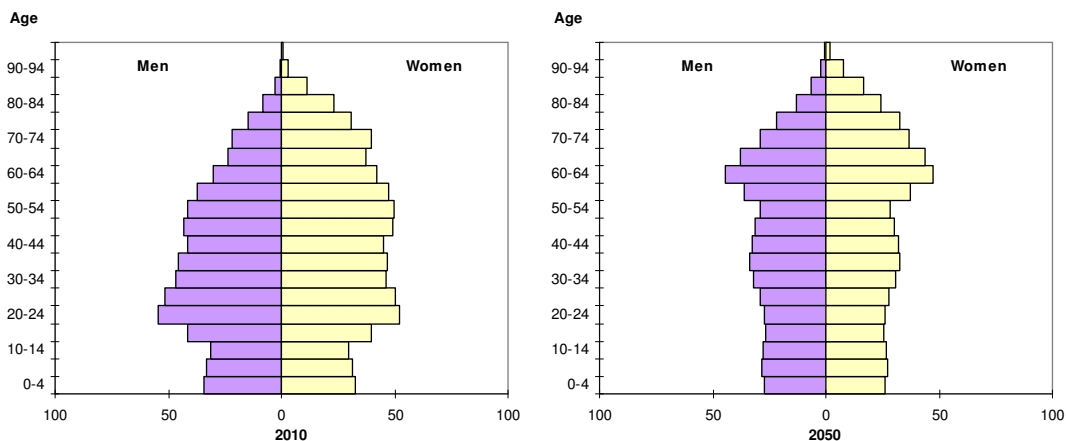


Figure 3. Age pyramid for Estonian population in 2010 and 2050 (thousands)

Source: Statistical Office of Estonia (2002), Leetmaa et al 2004

Dramatic changes will occur also at the age structure of the population. While in 2010, the majority of persons are in working age (15-64), by 2050 the largest age cohorts will

² The baseline population projection by Statistical Office of Estonia is used. It is based on the following assumptions (scenario II, see publication "Rahvastik. 2002. Population" for further details): the birth rate is assumed to increase to 1.77 by 2050; life expectancy is assumed to increase to 75.8 years for men (an increase of nearly 10 years) and to 81.3 years for women (an increase of nearly 5 years) by 2050 and net migration is zero.

be 55-59, 60-64 and 65-69. The share of people aged 65+ will increase from 17.3% in 2010 to 19.1% by 2020, and further to 26.4% by 2050. In the same time the share of working-age population (15-64) will decrease from 68.2% in 2010 to 65.2% by 2020, and to 58.9% by 2050. (Leetmaa et al 2004).

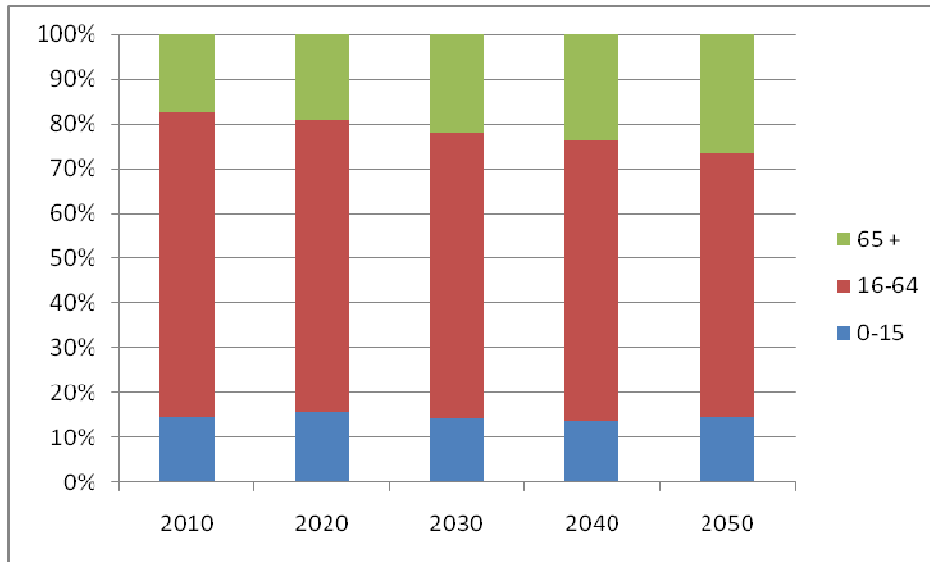


Figure 4. Projected changes in the age structure of the Estonian population

Source: Statistics Estonia, Leetmaa et al 2004

To discuss the possible impact of population developments on labour market, assumptions on participation and employment rates should be made. According to the labour supply projections by DGEFIN, the working age population in Estonia will be at its peak in 2006 and will start to decline thereafter. However, due to the expected increase in participation and employment rates, the number of employed will increase until 2011, thereafter the ageing effect will start to dominate and the number of employed will decrease. Compared to the average of EU15 developments the ageing effect starts to dominate earlier in Estonia. In EU 15 rising employment rates offset the decline in the working-age population until 2017 and the ageing effect dominates from 2018. (European Commission, 2006).

Undeclared work

Broadly, two complementary approaches are used to estimate the size of undeclared work. Indirect methods are mainly aimed at measuring or estimating the size of undeclared work based on data comparisons, e.g. between labour force surveys and business statistics and direct methods, which rely on population surveys. However, it is difficult to make cross-country comparisons on the extent of undeclared work since the definitions and methods applied vary largely between countries and make it hardly possible to compare the results across countries.

There are two studies using indirect approach to assess the size of undeclared work available in Estonia. The estimates provided by the report by Renoy et al (2004) rely on

the calculations of the Statistical Office of Estonia (ESA) and are based on the Commission Decision on Exhaustiveness of 22 February 1994. The report includes also the comparison between EU countries. According to the report in Estonia the share of the informal economy in GDP during 1997-2001 has decreased to around 7-8%. This is slightly higher compared to the EU where the respective share was around or below 5% of GDP with the exception of Italy and Greece. In comparison with the new EU members, Estonia (together with the Czech Republic and Slovakia) belong to the group of countries where the share of undeclared economy is lowest (around 8-13% of GDP) (Renoy *et al* 2004; Leetmaa *et al* 2007). The other study, which uses the indirect approach (discrepancy method) is available by Statistics Estonia (2007). The results indicate that the size of informal economy in GDP in Estonia has decreased from 9.5% in 2000 to 4.6% in 2006 (Kuhi, 2007).

An example of the direct method is the annual survey by the Estonian Institute of Economic Research (EKI), which estimates the size of the phenomenon of “envelope wages” in Estonia since 1999. The results of these surveys indicate that the share of expenditures on goods and services that potentially embodied undeclared work has decreased from 13% in 2000 to 7% in 2007. In the same time the share of persons receiving envelope wages regularly or sometimes has declined from 15% in 2002 to 11% in 2006 and increased again to 14% in 2007. According to the Eurobarometer Survey in 2007, the share of persons who had acquired goods and services that potentially embodied undeclared work was 14% in Estonia compared to the average of 11% in EU27 and the share of persons having received envelope wages was 8%, which also exceeds the EU27 average of 5% (European Commission, 2007).

Labour productivity and sectoral structure of employment

Labour productivity (measured by GPD per worker) has grown during the period 2000-2007 about 51%. Until 2005 the real labour cost and real wage followed the productivity, but in 2006 and 2007 the growth rate of real wage surpassed productivity. By 2007 the real wage has grown 74% since 2000 and labour cost 62%. The overheating of the Estonian economy was mainly caused by rapid inflow of foreign capital by Scandinavian banks and EU funds (see figure 4).

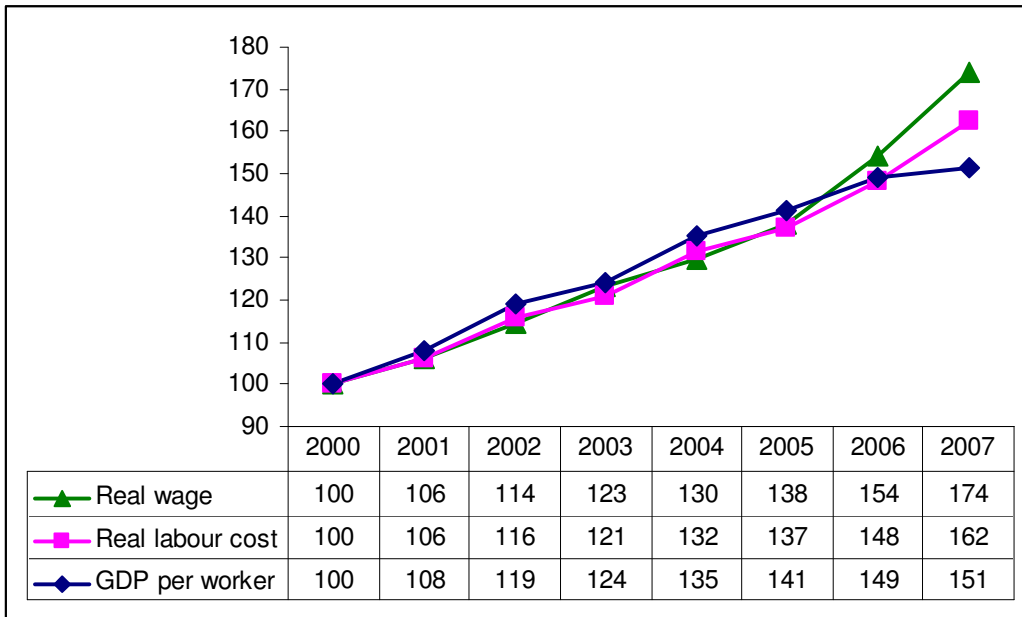


Figure 5. Changes in labour productivity, real labour cost and real wage growth 2000-2007

Note: Real wage - average gross wage deflated by consumer price index

Real labour cost – total labour cost in national accounts per full time equivalent worker deflated by GDP deflator

GDP per worker – GDP per full time equivalent worker

Source: Statistics Estonia (on-line database), calculations by authors

The share of employed in agriculture, forestry and fishing has declined from 7% in 2000 to 4% in 2008. The share of industry (manufacturing, mining, and supply of electricity, gas and water) has increased from 33% to 35%. The share of services has been stable around 60%. Hence, compared to the EU-27 the share of employed in agriculture and services is lower and the share of employed in industry is higher.

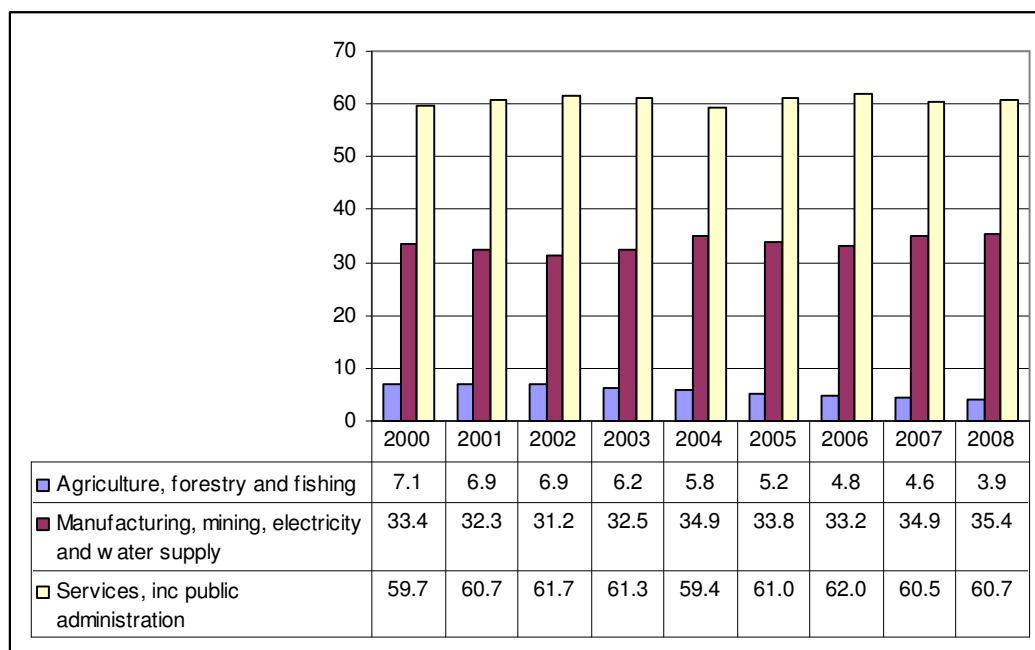


Figure 6. Employed persons by economic activity 2000-2007, %

Source: Statistics Estonia (on-line database), calculations by authors

1.2. General assessment of flexibility and security in the labour market

Intensity of flows in the labour market

Research by International Monetary Fund (2007) and Masso et al (2005) showed that the mobility of labour across jobs is one of the highest in Estonia compared to the other European countries. Eamets (2008) has also pointed out rather intensive movement between labour market positions. The most active period of labour market movement was mostly at the beginning of the nineties when the situation of the labour market was unsteady, the economy was in crisis and rapid changes took place. Nearly one fourth of people changed a job during a year. By now, the number of people who change a job within a year is only approximately 10% of all the employed. Based on this pattern of change in the intensity of flows, increasing mobility between positions in the labour market could also be expected in the near future as a result of the effects of the current economic recession.

During the period from January 2006 to January 2007, the flow into employment was bigger than the flow out of employment. Due to the favourable labour market situation in 2006 employment grew nearly by 11,000 people. The number of people who change jobs, i.e. move inside employment is the largest (56,600 persons in 2006).

The share of flows from unemployment into employment is also big —15,100 in 2006 (86% compared to the total number of the unemployed). At the same time, 9,100 persons moved from employment into unemployment. The flows between unemployment and inactivity were not numerous in 2006, for example, only 2,400 gave

up search for work and became inactive. The indicator has also decreased over time - in 2001 they comprised one third, but in 2006 approximately 10%.

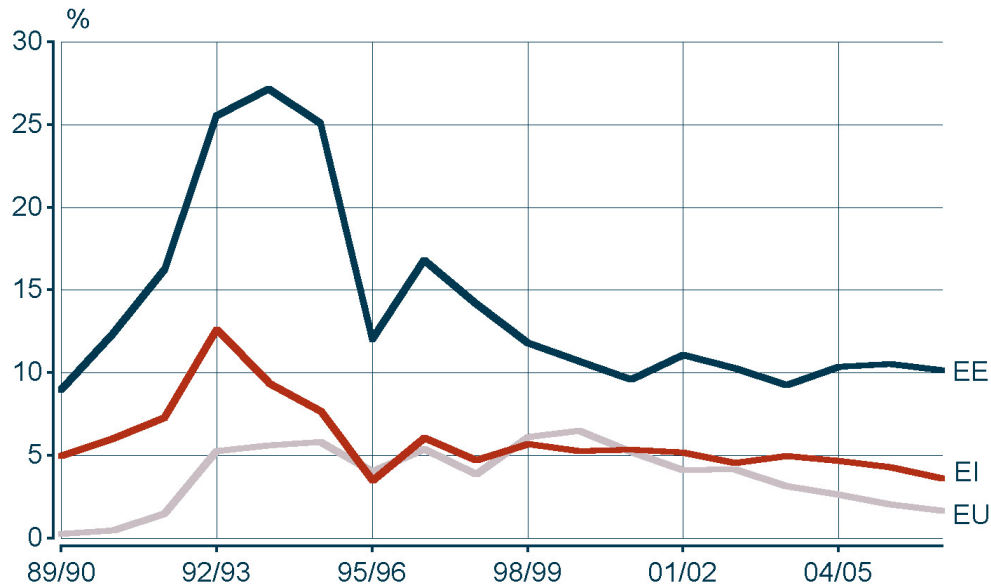


Figure 7: Labour market flows of employed persons, 1989/1990- 2006/2007, % of all employed persons

Note: EE- job-to-job flow, EU- flow from employment into unemployment, EI- flow from employment into inactivity.

Source: Eamets (2008)

These results are in contradiction with several indicators ([OECD](#) employment protection index, [World Bank's Doing Business](#) index, index of economic freedom by [Heritage Foundation](#)) which show that the current Employment Contracts Act is relatively rigid in Estonia. According to Eamets, Masso (2004) employment protection index calculated using OECD methodology suggests that the overall strictness of employment protection legislation is slightly above the EU average level. Hence, it has been concluded that in reality the labour market is much more flexible than the regulations indicate. One reason behind that could be that legal regulations of the labour market are not always followed in the private sector, i.e. relatively strict employment protection legislation is counterbalanced by the poor enforcement of legislation (Eamets, Masso 2004).

Risks of exclusion

About half of the unemployed are long-term unemployed, who have been unemployed for a year or longer. The share has varied around 46-53% during 2000-2007. In absolute figures the high-point of long-term unemployment in Estonia was in 2000 as a result of the Russian economic crisis. Rapid decline took place over 2005-2008 when many new jobs were created with the rapid economic growth and the number of long-term unemployed has fallen to the lowest level since the beginning of 1990s to 11,800. During the period labour shortage was problematic to employers (see also Nurmela and Karu, 2007) and as a result long-term unemployed as well found it easier to enter the labour market.

The share of persons living in households at the risk of poverty rate has remained stable around 18-19% (18.3% in 2000, 19.4% in 2006). The indicator is very high among 65 years and older persons (33% compared to 16% among working-age population in 2007).

The share of persons in age group 18-59 who are in non-working households declined steadily during 2000-2007 from 11.6% to 6.1% as a result of declining unemployment and increasing employment. Also, the share of children (aged 0-18) in non-working households declined from 11.3 to 7.2%.

1.3. The state intervention in economy and labour market

Competitiveness of the domestic market

According to the Doing Business 2009 report, Estonia has ranked well in trading across borders (5th out of 181 economies), but also in dealing with construction permits (19), ease of doing business (22) and starting a business (23). Estonia ranked worst in employing workers (163). The latter is both due to the high rigidity of employment index and the difficulty of firing index (see also World Bank, 2008).

Role of the government in the economy

The share of public sector, measured as expenditures in GDP, has been around 34-36% of GDP. During the period 2002-2007 the revenues exceeded expenditures, resulting total government surplus each year and resulting accumulation of reserves. The government consolidated debt was 3.5% of GDP in 2007, one of the lowest in EU. Government total expenditures on social protection and health are around 14% of GDP; according to ESSPROS methodology social expenditures are slightly less, about 12-13%.

Table 1. Government revenues and expenditures, % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007
Total general government expenditure	36.5	35.1	35.9	34.9	34.1	34.0	34.2	35.5
Total general government revenue	36.2	35	36.1	36.6	35.7	35.5	37.1	38.2
Surplus / Deficit*	-0.2	-0.1	0.3	1.7	1.7	1.5	2.9	2.7
Government consolidated gross debt	5.2	4.8	5.7	5.6	5.0	4.5	4.3	3.5
Government total expenditure on social protection and health*	15.1	14.3	14.2	14.0	14.4	14.0	13.9	14.3
Social protection expenditure (ESSPROSS)	14.0	13.1	12.7	12.6	13.0	12.7	12.4	

Source: Eurostat (on-line database), accessed 15.02.2009

Note: structural deficit adjusted cyclically not available; * Surplus is not exactly the difference between revenues and expenditures due to roundings; ** according to COFOG classification categories 07 and 10.

2. Flexibility of contracting and work organization (flexible and secure contractual arrangements)

2.1. Scope of utilization and implications of non-standard forms contracting and work organization for the employees

In Estonia the use of non-standard forms of employment is relatively uncommon. As recorded in Labour Force Survey (LFS), in 2007 97% of those salaried workers working under employment contracts had open-ended contracts and only 3% **fixed-term contracts**. When taking into account other forms of contracts with temporary nature (i.e. contract for services, authorisation agreements, temporary agency work, oral contracts and agreements) the general picture does not change much- just 5% of salaried workers are employed under contracts with temporary nature. This is slightly higher among the 15-24 year olds (11%).

Despite of the form of contract, 98% of salaried workers say that their job is permanent and just 2% that the job is of temporary nature (i.e. vocational placement, job with probationary period, seasonal work, occasional work or other temporary job). As a comparison, the indicators are 93% and 7% respectively among the 15-24 year olds. A third of those who have a temporary position are not satisfied with it (they wanted a permanent job but could not find one). 17% did not want a permanent job and 54% would be satisfied with both options. The younger age group is slightly more satisfied with a permanent job, i.e. 32% did not want a permanent job and 45% would be satisfied with both options.

Temporary agency work is fairly new in the Estonian labour market and thus only limited information is available. A study by research centre Klaster and University of Tartu (2007) aimed at conducting an in-depth analysis on the use of these types of contracts in the Estonian labour market³. According to their estimations, there are about 2,400 active temporary agency workers who have a contract and who are currently employed and another 480 temporary agency workers who are temporarily not employed but who have a contract with the temporary work agency. According to 2007 data from Statistics Estonia, this makes up about 0.4% of total employment.

Research indicated that the length of appointment of employees is relatively short-term⁴. In about half of the cases (55%), the duration of TAW placement is between two and six months, 18% from two weeks to two months and other 18% from six months up to a year. Only 9% of the contracts are concluded for longer than a year. The main

³ The research was conducted in two parts: quantitative web-based questionnaire and qualitative interviews, which includes 20 interviews with temporary work agencies and 20 interviews with the user companies. However, the results of the qualitative part of the survey should be regarded with some caution as the Ministry of Social Affairs as the financier of the research has referred that not all the interviews were conducted properly and examples were often derived from selected interviews. Moreover the opinions of the researcher and the results of the study are not always clearly distinguished.

⁴ 31 companies responded to the questionnaire from all of the 51 temporary work agencies active in Estonia

group of rental workers are skilled workers (81% of the rental agencies provide skilled workers), followed by office workers (63%) and plant and machine operators and drivers (59%). The main activities of the user-companies (clients of the temporary employment agencies) are production (77% of the agencies have rented workers to this domain), construction (47%) and transportation, storage and communication (41%).

Unlike in many other European countries, **part-time employment** is also rather rarely used. According to Eurostat data in 2007 just 8.2% in total employment were working part-time as compared to the EU-27 average of 18.2%. This has increased slightly from 6.8% in 2000. Part-time is more common among women- 12.1% compared to 4.3% of men work part-time. Also there are some differences according to age -13.8% of employees aged 15-24 work part-time while part-time employment in the older age group (50-64) is comparable to the general indicator at 8.2%.

According to LFS 2007 data work during **asocial hours** seems to be more common in Estonia with 11% working night-shifts, 38% on Saturdays and 24% on Sundays either often or sometimes over the four weeks prior to the survey. Reasons for working in asocial hours were recorded by Statistics Estonia in 2004 which indicated that 48% of persons working evenings, nights or weekends say that this is convenient for them due to personal reasons. There are no gender differences in this respect.

As recorded by Statistics Estonia in 2004, **flexible working hours** are relatively uncommon as well. Most (83%) of employees have a fixed time of starting and ending their working day while the gap between male and female employees is relatively large (8.8 percentage points). About 4% of employees are able to use working time banking solutions (see also Table 2 below).

Table 2. Proportion of different working time arrangements by gender, 2004

	Total	Males	Females
Total	100	100	100
Fixed start and end of a working day	83.4	78.8	87.6
Staggered working hours, banded start/end	5.9	7	5
Working time banking	4.2	5.3	3.1
..working time banking with possibility only to take hours off	1.6	1.7	1.5
..working time banking with possibility to take hours and days off	2.6	3.6	1.6
Working time by mutual agreement	3.3	5.2	1.6
Determines own work schedule, no formal boundaries	3.2	3.7	2.7

Note: annual average

Source: Statistics Estonia (on-line database)

According to LFS 2007, 5% of employees have used the possibility for **telecommuting**⁵ over the four weeks prior to the survey. 49% of telecommuters worked outside the

⁵ Working (partly) outside the employer's premises and being in contact with the employer using measures of information technology and telecommunication

employer's premises for less than quarter of their working time and just 6% for all of their working time. There is no distinction between telecommuters working from home and nomad workers.

The use of **civil law contracts** has been decreasing among salaried workers from 1.1% in 2000 to 0.5% in 2007 (Statistics Estonia, on-line database). Still, the abuse of civil law contracts is mostly discussed in relation to self-employed persons, i.e. the issue of economically dependent workers – workers who are formally self-employed but depend on a single employer for their income. In October 2006, some 1,700 self-employed persons could be classified as economically dependent workers, according to the Tax and Customs Board. To date, no detailed data are available on this type of worker. (Kallaste, 2007)

It is not possible to carry out reliable analysis of the flows of the employees working in non-standard forms and the flows of the unemployed to traditional and non-standard employment on the labour market as the sample size is too small in the Estonian LFS.

2.2. The use of non-standard forms of contracting and work organization by the companies

Companies have not been widely researched in Estonia in terms of the use of non-standard forms of contracting. Only some individual surveys have been conducted on different angles of non-standard forms of work. For example, flexibility in place of work was researched in a survey by Ariko Marketing (2002) which indicated that 21% of firms in the sample (which consisted of 300 enterprises) were using telework arrangements during the time of the survey. Telework was more frequently used by small firms (with less than 20 employees) and in sales (49%), customer services (35%) and accounting (29%).

In 2006 a research on flexible forms of work was conducted among 377 company executives and personnel specialists from companies affiliated to the Estonian Employers' Confederation. Thus the research is not representative to all of the companies in the economy. Interviews with personnel specialists pointed out that flexible forms of work are often used to make the company more attractive for potential employees and as a motivator for current workers (Naelapea, 2007). The interviews were conducted during the situation of acute labour shortage when this argument was probably more important for employers than during periods of economic downfall.

The factors influencing the implementation of flexible forms of work were also researched. These include specifics of the profession as the most important factor, followed by attitudes of both the company managers and workers towards flexibility, replaceability of the employee, seasonal characteristics of work, use of IT solutions and legislation. Some problems were pointed out resulting from the implementation of flexible forms of work: justice (equal treatment), problems with exchange of information, workers' identity, motivation, overtime work and abuse of the flexibility. In general the attitudes of the company executives and personnel specialist were positive towards

implementation of flexible forms of work as this primarily comes with improvement in the work results. (Naelapea, 2007)

Based on the LFS data it is possible to give some information on the type of companies where flexible forms of contracts are concluded. The largest share of workers with non-standard contracts are employed in the construction sector (24%), followed by education (14%) and manufacturing (13%). 43.5% of persons working on non-standard contracts is employed in small firms with less than 20 employees. There is no regular data collected on the reasons for their use.

2.3. To what extent does Labour Code and other regulations favour flexibility of contracting and work organization and employee security?

According to Eamets, Masso (2004) the overall EPL strictness in Estonia is close to the EU-15 average- the value of OECD index for EU is 2.5 compared to 2.6 in Estonia. While the regulation of regular contracts is much more restrictive in Estonia than in the EU average (3.1 compared to 2.6), temporary contracts are less restrictive (1.4 in Estonia compared to 2.3 in EU average). The low value of the index is mostly due to the lack of regulations on the use of temporary work agencies. Collective dismissals are also regarded as more restrictive (4.5 in Estonia compared to 3.2). At the same time, research also suggests that even though the workers seems to be even better protected in Estonia than the EU, in practice it appears that state regulations are not always followed in the private sector. There is a lot evidence of violations of these regulations in the private sector. The strictness/flexibility of the labour law is described in more detail below.

Availability of non-standard forms of employment

Most forms of non-standard employment are legally permitted in Estonia even though in some cases there are no precise regulations on their use (these include for example telework arrangements, temporary agency work). Thus the implementation of these forms of employment largely depends on the agreement between the employer and employee. An exception here is the use of civil law contracts which are often abused in the labour market, especially in relation to self-employed persons. The use of self-employed persons on civil law contracts is prohibited in case the relationship between contracting parties can be interpreted as employment relationship. This means that the self-employed person is depended on a single employer for their income, i.e. economically dependent worker. Still, a court ruling from 2008 decided to abolish the claim of unpaid taxes from the Estonian Tax and Customs Board against an Estonian postal company which had used civil law contracts with their self-employed post carriers. In this case self-employed persons had paid their taxes for themselves while it is the obligation of the employer in a regular employment relationship. Thus, it seems that currently there is no legal ground to prohibit the use of economically dependent workers. Similar use of economically dependent workers is seen for example in taxi companies.

The use of fixed-term employment contracts is limited to a maximum duration of five years and two consecutive contracts for the same work. The following fixed-term contracts concluded for the same work will be treated as open-ended contracts. Also, fixed-term contracts may be concluded only in certain cases defined by law. There is no maximum length defined for civil law contracts as these are concluded to perform a certain task.

Restrictions of the employment protection and the costs incurred by the employers when laying off “traditional” employees

According to the EPL index, regular contracts seem to be more restrictive in Estonia than temporary contracts (Eamets, Masso, 2004) (see also above). When laying off “traditional” employees, the costs for employers depend on the job tenure of the employee. Employers are required to pay compensation to employees upon termination of their employment contracts in the extent of two months’ average wages in case of job tenure of up to five years; three months’ average wages for five to ten years and four months’ average wages for more than ten years. In this respect the employment legislation is made more flexible with the new Employment Contracts Act taking effect from 1 July 2009- costs bore by employers will be reduced as the compensation upon termination of employment contracts is reduced and the employer will only have to cover the compensation in the extent of one months’ average wage while rest of the costs are covered from the Unemployment Insurance Fund.

The balance of the entitlements of the “traditional” and “non-standard” employees and the obligations of the employer towards both groups

All employees are entitled to some fundamental labour rights (e.g. right to equal treatment), despite their position as traditional or non-standard employee. In addition, all employees are entitled to a minimum wage level. Also, there are no significant differences in the basic obligations of the employer towards both groups. Still, as some forms of flexible employment are not regulated in law (e.g. telework or temporary agency work), the implementation depends on the agreements between employer and employees. This is also why in most part flexible employment relationship is regarded less restrictive in the EPL index (see also above).

Still economically dependent workers are not covered by any of the core labour rights. Also, there are no obligations for the employer towards economically dependent workers other than to pay for the job agreed in the contract. This situation might be improving with the introduction of the new Employment Contracts Act in July 2009 as the contact points between the labour law and Law of Obligations Act is regarded while modernising the current Employment Contracts Act.

The possibilities of flexible forming of working time, in accordance with law and employing employees at non-standard hours and days

Mostly the possibilities of flexible forming of working time are dependant on the agreement between employer and employee and are not regulated in detail. Some minimum requirements related to categories of workers allowed to be employed at non-standard hours are described in legislation (including employment of children, pregnant

women, those for whom it is prohibited with a doctor's decision). Persons who are raising children under 12 years of age, disabled children or taking care of persons fully incapacitated to work can only be employed at non-standard hours upon their consent. The requirement to have employee consent is valid for all employees in case of working on rest days/holidays, with the exception of temporary cases of urgency. Also remuneration for working at non-standard hours and days is higher than the general average wage of the employee. It should be noted that from 1 July 2009 working at evenings is not regarded as non-standard working time anymore.

The possibilities of modification of the full time or part time employment due to family reasons (in particular parenthood)

There are a few points in the labour law which give the right to modify working time due to family reasons which mostly relate to mothers. These include for example free time for ante-natal examination for pregnant women on a time indicated in a decision of a doctor which will be included in working time. Also additional breaks are provided for mothers raising a child under one and half years of age for feeding at least every three hours with a duration of not less than thirty minutes every time. However, as parents are entitled to parental benefit until the child is one and half years, it is expected that such additional brakes are rarely used. No more detailed measures are provided in the law to accommodate working time to combine work and family life.

Mostly the possibility to modify working time is based on the individual agreement between employer and employee. For example, according to LFS 2005 ad-hoc module on combining work and family life, 38 % of workers said that generally they are able to vary their start/end of working day or take days off due to family reasons. About the same proportion of workers said that this is possible sometimes and less than quarter of employees said that this is not possible at all. (Anspal, Karu, 2007)

Availability and legal status of telecommuting

There are no restrictions for telecommuting prescribed by law, however due to the lack of regulations on this specific form of work, some difficulties in the implementation of telecommuting have emerged. For example Plaks et al (2007) have pointed out that it would be important for the national legislation to provide equal rights to teleworkers compared to other employees and not to exempt employers from their obligations towards all their workers. Also it was declared that the legislative change should be towards enabling the division of responsibilities between employers and teleworkers. At present the responsibilities regarding the working environment and working equipment is entirely on the employer. However in case the teleworker is working at home, it is difficult for the employer to have control over these aspects without contravening the privacy of the teleworker.

Providing the employees of particular non-standard forms of employment, with social security system

All non-standard forms of employment contracts include the social security system (i.e. unemployment benefit and health insurance). Entitlement to unemployment benefit depends on the job tenure of the person, but not on the form of employment. Also,

unemployment benefit is not paid to persons who left their previous job position voluntarily. A natural person working on a civil law contract is also eligible for unemployment benefit while self-employed persons (including economically dependent workers) are not entitled to the benefit.

Eligibility for health insurance is restricted to some groups of “non-traditional” workers, i.e. workers on fixed-term contracts with duration less than one month or persons working on civil law contracts with a term of less than three months are not eligible for the health insurance. All self-employed persons (including economically dependent workers) are eligible as they pay social tax for themselves.

There is no statutory requirement to set up a training fund for employees thus its' presence and eligibility for workers on non-standard contracts depends on the policy of the specific company or individual agreement between employers and employees.

Indication of other factors impeding the use of non-standard forms

No other significant factors could be pointed out impeding the use of non-standard forms of work. For issues pointed out by employers, see also point 2, research question 2.

3. Active labour market policies (Active labour market policies (ALMPs) to strengthen transition security)

3.1. Organisation of ALMP-s in Estonia

In Estonia the network of public employment offices tasked with providing labour market services (active labour market policies) and payment of unemployment benefits was built up from the scratch in 1990 as a response to the emerging unemployment. Initially the provision of active labour market policies and payment of unemployment benefits was regulated by various Government decrees. The first legislative act labelled as *Social Protection of the Unemployed Act*, which regulated the payment of unemployment benefits and provision of ALMP-s came into force in 1995. This was followed by the *Labour Market Services Act* in 2000 and *Labour Market Services and Benefits Act*, which entered into force in 2006 and forms the bases for provision of active labour market policies today⁶. Active labour market policies are also offered based on the ESF-financed programme “Increasing the qualified labour supply for 2007-2013”.

In order to participate in active labour market policies, one must register in public employment offices as unemployed or job-seeker. According to the legislation

- unemployed person is a person who is not employed, has been registered as a job-seeker and is seeking employment. An unemployed person is deemed to seek employment if he or she complies with the Individual Action Plan, and is ready to accept a suitable work and to promptly commence work. Also, in order to register, the person must be between sixteen years of age and pensionable age and should not be enrolled in daytime study or full-time study. There are some other specific cases provided by the law when the person is not registered as unemployed.
- job-seeker is a person who is thirteen years of age or older, searching a job and is registered as a job-seeker. A job-seeker is deemed to be seeking employment if he or she visits public employment office at least on one occasion within every thirty days in order to receive job mediation services.

Since January 2006, labour market services are provided based on the individual job search plan. During the first contact with the job seekers, the case workers assess the skills and competences of the unemployed and his/her ability to find a job and draw up an individual job search plan. The plan specifies the steps necessary for job search including the participation in active labour market policies and reporting activities the unemployed should undertake in order to prove the active job search. If the unemployed will not find a job during the first 18 weeks of unemployment or belong to the disadvantaged group in the beginning of their unemployment spell, more integrated approach and in-depth job search plan focusing on requirements necessary to overcome the hindrances resulting from the disadvantage will be set up. (Leetmaa, 2005)

⁶ For more detailed discussion on legislative framework see for example Leetmaa, R (2008).

According to the legislation disadvantaged groups in Estonia include disabled unemployed; young unemployed (between 16-24 years of age); persons released from prison within the twelve months preceding registration as unemployed; older persons (between 55-pensionable age); persons who, prior to registration as unemployed, have received a caregiver's allowance and who have not been employed or engaged in an activity equal to work during the twelve months prior to registration as unemployed; the long-term unemployed with unemployment spell at least 12 months and unemployed persons who are not proficient in Estonian and whose employment is difficult for such reason.

For the disadvantaged groups, the second part of the Individual Action Plan is prepared promptly but not later than after five weeks of registration of the person as unemployed. The more advanced plan includes also

- the analysis of the professional and working skills of the unemployed person, and of his or her other skills which facilitate employment;
- a description of the circumstances which hinder the employment of the unemployed person;
- the labour market services, which are needed for elimination or mitigation of the circumstances hindering employment, and other measures, the persons required to take such measures and the schedule for taking the measures.

Hence, there is no special time requirement for participation in active labour market policies. Profiling of unemployed is mainly done by the individual job search plans, which are rather new policy instruments in Estonia. In its recent report, National Audit Office of Estonia found, that in several cases individual job search plans were incomplete or drawn up too late by the public employment offices. (National Audit Office of Estonia, 2008).

Registered unemployed and job-seekers are entitled to labour market services. In total there are 13 services provided, which include (see also Annex 2): provision of information on the situation on the labour market, and of the labour market services and benefits; job mediation; labour market training; career counselling; work practice; public work; coaching for working life; wage subsidy; business start up subsidy; adaptation of premises and equipments; special aids and equipment; communication support at interviews and working with support person. Job-seekers can only receive information on labour market situation and services, job mediation and career counselling. This means that participation in ALMP-s is rather restricted in Estonia. For example, persons who are employed but at risk of involuntary job loss and persons in retirement age cannot participate in most of the ALMP-s in Estonia with the exemption of some ESF-financed projects.

Regarding the monitoring and sanctions, registration as unemployed can be terminated if the unemployed person fails to visit public employment office at least once during thirty days without justifiable reason; if the unemployed person fails to visit the employment office at the prescribed time for the third time; if the unemployed person

refuses to approve the Individual Action Plan or to comply with the plan without a good reason for the third time and if the unemployed person refuses to accept suitable job offer for the third time without a good reason. However, there are no studies available analysing the execution of these provisions and their effectiveness in Estonia.

3.2. Scope, structure and expenditures

The current section is mainly based on Eamets, Leetmaa (2009). Compared to the total number of registered unemployed, the number of participants in active labour market policies is still relatively small⁷. From the table, we can see that the greatest number of job seekers participated in career counselling (almost half the participants) and employment training (almost a third of the participants), and the least participated in measures targeted to disabled people (see Table 3).

Table 3. Participants in Active Labour Market Policies in Estonia

	2000	2002	2004	2005	2006	2007
Labour market training	8,156	10,021	6,968	9,852	7,073	5,503
Community placement	3,954	453	353	188	-	-
Business start up subsidy	441	375	296	320	289	141
Wage subsidy	189	230	441	727	238	127
Career counselling	2,055	8,130	7,877	9,494	8356	8272
Public work	-	-	-	-	170	231
Coaching for working life	-	-	-	-	446	1,208
Work practice					676	792
Measures for disabled people, incl.	-	-	-	-	109	60
adaptation of premises and equipments	-	-	-	-	1	2
special aids and equipment					5	3
working with support person	-	-	-	-	60	30
communication support at interviews	-	-	-	-	43	25
Inflow of new unemployed during the year	81,482	64,537	51,361	42,618	26,329	28,312

Source: Ministry of Social Affairs, 2008

Lille & Palmet (2008) argue that the reasons behind the small number of participants in measures targeted to disabled unemployed include excessive bureaucracy, difficulties in the finding suitable support persons, too short counselling period, and a shortage of service providers.

Empirical evidence from many countries suggests that with the exception of certain disadvantaged groups active labour market policies should not be offered in the very beginning of the unemployment spell to encourage personal initiative of the job seekers.

⁷ The figures in Table 1 do not reflect the total number of those who participated in the services since one person may have participated in several services. Unfortunately, the data on total number of persons is not available.

This would help to exclude the most competitive unemployed who are able to find jobs by themselves from the pool of unemployed and target active labour market policies for most disadvantaged groups. Also, the deadweight and substitution effects will be reduced thereby. For instance, according to the EU Employment Guidelines “every unemployed person should be offered a new start before reaching 6 months of unemployment in the case of young people and 12 months in the case of adults in the form of training, retraining, work practice, a job or other employability measure, combined where appropriate with on-going job search assistance,” (Council of the European Union, 2007). However, the practices of different countries vary to a great degree.

Examining the expenditures on active labour market policies, it becomes clear that in comparison to the other European Union member countries, the expenditures are one of the lowest in Estonia, even if we compare only the countries with similar unemployment rates (see Figure 8). In 2006 the unemployment rate was lower than in Estonia (5.9%), in Denmark (3.9%), the Netherlands (3.9%), Austria (4.8%), Ireland (4.5%), United Kingdom (5.4%), Lithuania (4.6%) and Cyprus (4.6%), although all these countries spend considerably more on active labour market policies. Compared to the average level of the 27 EU countries, Estonia spends less than one tenth on active labour market policies. Furthermore, Estonia remains in its position also if we compare the expenditures on active labour market policies per person wanting to work in Purchasing Power Parities (Eurostat, 2008). If we also consider the projects financed by the European Social Fund, Estonia’s expenditures are somewhat higher – 0.11% in 2005 and 0.09% in 2007 (Ministry of Social Affairs, 2008). Nevertheless, even based on these numbers, Estonia would be one of the European Union countries with the lowest expenditures.

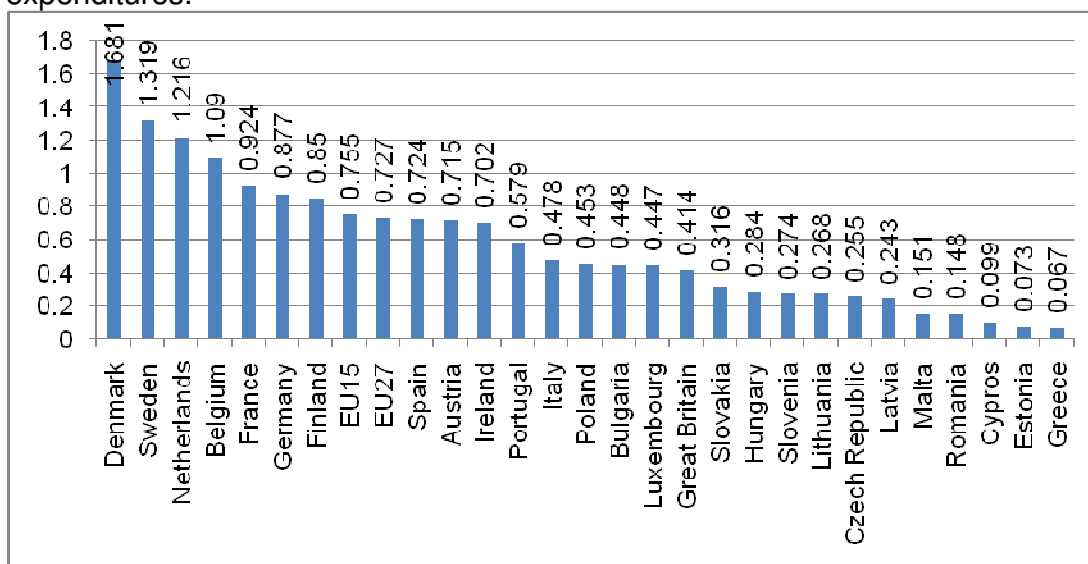


Figure 8. Expenditures on active labour market policies (services and measures) in EU countries in 2006, % of GDP

Source: Eurostat

The reasons behind the low expenditures on active labour market policies could include the different composition of the services offered to unemployed, differences in target groups entitled to services (in Estonia only registered unemployed, while elsewhere also the employed at risk of involuntary job loss and inactive persons who would like to enter the labour market) as well as short duration of the programs in Estonia compared to the other countries. For instance, in Ireland the maximum duration of the training programs is three years (Irish National Training & Employment Authority, 2008), in Estonia it is one year; in Norway, the maximum duration of work practice for disabled people is three years (Ministry of Labour and Social Inclusion, 2008) while in Estonia it is three months.

The role of public employment offices

Labour market services in Estonia are provided by the National Labour Market Board, which has a network of public employment offices in all the counties and Tallinn, as well as branch offices in smaller regions, when needed. The Estonian Labour Force Survey data shows that the percentage of unemployed people who turn to the Labour Market Board for help in finding jobs has noticeably decreased. While 63% of unemployed people turned to the Labour Market Board in 1999, only 28% did so in 2007. The surveys conducted by the Ministry of Social Affairs in 2002 and 2008 regarding the image of the Labour Market Board indicate that barely a fifth of job seekers and 41% of employers contacted the Labour Market Board for help. The wish of employers to turn to the Labour Market Board has declined in comparison to 2003 (Faktum Research Centre, 2003; Turu-uuringute AS, 2008). One of the reasons for this may be the improved situation on the labour market in the given period, whereby people prefer to look for work on their own. While 14% of unemployed people stated that it is not necessary to turn to the Labour Market Board in 2000, the corresponding percentage had increased to 32% by 2007. This is due to the fact that people are able to manage on their own, according to the data from the Labour Force Survey. A second reason is apparently the poor reputation of the Labour Market Board and the insufficient information provided about the available services. The surveys have also pointed to the fact that the poor image of the Labour Market Board is related to the shortage of consultants and low salary levels (see Leetmaa et al 2003), which may become an important obstacles in expanding the services during the current economic recession.

Evaluation of ALMP-s in Estonia

Unlike many European countries and the United States, the evaluation of active labour market policies in Estonia has been irregular and only a few studies have been conducted. Since the expenditures and the number of participants involved in active labour market policies have been small, these employment policies have not exerted any significant impact on the general rate of unemployment. All the more, during the period of economic growth the rapid reduction of the unemployment rate was affected primarily by the increased need for labour. However, the available studies indicate that participation in active labour market policy measures has helped the unemployed people who have participated to return to work faster. Thus, for instance, in 2000–2002, those who participated in labour market training were 7–15% more likely to get jobs compared to those who had not received any training (Leetmaa et al 2003). The participants in the service provided by the Estonian Unemployment Insurance Fund in

reaction to collective layoffs in 2005–2007 were also later more likely to find jobs than those who did not participate (Võrk, Leetmaa 2007). At the same time, the National Audit Office has identified many shortcomings in the provision of employment services to risk groups and they have also emphasized the need for regular impact evaluations of active labour market policies (National Audit Office, 2008).

In sum, the existing studies and statistics tend to point to the fact that the role of active labour market policies in supporting the flexicurity approach in Estonia has been modest and the given field of activity needs greater attention. This applies especially in the current situation where the workers' skills must adapt to the changing needs of the labour market.

4. Systematic lifelong learning and investments in human resources

4.1. Quality of human resources in labour market

Estonia is characterised with relatively high educational attainment. While the youngest age group is still mostly acquiring education and thus 52.7% have attained below upper secondary education, the indicator remains 10% or less for 25-44 and 45-54 age groups. The share of persons with the lowest education is slightly higher in the older age group (17.6%) but still remains under fifth of the total age group (see Figure 9).

The share of early school-leavers⁸ is at 14.3% in Estonia which is somewhat lower from the 15.2% in EU-27 (Eurostat). However, it is notable that while the EU indicator has declined 2.4 percentage points compared to 2000, the indicator has remained relatively stable for Estonia (increase of 0.1 percentage points compared to 2000).

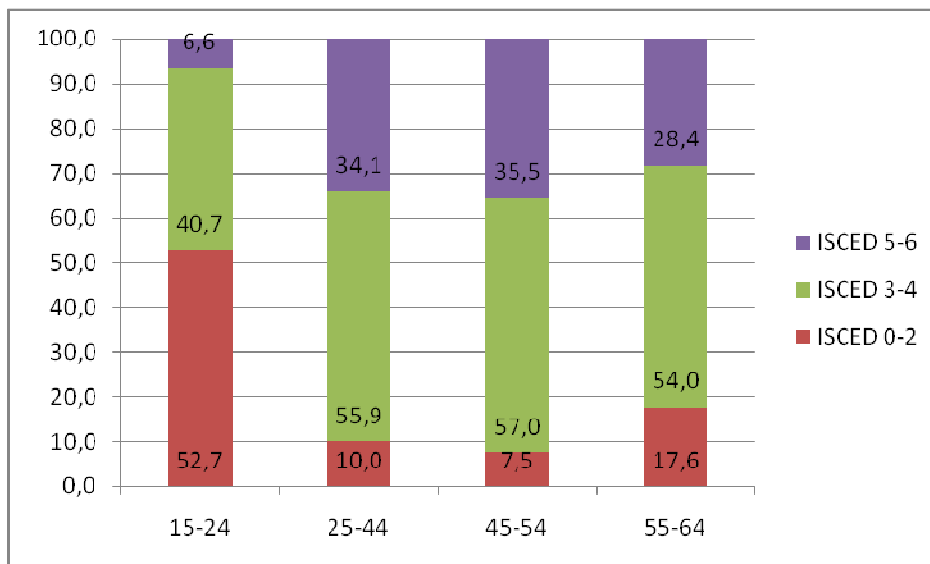


Figure 9. Level of education by various age groups, 2007, %.

Source: Eurostat (on-line database), authors' calculations

It is shown in table 4 below that the impact of having higher education is the largest in the oldest age group where 76.1% of highly educated are active in the labour market as compared to the 61.7% in the age group in average. Thus it seems that highly educated people participate in the working life longer than those with lower education. The difference in labour market participation is considerably higher in the youngest age group but this is due to the large share of youngsters still obtaining education during that period.

⁸ Early school-leavers - Percentage of the population aged 18-24 with at most lower secondary education and not in further education or training

The impact of the educational level is similar on employment rate, i.e. 74.2% of the highly educated 55-64 year olds are employed which is 14.7 percentage points higher than the average employment rate in the age group. Lowest employment rate is in the youngest age group due to the high share of those still out of the labour market. It is difficult to assess the impact of education on unemployment as the small sample size does not give reliable result.

Table 4. Labour status by age group and educational level, 2007, %

		15-24	25-44	45-54	55-64
Labour force participation rate	Total	38.0	87.8	89.3	61.7
	ISCED 0-2	20.1	73.5	69	37.7
	ISCED 3-4	54.1	88.0	89.2	62.1
	ISCED 5-6	80.6	91.4	94	76.1
Employment rate	Total	34.2	83.8	86	59.5
	ISCED 0-2	16.4	65.8	64	36.2
	ISCED 3-4	50.2	83.8	85.1	59.6
	ISCED 5-6	76.9	89.2	92.1	74.2
Unemployment rate	Total	10.0	4.5	3.7	3.5
	ISCED 0-2	18.5	10.9
	ISCED 3-4	7.3	4.8	4.5	4.0
	ISCED 5-6

Source: Statistics Estonia (on-line database), authors' calculations

While the large proportion of highly educated population is also shown in table 4 above, the low participation in lifelong learning and the rapidly changing economy has created a situation where human capital outdates rather quickly. Thus the relative initial advantage could begin to hamper economic development (Eamets, 2008). To arrive at a crude estimate of the extent nominal education provided by the education system is transferrable to professional skills required in the labour market, Eamets (2008) has proposed some indicators.

For example, when we analyse the situation of school graduates on the labour market, one informative coping indicator is the number of people who have registered themselves with the Labour Market Board for the first time and its distribution by education level. In 1996, graduates who registered themselves with the Labour Market Board mostly came from secondary schools (53%), while only 31% of unemployed came from the vocational schools. By now however, the proportion has unfortunately reversed. In 2006, 51% of first-time unemployed had vocational school background and 23% had secondary education. At the same time it should be noted that in absolute figures the number of unemployed has decreased among all levels of education in recent years. Several reforms have been implemented in the vocational education system to make their operation more efficient and end the overlapping professions etc.

The transferability of higher education to skills required in the labour market also seems problematic. There has been a rapid growth in the number of young people obtaining

higher education and the excessively high number of higher education institutions, which makes it difficult to ensure the quality of the obtained education. As a result, the share of young people with higher education diplomas has increased among the unemployed, in recent years. While not facing unemployment, young university graduates cannot find jobs that correspond to their level of education, and work in jobs that demand lower qualification. Eamets (2008)

The problem of transferring skills into the labour market in Estonia is also pointed out in the Global Competitiveness Report 2007–2008 of the World Economic Forum. The report points out that company executives had assessed inadequately educated workforce as one of the main factors hindering doing business in Estonia (World Economic Forum, 2008).

4.2. Participation in lifelong learning and professional mobility

In general, participation in lifelong-learning is quite low for Estonia. In 2007 only 7% of the 25-64 year old population participated in any lifelong learning activity which is well below the EU target of 12.5% set for 2010.

To analyse participation in training and courses, information is given based on 2003 LFS ad-hoc module on lifelong learning from Eurostat. This indicates that participation in non formal education and training is on the level of 14.8% in Estonia which is somewhat lower than the 16.4% in EU-25. Similarly to the EU average, participation rates are declining in older age (see figure 10 below).

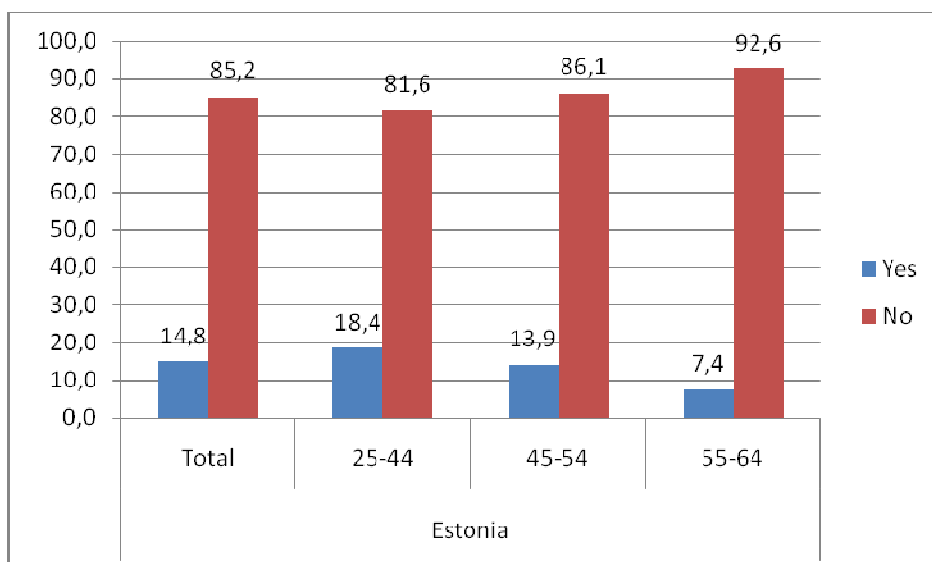


Figure 10. Participation in non formal education and training, 2003, %

Source: Eurostat (on-line database), authors' calculations

Participation is higher among employed persons and lowest among those out of the labour market (see table 5 below). Thus specific attention should be turned to the needs of these groups of workers as well to increase participation rates. Also, a significant

factor in increasing participation is the level of education, i.e. participation in non formal education and training reaches almost a third of those with higher education while remaining at 11% for those with upper secondary or post-secondary non-tertiary education and remains below 5% for those with lowest education (see table 6 below).

Table 5. Participation in non formal education and training by working status, 2003, %

	Total	Employed	Unemployed	Inactive
Yes	14.8	18.5	12.9	2.5*
No	85.2	81.5	87.1	97.5
Total	100	100	100	100

* Unreliable or uncertain data

Source: Eurostat (on-line database)

Table 6. Participation in non formal education and training by educational attainment, 2003, %

	Total	ISCED 0-2	ISCED 3-4	ISCED 5-6
Yes	14.8	3.9*	10.8	26.8
No	85.2	96.1	89.2	73.2
Total	100	100	100	100

* Unreliable or uncertain data

Source: Eurostat (on-line database)

To assess the commonness of employee participation in the place of work, participation in continuous vocational training (CVT) in enterprises is analysed based on Eurostat data. This indicates that in 2005 24% of all employees in enterprises are participating in CVT courses compared to 33% in EU-27. The highest percentage of employees participating in trainings is financial intermediation (68%), followed by post and telecommunications (57%) and electricity, gas and water supply (43%), i.e. areas where qualified experts are needed. The lowest participation rates are found in manufacturing (16%) and construction (20%) where the share of workers with low education is the highest.

It is shown from the Eurobarometer survey on geographical and labour market mobility that the Baltic countries (Estonia, Latvia, Lithuania) belong to the “mobile” group of countries. For example, Estonia (together with Latvia and Lithuania) belongs to the group of countries with lowest proportion of respondents who have never changed employer. This is also reflected in the average job duration (around 7 years for Estonia), recent job mobility and expected future job mobility. Also, it is indicated that expected job mobility in the Baltic states is voluntary instead of a forced move. (Vandenbrande, 2006). Similar results are reflected in the Special Eurobarometer no. 261 “European Employment and Social Policy”. 43% of Estonian respondents have been working for the same employer for up to 5 years (34% in EU-25). The share of respondents who

had never changed employer in their working life was 12% compared to 18% in EU-25 (European Commission, 2006).

4.3. Scale of public and private expenses on lifelong learning and adult training

There is no data collected in Estonia on the total national expenses on lifelong learning as % of GDP. An agreement signed in January 2008 between the Ministry of Education and Research, the Ministry of Social Affairs and the Ministry of Economic Affairs and Communications (MKM) sets out the principles of financing continuous vocational training for the period 2007–2013. According to the agreement, the various ministries each have their own responsibilities as follows:

- I pillar: MKM is responsible for financing the employer-provided training;
- II pillar: the Ministry of Social Affairs has responsibility for the training of unemployed and disadvantaged groups in the labour market, which is provided by the Estonian Labour Market Board;
- III pillar: the Ministry of Education and Research is accountable for adult training provided by educational institutions.

The agreement indicates that subsidies for adult training will be increased during the period and in large part ESF funds are used. During 2007-2013 a total of 1.3 million EEK is allocated to the financing of continuous vocational training of which 71% is provided from the ESF (see also table xx below).

Table 7. Financing of continuous vocational training 2007-2013, EEK

	I pillar		II pillar		III pillar		Total
	ESF	SB	ESF	SB	ESF	SB	
2007	3000	2000	0	40000	25000		70000
2008	25000	7250	29750	36639	72900		171539
2009	50000	21375	36125	32000	67278		206778
2010	55000	24375	36125	30000	76000		221500
2011	55000	27000	34000	28000	80000		224000
2012	55000	30000	0	30000	82000		197000
2013	55000	30000	0	32000	84000		201000
Total	298000	142000	136000	228639	487178		1291817

*Note: ESF- European Social Fund; SB- state budget
Source: Ministry of Education and Research, 2008*

According to data from Statistics Estonia, in 2007 74.2% of trainings are financed by the employer and 15.8% by the person participating in the training. Another 10% is financed by someone else. The proportion of trainings financed by the employer is higher for job-related training (87.8%) while 57.7% of other forms of training are financed by the persons themselves. Almost a third of other forms of training are financed by a third party. Data from the European Working Conditions Survey indicates that persons mostly participate in employer financed training (29.8%) while less than 10% have participated training paid by themselves (see also table 8 below). Thus the share of employer-financed training is an important factor in increasing participation rates.

Table 8. Participation in training financed by the employer or the employee, 2005

Have you undergone: Training paid for or provided by your employer, or by yourself if you are self-employed?				
		Yes (%)	No (%)	N
EE (Estonia)	Male	23.7	76.3	247
	Female	36	64	351
	All	29.8	70.2	598
EU27	Male	25.3	74.7	12427
	Female	27.1	72.9	13013
	All	26.1	73.9	25440
Have you undergone: Training paid for by yourself?				
		Yes (%)	No (%)	N
EE (Estonia)	Male	7	93	246
	Female	6.7	93.3	351
	All	6.8	93.2	597
EU27	Male	5.7	94.3	12419
	Female	6.2	93.8	13016
	All	5.9	94.1	25435

Source: European Working Conditions Survey 2005

4.4. Institutional and legal solutions supporting lifelong learning and adult training

Supporting employers in providing training to their employees is managed on the initiative of the Ministry of Economic Affairs and Communications. According to the financing agreement of continuous vocational training a total of 298 thousand EEK is allocated to employers from the European Social Fund during 2007-2013 (see also table 7 above). Mostly management and teamwork training in companies is supported, but also other training activities are financed raising the competencies and qualifications and developing skills of employees (Ministry of Education and Research, 2008). Also, in order to motivate employers to offer and/or co-finance employee trainings, those employers' expenses which are made to work-related training of employees are exempt from a special tax (equals with personal income tax (21%) and payroll tax (33%)). From 1 July 2009 expenses made by employers on the formal education⁹ of employees is also exempt from the tax payments.

There is no statutory obligation to create training funds in Estonia for private sector employers- the participation of employers in co-financing the training of employees is decided in the individual employment contract or the collective agreement. For public

⁹ Formal education acquired within the adult education system provides the opportunity to acquire basic education and general secondary education, secondary vocational education or higher education. Completion of formal education acquired within the adult education system shall be certified by a certificate or diploma.

servants, pedagogues and local government employees means for job-related training are allocated from the state budget in the extent of 2-4% of the annual wage fund.

With the new Employment Contracts Act taking effect from 1 July 2009 employees will be entitled to study leave in the extent of at least 30 calendar days for any kind of training activity. In case of formal education or work-related training 20 calendar days are remunerated with average wage (paid by the employer). Currently employees are entitled to 30 calendar days for formal education (10 days remunerated with average wage) and 14 calendar days for work-related training (average wage is paid in the full extent). Additional study leave is also provided for graduating from formal education. From 1 July 2009 15 calendar days remunerated at national minimum wage is provided for that purpose. Currently additional leave remunerated at minimum wage is longer extending to 49 calendar days depending on the level of education. Also the possibility to take additional 7 days of unpaid study leave will be lost. However, eligibility for study leave will be widened to both partial and full-time students.

To encourage employee financed trainings, all persons are entitled to income tax incentives on the expenses incurred by him or her during a period of taxation on training¹⁰. There is no direct co-financing the employee training from public sources, but different training opportunities are provided free of charge. When excluding training provided by the Labour Market Board for the unemployed and disadvantaged groups, employee training is supported on the initiative of the Ministry of Education and Research in total extent of almost 716 thousand EEK during 2007-2013. In the framework, vocational training, language studies, computer skills, basics of entrepreneurship, accounting or self-employment or training to increase social skills are provided.

¹⁰ Training expenses are certified expenses incurred for studying at a state or local government educational establishment, public university, private school which holds a training licence or has been positively accredited with regard to the given study programme, or foreign educational establishment of equal status with the aforementioned, or for studying on fee-charging courses organised by such educational establishments. Interest on study loan is also deemed to be training expenses.

5. Social security system and work supply (Modern social security systems)

5.1. Scale of using welfare benefits by working age persons

In Estonia, workers' temporary or permanent withdrawal from the labour force is influenced by the following social insurance components:

- 1) old-age pension and its various forms, including early-retirement pension and deferred old-age pension; special pensions and pensions under favourable conditions;
- 2) incapacity pension (disability pension);
- 3) unemployment insurance benefits (contribution based) and unemployment allowance (flat rate);
- 4) subsistence benefits (means tested social assistance benefits).

Table 9. Share of people receiving various social benefits, % of age groups, beginning of 2007

		16-24	25-54	55-64
Unemployment benefits	insurance	0.0%	0.3%	0.4%
Unemployment benefits	assistance	0.3%	0.5%	0.6%
Subsistence benefits		2.1%	1.3%	1.3%
Old-age pensions		0.0%	0.4%	43.9%
Disability pensions		2.8%	7.2%	13.7%
National pensions		1.5%	0.4%	0.5%

Notes: Pensions - Estonian National Social Insurance Board (Sotsiaalkindlustusamet), <http://www.ensib.ee/eelarve/pens2006lisadega.xls>, pensioners as 1 January 2007. Old-age pensions include also various other schemes (early retirement pensions, anticipated pensions, pensions under favourable condition, deferred pensions)

Unemployment insurance benefits - Statistics Estonia on-line database, accessed 16.02.2009 - benefit recipients in January 2007.

Unemployment allowances - Estonian Labour Market Board - benefit recipients in 31 January 2007 allocated into the age groups using the same proportions that of the all registered unemployed in January 2007 <http://www2.sm.ee/ta/failid/kuuaruanne%20%28jaan%202007%29.xls>. Note: age groups are 16-24, 25-49, 50 - pension age

Subsistence benefits - Ministry of Social Affairs - <http://www.piksel.ee/sveeb/index.php> - total number of persons in the families who received subsistence benefits in the first quarter of 2007. Proportions of age groups are determined using the age structure in the Household Budget Survey 2007 data.

Population - Eurostat on-line database, accessed 05.05.2008 - at the beginning of 2007

Table 10. Social expenditures on unemployment benefits, pensions, and subsistence benefits, % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007

Unemployment insurance benefits	0.00%	0.00%	0.00%	0.08%	0.09%	0.06%	0.04%	0.05%
Unemployment allowance	0.13%	0.12%	0.09%	0.06%	0.04%	0.02%	0.01%	0.02%
Subsistence benefits	0.33%	0.33%	0.29%	0.24%	0.16%	0.15%	0.09%	0.06%
Old-age pensions	5.76%	5.31%	5.23%	5.22%	5.29%	5.25%	5.25%	
Disability pensions	0.69%	0.53%	0.54%	0.58%	0.62%	0.65%	0.68%	
National pensions	0.07%	0.07%	0.09%	0.10%	0.08%	0.06%	0.05%	

Sources: Statistics Estonia on-line database, accessed 17 Feb 2009; Unemployment Insurance Fund (Töötukassa) annual reports 2005 and 2007; Estonian Labour Market Board (Tööturuamet) annual reports 2006, 2007; Ministry of Social Affairs publications: Sotsiaalsektor arvudes 2004, Sotsiaalsektor arvudes 2005, Sotsiaalvaldkonna arengud 2000-2006. Trendide kogumik.

Notes: Subsistence benefits include only benefits to compensate subsistence minimum; they do not include additional ad hoc benefits by municipalities. Unemployment insurance benefits and allowances do not include social tax paid on behalf of the beneficiaries to guarantee their health insurance. Old-age pensions include also early retirement pensions, anticipated pensions, pensions under favourable condition, deferred pensions; they do not include pensions for presidents and parliament members. Expenditures on survivor's pensions (mainly for children who have lost their parents) are not included.

In Estonia, workers withdraw from the labour force mainly through various forms of old-age pension and incapacity pension. In 2007, the official retirement age is 63 years for men and 60 years for women. The retirement age for women is growing gradually and will catch up with that of men in 2016. The qualification period for old-age pension is 15 years. Early retirement is possible three years before normal retirement age.

The use of different old-age pensions and incapacity pensions has led to the situation where a large number of people receive a pension before the official retirement age. For example, in the beginning of 2007, about 30% of men aged 60 (i.e. 3 years before the official retirement age) received various types of old-age pensions, and 20% received an incapacity pension, which means that half of men of this age received a pension. Among 57 year-old women (three years before retirement age), 20% received various types of old-age pensions and 20% received an incapacity pension, totalling at 40%.

The impact on unemployment insurance benefits and unemployment assistance benefits on labour supply is negligible, because their duration is short (maximum one year). Also subsistence benefits have little impact, because of their low level. Also, effectively there are no special benefits for the unemployed addressed to the elderly.

Although the Estonian pension system provides several pathways to early exit from the labour market, the system has also created opportunities and financial incentives for continuing working. The latter is one possible explanation why employment rate for older workers is relatively high in Estonia in comparison with other European countries – the employment rate of the elderly (59.5% in age group 55-64 in 2007) is already above the Lisbon target.

Firstly, the grant of pension and withdrawal from the labour force are not conditionally linked, except in few cases (early-retirement pension or survivor's pension). So it is possible to receive simultaneously both labour earnings as well as the old-age pension. Because of relatively low pensions (average gross replacement rate below 40%), many elderly have continued to work after pension age. Moreover, if a person already

receives an old-age pension, but still works, it will increase their insurance component, which in turn increases the amount of old-age pension to be received in the following years.

Secondly, from the point of view of employment it is important that since 1999 any pension insurance contributions paid by a person as a part of social tax increase the value of the person's pension insurance component and thus future state pension. This means that in addition to an income from work, working always ensures a higher pension in the future. The negative side of it is that the large wage inequalities present in the Estonian labour market will transform into inequalities in the pensions. (Also in the unemployment insurance benefits scheme since 2002 and parental benefits scheme since 2004 personal contributions to the systems have a major role in determining the size of the future benefits.) The introduction of personalised social tax accounts and pension schemes is claimed to be one reason behind increased regular employment and higher growth of formal wages in general.

Thirdly, despite early retirement pensions can be used three years before normal pension age, they are relatively unfavourable:

- 1) in calculating the early retirement pension, the amount deduced from the pension formula is decreased by 0.4% per each month retired before the general retirement age;
- 2) pension amount reduction is permanent, at a later stage it is not possible to switch from an early-retirement pension to a regular old-age pension or a pension under favourable conditions;
- 3) unlike general old-age pension, early-retirement pension is not continued when a person starts working before normal pension age. When such persons decide to take up employment, their pension is suspended and is continued at the same low rate when they retire again

Consequently, early retirement is chosen by people who are confident that they would not be able to find a job, or who believe that the pension reduction coefficient is less than the so-called actuarially neutral reduction. So the negative impact of early retirement pensions on employment is not large.

5.2. Does the organization of unemployment benefits system ensure income security to all market participants?

Criteria of granting entitlements to unemployment benefits

Unemployment insurance covers all employees (aged 16 to pension age), except self-employed, members of management and controlling bodies of legal persons and some categories of civil servants. Person must register at public employment service (PES), needs to have worked and made contributions for at least 12 months during the previous 36 months prior to registration as unemployed.

To receive unemployment allowance person must be between 16 and pension age. The person must have been employed or engaged in activity equal to work for at least 180

days during the 12 months prior to filing an application with an employment office. Self-employed are not covered.

Replacement rates offered by social security system

Unemployment insurance benefits do not depend on the age of the recipient (given that she is eligible). The replacement rate depends on the duration of the benefit, which partly depend also on the contribution period. Details of the UI replacement rates are given below. There is always the subsistence benefit scheme that is a means-tested benefit guaranteeing a minimum income to all residents. Households whose income, whether from labour earnings, unemployment benefits, pensions, etc., after payment for housing expenses, calculated according to certain criteria, is below the subsistence level are entitled to these benefits. Subsistence level is 1000 EEK for the first member; 800 EEK for the each subsequent member of the household in 2008.

As the means-tested benefit is based on household income and after housing costs, the replacement rate is very different for different households. For example, for a single person previously earning average wage, with housing costs of 10% of the average wage the gross replacement rate is about 18% and net replacement rate about 22% in 2008. It means that for average wage earner the replacement rates from social assistance scheme are pretty low.

5.3. Does the organization of unemployment benefits system induce market participants to search for work and to adaptability?

The following describes the situation as at 1 January 2009.

Unemployment insurance benefit (Töötuskindlustushüvitis)

50% of earnings from the 1st to 100th calendar days; 40% 101 to 360 calendar days. Upper limit three times the average remuneration in Estonia during the previous calendar year. Lower limit for the benefit is unemployment assistance benefit. It is taxable with income tax. The duration depends on the contribution history. 180 calendar days if the insurance period is shorter than five years; 270 days if between five and ten years; 360 calendar days if ten years or longer. Up to 2007 maximum duration was only 180 days as UI was launched and payment of contributions started in 2002.

Note that since 1 July 2009 the replacements rate change: 70% 1-100th calendar day, 50% 101-360 days. For voluntary termination of employment contract the replacement rate is 40% during all the period. The lower limit will be half of the minimum wage. Earnings are calculated as average over the last 4th-12th (nine) months that preceded the unemployment.

Unemployment allowance (Töötutoetus)

Flat rate of 1000 EEK per month. It is not taxable with income tax. The duration is generally 270 days. If the reason for termination of the previous employment was violation of the duties of employment, loss of confidence or indecent act, the UA is paid

up to 210 days. If a person has less than 180 days until the retirement age after the receipt of 270 days of UA, the payment of UA will be extended until the person reaches the retirement age. Persons who have received UI benefits for a shorter period than 270 days, receive UA benefits until the end of the period of 270 days.

Conditions of receiving the unemployment benefits

The amount of the benefit is not connected with the intensity of looking for work, participation in trainings and/or ALMP programmes or other factors. But there is special transport and accommodation cost compensation for those who participate in ALMP programmes. The size is according to actual costs, but not more than 1200 EEK per month.

Unemployment insurance benefit is stopped if the person refuses an offer of suitable work or does not show up at the public employment service at a fixed date. Benefit is stopped if the person refuses to comply with the individual job search plan

Unemployment allowance is suspended for 10 days if the person refuses to comply with the individual job search plan, refuses an offer of suitable work or does not show up at the public employment service at a fixed date for the first time. Benefit is stopped if the person refuses an offer of suitable work or does not show up at the PES at a fixed date for the second time

Do activating programmes include persons receiving social assistance?

They are not conditionally linked. Active labour market policies are provided by the public employment services of the Estonian Labour Market Board (*Tööturuamet*), unemployment insurance and collective redundancy benefits are dealt with the Unemployment Insurance Fund (*Eesti Töötukassa*), and social assistance are paid by the local municipalities. People receiving social assistance may register themselves as unemployed and apply for ALMP measures. Local municipalities who pay out the social assistance benefits have the right to refuse the payment of benefits to people in working age and capable for work, but who do not study or work, and who have repeatedly, without good reason, refused to accept suitable work.

Are there solutions enabling subsidizing trainings and work taken up by the unemployed persons, especially long-term unemployed?

ALMP measures include work practice (*tööpraktika*), coaching for working life (*tööharjutus*), wage subsidy to employers (*palgatoetus*). The size of the wage subsidy is 50% of the wage of the employee, but not more than the minimum monthly wage. It is available for risk groups, including long-term unemployed (have been registered at least 12 months).

How the tax wedge changes with level of income, especially what is the tax wedge on poorly paid employees;

Tax wedge (difference between employer's labour cost and employees after-tax income) depend in Estonia on social tax (contributions to pension and health insurance fund), unemployment insurance contributions (both by employer and employee), compulsory

contributions to the funded pension scheme, and income tax. (We do not subtract consumer taxes from the income, although they could be considered also a part of the tax wedge.) The schematic composition of labour cost is presented in the following figure.

Tax size of tax wedge is influenced by two flat rate components of the tax wedge: basic income tax allowance (2250 EEK per month in 2008) and minimum social tax obligation. The minimum monthly base for social tax calculation cannot be lower than minimum wage (4350 EEK per month in 2008). There is no upper ceiling, except for self-employed.

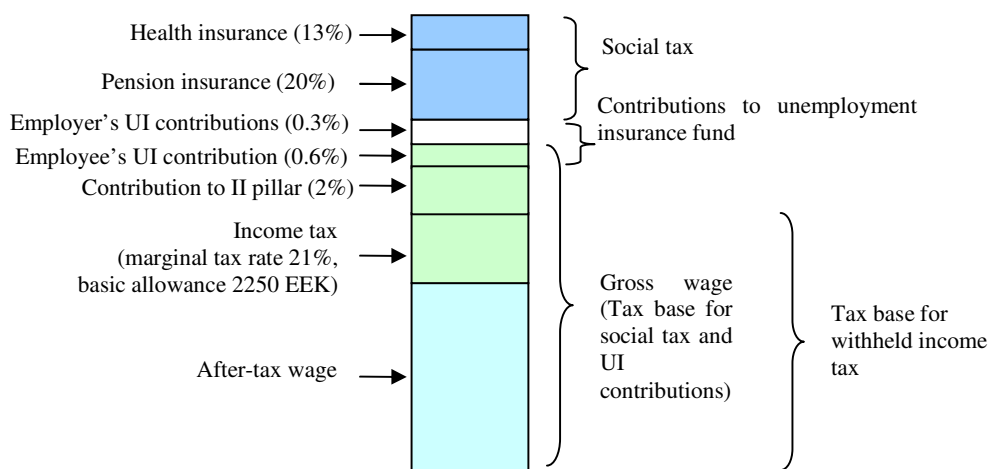


Figure 11. Schematic composition of labour cost, in 1 Jan 2008

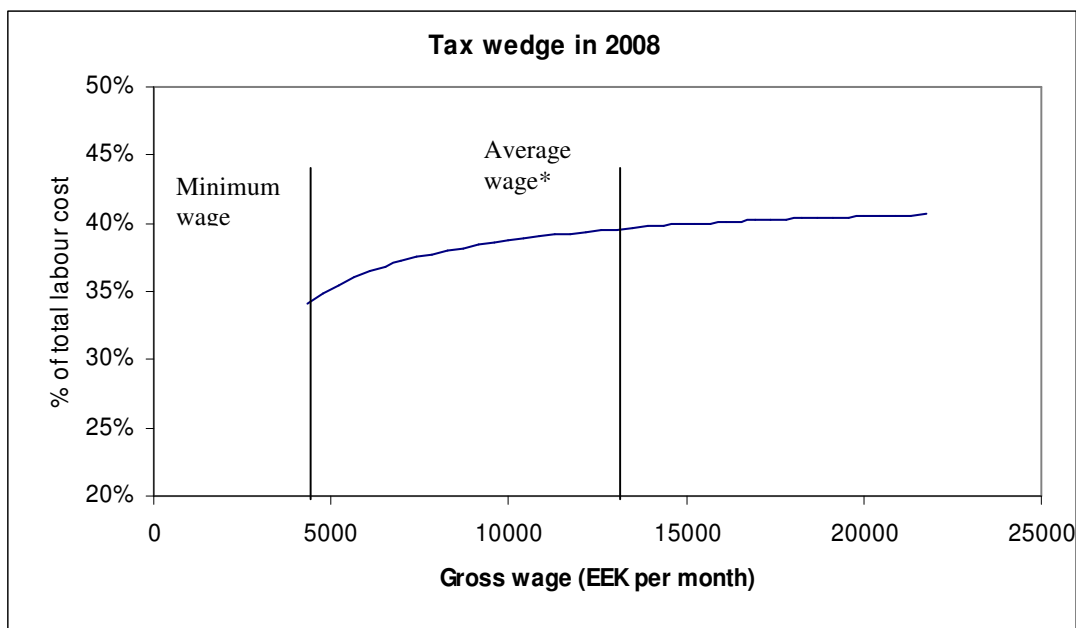


Figure 12. Tax wedge and gross wage

Note: tax wedge also includes employees contributions to the funded pension scheme (so-called II pillar)

Note also that there is a difference between withheld income tax and income tax after declaration is submitted next calendar year. There are additional tax allowances and deductions, also a married couple may also file a joint tax report if they wish (beneficial if one has unused tax allowances which the other one could claim for). All this make effective tax wedge lower. Above calculations assume that person cannot use any additional allowances or deductions.

How the marginal tax rate depends on income, especially for poorly paid employees;

Estonia applies a flat rate system to the personal income tax with single tax rate (21% in 2008) all labour and personal capital income (capital gains, royalties etc) and basic allowance (annually 27000 EEK or 2250 EEK per month in 2008). Payroll taxes are proportional to gross income. It means that as long as earnings are larger than basic income allowance (guaranteed when gross wage is higher than minimum wage) then marginal tax rate is flat and depends on income tax rate (21%) and employee's social contributions (0.6% unemployment insurance contributions and 2% contributions to the funded pension scheme). Their combined effect makes the marginal tax rate equal to 23.054% of gross wage in 2008.

Effective marginal tax rate depends also whether the household receives subsisted benefits, which are means-tested, or unemployment benefits, which disappear when person starts working. In that former case, the marginal effective tax rate is 100% for very low earnings, in the latter case it may exceed 100% for very low earnings. But it also depends on the household composition and labour earnings of other household members.

The effective tax rates that combine taxes and benefits, and tax wedge for stylized households used by Eurostat are presented in the following table.

Table 11. Eurostat numbers for Estonia on tax wedge and effective tax rates

	2001	2002	2003	2004	2005	2006	2007
Tax wedge on labour cost (%)	37.4	40.2	40.7	38.9	39.2	38.4	38.7
Effective tax rates (%)							
Single person without children (from unemployment to work 67% APW)	48.2	50.4	50	50.4	64	64	63
Single person without children, 33% of APW to 67% of APW	26	28.2	28.2	28.2	26	25	24
One-earner married couple, with two children, at 33% of APW to 67% of APW	77.7	73.8	85.1	80.1	23	18	22

Source: Eurostat on-line database, last accessed 18 Feb 2009

Note: APW – average production worker's wage

Is there negative income tax, in-work benefits for poorly paid employees, what is the impact of tax deductible revenue on the relative taxation of income from work and other sources (what is the tax deductible revenue in reference to the minimum and average salary in the economy)?

In Estonia, there are no in-work benefits for poorly paid employees. Basic tax allowance, additional allowances (e.g. in case of children) and other deductibles (e.g. housing loan interest payments, training expenses) apply uniformly to all income sources. Additional pension allowance is a single exception – it can be applied only to pensions.

Basic tax allowance was 2250 EEK per month in 2008, which is about 52% of the minimum wage (4350 EEK in 2008) and about 17% of the predicted gross wage in 2008 (13 000 EEK).

6. Social and civil dialogue and the ability for collective actions (supportive and productive social dialogue)

6.1. Model of collective negotiations

The social partner representativeness in Estonia is low compared to some other European countries. The trade union membership levels still indicate a declining trend. According to the Estonian Labour Force Survey, the trade union membership among salaried workers has declined from 11.1% in 2003 to 7.6% in 2007. Organisation of the employers can be assessed based on the membership of the Estonian Employers' Confederation as the only national level organisation representing employers in social partnership. The Employers' Confederation has reported a slight increase in membership in terms of member companies. While the number of member organisations has remained at 23 since 2005, the number of affiliated individual companies has been increasing from 70 in 2007 to 75 in the beginning of 2009. This refers to 98 members in the beginning of 2009. However, according to a representative of the organisation the number of employees working in the affiliated companies has remained stable around 150,000 (i.e. 23% of the total workforce according to 2007 data).

There is no adequate source to assess the coverage of collective agreements in Estonia. The main sources of information are the central trade union organisations and the Ministry of Social Affairs who administrates the collective agreements register. However none of these sources are comprehensive- i.e. trade unions can only give information on collective bargaining of their affiliates and not all of the collective agreements are registered in the Ministry of Social Affairs as there is no surveillance system or punishments for violations present. The most recent survey data on collective agreement coverage dates back to 2005 when the Working Life Barometer recorded that 25% of employees are working in a company where a collective agreement is concluded (compared to 11% in 1998). However, another 23% of employees were not aware whether they have a collective agreement in their company or not (Saar Poll, 2006).

Company level collective bargaining has been dominating in Estonia. Just a few branch/sector level agreements are concluded regularly and only minimum wage agreements are concluded on national level bargaining.

As there is no systematic information collected on the contents of collective bargaining in Estonia, it is difficult to assess the extent to which flexicurity issues are dealt with in collective bargaining. There is no information of collective bargaining taking a coherent approach to flexicurity, whereas individual parts of the concept are discussed. According to the representative of Estonian Trade Union Confederation, in addition to the traditional pay and working time issues dealt with in collective bargaining, other themes that featured in collective bargaining in 2008 included for example additional

training, relations between the employer and the trade union, working conditions and - environment, payment of additional benefits (e.g. upon occupational accidents, death, anniversaries etc.). As a result of the increasing number of collective redundancies, the procedures and conditions of redundancies have also been discussed (Nurmela, unpublished).

6.2. Model of social dialogue

On branch level, the cooperation of social partners is different across various sectors. While there are branches where regular sectoral level agreements are concluded, there are other branches as well where social partnership does not exist at all (either due to the lack of representation organisations or lack of cooperation willingness). On national level, social partners regularly negotiate over national minimum wage. Occasional negotiations are conducted at other topical issues as well (e.g. social partner agreement on the contents of the new Employment Contracts Act, or other relevant legislation). Also, regular cooperation is done in the boards of the Estonian Health Insurance Fund and the Unemployment Insurance Fund where the social partners are represented. Thus the cooperation of national level social partners could be assessed as satisfactory.

The legal bases for entry into and performance of collective agreements are regulated in the Collective Agreements Act. However there are no more detailed regulations on social dialogue.

Participation of non-governmental organisations in civil dialogue is also not legally formalised. There are some recommendations made for inclusion practices (e.g. Good Engagement Practices) but this is implemented on a soft-law principle and is not compulsory do anyone. The aim is to achieve unified engagement practices across all field and ministries. Thus, until now the inclusion of NGOs has been rather hectic and depending on the subject under discussion or the organisation initiating the discussions. As far as inclusion to policy development is concerned, the employer and trade union organisations have not been satisfied with their involvement in tripartite consultations with the government during the year. The Estonian Trade Union Confederation and the Estonian Employees' Unions' Confederation mostly criticise the lack of social partnership in the development of important legislation for employees, such as the Employment Contracts Act and the Public Service Act (see also Nurmela, 2008). The Estonian Employers' Confederation has strongly criticized the government for ignoring their proposals to finding solutions on managing economic downturn and for not initiating any consultations with the employers on these matters (see also Nurmela and Karu, 2008).

There are several examples of agreements (so-called "social pacts") concluded between social partners over the past years. However, this practice has not been systematic or spread across all sectors. Examples of more recent cooperation agreement could be found in the education and transportation sectors (in effect from March 2008). Some agreements targeted at specific activities have been concluded for example in relation to undeclared wages or development of the vocational education

system. Also there are examples of agreements between employer organisations or trade unions and public sector institutions (e.g. specific ministries, local government institutions etc).

7. Summary and conclusions for the policy

In summary, in the context of the strictness of labour legislation, Estonia is relatively regulated or a country with a rigid labour market. At the same time, analyses of enterprise statistics shows that at the enterprise level many new jobs are created and terminated each year. There is also relatively active movement of people between various labour market situations; however, it is true that this movement has decreased during the last few years. Hence, it seems that Estonian labour legislation is relatively strict, but despite of this fact labour market seems to be rather flexible.

Regarding active labour market policy Estonia spends 10 times less than the EU (the comparison is based on the percentage of GDP spent on active employment policies). One reason behind that is a restricted target group (only registered unemployed) and the short duration of the programs. In addition, a relatively large number of unemployed people search for new jobs without the help of the Labour Market Board; therefore it is not possible to provide them relevant services. It is also unclear whether the provided services have helped to improve the prospects of the participants in the labour market since evaluations are scarce.

As far as the third component of flexicurity i.e. social protection is concerned, Estonia is unfortunately among the least developed EU member states. The public sector expenditures on unemployment benefits are the lowest in EU. In addition, the unemployment insurance system is relatively rigid – e.g. part-time employment is not encouraged, because people lose all their benefits even when working with very small workloads. Therefore one of the principles of flexicurity – that a person should be guaranteed as large an income as possible during the unemployment period – is not always fulfilled in Estonia.

As far as adult education is concerned, relatively few people participate in training in Estonia compared to other EU countries. Generally, governmental support for adult education only covers about three broader categories of people. They include government officials, teachers and the unemployed, as well as some smaller target groups that are financed in the framework of specific projects. It is also common that more white-collar workers and competitive worker groups receive more training. Less-qualified and older workers as well as other risk groups, who probably need more training, actually receive less. Furthermore, it has not been assessed whether the training provided corresponds to the needs of the labour market.

Therefore, examination of the four components of flexicurity shows that the first component of flexicurity seems to be relatively well off once job creation and destruction statistics is taken into account. However, Estonia underperforms in the rest of the three areas of flexicurity. Estonian position will be improved by the execution of the new Employment Contracts Act from July 2010 and the accompanying trilateral agreement. The Act increases the flexibility of the employment relationship primarily by liberalizing the regulations related to layoffs and thereby improves the position of Estonia in the

rankings based on various indices. On the other hand, the new law increases the benefits paid in case of unemployment (unemployment insurance, unemployment benefits) and expands the circle of those entitled to unemployment insurance benefits. As a result, the social security of the unemployed increases and reduces the current inequality in social protection. The opportunities for adults to participate in job-related training and in formal education are also improving. The new law and the agreements accompanying it will not bring about any changes with respect to active labour market policies, although in the current economic situation, the expansion of active labour market policies and more emphasis on preventive approach would be very necessary.

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Annex 1. Main Labour Market Indicators in Estonia

Table 1. Employment rates in Estonia and EU

	2000	2001	2002	2003	2004	2005	2006	2007
	Total							
15-64	60.4	61	62	62.9	63	64.4	68.1	69.4
EU15	63.4	64.1	64.2	64.5	64.8	65.4	66.2	67
15-24	27.1	26.8	25.4	27.5	27.9	29.1	31.6	34.5
EU15	39.9	40.5	40.4	40	39.6	40	40.4	41
55-64	46.3	48.5	51.6	52.3	52.4	56.1	58.5	60
EU15	37.8	38.8	40.2	41.7	42.5	44.2	45.3	46.5
	Males							
15-64	64.3	65	66.5	67.2	66.4	67	71	73.2
EU15	72.8	73.1	72.8	72.7	72.7	73	73.6	74.2
15-24	30.8	32	31.2	35.5	33.2	33.1	37	38.9
EU15	43.2	43.9	43.6	42.8	42.5	42.9	43.3	43.8
55-64	55.9	56.7	58.4	58.9	56.4	59.3	57.5	59.4
EU15	48	48.9	50.1	51.6	52.2	53.3	54.1	55.3
	Females							
15-64	56.9	57.4	57.9	59	60	62.1	65.3	65.9
EU15	54.1	55	55.6	56.2	57	57.8	58.8	59.7
15-24	23.2	21.1	19.4	19.3	22.4	25.1	26.1	30
EU15	36.5	37.1	37.2	37.2	36.7	37.1	37.5	38.1
55-64	39	42.1	46.5	47.3	49.4	53.7	59.2	60.5
EU15	28	29.1	30.7	32.2	33.2	35.5	36.9	38.1

Source: Eurostat

Table 2. Activity rates in Estonia and EU

	2000	2001	2002	2003	2004	2005	2006	2007
	Total							
15-64	69.6	69.6	68.3	70.1	70.2	70.1	72.4	72.9
EU15	69	69	69.6	70.1	70.4	71.3	71.8	72.1
15-24	35.4	35.6	30.7	36.2	36.4	34.6	35.9	38.3
EU15	47.5	47.2	47.4	47.2	47.1	48	48.1	48.2
55-64	47.2	53.3	55.6	56.5	54.1	59	61	62.2
EU15	40.6	41	42.4	44.3	45.3	47.2	48.3	49.3
	Males							
15-64	74.9	74	73.9	75.3	74.5	73.6	75.8	77.5
EU15	78.2	78.1	78.3	78.5	78.5	79	79.2	79.3
15-24	40.9	38.7	36.4	44.7	43.3	39.7	41.2	44.2
EU15	50.9	50.7	51	50.5	50.4	51.3	51.3	51.2
55-64	56.8	61.8	62.8	60.9	56.9	62.9	61.6	63.7
EU15	51.4	51.7	53.1	54.9	55.7	56.9	57.7	58.5
	Females							
15-64	64.8	65.5	63.2	65.3	66.2	66.9	69.3	68.7
EU15	59.9	60	60.9	61.7	62.4	63.5	64.3	64.8
15-24	29.7	32	24.9	27.7	29.4	29.5	30.6	32.3
EU15	44.1	43.6	43.8	43.8	43.8	44.6	44.7	44.9
55-64	39.8	46.6	50.2	53.2	52	56	60.5	61
EU15	30.2	30.8	32.2	34.1	35.3	37.9	39.4	40.5

Source: Eurostat

Table 3. Unemployment rates in Estonia and EU

	2000	2001	2002	2003	2004	2005	2006	2007
	Total							
15-64	13.4	12.6	9.6	11	10.4	8.1	6	4.8
EU15	8.5	7.4	7.7	8.1	8.3	8.2	7.8	7.1
15-24	23.5	24.5	17.3	24.2	23.5	15.9	12	10
EU15	16.1	14.1	14.7	15.3	15.9	16.5	15.9	14.8
55-64	8.2	8.6	7.7	6.6	:	:	:	:
EU15	7.6	6.5	6.2	6.4	6.8	6.3	6.2	5.6
	Males							
15-64	14.9	12	10.4	11.3	11.7	9	6.3	5.5
EU15	7.3	6.5	7	7.5	7.7	7.6	7.1	6.4
15-24	24.6	17.4	14.2	20.5	23.4	:	:	:
EU15	15.1	13.4	14.4	15.4	15.7	16.3	15.6	14.5
	Females							
15-64	11.7	13.1	8.9	10.8	9	7.2	5.8	4
EU15	10	8.6	8.7	8.9	9.2	9	8.6	7.8
15-24	21.8	34	22	30.4	23.7	:	:	:
EU15	17.2	14.9	15.1	15.2	16.1	16.8	16.2	15.2

Source: Eurostat

Annex 2. Active Labour Market Policies in Estonia

According to the Labour Market Services and Support Act the labour market services in Estonia include:

- Provision of information on the situation on the labour market, and of the labour market services and support.
- Job mediation – finding suitable work for unemployed and job-seekers and finding suitable employees for employers.
- Labour market training – is professional training organized for unemployed persons, during which the persons receive or develop professional or other skills which facilitate their employment. Labour market training shall last for a period of up to one year.
- Career counseling – making recommendations on the further education, career choices, training or work corresponding to the personal characteristics, education and skills of unemployed persons and persons who have received notice of termination of their employment relationship. The aim of counseling is to advise persons in matters related to the choice of employment or profession, access to employment and career formation.
- Work practice – is a labour market service for gaining practical experience provided to unemployed persons to improve the knowledge and skills needed for the employment of the unemployed persons. An unemployed person shall participate in work practice for 8 hours per day or 40 hours per week.
- Public work is paid work which does not require professional, special or occupational preparation. An unemployed person is sent for public work with his/her consent for the period of up to 10 working days during one month.
- Work experience is labour market service for restoring the work habits of or gaining the first work habits by unemployed persons. The aim of work experience is to prepare an unemployed person for working. The duration of work experience is up to 3 months.
- Wage subsidy is support payable to employees for employing unemployed persons. Wage subsidy may be paid for the employment of unemployed persons who, within the 12 months preceding registration as unemployed, have been released from prison and unemployed persons who have been registered as unemployed for more than 12 consecutive months.
- Wage subsidy may be paid for the employment of unemployed person of 16-24 years of age who have been registered as unemployed for more than 6 consecutive months.
- Business start up subsidy may be applied for from Labour Market Board Department by unemployed who has completed business training (or has vocational or higher education in economics or experience in business) and who have business plan.
- Adaptation of premises and equipments means the rendering of an employer's construction works, facilities, workstations or equipment accessible to and fit for use by a disabled person. Special aids and equipment for disabled persons.

- Communication support at interviews is provided to disabled unemployed persons who, due to their disability, need help in communicating with the employer during job interviews.
- Working with support person is a labour market service provided to disabled unemployed persons who, due to their disability, need help and direction while working.