

**National social dialogue on the formulation,  
implementation and monitoring of  
employment policies**

Country Study of Estonia

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September 2003

The current paper describes social partners involvement in designing, implementing and monitoring of employment policies in Estonia. The paper is Estonian country review in the International Labour Organisation project "National social dialogue on the formulation, implementation and monitoring of employment policies", which is carried through in the 13 European countries.

Based on the interviews with the representatives of social partners it is concluded that the social partners' involvement in the employment policy is relatively low. There are several reasons for this; one of the main reasons is low membership and resulting low capacity of employees' and employers' representative organizations. Despite of the problems in employers' and employees' participation in employment policy there is an operating regular tripartite social dialogue on the state level. Though the tripartite dialogue has been mainly driven currently by trade unions, the author suggests that this channel could be used better by the government for engaging social partners in the employment policy.



## Table of contents

<b>INTRODUCTION.....</b>	<b>3</b>
<b>1. SITUATION OF ECONOMY AND LABOUR MARKET .....</b>	<b>4</b>
<b>2. INDUSTRIAL RELATIONS ENVIRONMENT .....</b>	<b>6</b>
2.1. ACTORS.....	6
2.2. LEGAL BACKGROUND.....	8
2.3. PROCEDURES OF SOCIAL DIALOGUE .....	9
2.3.2. <i>Tripartite social dialogue on national level.....</i>	<i>9</i>
2.3.3. <i>National level bipartite social dialogue.....</i>	<i>11</i>
2.3.1. <i>Social dialogue in regional level .....</i>	<i>11</i>
2.3.4. <i>Summary .....</i>	<i>12</i>
<b>3. THE ROLE OF SOCIAL PARTNERS IN EMPLOYMENT POLICY .....</b>	<b>13</b>
3.1. THE ROLE OF SOCIAL PARTNERS IN EES .....	13
3.2. THE INVOLVEMENT OF SOCIAL PARTNERS IN RESPECT TO FORMULATION, IMPLEMENTATION AND MONITORING OF EMPLOYMENT POLICIES .....	15
3.2.1. <i>Formulation of employment policy.....</i>	<i>15</i>
3.2.2. <i>The implementation of employment policy .....</i>	<i>16</i>
3.2.3. <i>The monitoring and evaluation of employment policies.....</i>	<i>16</i>
3.3. THE EVALUATION OF SOCIAL PARTNERS INVOLVEMENT IN RESPECT TO FORMULATION, IMPLEMENTATION AND MONITORING OF EMPLOYMENT POLICIES .....	16
<b>REFERENCES.....</b>	<b>18</b>
<b>APPENDIX 1.....</b>	<b>20</b>
<i>The forms of tripartite partnership .....</i>	<i>20</i>
<b>APPENDIX 2.....</b>	<b>22</b>
<i>The issues covered by tripartite national level social dialogue.....</i>	<i>22</i>
<b>APPENDIX 3.....</b>	<b>23</b>
<i>The tripartite agreements.....</i>	<i>23</i>
<i>Bipartite agreements between EAKL and ETTK .....</i>	<i>23</i>

## **Introduction**

The current country report is Estonian part for the research project "Social dialogue in formulation, implementation, evaluation and monitoring of employment policies". The project is carried out for and under supervision of the ILO. The Czech Research Institute of Labour and Social Affairs has a coordination role.

The current report describes social partners involvement in designing, implenting and monitoring of employment policies in Estonia. By employment strategy or employment policy or a plan is meant a document (documents), prepared in cooperation of all partners, aiming at increasing employability of the labour force, at tackling unemployment, providing incentives for job creation and removing disincentives for work. The starting points for comparison of countries in the project are the ILO standards (the Employment Policy Convention, 1964 (No. 122) and the Global Employment Agenda) and the European Employment Strategy, therefore these form the basis for analysis. The evaluation of social partners' involvement is based on interviews with social partners' representatives.

The paper is structured as follows: first chapter gives overview of Estonian economic climate. The second chapter gives overview of industrial relations' environment. The actors, legal environment and procedures of social dialogue are described. The third chapter analyses social partners' involvement in employment policy.

## 1. Situation of economy and labour market

Estonia has established functioning market economy and stable market institutions. The economy is based on currency board system, fiscal balance and liberal foreign trade. Estonian economy is open economy with almost no barriers on trade and free movement of capital. Together with rapid privatisation it has given good grounding on fast economic development.

Estonian economy has shown high growth numbers in average. Average GDP growth was 5.24% during last 5 years. On the background of modest economic growth in the world, Estonian 5.8% growth in 2002<sup>1</sup> was remarkable. Still, Estonian GDP per capita is substantially lower than the EU average, reaching 42% of the EU average in PPS. The growth of economy is based mainly on export and foreign direct investments. Estonian stable and favourable economic environment and relatively cheap production factors have attracted many foreign investments.

**Table 1. Main economic indicators**

	1997	1998	1999	2000	2001	2002
GDP per head in PPS, % of the EU average <sup>3</sup>	38	39	38	40	42	-
GDP yearly growth	9.8	4.6	-0.6	7.3	6.5	6.0
Consumer price index (change over previous year, %)	11.2	8.2	3.3	4.0	5.8	3.6
Current account balance (% of GDP) <sup>2</sup>	-12.1	-9.2	-4.7	-6.0	-6.1	-12.5
Foreign direct investments inflow (% of GDP) <sup>2</sup>	25.7	33.2	49.8	51.0	57.9	-

<sup>2</sup> Source: Bank of Estonia

<sup>3</sup> Source: Eurostat, *Statistics in focus, Economy and Finance, Theme 2-59/2002*

Source: Statistical Office of Estonia

In 2001 FDI into Estonia reached 597.8 million Euros in total or 438 Euros per capita. If we look at the cumulative FDI inflow during 1989-2000, then, compared with Hungary, Czech Republic, Croatia, Slovenia, Poland and Latvia, Estonia ranked as the third with 1,307 USD per capita (Source: Bank of Estonia). Foreign investments come mainly from the EU countries, especially Finland and Sweden. Also Estonian foreign trade is highly connected to the EU countries.

As Estonia has open economy it is vulnerable to foreign economic developments and the movements of balance of payments are extremely important in Estonian economic environment. The main threat for Estonian economy is considered to be high deficit of current account. It has grown since 1999 and reached to 12.1% of GDP in 2002.

The driving force for inflation in Estonia has been the convergence of prices. The hyperinflation slowed down in the end of 1990-ies and the growth of consumer price index in 2002 was 3.6% as compared to the previous year. As the price level in Estonia

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<sup>1</sup> The growth in 2002 was based largely on the growth of internal demand. Low interest rates supported both the growth of private consumption and investments (Ministry of Economic Affairs and Communication, 2003).

remains behind of the EU level the convergence process is expected to continue and the inflation will be influenced by it.

The structural changes of economy have favoured sector of services and primary and secondary sectors have declined. This is reflected also in the labour market developments. In agricultural sector the decline in employment has been from 177300 people in 1989 to 39900 people in 2002. In industrial sector employment has declined by 128400 people. Only in services the employment has grown but by no means in the same rank as the decline in other sectors have occurred. Thus the structural changes have occurred mainly on the account of general decline of employment.

The year 2002 was favourable with respect of labour market developments the unemployment rate continued to decrease and employment rate to increase since the worst year in terms of labour market situation 2000.

After gaining independence both participation and employment have declined (see table2). In 2002 the participation rate in labour force was 69% (in 1993 73.6%). Though, the participation of men has declined more, it still exceeds participation rate of women by around 10 percentage points. The employment rate has declined from 68.7% to 61.7% between 1993 and 2002.

The unemployment rate was in the beginning of independence 6-7% and grew up to 14% in 2000. Since then the unemployment rate has decreased and was in average 10.5% in 2002. Registered unemployment rate has been in the range of 4-6.5%. Unemployment is higher among men than women by 1 percentage point.

**Table 2. Main indicators of labour market (age 15-64)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Participation rate, %	73,6	73,8	72,6	72,2	72,3	71,7	70,3	70,4	70,1	69,0
Employment rate, %	68,7	68,1	65,5	64,9	65,2	64,5	61,6	60,7	61,1	61,7
Unemployment rate, %	6,7	7,7	9,7	10,0	9,8	10,0	12,4	13,8	12,8	10,5
Inactive (thousands)	262,9	255,0	261,0	261,0	256,0	260,3	271,8	270,7	274,4	284,2

Source: Statistical Office of Estonia.

Unemployment is the major problem in Estonian labour market. It is most accentuated among youth 17.6% in 2002 (the unemployment rate of young women was 22.5% in 2002 and of young men 14.3%) and ethnic minorities, whose unemployment rate is twice as high as among Estonians (14.9% and 7.9% respectively). Almost half of unemployed have been in the status of unemployed over a year.

Regional economic and labour market development has been uneven. The most developed region economically is Tallinn with its surrounding, where lives a third of Estonian population and where has concentrated most of job creation lately. Also the labour market conditions indicate the difference of Tallinn with other regions. The unemployment rate in Tallinn is one of the lowest (though not the lowest) at the same time when participation rate and employment rate are the highest (68.8% and 62.4% respectively in age group of 15-74) and exceed the Estonian average roughly by 6 percentage points.

## 2. Industrial relations environment

### 2.1. Actors

Social partnership is poorly developed in Estonia, which is reflected also in the development process and implementation of employment policies. Social dialogue is better developed on national level than on any other levels where it is virtually missing. The weak development of social partnership is, in the first hand, result of poorly developed social partners. This is evident from low representation, institutional and financial shortcomings of social partners' institutions.

Social partners in Estonia, as in many other CEE transformation countries, are weakly institutionalised. On employees side the trade union membership is small around 14% of employment as of beginning 2002 and membership is declining (almost 100% in the end on 1980s, 21% in 1996). However, there is no one reliable estimate on membership. Various sources give estimates, which reach from 14% to 17% (see table 3). The lower estimate comes from Labour Force Surveys and higher estimate is from unions' central organisations. The true indicator of membership is probably between these<sup>2</sup> two. The union membership is higher in public sector and among non-Estonians.

**Table 3. The share of trade union members among salaried workers 1998-2001**

	1998	1999	2000	2001
According to labour force survey*	16,9	14,8	13,4	13,9
According to Antila <i>et al</i> 1999, 2003	12			14
According to the estimation of central organisations of unions (EAKL)	19,1	20,0	18,9	16,6

\*Among full-time employees

Source: authors' calculations based on labour force surveys 1998-2001, Philips *et al.* 2003, p 3. Antila and Ylostalo 2003, 1999.

There are two national trade union confederations, which are internationally and nationally recognized as social partners: the Association of Estonian Trade Unions (EAKL), the Estonian Professional Employees' Unions Association (TALO). The EAKL is the largest organization for blue-collar workers, comprising 23 branch unions as of beginning 2002 and approximately 50,000 members (EAKL 2003). TALO is recognized as the organization of trade unions of white-collar workers. TALO comprises 12 branch unions and approximately 37,000 members (TALO 2003). In addition there are smaller unions, which do not belong into central organisations as the union of doctors.

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<sup>2</sup> The LFS probably underestimates the membership, because people who are not active members of unions might be union members without indicating it. There are cases when people belong to union since soviet time but have not taken part in union activities thus they do not consider themselves to be union members. Still, they pay union fees. At the same time unions' central organisations estimate is probably upward biased because their list of members might include also retired and unemployed members. In addition a research has shown that one of the unions' central organisations TALO does even not know how many people its branches comprise (Anspal *et al.* 2003, appendix 3).

The biggest branch of TALO is teachers union, which includes around 80% of teachers (15,071 members). In addition the unions of scientists and university personnel, also journalists and cultural workers (such as museum and libraries workers) belong into TALO. EAKL includes such organisations of unions, which are sector or branch based as unions of metal workers, sea fearers, miners, transportation etc. At the same time there are some sectors whose workers belong to both TALO and EAKL for example health sector workers: radiologists' union belongs to TALO, federation of health care professionals union belongs to EAKL and doctors' union does not belong into any central organisation of unions. Some industries, like construction, and banking are almost union-free in Estonia.

Estonia does not know pluralistic unionism in the sense that several trade unions would exist, each of them unifying employees on the basis of a distinguished ideological and political vision. Both EAKL and TALO hold an internal pluralism which means on the one hand that they gather employees with different political views and ideologies, and on the other hand that these different convictions are reflected in their strategy and opinions. Both confederations and their members base their strategy and approach on the "interest of the employee" and not on political or other ideologies. The difference between the two big national trade union associations is mainly based on the kind of employees they represent (blue-collar, white-collar) (Chassard 2001).

There is one federal organization of employers recognized as a partner in social dialogue<sup>3</sup> - the Federation of Estonian Employers and Industry (ETTK). As of March 2001 the membership comprises 30 branch associations of employers, which represent 1827 companies in total and 33 commercial undertakings. This means that the ETTK represents enterprises, which employ around 125,000 employees and it covers over 20% of employed people (ETTK 2003).

Of the trade union organizations only EAKL has regional branches in 5 regions of Estonia. The aim of the regional organizations is counseling of existing unions and promotion of creating new ones. At the same time some branch unions of TALO and EAKL have their own regional representations. ETTK has a representation only in Ida-Viru region.

The low level of membership is accompanied by low level of collective bargaining coverage for which there is no adequate estimate due to the lack of data. The estimates reach from 18-24%. If we could assume that all companies, which have a union have a collective agreement also, and all employees are covered with the agreement the coverage would be 24% (or around 130 000 people) of salaried workers (of which around 60% are union members). This is surely the upper estimate of the coverage as some companies do not have the agreement and in some companies not all the employees are covered. Close to the estimate of LFS is also estimate given by Antila *et al.* (2003, p. 81), which is 23%. Alternative estimate is given by EAKL, which estimates the coverage to

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<sup>3</sup> There are some other state-level employers' organisations, which are not participating in tri- or bipartite social dialogue. These organisations are Estonian Chamber of Commerce and Industry (which has an essential role in vocational education), Estonian Association of Small and Medium size Enterprises and Estonian Business Association. It is possible to belong into several associations at the same time.

be 99 000 employees or 18% of salaried workers (of whom 90% are union members). This would be by our opinion the lower estimate for coverage, as the EAKL does not have exact data on other unions besides their own members.

## 2.2. Legal background

There is no separate law regulating national or regional social dialogue. Main legal act that regulates both bipartite and tripartite collective negotiations in employment issues at all levels is Collective Agreements Act (RT I 1993, 20, 353). The disputes arising of these negotiations or agreements are solved according to the Collective Labour Dispute Resolution Act (RT I 1993, 26, 442). Thus Collective Agreements Act regulates the negotiations and dialogue held over employment conditions and policy issues. At the same time there are several other acts stipulating the obligations for information and consultation: Trade Unions Act (RT I 2000, 57, 372) but also in the Employment Contract Act and in the Occupational Health and Safety Act (RT I 1990, 60, 616) are some issues of information and consultation listed. It is planned to develop a separate act on social dialogue, which would lay grounding on general principles of information and consultation.

Collective Agreements Act states that all agreements, which regulate labour relations and which are voluntarily agreed upon bi- or tripartite in any level are collective agreements. On national or regional level might be concluded both bi- and tripartite agreements. If in the case of bipartite agreement the parties are associations of unions and employers organisations then the agreement may be extended in wage and working and rest time conditions. In general a tripartite collective agreement in local/regional or national level may determine:

1. the minimum wage and the procedure for amending it based on rises in the cost of living;
2. additional measures to ensure occupational health and safety;
3. additional employment guarantees;
4. other additional guarantees pertaining to employment which the parties consider necessary;
5. procedures for monitoring the performance of the collective agreement and receiving necessary information.

The negotiations on regional level depend on the existence of social partners. If the social partners' organisations are formed then the progress of social dialogue depends on the willingness of them to participate in it. For making an organisation of unions at least 5 unions must unite (for making a union at least 5 workers must unite). There are no regulations on formulation of employers' organisations associations. In the case of tripartite agreement in regional level, the local governments and in state level the Government of Republic must be represented.

An interministerial commission represents the Government of Republic (formed with the order of the Government). Usually the leader of the Government delegation is from the Ministry of Social Affairs. The labour relations and employment policy in Estonia are under the authority of Ministry of Social Affairs. The other members of delegation come from different ministries as from the Ministry of Economic Affairs and Communications, Ministry of Finance, Public Employment Service. The commission must present the



results of the negotiations to the Government for approval and for authority to sign the contract. The work of commission must be organised by the Ministry of Social Affairs.

Tripartite social dialogue on state level has taken place regularly in Estonia (the parties involve organisations, described in previous chapter). In regional level however, it is non-existent. There might be several reasons for it. Local governments' organisations indicate that this is not their competency according to the Local Government Organisation Act (RT I 1993, 37, 558) and that they do not have authorisation from local governments to held negotiations and decide on employment issues. In addition bipartite negotiations on regional level are hindered by the lack of regional organisations of employers and unions.

The law stipulates that the negotiations begin within 7 days if one party has presented to the other party the draft of a contract. At the same time it does not lay obligation to begin the negotiations and one cannot force the other party to step into negotiations. There are no problems related to the willingness of the other party to negotiate raised during the tripartite state level negotiations.

There are no predetermined financial responsibilities connected with regional or national social dialogue, which are derived from law. Though there are stated obligations for employers to allow shop steward and union members to do the work connected with union activities. Also there are stated penalties for violating the Collective Agreements Act or for hindering the activities of trade unions or shop stewards.

Though there is no separate legal bases for social dialogue there is a tripartite contract concluded in 2001 on the rules and regulations of tripartite negotiations. This contract states that negotiations may be held on all issues on which a contract can be concluded. The delegations of each partner are formed on the principle of numerical parity. The negotiations begin in the beginning of a year with suggestions by each party on the topics of negotiations. The date for next round is determined in each negotiations round and the negotiations end with the contract or decision to end the negotiations. The extension of the contracts is determined in the contracts.

## **2.3. Procedures of social dialogue**

### **2.3.2. Tripartite social dialogue on national level**

Regular tripartite negotiations are held on national level each year since 1992 (see the list of agreements in the appendix 3). The agreement has been concluded each year, except 1994. The delegates consist of the representatives of TALO, EAKL, ETTK and the Government of the Republic. The social dialogue is most often initiated by employees' organisation and they also mostly raise the topics to discuss. At the same time there are some issues discussed also on the initiative of other parties. For example the creation of tripartite regional employment councils was discussed on the initiative of the Government in 1999 and the contract was also concluded.

The issues of the tripartite negotiations have covered wide range of issues. The main topic has almost every year been minimum wage. But the other questions of income policy have been also important. Such issues as tax exemptions, unemployment benefit have been subject of the negotiations several times. Also several issues of employment

legislation and social security legislation have been discussed. See the list of main issues covered by tripartite negotiations in each year in the appendix 2.

The tripartite agreement on more general employment policy with the obligations and financial conditions of each party was concluded first in 2002. The general aim of the contract was to increase employment and decrease unemployment. However, the agreement put financial obligations mainly on the Government and the other parties' obligations included merely active participation in employment councils, in the designing process of employment strategy etc. This agreement was also the reason of "war" between the EAKL and the Government. In the end of 2002 the EAKL claimed that the Government did not fulfill taken obligations and therefore the EAKL refused to cooperate with the Government. The EAKL called back all its representatives from the tripartite boards and councils (including labour dispute committees<sup>4</sup>). The Government did not admit violation of the agreement. In the April of 2003 EAKL decided to end the "war".

This indicates that employment policy is eventually designed and decided by the Government. Though social partners and social partnership has developed still the main designer of employment policy in all levels is the Government and social partnership is often just the formality.

The tripartite negotiations are main form of tripartite social dialogue in the state level. Besides tri- or bipartite meeting and negotiations of social partners, the other channel for social dialogue is tripartite boards or councils (see appendix 1 for the list of all tripartite bodies). The tripartite councils work for counseling the Government as the Socio-Economic Council, ILO Council and Working Environment Council. At the same time there are councils, which have obligation to work out qualification standards. Also there are several boards of state agencies (as Health Insurance Fund, Unemployment Insurance Fund, Foundation of Vocational Education and Training Reform and Foundation of Qualifications), which are formed on the principle of partnership.

In state level there is a tripartite forum Socio-Economic Council, founded in 1999, which is advisory body to the Government in the issues relating to the employment. The Council's work is responsibility of the Ministry of Social Affairs. However, the role of the Council is ambiguous and the outcome of its work has not been really visible.

Since 1992 works by the side of Ministry of Social Affairs the tripartite consultative body ILO council, this evaluates ILO conventions that Estonia accepts and participates in the preparation of reports to the ILO. Its role in wider context of social dialogue is not essential.

One form of social dialogue is consultation of the draft legal acts. The Government asks the opinion of social partners in draft laws concerning employment and social issues. This is the process, which takes place on continuous bases and there is no separate body established for it. Some more acute provisions of the acts are discussed also in regular tripartite meetings.

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<sup>4</sup> The labour dispute committees can not work if the representatives of one social partner are missing. The other unions organisation TALO, however, did not call its members back and therefore there was no essential damage done.

Estonian strategic employment policy instrument has been national employment action plan (NEAP), which is prepared according to the Guidelines of EES and on the initiative of Ministry of Social Affairs. The social partners are involved in the process of preparation of the NEAP through giving feedback on the draft document. As the perception of the importance of NEAPs is different between the Ministry of Social Affairs and the rest of the actors, the participation of other social partners has not been very active.

While in the tripartite agreement on employment policy in 2002 the parties agreed that the Government will aim at raising the unemployment benefit up to 700 EEK (~45 EUR) in 2003, at the same time it was not a part of the NEAPs 2003<sup>5</sup>. This indicates that Estonian NEAP is designed according to the EU Guidelines and without considering all national issues.

### **2.3.3. National level bipartite social dialogue**

The social partners have developed during the transition. This is evident mainly from the development of bipartite social dialogue on the state level. For example while previously the minimum wage was agreed upon only in tripartite negotiations, in 2001 the employers' and employees' central organisations made an agreement on the principles of minimum wage development up to 2008. And in 2002 the level of minimum wage was agreed in bipartite negotiations.

The minimum wage still enforced by the legal act of the Government. At the same time the trade unions insisted that the agreement of minimum wage should be registered in the registry of collective agreements, which would allow extending it on all employed people. The agreement was registered after the court action. This means that Estonian employers' and employees' unions can enforce the minimum wage on the national level by themselves without interference of the Government.

In addition to the bipartite negotiation between employers' and employees' central organisations in the state level the bipartite negotiations are held also between employees and the Government as an employer. Both central organisations of employees (TALO and EAKL) have held negotiations on the employment conditions of different public sector workers. As these negotiations are a form of sectoral social dialogue, it is no interest of the current paper.

### **2.3.1. Social dialogue in regional level**

The social dialogue in regional level is virtually missing. Mainly due to the problems with representation of social partners, but also some other reasons are relevant. These include for instance the small scope, which is left for regional or enterprise level negotiations due to the fact that employment relations are mainly regulated on state level.

There is only one employment pact concluded in regional level. The pact is concluded in Ida-Viru region. Ida-Virumaa is mainly industrial region where unemployment and ethnic

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<sup>5</sup> In Estonia the process of development of NEAP is such that a year earlier is prepared the NEAP for the next year.

minorities concentration is highest in Estonia. This is the only region where the representatives of both employers and employees exist in the regional level. The Ida-Viru regional employment pact was concluded in 2000. This was concluded between the representatives of trade unions' organisations, employers' organisation, bigger employers in the region, association of local governments, Ministry of Education and County Government. However, the pact is more a declaration to work in direction to decrease unemployment and increase employment. There are no obligations or responsibility assigned to parties.

There is no regular bipartite or tripartite social dialogue on regional level. However, there are lately created tripartite employment councils by side of public employment services (see list of tripartite social dialogue instances in the appendix 1). These are made for advising public employment services in designing local and regional employment measures. Also the aim of the councils is to design the use of structural funds resources. The most of the councils were created in the end of 2002 and beginning of 2003. Though the bases for creation was founded in 1999 already. The creation of regional tripartite organs was hindered by the lack of regional representation of social partners (Rebane 2003, p 55). In future the council should activate social partners and increase their role in designing and implementing employment policies. By today in all counties the councils have been created. These do not work in full mode yet and it is too early to evaluate their effectiveness.

#### **2.3.4. Summary**

It can be concluded that though the formal social dialogue in state level is in line with the EES and it has strengthened and gained more importance in last years, it is by no means prevalent or respected form of designing and implementing employment policies. We cannot discuss on the social dialogue on employment issues in regional level as this is virtually missing. The main channel, through which social partners participate in the development of employment policies, is regular tripartite negotiations and in implementation they participate if at all, through tripartite councils.

### 3. The role of social partners in employment policy

#### 3.1. The role of social partners in EES

As Estonian National Employment Action Plans (NEAP) is designed according to the EES it forms good grounding to follow social partners' involvement in the EES. There are now three NEAP:

- Estonian Employment Action Plan 2003,
- Estonian Employment Action Plan 2002, approved by the Estonian Government on the 3<sup>rd</sup> of October;
- Estonian Employment Action Plan 4<sup>th</sup> Quarter of 2000 and 2001, approved by the Estonian Government on the 24<sup>th</sup> of July 2001.

Estonian NEAP is prepared a year in advance it means that according to the EES Guidelines 2002 is prepared Estonian NEAP 2003.

As in the EES, there is in Estonian NEAP separate horizontal objective determining the role of social partners in the employment policy. In Estonian NEAP 2003 the section for horizontal objective of social partnership describes the activities of social partners, which have had impact on labour policy so far. There are descriptions of general social dialogue, creation of tripartite employment councils, their involvement in vocational education reform, and tripartite agreement on employment policy in 2002. It does not prescribe any additional role for social partners. However the conclusion is that in order to change work organisation more flexible and increase importance of collective agreements the emphasis should move from tripartite social dialogue to branch and enterprise level social dialogue. While the EES horizontal objective for social partnership aims at comprehensive partnership for implementation, monitoring and follow-up of the Employment Strategy, in Estonia this part seems to be more describing the role of social partners in employment strategy and not discussing the impediments and necessary activities for their full participation.

The activities for increasing social partnership or implemented in partnership with social partners are brought under the themes: *support to local level employment promoting activities* and *modernising work organisation*, which are under the pillars of entrepreneurship and adaptability. To smaller extent the partnership approach is referred also under the two other pillars.

In Estonia the social dialogue and employment strategy have developed separately. While the Ministry initiates the employment strategy and it follows Luxembourg process the social dialogue is more the initiative of trade unions. The practice has developed so that some problems or documents resultant of social dialogue (e.g. tripartite agreement on employment policy) are incorporated into the NEAP. At the same time it is very occasional process. But the role designed for social partners is minor in development and implementation of employment strategy document.

The specific measures in the NEAP 2003 where social partners are mentioned:

Under entrepreneurship pillar

- State wants to promote conclusion of Regional Employment Pacts. On this purpose there are published guidelines on how to prepare those pacts in high unemployment regions.
- It is planned to make regional employment councils more efficient, widen their scope of responsibilities and to prepare those for the enlargement of the EU and use of structural funds resources. On this purpose there is planned training for councils members.
- Ida-Virumaa national employment program, which is the state program to promote employment in the region of highest unemployment in Estonia. This is a different document than Ida-Viru regional employment pact, which was concluded by social partners and which was described above. The involvement of social partners is brought out in the supervisory commission, which has the obligation to design and monitor implementation of action plans for the employment program. However, the participation of social partners has been small.

#### Under adaptability pillar

- The promotion of social dialogue in sectoral level is done through training of trade union and employers' organisation members. The training issues include conducting social dialogue and concluding agreements (PHARE project Social dialogue on the branch level). Information on principles of social dialogue will be published and widely distributed.
- The present draft law on employment contracts that is in legislative proceeding plans to reduce states' regulation of industrial relations and more freedom is planned to give to collective or individual agreements.
- There is planned to prepare law on social dialogue, which will regulate more profoundly the principles of employees' consultation and information. There will be expert invited into Ministry of Social Affairs to help improve legal base for social dialogue.

#### Under employability pillar

- Social partners are involved in vocational education management (see table tripartite bodies brought in annex)

The idea of the EES guidelines and art 3of ILO convention 122 is on the one hand that social partners should actively participate in development of the employment policy. On the other hand the Government should ask social partners' opinion and use their experience every time the policy concerns social partners. In Estonia neither side of social partnership in employment issues does fully work. See the next paragraphs for the detailed discussion on the issue.

## **3.2. The involvement of social partners in respect to formulation, implementation and monitoring of employment policies**

### **3.2.1. Formulation of employment policy**

As indicated above the notion of regional employment strategy is not common in Estonia and there are no regional employment strategies. Therefore it is difficult to talk about social partners' involvement in regional employment policy formulation.

The regional employment councils, which are tripartite bodies by public employment services, will probably implement employment policy at regional level. These, however, do not work yet and were still developed at state level not a bottom-up initiative. Thus social partners in regional level do not have any role in formulation of employment policy currently.

The employment strategy at national level is developed in Estonia according to the Luxembourg process. The Ministry of Social Affairs prepares the draft of the NEAP. The draft is sent to the social partners for consultation. The Ministry collects all comments and decides on their relevance and marks whether particular institution approved the document or not. The list of institutions with whom the document is coordinated is brought in the end of the NEAP. Thus the involvement of social partners in the formulation of the NEAP, which is the strategy document for Estonian employment policy, has been minor. At the same time also the social partners have not showed up interest to participate more in the process.

The tripartite social dialogue during which several employment policy issues have been raised is separate process from NEAP development. Some of the issues are reflected in the NEAP and some are not. For example the main issue of social dialogue – minimum wage – is not an issue in NEAP. At the same time the tripartite agreement on employment policy (concluded in 2002) is cited several times also in the NEAP. Thus in addition to coordination of NEAP document there is indirect impact of employers and employees to development of employment policy through social dialogue.

The role of social partners on the development of the employment policy through tripartite consulting bodies as the Socio-Economic Council and the ILO Council is minor. As explained before the Socio-Economic Council is more a forum where parties can discuss different issues, but it does not actually give advice the Ministry or the Government in employment policy issues. The ILO Council is not involved into the development of the employment strategy.

If we look at employment policy in wider context than NEAP, it can be said that employers and employees' organisations have bigger role. This concerns mainly minimum wage and legislation amendments but to lesser extent also some other issues. While the Government enforces the minimum wage, the rate of minimum wage is agreed upon in tripartite negotiations (and sometimes in bipartite negotiations). In this respect social partners have some impact on formulation of employment policy.

### **3.2.2. The implementation of employment policy**

The employment policy in Estonia is implemented mainly through the Public Employment Services and other Government Agencies. There is no direct role for social partners envisaged in implementing employment policy.

As mentioned before they participate in implementing the employment policy indirectly by membership in the boards of the agencies, which implement the policy. For example the boards of Unemployment Insurance Fund, Foundation of Qualifications, Foundation of Vocational Education and Training Reform are formed on the principle of social partnership. It must be admitted that the board does not design or implement measures directly but gives more general directions. Therefore this form of social partnership is something that is in between of formulation and implementation of the policies.

Additionally, it is hoped that the Regional Employment Councils will play important role in future in designing active employment policy measures.

### **3.2.3. The monitoring and evaluation of employment policies**

There is no regular monitoring and evaluation system for employment policies. There is fragmented monitoring and evaluation of different measures by different bodies. For example there was a study commissioned by the Ministry of Social Affairs on the effectiveness of active labour market measures (Leetmaa *et al.* 2003). Within establishments are monitoring processes also from the labour market perspective for the measures carried out by the establishment (e.g. Enterprise Estonia). The projects financed by the international organisations are also monitored and evaluated regularly by the coordinating body in Estonia. Also the officials of the Ministry of Social Affairs carry out evaluation of the last year NEAP in the process of developing a new one. At the same time this is mostly descriptive, covering main trends of labour market (e.g. see NEAP 2003). There is one project, which is led by the Estonian Employers' Confederation. The project is for evaluation and forecasting of the need for qualified workers. Thus there is no monitoring process present and the coherent process for general employment policy evaluation is missing.

Some obvious monitoring process is operating through social dialogue. If some part of an agreed or proposed policy is not implemented then the question is discussed in tripartite negotiations round. An example of this kind of monitoring process and consequences of it is the protest of the Trade Unions Organisations in the end of 2002 and beginning of 2003. This, however, is also a process, which is in very general level. Social partners do not evaluate the effectiveness of the measures.

### **3.3. The evaluation of social partners involvement in respect to formulation, implementation and monitoring of employment policies**

As described the involvement of social partners in employment policy is minor in all stages: formulation, implementation and monitoring. We can say that there is some impact of social partners in the formulation stage and this is due to tripartite social dialogue, which trade union organisations regard as their main channel for expressing themselves. The social partners are not involved as an integral part in the development process of NEAP, which is regarded as the strategy for employment policy.



There are several reasons why social partners are not essentially involved into the process of developing and implementing employment strategy for Estonia.

First, the employment policy has not been a policy priority of Estonian Government so far. The NEAP is developed in the initiative of the Ministry of Social Affairs following the Luxembourg process. The NEAP is a document, which just gathers all the measures, connected to employment into one document. NEAP is not a document, which actually strategically plans employment policy; it just describes in the framework of the EU Employment Strategy measures and planned projects, which take place even without the strategy. Therefore social partners as well as the other ministries have not taken much interest in the development process of the NEAP.

Second, the capacity of social partners is not enough to contribute into the development process of the employment strategy. As is described above the membership of trade unions is relatively low, which results in low financial possibilities. This in turn sets limits to number of permanent staff and technical capacities of organisations. Therefore there are only few people who would be able to contribute into the development process of the employment strategy. As the organisations of social partners have low capacity, their contribution to the NEAP cannot even be much higher than it is currently.

Third, the government, employers, and workers organizations do participate in tripartite negotiations, which are usually concluded with a binding contract. The tripartite negotiations are sufficient channel for trade unions to formulate and express their opinions and needs. Thus there is no need expressed by the social partners to participate in the process of developing of the NEAP.

The Government's interest towards social partnership is low. It results in large extent from the low capacity of social partners to contribute to development of different strategies and measures. As the low capacity of social partners is one of the major problems, the strategy to increase social partnership must begin from increasing capacity of social partners.

The Government can raise the capacity of social partners by training and educating the officials of social partners as is regarded currently in the NEAP. On the other hand the financial capacity and other resources of social partners depend essentially on the membership of these organisations. The membership on its own turn depends on the value people/organisations see from the central organisation of social partners. Thus the other crucial thing for additional development of social partnership approach is internal growth of the social partners.

The involvement of social partners in the development process of employment strategy is thus minor and indirect. It is obvious that social partners' capacity is low and their contribution to the development of measures cannot be big. On the other hand social partners participate each year in tripartite negotiations, which take place on the initiative of trade unions. One possibility to involve social partners more into the process could be by the Government to raise the relevant issues in the tripartite negotiations round.

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## APPENDIX 1

### The forms of tripartite partnership

	Membership	Explanation
National level		
Tripartite negotiations	Delegations based on parity	For the issues discussed see appendix 2
The coordination of employment and social field draft legal acts		Government asks the opinion of employees and employers
Socio-economic council Advisory body for Government	6 members of each social partner	Advises government; has right to include issues into tripartite negotiations. Analysis of socio-economic situation and legal acts, promotion of implementation of European social model.
The Board of Estonian Health Insurance Fund - highest governing body of Health Insurance Fund	5 representatives of government, 5 employer's representatives, 5 representatives of insured people (incl 2 trade unions' rep)	Approves the budget; approves the action plans and objectives; reports to Government etc.
The Board of Unemployment Insurance Fund - highest governing body of Unemployment Insurance Fund	2 members from employers', employees' organisations and from the Government	Approves the budget; approves the action plans and objectives; reports to Government etc.
Estonian ILO council	3 trade unions, 3 employers' and 6 governments representatives	The analysis of ILO conventions and participates in preparing reports to the ILO.
The Board of the Estonian Qualification Authority	2 trade unions' representatives, 2 employers' and 2 Government representatives	Carries through qualifications reform
Professional Councils	1-2 trade union representatives in each council	Determines qualification standards
The Board of Foundation of Vocational Education and Training Reform in Estonia	4 government representatives 4 employer's representatives 2 trade union's representatives 3 training institutions' representatives	Implementing European projects in VET and employment in Estonia
Working Environment Council	5 members from each social partner	Advisory body to Government on work health and safety issues
<b>Various working groups</b>		
PHARE projects' managing committee		South-Estonia employment North-East Estonia employment Promotion of Social Dialogue on sectoral level

		Support for labour market services balanced development
Labour legislation working group		
The commission for evaluating employment projects		
SME council		
Regional level		
The boards of vocational education institutions		
Labour dispute committees	In every county parity membership	
Regional Employment Councils	In 12 counties 3 members from employers, employees and	Counselling regional public employment services

Source: H. Taliga, Kolmepoolsus – institutsioonid ja vormid, 2002

## APPENDIX 2

### The issues covered by tripartite national level social dialogue

1995

- Minimum wage,
- Unemployment benefit,
- Social partners participation in legislative process,
- Division of social tax between employers and employees,
- Law on state pension system,
- Change of tax law.

1996

- Social participation (the creation of protection mechanism for employers and employees rights),
- Social insurance (division of social tax between employers and employees),
- Shortcomings of employment legislation (the principles stated in draft law for occupational safety and health: the rates of fines and penalty payments, qualification standards).

1997

- Minimum wage, tax-free income
- Unemployment benefit
- Social insurance
- Regulation-free fields within employment legislation
- Social partnership
- Decreasing of shadow economy
- The possibilities for job creation
- Making investments income-tax free
- Tackling unemployment through training and retraining.

1998

- The creation of employment councils
- Social insurance system (health insurance, retirement insurance)
- Minimum wage, tax-free income
- Unemployment benefit

1999

- Participation democracy (employment councils)
- Development of social insurance reform (pension reform)
- Minimum wage
- Unemployment benefit
- Tax-free income

2000

- Minimum wage
- Agreement to cooperate for raising the qualification of labour

2001

- Unemployment insurance
- Rules and regulations of tripartite social dialogue
- Minimum wage

2002

- Minimum wage
- Principles for labour market policy 2002

## **APPENDIX 3**

### **The tripartite agreements**

1. The general agreement on social guarantees (7.04.1992)
2. The agreement on main issues of social guarantees in 1993 (28.04.1993)
3. The agreement on the change of minimum wage and unemployment benefit (28.12.1995)
4. The agreement on development of social partnership (20.12.1996)
5. The agreement on the change of minimum wage (20.12.1996)
6. The agreement on the creation of Guarantee Fund (6.06.1997)
7. The agreement on the calculation of minimum means of subsistence (20.06.1997)
8. The agreement on the change of minimum wage (21.11.1997)
9. The agreement on the change of minimum wage and basic exemption (22.10.1998)
10. The agreement on the creation of tripartite employment councils (26.08.1999)
11. The agreement on the minimum wage and basic exemption (13.09.1999)
12. The agreement on the minimum wage (8.11.2000)
13. The rules and regulations of tripartite social dialogue (24.05.2001)
14. The agreement on the minimum wage (25.09.2001)
15. The agreement on the appointment of Public Conciliator (26.10.2001)
16. The agreement on the employment policy in 2002 (18.01.2002)

### **Bipartite agreements between EAKL and ETTK**

1. The agreement on unemployment insurance (28.02.2001)
2. The agreement on social partnership (14.03.2001)
3. The agreement on the principles of changing minimum wage (30.08.2001)
4. The agreement on the minimum wage in 2003 (18.10.2002)
5. The joint declaration on joining the EU (03.09.2003)