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POLICY DEPARTMENT  
ECONOMIC AND SCIENTIFIC POLICY **A**



Economic and Monetary Affairs

**Employment and Social Affairs**

Environment, Public Health and Food Safety

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Internal Market and Consumer Protection

# The Employment and Social Situation in Estonia & priorities of the Estonian Presidency

Study for the EMPL Committee





DIRECTORATE GENERAL FOR INTERNAL POLICIES  
POLICY DEPARTMENT A: ECONOMIC AND SCIENTIFIC POLICY

# **The social and employment situation in Estonia & priorities of the Estonian Presidency**

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# 1. EXECUTIVE SUMMARY

In Estonia, during the recovery from recession, the employment rate increased almost 10 percentage points (p.p.) to the level of almost 77% and the unemployment rate decreased by 10 p.p. to the level on 7%. Active labour market policies played an important role here as Estonia succeeded in adjusting active labour market services to meet the needs of the labour market. As a result, **Estonia's employment rate is one of the highest in the EU** and their unemployment rate one of the lowest.

There are, however, problems that require attention. The unemployment rate among young people is higher than for other age groups, especially so for young people whose highest level of educational attainment is primary or lower secondary level education. The not in education, employment or training (NEET) rate is similar to the EU average, around 13%, meaning that about 32,000 young people aged 15-29 were not in employment and education in Estonia in 2016. Facing a decrease in the working-age population and an increasing demand for people to work in high-skilled jobs, Estonia needs to find a solution for how to engage non-employed into the labour market.

Another problem is the **high share of people at risk of poverty or social exclusion**. According to a European Commission country report, in Estonia, social safety nets do not provide adequate income support. Spending on social protection as a percentage of GDP in Estonia is one of the lowest among EU-28 countries and has decreased continuously over recent years (spending decreased from 19% of the GDP in 2009 to 15% in 2014, one of the lowest levels in the EU). Spending is particularly low on pensions – 7.6% of GDP in Estonia in 2014 compared with an EU-average of 12.9%. This places Estonia as the fifth lowest on spending for pensions in the EU, while the share of people receiving an old-age pension is around 3% lower than in the EU on average. Amongst elderly people, the risk of poverty is particularly high (for single elderly people it is 78%) and has increased in recent years. In addition, the gender pay gap is a problem: in recent years Estonia has been on the top of the EU countries with the highest gender pay gap in the EU (26.9% in Estonia, EU average 16.3% in 2015).

The **Estonian Government is preparing or implementing several reforms** aimed at supporting employment and decreasing unemployment and decreasing inequality and poverty. These include the following:

- Work Ability Reform (started on 1<sup>st</sup> January 2016) which is aimed at changing people's attitudes towards those with decreased working capacity as well as assisting those with decreased working capacity to find work;
- Pension Reform (in the preparation phase as of 1<sup>st</sup> May 2017) is aimed at guaranteeing a minimum pension to keep people from slipping into poverty after they retire;
- Income Tax Reform (starting from 1<sup>st</sup> January 2018) is aimed at decreasing in-work poverty.
- Parental Leave System Reform is aimed at making the system more flexible such that it is easier to take. This should support an increase in the number of births, participation of parents in the labour market, and favour the better division of the homework between parents.

In addition, measures will be applied to decrease the gender pay gap (as of 1<sup>st</sup> May 2017 this is in its preparation phase) and support for families having many children (three and more) will be increased (from 1<sup>st</sup> July 2017). Also, from May 2017 several active labour market

services (training and re-training) will be provided to employed people with low skills in order to reduce their risk of unemployment in the future.

During the EU's 2014–2020 budgetary period, Estonia will receive **587 million Euros from the European Social Fund (ESF)** to: promote employment and support labour mobility; promote social inclusion and combat poverty; investments in education, skills and life-long learning; enhance institutional capacity and improve the efficiency with which the public administration carries out its duties. More than 70% of the ESF's resources have already been decided upon and allocated to certain projects and activities.

Estonia will receive **about 7 million Euros from the Fund for European Aid to the Most Deprived (FEAD)** to support food assistance. The operational programme combats food poverty by distributing food packages to disadvantaged people who are identified according to the criteria set by the Ministry of Social Affairs. The food is purchased and distributed at least twice a year. In 2015, the budget was 1.36 million Euros which was used to provide 708 tonnes of food assistance to around 26,600 people.

Most **Estonian people working abroad** were in craft and related trades workers typically working in the construction industry. The most popular destination country was Finland. Although the possible emerging trend of brain-drain was mentioned as one of the main threats facing Estonian society, the survey results<sup>1</sup> did not support this statement directly. Shortages of skilled workers may increase in the future given this group's stated preferences for working abroad.

The issue of **posted workers** has been poorly covered in Estonia. The Posted Workers Directive has been implemented in Estonian legislation. The changes introduced by this directive were not supported by the Estonian Employers' Confederation and the European Union Affairs Committee as they found the changes limiting the principle of free movement of people and services.

The organisations representing employers, employees and civil society organisations support the discussion about the **European Pillar of Social Rights**. They also stress the need for an impact analysis of the Pillar, draw attention to the fact that the differences between the development level of the Member States should be taken into account, and warn that if not implemented properly, the companies and jobs may leave the EU, thereby decreasing the competitive power of the EU.

In the field of employment and social issues, Estonia will focus its **Presidency** on:

- modernising the rules for the promotion of labour mobility and free movement of people;
- ensuring equal opportunities in the labour market and combatting social inclusion; and
- securing a more sustainable environment.

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<sup>1</sup> For example Anniste, K., Tammaru, T., Pungas, E. & Paas, T. (2012) Emigration after EU Enlargement: Was There a Brain Drain Effect in the Case of Estonia? Tartu: University of Tartu, Faculty of Economics and Business, Administration, Working Paper Series, 87, 1–20 and Tarum, H. (2014). Eesti tööealise elanikkonna väljarändepotentsiaal aastal 2013. Sotsiaalministeeriumi toimetised nr 2/2014



## 2. RECENT DEVELOPMENTS IN EMPLOYMENT AND SOCIAL AFFAIRS

### 2.1. Introduction

The Estonian economy has been characterised by slow but steady GDP growth over the last three years. During the recovery period GDP increased remarkably (by 7.5% in 2011 and by 4.3% in 2012) but the increase then slowed (to 1.5% in 2015 and 1.7% in 2016).

Although the Estonian economy has recovered quickly from the economic crisis, there are several challenges and issues related to the labour market and social situation that need close attention, such as:<sup>2</sup>

- 1) the highest unadjusted gender pay gap in the EU (26.9% in Estonia, EU average 16.3% in 2015);<sup>3</sup>
- 2) low minimum wage level in the EU (however, in recent years the minimum wage has increased significantly in Estonia and in 2017 Estonia ranks 13<sup>th</sup> among 22 EU countries that have set statutory minimum wage; minimum wage is 470 Euros in Estonia in 2017);<sup>4</sup>
- 3) a high share of those receiving incapacity for work benefit (10% of the working age population in 2015);
- 4) a gradual increase in the population living in poverty or social exclusion (from 21.7% in 2010 to 26% in 2014, a slight decrease to 24.2% was seen in 2015 in Estonia);<sup>5</sup>
- 5) a continuous decrease in spending on social protection (spending decreased from 19% of the GDP in 2009 to 15% in 2014, one of the lowest levels in the EU) and social safety nets in Estonia do not provide adequate income support. The spending is particularly low on pensions (7.6% of the GDP in Estonia in 2014, compared with an EU average of 12.9%).<sup>6</sup>

In this chapter we will give a short overview of the developments in employment and social affairs in Estonia over the last three-years (and where relevant, over a longer time period is covered). All aforementioned problems are addressed as well.

### 2.2. Employment and unemployment

Estonia is characterised by high labour market participation and employment rates. In 2016 the employment rate for the age group 20-64 years was 76.6%, the sixth highest in the EU after Sweden (81.5%), Germany (78.7%), the UK (77.7%), Denmark (77.4), and the Netherlands (77.1). The EU-28 average was 70.1%<sup>7</sup> (see

During the recession Estonia reached one of the highest rate of youth unemployment in Europe (increasing from 12% in 2008 to 33% in 2010, see **Error! Not a valid bookmark**

<sup>2</sup> European Commission staff working Document. Country Report Estonia 2016. Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_estonia\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_estonia_en.pdf).

<sup>3</sup> Gender pay gap statistics, Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender\\_pay\\_gap\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics).

<sup>4</sup> Minimum wage statistics, Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Minimum\\_wage\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Minimum_wage_statistics).

<sup>5</sup> People at risk of poverty and social exclusion, Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/People\\_at\\_risk\\_of\\_poverty\\_or\\_social\\_exclusion](http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion).

<sup>6</sup> Social protection statistics, Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Social\\_protection\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Social_protection_statistics).

<sup>7</sup> Eurostat data, <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tesem010&plugin=1>.

**self-reference.**), the situation stabilised rapidly such that the youth unemployment rate has decreased steadily over recent years. Despite the speedy recovery, the youth unemployment level remains higher than before the crisis, is higher than those in the prime-age population, indicating the presence of barriers for youth in their entry to labour market. Higher education provides youth in Estonia with a certain protection against unemployment, although the economic crisis affected young people with higher education as well.

A recent study finds that the case of Estonian youth is better characterised as an insider-outsider labour market – those inside are likely to remain there, while those having difficulty entering face a high risk of staying out for a longer period. The latter also relates to the finding that only a minor share of employed youth in Estonia feel threatened by possible job loss in the near future. In Estonia, only slightly more than half of the first three years after graduation – the early career stage – is spent in full employment. This is among the lowest indicators in Europe. Next to full-time employment, the second most common career trajectory is (long-term) unemployment.

Table 1). The economic recession and recovery has been much more notable in the Estonian labour market compared with the EU average. The employment rate almost reached the pre-crisis level in 2016.

The unemployment rate has significantly decreased during the recovery from the crisis: from 16.7% in 2010 (12.3% in 2011 and 10% in 2012) to 6.2% in 2015 and 6.8% in 2016.<sup>8</sup>

In Estonia, the long-term unemployment rate is low, about 2% (the EU-28 average was 4%, see During the recession Estonia reached one of the highest rate of youth unemployment in Europe (increasing from 12% in 2008 to 33% in 2010, see **Error! Not a valid bookmark self-reference.**), the situation stabilised rapidly such that the youth unemployment rate has decreased steadily over recent years. Despite the speedy recovery, the youth unemployment level remains higher than before the crisis, is higher than those in the prime-age population, indicating the presence of barriers for youth in their entry to labour market. Higher education provides youth in Estonia with a certain protection against unemployment, although the economic crisis affected young people with higher education as well.

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<sup>8</sup> Statistics Estonia data base, [www.stat.ee](http://www.stat.ee).

Table 1). That said, the share of long-term unemployed among is high – about one third. Although this figure has decreased considerably over recent years (in 2011 about 57% of unemployed people were long-term unemployed), there are several reasons why the long-term unemployed people form a particularly vulnerable socio-economic group. They have a much higher risk of poverty compared with those in employment and/or short-term unemployment. A longer unemployment period will devalue a person's human capital gained through previous work and education, and the person may lose the habit of working. Employers are sometimes rather sceptical about the working abilities of long-term unemployed people.<sup>9</sup>

During the recession Estonia reached one of the highest rate of youth unemployment in Europe (increasing from 12% in 2008 to 33% in 2010, see **Error! Not a valid bookmark self-reference.**), the situation stabilised rapidly such that the youth unemployment rate has decreased steadily over recent years. Despite the speedy recovery, the youth unemployment level remains higher than before the crisis, is higher than those in the prime-age population, indicating the presence of barriers for youth in their entry to labour market. Higher education provides youth in Estonia with a certain protection against unemployment, although the economic crisis affected young people with higher education as well.

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<sup>9</sup> Long-term unemployment has significantly decreased. Statistics Estonia News release No 88, 14.08.2015. <http://www.stat.ee/news-release-2015-088?highlight=long-term,unemployed>.

<sup>10</sup> okicka,M., Klobuszewska,M., Palczynska, M., Shapoval, N., Stasiowski, J. Composition and cumulative disadvantage of youth across Europe. EXCEPT Working Paper No. 1, November 2015, [http://www.except-project.eu/files/filemanager/files/WP1\\_Composition\\_and\\_cumulative\\_disadvantage\\_V5.pdf](http://www.except-project.eu/files/filemanager/files/WP1_Composition_and_cumulative_disadvantage_V5.pdf). News release introducing the main findings of the study in Estonian context: <http://www.except-project.eu/news-and-events/introduction-of-except-wp1-results-at-a-stakeholder-event-and-in-estonian-media/id/17>.

**Table 1: Employment and unemployment indicators in Estonia and in the EU-28.**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Employment rate, %, age group 20-64</b>									
<b>EU-28</b>	70.3	69	68.6	68.6	68.4	68.4	69.2	70.1	71.0
<b>EE</b>	77.1	70	66.8	70.6	72.2	73.3	74.3	76.5	76.6
<b>Unemployment rate, %, age group 15-74</b>									
<b>EU-28</b>	7	9	9.6	9.7	10.5	10.9	10.2	9.4	8.5
<b>EE</b>	5.5	13.5	16.7	12.3	10	8.6	7.4	6.2	6.8
<b>Number of unemployed, thousand, age group 15-74</b>									
<b>EE</b>	37.8	93.1	113.9	84.8	68.5	58.7	49.6	42.3	46.7
<b>Youth unemployment rate, %, age group 15-24</b>									
<b>EU-28</b>	15.6	19.9	21	21.7	23.2	23.7	22.2	20.3	18.7
<b>EE</b>	12	27.4	32.9	22.4	20.9	18.7	15	13.1	13.4
<b>Number of young unemployed, thousand, age group 15-24</b>									
<b>EE</b>	9.4	19.8	22.1	15.3	13.7	11.4	8.4	7.4	7.6
<b>Youth unemployment rate, highest educational level attained: primary or less or lower secondary, %, age group 15-24</b>									
<b>EU-28</b>	21.8	26.2	27.7	28.8	31	31.5	30.3	28.0	26.5
<b>EE</b>	18.4	43.9	46.4	30.8	32.2	22.7	20.1	17.2	21.8
<b>Youth unemployment rate, highest educational level attained: upper secondary and post-secondary non-tertiary, %, age group 15-24</b>									
<b>EU-28</b>	13.0	17.1	18.3	18.9	20.4	21	29.9	18.1	16.5
<b>EE</b>	10.2	24.4	31.2	20.9	18.5	17.9	13.8	12.4	11.4
<b>Youth unemployment rate, highest educational level attained: tertiary, %, age group 15-24</b>									
<b>EU-28</b>	11.7	15.5	16.3	16.9	18.1	18.9	16.6	15.4	13.8
<b>EE</b>	...	...	19.1	15.8	...	16.4	...	...	...
<b>Long-term unemployment rate, %, age group 15-74</b>									
<b>EU-28</b>	2.6	3	3.8	4.1	4.6	5.1	5	4.5	4.0
<b>EE</b>	1.7	3.7	7.6	7.1	5.5	3.8	3.3	2.4	2.1
<b>Number of long-term unemployed, age group 15-74</b>									
<b>EE</b>	11.8	25.4	51.6	48.6	37.4	26.1	22.5	16.2	14.8
<b>Share of long-term unemployed among all unemployed, %</b>									
<b>EE</b>	31.2	27.3	45.3	57.3	54.6	44.5	45.4	38.3	31.7
<b>Share of NEET young, %, age group 15-29</b>									
<b>EU-28</b>	13.1	14.7	15.2	15.4	15.8	15.9	15.4	14.8	14.2
<b>EE</b>	11.4	18.3	18.1	14.7	15.1	14.3	13.8	12.5	13.8
<b>Number of NEET youth, thousand, age group 15-29</b>									
<b>EE</b>	33.3	51.2	49.3	39.0	38.8	35.6	33.6	29.2	31.7

Source: Eurostat, Statistics Estonia

In addition to the unemployment rate, another significant indicator of labour market exclusion for young people is the share of young people who are not in employment, education or training (NEET youth). The EU average share of NEET youth among the population aged 15–29 has been largely stable during 2004–2016. However, in Estonia, the indicator rose remarkably in 2009 and 2010, when the share was approximately 18%. By 2016, the share of NEET youth had dropped to 13.8%, which was slightly below the EU average. Despite this decrease, this means that there are still almost 32,000 young people not working and learning in Estonia. However, this does not mean that they are at risk of discouragement. Kaspar Oja, an economist at the Bank of Estonia, recently claimed that of the 30,000 NEET youth in 2015, 12,000 were at home with young children, 12,000 looking for a job, and 3,000–4,000 young people did not participate in the labour market due to health problems. Subsequently, only about 1,000 young people fell into the risk category as persons not hoping to find a job, i.e. are discouraged<sup>11</sup>. However, the Ministry of Social Affairs did not agree with this statement and found that in addition to 1,000 discouraged workers among the NEET population there were many more young people who needed help. According to the estimates of the Ministry of Social Affairs, about 10,000 NEET youth need state's help via youth guarantee system in order to help them to successfully enter into the labour market or education system<sup>12</sup>.

In Estonia special services are provided by the Estonian Unemployment Insurance Fund to support the skill-development of people with low levels of educational attainment. Several activities, including measures provided by the Unemployment Insurance Fund, are specifically targeted to NEET youth. The year 2017 is the “Year of the skills”,<sup>13</sup> an initiative not only targeted at young people, but to all those considered to be low-skilled. The aim of this is to draw the attention to the value of skills, with a particular focus on vocational skills, and life-long learning. The Ministry of Education and Research has a goal to provide free-of-charge training to 12,000 people. Among other measures, the state will start paying a subsidy to those people who study in formal education (§ 16 of the Employment Programme until 2020<sup>14</sup>). According to Saar et al (2014),<sup>15</sup> 44% of low-skilled young people participated in the non-formal education over the previous 12 months; this is much less compared with young people with higher education (69%). At the same time only a tenth of young people without professional education found that they would need a higher educational level. The reason is simple: the majority of them are engaged in jobs requiring average or lower level of skills, so they see no incentive to increase their educational level. Facing a decrease in working-age population and labour shortage in high-skilled jobs in Estonia, this poses challenges to the education and labour market policies.

During the crisis and subsequent recovery, labour market policies have played a substantial role in supporting employment in Estonia. As indicated above, Estonia was successful in stopping the fast unemployment increase and bringing people back to the labour market. Expenditure to labour market policies (hereinafter LMP) has increased considerably during

<sup>11</sup> Oja, K. Lost generation found. Äripäev, 16.02.2017. <http://www.aripaev.ee/arvamused/2017/02/16/kaspar-oja-kadunud-polvkond-on-leitud?kmi=40ADjSqdLrUtOIbmy85HqRfg5rw%3D>.

<sup>12</sup> Kiisler, V. The fight of numbers about inactive young people. Äripäev, 22.02.2017. <http://www.aripaev.ee/uudised/2017/02/22/numbrisoda-mitteaktiivsete-noorte-arvu-ule-sotsiaalministeerium-eesti-pank>.

<sup>13</sup> More information can be found here: <https://oskusteaasta.ee/year-of-skills/>

<sup>14</sup> Employment Programme 2017–2020. Decree of the Estonian Government, No 130, 17.11.2016.

<sup>15</sup> Saar, E., Unt, M., Lindemann, K., Reiska, E., Tamm, A. (2014) Oskused ja elukestev õpe: kellelt ja mida on Eestil oskuste parandamiseks õppida? (Skills and lifelong learning: from who and what Estonia could learn to improve the skills?). Ministry of Education and Research. [https://www.hm.ee/sites/default/files/oskused\\_ja\\_elukestev\\_ope\\_-\\_piaac.pdf](https://www.hm.ee/sites/default/files/oskused_ja_elukestev_ope_-_piaac.pdf) (in Estonian).

the last decade (see Table 2). The expenditures increased fastest in 2008 when Estonia faced the beginning of the economic recession – compared to 2007 the Labour Market Policies (LMP) expenditures quadrupled both in absolute terms and as a percentage of GDP. The increase continued until 2013 and has decreased after that.

**Table 2: LMP expenditures in Estonia 2008-2014**

	2008	2009	2010	2011	2012	2013	2014
<b>LMP expenditure (mil EUR)</b>	4.7	18.7	19.7	22.5	31.9	25.2	19.0
<b>LMP expenditure (% of GDP)</b>	0.03	0.13	0.13	0.14	0.18	0.13	0.10

Source: Eurostat

The number of Active Labour Market Policies (ALMP) services has also increased. On the eve of the crisis, 17 ALMP services were provided; however by 2017 this figure increased to almost 40. The labour market policies have been adopted in alignment to the needs and challenges of the labour market. For example, until 2015 the ALMP measures focused only on the individual needs of a person, but facing large-scale redundancy in Eastern Estonia, the Unemployment Insurance Fund designed a job creation subsidy as a special measure for this area to encourage the creation of new jobs in the Ida-Viru County. The impact of this measure has not yet been evaluated, but the Unemployment Insurance Fund has plans to do so in the next few years.

Another important development is related to employed people. In May 2017, the Estonian Unemployment Insurance Fund will start providing four new ALMP measures to people who are employed but need support to change their job or maintain their job because of either a lack of skills or outdated skills. In addition, measures are provided to employers to support them in finding employees with the skills they need and making necessary reorganisations. These four measures are:<sup>16</sup>

- support for participating in formal education system for employed person or registered unemployed persons who start vocational education, professional higher education or a bachelor degree at university;
- labour market training with training vouchers for those who are employed but at risk of losing a job;
- qualification acquiring support service for those employed who have passed training or the training supported by the training support; and
- training support for the employer in order to increase the workers' knowledge and skills when hiring workers and to support the workers to adjust to the changes in an employer's economic activities.

The budget for the employment program is 22.3 million Euros from the 1<sup>st</sup> of May 2017 to the 31<sup>st</sup> December 2017.

Increasing the digital skills of the population is considered important in Estonia. Jevgeni Ossinovski, the Minister of Health and Labour, recently declared that European countries

<sup>16</sup> Estonian government endorses 2017-2020 employment program. ERR News, 17.11.2016, <http://news.err.ee/v/business/5e5a6497-363c-43de-bb68-45587457baa8/estonian-government-endorses-2017-2020-employment-program>

need to invest more in the digital skills of workers<sup>17</sup>. The acquisition of basic ICT skills has been a priority both for individuals and the government as well as the private sector. By 2023, Estonia is aiming to raise the proportion of people with digital literacy to 95%. Several campaigns and training courses aimed at improving digital literacy, such as the computer and internet training programme “Come Along!”<sup>18</sup> have been organised on the initiative of the private sector and with the participation of the public sector.

Several steps have been taken in recent years to increase the digital skills of the population, reduce labour shortage in the ICT sector and increase the number of students enrolled in ICT studies in universities. For example, the Estonian IT Academy was established in 2012 in order to improve the quality of ICT training and increase its international competitiveness. The measure “Increasing digital skills 2014-2020” (budget 8.5 million Euros) is aimed at increasing jobs with high value-added effect and better competitive power of the people on the labour market. The measure is targeted towards increasing ICT skills of the grown-up population<sup>19</sup>. The Ministry of Economic Affairs and Communications is organising trainings aimed at increasing the IT-skills of the manufacturing sector workers<sup>20</sup>. The revisions of the Aliens Act that were approved in the summer of 2013, make it easier to employ highly-qualified foreign ICT specialists in Estonia. To ensure a new generation of ICT specialists, various campaigns promoting technological professions have been organised, often in cooperation between the public and private sectors. A SmartLabs<sup>21</sup> initiative was launched by several ICT sector companies in 2012 to support ICT related hobbies among children and teenagers aged 6 to 19<sup>22</sup>.

Considering demographic and labour market trends, combined with technological changes such as automatisisation and digitalisation of processes, the new working forms (like platform economy, telework, the increase of project-based work, freelance work, new types of working (job-sharing, worker-sharing, on-call work, ICT-based telework, etc), emergence of digital nomads and mobile work) and the ‘future jobs’ approach deserves attention in Estonia. They pose challenges to the education system to provide people with skills and knowledge that are necessary for labour market success, change the nature of industrial relations, and the role of the employer.

### 2.3. Poverty

According to the European Commission country report in Estonia,<sup>23</sup> social safety nets do not provide adequate income support. Spending on social protection as a percentage of GDP in Estonia is one of the lowest among EU-28 countries and has decreased continuously (spending decreased from 19% of the GDP in 2009 to 15% in 2014, one of the lowest in the

<sup>17</sup> Minister Ossinovski: European countries need to invest more in digital skills of workers. Ministry of Social Affairs news release, 7.03.2017, <https://www.sm.ee/en/news/minister-ossinovski-european-countries-need-invest-more-digital-skills-workers>.

<sup>18</sup> More information: <https://www.olekaasas.ee>

<sup>19</sup> More information: <https://www.mkm.ee/et/eesmargid-tegevused/infouhiskond/digitaalse-kirjaoskuse-suurendamine-2014-2020>

<sup>20</sup> Ministry of Economic Affairs and Communication supports the IT-trainings of the manufacturing sector workers. Ministry of Economic Affairs and Communication news release, 7.01.2017, <https://www.mkm.ee/et/uudised/majandus-ja-kommunikatsiooniministeerium-toetab-toostussektori-tootajate-it-koolitusi>.

<sup>21</sup> <https://nutilabor.ee>

<sup>22</sup> Digital Agenda 2020 for Estonia. Ministry of Economic Affairs and Communications, [https://e-estonia.com/wp-content/uploads/2014/04/Digital-Agenda-2020\\_Estonia\\_ENG.pdf](https://e-estonia.com/wp-content/uploads/2014/04/Digital-Agenda-2020_Estonia_ENG.pdf).

<sup>23</sup> European Commission staff working Document. Country Report Estonia 2016. Including an In-Depth Review on the prevention and correction of macroeconomic imbalances, [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_estonia\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_estonia_en.pdf).



EU, see Table 3: Social protection expenditures as a % of GDP in Estonia and the EU, 2008–2014). Spending is particularly low on pensions (7.6% of the GDP in Estonia in 2014, the EU average was 12.9%).<sup>24</sup> This positions Estonia as the fifth lowest regarding spending on pensions in the EU, while the share of people receiving old-age pensions is about 3% lower than the EU on average.

**Table 3: Social protection expenditures as a % of GDP in Estonia and the EU, 2008–2014**

	2008	2009	2010	2011	2012	2013	2014
<b>EU-28</b>	25.9	28.7	28.6	28.3	28.7	28.9	28.7
<b>Estonia</b>	14.7	18.8	17.6	15.6	15.0	14.9	15.1

Source: Eurostat

In recent years the minimum wage increase has been remarkable (470 Euros in 2017) and has exceeded the average wage growth (see Table 4: **Minimum wage, average wage and unemployment allowance in Estonia, 2008–2016**). However, in contrast, the unemployment allowance is low, less than one third of the minimum wage and not everyone who is registered unemployed is entitled to the allowance. According to the Unemployment Insurance Fund, in February 2017, around 25% of those registered unemployed received the unemployment allowance and a third received unemployment insurance benefit.

**Table 4: Minimum wage, average wage and unemployment allowance in Estonia, 2008–2016**

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Minimum wage</b>	278	278	278	278	290	320	355	390	430
<b>Average wage</b>	825	784	792	839	887	949	1005	1065	1146
<b>Unemployment allowance</b>	65	65	65	65	65	101	112.2 2	124.3 1	136.7 1
<b>Minimum wage/average wage (%)</b>	33.7	35.5	35.1	33.1	32.7	33.7	35.3	36.6	37.5
<b>Unemployment allowance/minimum wage (%)</b>	23.4	23.4	23.4	23.4	22.4	31.6	31.6	31.9	31.8

Source: Statistics Estonia, Unemployment Insurance Fund, own calculations

The most severe problem in Estonian society is poverty. About a quarter of Estonian population, more than 300,000 people were at risk of poverty and social exclusion in Estonia in 2015, a level comparable to the EU-28 average (see Table 5).

<sup>24</sup> Social protection statistics, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Social\\_protection\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Social_protection_statistics).

Eurostat,

<http://ec.europa.eu/eurostat/statistics->

**Table 5: People at risk of poverty or social exclusion in Estonia and in the EU-28**

	2008	2009	2010	2011	2012	2013	2014	2015
People at risk of poverty or social exclusion, % of population								
<b>EU-28</b>			23.7	24.3	24.7	24.6	24.4	23.7
<b>EE</b>	21.8	23.4	21.7	23.1	23.4	23.5	26	24.2
People at risk of poverty or social exclusion, thousand persons								
<b>EE</b>	291	312	289	307	311	313	338	315

Source: Eurostat, Statistics Estonia

In Estonia the relative poverty rate is a widely used indicator to measure the risk of poverty. A person is considered as living in relative poverty (also called the income poverty) if his or her household's equalised disposable income – household income divided by the sum of consumption weights of household members – is below the at-risk-of poverty threshold. The at-risk-of-poverty threshold is at 60% of the median equalised yearly disposable income of household members. In 2015 (the last year that relative poverty data is available for Estonia), a person was considered at risk of poverty if his/her monthly equalised disposable income was below 429 Euros.

In 2015, 21.3% of the Estonian population lived in relative poverty. The risk of poverty is not similar for all socio-economic groups: A much higher share of the elderly compared to younger age groups live in poverty and, in 2015, the poverty rate for the elderly increased further, while it decreased for younger age groups. Both single and elderly people form a particular risk group for poverty: 78% of single elderly (aged 65 or older) lived in relative poverty in 2015. In comparison, the relative poverty rate for a single person aged under 65 years was 34.1%, less than 65-year-old couples without children 11.4%, for a household without children 26%, and for a household with children 16.2% (for a couple with one child 14%, with two children 12.4% and three or more children 26.7%).

The level of education significantly affects the risk of falling into poverty. In 2015, the poverty rates of persons with higher education were almost three times lower than the equivalent for persons with basic education or lower. Amongst persons with basic education or lower, every third person was in the poorest and only every fourteenth in the richest income quintile. At the same time, one third of people with higher education belonged to the richest fifth.<sup>25</sup> Unemployed people are at a greater risk of poverty in Estonia: almost half of unemployed person lives in relative poverty and a third suffer from material deprivation. The relative poverty rate amongst the unemployed has been relatively stable since 2010.

<sup>25</sup> Last year every fifth person in Estonia lived in relative poverty. Statistics Estonia News release 140, 15.12.2016, <https://www.stat.ee/news-release-2016-140>.

**Table 6: Relative poverty rate in Estonia, % of the group**

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Total</b>	19.7	15.8	17.5	17.5	20.7	21.8	21.6	21.3
<b>By age group</b>								
<b>Age 0-17</b>	20.6	17.3	19.5	17	18.5	19.7	20	18.5
<b>Age 18-64</b>	15.8	15.6	18	17.7	19.7	19.4	17.9	16.5
<b>Age 65+</b>	33.9	15.1	13.1	17.2	27	32.6	35.8	40.2
<b>By employment status</b>								
<b>Employed</b>	8.1	6.4	7.9	8.3	10.9	11.8	10	9.2
<b>Unemployed</b>	55.2	46.7	52.1	55.5	51.9	54.4	54.8	49.2
<b>By highest level of education attained</b>								
<b>Primary</b>	32.3	24.5	25.7	26.6	30.5	33	36	34.8
<b>Secondary</b>	20.5	17.8	19.4	20.1	22.6	24.4	23.6	24.1
<b>Tertiary</b>	7.9	6	7.5	8.7	12.9	14.6	12.9	12.4

Source: Statistics Estonia

## 2.4. Recent reforms

The Estonian Government is planning or currently implementing several reforms in order to counter problems and challenges currently existing in the country. The most important are the Work Ability Reform, Pension Reform, Income Tax Reform, and Parental Leave System Reform.

The Estonian Government has recently attempted to address the problem of having the **highest gender pay gap in the EU** (26.9% compared to the EU average of 16.3% in 2015<sup>26</sup>). Recent studies<sup>27</sup> have found that in Estonia a large part of the gender pay gap is unexplained by characteristics like education, sector and occupation. The Estonian Government addressed this issue on the 10<sup>th</sup> April 2017, through Equal Pay Day. Jüri Ratas, Estonian Prime Minister, pointed out that as a society Estonia should see the gender pay gap as a significant societal problem and take clear steps to deal with it. According to the Prime Minister, important activities in decreasing the pay gap include contributing to women's support centres and victim support services, combating violence against women and domestic violence, as well as improving the availability of flexible parental leave, parental benefits and day-care spots.<sup>28</sup> The Minister of Health and Labour declared in April 2017 that one of the most efficient measures to decrease wage differences between men and women is making the wage gaps public in organisations.<sup>29</sup> Additionally, the Ministry of Social Affairs

<sup>26</sup> Gender pay gap statistics, Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender\\_pay\\_gap\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics).

<sup>27</sup> Espenberg, E., Aksen, M., Lees, K., Puolokainen, T. Palgaerinevuste statistika parem kättesaadavus: soolise palgalõhe analüüs (Better availability of the wage difference statistics: the analysis of the gender pay gap). University of Tartu, 2014, [http://skytte.ut.ee/sites/default/files/ec/palgalohe\\_uuring\\_loppraport.pdf](http://skytte.ut.ee/sites/default/files/ec/palgalohe_uuring_loppraport.pdf).

<sup>28</sup> Ratas: Gender pay gap is a significant public problem. Ministry of Social Affairs News, 10.04.2017, <https://valitsus.ee/en/news/ratas-gender-pay-gap-significant-public-problem>.

authorised the Labour Inspectorate to start checking tax data and auditing companies to make sure women and men are paid the same amount of money for the same kind of work.<sup>30</sup>

The **Work Ability Reform** started on the 1<sup>st</sup> January 2016 and is aimed at addressing the shortcomings of the previous inefficient and costly incapacity for work scheme. Major innovations of the reform are: (a) a new procedure for assessing ability to work; (b) a broader set of active labour market services to help people enter the labour market under the scheme, such as counselling, training, work-related rehabilitation and a travel-to-work allowance; and (c) changes in the financial support scheme.<sup>31</sup> The goal is to change people's attitudes towards those with decreased working capacity and help them find and secure employment. On the 1<sup>st</sup> July 2016, the Unemployment Insurance Fund launched the working capacity assessment of people with decreased working capacity and the payment of working ability allowance. The Estonian Unemployment Insurance Fund started providing several new services designed specifically for people with decreased working capacity in January 2016. The measures can be divided into two groups:

- services for people with decreased working capacity:<sup>32</sup> assistance in job interviews, protected employment, peer support, working with support person, work rehabilitation, lending assistive work equipment, commuting benefits, travel cost compensation for accompanying person, support for continuation of employment; and
- services for employers of people with decreased working capacity:<sup>33</sup> advising and training, wage subsidy, adjustment of workspaces and work equipment, compensation of employee's training costs, social tax compensation for a person with decreased working ability.

**Pension Reform**<sup>34</sup> is aimed at guaranteeing a minimum pension to keep people from slipping into poverty after they retire, pertinent as the Estonian population is both getting older and shrinking meaning the number of working citizens paying social tax per pensioner is decreasing. Estonia's old-age pension system is based on a three-pillar classification. The second and third pillars are where people collect money all their working lives, with the second depending on social tax and being obligatory for anyone born in 1983 or later and the third pillar depends on an individual's voluntary contributions. The aforementioned reform concerns the first pillar. This part of an individual's eventual retirement income doesn't depend on voluntary or obligatory contributions to a personal fund, but is financed out of social tax revenue. The government has decided to tie the first pension pillar to years worked instead of level of income. Changes will not concern today's pensioners or existing pension units. The latter will not be recalculated, while pensions will be calculated based solely on the seniority component from 2037. The reform will also make it possible to choose when to retire, take out only a part of pension, freeze pension payments and resume them at will. The national retirement age will be tied to average life expectancy in 2027 to keep the

<sup>29</sup> Ossinovski: avaliku sektori palgavahemikud olgu organisatsioonide sees avalikud. Ministry of Social Affairs News, 10.04.2017, <https://www.sm.ee/et/uudised/ossinovski-avaliku-sektori-palgavahemikud-olgu-organisatsioonide-sees-avalikud>.

<sup>30</sup> Government working on bill to enforce equal pay. ERR News, 17.04.2017, <http://news.err.ee/590275/government-working-on-bill-to-enforce-equal-pay>.

<sup>31</sup> Work Ability Reform, Ministry of Social Affairs, <http://www.sm.ee/en/work-ability-reform>.

<sup>32</sup> For more details, see <https://www.tootukassa.ee/eng/content/work-ability-reforms/services-people-decreased-working-ability>.

<sup>33</sup> For more details, see <https://www.tootukassa.ee/eng/content/work-ability-reforms/services-employers-people-decreased-working-ability>.

<sup>34</sup> <https://www.sm.ee/et/uudised/pensionireform-muudab-pensionid-solidaarsemaks>, <http://sm.ee/et/eesti-pensionisusteemi-uuendamise>, <http://news.err.ee/120508/government-s-pension-reform-no-move-towards-welfare-state>, <http://news.postimees.ee/3987279/pension-to-depend-on-years-worked>

pension system in line with demographic developments and make it possible to pay equivalent pensions as the population shrinks. In addition, the special pensions of Defence Forces members, prosecutors, police and border guard officials will be abolished from 1<sup>st</sup> January 2020. All current special pensions and those of people who take office before 31<sup>st</sup> December 2019 will be retained.

The **Income Tax Reform** is aimed at decreasing in-work poverty. The income tax exemption rate will significantly increase. Starting from 2018 the income tax exemption rate will be 500 Euros (180 Euros in 2017).

The **Parental Leave System Reform** is aimed at making the system more flexible and less complicated, supporting the increase of births, participation of parents in the labour market and favouring the division of parental tasks between parents. They would also hopefully contribute to the decreasing gender pay gap by not keeping women with young children away from the labour market for a long time. As part of the plan, the present rule of 140-days of maternity leave, 10-days of paternity leave and leave for caring for a child up to three-years old as well as the 140-day maternity allowance, 10-day paternity allowance and 435-day parental allowance would be merged together. The flexibility would be achieved by giving the parent the right to discontinue parental leave and then use it one or several days at a time if necessary. The right to parental benefits would be preserved when the parent is simultaneously earning income from other sources as well. The period during which parental leave entitlements can be used would end, and unused entitlements scrapped when the child reaches three years of age. The Ministry of Social Affairs has also proposed plans that enable both parents to take up to 30 days of paid childcare leave annually per child up to eight years of age. The allowance paid to the parent during the additional child leave period would equal 50 percent of the parent's income taxed with social tax during the previous calendar year. The more balanced distribution of family-related obligations is encouraged by setting aside an exclusive right to one month of parental leave for the father. The personal entitlement of the father would be added to the present duration of parental leave, meaning that parental allowance would be paid for 575 days or until the child reaches 19 months old. If the father relinquishes the right to parental leave, the same entitlements cannot be used by the other parent and will be cancelled.<sup>35</sup>

The Government also increased the benefits for families with many children. From 1 July 2017 the benefit for families with 3 children will be 300 Euros (with child allowance, in total 500 Euros per month for such families) and for a family with 7 or more children 400 Euros (with child allowance, in total 1000 Euros per month for such families).

## 2.5. Situation of migrant workers

In 2016, there were about 36,800 workers with Russian citizenship, 43,000 workers with indefinite citizenship, and 9,300 workers with other citizenship. Altogether 13.8% of total

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<sup>35</sup> Minister proposes streamlining Estonia's parental leave, benefits system. ERR News, 10.02.2017, <http://news.err.ee/120633/minister-proposes-streamlining-estonia-s-parental-leave-benefits-system>. An overview of the most important activities of the Government's first 100 days, [https://valitsus.ee/sites/default/files/content-editors/failid/valitsuse\\_100\\_paeva\\_aruanne\\_3.03.2017.pdf](https://valitsus.ee/sites/default/files/content-editors/failid/valitsuse_100_paeva_aruanne_3.03.2017.pdf).

employed<sup>36</sup> The unemployment rate among workers with Russian citizenship was 11.6% and workers with indefinite citizenship 12.2%.<sup>37</sup>

The debate about migrant workers should become more important in the following years as the proportion of the labour force declines and one solution could be foreign workers. In their manpower requirements prognosis the Ministry of Economic Affairs and Communication has evaluated up to 2022 and predicts that every year about 12,000 workers retire because of age and other factors. Moreover, during the following ten years there will be a demand for about 22,500 professionals and while most of this demand will be covered by the local labour force, it will also be necessary to involve foreign workforce.<sup>38</sup>

According to the Police and Border Guard Board data, 1,659<sup>39</sup> people received a residence permit for work in 2015 (33,6% of total receiving residence permit) - a number that has grown during the last five years.<sup>40</sup> Governmental politics is in favour of promoting high-skilled labour immigration although the need for skilled labour is increasing.<sup>41</sup> In order to better integrate migrant workers, a good supply of different services is needed and most of these services should be electronic-based.<sup>42</sup> For example, Estonia is the first country to offer e-Residency – a digital identity that enables an e-resident to use the same digital services as Estonians: including digitally signing documents, establishing Estonian companies online, declare Estonian taxes online etc.<sup>43</sup> There is also a web-page “Work in Estonia” that provides information about both working in Estonia and coming to Estonia<sup>44</sup>.

To support high-skilled labour immigration the government has also changed the Aliens Act in January 2017. The changes include: workers of the ICT sector, workers in start-up enterprises and foreigners in start-up business are not subject to the immigration quota<sup>45</sup>; simplifications in the procedures for start-up enterprises such as visa application, short-term working registering, applying for residence permits for work or business etc.<sup>46</sup> The Estonian Employers' Confederation admits that since the population is declining the need for new workers, especially with higher qualification, is increasing. In addition, the rather low unemployment rate also indicates that the need for employees is increasing. According to the Employers' Confederation, the immigration limits are seen as an obstacle. Estonian Trade

<sup>36</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=TT136&ti=15%2D74%2DAASTASED+H%D5IVESEISUNDI%2C+HARIDUSTAS+EME+JA+ISIKUTE+R%DCHMA+J%C4RGI&path=../database/eri\\_valdkondade\\_statistika/loimumine/&search=TT136&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=TT136&ti=15%2D74%2DAASTASED+H%D5IVESEISUNDI%2C+HARIDUSTAS+EME+JA+ISIKUTE+R%DCHMA+J%C4RGI&path=../database/eri_valdkondade_statistika/loimumine/&search=TT136&lang=2). Used in April 2017.

<sup>37</sup> Statistic Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=TT70&ti=T%D6%D6TUSE+M%C4%C4R+ISIKUTE+R%DCHMA+J%C4RGI&path=../database/eri\\_valdkondade\\_statistika/loimumine/&search=MIGRANT&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=TT70&ti=T%D6%D6TUSE+M%C4%C4R+ISIKUTE+R%DCHMA+J%C4RGI&path=../database/eri_valdkondade_statistika/loimumine/&search=MIGRANT&lang=2) Used in April 2017

<sup>38</sup> The Ministry of Economic Affairs and Communication [https://www.mkm.ee/sites/default/files/toojouprognosis\\_2022\\_lyhikirjeldus.pdf](https://www.mkm.ee/sites/default/files/toojouprognosis_2022_lyhikirjeldus.pdf)

<sup>39</sup> Note: this number represents only those who need residence permit. This means residents of third countries or people with unknown citizenship status.

<sup>40</sup> Police and Border Guard Board data <https://www.politsei.ee/et/search-results.dot>

<sup>41</sup> Asari, E-M., Maasing, H., Luik, E. (2015) Rakendusuuring: „Eestisse seaduslikult sissearännanud välismaalaste profiilide kaardistamine ning nende vastavus Eesti töajuturu vajadustele“ [https://www.siseministeerium.ee/sites/default/files/dokumendid/Uuringud/Kodakondsus\\_ja\\_r2nne/2015\\_profiilide\\_uuringu\\_lopparuanne.pdf](https://www.siseministeerium.ee/sites/default/files/dokumendid/Uuringud/Kodakondsus_ja_r2nne/2015_profiilide_uuringu_lopparuanne.pdf)

<sup>42</sup> Institute of Baltic Studies (2014) Uussisserandajate kohanemine Eestis: valikud ja poliitikaettepanekud tervikliku ja jatkusuutliku susteemi kujundamiseks. file:///C:/Users/Kasutaja/Downloads/TOF.pdf

<sup>43</sup> Estonian e-Residency <https://e-estonia.com/e-residents/about/>. Used in April 2017

<sup>44</sup> <https://www.workinestonia.com/>

<sup>45</sup> The immigration quota limits the number of aliens who can settle in Estonia. The Annual immigration quota shall not exceed 0.1% of the permanent population of Estonia annually. (Aliens Act <https://www.riigiteataja.ee/en/eli/ee/518112013013/consolide/current>)

<sup>46</sup> Uuest aastast joustuvad valismaalaste seaduse ja isikut toendavate dokumentide seaduse muudatused (2016) <https://www.siseministeerium.ee/et/uudised/uuest-aastast-joustuvad-valismaalaste-seaduse-ja-isikut-toendavate-dokumentide-seaduse>

Union Confederation agrees that immigration should be expanded within high value added sectors but not in other sectors in order to avoid postponing necessary reforms and underemployment among local people. Although illegal working among immigrant workers is a rather new problem in Estonia, the Police and Border Guard Board has discovered an increasing number of cases where working has not been registered. This can cause problems such as not paying attention to job safety and avoiding taxes<sup>47</sup>.

Evaluating the number of posted workers to Estonia is rather difficult, but one possibility is to use the form A1. In 2013, 2,998 A1 forms with Estonia as the receiving country were given out. This was about 0.5% of the total workforce.<sup>48</sup>

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<sup>47</sup> Pärigma, R. (2017) Tööandjad peavad välistöøjõudu palgates aina vähem kinni töötamise tingimustest <http://arileht.delfi.ee/news/uudised/tooandjad-peavad-valistoojoudu-palgates-aina-vahem-kinni-tootamise-tingimustest?id=77111122>

<sup>48</sup> [http://www.koda.ee/public/Seletuskiri\\_25\\_01\\_16\\_1\\_2.pdf](http://www.koda.ee/public/Seletuskiri_25_01_16_1_2.pdf)



### 3. UPTAKE AND FUNCTIONING OF EUROPEAN FUNDS

During the 2014–2020 budget period of the European Union, Estonia will receive 4.5 billion Euros as support from the structural and investments funds (European Regional Development Fund, European Social Fund, Cohesion Fund, European Agricultural Fund for Rural Development, European Maritime and Fisheries Fund). More than 0.5 billion Euros (587 million Euros) of the total sum is contributed by the **European Social Fund (ESF)**.<sup>49</sup>

The functioning and implementation of the European Social Fund in Estonia is in general terms defined in the Partnership Agreement for the use of European Structural and Investment Funds 2014–2020.<sup>50</sup> ESF is used to:

- promote employment and support labour mobility;
- promote social inclusion and combat poverty;
- invest in education, skills and life-long learning; and
- enhance institutional capacity and ensure efficient public administration.

More specifically, ESF support is directed towards carrying out the reform of the working ability assessment and benefit scheme, developing services to assist people in caring for children (e.g. the availability, flexibility and diversity of childcare services will be increased to reduce the burden of care on parents, and inequalities between men and women on the labour market), family members with special needs, and elderly family members (a growing need, considering the ageing of Estonia's population), finding and motivating young people who are not in education, employment or training (NEETs) and young people at risk of exclusion in order to guide them to acquire knowledge and skills or to enter the labour market, improving the quality of studies at all levels and in all forms of education, (which will also contribute to a reduction in drop-out rates); enhancing access to affordable, sustainable and high-quality health care and social services; and increasing the capacity of social partners to influence policies on matters concerning the interests of those whom they represent.

Concerning the implementation of ESF, it should be noted that more than 70% of its resources have already been decided (allocated for specific projects and activities) which is the highest result (according to the data from the spring of 2017) compared to other major EU funds in Estonia (e.g. ERDF and CF are below 40%). The actual spending is below 6% of the planned budget.<sup>51</sup>

In order to implement outcome-oriented structural instruments during the period of 2014–2020, a strategic evaluation programme has been prepared, covering the entire programme period and enabling to already foresee and collect data that is necessary for later-stage evaluations from the very beginning. For example the ex-ante evaluation of structural funds in Estonia has been carried out and there will be at least one interim evaluation of the effectiveness, efficiency, and impact of all priority axes during the programme period. The programme for evaluations is approved by the monitoring committee of the operational programme and it also monitors the performance of the schedule. The programme for evaluations is reviewed once a year at a meeting of the monitoring committee.<sup>52</sup>

<sup>49</sup> <https://cohesiondata.ec.europa.eu/countries/EE>, [http://www.struktuurifondid.ee/eng/implementation\\_1420](http://www.struktuurifondid.ee/eng/implementation_1420), <http://www.struktuurifondid.ee/et/oigusaktid/rakenduskava-2014-2020>

<sup>50</sup> [https://www.struktuurifondid.ee/sites/default/files/partnership\\_agreement\\_for\\_the\\_use\\_0.pdf](https://www.struktuurifondid.ee/sites/default/files/partnership_agreement_for_the_use_0.pdf)

<sup>51</sup> <https://cohesiondata.ec.europa.eu/countries/EE>

<sup>52</sup> <http://www.struktuurifondid.ee/et/hindamine>



The Youth Employment Initiative (YEI) is one of the main EU financial resources to support the implementation of Youth Guarantee schemes. It was launched to provide support to young people living in the regions where youth unemployment was higher than 25% in 2012. It exclusively supports young people who are NEETs, including long-term unemployed youngsters or those not registered as job-seekers. The YEI typically supports the provision of apprenticeships, traineeships, job placements and further education leading to a qualification.<sup>53</sup> Youth (people aged 15 to 24) unemployment in Estonia was below 25% (20.9%) in 2012<sup>54</sup>, meaning Estonia is not among the 20 member states that are eligible for the YEI.<sup>55</sup>

The **Fund for European Aid to the Most Deprived (FEAD)** supports EU countries' actions to provide material assistance to the most deprived. This includes food, clothing and other essential items for personal use, e.g. shoes, soap and shampoo. Material assistance needs to go hand-in-hand with social inclusion measures, such as guidance and support to help people out of poverty.<sup>56</sup>

The FEAD operational programme in Estonia aims to support the most deprived people by providing food assistance. The operational programme combats food poverty by distributing food packages to disadvantaged people, who are identified according to the criteria set by the Ministry of Social Affairs. The food is purchased and distributed at least twice a year.<sup>57</sup>

During the period of 2014–2020 Estonia will receive 7.1 million Euros from FEAD which means that the whole sum together with national co-financing allocated for food assistance for the most deprived people is about 8.9 million Euros. In 2015, the budget was 1.36 million Euros which was used to provide 708 tonnes of food assistance to about 26 600 people.<sup>58</sup>

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<sup>53</sup> <http://ec.europa.eu/social/main.jsp?catId=1176>

<sup>54</sup> Statistics Estonia

<sup>55</sup> First results of the Youth Employment Initiative - Final Report (<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7931>)

<sup>56</sup> <http://ec.europa.eu/social/main.jsp?catId=1089>

<sup>57</sup> <http://ec.europa.eu/social/main.jsp?catId=1239&langId=en&intPageId=3610>

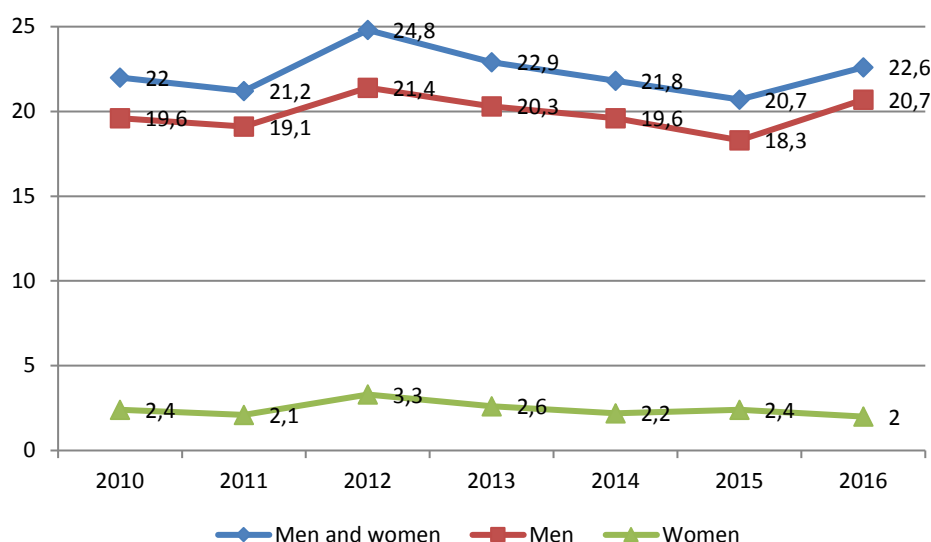
<sup>58</sup> <http://www.sm.ee/et/euroopa-abifond-enim-puudust-kannatavate-isikute-jaoks>

## 4. POSTING OF WORKERS AND RISKS OF 'BRAIN DRAIN'

Probably the most accurate dataset to estimate the number of Estonians working abroad is the Population and Housing Census (PHC) (the last one took place in 2011).<sup>59</sup> According to PHC 2011, the number of people working in a foreign country is almost 25,000 which is about 4,4% of total employed persons whose working place was known. This number has grown more than ten times in comparison with PHC 2000. This rapid growth can be explained by several reasons: Firstly, becoming a European Union Member State and opening borders as well as opening other states' labour market has simplified working abroad. Secondly, the wage level is remarkably higher in the main countries of work-related commuting. Other reasons include geographical proximity, good transport links and language-related and cultural similarities in a case of Finland.<sup>60</sup> Working abroad while living in Estonia does not have a direct influence on Estonia's demographic situation; however it does increase the likelihood of person actually settling down in a foreign country, which would have a significant influence on Estonia's population.<sup>61</sup> It is not uncommon to return to Estonia after working or studying abroad.

According to PHC (the most accurate database about Estonia's population) 2011, altogether 24,907 people worked in a foreign country. 20,727 of them were men and 4,180 women. However, Statistics Estonia evaluates the number of workers in a foreign country regularly based on the data collected with Estonian Labour Force Survey but we have to bear in mind that LFS is a sample survey. According to LFS, in 2016 the total number of workers in a foreign country was around 22,600 and most of them were men. The total number of workers in a foreign country decreased from 2012 to 2015 from 24,800 workers to 20,700 workers.

**Figure 1: Workers in a foreign country, 2010-2016, thousand**



**Source:** Statistics Estonia, LFS.

<sup>59</sup> The number of emigrated Estonians in the population register is underrated however; it is rather difficult task to keep account of those people who have moved abroad. This is due to the fact that an Estonian citizen should live in Estonia for at least 183 days a year to maintain his or her residence. However, because of the open borders between the European Union Member States it is difficult to determine the movement

<sup>60</sup> Krusell, S. (2013) Estonian citizens working abroad. Census snapshots. Statistics Estonia. file:///C:/Users/Kasutaja/Downloads/Pilte\_rahvaloendusest%20(1).pdf

<sup>61</sup> Krusell, S. (2015) Estonians Working Abroad. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

According to PHC 2011, the most popular destination country was Finland (15,140 workers; 61%), followed by Norway (1,872 workers; 8%), Sweden (1,532 workers; 6%) and Russia (1,357 workers; 5%)<sup>62</sup>. In comparison, in PHC 2000, the most popular destination country back then was Russia (696 workers, 26% from the total workforce in a foreign country), followed by Finland (662 workers, 25%)<sup>63</sup>. As more than half of workers abroad work in Finland, it is obvious that working in Finland has a major influence on the socio-economic profile of those people working abroad.<sup>64</sup> As Southern Finland is easily accessible; a joint cross-border economic area in Northern Estonia and Southern Finland has been created.<sup>65</sup>

The occupational structure of people working in a foreign country is different in comparison with workers' occupational structure in Estonia. Nearly half (47%) of those who worked in a foreign country were craft and/or related trades workers, in Estonia the share of craft and related trades workers in the total workforce was 13%. Altogether, those who work in a foreign country tend to be "blue-collar" workers: in addition to craft and related trades workers plant and machine operators and assemblers make up 17% of total foreign workforce.<sup>66</sup> The share of managers, professionals and technicians and associate professionals was considerably lower than in Estonia and "white-collar" positions were not well represented.

**Table 7: Employees by occupational position**

<i>Occupational position</i>	<i>Workplace in Estonia</i>	<i>Workplace in a foreign country</i>
Managers	11%	5%
Professionals	19%	6%
Technicians and associate professionals	16%	9%
Clerical support workers	6%	2%
Service and sales workers	14%	5%
Skilled agricultural, forestry and fishery workers	2%	2%
Craft and related trades workers	13%	47%
Plant and machine operators and assemblers	11%	17%
Elementary occupation	8%	8%

**Source:** Statistics Estonia, PHC 2011

<sup>62</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL013&ti=V%C4LISMAAL+H%D5IVATUD+T%D6%D6KOHA+RIIGI%2C+SOO+JA+VANUSER%DCHMA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku\\_majanduslik\\_aktiivsus/02hoivatud\\_ja\\_tooranne/&search=RL013&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL013&ti=V%C4LISMAAL+H%D5IVATUD+T%D6%D6KOHA+RIIGI%2C+SOO+JA+VANUSER%DCHMA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku_majanduslik_aktiivsus/02hoivatud_ja_tooranne/&search=RL013&lang=2). Used April 2017

<sup>63</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL425&ti=T%D6%D6TAV+RAHVASTIK+ELUKOHA+JA+T%D6%D6TAMISE+K OHA+J%C4RGI%2A&path=../database/Rahvaloendus/rel2000/09majanduslikult\\_aktiivne\\_rahvastik/&search=RL425&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL425&ti=T%D6%D6TAV+RAHVASTIK+ELUKOHA+JA+T%D6%D6TAMISE+K OHA+J%C4RGI%2A&path=../database/Rahvaloendus/rel2000/09majanduslikult_aktiivne_rahvastik/&search=RL425&lang=2). Used April 2017

<sup>64</sup> Krusell, S. (2015) Estonians Working Abroad. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

<sup>65</sup> Tammaru, T., Eamets R. (2015) Contemporary Emigration: Trends, Causes and Impact on Estonia's Development. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

<sup>66</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0167&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA+JA+AMETIALA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku\\_majanduslik\\_aktiivsus/02hoivatud\\_ja\\_tooranne/&search=RL0167&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0167&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA+JA+AMETIALA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku_majanduslik_aktiivsus/02hoivatud_ja_tooranne/&search=RL0167&lang=2). Used in April 2017

Most people working in a foreign country work in the construction industry (42%), while in Estonia only about 7% of employees work in the construction industry.<sup>67</sup> As nearly half of those working in a foreign country were in the construction industry the share of people in all other fields was lower than in Estonia. However, when omitting Finland from the analysis, wholesale and retail trade and the hospitality industry were the most popular fields of activity across all other destination countries, but the share of people employed in the construction sector was still higher than in Estonia.<sup>68</sup> This indicates that the most common reason for working abroad were financial reasons.

The share of people with higher education among people who worked abroad was about 23%, at the same time 43% of those who worked in Estonia had higher education. Most people who worked in a foreign country had both secondary and vocational education (36%<sup>69</sup>). However, if Finland was omitted from the analysis, the share of workers in a foreign country with higher education increased to 35% which is similar to the equivalent figure in Estonia.<sup>70</sup> PHC 2011 showed that people with higher education often worked abroad in positions that did not correspond to their educational level. For example, 38% of people with higher education worked as professionals in Estonia, while it was only 22% among those who worked abroad. What is more, the same figure among those who worked in Finland was 18%. One-tenth of people with higher education who worked in Finland were employed in elementary occupations, the same figure for those who worked in Estonia was 4%.<sup>71</sup> These results indicate the fact that brain-drain does not mean that people will get an equal position abroad. It has been established that the move on the career-ladder was downward in 42% of cases for men and 34% for women.<sup>72</sup>

Possible emerging trends of brain-drain were mentioned as one of the main threats to the cohesion of Estonian society in the Estonian Human Development Report 2014/2015. Brain-drain might be harmful for small countries where highly-qualified employees are valuable,<sup>73</sup> however, one analysis based on data from 2000-2008 showed that in the case of Estonia it is not statistically possible to confirm that this phenomena applies.<sup>74</sup> Moreover, Estonia is different from many other Eastern European countries as the share of emigrants with higher education is relatively low and the share of emigrants with basic education is low. What is more, at occupational level, managers and senior specialists are underrepresented and service staff and unemployed are overrepresented among emigrants.<sup>75</sup> Another survey

<sup>67</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0166&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA+JA+TEGEVUSALA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku\\_majanduslik\\_aktiivsus/02hoivatud\\_ja\\_tooranne/&search=RL0166&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0166&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA+JA+TEGEVUSALA+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku_majanduslik_aktiivsus/02hoivatud_ja_tooranne/&search=RL0166&lang=2). Used in April 2017

<sup>68</sup> Krusell, S. (2013) Estonian citizens working abroad. Census snapshots. Statistics Estonia. file:///C:/Users/Kasutaja/Downloads/Pilte\_rahvaloendusest%20(1).pdf

<sup>69</sup> Statistics Estonia [http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0165&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA%2C+SOO+JA+HARIDUSTASEME+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku\\_majanduslik\\_aktiivsus/02hoivatud\\_ja\\_tooranne/&search=RL0165&lang=2](http://pub.stat.ee/px-web.2001/dialog/varval.asp?ma=RL0165&ti=H%D5IVATUD+ELUKOHA%2C+T%D6%D6KOHA+ASUKOHA%2C+SOO+JA+HARIDUSTASEME+J%C4RGI%2C+31%2E+DETSEMBER+2011&path=../database/Rahvaloendus/rel2011/08rahvastiku_majanduslik_aktiivsus/02hoivatud_ja_tooranne/&search=RL0165&lang=2). Used in April 2017

<sup>70</sup> Krusell, S. (2013) Estonian citizens working abroad. Census snapshots. Statistics Estonia. file:///C:/Users/Kasutaja/Downloads/Pilte\_rahvaloendusest%20(1).pdf

<sup>71</sup> Krusell, S. (2015) Estonians Working Abroad. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

<sup>72</sup> Mötsmees, P. (2012). Välismaal töötamise mõju edasisele töökarjäärile. Tartu Ülikool. Presentation in 17.09.2012.

<sup>73</sup> Tammaru, T., Eamets R. (2015) Contemporary Emigration: Trends, Causes and Impact on Estonia's Development. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

<sup>74</sup> Anniste, K., Tammaru, T., Pungas, E. & Paas, T. (2012) Emigration after EU Enlargement: Was There a Brain Drain Effect in the Case of Estonia? Tartu: University of Tartu, Faculty of Economics and Business, Administration, Working Paper Series, 87, 1–20.

<sup>75</sup> Tammaru, T., Eamets R. (2015) Contemporary Emigration: Trends, Causes and Impact on Estonia's Development. Estonian Human Development Report 2014/2015. Estonian Cooperation Assembly. [http://www.kogu.ee/wp-content/uploads/2013/01/FINAL\\_EIA\\_2015\\_ENG.pdf](http://www.kogu.ee/wp-content/uploads/2013/01/FINAL_EIA_2015_ENG.pdf)

confirmed these results: the intention to start working abroad is more common among people with lower education; however the lack of skilled workers may increase as the intentions to emigrate remain high among this group.<sup>76</sup> The representatives of Estonian Employers' Confederation and Estonian Trade Union Confederation admit that the issue of brain-drain might continue to be a problem in some sectors, for example in health care. This is supported by the fact that according to Estonian Health Board (Terviseamet) during the first three months of 2017 already 27<sup>77</sup> health care workers applied for certificate to work in a foreign country. The total number for the last year was 66<sup>78</sup>.

Estonian Trade Union Confederation sees a strong link between the emigration of workers and the situation in Finnish economy. Since the GDP growth rate in Finland has been very low or negative during the recent years (and the situation in Estonia has improved after the recession), some Estonians who moved to Finland because of better job opportunities have come back to find jobs in Estonia. However, according to Trade Union Confederation data (received from AS Tallink Grupp<sup>79</sup>) the commuting between Estonia and Finland has remained on a high level which indicates that many Estonian workers still work in Finland but live in Estonia.

The government has created Compatriot's programme to support Estonians living in the foreign countries. The aim is to help them preserving Estonian language skills, maintain Estonian national culture and identity and providing assistance to those who are considering returning to Estonia<sup>80</sup>. One measure in this programme is return support for ethnic Estonians and Estonian citizens who have lived outside Estonia for 10 years or more.<sup>81</sup> However, the 10 year limitation excludes all emigrants who have left Estonia during the recent years which could be a problem as the number of emigrants who are considering returning but who have been living in a foreign country less than 10 years, is on the rise.<sup>82</sup> This issue is supported by the fact in 2015 was the first year since the restoration of Estonian independence in 1991, when immigration exceeded emigration. As 52% of immigrants and 69% of emigrants were citizens of Estonia, most of migration consisted back and forth movement of Estonian citizens.<sup>83</sup>

Another project to attract Estonians back to Estonia was "Talendid koju!" ("Talents back home!"). The aim was to help talented young people who have studied abroad in returning to Estonia. Through this project in 2009-2012, 27 "talents" have returned to Estonia, but moreover, the Ministry of Economic Affairs and Communication started coordinating national policies for international talent attraction.<sup>84</sup>

<sup>76</sup> Tarum, H. (2014). Eesti tööealise elanikkonna väljarändepotentsiaal aastal 2013. Sotsiaalministeeriumi toimetised nr 2/2014.

<sup>77</sup> We have to note that the number of certificates does not mean that all these people emigrated to a foreign country. According to the Health Board about 55-60% of the applicants start working in a foreign country. (<http://www.terviseamet.ee/tervishoid/tervishoiutoetoetaja-registreerimine/tervishoiutoetoetajate-migratsioon.html>)

<sup>78</sup> Leinus, H. (2017). Tervishoiutöötajad ihkavad taas välismaale <http://tervis.postimees.ee/4070975/tervishoiutöötajad-ihkavad-taas-valismaale>

<sup>79</sup> AS Tallink Grupp statistics for February 2017 <https://cns.omxgroup.com/cdsPublic/viewDisclosure.action?disclosureId=761311&messageId=955460>

<sup>80</sup> <https://www.hm.ee/en/activities/estonian-and-foreign-languages/programmes>

<sup>81</sup> Return support <http://www.integratsioon.ee/tagasiranne-eng>

<sup>82</sup> Aksel, M., Aruoja, K., Lees, K., Käger, M., Sammul, M., Vahaste-Pruul, S., Tatar, M., Themmas, A., Varblane, U. (2015) Rahvuskaslaste programmi mõju-uuring [http://skytte.ut.ee/sites/default/files/skytte/rahvuskaslastes\\_loppraport.pdf](http://skytte.ut.ee/sites/default/files/skytte/rahvuskaslastes_loppraport.pdf)

<sup>83</sup> Statistics Estonia (2016) Mullu ületas taasisesiseisvunud Eestis esmakordselt sisse- ja väljarände. Press release <https://www.stat.ee/pressiteade-2016-059>

<sup>84</sup> Riigikantselei. Talendid koju tulemuste lühikokkuvõte [https://riigikantselei.ee/sites/default/files/content-editors/TOF/TOF\\_strat\\_arendusprojektid/08\\_talendid\\_koju\\_projekti\\_luhikokkuvote.pdf](https://riigikantselei.ee/sites/default/files/content-editors/TOF/TOF_strat_arendusprojektid/08_talendid_koju_projekti_luhikokkuvote.pdf) Used in April 2017

The issue of posted workers has been poorly covered in Estonia. The **Posted Workers Directive** has been implemented in the Estonian legislation and the law that is adopting the posted workers directive is called: the Working Conditions of Workers Posted in Estonia Act.<sup>85</sup> <sup>86</sup> Before the changes of the directive it was not mandatory to declare workers posted in Estonia. Migration data was collected only on an aggregate level which did not differentiate posted workers.<sup>87</sup> However, as of 17<sup>th</sup> December 2016 the changing law of the Working Conditions of Workers Posted in Estonia Act passed into law the Labour Inspectorate (Tööinspektsioon) now collects data about posted workers to Estonia. Data about posted workers must be submitted to Labour Inspection by the employer.<sup>88</sup>

Data about workers posted to other countries is collected by the Social Insurance Board (Sotsiaalkindlustusamet) via the form A1 (previously E101 and only to EEA countries). However, this data does not cover the working conditions of those posted to other countries.<sup>89</sup> The number of posted workers in one country has dropped significantly during the last two years. On the other hand, the number of posted workers in enterprises with activity in two or more countries has grown rapidly. There has been around 15,000 posted workers altogether during last years.

**Table 8: Posted workers 2010-2015**

<i>Posted workers/ year</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
Total posted workers in one country	13,907	15,511	14,889	11,689	7,147	5,415
International transportation	300	289	386	244	NA	NA
Activity in two or more countries	2,297	3,159	3,125	3,804	7,654	9,672
Other	NA	NA	206	190	253	276
Altogether	16,504	18,959	18,606	15,927	15,054	15,363

**Source:** Social Insurance Board

Most posted workers in 2015 were posted to Finland (3,282 workers), followed by Norway (749 workers), Germany (357 workers), Sweden (323 workers) and France (227 workers).<sup>90</sup>

<sup>85</sup> Osila, L., Nurmela K. (2010) Estonia: Posted workers.  
<https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/estonia/estonia-posted-workers>

<sup>86</sup> <https://www.riigiteataja.ee/akt/727124?leiaKehtiv>

<sup>87</sup> Osila, L., Nurmela K. (2010) Estonia: Posted workers.  
<https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/estonia/estonia-posted-workers>

<sup>88</sup> <https://www.grantthornton.ee/insights-landing-page/eestisse-lahetatud-tootajad-tuleb-tooinspektsioonis-registreerida/>

<sup>89</sup> Osila, L., Nurmela K. (2010) Estonia: Posted workers.  
<https://www.eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/estonia/estonia-posted-workers>

<sup>90</sup> <https://www.sotsiaalkindlustusamet.ee/et/organisatsioon-kontaktid/statistika-ja-aruandlus#T%C3%B5endi%20A1%20v%C3%A4ljastamise%20statistika>. Used in April 2017



Most posted workers in 2015 worked in the manufacturing industry (altogether 12,691 workers) and most of them were employed in the construction industry (9,457 workers). This is similar to other European countries where 42% of all postings in 2014 were also concentrated on the construction sector.<sup>91</sup>

**Table 9: Posted workers by the field of activity**

<i>Field activity</i>	<i>of Agriculture, forestry, fishery, mining industry</i>	<i>Total manufacturing industry</i>	<i>Construction</i>	<i>Service activities</i>	<i>Total</i>
Total posted workers in one country	433	4174	3,054	808	5,415
Activity in two or more countries	316	8,493	6,385	863	9,672
Other	NA	24	18	252	276
Altogether	749	12,691	9,457	1,923	15,363

**Source:** Social Insurance Board

The **Estonian Employers' Confederation** did not support some changes of the Posted Workers directive draft, and more precisely: the confederation opposed to limiting the maximum stay (24 months). The confederation stated that this limitation could cause arguments in cases where it is the exact same position that the worker was posted. They also did not approve of making mandatory work related compensation payments. The third change the confederation did not approve of was related to change that would oblige employers to subcontract only those entrepreneurs that assure employees certain remuneration conditions as this change would increase the managerial load.<sup>92</sup> The European Union Affairs Committee did not approve the government's point of view about the directive, as the committee found the bill to be counter to subsidiarity and proportionality.<sup>93</sup> However, according to the Ministry of Social Affairs the European Union Affairs Committee later affirmed the government's point of view about the directive. The **Estonian Trade Union Confederation** stated that European Commission's initiative is actually in favour of employees as it eliminates discrimination of posted workers compared to the local workforce;

<sup>91</sup> Voss, E., Faioli, M., Lhernould J-P., Iudicone, F. (2016) Posting of Workers Directive – current situation and challenges. Study for the EMPL Committee [http://www.europarl.europa.eu/RegData/etudes/STUD/2016/579001/IPOL\\_STU\(2016\)579001\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2016/579001/IPOL_STU(2016)579001_EN.pdf)

<sup>92</sup> <https://www.employers.ee/seisukohad/tooandjad-ei-toeta-tootajate-lahetamise-direktiivi-muutmist/>

<sup>93</sup> <https://www.riigikogu.ee/en/parliament-of-estonia/committees/>

it guarantees member state's rights to design their rules for working and it equalises competition rules for domestic and foreign enterprises<sup>94</sup>.

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<sup>94</sup> Kukk, L. (2016) Ametiühingud kutsuvad riigikogulasi hääletama lähetatud töötajate võrdse sissetuleku poolt. <http://www.eakl.ee/ametiuhingud-kutsuvad-riigikogulasi-haaletama-lahetatud-tootajate-vordse-sissetuleku-poolt>



## 5. EUROPEAN PILLAR OF SOCIAL RIGHTS

In March 2016 the European Commission launched a public consultation to make an assessment of the present EU social *acquis*, to reflect on new trends in work patterns and societies and to gather views and feedback on the principles identified in a preliminary outline of the European Pillar of Social Rights.

Discussions about the European Pillar of Social Rights were more active in Estonia in autumn 2016. On 30<sup>th</sup> September 2016, a national debate entitled “European Pillar of Social Rights – what is the position of Estonia?” was organised by the European Economic and Social Committee, the Ministry of Social Affairs of Estonia, and the European Commission Representation in Estonia. Presentations by the Commission, the Estonian Ministry of Social Affairs, and the University of Tartu, were followed by a panel discussion with participation of the social partners and civil society representatives, including the Estonian Chamber of Disabled People and Network of Estonian Non-profit Organisations. The debate was a part of the public consultation on the European Pillar of the Social Rights and gave an input for developing the Estonian positions in this field.

According to the report summarising the Estonian position,<sup>95</sup> the main conclusions of the debate were the following: the rapidly changing nature of work due to ICT and technological developments will have an impact on social policy systems, which need to be adjusted to meet the future needs. The most discussed topics during the debate were the labour market relevance of education and skills, the need for intensified social dialogue in finding new solutions for effective social policy measures, and sustainability of social security systems in the light of ageing and declining population. Representatives from both employer groups and trade unions agreed that social system needs to be modernised and adjusted to meet the changing needs of working life in order to ensure efficient and financially sustainable support for people. Employers stressed the need to carry out credible analyses of the impact of the Social Rights Pillar on the economic performance and competitiveness. According to employers, the focus should be on labour market reforms, and on improving the skills and educational level of people. Trade unions were arguing for more rapid and upward convergence of social policies in the EU. They argued that stronger social policy and higher social standards across all EU Member States are a prerequisite for a strong economy and continuous political unity in the EU.

More specifically, the positions of the relevant stakeholders are as follows:

The **Estonian Trade Union Confederation (EAKL)** supports the discussion about social rights and has the opinion that the European Pillar of Social Rights should be as ambitious as possible. Since the EU faces difficult challenges – BREXIT, decreasing purchasing power and living standards of people in employment, atypical and insecure jobs among them – that need to be addressed at the same time, the expectations regarding the European Pillar of Social Rights are high to solve problems the EU is facing. EAKL also stresses that social rights need to be protected with the similar institutional eagerness and devotion to economic and fiscal rules. Convergence must result in an improvement of the situation for all those who are employed. The European Pillar of Social Rights must aim to positively influence social

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<sup>95</sup> National consultation events on the European Pillar of Social Rights - report from Estonia. [ec.europa.eu/social/BlobServlet?docId=16438&langId=ne](http://ec.europa.eu/social/BlobServlet?docId=16438&langId=ne).

protection all over Europe and must not equalise the situation by decreasing the standards. Additionally, EAKL has the following suggestions:

- The European Pillar of Social Rights should stress that permanent employment contracts are standard to be followed,
- The European Pillar of Social Rights should enact that when there are different ways to interpret the clause, the one favouring the employee should be applied,
- The European Pillar of Social Rights should not be limited to the eurozone, and should apply to all EU members. Control or directions regarding the eurozone could be used to help to improve social security systems,
- The European Pillar of Social Rights should stress the importance of the social dialogue and collective bargaining in policy development and implementation,
- The European Pillar of Social Rights should be based on the EU Charter of human rights and also ILO's standards should be valued,
- The structure, the scope and the division of the 20 policy areas of the European Pillar of Social Rights is acceptable. All three chapters are relevant but of particular importance are the first sub-topic of the first chapter (skills, education and lifelong learning) and second chapter (fair working conditions).

The **Estonian Chamber of Commerce and Industry (ECCI)** also supports the idea that the problems relating to social rights needs to be resolved. The European Pillar of Social Rights includes several issues that deserve attention, like better matching between the skills learnt and needed on the labour market, lifelong learning, youth employment, etc. ECCI also stresses that it is important to make an impact analysis (including impact of the economy and competitive power) to the European Pillar of Social Rights to find out the reasons of the problems and the most appropriate ways for solving them. After that it is possible to decide whether and how the European Pillar of Social Rights could be of use. ECCI does not support the idea that the focus is only on social rights and economic issues are kept in the background or entrepreneurship is restricted importantly. They stress that economic and social development are strongly related and if one of them is left in the background it will result in unfavourable developments in the other sphere as well. The Pillar of Social Rights can be fully useful only when it takes into account both spheres – economic and social dimension.

The ECCI also draws attention to the fact that the framework of social rights already exists in the EU, and it includes areas pointed out in the Pillar of Social Rights. Therefore, ECCI suggests that it is reasonable to take actions to better implement the existing regulations or to improve them in the light of new trends. It should be monitored that EU-level measures are taken only when they are needed and more effective compared to member state level measures. It is important to understand what the form of the European Pillar of Social Rights will be. ECCI stresses that the differences between Member States should be taken into account: different systems, development levels, traditions, etc of the Member States may make it impossible to make comparable comparisons. Absolute unification and implementation of rigid principles (like minimum wage) may not be justified and may have negative influence on the economy of the country, including outflow of the jobs. Therefore, certain questions remain to be solved at member state level.

The **Estonian Employers' Confederation (EEC)** have expressed<sup>96</sup> similar views. Similar to ECCI, the EEC stresses that the EU is characterised by high social standards and costs, but

<sup>96</sup> Employers' views about European Pillar of social Rights. ECC news, <https://www.employers.ee/seisukohad/s-majanduskeskkond/tooandjate-seisukoht-euroopa-sotsiaaloiguste-sambale/> (in Estonian only).

this cannot be said about the competitive power. Therefore, in EEC's view, all additional regulations and upward convergence and harmonisation in the social field should be avoided. The development level of Member States is different and reckless action may result in hampering the economy, leaving of companies and an increase in unemployment. Therefore, the impact analysis is necessary to find out the influence on the economy, employment and global competitive power of the EU. Similar to EAKL, the EEC stresses that the European Pillar of the Social Rights should cover the EU Member States that are not members of the eurozone, otherwise we support the dual-speed in the EU and widening of the gaps between member states. EEC made the following remarks about the European Pillar of the Social Right:

- The goals are unclear, there is no impact analysis done and no clear action plan for implementation of the European Pillar of the Social Rights,
- The EU does not need additional regulations since there is already a EU social acquis covering the 28 EU Member States and EEA countries. The value of the European Pillar of Social Rights and its additional value are unclear,
- It raised the question of subsidiary because until now these issues have been the Member States' competence,
- When too ambitious minimum standards are set, it may result in worker outflow and closure of companies and an increase in unemployment,
- The implementation mechanism of the European Pillar of Social Rights is unclear,
- It is difficult to implement the comparative framework since there are large differences between Member States, not all Member States have minimum wage and pay gaps are calculated differently. There is a danger of equalising too much and thereby having a negative impact on the companies and workers of poorer countries,
- Free movement of labour is not included in the European Pillar of Social Rights.

**NGOs and other civil society organisations** found that the European Pillar of Social Rights is important and necessary to increase social solidarity and fight against social exclusion, poverty and increasing unemployment. Suggestions included:

- The European Pillar of Social Rights needs to be introduced and discussed more to involve civil society better,
- The European Pillar of Social Rights must develop industrial relations to increase the trust of the social partners and activity of workers,
- The position of the European Pillar of Social Rights in the EU-legal system and the implementation details need to be explained in more detail.

Note: As of the beginning of May 2017 the EAKL and EEC had not made an in-depth analysis of the reflection paper on the European Pillar of Social Rights released by the European Commission in the end of April. Therefore, they had no additional comments on the paper.

## 6. PRESIDENCY PRIORITIES IN THE FIELD OF EMPLOYMENT AND SOCIAL AFFAIRS

In the second half of 2017, Estonia will hold the Presidency of the Council of the European Union. The overarching aim of the Estonian Presidency of the Council is to ensure that the EU remains united and decisive. One of the four priorities set for the Estonian Presidency<sup>97</sup> – Inclusive and sustainable Europe – is directly related to employment and social issues. An inclusive and sustainable Europe supports equal opportunities for high quality education, employment, access to services and development of skills. A sustainable Europe cares about and is committed to achieving a cleaner environment. For this purpose, Estonia will focus its Presidency on:

- modernising rules in order to promote labour mobility and free movement of people, and
- ensuring equal opportunities in the labour market and social inclusion.<sup>98</sup>

Estonia is preparing the programme of activities to be implemented during the Presidency. The draft Programme will be completed in the beginning of May 2017 and the final version of the Programme will be completed by mid-June.

In the draft document “Estonian programme for EU Council Presidency: Employment, Social Policy, Health and Consumer Affairs Council (EPSCO)”<sup>99</sup> the activities for each priority are set. However, as the document is only a draft, there may still be changes.

Activities for modernising rules in order to promote labour mobility and free movement of people are:

- continuing the modernisation and simplification of the social security coordination rules started during the Malta Presidency;
- supporting the project for the exchange of electronic social security data between the Member States initiated by the EC; and
- effective negotiations concerning the Posting of Workers Directive.

Activities in the field of ensuring equal opportunities in the labour market and social inclusion are:

- continuing the work with the draft of the Equal Treatment Directive;
- co-organising the EU diversity forum with the EC;
- continuing the work with the draft of the directive of accessibility;
- supporting the deinstitutionalisation of the services;
- organising a conference about the future of work;
- organising a theme day of Senior Labour Inspectors Committee (SLIC) and a conference focusing on health and safety at work;
- proceeding effectively the amendments to the Directive on Carcinogens and Mutagens at work;

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<sup>97</sup> Other three priorities are: 1) open and innovative European economy; 2) safe and secure Europe, including continuing the work tackling the migration crisis and reforming the Common European Asylum System; 3) digital Europe and the free flow of data. More information can be found here: <https://www.eesistumine.ee/en/presidency/priorities-estonian-presidency>.

<sup>98</sup> Government Approves the Priorities for Estonia's presidency of the Council of the European Union. Republic of Estonia press release, 13 January 2017, <https://valitsus.ee/en/news/government-approves-priorities-estonias-presidency-council-european-union>.

<sup>99</sup> As the final version is in the preparation phase, the document is not available in public, but the Ministry of the Social Affairs graciously provided access for this research.

- developing youth employment via the European Solidarity Corps by giving young people an opportunity to do volunteer or paid work;
- continuing discussions on work and family life balance;
- drawing attention to the gender segregation in education and labour market;
- signing the Trio Presidency Declaration on Gender Equality; and
- reaching an agreement on the amendments of the founding regulations of EU agencies Cedefop, EU-OSHA and Eurofound.

In addition, the document includes health sector topics, with the priority themes of the Presidency being the reduction of alcohol related harm and eHealth<sup>100</sup>. These topics will be discussed at the Informal EPSCO Meeting of Health Ministers meeting in Tallinn (20-21 July 2017). The Ministry of Social Affairs will work on Council Conclusions on both topics and the goal is to adopt these at the formal EPSCO Council (8 December 2017).

The Ministry of Social Affairs plans to host more than 20 expert-level events in the fields of employment, labour, social affairs and health and two high-level conferences “Future of Work” (13-14 September 2017) and “E-health” (16-18 October 2017).

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<sup>100</sup> Other priorities include security features and availability of medicines, coordinated action against antimicrobial resistance (AMR), integration of controlling HIV in healthcare systems.

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## **8. RESPONDENTS**

- Estonian Employers' Confederation (Piia Zimmermann, legal adviser; Raul Aron, analyst/adviser)
- Estonian Trade Union Confederation (Peep Peterson, President/Chairman)
- Ministry of Social Affairs (Nele Paluste, Head of EU Co-ordination)





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