



**BUSINESSEUROPE**



INTEGRATED PROGRAMME OF THE EU SOCIAL DIALOGUE 2009-2011

**JOINT STUDY OF THE EUROPEAN SOCIAL PARTNERS  
“THE IMPLEMENTATION OF FLEXICURITY AND THE ROLE OF THE  
SOCIAL PARTNERS”**

**NATIONAL FICHE**

**ESTONIA**

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Draft version: October 2010  
Revised version: March 2011



Project of the European Social Partners with the financial support of the European Commission

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## Preface

This national fiche is part of the EU Social Partners’ Study “The implementation of flexicurity and the role of social partners” carried out in the context of the EU Social Dialogue Work Programme 2009-2011, which includes “*Jointly monitoring the implementation of the common principles of Flexicurity, notably in order to evaluate the role and involvement of the social partners in the process and to draw joint lessons*”.

To implement this task in the best possible way and to involve national member organisations actively in the gathering of data and information, the study applies a methodology that consists of multiple levels of analysis using a variety of instruments to be implemented with the help of a team of experts:<sup>1</sup>

- The expert team, with the advice of European Social Partners, agreed on a *set of selected statistical indicators* in the field of employment and economic and social development with labour market relevance.
- National social partners were asked to participate in a *questionnaire-based survey* focussing on the relevance of the flexicurity concept within national labour markets, the role of the social partners in policy implementation and their views of the flexicurity concept. To complement the research, the expert team visited a number of countries and carried out interviews with national social partners.<sup>2</sup>
- Based on the two sources above and a review of available written materials and information, the expert team prepared *29 national “fiches”* on the implementation of the flexicurity principles and the role of social partners in the respective national contexts.
- Results of the questionnaire survey and main findings of the national analyses were discussed at four “*country cluster seminars*” that were organised by the European Social Partners with the help of national sections in Warsaw (November 2010), Lisbon (December 2010), Paris (31<sup>st</sup> January-1<sup>st</sup> February 2011) and The Hague (8<sup>th</sup> February 2011).
- In the light of the overall study results and the comments received by national social partners in the contexts mentioned above, the expert team has prepared a *comparative synthesis report* on “Social Partners and Flexicurity in Contemporary Labour Markets” that was presented and discussed at a *EU-level synthesis seminar* on 31<sup>st</sup> March and 1<sup>st</sup> April 2011 in Brussels.

This national fiche aims to present a broad overview on the economic and social context and the state of play with regard to flexibility and security in the labour market and current social security arrangements (sections one and two). Secondly, the report describes the role of the social partners and social dialogue in the implementation of policies and practices that can be considered under the broad umbrella of “flexicurity” (section three), also summarising inputs provided by national social partners to the questionnaire, from interviews carried out and other contributions made in the context of the study. Section three also presents brief descriptions of cases of good practice as has been indicated by the national social partners.

The text was originally prepared as draft report in the autumn of 2010 in order to facilitate the discussion at the cluster seminar on 22<sup>nd</sup> and 23<sup>rd</sup> November 2010 in Warsaw. The original dossier has been reviewed and revised to take into account the comments and discussions that took place during the seminar or received afterwards.

However, it should be stressed that this report is presented as an “independent expert report”. It represents the views of the individuals involved in its preparation and does not purport to represent the views, either individually or collectively, of the social partners’ representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

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<sup>1</sup> Expert team: Eckhard Voss (coordinator), Alan Wild, Anna Kwiatkiewicz and Antonio Dornelas.

<sup>2</sup> The following countries were visited in the context of the project between May and July 2010: Denmark, France, Ireland, Italy, Czech Republic, Poland, Germany, Portugal and the Netherlands.

# 1 The economic and social context

## Economic crisis and recovery

Estonia is a market-based economy, which until recently enjoyed one of highest per capita income levels in central and Eastern Europe. The Estonian economy consists of services which generate around 71% of GDP, industry (approximately 26% of GDP) and agriculture (approximately 2.7% of GDP). Successive governments have implemented pro-business economic reforms and the current government has pursued fiscal policies that had resulted in balanced budget and low public debt up to 2008. The main goal of economic policy was to ensure the high economic growth of up to 10% that took place between 2003 and 2007. The country's good economic performance is linked to strong electronics and telecommunications sectors and close trade ties with Finland, Sweden, and Germany. The country is on track to adopt the euro in 2011.

Estonia was one of the first European countries to be hit very hard by the 2008 economic crisis and the economy contracted by more than 14% in 2009. This was one of the world's highest rates of economic decline. The most affected industries were manufacturing, construction and trade. The economic slowdown in Estonia was caused mainly by decreases in investment and consumption following the bursting of the country's enormous property bubble. Despite the depth of the economic recession, recovery had already got under way by the end of 2009. According to the European Commission: “the flexible nature of the Estonian economy allowed the changes to take place within a relative short period of time and positive growth emerged in the last quarter of 2009”<sup>3</sup>.

The rebound of the economy was possible due to internal price and wage adjustments, the availability of labour, spare production capacity, and the high flexibility of the economy. Exports were supported by various state programmes and the EU structural funds provided an important source of financing. ESF programmes were mainly aimed at investment in skills and infrastructure. By being closely linked with the EU markets, Estonia is well positioned to profit further from growing global and regional demand.

### ESTONIA - MAIN ECONOMIC INDICATORS AND OUTLOOK

	2007	2008	2009	2010	2011
<b>GDP</b> – annual percentage change	6.9	-5.1	-13.9	2.4	4.4
<b>Employment</b> – annual percentage change	0.8	0.2	-9.9	-4.7	2.9
<b>Unemployment rate</b> (Eurostat definition)	4.7	5.5	13.8	17.5	15.1
<b>General government balance</b> (as percentage of GDP)	2.5	-2.8	-1.7	-1.0	-1.9
<b>General government gross debt</b> (as percentage of GDP)	3.7	4.6	7.2	8.0	9.5

Source: European Commission: Autumn 2010 Economic Forecast.

The Estonian labour market has been significantly affected by the crisis. The unemployment rate increased significantly as a result of both collective redundancies and returning migrants. Wage growth turned negative and, for the first time in recent years, a decrease of 3% was observed in 2009. Wages trends are expected to return to slightly positive values in 2011. According to Bank of Estonia December

<sup>3</sup> European Commission, *Spring 2010 Economic Forecast*, Brussels 2010, p. 82.

2010 forecasts future labour market developments were to be more and more conditioned by demand for qualified labour force<sup>4</sup>.

According to the European Commissions’ 2010 Spring Forecast, the main driver for the continued Estonian recovery will be exports, which, in the short-run, should offset the on-going weakness of consumption and investment. Economic growth is expected to reach the level of 0.9% in 2010, and slowly increase to around 4% in 2011. There are, however risks in this scenario with improvements in exports depending on the condition of Estonia’s main trading partners. Domestic demand will continue to be limited due to the cautious lending policy of the banks.

## Labour market indicators and trends

The Estonian labour market experienced significant changes over the last decade. Typically for a labour market in transition at the beginning on the 2000s, it faced a problem of collective redundancies, skills miss-matches and shortages and inflows of migrant workers from the former Soviet Union republics. Within a relatively short period however the Estonian labour market improved, mainly due to liberal labour market policies and rapid business expansion. After 2004 outward migration intensified, although Estonia had already been used to the phenomenon of workers “commuting” to the Scandinavian countries in prior years.

Before the crisis the employment rate in Estonia was 69.8% in 2008, a level higher than the EU27 average and in line with the Lisbon targets. Impressive results were also reached in the employment rate of older people at 62.4%, some 15% higher the EU27 rate and over 12% higher than the Lisbon targets. Labour turnover rates tend to be almost equal for men and women in Estonia and there is a smaller gender gap than exists in other EU countries. There is a relatively high rate of youth unemployment, but it remains lower than the EU27 average (12% in Estonia compared with 15.4% for the EU27). Since mid-1990ies men in Estonia have experienced higher unemployment rate than women, mainly due to lower level of educational attainment.

### ESTONIA - MAIN LABOUR MARKET INDICATORS 2008 IN COMPARISON TO EU27

	Estonia	EU27
Employment rate – % population aged 15 – 64	63.5	64.6
Employment rate older people – % population aged 55-64	60.4	46.0
Self-employment – as % total employees	8.2	15.5
Employment in services - % total employment	64.8	70.4
Employment in industry - % total employment	31.1	24.1
Employment in agriculture - % total employment	4.1	5.6
Unemployment rate - % labour force 15+	13.8	8.9
Youth unemployment rate - % labour force 15-24	27.5	19.6
Long term unemployment rate - % labour force	3.8	3.0
Inequalities of income distribution (2008)	5.0	5.0

Source: Eurostat, *Employment in Europe Report 2010*.

As the crisis impacted the economy unemployment in Estonia significantly exceeded the EU27 average rate of 9.6% reaching almost 14% in 2009. Despite the recovery unemployment continues to increase and is set to reach the level of almost 16% in 2011. The elasticity of employment declines to GDP declines is illustrative of the strong reaction on the employment side to economic contraction.

<sup>4</sup> *Economic Policy Statement of Eest Pank*, 20 December 2010 ([www.eestipank.info/pub/en/press/Press/Kommentarid](http://www.eestipank.info/pub/en/press/Press/Kommentarid))

According to the European Commission Spring Forecast 2010 Report, one of the biggest present challenges for Estonia is to combat unemployment. There are positive labour market signs, however, which include: relatively resilient participation rates, a growing share of second wage earners and a tendency to work longer in life not evident for the CEEC as a whole.

### Flexicurity in the labour market and labour market policy

According to the OECD, in 2007 the majority of people in Estonia had achieved upper secondary and post-secondary non-tertiary education levels (approximately 56% of the 25-64-year-old population). 33% of the 24-64-year-old population had achieved tertiary education qualifications. Estonian achievements in all categories of educational attainment are above OECD member country averages<sup>5</sup>.

Taking into consideration the ageing population, emigration of workers and relatively low birth rate, it is very important for Estonia to ensure longer economic activity for older workers. With a view to equipping workers with appropriate qualifications, in November 2006 the Estonian Ministry of Education and Research adopted the “Lifelong Learning Strategy 2005-2008”, which laid the grounds for adult education for competitiveness and employability. In its Annual NRP 2008-2010 Progress Assessment the European Commission suggested that further development of the education sector is necessary to compensate for the loss of cost-competitiveness in labour intensive sectors. According to CVTS3 in 2005 only 24% of employees participated in CVT compared to an EU average of 33%. In 2008 the participation rate in lifelong learning activities accounted for almost 10% of workers, slightly above the EU27 average.

The use of part-time work and fixed-term work in Estonia is much lower than the EU27 averages: respectively 7.8% for Estonia compared with 18.2% for the EU27 and 7.2% for Estonia compared with 14% for the EU27. However, in comparison with other countries of the region, Estonia, together with Lithuania, have a relatively high incidence of part-time working<sup>6</sup>. The main reason for taking up part-time job in Estonia is inability to find full-time employment<sup>7</sup>. Access to flexitime is half the rate for the EU as a whole. In 2004 only 16% of employees took part in flexible working time arrangements.

Estonia has rigid labour laws<sup>8</sup> and the level of employment protection is higher than the EU27 average. The strictness of temporary employment (1.75) is much lower than that for workers on long term contracts (2.46). However, temporary work is relatively rarely used and less than 10% of companies (with 10 or more employees) use temporary work; only 0.5% of the workforce is temporary agency workers; and around 5% of organisations employ freelance workers.

#### ESTONIA - FLEXICURITY INDICATORS IN COMPARISON

	Estonia	EU27
Total population having completed at least upper secondary education (population aged 25-64, %), 2009	88.9	72.0
Part-time employment - % total employment, 2009	10.5	18.8
Fixed-term contracts - % total employees, 2009	2.5	13.5
Access to flexitime, % total employees aged 15-64, 2004	16.6	31.3
Percentage of employees (all enterprises) participating in CVT courses, 2005	24.0	33
Lifelong learning participation – percentage of the population aged 25-64 participating in education and training over the four weeks prior to the survey, 2009	10.5	9.3
Job satisfaction – percentage of workers that are either very satisfied or satisfied with	77.2	84.3

<sup>5</sup> OECD, *Education at a Glance 2008*, p. 41.

<sup>6</sup> The European Foundation for Living and Working Conditions, *European Company Survey 2009*, Dublin 2010, p.

<sup>7</sup> This reason has been less frequently quoted recently.

<sup>8</sup> According to the World Bank ‘Doing Business 2009’ Estonia was ranked in 2007 as 22<sup>nd</sup> out of the EU25 economies.

working conditions in their main paid job (EWCS 2010)		
Strictness of employment protection – regular employment, 2008	2.46	2.11*
Strictness of employment protection – temporary employment, 2008	2.17	2.08*
Strictness of employment protection – collective dismissals, 2008	3.25	2.96*
Public expenditure on <i>passive</i> labour market policies (categories 8-9) - % of GDP, 2008	0.21	0.96
Public expenditure on <i>active</i> labour market policies (categories 2-7) - % of GDP, 2008	0.04	0.46
Persons at-risk-of-poverty after social transfers - % of total population, %, 2009	19.7	16.3

Source: Eurostat; *Employment in Europe Report 2010*; Eurofound (*European Working Conditions Survey 2010*); OECD. \*OECD average

The burning flexicurity-related issue in Estonia is the question of the need to continue labour market reforms and a more liberal labour code has been implemented recently. There is also a need to further improve active labour market policies (ALMPs), in particular by providing targeted services facilitating labour market transitions. The lifelong learning system has to be further tailored to changing labour market needs.

## Conclusion

Estonia has lived through dynamic times in recent decades. The country has experienced economic transition to a market-economy, with profound changes in the country’s economic structure. The labour market experienced extremely high unemployment rates at the beginning of the 2000s combined with serious skills mismatches and shortages. This problem was further aggravated by economic emigration of skilled workers after Estonia’s accession to the EU. Soon after the economic transition process started, the country embarked on a liberal market reforms and based its economic development on export growth. Consequently the service sector and advanced industry sectors like telecommunications led the country’ economic growth. The unemployment rate decreased and Estonia became one of the few countries of the region to achieve good participation rates, including for older workers. The pace of economic development was impressive up to the moment the crisis struck when the situation worsened rapidly, and high unemployment returned

Against this analysis, the main challenges concerning implementation of flexicurity are:

- Eliminating labour market rigidities;
- Equipping people with appropriate skills and qualifications;
- Supporting job creation;
- Improving the effectiveness of public employment services;
- Making economic activity more attractive and profitable than inactivity;
- Developing the lifelong learning system.

## 2 Flexibility and security in recent labour market and social policy reforms

### Introduction and overview

Estonia modernized its active labour market policy (ALMP) in 2006 through the Labour Market Service and Benefits Act. This resulted in increasing efficiency of services and an improved social guarantees and security for workers. Six new measures were added to the existing catalogue of ALMP. Amendments to the Social Benefits for Disabled Persons Act were adopted in 2007 and a new allowance for employed disabled persons introduced. The Action Plan for Growth and Jobs 2008-2010<sup>9</sup> states that “increasing flexibility on the labour market has so far been of a secondary importance compared to increasing security”. This situation was addressed in July 2009, when a new law based on flexicurity principles entered into force. The main features of the law are more flexible conditions for collective redundancies and reducing the employers’ financial burden in lay-off situations. In order to balance the increase in labour law flexibility, the group of potential beneficiaries from public employment services (PES) was enlarged.

### Lifelong learning and the mobility of workers

Estonia faces an acute challenge of skills mismatches and, consequently, developing the country’s system of lifelong learning is importance key priority. In September 2009 “Development Plan for Adult Education 2009” was approved; it builds on earlier initiatives. In 2008 Estonia adopted a new initiative to finance adult education initiatives with the State financing in-service training in vocational schools for working-age people. This measure is especially addressed to low-skilled workers. In 2003 the Foundation for Lifelong Learning Development INNOVE was established to offer support for all parties contributing to “lifelong learning society”. A five-person-Supervisory Board is responsible for management and supervision. It consists of representatives of the Ministry of Education and Research, the Ministry of Social Affairs and the Ministry of Economic Affairs and Communications<sup>10</sup>. Among lifelong learning initiatives specific place is reserved for the courses in Estonian language, knowledge of which is important condition to take up employment. There are also plans to introduce the accreditation of prior learning system.

Vocational education centres’ structure and organisation have been changed to increase the flexibility of provided services including the drafting of individual study plans, diversity of learning formats and counselling services.

Mobility is relatively good in Estonia, especially compared with other countries of the region. This observation concerns both movements between labour market statuses (employment, unemployment and inactivity) and between sectors of economy and regions. In several papers it is argued that the unemployment rate in the early 2000s was lowered by high labour mobility (Haltiwanger, Vodopivec 1999, Jurajda, Terrell 2000, Eamets 2001). Employers emphasize that mobility is supported by knowledge of two foreign languages (English and Finnish), which is a significant advantage of the Estonian workforce<sup>11</sup>. Mobility is not a new phenomenon and a tradition of “commuting” to the Scandinavian countries is facilitated by good transport infrastructure (good quality roads, water transport etc.). International mobility is however more common than migration within the country due to the higher rewards involved.

<sup>9</sup> Republic of Estonia, *Action Plan for Growth and Jobs 2008-2011*, Tallinn, October 2008, p. 67.

<sup>10</sup> More information on INNOVE Foundation can be found at <http://www.innove.ee/foundation>.

<sup>11</sup> *Estonia - County Dossier*, report drafted within the framework of the Joint European Social Partners organisations project *Study on restructuring in New Member States*, May 2006, pp. 13-14.



## External/internal flexicurity and contractual arrangements

Recent and more liberal labour laws have not introduced profound changes in contractual arrangements. The use of flexible contractual and working arrangements remains limited.

Due to skills shortages in the Estonian labour market, Estonian employers have expressed interest in employing workers from Russia and Ukraine for short-time assignments requiring specific skills. The main obstacle to “importing” workers was foreign workers quotas allowed on the Estonian labour market. At the beginning of 2008 amendments to the law to increase immigration limits from 0.05% to 0.1% of the permanent Estonian population were adopted.

## Active labour market policy

Despite the fact that public expenditure on labour market policy on passive measures has been reduced in Estonia recently, ALMP still have a rather modest role in dynamising labour market. It is estimated that in 2005 only 0.12% of GDP was spent on labour market measures- out of which 0.09% financed ALMP. The modernization of the labour market services resulted in merging public employment service providers and the Labour Market Board and the Unemployment Insurance Fund became one institution. The goal of the merger was to ensure the cohesion of labour market actions by ensuring that active and passive labour market policies were administered by one institution. According to the Unemployment Insurance Fund in the first quarter of the 2010 the number of labour market measures exceeded the planned number of measures and the cost of unemployment compensation was smaller than anticipated. The unemployment Insurance Fund has received an additional 100m kroons to finance its activities. Compared with the first half of 2009, the volume of pay subsidies, work internship and start-up business grants grew by 25% and significantly more than other services.

In March 2008 a contract was signed between the Estonian Ministry of Education and Research and the Estonian Ministry of Social Affairs to provide grounds for cooperation in the area of professional counseling. The INNOVE Foundation became responsible for developing a coordinated approach to career counseling for young and adults.

In order to combat rising unemployment in the crisis the government elected to support employment by extending the existing work subsidy scheme under which employer can claim reimbursement of 50% of salary up to a ceiling of the minimum national wage. The apprenticeship scheme has been extended to stimulate youth employment and facilitate the acquisition of professional qualifications by young workers. In September 2009 the “Action Plan for Reducing Unemployment” was adopted with a view to support creation of new jobs and offer training and retraining possibilities. E-services and mobility counseling are planned to be developed and training vouchers are to be introduced.

## Supportive social security systems

At present, in Estonia there are two schemes to support employees without work, the unemployment insurance scheme and the State unemployment allowance. An important change was introduced in 2002, when the unemployment insurance benefit was implemented to supplement the existing unemployment assistance established in 1992. The Estonian Action Plan drafted in 2005 was aimed to ensure well-being of workers and flexible labour relations by balancing a relatively liberal labour market legislation with sufficient guarantees during the period of unemployment<sup>12</sup>.

The unemployment insurance scheme covers all employees. To qualify for unemployment benefit, applicant must be registered as unemployed and must have contributed to the unemployment insurance

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<sup>12</sup> K. Kerem, M. Randveer, *Assessment of the Estonian Labour Market Development*, International Business and Economics Research Journal - February 2008, Vol. 7, No 2, Clute Institute for Academic Research, Littleton, USA, p. 86.

fund for at least 12 of the previous 36 months. Unemployment benefit amounts to 50% of previous earnings (up to a maximum of three times national average earnings) for the first 100 days of unemployment, and 40% of reference earnings thereafter. The minimum duration of unemployment benefit entitlement is 180 days and the maximum to 360 days, subject to the duration of the insurance period.

State unemployment allowance is addressed to the unemployed with an income below the amount of this allowance. It can be paid for a maximum period of 270 days and there is a supplementary allowance when workers participate in a retraining course<sup>13</sup>.

In Estonia income security is rated as low. The average beneficiary of unemployment insurance is entitled to 45% of previous wage, while the gross replacement rate of unemployment allowance was around 9% of the average gross wage in 2007. Historically around one third of the registered unemployed were not eligible for unemployment insurance. The reform of 2006 extended the coverage of the benefits and since 2007 all the registered unemployed are entitled to health insurance. This measure aims to motivate long-term unemployed people to register and, as a consequence, become entitled to ALPM.

Employment rates are negatively affected by significant shortages in childcare facilities and in January 2008 around 40% of municipalities had queues to enrol children in pre-school childcare.

### High quality and productive workplaces

A major challenge faced by the Estonian economy is to improve work productivity. Despite the existence of high technology industries, in 2007 work productivity reached the level of around 65% of the EU27 average. With a view to achieving this objective, the government intends to further develop adaptable education systems and lifelong learning provisions.

### Gender equality

In Estonia women face the challenges of a very high gender wage gap<sup>14</sup>, limited opportunities in the labour market, limited penetration in managerial positions and the difficulties in combining family and work life.

The Estonian labour market is highly segregated across sectors and professions which contribute to the high gender pay gap. The proportion of women is the highest in health, education and hotels where 80% to 90% of workers are female. In construction, energy, agriculture and transport, the percentage of women in employment is typically below 30%.

Gender equality is promoted within the framework of the Equality Bureau within the Ministry of Social Affairs. In 1996 a network of gender focal points was set up within the public administration and an Inter-ministerial Equality Commission was formed in 1996 in order to enforce gender mainstreaming.

### Financial stability

No information related to financial stability was available.

### Conclusion: Strengths, weaknesses and challenges

In some official documents it is suggested that the component of security has been more developed than

<sup>13</sup> European Commission, *Moving within Europe, 2010: Estonia*

[http://ec.europa.eu/employment\\_social/social\\_security\\_schemes/national\\_schemes\\_summaries/est/2\\_06\\_en.htm](http://ec.europa.eu/employment_social/social_security_schemes/national_schemes_summaries/est/2_06_en.htm)

<sup>14</sup> In 2008 Estonia had the biggest in the EU27 gender pay gap of over 30%.

the component of flexibility<sup>15</sup>. Legal regulations still correspond to the traditional organisation of the labour market and the use of flexible forms of work is low. According to the European Commission, the IMF and OECD, the biggest problems hampering the implementation of flexicurity are complex procedures for termination of employment contracts and high redundancy costs for employers. Laws are often contradictory, there is excessive bureaucracy little space for shaping appropriate employment relationships directly between employers and their workers.

Recent labour market reforms have concentrated on liberalising contractual arrangements in the context of dismissal procedures and supporting transitions between jobs. Due to the recent implementation of reforms it is difficult to assess their effectiveness accurately. However, available evidence suggests that more people are using the services offered by the PES, and that they are becoming more effective in job placement. Labour market modernisation needs to be continued; especially to promote more flexible forms of employment, support family-friendly solutions and stimulate job creation. In order to further improve ALMP, improved systems of monitoring and evaluation need to be implemented. To date, the results of the 2006 reform have not been properly evaluated.

### 3 The role of the social partners

#### General remarks on the role of social partners

Social partners in Estonia are not influential and the social dialogue remains in the process of development.

There are two nationally recognized trade unions in Estonia, the Estonian Trade Union Confederation (EAKL) and the Estonia Employees' Unions' Confederation (TALO). Trade union membership has been declining in recent years and trade union density was estimated at 15.9% in 2007. This low unionization rate translates into low collective bargaining coverage (also approx. 16%), while SMEs sector employees are not covered at all. It is likely to be even lower today due to the economic crisis and collapse of enterprises in traditionally unionized sectors. Approximately a quarter of workers are covered by collective agreements<sup>16</sup>. Both EAKL and TALO are members of ETUC.

There is major representative employers' organization in Estonia, the Estonian Employers' Confederation, ETKK. Membership of ETKK has increased from 55 to 93 members between 2004 and 2007. Despite the fact that social dialogue is developing and the government dominates the process of labour law creation, the social partners have still been involved in the design and development of national employment policy. ETTK is a member of BUSINESSEUROPE. EVEA represents public service employers and is a member of CEEP.

#### ESTONIA - MAIN SOCIAL DIALOGUE INDICATORS

	Estonia	EU25
<b>Collective bargaining coverage - % of employees covered by collective agreements, 2006</b>	16.0	63.0
<b>Trade unions density - % of dependent employees who are trade union members, 2005</b>	15.9	25.3
<b>Employers' organizations density - % of employees employed by companies that are members of an employer organization, 2006</b>	25.0	n.a.

Source: EIRO on-line Country Profiles, EU Industrial Relations Report, 2008.

<sup>15</sup> See for example the Action Plan for Growth and Jobs 2008-2010.

<sup>16</sup> Employees who have a valid collective agreement in their company, as a proportion of all employees.

## Main instruments and levels of influence

Bargaining coordination across firms and sectors in Estonia is weak. Social dialogue in Estonia takes place mainly at the company and the national levels. There is a tripartite body for social dialogue at the national level. Annual minimum wage negotiations take place at the national level within a framework of bilateral negotiations. Wage negotiation take place mainly at the level of individual enterprises since employers are reluctant to delegate their bargaining power to sectoral organizations<sup>17</sup>. As a result the only “sectoral” wage bargaining are common in a single producer or oligopoly – railways, energy supply etc. Sector level dialogue is limited and exists in healthcare and transport. There were plans to create a legal framework that would promote greater involvement in collective bargaining especially at sectoral level (Action Plan, 2005). The Estonian social partners play an advisory role to government. They sit on the supervisory board of the National Insurance Fund where they were involved in developing the unemployment insurance scheme in the years 1999-2001.

Despite the fact that the subject of lifelong learning is not typically included in the collective bargaining agenda, the social partners sit on the Adult Education Council. They are also active at the level of the sectoral professional councils charged with a mission to develop professional standards and assure a better match between the education system and employer demand for skills. Social partners have also been active at the level of regional employment councils - advisory bodies, which address employment challenges at the regional level although it is reported that effectiveness of the regional employment councils varies significantly.

## Recent changes and challenges

The Estonian social partners have contributed to recent labour market reforms by expressing their opinions on, and proposing amendments to, legal drafts. Their contribution was especially marked in the creation of the unemployment insurance scheme and the recent merger of the two public employment service institutions. In 2008 the social partners initiated bipartite negotiations to discuss concerning government proposals. Both trade unions representatives and employers’ organisations representatives would like to be involved more and earlier in the development of labour laws.

The Estonian trade unions believe that flexibility should not be achieved at the cost of security for workers. They prefer indefinite duration employment contracts to more flexible arrangements and feel that tailoring contractual arrangements to the modern labour market needs should be supported by security measures for workers. The trade unions are strong supporters of training and would welcome higher spending on training, from employers, the state and the ESF. They support the idea of activating the inactive population and increasing participation rates.

Employers’ representatives believe that the Estonian labour market is in need of significantly improved flexibility and the creation of a more favourable environment for flexible contractual arrangements would improve employment prospects<sup>18</sup>. Employers’ representatives welcome more funding on training activities and the abolition of high taxes on training expenses. They are strong supporters of ensuring a match between vocational education and employers’ needs and implemented the pilot project on apprenticeship studies in vocational education, that has now become one of the implemented ALPM measures. Employers’ representatives are more in favour of ALPM than passive transfers. They were also initiators of the idea to combine the Labour Market Board and the Unemployment Insurance Fund to ensure more cohesion in the performance of the two institutions. Only recently has the concept of flexicurity entered the social partners’ agenda in the context of the modernisation of labour market. In

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<sup>17</sup> K. Kerem, M. Randveer, *op.cit.*, p. 90.

<sup>18</sup> EIRO on-line, *Estonia: flexicurity and industrial relations*, updated on 15 September 2009, (<http://www.eurofound.europa.eu/eiro/studies/tn0803038s/mt0803039q.htm>).

general, the Estonian social partners prefer to discuss specific individual aspects of flexicurity than the overall concept. Flexicurity is perceived more as an EU concept than one of national relevance.

## 4 Key points arising

From the point of view of the author of this report the following key points are arising in regard to flexicurity in Estonia:

- *Taking into account the present state of the Estonian labour market, how can the different expectations of employers’ organisations and trade unions related to security and flexibility be balanced?*
- *What conditions need to be fulfilled for the concept of flexicurity to become an “Estonian” labour market priority?*
- *What role is there for social partners in promoting actions to improve gender-friendly solutions?*

## Sources and references

### Questionnaire replies

No questionnaire replies were available.

### Further references

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