



# **European Employment Observatory**

## **EEO Review: Youth Employment Measures, 2010**

### **Estonia**

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*This article is the sole responsibility of the author(s)*

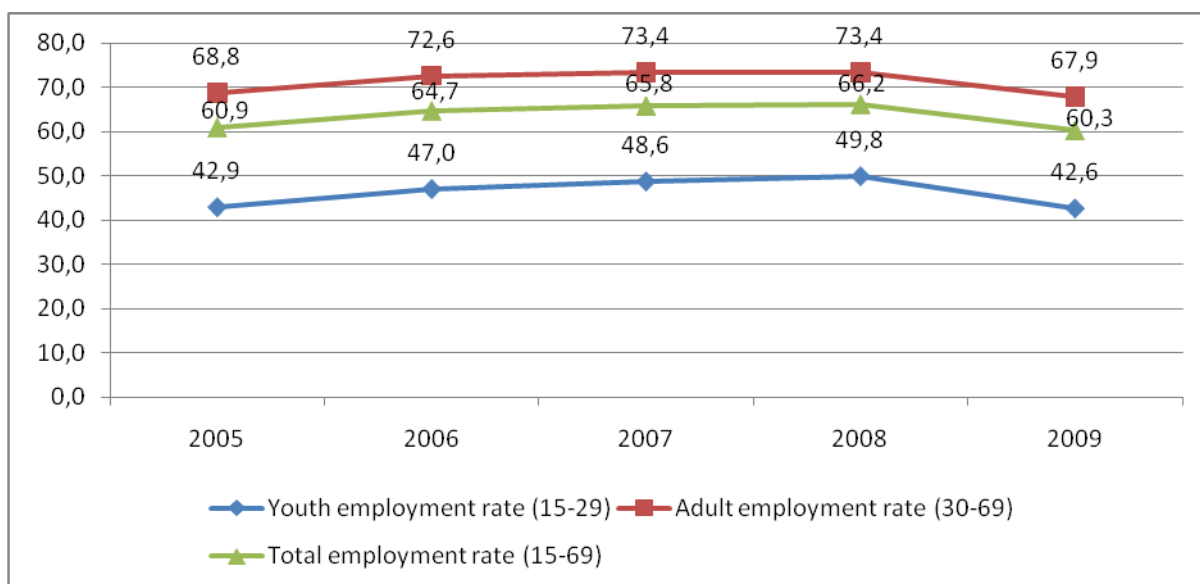
## Introduction

The current economic recession in Estonia has hit young people the hardest. Unemployment rates have increased rapidly thus indicating the need for a policy intervention to prevent any long-term negative effects on young people. The current article provides a brief overview of young people labour market trends (with additional statistical information in Annex 1) and an overview of the measures that are used to support young people in the labour market.

### 1. Trends

This section presents data for the 15-29 age group. Data is presented only for this group because Estonia is a small country and the sample size of the labour force survey is relatively small making it difficult to make analyses for small sub-groups (e.g. for the age groups 15-19, 20-24, 25-29) because the results could be misleading and difficult to interpret.

As a result of the economic crisis, the employment rates of young people have been falling in Estonia. However, these trends follow the same pattern as overall employment change (see Figure 1). Compared to other EU countries, employment rates of Estonian young people have fallen below the EU-27 average.



**Figure 1.** Youth and adult employment rates, 2005-2009, %.

*Source: Statistics Estonia*

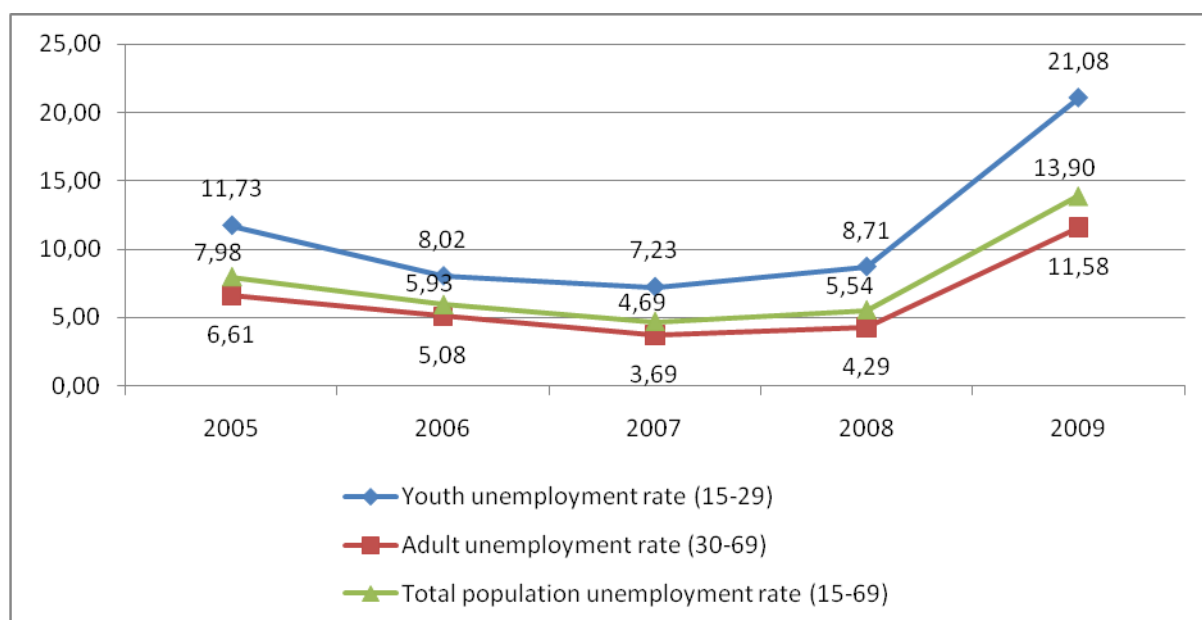
At the same time, as in the overall population, youth employment participation rates have not decreased considerably in the recession, remaining at 54 % in 2009 for 15-29 year olds compared to 70 % in the total population of 15-69 year olds. However, the pre-existing growth trend stopped in 2009. A slight decrease in youth participation rates might be expected in the near future because young people are returning to their studies or prolonging their learning period due to the reduced number of jobs available.

The main reason for inactivity among young people is undoubtedly participation in education; 87 % in 2009 for 15-24 year olds compared to 4 % for 25-49 year olds. As an indication of inactivity among young people, the NEET indicator (i.e. the percentage of persons in age group not in education, employment or training) is used. In Estonia, the indicator has

increased from 11 % in 2008 to 19 % in 2009. This is most probably the result of increased unemployment rates (see also figure 2).

Another problematic issue in relation to NEET is the share of early school-leavers in Estonia. The relevant indicator (measured as a share of the population aged 18-24 with at most lower secondary education and not in further education or training) stood at 13.9 % in 2009, which was slightly below the EU-27 average of 14.4 %. This result is mainly due to the smaller number of female early school-leavers. Among men, the share reached 18.4 % in Estonia compared to 16.3 % in the EU-27. In addition, Estonia has not reached its benchmark of early school-leavers set for 2010 at 10 %.

In terms of changes in unemployment, the trends have been sharp in the recession with youth unemployment increasing rapidly up to 21 % in 2009 (see Figure 2). In addition to the worsening economic situation, this is also the result of demographic trends (i.e. the large cohort of the baby boom, that took place at the end of the 1980s, has started to reach working age population) (Luuk, 2009).



**Figure 2.** Youth and adult unemployment rates, 2005-2009, %

Source: Statistics Estonia

For more details on youth labour market indicators, see Annex 1.

## 2. Measures taken to promote youth employment

Problems with youth employment and the risks arising from high youth unemployment are acknowledged in Estonian policy development. In terms of labour market policies, unemployed young people aged 16-24 are defined as one of the labour market risk groups according to the Labour Market Services and Benefits Act. The different measures to promote youth employment and to reduce unemployment are described in brief below.

### 2.1 School education and training policies

Reducing **early school-leaving** has been defined as one of the aims in the Estonian Action Plan for Growth and Jobs 2008-2011. It has been emphasized that in previous years, the focus has been on preventing early school-leaving caused by financial reasons. For the period of the

action plan, the focus is more on educational measures to support young people in continuing their studies (e.g. through more efficient support systems). Some of the new measures in the action plan include teaching language to non-nationals already in pre-school education; developing counselling systems, introducing customised measures to children with special educational needs, etc.

In addition, in September 2010 a new Basic Schools and Upper Secondary Schools Act was introduced and places more attention on meeting the obligation of attending school. Controlling student absenteeism has not been systematic until now. With the new act, teachers have an obligation to contact parents in each case of absenteeism or truancy and the roles and responsibility of different parties involved are defined (i.e. student, parent, school, local municipality)<sup>1</sup>.

With the introduction of the action plan for growth and jobs 2008-2011, a target has been set to lower the share of early school leavers to 10 % from the initial 14.3 % in 2007. However, this target has not been reached, with early school leaving remaining at 13.9 % in 2009. Taking into consideration that this is an indicator of the effectiveness of the implemented policy measures, further action is needed. Unfortunately, there is no impact assessment available yet on the measures implemented to reduce early school leaving.

Ensuring the **quality of vocational training** and its recognition in the labour market has been a major challenge for Estonia. Several long-term developments in vocational education have been aiming towards this development. Over the past years the vocational education system has been reorganised; expenses on vocational education have been increased, etc. In 2009, a new Development Plan for the Estonian Vocational Education and Training System 2009-2013 was developed and aims to increase the quality and competitiveness of vocational training and tighten the links to the labour market. However, a specific aim to ensure smooth access to the labour market for those with only basic education, has not been defined in Estonia.

Despite all these efforts, the reality today is that persons with vocational education are not better protected from unemployment compared to those with a general education (see also Nurmela, Leetmaa, unpublished). The Estonian Action Plan for Growth and Jobs has introduced as an indicator, the share of persons entering employment after graduating from vocational education. From the initial 72 % in 2007, a 75 % target was set for 2011. As a result of recent economic developments, the indicator remains around 49 % (Nestor, 2010). Thus, it can be concluded that ensuring better access to the labour market for those with vocational education will be a challenge to overcome with the support of more long-term measures and the implementation of the recently introduced action plan.

The **recognition of non-formal and informal learning** has been the result of a more long-term process that started already before the crisis. In Estonia a National Qualifications Framework (NQF) is being developed in line with the European Qualifications Framework (EQF). The new system was introduced in 2008 (see also Nurmela, Karu, 2008), however it is still a work in progress. Thus, it is too early to assess its outcomes.

Before the development of a NQF, the APEL system (Accrediting Prior Experiential Learning) was introduced. The system aims to value all the knowledge and skills a person has

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<sup>1</sup> Ministry of Education and Research, 2010.

acquired, irrespective of how these have been attained (i.e. whether at a workplace or in different courses or educational institutions). The system also takes into account previous studies, participation in professional training and knowledge learned by oneself, or acquired during work.

The system was developed within the framework of an extensive European Social Fund project during 2005-2008. Since 2004 the APEL system has been implemented in higher education. In vocational education, the system has been piloted but is not mandatory (Peebo, Saluveer 2008). All of the educational institutions analysed in 2008 had implemented APEL counselling systems in their institutions. Compared to 2005, the importance of counselling activities and the number of counsellors had increased. The analysis pointed out that the accreditation of previous educational experience is more common than assessing work experience. This is mainly because assessing previous work experience is more complicated than assessing educational experience. As a positive development, compared to 2005, students are more informed and interested in the APEL system. Students are mostly aware of the accreditation of prior learning, however interest towards accreditation of work experience is increasing. Still, the research indicates that the biggest problem of the system is the accreditation of work experience due to its novelty and complexity. It is expected that this problem could be solved through unified requirements for accreditation (Peebo, Saluveer 2008).

Based on the analysis of the current situation with the implementation of APEL, further development of the APEL is planned for 2009-2013 in the Adult Education Development Plan, so that it can also be implemented in vocational and in adult education.

An important issue often referred to by social partners includes the **match between education and the labour market**. An important development in this respect is the improvement of current tools for forecasting skills needs in the future. This is problematic in Estonia due to issues with data availability. At the same time, it is a crucial tool to anticipate changes in skills needs and plan the training programmes respectively to raise the employability of young people in the future (see also Nurmela, Võrk, 2010). Work with improving the current forecast tools is ongoing, according to the development plan for adult education.

## **2.2 Labour market and employment-related policies and access to benefits**

Regarding **Active Labour Market Policies** (ALMPs), there are no special measures available only for young people. Young people have access to all measures when registered as unemployed. However, some of the measures provided have more potential to address the specific needs of the young unemployed.

The Estonian Strategy for Competitiveness 2009-2011 recognises the issue of rapidly increasing youth unemployment. It has been indicated that most of the unemployed young people do not have any work experience having recently graduated from school or dropped out of school. To better integrate young people into the labour market the apprenticeship training scheme has been implemented to combine vocational training with real work experience in a company. The measure is financed by the ESF, under the programme 'Increasing the supply of the qualified labour force 2010-2011'. However, there is no information available on its take-up rate and the characteristics of participants. Thus, it is not

possible to assess its effectiveness in supporting the employment of young people, in particular.

The work practice scheme in companies is another method to support young people in entering the labour market. This measure enables young people to gain practical work experience and allows employers to train potential employees according to company-specific needs. However, this measure is not targeted specifically at the young unemployed and is offered to all unemployed individuals. Implementation of the scheme has increased considerably during the recession. While 1 722 persons participated in the measure in 2009, the number has increased more than five times in the first nine months of 2010 (up to 9 674 participants) according to the data from the Unemployment Insurance Fund. The measure may have several positive effects on youth employment – for instance, direct contacts with potential employers, gaining work experience, etc. A negative impact could occur in the potential misuse of measures by employers (if apprentices are used instead of regular workers). There are currently no studies available which estimate the employment and earnings effects on the participants. However, according to the statistics of the Unemployment Insurance Fund, 49 % of participants who completed the work practice were employed six months later, in 2008. The respective indicator was 39 % in 2009 (Jürgenson et al, 2010).

Job-clubs also support the job search process by offering young people information about the labour market in general, in addition to disseminating information about application procedures, professions and career opportunities. According to data from the Unemployment Insurance Fund, 225 persons participated in jobs clubs in 2009. The number has increased to 1 360 in the first nine months of 2010. However, there is no information on the share of young people turning to job clubs or their satisfaction with the service (for instance whether the necessary information was available, etc).

All of the measures have good potential in terms of supporting youth employment (e.g. providing career-related information, providing work experience or facilitating contacts with potential employers). However, the measures can also have potential negative side effects. For instance, if implementation is not closely monitored, apprenticeship schemes may result in precarious work for young people. This might result in merely postponing unemployment for young people.

In general, it may be concluded that the current active labour market measures do not focus on a specific target group among young people (e.g. migrants, young people with disabilities, low skilled/educated, etc.) and this may be affecting youth employment opportunities adversely.

Regarding **access to social security benefits**, some restrictions apply to young persons. In order to be eligible for unemployment benefits offered in Estonia, one has to register as unemployed in the Unemployment Insurance Fund. Persons younger than age 16 or those who are enrolled in daytime or fulltime study cannot register as unemployed and are thus not eligible for the benefits.

As a general tendency, in comparison to adults, unemployed young people register less often in the Unemployment Insurance Fund. According to the data by Statistics Estonia, in 2009, 60 % of persons aged 25-49 turned to the Employment Office while the share remained at 46 % among individuals aged 15-24 years. Still, this is more than two times higher in comparison to

the situation one year ago (Nurmela, Leetmaa, unpublished). Most probably, the reasons behind low activity in turning to the employment office, is the fact that young people are mostly not entitled to unemployment insurance benefit because they lack the required employment tenure, have not paid unemployment insurance premiums for the required period and because there is no special income support for the young unemployed. They are only entitled to the flat-rate unemployment assistance benefit, which is very low and probably not enough to motivate young people to register as unemployed.

Regarding **tax systems and labour market legislation**, one of the measures designed to support the creation of jobs for young people is the Wage Subsidy Scheme. Namely, the young unemployed (aged 16-24) are entitled to wage subsidy schemes under more favourable conditions. They can be hired with wage subsidies only after three months of unemployment while the unemployment period must be six months for other groups. With changes introduced in 2010, the wage subsidy is also widened to fixed term contracts (for at least six months). Employers can apply for a wage subsidy of 50 % of the employee's salary, but not more than the minimum wage (in 2010, this was around EUR 278). In the case of fixed-term contracts, the wage subsidy is paid for half a year at most, while it is extended to a year in the case of open-ended contracts. However, there is not yet available an impact assessment of the measure. Also, the need to introduce monitoring tools for the measure has been stressed previously to avoid any misuse by employers or any adverse impact on participants (Leetmaa, Nurmela, 2009).

There is no financial support provided to **promote the mobility** of young people. At the same time, the National Qualifications Framework has been harmonised with the European Qualifications Framework in order to facilitate mobility both within the country and across countries.

### **2.3 Addressing problematic features of youth employment**

There is no detailed information available on the quality of youth employment. It has been pointed out by Nurmela and Leetmaa (unpublished) that the most critical issue in terms of promoting youth employment is education (reducing early school-leaving and promoting the quality of vocational training). All of the measures described in section 2.1 contribute to this aim. The measures described in terms of education are mostly long-term rather than short-term crisis-related measures.

Recent major changes in labour market legislation have also had an important impact in terms of job quality for young people. Namely, as a result of the new Employment Contracts Act introduced in 2009, labour market regulations are more flexible. This should improve the initial access of young people to the labour market. However, this also means that it will be more difficult for young people to find and keep good quality jobs (Nurmela, Leetmaa, unpublished).

In terms of different flexible forms of work, these are not common in Estonia in general. According to Statistics Estonia, the share of temporary work among all employed has remained around 2 to 3 % since 2000. Also, part-time work remains limited to 18 % of youth employment in 2009. Still, this is higher than the overall level of 9 % among the 15-64 year old population. However, there are no policy measures implemented or public discussions held on the precarious work that young people may face in comparison to their older

counterparts. The characteristics of unemployed youth may also be diverse and thus require a wider variety of labour market measures.

## **2.4 Roles of the labour market actors**

A reform of public employment services took place in 2009. Since 1 May 2009 the Estonian Labour Market Board and the Estonian Unemployment Insurance Fund have been merged into a single public institution – called the Unemployment Insurance Fund - which concentrates the provision of active and passive labour market measures into one institution. The new institution has representatives of both the government and the social partners on the board. The aim of the new institution is to improve the provision of services through tighter links between benefit payments and active labour market policies. However, the new institution has faced some difficulties as a result of the large number of persons turning to the local public employment service during the recession. Also, until now there are no satisfaction surveys available to indicate the attitudes of clients (i.e. the unemployed) towards the renewed employment office and the services provided there.

Coordination of youth policy measures is mostly necessary between two government offices – the Ministry of Social Affairs and the Ministry of Education and Research. Each Ministry has a role in terms of supporting young people in the labour market. However, regular impact assessment of measures is lacking in both Ministries. This is necessary to evaluate the current labour market situation, the measures implemented, and whether any changes are needed to effectively assist young people in their smooth transition from education to employment.

For this purpose, including employers in employment schemes as well as developing educational measures, is of high importance. There are several efforts to include employers in labour market schemes (e.g. through special measures for employers, financial support to employ young people, etc.). However, there is a clear need for close monitoring of the implementation of these measures. Further efforts need to be made to include employers in designing educational schemes and to forecast skills needs.

## **3. Conclusions**

Young people have faced rapid changes in the labour market during the current economic crisis. With unemployment reaching as high as 21 %, it is clear that public intervention is needed to avoid any long-term effects on young people.

Educational measures are mostly long-term: these had been introduced long before the recession and aim for a longer-term impact rather than merely coming out of the recession (such as an increase in the share of population acquiring vocational education instead of general education).

Regarding labour market measures, interventions are more often of a short-term nature and have been introduced directly as a result of the recession. This includes for instance, changes in the wage subsidy scheme. With these measures, impacts in the labour market should be more immediate. However, with all of the measures, impact assessment is often not available, making it difficult to draw any reliable conclusions on the impact that these measures have had on youth employment.

In general, despite of the fact that there are no measures targeted solely to the young unemployed, in the package of Estonian active labour market policies, it can be concluded



that several measures work towards increasing the employment opportunities of young people. However, since active labour market measures are not properly evaluated in Estonia, the impact of these measures on the future employment and earnings of the participants is difficult to ascertain.

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Legislation:

- Act on labour market services and benefits, see internet (<https://www.riigiteataja.ee/ert/act.jsp?id=13337559>).
- Act on elementary schools and upper secondary schools, see internet (<https://www.riigiteataja.ee/ert/act.jsp?id=13332410>).
- Act on employment contracts, see internet (<https://www.riigiteataja.ee/ert/act.jsp?id=13198475>).

Data sources:

- Statistics Estonia, see internet (<http://pub.stat.ee/px-web.2001/dialog/statfile2.asp>).
- Eurostat, see internet (<http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home>).
- Unemployment Insurance Fund, see internet (<http://www.tootukassa.ee/index.php?id=11328>).

**Annex 1: Youth labour market indicators (2008 and 2009)****Annex**

<b>Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)</b>									
<b>Data</b>	<b>Age group 15-19</b>			<b>Age group 20-24</b>			<b>Age group 25-29</b>		
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Employment rate (%)	(9.2)	-	-	59.9	52.8	39.1	76.4	69.8	67.4
Unemployment rate (%)	-	-	(73.2)	-	21.5	36.9	-	(14.4)	19.6
Long-term unemployment as a % of unemployed	-	-	-	-	-	(37.6)	-	-	(36.1)
Youth unemployment to population ratio	-	-	(6.7)	-	14.5	22.9	-	(11.7)	16.4

**Source: Eurostat, Labour Force Survey****- : Data not available****Data in brackets not reliable due to small sample size.**

<b>Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)</b>						
<b>Data</b>	<b>Age group 15-24</b>		<b>Age group 20-24</b>		<b>Age group 25-29</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Unemployment for the low-skilled (ISCED 0-2)	38.6	45.4	33.8	35.3	28.2	46.9
Unemployment for the medium-skilled (ISCED 3-4)	23.8	43.8	22.5	41.8	20.9	22.4
Unemployment for the high skilled (ISCED 5-6)	-	-	6.0	15.1	0.6	4.5

**Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted****- : Data not available**

<b>Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)</b>			
<b>Data</b>	<b>Age group 15-19</b>		<b>Age group 25-29</b>
	<b>2009</b>		<b>2009</b>
Temporary work as a % of employment	-		4.1

**Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted**

**Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)**

<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 20-24</b>
	<b>2008</b>	<b>2008</b>
NEET rate (% of the age group) (annual averages)	(5.5)	12.5

Source: Eurostat, EU Labour Force Survey, Annual averages

**Table 5: EARLY SCHOOL LEAVERS\* (Annual data)**

<b>Data</b>	<b>Age group 18-24</b>	
	<b>2008</b>	<b>2009</b>
Early school leavers (% of the age group)	14.3	14.1

Source: Eurostat, Labour Force Survey

\* Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

**Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007**

<b>Data</b>	<b>Age group 15-19</b>	<b>Age group 15-24</b>
Difference in youth unemployment rate between Q4-2009 and Q4-2007	-	-

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

- : Data not available