



Just Transition Platform – Project fiche:

FUND COVERING LOSS OF WAGES IN IDA-VIRUMAA

This document is part of a series presenting information and lessons learned on policy approaches at national, regional or local level supporting a just transition to a climate-neutral economy. The Just Transition Platform (JTP) assists EU Member States and regions to unlock the support in this transition. Visit the JTP website: Visit the JTP website: https://ec.europa.eu/regional_policy/funding/just-transition-fund/just-transition-platform_en

Member State:

Estonia

Region:

Ida-Virumaa

Sector:

Oil shale

Total project budget (€):

5 million

Financing conditions (co-financing rate):

N/A

Sources of funding:

EU funding: Just Transition Fund (2021–2027): € 3.5 million

National funding:

€ 1.5 million

Regional funding:

No regional funding

Duration:

2024–2027

Responsible Managing Authority/Agency:

Ministry of Social Affairs

Summary

Ida-Virumaa is the only region in Estonia applying for funding under the Just Transition Mechanism. One of the measures proposed in the Ida-Virumaa Territorial Just Transition Plans aims to tackle the job loss in the oil shale sector and provide security to laid off workers as the economy becomes more diversified. With a budget of EUR 1.5 million, the Ministry of Social Affairs has created a fund for laid off workers in the shale oil industry. The fund comes in addition to regular unemployment benefits and is only available to workers who have been employed in the shale oil

industry for at least two years within the previous three years. The total sum eligible to each worker corresponds to 30 per cent of the salary they previously received, with a ceiling of EUR 1 000 per month. The payouts are available for different timeframes depending on the worker's seniority in the industry. Those who have worked for under five years can receive the payments for up to six months. Those that have worked for 5–10 years can receive payments for nine months. Those that have worked for over 10 years are eligible for up to one year of payments.

Type of activities:

The fund will provide financial support to workers from the oil shale sector in Ida-Virumaa that are switching into new employment in different, less carbon-intensive industries. The fund is therefore a measure to ensure workforce mobility and avoidance of long-term unemployment. The fund is one of two measures of the Just Transition Plan of Ida-Virumaa that aims at simplifying the job-to-job movement and enabling the re-profiling of employees. The second measure is the retraining programmes. Both measures will only be offered to current or former employees of the oil shale sector.

Goals and approach:

The fund addresses unemployment due to job losses in the oil shale sector in Ida-Virumaa. The fund is meant to provide an incentive for workers to take-up new employment in a different, less carbon-intensive industry, after their job ends in the oil shale industry. It was observed that there is often a lack of motivation for workers to take on a new job since the wage level is expected to be lower than in their previous employment. The fund will be provided on top of the new salary.

There are some conditions to receive funding: Firstly, the job loss of the affected worker must be in the oil shale sector. The support is paid when the new contract starts and is about 30 % of the old salary, but not more than EUR 1 000 per month. Additionally, the worker is expected to find a new employment within 100 days. The duration of the support depends on the duration of employment in the oil shale sector. Those who have worked for under five years can receive the payments for up to six months. Those that have worked for 5–10 years can receive payments for nine months. Those that have worked for over 10 years are eligible for up to one year of payments. Moreover, the worker is expected to have worked at least two of the last three years in the oil shale sector.

Important outputs, results or achievements:

The fund is not operational yet and will start in 2024. However, the fund is expected to have an impact at a personal level and at a national level. At a personal level, the fund is expected to help the workers adapt to their new salary level (which might be different than the one from the oil shale industry) and increase their motivation to take on a new job instead of relying on unemployment assistance.

At a national level, the fund is meant to support structural change of the whole economy and the accompanying shift of workers from carbon-intensive industries, such as the oil shale sector, to other less carbon-intensive industries. All in all, the fund is expected to avoid the lock into unemployment and stagnation.

Scalability¹ and transferability²:

The different salary levels and duration of sector affiliation were taken into account during the design of the fund. These factors need to be considered for assessing transferability. Moreover, in other regions the opportunities for employment may lie elsewhere rather than in Ida-Virumaa. Therefore, peoples' working mentality might also be different, which is why the fund would need to be adapted to the specific circumstances of each region.

The fund's approach may be scalable in Estonia as there are also other sectors that are facing transformation processes or that have high carbon intensity. Such sectors could profit from a fund similar to the one established in Ida-Virumaa.

¹ Scalability entails that a policy approach can be adapted to a bigger scale than just the local context.

² Transferability entails that a policy approach can be applicable to a similar setting and replicated.

Key success factors and lessons learnt:

As the fund has not started yet and the TJTP has yet to be approved, the key success factors are theoretical. One important characteristic of the fund is that it is designed to increase the motivation of workers to move into a new employment.

Key challenges:

Key challenges cannot be determined yet, as the fund is not yet operational. One challenge that is expected is if there will be sufficient attention directed towards the fund, as the fund needs a certain level of awareness in order to be functional. Workers should be able to address the provision of the fund but at the same time it should also be pro-actively provided.



Tools or supporting economic diversification and reskilling/upskilling via projects:

Supporting vulnerable workers during the period of industrial transition.

Central framework conditions³:

Ida-Virumaa is the only county in Estonia where shale oil is produced. The county is a centre for chemical and energy industries. In 2018, a large share of Estonian electricity production (~76 %) stemmed from shale oil. On the one hand, this makes the country independent from energy, but also makes the country a carbon-intensive region of Europe. Besides carbon intensity, shale oil production has further negative impacts on the environment such as water pollution, land-use, erosion, and air pollution. Ida-Virumaa is the only region in Estonia applying for funding under the Just Transition Mechanism. Since the 1990s, Ida-Virumaa has experienced transformation processes, which is a central challenge to the region because a high number of households are dependent on the income from the shale oil sector.

³ Framework conditions encompass the institutional, informational and socio-economic factors that determine a given environment (contextual information), e.g. market conditions, access to finance, tax regulation, infrastructure and support.

Outlook:

The fund will be operational from 2024 onwards. The fund is one of 11 measures in Ida-Virumaa that are coupled with reskilling and upskilling measures. They are part of the JTP, which has not been approved yet. The priority of the Ministry of Social Affairs (the responsible actor behind the fund) lies on the support of big enterprises for transition projects. Currently, larger enterprises are invited to hand in proposals of potential projects. This measure will receive € 153 million and is the largest among the proposed measures.

Partners & contacts:

Responsible for JTF in Estonia: Ministry of Finance

Implementation of measure: Estonian Unemployment Insurance Fund

Union of Local Governments of Ida-Viru County: ivol@ivol.ee

Website:

Information on Just Transition in Ida-Virumaa can be found here: <https://ivol.ee/oiglane-uleminek>

Sources:

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- Survey input by representative of CEE Bankwatch Network, summer 2022.