



European
Commission

OFFERING OPPORTUNITIES
TO LONG-TERM UNEMPLOYED
AND EX-CONVICTS TO GAIN
ACCESS TO JOBS

Wage subsidy

Information review: October 2015

ESTONIA

The wage subsidy practice aims to increase the ability of long-term unemployed and ex-convicts to find an ordinary job as well as to create new jobs or maintain the existing ones. The conditions for a wage subsidy are agreed between the employer and Estonian Unemployment Insurance Fund (UIF) while working conditions are agreed between employer and employee. The results of the qualitative study on the practice showed that according to employers' assessment, wage subsidies were relevant and efficient in supporting job creation and maintaining existing workplaces. One of the challenges encountered by this practice was to avoid skimming the cream of participants.

Name of the PES

Eesti Töötukassa
Estonian Unemployment Insurance Fund (UIF)

When was the practice implemented?

1995 – on-going

Which organisation was involved in its implementation?

None

Which social groups were targeted by the practice?

- ▶ Long-term unemployed
- ▶ Other: ex-prisoners
- ▶ Employers
 - Private firms or local government agencies

What were the practice's main objectives?

Wage subsidies are aimed at providing an opportunity to the long-term unemployed and ex-prisoners to gain access to regular jobs in the open labour market, thus supporting and stimulating job creation.

What activities were carried out?

It is up to the potential employer to apply for wage subsidies if they want to hire a long-term unemployed person or an ex-prisoner. If required by the employer, the UIF will make a shortlist from among the registered unemployed; however the employer has the final say. The conditions for wage subsidy are agreed between the employer and UIF while working conditions are agreed between the employer and employee. In order to qualify for the subsidy, the unemployed worker must be offered an open-ended contract or a fixed-term contract for a period of at least six months. Subsidies are paid for a limited period (up to 12 months) and have a ceiling of 50% of the wage earned but not more than the statutory minimum wage.

What resources and other relevant organisational aspects were involved?

Counsellors in regional PES offices are responsible for managing the practise. Based on the information submitted by the employer and job applicant, they decide whether the conditions for wage subsidies are met. Counsellors are also responsible for signing the contract with the employer as well as for monitoring both the employer and employee during the subsidy period. The subsidies are paid by the UIF (they are responsible for both social security and public employment services for the unemployed). They are granted to employers in the private or local public sector (municipal schools, nurseries, cultural centres, nursing homes, children's homes etc.) on hiring individuals who have been registered as unemployed for over 12 months, young unemployed (aged 16-24) registered as unemployed for more than 6 months and unemployed ex-prisoners released from prison in the last 12 months.

Source(s) of funding

Unemployment Insurance Fund
European Social Fund

<p>What were the outputs of the practice: people reached and products?</p>	<p>People reached: During 2008 to 2011, 10402 individuals were employed with the support of wage subsidies (only those people whose subsidy period ended during the period are counted), which was a little below the expected target level.</p> <p>Products: N/A</p>
<p>What outcomes have been identified?</p>	<p>According to the evaluation study of the practice, 70-90 % of the individuals employed with wage subsidies were employed six months after the end of the compulsory employment period (depending on the month of exit).</p> <p>The results of the quantitative impact evaluation revealed that compared to the control group, the treatment group was 56 % points more likely to be employed six months after the expiry of the subsidy period. A more detailed analyses for different subgroups (age, ex-prisoners etc.) was not possible with the available data. Over time, the difference diminished, but even 18 months after exiting from the programme, the employment rate of participants remained over 30 % higher than the control group.</p>
<p>What are the lessons learnt and success factors?</p>	<p>Cost-benefit analysis indicates that one euro invested in wage subsidies results in EUR 7 of returns, of which EUR 2.8 is revenue for the state from direct taxes.</p> <p>However, as programme entry is determined by the employer's selection, the measure's effect might be overestimated due to skimming the cream of participants. Furthermore, substitution and deadweight effects were not analysed, hence it is not possible to say what the net job creation effect was.</p>
<p>More information on the practice</p>	<p>http://ec.europa.eu/employment_social/empl_portal/weesp/EE-2.pdf</p>



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