



OFFERING JOB OPPORTUNITIES  
TO LONG-TERM UNEMPLOYED  
AND EX-CONVICTS

# WAGE SUBSIDY

Publication date: October 2015  
Updated: December 2019

## ESTONIA

The wage subsidy's purpose is to support the hiring of people who are long-term unemployed, young, of decreased working ability or who have been released from prison. 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 avoiding cream skimming participants.

Name of the PES	Eesti Töötukassa Estonian Unemployment Insurance Fund (UIF)
When was the practice implemented?	1995–ongoing.
Which organisation was involved in its implementation?	None.
Which groups were targeted by the practice?	<ul style="list-style-type: none"> <li>▶ Long-term unemployed.</li> <li>▶ Young people aged 16-29.</li> <li>▶ Recipients of international protection.</li> <li>▶ People of decreased working ability.</li> <li>▶ Other: ex-prisoners.</li> <li>▶ Employers.</li> <li>▶ Private firms or local government agencies.</li> </ul>
What were the practice's main objectives?	To provide regular job opportunities to the long-term unemployed, young people, recipients of international protection, people of decreased working ability and ex-prisoners, thus supporting and stimulating job creation.
What activities were carried out?	<p>It is up to the potential employer to apply for wage subsidies if they want to hire a suitable candidate. 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.</p> <p>Subsidies are paid for a limited period (up to 12 months) and are capped at 50 % of the wage earned and not more than the statutory minimum wage.</p>

<p>What resources and other relevant organisational aspects were involved?</p>	<p>Counsellors in regional PES offices are responsible for managing the practice. 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.</p> <p>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.</p>
<p>What were the source(s) of funding?</p>	<p>Unemployment Insurance Fund European Social Fund</p>
<p>What were the outputs of the practice: people reached and products?</p>	<p>From 2015 to 2018, 10 886 individuals were employed with the support of wage subsidies (only those people whose subsidy period ended during the period are counted).</p>
<p>What outcomes have been identified?</p>	<p>According to the evaluation study of the practice in 2012, 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 in 2012 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 analysis of different subgroups (age, ex-prisoners etc.) was not possible with the available data. Over time, the difference diminished, but even 18 months after exiting the programme, the employment rate of participants remained over 30 % higher than the control group. UIF compared the persistence in employment after the end of the wage subsidy period by different programmes in 2018.</p> <p>According to the analysis in connection with the Employment Programme, 75 % of the individuals employed with wage subsidies during 2015-2016 were employed six months after the end of the compulsory employment period.</p> <p>Analysis in the context of Work Ability Reforms indicates that 63 % of the individuals employed with wage subsidies in 2016 were employed six months after the end of the compulsory employment period.</p>
<p>What are the lessons learnt and success factors?</p>	<p>Cost-benefit analysis in 2012 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 cream skimming participants. Furthermore, substitution and deadweight effects were not analysed, hence it is not possible to say what the net job creation effect was.</p>



**Contact details for further information**

**Name:** Palts, Maria

**Email:** [Maria.Palts@tootukassa.ee](mailto:Maria.Palts@tootukassa.ee)

**Telephone:** +372 614 8614