



# ESPN Thematic Report on retirement regimes for workers in arduous or hazardous jobs

## Estonia

2016

*Andres Vörk, Magnus Piirits, Märt Masso  
May 2016*



**EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion  
Directorate C — Social Affairs  
Unit C.2 — Modernisation of social protection systems

*Contact:* Emanuela TASSA

*E-mail:* [Emanuela.TASSA@ec.europa.eu](mailto:Emanuela.TASSA@ec.europa.eu)

*European Commission  
B-1049 Brussels*

**European Social Policy Network (ESPN)**

**ESPN Thematic Report on  
retirement regimes for  
workers in arduous or  
hazardous jobs**

**Estonia**

**2016**

*Andres Võrk*

*Magnus Piirits*

*Märt Masso*

The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by LISER and APPLICA, with the support of OSE - European Social Observatory.

For more information on the ESPN, see:

<http://ec.europa.eusocialmain.jsp?catId=1135&langId=en>

***Europe Direct is a service to help you find answers  
to your questions about the European Union.***

**Freephone number (\*):**

**00 800 6 7 8 9 10 11**

(\*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

## **LEGAL NOTICE**

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

More information on the European Union is available on the Internet (<http://www.europa.eu>).

## Contents

SUMMARY/HIGHLIGHTS .....	6
1 OVERALL DESCRIPTION OF THE POLICY MIX TARGETED AT WORKERS IN ARDUOUS OR HAZARDOUS JOBS .....	7
2 PENSION RULES FOR WORKERS IN ARDUOUS OR HAZARDOUS JOBS.....	10
2.1 Early retirement under the Old-Age Pensions Under Favourable Conditions Act .....	10
2.2 Early retirement with a superannuated pension ( <i>väljateenitud aastate pension</i> ) .....	11
3 RETIREMENT PATTERNS AND RETIREMENT INCOME OF WORKERS IN ARDUOUS OR HAZARDOUS JOBS .....	13
REFERENCES .....	17
ANNEX .....	18

## Summary/Highlights

In Estonia, there is no specific definition of workers in arduous or hazardous jobs (WAHJ). Work conditions and general issues related to occupational health and safety are regulated by the Occupational Health and Safety Act. WAHJ have the right to some specific retirement benefits, which are financed from the state pay-as-you-go (PAYG) pension system.

WAHJ may retire five or ten years before the legal retirement age under the Old-Age Pensions Under Favourable Conditions Act, subject to meeting qualification requirements. Early retirement is also available for certain professional groups (e.g. pilots, mariners, miners and some groups of artists) whose professional abilities have declined before the normal retirement age, provided they have the required pensionable service (from 15 to 25 depending on the profession). This is regulated by the Superannuated Pensions Act.

Pensions under the Old-Age Pensions Under Favourable Conditions Act are similar to, or a bit higher than, the usual old-age pension, because periods of service in hazardous conditions give additional credits. People usually keep that level of pension after they reach normal pension age. People who receive a pension under the Superannuated Pensions Act get less than the usual old-age pension, because early retirement under this scheme is penalized. When these people reach pension age, they usually convert their pension to the (higher) standard old-age pension. Both groups of people may, and actually do, continue working after they have started to receive a superannuated pension or old-age pension under favourable conditions, but they must work in another occupation that gives a right to the pension.

The current system has been heavily criticized on the grounds that the two pension acts date back to the Soviet era, and occupations existing at that time do not correctly reflect risk categories anymore. In addition, the schemes do not give any financial incentives to employers to improve working conditions. The Estonian National Audit Office concluded in their 2014 study that there were no objective reasons for the special treatment of people who retired under favourable conditions or received a superannuated pension, because such people were not unhealthier than the general population.

The need for the reform of these pension schemes has been widely acknowledged and has been on the agenda of several recent governments, including the current government. The Ministry of Social Affairs promised to present a legislative initiative to change these acts for consultations by spring 2016. The package would include a long transition period together with increased emphasis on rehabilitation and retraining.

## 1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs<sup>1</sup>

In Estonia, there is no specific definition of workers in arduous or hazardous jobs (WAHJ). Work conditions and general issues related to occupational health and safety are regulated by the Occupational Health and Safety Act (*Töötervishoiu ja tööohutuse seadus*)<sup>2</sup> and related government decrees. The act lists physical, chemical, biological, physiological and psychological factors as potential risks in the working environment that could endanger the life or health of an employee. The act also defines occupational accidents and diseases and other work-related illnesses that may give rights to social benefits. The act is complemented by a regulation of the Minister of Social Affairs that lists specific occupational diseases and physical, physiological and chemical risk factors causing occupational disease or tumours.<sup>3</sup>

In February 2010 the Ministry of Social Affairs adopted the Occupational Health and Safety Strategy for 2010-2013.<sup>4</sup> In addition to classical risk factors, the strategy emphasizes new modern risks such as optical radiation, electromagnetic fields or simply sitting for long periods. Nonetheless, this strategy also does not give any specific definition of WAHJ.

WAHJ have a right to several social benefits, some of which are specific to certain occupations or work-related conditions, and some of which are universally available to all employees.

- All legally employed workers have health insurance and are hence eligible for temporary sickness benefits (*ajutine töövõimetushüvitis*). An employer must pay the benefit to an employee for the fourth to the eighth calendar day of sickness or injury. After the eighth day the benefit is paid by the Estonian Health Insurance Fund.
- An employee has the right to receive compensation for damage caused to their health by work to the extent provided for in the Law of Obligations Act.<sup>5</sup> (Until 1 July 2002 there was a government regulation, No. 172, on an interim procedure for compensation in relation to injuries or other health damage occurring in the course of fulfilling work duties.)
- All people who have temporarily or permanently lost at least 40% of their work capacity have the right to receive a pension for incapacity for work (*töövõimetuspension*). From 2016 the scheme has been subsumed under the new work ability assessment and compensation system (*töövõimereform*).
- Workers who have worked in occupations that are considered hard or hazardous (e.g. workers in chemical, metal, glass or pulp industries and mining) may retire five or ten years before the legal retirement age under the Old-age Pensions Under Favourable Conditions Act, subject to meeting qualification requirements (a

---

<sup>1</sup> We thank Kristiina Selgis and Mare Jõeorg from the Ministry of Social Affairs and Andres Roostalu from the Estonian National Social Insurance Board for the data and comments they provided for this report.

<sup>2</sup> "Occupational Health and Safety Act" (*Töötervishoiu ja tööohutuse seadus*), 1999 <<https://www.riigiteataja.ee/en/eli/510112015002/consolide>>

<sup>3</sup> "Kutsehaiguste Loetelu" (*List of occupational diseases*), Sotsiaalministri määrus Nr. 66, Vastu võetud 09.05.2005, 2005 <<https://www.riigiteataja.ee/akt/897867>>

<sup>4</sup> Ministry of Social Affairs "Töötervishoiu ja tööohutuse strateegia 2010–2013" (*Strategy of occupational health and safety 2010-2013*) <[https://www.sm.ee/sites/default/files/content-editors/eesmargid\\_ja\\_tegevused/Too/Tookeskkond/ttto\\_strateegia\\_2010-2013.pdf](https://www.sm.ee/sites/default/files/content-editors/eesmargid_ja_tegevused/Too/Tookeskkond/ttto_strateegia_2010-2013.pdf)>

<sup>5</sup> § 14. Obligations and rights of employee: 6) receive compensation for damage caused to his or her health by the work to the extent provided for in the Law of Obligations Act.

contributions period of 15 to 25 years, of which at least one-half was in the profession concerned).<sup>6</sup>

- Early retirement is also available for certain professional groups (e.g. pilots, mariners, miners and some groups of artists) whose professional abilities have declined before the normal retirement age, provided they have the required pensionable service (from 15 to 25 years, depending on the profession). This is regulated by the Superannuated Pensions Act.<sup>7</sup>
- All employees may take early retirement under general rules. It is possible to retire up to three years earlier than the statutory pension age, subject to a qualification period of 15 years. For each month of early retirement the pension from the state PAYG first pillar is reduced by 0.4%, and labour earnings are not allowed until the person has reached the statutory pension age.
- All registered unemployed people also have a right to benefit from active labour market policy measures and unemployment insurance benefit or unemployment allowance, subject to fulfilling qualification criteria. All the services are based on an assessment of individual needs; hence no specific rules for the WAHJ group apply.

In addition to special pension provisions regulated by the Old-Age Pensions Under Favourable Conditions Act and the Superannuated Pensions Act, there are special pension regimes for the police, army, boarder-guards and judges, etc. Several of these occupational pensions initially came under the superannuated pensions scheme, but have subsequently been treated under separate and more beneficial pension regulations.<sup>8</sup> These special pensions are not discussed in this report, although some categories are still covered by the Superannuated Pensions Act.

Both the acts that regulate early retirement under special conditions – the Old-Age Pensions Under Favourable Conditions Act and the Superannuated Pensions Act – were carried over from the Soviet era at the beginning of 1990s and have not been modified much since then. During the Soviet era, occupations with arduous working conditions were subject to a higher tax rate, which provided the opportunity to retire early and receive a bigger pension. Nowadays there is no differentiation in the social tax levied.

The modernization of the system laid down by these acts has been on the agenda of several governments, but with no results. On 4 April 2012, the serving government decided that both acts would be abolished in parallel with the implementation of a new work incapacity insurance scheme. There are two reasons why these acts do not fulfil their original aim anymore. First, instead of compensating for health damage caused by unhealthy working environment, the focus should be on improving working conditions: but the current regulation that compensates employees from the PAYG pension scheme, financed from payroll taxes, gives little financial incentive to employers to change working conditions. As was discussed as one option in 2012, a new work incapacity insurance scheme could have related insurance premiums to work environment and hence given direct incentives for companies. Second, occupations and related working conditions have changed over time considerably; as a result the risk categories and classification of occupations used during the Soviet era are not applicable anymore.<sup>9</sup>

---

<sup>6</sup> "Old-Age Pensions Under Favourable Conditions Act" (Soodustingimustel vanaduspensionide seadus), 1992 <<https://www.riigiteataja.ee/en/eli/511112013009/consolide>>

<sup>7</sup> "Superannuated Pensions Act" (Väljateenitud aastate pensionide seadus) (RT 1992, 21, 294, 1992) <<https://www.riigiteataja.ee/en/eli/515112013013/consolide>>

<sup>8</sup> Leppik, Lauri "Riiklikud eripensionid – oht sotsiaalsele õiglusele või ametnike motivaator" (*State special pensions – danger to social justice or motivation to public servants*), Riigikogu Toimetised, 2007, 86-93

<sup>9</sup> Ministry of Social Affairs "Soodustingimustel vanaduspensionide ja väljateenitud aastate pensionide reform" (*Reform of old-age pensions under favourable conditions and superannuated pensions*), presentation on 20 March 2015 <<http://www.kogu.ee/wp-content/uploads/2015/06/SVPS-VAPS-20-03-2015.pdf>>



On 6 June 2013 the government approved a reform paper that outlined the principles and the timeframe of a new disability insurance scheme.<sup>10</sup> The purpose of the reform was to help disabled people to find and maintain a job, increase their employment rate and guarantee the financial sustainability of their support system.

The new disability benefit was supposed to be combined with the current unemployment insurance benefit: people with partial loss of work capacity would have to be registered with the Unemployment Insurance Fund, and might be required to participate in active labour market measures to receive their benefit. Although the reform was not specifically targeted at WAHJ, the reform package also included the introduction of a new work accident insurance scheme and an occupational disease insurance scheme, the latter in a later phase of the reform. These reforms were supposed to lead to a gradual abolition of superannuated pensions and old-age pensions under favourable conditions, which are currently the central benefit schemes for WAHJ.

The system of more favourable occupational pensions has been the subject of heavy criticism. An analysis by the National Audit Office (2014) concluded that: "There are no objective reasons for the special treatment of people who retired under favourable conditions and persons who receive a superannuated pension."<sup>11</sup> The study found that those people who received an old-age pension under favourable conditions or a superannuated pension were not unhealthier than others.

A study of superannuated pensions by the University of Tartu (2012) using other countries' experience combined with a qualitative approach (interviews with employers and employees covered by the scheme) concluded that superannuated pensions may be relevant in some occupations (e.g. miners, where working conditions have not improved, or ballet dancers with very specific skills). The study stressed the need for a more comprehensive reform package that combined monitoring of working conditions, availability of medical rehabilitation services, and an emphasis on retraining possibilities.<sup>12</sup>

This has been echoed by Estonian trade unions, who have also stressed that full abolition of the current system of favourable pensions might not be appropriate. There are several occupations where risk factors are still present. They propose that either the list must be updated appropriately or a broader reform should be introduced – including mandatory pension contributions to the third pension pillar by employers, up-skilling and reskilling of the adult population affected by the reform, and improvement of the occupational health system to minimize risk factors affecting workers.<sup>13</sup>

Reform of superannuated pensions and old-age pensions under favourable conditions still forms part of the work plan of the current government.<sup>14</sup> The current plan is that new legislation will be approved in 2019 and will be in full force by 2040. By April 2016, the Ministry of Social Affairs was due to develop a legislative initiative to change these acts

---

<sup>10</sup> "Töövõime toetamise süsteemi põhimõtted ja ajakava", retrieved on 12 October 2013 at [http://www.sm.ee/fileadmin/meedia/Dokumendid/TVK/T%C3%B6%C3%B6v%C3%B5ime\\_toetamise\\_s%C3%B5steemi\\_p%C3%B5him%C3%B5tted\\_ja\\_ajakava.pdf](http://www.sm.ee/fileadmin/meedia/Dokumendid/TVK/T%C3%B6%C3%B6v%C3%B5ime_toetamise_s%C3%B5steemi_p%C3%B5him%C3%B5tted_ja_ajakava.pdf) .

<sup>11</sup> National Audit Office of Estonia "Sustainability of the State's Pension System", 2014  
<<http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?AuditId=2313&FileId=13170>>

<sup>12</sup> Tartu Ülikool, Sotsioloogia ja sotsiaalpoliitika instituut "Uuringu 'Tööturu- ja muude meetmete vajalikkusest väljateenitud aastate pensioni kaotamisel' Lõpparuanne" (*Final report of the study "Necessity of labour market and other measures in abolishing superannuated pensions"*), 2012  
<[https://www.sm.ee/sites/default/files/content-editors/Ministeerium\\_kontaktid/Uuringu\\_ja\\_analuusid/Sotsiaalvaldkond/vaparuanne\\_2012.pdf](https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Sotsiaalvaldkond/vaparuanne_2012.pdf)>

<sup>13</sup> "Ametiühingute liit ei pea sooduspensionide täielikku kaotamist õigeks" (*Estonian Trade Union Confederation does not approve full abolition of favourable pensions*), press release, 15 April 2016,  
<<http://tarbija24.postimees.ee/3657507/ametiuhingute-liit-ei-peat-sooduspensionide-taielikku-kaotamist-oigeks>>

<sup>14</sup> "Ministeeriumide õigusloomeplaanide ülevaade 2016", retrieved on 19 May 2016 at [www.just.ee/sites/www.just.ee/files/2016\\_tooplaanide\\_ulevaade.pdf](http://www.just.ee/sites/www.just.ee/files/2016_tooplaanide_ulevaade.pdf)

(*soodustingimustel vanaduspensionide ja väljateenitud aastate pensionide reformimise väljatöötamiskavatsuse väljatöötamine*) and present it to the government for consultations, but at the time of writing this has not happened yet.

## 2 Pension rules for workers in arduous or hazardous jobs

The Estonian pension system consists of three main schemes: a state pension insurance scheme (a pay-as-you-go system with defined benefits) – the first pillar; a compulsory funded pension scheme (defined-contribution scheme) – the second pillar; and a voluntary funded pension scheme (defined-contribution scheme) – the third pillar. This is in line with the World Bank's general three-pillar framework. Special pensions fall under the state pension insurance scheme (the first pillar) and are financed from pooled payroll taxes. The WAHJ group can also benefit from the second and third pillars, the latter allowing earlier withdrawal of savings. However, as there are no specific rules for WAHJ in the second or third pillar, we do not discuss these further.

Special pensions for WAHJ are regulated by two acts: the Old-Age Pensions Under Favourable Conditions Act and the Superannuated Pensions Act. Government decrees specify a detailed list of occupations that have the right to these special pensions, and regulate the exact calculation of required service years in these occupations. There are special pension supplements (*pensionilisad*) for people declared to be at least 40% incapacitated for work as a result of a nuclear disaster, nuclear test or an accident at a nuclear power station.

### 2.1 Early retirement under the Old-Age Pensions Under Favourable Conditions Act

Old-age pensions under favourable conditions are paid to workers in occupations that are considered hard or hazardous. These workers may retire five or ten years before the legal retirement age, if they have fulfilled statutory qualification requirements (a contribution period of 15 to 25 years, at least one-half of which in the profession concerned). About 800-1 000 people per year started using this pension scheme in 2010-2015 and about 34 000 people were in receipt of the pension (about 11% of old-age pensioners) at the end of 2015.

There are two separate lists of occupations that give the right to an old-age pension under favourable conditions.

List 1 refers to occupations that are particularly hazardous to health and have particularly arduous working conditions. The pension qualifying period is at least 20 years, out of which people must have been engaged in the relevant work for at least ten years. People in occupations specified in this list have the right to receive a pension ten years before attaining the normal pension age.

List 2 refers to occupations that are less hazardous to health and have less arduous working conditions than those in List 1, but are still riskier than usual jobs. The pension qualifying period is at least 25 years, out of which people must have been engaged in the relevant work for at least 12.5 years. People in occupations specified in this list have the right to receive a pension five years before attaining the normal pension age.

These lists of occupations were essentially carried over from the Soviet era and are stipulated by governmental decree.

People who have the right to receive an old-age pension under favourable conditions may claim the pension at any time after the pension right arises, regardless of their last employment. Old-age pensions under favourable conditions are granted for life, but

people may switch to the ordinary old-age pension upon attaining the general pensionable age.<sup>15</sup>

The calculation of the pension is similar to the usual pension formula. The general old-age pension in Estonia  $P$  is comprised of three components: the flat-rate base amount ( $B$ ), the pensionable length of service component ( $s$ ) covering periods up to 1998, and the insurance component based on individual social tax payments ( $\sum I$ ) covering periods from 1999 onwards. Both the base amount ( $B$ ) and the cash value ( $V$ ) of one year of pensionable service and the pension insurance component are indexed annually:

$$P = B + s \times V + \sum I \times V$$

For occupations on List 1, there is a top-up equal to the 3.1% of  $V$  for each year engaged in work specified:

$$P = B + s \times V + \sum I \times V + \text{specific service years} \times 0.031 \times V$$

For people engaged in underground work the top-up is 3.1% plus an additional 21.9% (=25%) of  $V$  for each year engaged in work specified:

$$P = B + s \times V + \sum I \times V + \text{specific service years} \times 0.25 \times V$$

There is no top-up for occupations on List 2. These have the general pension formula, but they simply benefit from the possibility of earlier retirement without a reduction in their pension.

Old-age pensions under favourable conditions are granted and paid after termination of work in production areas, professions and positions that grant the right to receive the pension. If someone returns to the above-mentioned work, payment of old-age pensions under favourable conditions is suspended.

Accumulation with earnings is not possible if the pensioner continues to work in an occupation that gives the right to an old-age pension under favourable conditions, but otherwise accumulation with earnings is possible. After normal pension age, earnings and pensions may be received simultaneously, irrespective of occupation, following similar rules to those for the normal old-age pension. If someone continues to work, the insurance component ( $\sum I$ ) of the old-age pension increases, just as in the case of people receiving the usual old-age pension when they continue to work and earn additional contribution points; but the specific service years are not increased in the pension formula.

## 2.2 Early retirement with a superannuated pension (*väljateenitud aastate pension*)

The superannuated pension scheme gives the right to early retirement to certain professional groups (e.g. pilots, mariners, miners and some groups of artists) whose professional abilities have declined before the normal retirement age, provided they have the required pensionable service in the profession (from ten to 25 years, depending on the profession and circumstances). In addition, a superannuated pension is granted to someone whose total pension qualifying period in Estonia is at least 15 years (this is the same requirement as for the normal old-age pension). The list of general occupational classes is presented in the Annex, Table 2. About 100-200 people per year started using

<sup>15</sup> Our calculations using Estonian Social Insurance Board microdata indicate that this is rarely used. About 2% of men and 5% of women swapped their old-age pension under favourable conditions for an ordinary old-age pension after reaching pension age in 2001-2015.

the scheme in 2010-2015 and 1 899 people were in receipt of the pension at the end of 2015.

Although the Superannuated Pensions Act (§ 1) states that the pension is granted to employees and specialists who work in professions that involve loss or reduction of professional capacity for work before attaining pensionable age, hindering continued work in such professions or positions, in reality this is not checked.<sup>16</sup> This is in contrast to the incapacity for work pension (regulated by the State Pension Insurance Act, § 16), where incapacity for work is established by the Social Insurance Board.<sup>17</sup> The detailed list of occupations and the determination of service years are regulated by government decree.<sup>18</sup>

The formula for superannuated pensions is different from the general pension formula outlined above and relies on a specific length of service component (*spec*), which sums periods before and after 1999. The pension does not depend on previous social tax payments:

$$P = B + \text{specific service years} \times 0.906 \times V$$

The formula thus reduces the value of a year of pensionable service by 9.4%. In some cases, where the length of specific service has been restricted, for example due to incapacity for work, the overall length of service may also be relevant:

$$P = B + \text{specific service years} \times 0.906 \times V + \text{other service years} \times V$$

For some occupations, such as police officers, rescue service employees, prison officers and test pilots, the fixed part of the pension is larger by 20%:

$$P = 1.2 \times B + \text{specific service years} \times 0.906 \times V$$

Superannuated pensions are granted for life, but people may switch to the ordinary old-age pension upon attaining the general pensionable age. Whether it is more beneficial to switch to the general old-age pension depends on the total contribution years and pension insurance coefficients of the individual. Usually superannuated pensions are smaller than old-age pensions, as only service years count towards it, and people switch to the old-age pension after reaching pension age. This pension is therefore usually paid to people who are of working age, and the numbers involved are low. Accumulation with earnings is not possible if the pensioner continues to work in an occupation that gives entitlement to a superannuated pension; otherwise accumulation with earnings is possible. Hence, people may often supplement their pension, which is usually smaller than the normal old-age pension, through labour market earnings.<sup>19</sup> Note that people may also shift to other types of pensions: for example, miners may take an old-age

<sup>16</sup> Joosep, Marleen "Õigus pensionikindlustusele Eesti Vabariigi põhiseaduses: eriliiki pensionite võimalikkus" (The right to pension insurance in the constitution of the Republic of Estonia: possibility of special type of pensions), masters tThesis, University of Tartu, 2015 <<http://dspace.ut.ee/handle/10062/47969>>

<sup>17</sup> There is an exception under §14 (6), which states that there is a right to a superannuated pension for medical personnel who have been infected with AIDS virus in the course of performance of their duties, regardless of age and pension qualifying period (Joosep, 2015).

<sup>18</sup> "Väljateenitud aastate pensionile õigust andvate kutsealade ja ametikohtade loetelu ning selle pensioni määramiseks vajaliku staaži arvutamise kord" (*List of occupations that give right to superannuated pensions and regulation of calculation of required service years*), Vastu võetud 16.07.1992 Nr. 207 (Vabariigi Valitsus, 1992) <<https://www.riigiteataja.ee/akt/13300128>>

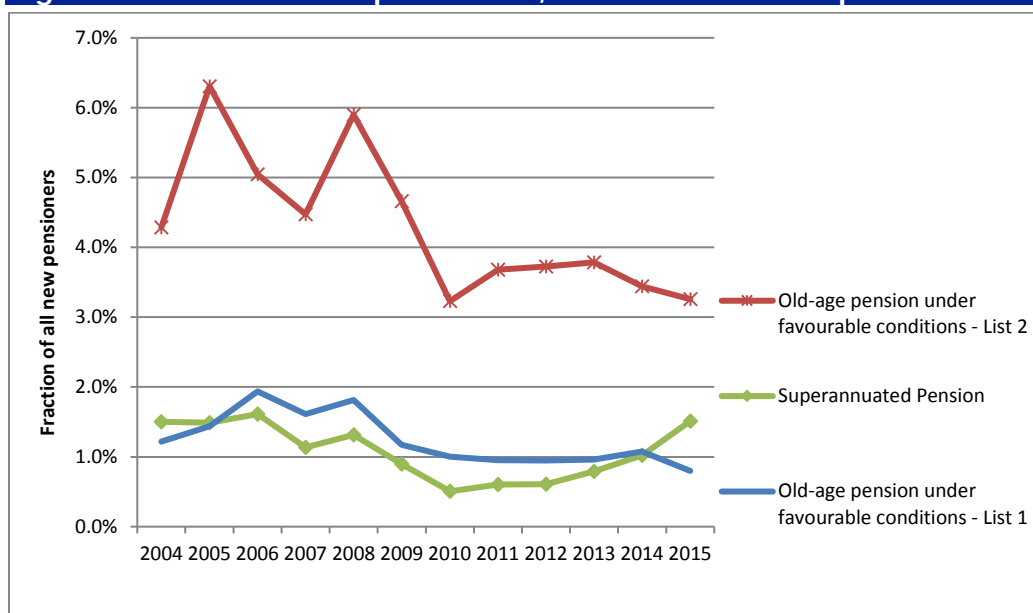
<sup>19</sup> However, according to Joosep (2015) some occupations such as police officers, rescue service employees and prison officers may continue in the same occupation even after starting to receive their pension.

pension under favourable conditions (see above), and police officers may take a special pension for police employees, etc.<sup>20</sup>

### 3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

According to statistics from the Estonian Social Insurance Board, about 5% of all new retirees (including incapacity for work pensioners) take either superannuated pensions or pensions under favourable conditions (see Figure 1). The largest component are those of the latter group of pensioners who belong to occupations under List 2 (moderately hazardous or arduous).

**Figure 1: New WAHJ pensioners, fraction of all new pensioners**



Source: Ministry of Social Affairs, data inquiry 16 March 2016; Statistics Estonia, data set SK110: Riiklik pensionikindlustus, 1. jaanuar; own calculations.

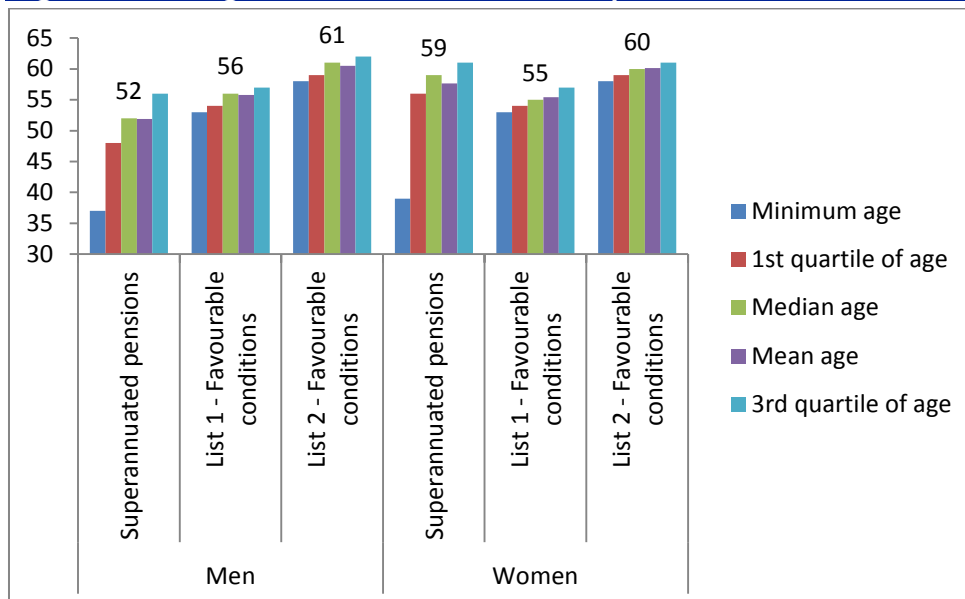
Note: Our microdata analysis of all pensioners at the end of 2014 shows that around 55% of new recipients of superannuated pensions were police officers.

There are not many published quantitative studies available on the retirement patterns, reasons for retirement and pension income of retired people who have worked in arduous or hazardous jobs. The study by National Audit Office referred to in the previous section is the most comprehensive study available. We complement this study, for this report, with micro-level registry data analysis of pensioners who were in receipt of a pension at the end of 2014.

The median age when people started to receive a pension was 56 for men and 55 for women if their occupations belonged to List 1, and 61 and 60 if they belonged to List 2. The median age at first receipt of a superannuated pension was 52 for men and 59 for women. Hence, people who took these pension schemes did retire before normal pension age, which was 63 for men and increased from 61 to 62.5 for women during the observed time period 2010-2014.

<sup>20</sup> Our calculations using Estonian Social Insurance Board microdata indicate that about one-third of superannuated pensions were swapped for an ordinary old-age pension after reaching pension age in 2001-2015. In addition, about one-quarter of superannuated pensions were swapped for an old-age pension under favourable conditions when the required years of contributions were acquired.

**Figure 2: Age of retirement of WAHJ pensioners, 2010-2014**

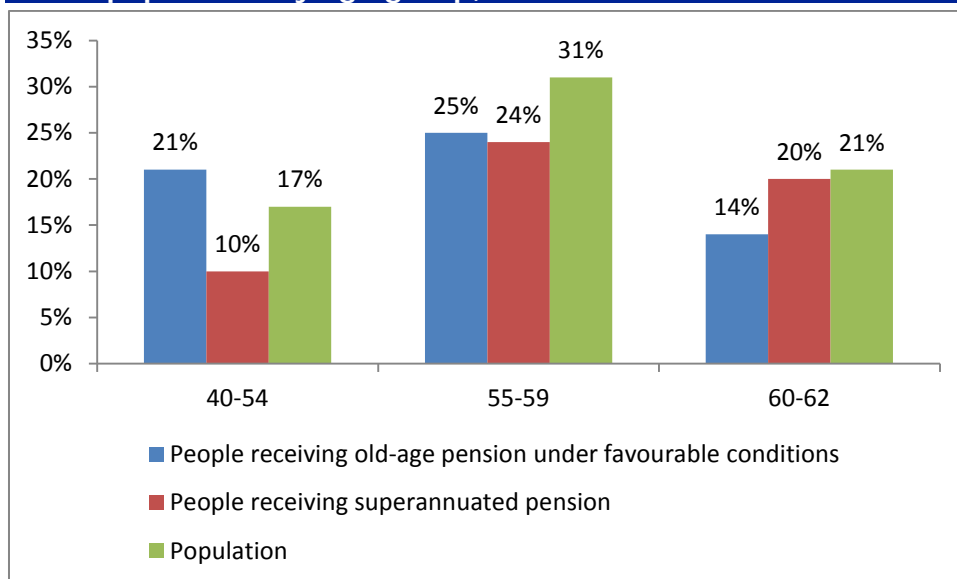


Source: Estonian National Social Insurance Board microdata as of 31 December 2014, data extraction on 7 July 2015; own calculations.

Note: The analysis includes pensioners alive at the end of 2014, and their existing pension type, who started to receive these pensions in 2010-2014. Police officers and defence forces are excluded from our analysis.

In their 2014 report the National Audit Office investigated whether the health of people in the year they become entitled to an old-age pension under favourable conditions or a superannuated pension was poorer than the health of people in professions that did give the right to receive these types of pensions. Their analysis indicated that it was not.

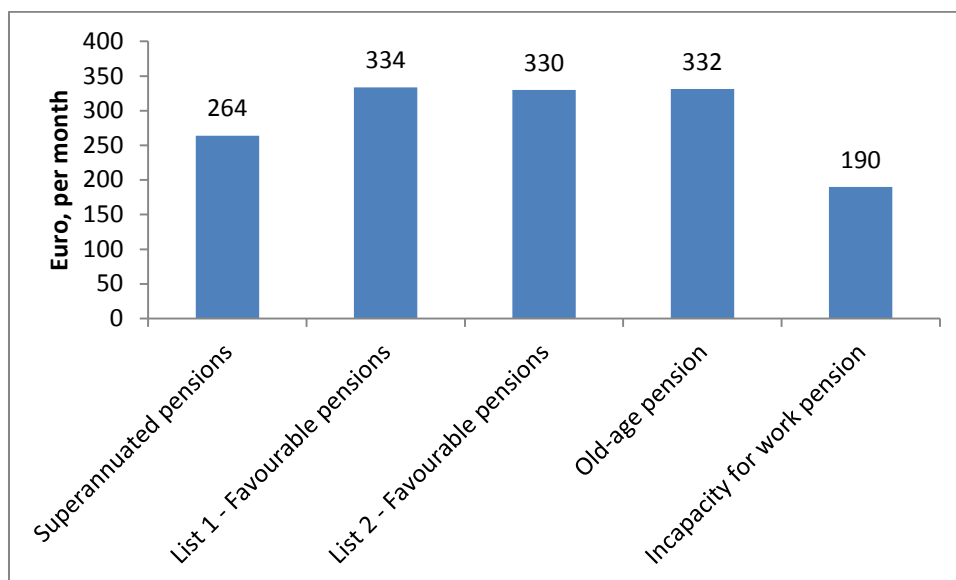
**Figure 3: Share of permanently disabled people among people receiving an old-age pension under favourable conditions and a superannuated pension and entire population by age group, 2012**



Source: Reproduced from National Audit Office, Sustainability of the state's pension system, 2014, Figure 17.

At the end of 2014 the average superannuated pension was about one-fifth smaller than the average old-age pension (EUR 264 vs EUR 332). The average old-age pension under favourable conditions was very close to the average old-age pension (EUR 334 for List 1 and EUR 330 for List 2). Note also that average incapacity for work pension was considerably lower than superannuated pensions or pensions under favourable conditions (EUR 190). (A more detailed distribution of pensions is given in Annex, Figure 6.)

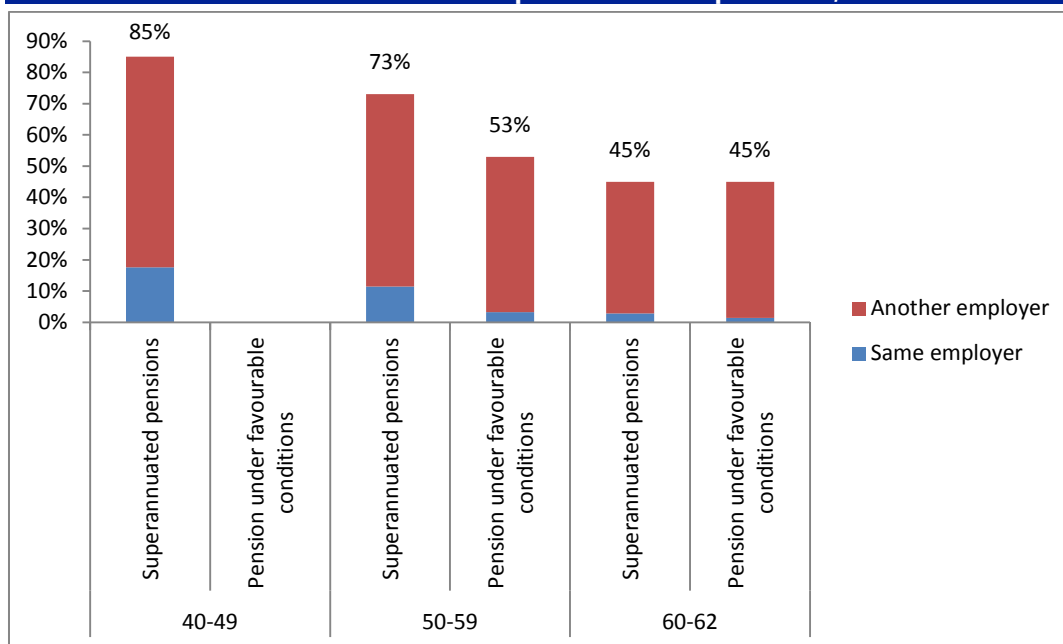
**Figure 4: Average pension by pension type, 2014**



Source and notes: See Figure 2.

Most people who received superannuated pensions or pensions under favourable conditions continued to work, according to the National Audit Office study. About 73% of those aged 50-59 who received superannuated pension in 2010-2012 worked at the same time. The proportion was lower among those who received a pension under favourable conditions (53%). The older recipients got, the lower the proportion of those who worked, including those who continued working at the same employer.

**Figure 5: Proportion of people who work while receiving old-age pension under favourable conditions or superannuated pension, 2010-2012**



Source: Reproduced from National Audit Office, Sustainability of the state's pension system, 2014, Figure 20.

The National Audit Office analysis (2014) also indicated that 35% of those who retired and started receiving an old-age pension under favourable conditions or a superannuated pension registered soon afterwards with the Estonian Unemployment Insurance Fund as unemployed/seeking work. However, only 4.8% had received any employment training by the Unemployment Insurance Fund three years before or three years after they started to receive a pension. The National Audit Office concluded that people receiving an old-age pension under favourable conditions or a superannuated pension had not been guaranteed adequate opportunities for the acquisition of new qualifications after ending their previous career.



## References

- "Ametiühingute liit ei pea sooduspensionide täielikku kaotamist õigeks" (*Estonian Trade Union Confederation does not approve full abolishment of favourable pensions*), press release, 15 April 2016 <<http://tarbija24.postimees.ee/3657507/ametiuhingute-liit-ei-peat-sooduspensionide-taielikku-kaotamist-oigeks>> [accessed 18 May 2016]
- Joosep, Marleen "Õigus pensionikindlustusele Eesti Vabariigi põhiseaduses: eriliiki pensionite võimalikkus" (*The right to pension insurance in the constitution of the Republic of Estonia: possibility of special type of pensions*), masters thesis, University of Tartu, 2015 <<http://dspace.ut.ee/handle/10062/47969>> [accessed 18 May 2016]
- "Kutsehaiguste Loetelu" (*List of occupational diseases*), Sotsiaalministri määrus Nr 66, Vastu võetud 09.05.2005, 2005 <<https://www.riigiteataja.ee/akt/897867>> [accessed 18 May 2016]
- Leppik, Lauri "Riiklikud eripensionid – oht sotsiaalsele õiglusele või ametnike motivaator" (*State special pensions – danger to social justice or motivation to public servants*), *Riigikogu Toimetised*, 2007, 86–93 <<http://www.riigikogu.ee/rito/index.php?id=10867>> [accessed 19 May 2016]
- Ministry of Social Affairs "Soodustingimustel vanaduspensionide ja väljateenitud aastate pensionide reform" (*Reform of old-age pensions under favourable conditions and superannuated pensions*), presentation on 20 March 2015 <<http://www.kogu.ee/wp-content/uploads/2015/06/SVPS-VAPS-20-03-2015.pdf>> [accessed 19 May 2016]
- Ministry of Social Affairs "Töötervishoiu ja tööohutuse strateegia 2010–2013" (*Strategy of occupational health and safety 2010-2013*) <[https://www.sm.ee/sites/default/files/content-editors/eesmargid\\_ja\\_tegevused/Too/Tookeskkond/ttto\\_strateegia\\_2010-2013.pdf](https://www.sm.ee/sites/default/files/content-editors/eesmargid_ja_tegevused/Too/Tookeskkond/ttto_strateegia_2010-2013.pdf)> [accessed 22 May 2016]
- National Audit Office of Estonia "Sustainability of the State's Pension System", 2014 <<http://www.riigikontroll.ee/DesktopModules/DigiDetail/FileDownloader.aspx?AuditId=2313&FileId=13170>> [accessed 19 May 2016]
- "Occupational Health and Safety Act" (Töötervishoiu ja tööohutuse seadus), 1999 <<https://www.riigiteataja.ee/en/eli/510112015002/consolide>> [accessed 19 May 2016]
- "Old-Age Pensions Under Favourable Conditions Act" (Soodustingimustel vanaduspensionide seadus), 1992 <<https://www.riigiteataja.ee/en/eli/511112013009/consolide>> [accessed 18 May 2016]
- "Superannuated Pensions Act" (Väljateenitud aastate pensionide seadus) (RT 1992, 21, 294, 1992) <<https://www.riigiteataja.ee/en/eli/515112013013/consolide>> [accessed 18 May 2016]
- Tartu Ülikool, Sotsioloogia ja sotsiaalpoliitika instituut "Uuringu 'Tööturu- ja muude meetmete vajalikkusest väljateenitud aastate pensioni kaotamisel' Lõpparuanne" (*Final report of the study "Necessity of labour market and other measures in abolishing superannuated pensions"*), 2012 <[https://www.sm.ee/sites/default/files/content-editors/Ministeerium\\_kontaktid/Uuringu\\_ja\\_analuusid/Sotsiaalvaldkond/vaparuanne\\_2012.pdf](https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Sotsiaalvaldkond/vaparuanne_2012.pdf)> [accessed 22 May 2016]
- "Väljateenitud aastate pensionile õigust andvate kutsealade ja ametikohtade loetelu ning selle pensioni määramiseks vajaliku staaži arvutamise kord" (*List of occupations that give right to superannuated pensions and regulation of calculation of required service years*), Vastu võetud 16.07.1992 Nr. 207 (Vabariigi Valitsus, 1992) <<https://www.riigiteataja.ee/akt/13300128>> [accessed 22 May 2016]

## Annex

**Table 1. List of sectors in which selected occupations give the right to an old-age pension under favourable conditions**

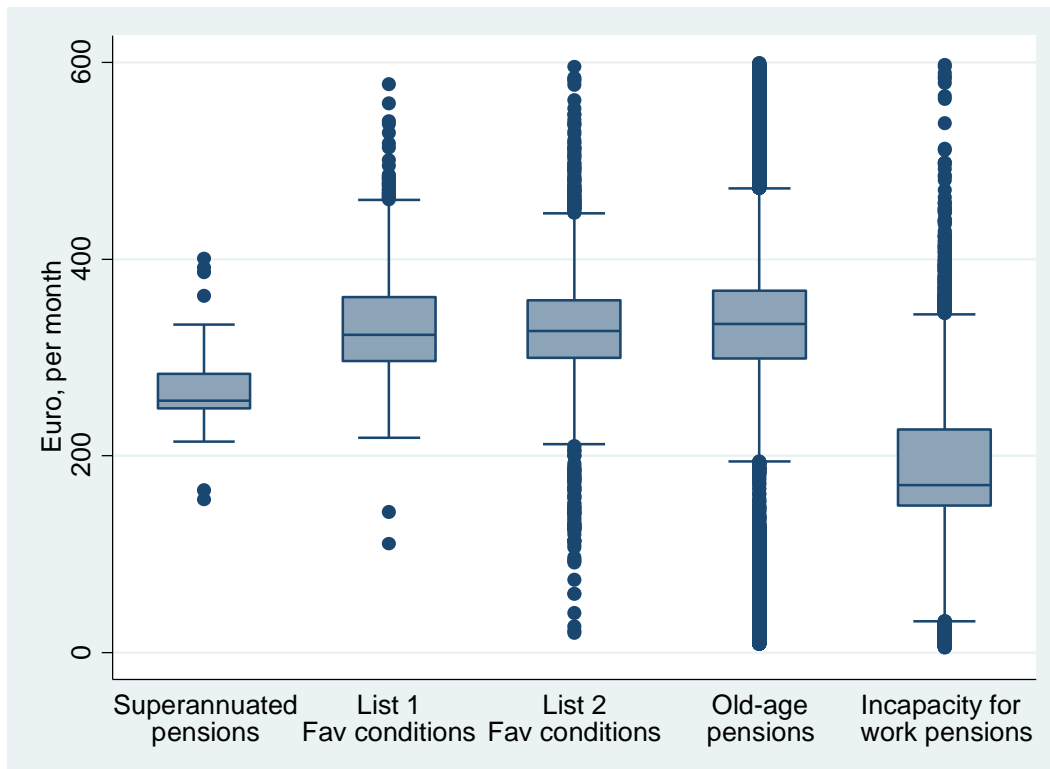
List 1 categories	List 2 categories
Up to 10 years earlier	Up to 5 years earlier
<b>Mining</b>	Mining
<b>Metallurgy</b>	Metallurgy
<b>Chemical industry</b>	Chemical industry
<b>Oil-shale production</b>	Oil-shale production Power plants
<b>Metal work</b>	Metal work
<b>Electrical engineering</b>	Electrical engineering
<b>Manufacturing of construction materials</b>	Manufacturing of construction materials Construction
<b>Manufacturing of glass</b>	Manufacturing of glass and ceramics
<b>Pulp and paper industry</b>	Textile industry Pulp and paper industry Forestry Food processing industry Pharmaceutical industry Health care and social workers
<b>Printing</b>	Printing
<b>Transport</b>	Transport
<b>Working with non-ferrous metals</b>	Working with non-ferrous metals
<b>Various other occupations</b>	Various other occupations

Note: Unofficial translation and categorization. For a full overview see government decree, 16.07.1992, No. 206 "Soodustingimustel vanaduspensionile õigust andvate tootmisalade, tööde, kutsealade ja ametikohtade loetelude kinnitamise kohta", available at <https://www.riigiteataja.ee/akt/24317>

**Table 2. List of occupations that give the right to a superannuated pension**

Category (clause in the Act)	Required working period in the occupation or in general
<b>Police officers, rescue service employees and prison officers (§ 12)</b>	25 years 12.5 years if a person has incapacity for work, is laid-off, or is released from work due to age; and is up to 5 years away from the statutory pension age and has 25 years of total years of service.
<b>Some categories of civil aviation employees and test pilots (§ 13)</b>	Rules depend on exact occupation; 10, 20 or 25 years; in some cases retirement possible 5 or 10 years before general retirement age; additional requirements to the total number of years of service.
<b>Underground and opencast mining operations – employees in some professions (§§ 14 1)</b>	20 or 25 years
<b>Employees in some professions and positions of seafaring personnel of vessels of seagoing, river and fishing fleets (§ 14 2)</b>	25 years
<b>Textile industry employees (§§ 14 3)</b>	20 years Retirement possible 5 years before general retirement age.
<b>Teachers of substitute homes, educational institutions for people with special needs and institutions for sick children (§§ 14 4)</b>	25 years as a teacher, including 15 years in substitute homes, educational institutions for people with special needs and institutions for sick children.
<b>Certain categories of artists working in state, municipal and private performing arts institutions, performing arts institutions operating as foundations and the National Opera (§§ 14 5)</b>	20-25 years
<b>Medical personnel infected with human immunodeficiency virus (AIDS) (§§ 14 6)</b>	Not required
<b>Drivers of public transport vehicles on regular urban lines (§§ 14 7)</b>	25 years Retirement possible 5 years before general retirement age.

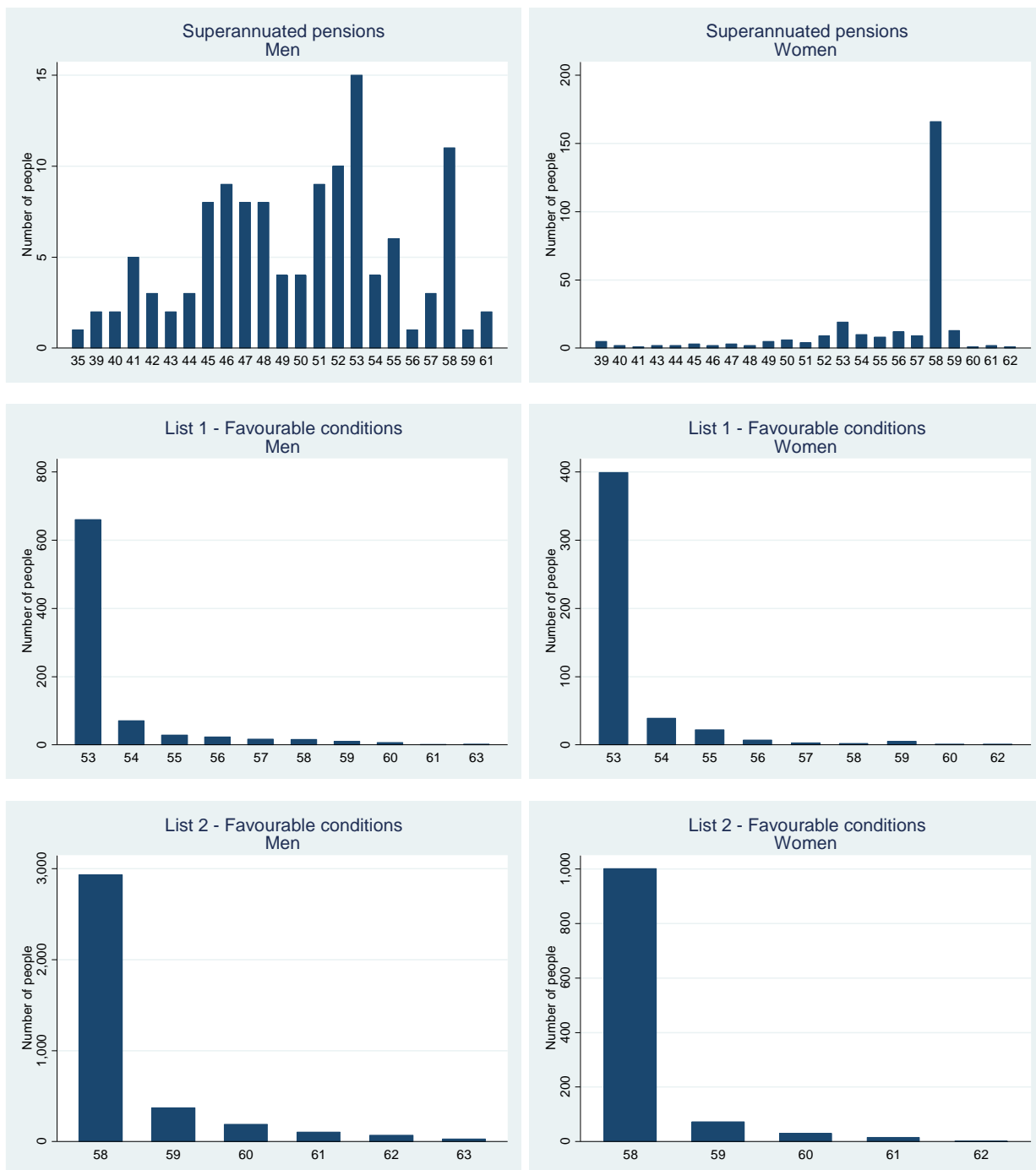
Source: *Superannuated Pensions Act (Väljateenituid Aastate Pensionide Seadus)* (RT 1992, 21, 294, 1992, <https://www.riigiteataja.ee/en/eli/515112013013/consolide>

**Figure 6: Distribution of pensions by pension type, 2014**

Source: Estonian National Social Insurance Board microdata as of 31 December 2014, data extraction on 7 July 2017; own calculations.

Note: The analysis includes pensioners alive at the end of 2014, and their existing pension type, who started to receive these pensions in 2010-2014. Police officers and defence forces are excluded from our analysis. A few outliers where the pension was larger than EUR 600 are excluded from the figures. (The box graph shows median values as middle lines, and the first and the third quartile as the lower and upper lines of the grey box.)

**Figure 7: Age when started to receive pension, by gender and pension type, 2010-2014**



Source: Estonian National Social Insurance Board microdata as of 31 December 2014, data extraction on 7 July 2017; own calculations.

Note: The analysis includes pensioners alive at the end of 2014, and their existing pension type, who started to receive these pensions in 2010-2014. Police officers and defence forces are excluded from our analysis. We have excluded a few observations where the start of the pension was later than the statutory pension age.

