

National plan under the Council Recommendation on access to social protection for workers and the self-employed

ESTONIA

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Challenges

General economic context

According to Statistics Estonia¹, the gross domestic product (GDP) decreased by 1.2% in the fourth quarter of 2020 compared to previous year. In 2020, the Estonian economy shrank by 2.9%, but increased already in first quarter of 2021 by 5.4% compared to year ago. According to latest economic prognosis (16.12.2020), the economic growth is expected to be 2.9% in 2021.

In 2020, the employment rate (ages 20-64) decreased from 79,9% to 78,6% and the rate of unemployment rose from 4,4% to 6,8%². The COVID-19 crisis slightly increased long-term unemployment (from 0,9% to 1,2%) and youth unemployment (from 11,1% to 17,9%) in 2020. Sectors with most losses in employment during the crisis included food and accommodation, transportation and storage, and wholesale and retail trade.

Both *Eesti Pank*³ and the Ministry of Finance forecast a decline in employment and an increase in unemployment in 2021 and improvement of the situation from 2022 onwards. *Eesti Pank* considers that if the restrictions disappear and vaccination is successful, the crisis will not permanently damage the economy and it will return to pre-crisis levels in 2022.

Platform workers⁴ in Estonia

Recent study⁵ on platform workers in Estonia concluded that:

- In 2021, 7% (approximately 56 000 people) of the population aged 18-64 regularly performs platform work. For most, platform work is a source of additional income. Platform work is the only source of income for 4.4% of platform employees (approx. 2 500 people) and this share has not increased compared to 2018.
- People who have done platform work during the last year (20.2% of the working age population, ie about 160 000 people) earn on average 18.4% of their monthly net income by doing platform work. At least half of the income is platform work for 18.7% for regular platform workers (about 10 500 people).
- The average monthly net income of platform employees for all sources of income is on average € 1 017 (Estonia's average net salary is € 1 255).
- 20% of platform employees work more than 40 hours a week, which may indicate difficulties in coping. As platform workers have to organize their social protection themselves, it is also difficult to know whether platform workers have social insurance coverage (incl pension rights in the future). They also lack other social guarantees (for example working and rest time is not regulated and no protection for redundancies).
- Platform workers consider platform work rather as incidental income. 8.2% indicated that the income goes to an account related to their company. In Estonia, a business account has been considered one of the solutions for the social protection of platform workers. However, only 2% of platform employees currently use a business account.

¹ <https://www.stat.ee/en/node/183282>

² <https://www.stat.ee/en/node/183253>

³ <https://www.eestipank.ee/press/prognoos-majanduse-kriisieelne-tase-taastub-toenaoliselt-jargmise-aasta-teises-pooles-16122020>

⁴ In the study, platform work is defined as work by using a digital job placement platform. Eight most common platform work categories were studied: provision of travel sharing service, courier service, work in other people's homes, personal care services, office work at the client's premises, click work, creative or IT work and provision of professional services.

⁵ Vallistu, J., Piirits, M., (2021) Platvormitöö Eestis 2021. Küsitlusuuringu tulemused. Arenguseire Keskus. Published: https://www.riigikogu.ee/wpcms/wp-content/uploads/2021/06/2021_platvormitoo_uuring.pdf (only in Estonian)

The state does not have regular overview of how many people earn and how much they earn by working through digital platforms. Platforms are currently not required to share any data on platform staff with the state.

All natural and legal persons offering employment must register the employment data of their employees (commencement, suspension and termination of employment) in the employment register of the Tax and Customs Board. All information regarding employment registration, sole proprietors registration and entrepreneur accounts is available at the Tax and Customs Board website <https://www.emta.ee/et>.

Access to social protection

Social insurance in Estonia covers the traditional risks arising from job loss, illness, birth of a child, loss of ability to work, old age and loss of a breadwinner. Insurance schemes are both contributory and residence based⁶. Estonian social protection schemes are not linked to a specific employer.

The I pillar **pension** is related to the payment of social tax per person by the employer, the state or local government, or by a self-employed person or a member of the management board of a company. II pillar pension insurance is related to the social tax and contributions to the second pillar by the employee himself. In addition, the state pays contributions to the II pillar on behalf of the parents. Social tax payments are made on wages, income from self-employment and fees paid under a contract under the law of obligations. Payment of social tax is mandatory. The pension scheme considers the social tax paid per person throughout working life. This also includes individual work episodes, regardless of employment, employment duration or pay.

From 01.01.2021 accumulating a pension in the second pillar has become voluntary. These changes provide the following new options for those accumulating pensions: 1) people have been given the right to decide whether to accumulate pension money into the second pillar or not – for both those who have already enrolled in the second pillar when the changes enter into force, as well as for those who have not; 2) in addition to accumulating money in pension funds, money can be accumulated via pension investment accounts; 3) people have been given the right to use the money accumulated in the second pillar under certain conditions while they are still accumulating their pensions; 4) upon reaching retirement age, each person will be able to decide how to use the accumulated money.

People who have attained the pensionable age, but have not acquired the pension qualifying period required for old-age pension, are entitled to receive the national pension if they have lived in Estonia for at least five years preceding the pension application.

All information related to pension insurance (incl personal pension account and simulation formulas) is available on the Social insurance Board website www.sotsiaalkindlustusamet.ee and Pensionikeskus website: www.pensionikeskus.ee.

Health insurance is a compulsory social insurance scheme for all persons with economic activity (employees and self-employed). To receive health insurance cover, the social tax paid on the basis of various contracts can be added together.

Large groups of the non-active population are covered based on solidarity (e.g. all children and pensioners) or by contributions paid on their behalf by the state. Working-age beneficiaries are employees on whose behalf the employer has paid social tax, self-employed who have paid social tax themselves, spouses of self-employed persons entered into the commercial register who participate in the business activities of the self-employed and on whose behalf the self-employed have paid social tax. Over the last decade, insurance cover has been steadily extended to small target groups (for example spouses of self-employed, creative persons, people participating in work

⁶ For more information about Estonian social protection is available in the MISSOC database: <https://www.missoc.org/missoc-database/comparative-tables/results/>

practice, monks and nuns). Voluntary health insurance scheme is available for the permanent residents of Estonia or persons residing in Estonia on the basis of a temporary residence permit or the right of residence who have been insured for at least 12 months over a two-year period prior to signing the voluntary health insurance contract. Since 2019, emergency care guaranteed to non-insured persons is financed from the Health Insurance Fund budget.

Compared to other EU countries, the share of the population without health insurance in Estonia is higher⁷. Analyses show that the availability of insurance is volatile for a significant part of the working population. People who are paid the same amount of social tax during the year may be in a different situation in terms of health insurance coverage, depending on the form in which they are employed or the amount of income they receive from work on a permanent basis. An employee is not covered by health insurance based on a contract under the law of obligations if his or her earnings are lower than the minimum wage of the previous calendar year. The situation is being exacerbated by the introduction of flexible forms of work. Those in non-traditional forms of work have lower incomes and, as a result, their contributions may be too low for social protection.

All information related to health insurance (incl health insurance for sole proprietors) is available at Estonian Health Insurance Board website www.haigekassa.ee

All insured persons working in Estonia, including self-employed persons, are entitled to **sickness benefit, maternity and paternity benefits**. Benefits are calculated based on social tax, taking into account the social tax paid during the whole reference period, regardless of the type of employment or the number of employers. The replacement rate for sickness benefits is 70% (100% for employees in the event of accidents at work and occupational diseases), but there is no minimum amount of sickness benefits for self-employed workers in certain cases. The replacement rate for parental benefits is 100%.

Unemployment insurance is a type of compulsory insurance based on contributions from insured persons and employers. All insured persons who meet the qualification conditions (eg length of insurance) are entitled to unemployment insurance benefits. People working under an employment contract are insured, regardless of whether the work is performed on a fixed-term, part-time or temporary basis. Employees and persons providing services based on a contract under the law of obligations are also insured. Self-employed persons are not insured, nor do they could join the unemployment insurance system voluntarily. At the same time, they are entitled to unemployment insurance benefits and labor market services in a situation where they have been engaged in paid employment (eg employment contract, contract for the provision of services under the law of obligations) and have lost it while pursuing self-employment. The amount of unemployment insurance benefit depends on the unemployed person's previous income. Net replacement rate of the unemployment insurance benefit is 60% of previous earnings during the first 100 days of the unemployment spell and 40% for the remaining days.

The secondary system consists of the unemployment allowance benefit, which is flat rate and is financed from the state budget. Payment of unemployment allowance is also conditional on the previous employment record. So if person is inactive (not registered as sole proprietors anymore, not working etc) they could register as unemployed and may be entitled to the unemployment allowance scheme if they comply with other eligibility criteria, especially including having been employed at least 180 days during the twelve months prior and their income is less than the 31-fold daily unemployment allowance rate. **Unemployment allowance must be no less than 50%** of the minimum monthly wage rate in force on 1 July of the previous year.

Work ability allowance is a universal benefit that covers all residents. Entitlement to work ability allowance is not conditional on previous employment or contributions. The amount of the allowance

⁷ According to recent data, 95,2% of the Estonian population were covered by health insurance in 2020, compared to 94,5% in 2019.

depends on the extent of the work ability and is not related to previous earnings. In 2021 the amount of benefit is 258,72 euros per month in case of partial work ability and 453,90 euros per month in case of no work ability.

All information regarding unemployment and work ability, is available at the Estonian Unemployment Insurance Fund website www.tootukassa.ee

There is no separate insurance for **accidents at work** and **occupational diseases** in Estonia. The corresponding risk is covered by sickness benefit and benefit for incapacity of work. In addition, employees have the right to claim compensation from the employer and self-employed persons from the person who caused the damage for the damage caused to health (incl death).

Conclusion

Access to social protection is guaranteed to persons working on the basis of Employment Contracts Act and Civil Service Act, as the employer is obliged to pay social tax at least at a monthly rate (there are certain exemptions, but health insurance is guaranteed in any case). Self-employed workers do not currently have access to unemployment insurance (unless they have a parallel employment relationship and it ends) and to compensation from the state. The self-employed person and the spouse participating in his or her activities are covered by insurance in the same way as the employee, except for protection against unemployment. Employees are guaranteed pension insurance and unemployment insurance based on the law of obligations contract, receiving health insurance requires paying monthly/regular social tax at least at the monthly rate established by the state budget.

Certain new forms of work that are not covered by an employment relationship, such as platform work, are usually excluded from social security, ie no payments are made. However, these persons are covered by residence-based schemes (incapacity benefit, family benefits). Since 2019, a business account has been implemented in Estonia (for detailed information, please see annex). The insurance cover is pension and health insurance, it does not apply to unemployment insurance. The level of insurance cover is lower because the tax liability is also lower.

As income disparities in Estonia are large and the risk of poverty is high, **ensuring the adequacy of minimum benefits is a challenge**. Provided that workers in all forms are entitled to benefits and that they provide an adequate income and avoid falling into poverty, a situation may be found in which, in the case of small-scale or occasional employment, a person lives better from benefits than from work. On the one hand, this is a threat to the financial sustainability of social protection, and on the other, it creates activity traps for the workers.

Lessons learnt from the Covid-19 crisis

Estonian government responded to the COVID-19 crisis starting in March 2020 with a wide range of support measures⁸ aimed at alleviating the impact of coronavirus on the economy, and to support working people and companies. As the crisis progressed, the measures were supplemented and altogether three sets of **wage compensations** were implemented.

1. **Short term work measures in 2020**⁹. Temporary subsidy was combined with and complements the regulation of the current Employment Contracts Act. Subsidy was made available for employers to apply since the beginning of April 2020 in the first phase the employee's wage could be subsidized for up to two months during a three-month-period from March until May. The subsidy was paid to an employee whose employer's activity had been significantly disrupted

⁸ <https://www.valitsus.ee/en/news/emergency-situation-government-supports-estonian-workers-and-economy-least-eur-2-billion>

⁹ Please see the regulation: <https://www.rigiteataja.ee/akt/119032021020>

due to extraordinary circumstances. The benefit provided workers with an income and helped employers to overcome temporary difficulties without having to lay off their staff or close business. Both private companies and NGOs were eligible for the subsidies, independent of the size of the organization. The amount of the compensation was 70% of the employee's average gross salary per calendar month but no more than EUR 1 000.

Afterwards it was extended with a bit stricter rules until June. The amount of the compensation was 50% of the employee's average gross salary per calendar month but no more than EUR 800. An employer could claim compensation for employees with an employment contract only in case where employment began on 1 March 2020 at the latest.

The Unemployment Insurance Fund also paid social security, unemployment insurance tax and mandatory funded pension, and income tax on the subsidy, the employer will pay the taxes on the employee's remaining wage.

17 500 institutions and 137 500 people were paid a subsidy, with the total sum of subsidies being 256 million euros¹⁰. Without this measure, COVID-19 would have left more than 65 000 people out of work and increased the poverty rate by almost 4 percentage points (pp). It is estimated that due to the measure, low-income households lost less in income than wealthier ones¹¹.

2. **Additional wage support for Ida-Viru and Harju county employers** in the beginning of 2021¹². To support businesses and self-employed persons in certain sectors in Ida-Viru and Harju County that had to suspend their activities due to the restrictions imposed by the Government from December 2020. Beneficiaries were companies, foundations, non-profit associations and self-employed persons whose activities have been suspended or significantly restricted due to the restrictions of the Government. Entrepreneurs receive support for those employees whose place of employment is in the Ida-Viru or Harju County as of 22 December 2020. The amount of the financial support is calculated on the basis of the one-time wage costs of the employees as of labour cost (including repaying social tax and unemployment insurance contribution made by employer) of the company for November 2020 as established on the basis of subsection § 191(4) of the Employment Contracts Act. The maximum amount of support per company was 180 000 euros. The amount of support for the self-employed with a registered seat in Ida-Viru or Harju County was the minimum monthly wage payable in 2020 as established based on subsection 191(41) of the Employment Contracts Act.
3. **Short term work measures from 1 March to 31 May 2021**¹³. Wage compensation is paid to an employee whose employer's activity has been significantly disrupted due to extraordinary circumstances. The benefit provides workers with an income and helps employers to overcome temporary difficulties without having to lay off workers or close business. The benefit is paid to those employees who are not employed by the employer in the agreed amount or whose salaries have been reduced. The amount of the compensation is 60% of the employee's average gross salary per calendar month but no more than EUR 1 000. Self-employed persons could claim wage compensation in the amount of the minimum wage in one calendar month.

Access to Covid-19 related **health services** was also extended during the pandemic.

- 1) Due to the spread of the coronavirus, the **interpretation of the concept of emergency aid** was extended. All referrals from uninsured persons who complain of symptoms suggestive of a coronavirus are provided emergency care. In this case, the Estonian Health Insurance Fund pays

¹⁰ Source: Estonian Unemployment Insurance Fund: <https://www.tootukassa.ee/content/tootukassast/tootasu-huvitis>

¹¹ Koppel, K. & Laurimäe, M. (2021). Socioeconomic impact of COVID-19: Salary subsidy paid by the Unemployment Insurance Fund in 2020. Tallinn: Praxis Centre for Policy Studies. <http://www.praxis.ee/wp-content/uploads/2021/01/Salary-subsidy-analysis.pdf>

¹² Please see the regulation: <https://www.riigiteataja.ee/akt/119032021020>

¹³ Please see the regulation: <https://www.riigiteataja.ee/akt/119032021020>

for the services provided to these people, including coronavirus testing and treatment for COVID-19.

- 2) To prevent the spread of COVID-19 and maintain the income of people from first symptoms of the disease appear or if the infected person becomes in close contact, the **sickness benefit to the first three days of sick leave was temporarily compensated** from March till May 2020. People had temporarily possibility to apply on-line for a sick leave by themselves. The case may be opened by a person who is ill, has a child who is ill, needs care for a close family member, or has been exposed to COVID-19.
- 3) To reduce the risk of people falling ill at work and to deduct the cost for the employee, and thereby limit the spread of COVID-19, the **procedure for reimbursing benefit for incapacity for work is temporarily changed** from 01.01.2021 to 31.12.2021. The employee's deductible is the first day of illness, the employer pays the benefit from the second to the fifth day and the Estonian Health Insurance fund pays the benefit from the sixth day. The new procedure applies to primary sick leaves starting from 01.01.2021. The procedure for care allowance is not changed.

Policy objectives and measures to be taken

Policy objectives

In accordance with global trends and agreements in the European Union, the overall goal of Estonian employment policy in the next 5-10 years is to support the implementation of changes in the economy and innovation by preparing people and employers for future work and ensuring adequate level of social protection.

Inclusive and flexible employment needs to be designed accordingly. It is important that every person is guaranteed an adequate level of social protection if the risk of, for example unemployment or loss of work ability materializes. Platform work requires more flexibility from the labour legislation and labour market. Estonia implements a practice of employment contracts, that gives flexibility into employment relations, but also provides some social protection. A business account, implemented since 2019, also helps to ensure the social protection of non-standard workers.

Estonia is moving towards the principle that all people, regardless of their form of employment, must have access to social protection and for that, taxes must be paid. Social protection must be provided for all forms of employment and tax regimes, otherwise people will choose a more useful form of work for them. Proposals have been made in both unemployment insurance and health insurance (please see measures below).

While recent reforms have extended access to social protection to previously uncovered groups, some forms of non-standard workers and self-employed still face some gaps in social protection. The need to address these gaps is highlighted in several strategies.

Estonian long-term **development strategy Estonia 2035**¹⁴ sets out strategic goals for the state and people of Estonia for the next fifteen years and determines the changes necessary for achieving them. The Strategy acknowledges the need to prepare for future work and adapt social protection schemes accordingly. The strategy confirms Estonian commitment, where necessary, redesign the tax system, labour law and social protection rules to comply with the new forms of work, so that they will also ensure equal treatment for, for example, creative freelancers, work bits and via platforms (including cross-border) employees. The spread of non-traditional forms of work is accompanied by the need to

¹⁴ Estonia 2035 is published on the Government Office website <https://valitsus.ee/strateegia-eesti-2035-arengukavad-ja-planeering/strateegia>. For English translation, please see: <https://www.valitsus.ee/media/3926/download>

support teleworking opportunities, modernise the working environment (including digital infrastructure) and ensure safety regardless of the form of work.

Welfare Development Plan 2016-2023¹⁵ sets strategic objectives in labour market, social protection, gender equality, and equal treatment policies. The main objective is to increase employment while ensuring long and high-quality working life. The strategy recognises the need to analyse the flexible forms of employment and employment contracts, their obstacles and impact on labour market behaviour in conjunction with income security while the person is employed, during a temporary interruption, or termination of employment. The implementation plan for 2022-2025 sets the priority to expand the coverage of unemployment benefits (for example to short-time and irregular workers) to reduce the poverty risk on unemployed. The payment of benefits should be made more flexible to take account of developments in the labor market (changes in the length and nature of the employment relationship). The unemployment benefit system should also consider changes in the economy.

Ministry of Social Affairs together with social partners and other stakeholders has started preparations for revising the current and elaboration of new **Welfare Development Plan 2023-2030**. Thematic working groups have been established and social partners will be involved in the identification of main challenges and elaboration of respective measures. Among others, better social protection for self-employed and non-standard workers will be in focus of discussions. The new Welfare Development Plan will be submitted to the Government for approval by June 2022.

National Health Plan 2020-2030¹⁶ focuses on reducing health inequalities and increasing the number of healthy life years. Expanding the universal health insurance coverage to all Estonian population is listed among the priorities¹⁷. The aim is to ensure the availability of prevention and health care services to all Estonian residents by increasing health insurance coverage from 95% in 2020 to 96,3% in 2024.

Measures

Flexibility of the unemployment insurance system	
<i>Aim of the measure</i>	<p>Aim</p> <p>The aim of the changes in the unemployment insurance is to increase flexibility in the unemployment benefit system and provide the unemployed with greater social protection during the unemployment.</p> <p>Content</p> <ol style="list-style-type: none"> 1) Estonia has a two-tier system of unemployment benefits. The primary system, referred to as the unemployment insurance benefit, depends on previous earnings and is financed from statutory unemployment insurance contributions. According to the change, from 1 August 2020 the net replacement rate of the unemployment insurance benefit increased from 50% to 60% of previous earnings during the first 100 days of the unemployment spell and 40% for the remaining days. 2) The secondary system, referred to as the unemployment allowance, is a flat rate benefit financed from the state budget. The daily unemployment allowance rate is revised each year. According to the change, from 1 January 2021 31 times the daily rate of the unemployment allowance must be no less than 50% (until the end of 2020 this rate was 35%) of the minimum monthly wage rate in force on 1 July of the previous year.

¹⁵ https://www.sm.ee/sites/default/files/content-editors/eesmargid_ja_tegevused/welfare_development_plan_2016-2023.pdf

¹⁶ <https://www.sm.ee/et/rahvastiku-tervise-arengukava-2020-2030> (currently only in Estonian)

¹⁷ https://www.sm.ee/sites/default/files/lisa_8_inimkeskse_tervishoiu_programm_2021.pdf (currently only in Estonian)

	3) According to the third amendment, from 1 September 2020, the unemployed can work temporarily during registered unemployment. Prior to the change, it was not possible to work as an unemployed person, and upon becoming employed, registration as unemployed and payment of unemployment benefits was terminated. According to the amendment, it is allowed to work temporarily for up to eight days in a calendar month while registered as unemployed, and the remuneration paid for each temporary work in one calendar month may not exceed 40 percent of the minimum wage.
<i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i>	Registered unemployed. The number of registered unemployed has increased by 20 000 during the pandemic. As of 16 May 2021, the number of registered unemployed was 54 167 and the registered unemployment rate was 8.3%. Both <i>Eesti Pank</i> and the Ministry of Finance forecast a decline in employment and an increase in unemployment in 2021 and an improvement in the situation from 2022 onwards.
<i>Branch/risk that is covered</i>	Unemployment insurance
<i>Expected results including number of non-standard workers and self-employed covered.</i>	Increasing the adequacy of the social safety net.
<i>Timeline for implementation</i>	Increase of the replacement rate of unemployment insurance benefit and unemployment allowance were adopted by the parliament of Estonia in June 2020 and implemented respectively from 1 August 2020 (unemployment insurance benefit) and from 1 January 2021 (unemployment allowance). The amendment to allow temporary employment during periods of unemployment was adopted by the parliament of Estonia in June 2020 and implemented from 1 September 2020.
<i>Financial resources allocated (covering both national funding sources and EU funding sources)</i>	Changes are financed from State budget and unemployment insurance funds.
<i>Implementing bodies and cooperation with stakeholders</i>	Estonian Unemployment Insurance Fund www.tootukassa.ee
<i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i>	Monitoring and evaluation are carried out by Ministry of Social Affairs in cooperation with Estonian Unemployment Insurance Fund.

Expanding the coverage of the unemployment insurance benefit system for people in non-standard forms of work	
<i>Aim of the measure</i>	<u>Aim</u>

	Strengthen social protection in the event of unemployment and reduce risk of poverty of self-employed, business account holders and members of the management or control body.
<i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i>	<p>Self-employed, business account holders and members of the management or control body.</p> <p>According to the Tax and Customs Board, there were 1 817 business account holders in 2019 and 1 044 of them received income subject to social tax.</p> <p>In 2019, 25 532 persons received remuneration from a member of the management or control body, and 25 491 of them received remuneration from which social tax was paid.</p> <p>In 2019, there were 21 330 self-employed persons who declared entrepreneurial income.</p>
<i>Branch/risk that is covered</i>	Unemployment insurance
<i>Expected results including number of non-standard workers and self-employed covered.</i>	Increasing the coverage of unemployment benefit system.
<i>Timeline for implementation</i>	The Cabinet of Ministers discussed the proposal to expand the coverage in April 2021 and discussion are currently ongoing
<i>Financial resources allocated (covering both national funding sources and EU funding sources)</i>	To be financed from the State budget and unemployment insurance funds.
<i>Implementing bodies and cooperation with stakeholders</i>	Estonian Unemployment Insurance Fund www.tootukassa.ee Social partners will be consulted during the drafting of legislation.
<i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i>	Monitoring and evaluation will be carried out by the Ministry of Social Affairs and Unemployment Insurance Fund.

Extending the period of payment of unemployment benefits during a period of higher unemployment	
<i>Aim of the measure</i>	<p>Aim Make the unemployment insurance system more flexible and self-adaptable, taking into account changes in the economy and the labor market. Provide security for insured persons to ensure social protection in the event of high unemployment.</p> <p>Content The payment of unemployment insurance benefit shall be extended for those persons whose benefit is about to expire.</p>

<i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i>	Unemployed who receive unemployment insurance benefit and whose benefit is about to expire.
<i>Branch/risk that is covered</i>	Unemployment insurance
<i>Expected results including number of non-standard workers and self-employed covered.</i>	Increasing the adequacy of the social safety net.
<i>Timeline for implementation</i>	The Cabinet of Ministers discussed the proposal to expand the coverage in April 2021 and discussions are currently ongoing.
<i>Financial resources allocated (covering both national funding sources and EU funding sources)</i>	To be financed from unemployment insurance funds.
<i>Implementing bodies and cooperation with stakeholders</i>	Estonian Unemployment Insurance Fund www.tootukassa.ee Legislation will be drafted in cooperation with social partners.
<i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i>	Monitoring and evaluation will be carried out by the Ministry of Social Affairs and Unemployment Insurance Fund.

Analysis and proposals to ensure the sustainability of the financing of the health care system and the availability of health care services for uninsured persons	
<i>Aim of the measure</i>	<p>Aim Expanding health insurance coverage to make health care more accessible and reduce inequalities. Early detection of diseases ensures more affordable and effective treatment at the right stage and reduces the burden of disease and loss of ability to work.</p> <p>Content: Taking into account the experience of other countries and previous research, and taking into account the current organization of the Estonian health care</p>

	<p>system, two alternatives for extending health insurance to the entire population have been analyzed and submitted to the Cabinet of Ministers:</p> <ol style="list-style-type: none"> 1) to ensure health insurance for all Estonian residents i.e persons whose residence is in Estonia according to the population register and who have resided in the country permanently for more than 183 days or 2) to ensure health insurance for Estonian residents who pay income tax in Estonia (for example in case of an employment contract, lease agreement etc), including Estonian tax residents and persons treated as insured (for example children, students, pensioners and other residents for whom the state pays social benefits).
<p><i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i></p>	<p>About 94,5% of population is covered with health insurance. People not covered by health insurance form approximately 5-6% (estimated 73 000 – 115 000 persons) of the population and their number has not changed in recent years. Group by group the coverage has been enlarged, however, some groups still lose coverage periodically or over a longer period. Studies have estimated that at least one-fifth of uninsured people are permanently or partially abroad. Access to public health care is limited for those without permanent health insurance and they are entitled to emergency care only.</p> <p>The majority of uninsured people in Estonia have intermittent insurance coverage. People are not sufficiently aware or motivated to use the opportunities of the social system to join the health insurance. Uninsured residents remain, who would be entitled to health insurance (for example due to unemployment status), but who do not use this option - both out of ignorance and as a conscious decision.</p> <p>About 86% of the working age (19–65 years) population is permanently covered by health insurance. The lack of insurance cover related to working is mostly caused by underemployment (instability and inadequacy of employment and income), fraudulent forms of work (employment and wages are formalised in a manner that does not provide insurance cover) and undeclared work (e.g., envelope wages, formalisation of one's wages as business income).</p> <p>The situation is compounded by the increasing use of flexible forms of work today. The number and share of employees working under an employment contract, agency or other contract under the law of obligations has doubled in the last ten years. The use of flexible forms of work is a growing trend in Estonia. The spread of flexible working arrangements may increase the number of such who do not contribute to the EHIF budget on a regular basis through labor taxes and who do not have social guarantees.</p>
<p><i>Branch/risk that is covered</i></p>	<p>Health insurance</p>
<p><i>Expected results Including number of non-standard workers and self-employed covered.</i></p>	<p>Analysis¹⁸ shows that the creation of insurance cover for small groups will improve insurance coverage by only 1%, while increasing administrative costs. Considering the small size of these sub-groups, developing and implementing policies that separately address different population groups would not be reasonable and may not ensure that additional financial resources are added to the Estonian Health Insurance Fund's budget, and thus the availability of services will deteriorate further. Instead, a systematic change should be</p>

¹⁸Analysis on health insurance. Reasons for lack of health insurance cover and opportunities to ensure health insurance for as many people as possible (2017-2018). <http://www.praxis.ee/wp-content/uploads/2017/09/Ravikindlustus.pdf>

	considered, as it would simplify the principles and administration of the system.
<i>Timeline for implementation</i>	<p>The coalition agreement signed on 24 January 2021 provides for the launch of a people-centered health care reform to ensure the sustainability of the health care system.</p> <p>The Cabinet of Ministers discussed health insurance coverage in March 2021 and took note of the possible alternatives. The coalition partners agreed to elaborate on possible next steps.</p>
<i>Financial resources allocated (covering both national funding sources and EU funding sources)</i>	Extending coverage requires an increase in funding of the Health Insurance Fund. 1/3 of total health system financing is allocated to the national health insurance fund. Majority of this funding comes from social tax, but the part of general tax contributions has been increasing.
<i>Implementing bodies and cooperation with stakeholders</i>	Estonian Health Insurance Fund www.haigekassa.ee
<i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i>	Indicator: Share of total population covered with health insurance. This indicator is also assessed in the National Health Plan 2030.

The pension formula changes	
<i>Aim of the measure</i>	<p><u>Aim</u></p> <p>The objective of the pension reform, which was formalized in 2018 and came into force in 2021, is to prevent a reduction in pensions and to ensure the country's financial sustainability. One of the important changes was supplementing the pension formula. As a result of the change in the pension formula, 1 pillar pensions will not become as unequal as they would have become only with a three-part pension formula.</p> <p><u>Content</u></p> <p>From 2021 onwards, the fourth part of the pension formula, which is called the joint part, will be collected. The joint part is a symbiosis of length of service and insurance component.</p> <p>If the insurance component of a person who has received twice the average wage in Estonia is 2.0 until the end of 2020, then since 2021, the so-called joint component of the same person will be 1.5. At the same time, up to the end of 2020, the insurance component of a person who received half the average wage in Estonia is 0.5, but since 2021, his/her joint component is 0.75. The situation does not really change for the average wage earner, he/she receives an insurance component of 1.0 until the end of 2020 and the joint component from 2021 will also be 1.0. Thus, the pension formula was supplemented with a joint part so that people with less than the average wage (which is often the case of non-standard workers) would not receive too low pensions in the future.</p>

<i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i>	Changes in the pension formula affect mostly people who work after the changes take effect.
<i>Branch/risk that is covered</i>	Old-age and survivor pension
<i>Expected results including number of non-standard workers and self-employed covered.</i>	All people for whom social tax is paid are covered. The change in the pension formula mainly affects those who will only start entering the labour market in the next 20 years and later. The pension of people receiving a salary below the Estonian average will be higher in the future than it would have been without the change in the pension formula.
<i>Timeline for implementation</i>	From 2021 onwards, the fourth part of the pension formula, which is called the joint part, will be collected.
<i>Financial resources allocated (covering both national funding sources and EU funding sources)</i>	Changes are financed from social tax and state budget.
<i>Implementing bodies and cooperation with stakeholders</i>	The implementing body is Estonian Social Insurance Board (www.sotsiaalkindlustusamet.ee). Pension reform was carried out with the broad and thorough involvement of stakeholders.
<i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i>	Monitoring and evaluation are carried out by Ministry of Social Affairs in cooperation with Ministry of Finance. The impact of the change is monitored after every five years and proposals for the necessary amendment shall be submitted to the Parliament.

Future steps

<p>Deciding on the most appropriate form of platform work regulation is not easy because the work in platforms is different. The boundaries between self-employment and so-called traditional work are blurring, and for a person it is a job that earns him or her an income (for example hairdressers who act as self-employed). Therefore, the labour legislation must be sound. Over-regulation can lead to less and covert platform work.</p> <p>Due to the specific nature of the activities of the self-employment (eg irregular income, etc.), it is a challenge to set insurance conditions. The difficulty in setting the conditions is to find a balance between the sustainability of the systems and the insurance conditions but also balance in the system.</p> <p>Estonia supports wider discussions and a step-by-step approach. There is a need for sufficient flexibility to take account of differences in the structure of national social protection systems. Therefore, it is important to analyse best practices in Estonia and in other member states how to ensure flexibility and more social guarantees.</p> <p>Estonia highly appreciates the exchange of best practices and common discussions between countries. Estonia proposes to continue with case-studies and mutual learning workshops by focusing on one insurance branch at a time so it would be possible to have more detailed and practical discussions.</p> <p>The challenge for policy making remains to receive reliable and relevant data non-traditional workers on the European Union and national level.</p>
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Annex. Detailed information on business account for natural persons to register income

Name of the measure: BUSINESS ACCOUNT FOR NATURAL PERSONS TO REGISTER INCOME	
<i>Aim of the measure</i>	<p>Aim</p> <p>The aim of the simplified business income taxation¹⁹ is to encourage micro entrepreneurship. The fulfilment of the tax liability arising from the provision of services by a natural person has been simplified.</p> <p>Content</p> <p>A special tax regime has been established, in which the submission of information required for taxation and the fulfilment of tax liability takes place in a simplified manner.²⁰</p> <ul style="list-style-type: none"> • If the receipts of the business account do not exceed 25,000 euros per year, these receipts are taxed at a rate of 20%. • If the receipts exceed 25,000 euros per year, the receipts more than this are taxed at a rate of 40%. <p>If the receipts of the business account exceed 40 000 euros from the beginning of the calendar year, the person must register as a self-employed person in the commercial register or establish a joint venture and can no longer use the business account.</p>
<i>Specific target (sub-)group (mentioning also the estimated number of people to be covered)</i>	<p>An entrepreneur account is useful for a person who provides services to other natural persons in the areas of activity that do not involve any direct expenses, or for a person who sells self-produced goods or handicraft goods or the goods with low costs of materials or acquisition. Examples include baby-sitting, housekeeping, gardening, repair or construction services that do not involve direct costs or in which a customer pays for the costs. For example, a customer orders the repair or construction service and has bought the tools and materials for the repair himself or herself. An entrepreneur account is also an appropriate solution for new forms of entrepreneurship, such as the payments received from the provision of services from one natural person to another natural person through ride-sharing service platforms, e.g., Uber, Taxify, Bolt, etc.</p> <p>A holder of an entrepreneur account is not required to register as an economic operator or keep record of their revenue and expenditure. Taxes are deducted from their income automatically.</p> <p>Two target groups can be distinguished:</p> <ol style="list-style-type: none"> 1) Natural persons who provide a service or sell goods, who do not currently declare tax on it, but open a business account after the change and start paying the tax. Estimated 1200 natural persons who do not declare their incomes are expected to use simplified taxation. 2) Natural persons providing services or selling goods, whose income is currently taxed in accordance with the general procedure (incl. self-employed person), but after the change open a business account. For almost 4200 self-employed people, switching to the special scheme would reduce tax costs, so it can be assumed that most of them will choose to pay tax under the special scheme. <p>In total, the size of the target group is expected to be less than 0,5% of the population. Over 3500 business accounts were opened by February 2021.</p>

¹⁹ Simplified Business Income Taxation Act: <https://www.riigiteataja.ee/en/eli/522122017001/consolide>

²⁰ More information can be obtained from the Estonian Tax and Customs Board website: <https://www.emta.ee/eng/private-client/declaration-income/entrepreneur-account-natural-person#useful>

<p><i>Branch/risk that is covered</i></p>	<p><u>Health Insurance</u> An entrepreneur account owner has the right to receive health insurance benefits if the received social tax in a calendar month is in the extent of at least the minimum social tax requirement. In 2021, the monthly rate of social tax is 584 euros and the minimum social tax obligation is 192.72 euros per month. If the business account receives 1 606 euros per calendar month, the health insurance is guaranteed.</p> <p><u>Old-age pensions</u> Income received through entrepreneur account is also considered equal to income received from working in connection with pensions. In the case of old age pension the income received through entrepreneur account affects the amount of pension.</p> <p><u>Pensions in case of early retirement, loss of provider and national pensions</u> Any income received through entrepreneur account affects the receipt of early retirement pension, survivor's pension and national pension in the case of loss of a provider.</p> <ul style="list-style-type: none"> • If person receives early retirement pension before reaching the retirement age and starts receiving an income from working (including income received through your entrepreneur account) at the same time, the paying of early retirement pension will be stopped. • Survivor's pension and national pension paid in the case of loss of a provider is also not paid at the same time as receiving income from working or a business income, unless those types of pension are received by children (up to 18 years of age or, if the person is engaged in studies, up to 24 years of age), who are entitled to both wage and pension. <p><u>Family benefits</u> Income received through entrepreneur account affects only parental benefit and no other family benefits. When calculating the amount of parental benefit, the social tax paid on the income received in entrepreneur account shall be converted into wage income.</p> <p><u>Social security in the European Union</u> If a person receives an income through entrepreneur account for services they regularly provide in another EEA State (EU Member States, Norway, Liechtenstein and Switzerland), rules similar to engagement as an economic operator apply.</p>
<p><i>Expected results Including number of non-standard workers and self-employed covered.</i></p>	<p>Having a business account is expected to improve the livelihood of the people who use it. The payment of taxes also increases individuals' social security benefits, including cash benefits, which increase their subsistence during certain periods of life.</p> <p>However, a risk is possible that a person opts for a business account scheme instead of the general self-employed tax scheme, as it saves on paying taxes, but may not give sufficient social guarantees. This risk can be mitigated by increasing the awareness of potential users of the business account about the rules for receiving the benefits of using the business account. Awareness-raising consists of personal counselling and the preparation and publication of relevant explanatory material on the websites of the implementing agencies.</p>
<p><i>Timeline for implementation</i></p>	<p>Since January 2019.</p>

<p><i>Financial resources allocated (covering both national funding sources and EU funding sources)</i></p>	<p>The positive impact of the business account on the budget is estimated. Implementation costs included ICT development in implementing agencies and development activities for the exchange of data via the information exchange channel X-road.</p>
<p><i>Implementing bodies and cooperation with stakeholders</i></p>	<p>Implementing bodies: LHV Bank https://www.lhv.ee/en/entrepreneur-account Estonian Tax and Customs Board https://www.emta.ee/eng/private-client/declaration-income/entrepreneur-account-natural-person Estonian Social Insurance Board https://www.sotsiaalkindlustusamet.ee/en/entrepreneur-account-and-benefits Estonian Health Insurance Fund https://haigekassa.ee/en/people/health-insurance/working-adults</p> <p>The business account was established in consultation with Estonian Bank Association, Estonian Chamber of Commerce and Industry, Estonian Taxpayers Association, Estonian Employers' Confederation and Estonian Association of SMEs.</p>
<p><i>How will progress be monitored and evaluated, in order to gather feedback as a basis for further refinement and improvement of the measures?</i></p>	<p>The implementation of entrepreneur account is monitored by: LHV Bank https://www.lhv.ee/en/entrepreneur-account Estonian Tax and Customs Board https://www.emta.ee/eng/private-client/declaration-income/entrepreneur-account-natural-person</p>