Short Country Report 2002 – Estonia

1 Background

1.1 Economic developments

Since 1998, labour market situation depends mostly on the foreign markets and increasing cyclic influences. Development of the domestic market/domestic demand is important, while the services to satisfy the domestic demand are labour intensive. As the consumption of domestic services is increasing along with the living standard, it can be presumed that in the longer perspective the respective employment will continue. Since the end of 1998, the unemployment started to increase again, the employment and the labour force participation to decrease due to the foreign crisis (Asian and Russian). The unemployment peaked in 2000. Since the second quarter of 2001 the unemployment rate started to decrease, reaching 9.2% in the third quarter of 2002. Between 1998–2000 employment rate decreased even in the service sector.[1]

In 1998–2000 the long-term unemployment decreased slightly, and started to increase again after 2000, while short-term unemployment increased. In 2000, the long-term unemployment was lowest (44.3%) and short-term unemployment highest (41.5%). Increase of the short-term unemployment indicates turbulence in the economy, as unemployment and inactivity is caused by increased terminations, liquidations, bankruptcies, layoffs, redundancies, etc. Positive developments on the labour market in 2001 and 2002 indicate that the short-term unemployment will not turn into long-term unemployment.[2]

In transition countries the main reason of unemployment (besides low flexibility of the labour force, low innovativeness of enterprises etc.) is slow or no creation of new jobs, indicating the deficit of management skills. Although restructuring in Estonia has been one of the most extensive among the transition countries, but compared to the others, more jobs have been lost than created, i.e. the restructuring has been at the cost of former jobs but not at the cost of creating new jobs.[3]

Estonia experienced unstable and fluctuating growth rates in the last decade, suffering a deep fall in GDP up to the mid-1990s due to several shocks and radical liberalisation of the economy. In 1995, Estonian economy recovered from recession and in 1995–2001 the GDP growth has been in average 5% per year (Look Table 1 in Annex) (2.5% in the EU). Speaking of purchasing power, in 1995–2001 the Estonian GDP per capita increased from 32% to 42% of the EU average.[4] The growth peaked with an exceptional 9.8% in 1997, but after the Asian and Russian crisis a negative growth rate appeared again (-0,6% in 1999).[5] The economic growth was regained in 2000 mostly because of restructuring and more effective use of the available resources. Quick growth continued despite of the cooling of the world economy and smaller economic growth of the trading partners in 2001.[6]

The volume of GDP in current prices was 76.3 billion Estonian kroons in 1999, the Ministry of Finance 2003 spring forecasts plan 115.6 billion for 2003. Therefore during the last five years the GDP has increased 1.5 times.[7]

Greatest contributors to the GDP in constant 2002 prices in 2002 was the manufacturing sector (Look Table 2 in Annex) while the greatest increase compared to 2001 was in the construction sector (14.7%), followed by hotels and restaurants sector. Decreasing sectors were agriculture, hunting, fishing.

[1] Estonian Institute of Future Studies, 2003
[2] Estonian Institute of Future Studies, 2003
[3] Estonian Institute of Future Studies, 2003
[4] National Development Plan, 2003
[5] Statistical Office of Estonia (e), 2003
[6] National Development Plan, 2003
[7] Sepp, 2003

1.1.1 III quarter of 2002

In the III quarter of 2002, in spite of the recession in the world economy, the Estonian economic growth was continually intense. Estonian economy increased 6.7% compared to the same period last year and exceeded the economic growth of the European Union by almost 6 percentage points. The Estonian economic growth based on the intense domestic demand with private consumption having the biggest share. Manufacturing industry, commerce and construction were most influential economic sectors.[8]

The recession in foreign trade continued in the III quarter of 2002, and domestic demand was intense, which increased import for domestic consumption. The increase of consumption and investment demand both influenced the growth of import demand. These circumstances led to great external trade deficit in the III quarter as it had been in the II quarter of 2002. The sale of the manufacturing industry's production increased almost in all branches of production in the III quarter compared to the same period of 2001, endorsed by intense domestic demand. The growth of outputs was more rapid in the III quarter than in last two quarters, though it was slower than the growth of sales.[9]

The recession of external demand influenced continually the export in the III quarter. Export decreased by 5% compared to the II quarter, because of the smaller extent of normal export. Levels of subcontracting export and normal export have both increased compared to 2001.[10]

Import increased by 19% in the III quarter compared to same period in 2001 but 3% less than in the II quarter. Import of manufactured goods increased intensively within a year (55%), growing more rapidly than subcontracting import. Continually high investment demand and low loan interests contributed to the import of investment goods, which increased intensively compared to the III quarter of 2001, but remained on the same level compared to the II quarter of 2002.[11]

The current account deficit formed approximately 11% of the III quarter's GDP, being twice as much as a year before. The deficit of current account was influenced by the increase of trade balance deficit, caused by the slower recovery of export and a little decrease of the service balance's surplus.[12]

In the III quarter of 2002 the increase of private consumption and investments continued. Costs of private consumption increased approximately by two billions during a year. Increase of incomes, good loan and leasing conditions and reduction of prices of some goods and services contributed to the increase of consumption. Increase of the domestic demand caused the decrease of savings and the increase of debts. At the same time increased public sector savings balanced the decrease of private sector savings.[13]

1.1.2 Small and Medium sized Enterprises (SMEs)

In November–December 2002, Emor Inc. conducted telephone interviews with 1,912 small and medium sized enterprises (SMEs), ordered by the Ministry of Economic Affairs and Communications. According to the Estonian commercial register there are 27,022 operating companies and sole proprietors (i.e. companies that have declared the number of their employees) among SMEs. The majority (70%) of them are private limited companies with up to 9 employees (79%) and annual turnover up to 3 million Estonian kroons (69%). Most (97%) are not part of any group or concern and their main proprietor is either a private person or a family. Majority (78%) of the SMEs participating the survey were operating in the tertiary and only one fifth (22%) in the secondary sector.[14]

[8] Review of the Estonian Economy, 2003
[9] Review of the Estonian Economy, 2003
[10] Review of the Estonian Economy, 2003
[11] Review of the Estonian Economy, 2003
[12] Review of the Estonian Economy, 2003
[13] Review of the Estonian Economy, 2003
[14] Emor, 2003

SMEs assume that their competitive advantage is good quality products and services, concentration on the niche and lower prices. Successful years 2001–2002, have been successful also for the SMEs. The majority of them are in good economic situation and prognoses about the future economic development are rather optimistic – the turnover is expected to remain at the same level or grow. Most of the companies have made investments in the fixed assets, while almost half of the investors have invested in the fixed assets for more than 100,000 Estonian kroons. One fifth of the SMEs have bank loan liabilities, and a quarter of the SMEs have applied for a loan during the last five years. [15]

According to the SMEs, finding suitable workers is considered relatively difficult, especially when it concerns finding skilled labour. SMEs find it easiest to fill the vacancies of sales personnel, assistants and secretaries and the most difficult by far, to find suitable skilled labour. Companies with more staff (with higher demands for labour) and South- and East-Estonian companies have more difficulties with filling the vacancies.[16]

1.2 Labour market

Because of the sectoral changes and rationalisation in the economy, the labour force and employment have decreased rapidly – from 800,000 in the beginning of 1990s to 570,700 in 2001. In 2002, the estimated number of the economically active population (labour force) aged 15–74 was 652,700 of which 585,500 were employed and 67,200 were unemployed. (Look Table 3 in Annex) The unemployment rate was 10.3%, which is 2.3 percentage points lower than in 2001 (12.6%). The economic activity of the population decreased in 2002, whereby employment increased and unemployment decreased. The labour force participation rate for the population aged 15–74, which remained near 63% in 1999–2001, fell to 62.3% in 2002.[17] (Look Table 4 in Annex)

The average gross monthly salary in the III quarter 2002 was 5,853 Estonian kroons, which is more than 10% higher than at the same period in 2001. The real growth of wages was higher than the labour force efficiency growth based on additional value, but the labour force expenditure as of GDP has not increased.[18]

1.2.1 Employment

In 2001, the employment increased for the first time since Estonia regained independence. The employment growth continued also in 2002: the number of employed persons increased by 7,800 (1%) compared to the previous year and was the largest of the last four years.[19] The employment rate of the urban[20] population was 6–7% higher than that of the rural population, but has increased more among Estonians than non-Estonians. Employment rate decreased only in the age group of 15–24 years. (Look Table 5 in Annex)

In 2002, compared to 2001, the employment increased by 2% (400 persons) in the primary and 4% (14,200) in the tertiary sector, and fell 4% (7,500) in the secondary sector. The employment increased most in real estate, renting and business activities, financial intermediation and education.[21] In occupations, the number of employed increased the most (by 10,200) among the professionals and decreased by 3,600 among the Technicians and associate professionals. (Look Table 6 in Annex)

In 2002, employment rate was lowest and decreasing among the population with only basic or lower education. Among those with secondary or tertiary level education, the employment rate has increased during 2002, but has not yet reached the 1997 level.

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[15] Emor, 2003
[16] Emor, 2003
[17] Statistical Office of Estonia (b), 2003
[18] Review of the Estonian Economy, 2003
[19] Statistical Office of Estonia (b), 2003
[20] The citizens of towns (42) are considered as urban population, those of municipalities (205) as rural. The actual place of residence determines the distribution between rural and urban population. Social Trends in Estonia 2001
[21] Statistical Office of Estonia (b), 2003

1.2.2 Unemployment

The unemployment rate, which in the 1990s stayed close to 10% increased rapidly after the Russian economic crisis in 1999. The enterprises had to change the labour policy in order to adapt quickly to the changed economic climate. In order to cut costs, layoffs occurred, enterprises went into bankruptcy. The number of unemployed increased in 1998–2000 almost 1.5 times. The unemployment rate peaked in 2000 (13.6%), then decreased to 12.6% in 2001 and to 10.3% in 2002 (67,200 persons).[22] (Look Table 7 in Annex)

The unemployment rate for men (10.8% in 2002) has been slightly higher than that for women (9.7% in 2002) since the mid-1990s. Between 2001 and 2002, the unemployment rate has decreased by 2.1% for men and 2.5% for women. Unemployment rates have been considerably (6–7 percentage points) higher for non-Estonians than for Estonians between 1997 and 2002.

In absolute terms unemployment increased by 1,400 in 1997–2002, but decreased during 2002 by 15,900. 52.9% (35,500) were long-term unemployed The share of long-term unemployed (% of all unemployed) has increased from 48.3% in 2001 to 52.9% in 2002. In 2001, unemployment did not increase but the number of discouraged persons still increased and decreased for the first time only in 2002 – from 22,400 to 17,700.[23]

By counties, in 2002 the unemployment rate ranged from 5.8% in Tartu county[24] to 18.9% in Ida-Virumaa county, north-eastern region with high concentration of Russian speaking Estonians. Compared to 2001, the unemployment grew in Hiiu, Ida-Viru and Rapla counties. In all the other counties it decreased. [25]

The difference between the rural and urban areas decreased over the last years and in 2002 the unemployment rate in the urban areas exceeds that of the rural areas by 1.2%. However, the number of discouraged job-seekers grew more rapidly in the rural areas.

The lower the level of educational attainment the higher the unemployment rate. An increase was noticed for all levels of education in 1997–2002, by 0.6% for tertiary education level, by 0.6% secondary education, 4.9% for those with lower educational attainment. The number of unemployed with only secondary general education has decreased by 2,600.

1.3 Demographic development

Since 1991, Estonian population has decreased by 13% because of negative natural increase and emigration.[26] Preliminary estimation of the population number on 1. January 2003 was 1,356,000. In 2002, about 5,500 births less were registered than deaths. The number of births was somewhat higher in 2002 than a year before, returning to the level of 2000. There was no significant change in the number of deaths and therefore the number of population decreased less than in 2001. The steadily declining birth rate over the past decade from 14.2 births per 1,000 inhabitants (1991) to 9.6 (2002, EU mean 10.7) will affect in due course all parts of the education system and issues like number of schools and teachers. The number of basic school graduates will start considerably decreasing in 2004/05.[27]

At the beginning of 2002, the age distribution of the population was the following: 17% of 0–14-years-olds, 67% of 15–64-year-olds and 16% of persons aged 65 and older.[28]

According to the 2000 census, 68% of the Estonian population was Estonian, among the "non-Estonians", the Russian minority forms the largest group accounting for 26% of the total population.

[22] Statistical Office of Estonia (e), 2003
[23] Statistical Office of Estonia (b), 2003
[24] There are 15 counties in Estonia
[25] Statistical Office of Estonia (b), 2003
[26] Statistical Office of Estonia (b), 2003
[27] Statistical Office of Estonia (b), 2003
[28] Statistical Office of Estonia (d), 2002

1.4 Skill needs assessment

The greatest problem on the Estonian labour market is mismatch between the supply and demand of labour, where at the same time exist both high unemployment and lack of qualified labour force, the youth and long-term unemployment rates remain high. The challenges in matching the supply and demand of labour force, in addressing the existing skills gap and improving quality of labour force as well as in counteracting the risk of a growing social divide remain high.

The current situation in CVT suggests that CVT provision has not been targeted on acute labour market problems and risk groups. It has focused rather on short-term needs and competitiveness, rather than on employability issues. The lack of official statistics on CVT (public and total spending, extent and quality of training provision) and a standardisation of definition and methods gathering statistical data needs to be addressed.

In order to improve VET and CVT planning at national and local level, the approach of sector studies and training needs analysis is being used. Sector studies have been carried out in wood processing and furniture industry (1999), engineering industry (2001), information and communication technology industry (2002), and has started in the food-processing sector.

In 1999, 44% of the 6,487 enterprises involved in the survey "Adult Education In Enterprises" were assessing their future skill and labour needs. The larger the company the more likely it was involved in this activity – large companies with more than 1,000 workers were all doing it, compared to only 37% of the enterprises with less than 20 workers. 12% of the enterprises (60% of these were large companies) had a training plan, which shows company's personnel policy and gives better opportunities for the employees to plan their career. Also 12% of the enterprises had special training budget, 3% (194 companies) had a training centre.[29]

Research & Development and Innovation Strategy (RD&I) approved with the decision of the Parliament of the Republic on 6. December 2001, defines goals, possibilities and principles for promoting RD&I in Estonia and is the basis for the activities in the following years, fixing the measures and volume of the public sector until 2006. The strategy is reviewed and updated by the Research and Development Council (TAN) of the Government of the Republic every three years. Important changes in the strategy are presented to the Parliament for approval.[30]

By 2006, the expenditure on R&D is planned to reach 1.5% of GDP, aiming towards the EU average (1.9% of GDP in 2000). In a long perspective, the target is 3% of GDP, as set by the Council of Europe on the Lisbon summit in 2000. The public investments should lead to more private investments in R&D, while the state will be financing primarily research. By 2006, the proportions of national R&D expenditures have to change from the present 90% on research and 10% on development to 60% and 40% respectively.[31] (Look Tables 8 and 9 in Annex)

The role of engineers and other specialists with technical education is very important when undertaking development and innovation, therefore the implementation of the obligatory complementary training system for specialists is a priority. Estonian RD&I key fields are identified, taking into account the specific development preconditions and opportunities, available research potential, existing economic structure and international trends in RD&I: user-friendly information technologies and development of an IT society; biomedicine; material technologies.[32]

[29] Statistical Office of Estonia (a), 2002
[30] "Knowledge-based Estonia", 2002
[31] "Knowledge-based Estonia", 2002
[32] "Knowledge-based Estonia", 2002

2 Recent developments in education and training (IVET and CVT) in a lifelong learning perspective

2.1 Policy development

The idea of LLL has developed in the Estonian society's mentality in the last years and ambitious plans have put Estonia on the fast track towards information society already since the mid-1990s ("Tiger Leap" programme). With a view to LLL an education strategy paper "Learning Estonia", prepared by the NGO "Estonian Education Forum" and Ministry of Education between 1998 and 2001, has been widely discussed and was close to adoption by the Parliament. The strategy paper presents a view on the design of a future education system, focusing on quality of education, broadened access and the creation of an overall support structure. The Estonian consultation process on the EC's Memorandum on LLL in 2001 was rather comprehensive as well and included the main stakeholders in education both at national and local level, social partners as well as civil society.[33]

The main principles for future VET reorganisation and development, such as flexibility, efficiency, quality, co-operation and integration were established in the "VET concept", adopted in 1998. More concrete targets and development directions were set in the "Action Plan for Developing Estonian VET System 2001–2004", which has defined a total of 23 tasks linked to concrete annual targets to be achieved in 2001–2004:

- to increase the number of VET students by 8% per year, reaching in 2004 50% of the age group of basic school graduates and 50% of graduates from general secondary schools;
- to decrease the drop-out rate from 13% (2000) to 8% in 2004;
- to privatise/municipalize 30% of VET schools by 2004;
- to rationalise the student/teacher ratio from 12:1 (2000) to 16:1 in 2004;
- to increase the share of teachers with higher education from 75% (2000) to 100% in 2004;
- to double the volume of foreign language teaching in all programmes;
- to increase the share of VET programmes meeting the requirements of vocational standards from 30% (2000) to 100% in 2004;
- to improve efficiency of public assets by reducing the learning space per student from $14m^2$ (2000) to $11m^2$ in 2004.

However, implementation of the Action plan has been weak.

A coherent strategic and policy framework on CVT is still not in place. The Ministry of Education and Research is elaborating the Lifelong Learning strategy. In 2002, the draft version was sent for comments and discussion to more than 40 organisations (ministries, employer and employee organisations, training institutions, etc.). The strategy will be finalised during 2003, and adopted by the Government of the Republic.

Other national policy documents, like the "Estonian National Development Plan 2003–2006" and the "National Employment Action Plans 2001, 2002 and 2003" stress the need for a national continuing training and lifelong-learning system in order to improve the employability and quality of the labour force.

In the end of 2000, the Government of the Republic declared the national adult education priorities up to 2003. The priorities are approved for a longer period than one year, in order to ensure more efficient financing as in case of annually approved priorities; it would be difficult to align the activities and the fiscal year. In 2003, the Ministry of Education and Research is preparing an amendment to the Adult Education Act. Currently, the Ministry has to provide resources according to the national adult education priorities for adult training, after amendment, for adult education. The new formulation enables to finance more the development activities.[34]

The national adult education priorities formed on the basis of the expert assessments match the priorities set in the Lifelong Learning Strategy for 2002–2004. The priority should be creation of the adult education system and development of the respective national policy. Therefore it is necessary to:[35]

[33] European Training Foundation, 2001
[34] Employment Action Plan, 2002
[35] National Adult Education Priorities, 2003

- create a state-financed institution that coordinates adult education system, implements adult education policy in close cooperation with other adult education institutions and the social partners;
- develop the adult education financing model (incl. the state and private resources, e.g. implement individual learning accounts like in the Netherlands and U.K.), and the state-financing should increase significantly;
- improve the tax regulation (amendments to the Adult Education Act and Income Tax Act so that the enterprises would have interest to support formal education);
- develop and implement counselling system (incl. career counselling that would offer services not only for young people but also for adults);
- develop information system on the learning possibilities;
- prepare adult education and adult training experts (incl. state commissioned places on the academic higher education level);
- develop the rules for licensing and accrediting adult trainers (incl. to develop the vocational standard for adult trainers and to start attributing vocational qualifications for those who meet the standard);
- increase access to formal education for adults, expand possibilities to acquire education in distance courses, and create possibilities for the drop-outs to return to the education system (e.g. different levelling and adjustment courses);
- develop the rules for recognizing the former work and learning experiences when continuing studies in the formal education system.

2.2 Adaptation of the legal framework

In 1998, new legal framework on vocational education institutions, applied higher education institutions and private schools was created, introducing vocational secondary and vocational higher education, establishing vocational councils (national employee qualification system), and providing for more flexibility in VET provision, rationalisation and privatisation of schools:

- Vocational Education (VET) Institutions Act (June 1998) regulates the provision of VET on the secondary level, foundation and operation of the VET schools, including the private VET schools as far as the Law on Private Schools does not stipulate otherwise;
- Private Education Institution Act (June 1998) regulates the provision of training longer than 120 hours organised by private providers, foundation and operation of private schools;
- Applied Higher Education Institutions Act (June 1998) regulates the foundation and operation of applied higher education institutions; provision of applied higher education, incl. in VET schools;
- Adult Education Act (June 1998) regulates education and training provisions for adults;
- Professions Act (December 2000) regulates the status and work of the Vocational Councils and the system of qualifications.

In 2002, major amendments were made in the higher education legislation. Since September 2002 (2002/03 academic year) there is no more enrolment to the vocational higher education and diploma study programmes. A person with secondary education is eligible to continue studies at the higher education level, i.e. to choose between the applied higher education study (in vocational education institutions, applied higher education institutions, an institution which is part of a university structure) or bachelor's study (in the universities). The nominal duration of applied higher education study is 3–4 years (120–160 credit points). Graduates may continue studies in the master's study according to the conditions established by the education institution.

Academic higher education study is divided into three levels: bachelor's study nominal duration 3–4 years (120–160 credit points), master's study nominal duration 1–2 years (40–80 credit points) and doctor's study nominal duration 3–4 years (120–160 credit points). The nominal duration of bachelor's and master's study together must be at least 5 years. Basic medical study, dentist study, pharmacist study, veterinary study, architect study and construction engineer study are based on integrated curricula of bachelor and master, nominal duration 5–6 years (200–240 credit points).

Current legal provisions fostering CVT and facilitating access to training are not sufficient enough and will be addressed by an amendment of the Adult Education Act, aiming to enhance motivation of employers, employees and training providers in CVT (by improved incentives) and to providing for quality assurance mechanisms (including licensing of training institutions). The Adult Education Act will be amended in 2003.

2.3 Governance and responsible bodies

The Ministry of Education was reorganised in 2001 and moved geographically from the capital Tallinn to Tartu, resulting in high staff turnover. The VET and CVT department was abolished and subordinated under a new Policy department, under the secondary education division. The task of implementing the education policy has been outsourced to the newly created public bodies, the School Network Administration Office and Public Assets Management Office.

In 2002, the preparations were made and the legal acts adopted for reorganising the Ministry of Education and renaming it. Since 1st January 2003 the name of the ministry is the Ministry of Education and Research. In addition, the Policy department was abolished and four departments established again: general education department, vocational and adult education department, research and higher education department and youth department.

The involvement of social partners in education and training has been increasing since the latest reform in 1998, and social partners play a strong role via Vocational Councils in the development of the National Employee Qualification System.

2.3.1 Funding

In Estonia, secondary education is free of charge, the state and local governments are obligated to provide all students, who wish, with learning places for acquiring secondary education either in a gymnasium or VET school. Initial VET is mostly financed from the state budget. The budget of VET schools is tight, the teacher's payroll accounts for approximately 50% of the VET schools' learning expenditure, which leaves almost no funds for development activities.[36]

Public sector expenditure on VET has been on the same level since 2000, forming 0.56% of GDP in average. The public sector expenditure on VET in 1999 was 475.5 million Estonian kroons, which has increased 1.34 times by 2003 to 635.4 million Estonian kroons (Look Table 10 in Annex). In the Ministry of Education and Research budget the VET expenditure has formed 24–25%. The share in the budged has decreased in 2002 in relation to the implementation of the higher education reform – the expenditures on higher education increased ca 20%, increasing the higher education share in the budget from 35% (2001) to 38% (2002).[37]

Since autumn 2002, after adoption of the new legislation, the new students in VET schools on the applied higher education level are financed as students in the applied higher education institutions (student learning place cost in 2002 12,600 Estonian kroons and 2003 14,000 Estonian kroons).[38]

In general, CVT is financed by the state only for civil servants (2–4% of the annually salary fund) and teachers (minimum of 3% of annual salary fund) at state education institutions, however, it appears that this threshold is not fully used. In particular adult trainer training is not functioning sufficiently.

Programmes for adult education are supported from the state budget if they match the approved national priority areas, such as long-term courses (more than 56 hours) for specific target groups, or Estonian language courses for non-Estonians.

The Estonian tax system (26% flat tax) allows for a resident natural person to deduct the expenses incurred during a period of taxation on the training him/herself or a permanent resident of Estonia of less than 26 years of age, from the income which the resident natural person receives during the period of taxation.[39] Since the beginning of 2002 the deduction of training expenses is limited to 50%, but not more than 100,000 Estonian kroons of the taxable income.

[36] Sepp, 2003
[37] Sepp, 2003
[38] Sepp, 2003
[39] Riigi Teataja, 2003

The Income Tax Act (1999) stipulates provision of tax-free in-service training and re-training of employees paid for by the employer upon termination of the employment or service relationship due to redundancy. This is to support participation in training, which should help the persons to return and stay employed.

VET is financed also via international projects.
Phare projects:

- Phare 2000 "Project enhancing human resource development in the Ida-Viru (North-East) region", total cost 20.7 million Estonian kroons, incl. Estonian co-financing 5 million Estonian kroons;
- Phare 2000 "Project enhancing human resource development in South-Estonia region" total cost 41.5 million Estonian kroons, incl. Estonian co-financing 10.1 million Estonian kroons;
- Phare 2001 "Project enhancing human resource development in the islands region" total cost 16.6 million Estonian kroons, incl. Estonian co-financing 3.9 million Estonian kroons.

Leonardo da Vinci projects:

	Number of projects	thousands Estonian kroons
1999–2001	16	1,869.6 (119,492.14 euro)
2000–2002	12	1,758.7 (112,399.12 euro)
2001–2003	12	2,412.4* (154,179.68 euro)
2002–2004	20	2,625.2* (167,779.00 euro)

* the number may change before the project final reports are submitted and accepted.

In order to increase efficiency of the VET schools and to achieve and guarantee better results it is necessary to change the financing principles and implement fully student-based financing, which means that all budgetary resources are allocated according to the number of students and the school is responsible for using the resources effectively. One student-learning place cost includes labour costs and administration costs (incl. expenditures made for administrating buildings) and costs of learning materials. In this case the cost of a student-learning place covers all direct and indirect costs accrued for teaching one student.[40]

Probably the share allocated for VET in state budget will not increase in coming years, therefore it is important to involve the financial resources of private sector and the EU structural funds (after integration) to VET financing.[41]

After integrating with the EU (presumably 1 May 2004) Estonia will have the opportunity to use financial resources of the structural funds and concentrate on developing the priority important areas, defined in the National Development Plan – Single Programming Document.

Measures are means to implement priorities, which are applied during the programming period. During the first programming period 2004–2006, the Ministry of Education and Research is responsible for planning, implementing and monitoring two measures. Measure 1 – Educational System Supporting the Flexibility and Employability of the Labour Force and Providing Opportunities of Lifelong Learning for All – under the Human Resource Development priority will be co-financed by the European Social Fund (ESF) and Measure 28 – Modernisation of Infrastructure for Vocational and Higher Education – under the Infrastructure and Local Development priority by the European Regional Development Fund (ERDF). Estimated volume of Measure 1 as of February 2003:
Co-financing of the EU in 2004 prices (75%) – 504.67 million Estonian kroons
Co-financing of Estonia (25%) – 168.23 million Estonian kroons
Total – 672.9 million Estonian kroons[42]

The Foundation for Vocational Education and Training Reform in Estonia (FVETRE) will be the implementing agency of the measures of the Ministry of Education and Research. 2003 is the year for preparation, in order to be ready for administering the projects in 2004. The tasks for both institutions is to inform partners and beneficiaries to ensure maximum use of the opportunities provided by the structural foundations.

[40] Sepp, 2003
[41] Sepp, 2003
[42] Sepp, 2003

2.4 Modernisation of the education and training system

The negative image of VET is partly inherited from the soviet period, partly because of the trend in society towards higher education and partly because of the assumed lower quality of VET.

2.4.1 Structure and organisation

The Vocational Educational Institutions Act stipulates that a VET school provides training following a school curriculum, which has been prepared on the basis of a national curriculum for vocations, professions and occupations.[43] A national curricula is available for general education, but by the end of 2002, there were not yet any national VET curriculum's.

The VET schools are not accredited, nor are accredited the VET programmes in Estonia. The discussion on the need for it is ongoing. In order to organise training, all private and municipal VET schools must have a training license for each programme they are offering on the secondary VET or applied higher education level. In April 2003, there were 25 private VET schools in Estonia with 58 valid training licenses. Tartu Vocational Education Centre, the only municipal VET school in Estonia, had 43 valid training licenses.

Estonian VET schools provide VET on two education levels – secondary education level (secondary VET programme after basic education or secondary VET programme after general secondary education) and higher education level (applied higher education programme).

The standard period of secondary VET programme after basic education is at least 3 years (ISCED 3B), aiming at preparing skilled workers. The programme is broader with 50% of general education subjects and specialisation takes place at a later stage. The standard period of secondary VET programme after general secondary education is 1–2.5 years (ISCED 4B), aiming at preparing workers for higher level of skilled work. The programme is oriented at preparing for labour market, with 85% of VET-related subjects. The standard period of applied higher education programme is 3–4 years (ISCED 5A), aiming at preparing specialists and middle-level managers. It is a first level study of higher education, during which student acquires the necessary qualifications for working on a certain vocational field or for continuing studies in the master's study.[44]

VET schools provide also opportunities to acquire basic VET for basic school or general secondary school students, in the scope of the elective subjects foreseen in the National Curriculum for Basic and General Secondary Education and according to the basic VET curricula. At VET schools where secondary vocational education is acquired according to curricula in the field of music or choreography, training groups for students in grades 4.–9. may be formed in order to organise the corresponding basic VET. Until recently, basic school dropouts had no place in the education system. VET schools provide basic VET also for those students who are beyond the minimum school-leaving age (17–25 years of age) and acquire basic education in the form of evening courses or distance learning.

In order to organise basic VET, the VET school signs a contract with the basic school or general secondary school. The contract must contain the number of learning places; volume of training; the cost of a learning place; the rules for paying for training; and the rights, duties and responsibilities of the involved parties. The knowledge and skills acquired during the completion of the basic VET programme are taken into account when the student continues studies in a VET school.

[43] The National Curriculum for Vocations, Professions and Occupations must determine the functions of vocational, professional and occupational training, the general and level requirements for the commencement of studies and graduation, the list of compulsory subjects and the total extent of studies. It is prepared on the basis of the qualification requirements established for vocations, professions and occupations with Vocational Standards and the general requirements for the national VET curriculum. The Ministry of Education and Research is responsible for preparation of the national VET curricula by field of study in co-operation with the Vocational Councils

[44] Riigi Teataja, 2003

CVT courses in VET schools are flexible and curricula based, involving the school council and more often the Vocational Council. In some professions individual training is offered in small groups of 3–4 students per trainer with a focus on practical training.

Non-formal (liberal) training enables development of personality, creativity, talents, initiative, social responsibility and the knowledge, skills and abilities necessary in life. Training is organised in courses, study groups or other forms. The Estonian Non-formal Adult Education Association is non-governmental, national umbrella organisation in the non-formal adult education field associating education-orientated NGOs. In the end of 2002, ENAEA had 76 member organisations.[45]

In 2002, 47 non-formal training centres received funding from the state budget, totalling 3 million Estonian kroons. In these centres 35,403 persons (3.5% of Estonian adult population) participated training, of which 686 in study groups and 34,717 in courses. The most popular field was culture, counting for 36% of all courses.[46]

2.4.2 Educational and occupational standards, certification

A VET school is considered finished after the respective programme is successfully covered. The conditions are set in the programme and can be different for different programmes. The graduation certificate certifies that the person has covered a certain curriculum, at a certain level in a certain VET school. The graduation certificates and diplomas received from the VET schools are as follows:

- A student who graduates from a VET school, from a curriculum **after basic education**, gets a certificate "Graduation certificate on acquiring vocational secondary education based on basic education". The general education national examinations (the ones compulsory in the end of gymnasium) are not compulsory. But, the students who want to continue studies at the higher education level should take these examinations, as they are generally required for matriculation. As an exception, those students who are not studying in Estonian, must take the national examination in the Estonian language upon graduation. Those who get 60 points or more of 100 receive also the certificate on middle level proficiency in Estonian.
- A student, who graduates from a VET school, a programme **after general secondary education**, gets a certificate "Graduation certificate on acquiring vocational secondary education based on secondary general education".
- A student, who graduates from a VET school, a **vocational higher education** programme, gets a diploma on covering a vocational higher education programme, and has the right to continue studies in master's study following the rules set by the education institution.
- A student, who graduates from a VET school, an **applied higher education** programme, gets a diploma on covering an applied higher education programme, and has the right to continue studies in master's study following the rules set by the education institution.
- A student, who covers a basic VET programme at a VET school, gets a certificate and special entries are made on the graduation certificates from basic schools or upper secondary schools.

An academic transcript is annexed to the graduation certificate or diploma. The graduation documents are effective also without the academic transcript, but academic transcripts are not effective without the graduation document.[47]

In Estonia, National Qualification Authority (established in September 2001) is developing the National Employee Qualification System, a quality system, which guarantees the employees better competitiveness on the labour market. The Authority is heading the process of developing vocational standards and organizing vocational qualification examinations for recognizing and attributing vocational qualifications. Vocational standard is a document, which determines the knowledge, skills, experiences, values and personal qualities related to a vocational qualification, i.e. the required competence level for a vocation. A Vocational qualification certificate proves vocational qualification. The qualification system is both for the graduates from the formal school system and employees.

[45] Estonian Non-Formal Adult Education Association, 2003
[46] Estonian Non-Formal Adult Education Association, 2003
[47] Estonian National Observatory, 2003

Currently there are 14 Vocational Council, 2 were added in 2002. In 1998–2002, representatives of more than 1,300 institutions (enterprises, trainers, occupational and professional unions) have participated the elaboration of vocational standards. In February 2003, 302 vocational qualifications had been approved.[48]

Those who pass a **qualification examination** receive a Vocational qualification certificate. The examinations are organised for recognizing and attributing vocational qualifications. In order to pass, the knowledge and skills of the person must meet the requirements of the vocational standard. It does not matter if the knowledge and skills are acquired learning at school, independently, under somebody's guidance or working in an enterprise. Everybody, both students and workers, who want to have an official proof of their vocational qualification, are eligible to take the examination. The examinations are voluntary, except in some vocational fields where the law has prescribed otherwise. The examination methods can be different dependant on the vocational field: written or oral exam, trial work, and certification with documents or any combination with abovementioned.[49]

Vocational qualification certificate increases worker's competitiveness on the labour market. It proves to the employer that the workers vocational skills correspond to the required level that they have been recognized. In some fields (e.g. engineering, real estate) the employers use the qualification standards upon hiring new employees, evaluating existing workers and determining wages.

A private, public-legal entity or institution can apply for the right to attribute vocational qualifications, where the main field of activity is the development of a vocation or the respective vocational, professional or occupational training. The vocational council assigns the body attributing vocational qualifications, which follows the procedures and vocational standards when attributing vocational qualifications and issuing vocational qualification certificates.

For attribution of vocational qualifications a vocational commission is established, embodying representatives of employers', employees', vocational and professional organisations. The commission must have a license, issued by vocational council. Generally, it is employers association or a professional union, but also a school or a training company. In April 2003, 14 professional unions had obtained license to prove and attribute vocational qualifications. More likely, the VET schools will become approved examination centres. In April 2003, 4 VET schools where approved as examination centres: Tallinn Construction School – construction; Tartu VET Centre – metal and cooking; Narva VET Centre – construction and welding; Võrumaa VET Centre – wood processing.[50]

The vocational qualification certificates are registered by the issuing organisation and will be inserted in the vocational register according to the rules set by the statute of the vocational register. First certificates have been awarded in a few professions (real estate, forestry, construction and food processing fields).

2.5 Delivery

VET schools provide training in 45 fields of study, of which in 5 only at the applied higher education level. It is possible to specialise within the fields. In 2002/03 academic year, VET after basic education: 1.2 applications per learning place; VET after general secondary education: 1.5 applications per learning place and applied higher education in VET schools 2.3 applications per learning place.[51]

Almost all VET institutions offer work related training courses for adults, mainly in the areas that they teach and based on prepared curricula. Most of public universities and applied higher education institutions offer further training as well, either in formal (e.g. flexible "open universities") or non-formal (in-service training) education system. Adult education is provided also by two main national NGO umbrella organisations, the Adult Education League (running some Adult Education Centres) and ANDRAS, the Association of Estonian Adult Educators, both receiving state funding for projects.

[48] National Qualification Authority, 2003
[49] National Qualification Authority, 2003
[50] National Qualification Authority, 2003
[51] Estonian National Observatory, 2003

An apprenticeship system does not exist in Estonia. A Phare 2001 programme is targeting to pilot apprenticeship schemes in a few selected occupations, and under Phare 2002 work-linked training programmes will be developed for specific risk groups (drop-outs, general secondary school leavers).

2.5.1 Teachers

In 2002/2003 academic year, the teaching position/student ratio is in average 1:12.7[52]. The goal is set to 1:16[53]. In order to reach the goal it is necessary to decrease the volume of teachers' auditory work and at increase the students' independent work. The salary level of the VET schools' pedagogical staff has been on the Estonian average salary level during the last years. In 2002, the salaries were even 11% above the average Estonian gross salary.[54]

During the last years, the number of teachers with higher education has increased, which indicates that the teachers qualification in VET schools is getting better. In 1999, the qualification requirements to come into effect in 1. September 2003 required the vocational teacher, who conducts vocational, special or occupational training to have:

- pedagogical higher education and at least two years of work experience in the vocational, special or occupational field; or
- higher education in the field, at least two years of work experience in the vocational, special or occupational field and passed 1,600-hour of complementary training on vocational pedagogy or is about to do so during the first year since employed as a vocational teacher.[55]

As the deadline was unrealistic, in August 2002 the qualification requirements were changed again and the new deadline was set to 1. September 2007:

- vocational pedagogical or any other pedagogical higher education and at least three years of work experience in the vocational, special or occupational field; or
- higher or post-secondary technical education in the field, at least three years of work experience in the vocational, special or occupational filed and passed 320-hour complementary training on vocational pedagogy.[56]

2.5.2 Modernisation of training infrastructure and equipment

In 2002/03 academic year, of the 81 Estonian VET schools 34.5% provided programmes both after basic and general secondary education, 7.5% only after basic education and 58% only after general secondary education. (incl. 15 schools enrolled students to the applied higher education programmes). The VET schools are relatively small. More than half of the schools have less than 300 students, the student body of which forms 20% of all students on vocational secondary level. One third of the students is studying in these 19 schools, where the number of students is between 300–700 and in the remaining 12 schools (number of students between 700–2344) are studying the remaining 48% of the vocational secondary level students.

As a system consisting of many small schools is very inefficient, therefore the public VET school system has been reorganized by merging the smaller VET schools, and developing regional training centres. In 1993/94, there was 77 public and 3 municipal VET school, which is 1 less than in 2002/03. By 2002/03 the number of public VET schools has decreased by 20 to 57, and there is 1 municpal and 23 private VET schools. In 1997–1998 public VET schools were merged in Saaremaa county and Tallinn; in 1999 in Tallinn, Valga, Võru and Viljandi county; in 2000 in Narva (4 schools), Pärnu (2) and Tallinn (2); in 2001 in Lääne-Virumaa (2 schools) and 3 schools were municipalized and then merged in Tartu.[57]

[52] Sepp, 2003
[53] "Action Plan for Developing Estonian VET System in 2001 – 2004", 2001
[54] Sepp, 2003
[55] Riigi Teataja, 2003
[56] Riigi Teataja, 2003
[57] School Network Administration Office

In 2003, the plan is to merge 3 schools in Pärnu county (Sindi Light Industry School, Tihemetsa Technicum, Pärnu VET Centre) and form a Pärnu Vocational Education Centre, 4 schools into 2 in Tallinn (Tallinn Kristiine Service School & Tallinn Manufacturing Education Centre; Tallinn Kopli Construction School & Tallinn Construction School) and 2 schools in Ida-Virumaa (Jõhvi Vocational Secondary school & Estonian Mining Education Centre). In addition the negotiations are ongoing for municipalization of VET schools in Harju county (Kose Service School), Lääne-Viru county (Väike-Maarja Training Centre), Tartu county (Kallaste Vocational Secondary School) and Jõgeva county (Kuremaa Agricultural Technicum).

Great expectations have been set in the concept of Regional Training Centres (VET Centres), which started gradual implementation, on the basis of existing VET schools, with Phare support in 2000, but has not yet reached a vital breakthrough moment. These Centres are expected to have a crucial role in the economic and social development of a region, providing multifunctional services (initial VET, applied higher education, CVT, counselling, continuing training of teachers, labour market analysis, programme development, local networking).

The situation of the VET schools infrastructure is very different. Most of the teaching and production facilities have been built between 1970 and 1990. Since 1990, no new school buildings have been built, but almost 5% of the existing buildings have been rebuilt and renovated. In 1996–2000, 64.8 million Estonian kroons have been invested in renovations.[58]

2.5.3 Training in enterprises

Survey "Adult Education In Enterprises" gives an overview of adult training in enterprises in 1999, based on the survey conducted in 2000. The sample (6,487 companies with 300,000 employees) was formed of the enterprises in the commercial register in 1999 with at least 10 employees and whose main activity was related to the survey. The sample was divided into 3 groups – small enterprises with 10–49 workers, medium enterprises with 50–249 workers and large enterprises with over 250 workers.[59]

63% of all the enterprises organised complementary training to their workers: 56% of the enterprises with 10–19 workers, 61% of the enterprises with 20–49 workers and 85% of the enterprises with 50–249 workers. All 52 enterprises with more than 500 workers, which were involved in the survey, were organising training. 50–66% of the enterprises in the manufacturing industry trained their staff. 37% (2,401 companies), mostly small companies, did not provide any kind of training for their workers.[60]

Most common were conferences, seminars, lectures and training courses, other methods were used much less. 47% of the enterprises preferred training on courses and 57% other training methods. Enterprises mentioned that because of its cost only one fifth of the employees have participated training courses. Training was provided the most by enterprises involved in financial intermediation, manufacturing for transport, mail and telecommunications.[61]

97% of the enterprises (97% of small, 98% of medium and 90% of large enterprises) organizing training courses used the help of training companies. 29% (22% of small, 40% of medium and 77% of large enterprises) organized also in-company courses. Large companies have suitable training rooms or centres. Private training companies provided 63% of training courses organized outside the companies. According to the labour force survey, in 1999, 56% of the training courses were organized in training companies, 23% at the workplace and 13% in a university, VET school or a general education institution.[62]

Most common training fields were: technology and production (18%), personal skills and -development, career, as a completely new field since independence in 1991 (16%), accounting (12%), sales and marketing (9%), management and administration (8%), languages (7%), computer skills (5%), environmental protection, work safety (3%), office work (1%), other (19%).[63]

[58] Sepp, 2003
[59] Statistical Office of Estonia (a), 2002
[60] Statistical Office of Estonia (a), 2002
[61] Statistical Office of Estonia (a), 2002
[62] Statistical Office of Estonia (a), 2002
[63] Statistical Office of Estonia (a), 2002

In 78% of the cases, the employer paid for the training courses, in other cases the employee or other source. The employees paid themselves for courses that were considered necessary for work (e.g. languages, computer training), but what the employer did not recognize as work-related training. The expenditure on complementary training incurred by employers was 279 million Estonian kroons in 1999, plus 120 million Estonian kroons worth of salary for hours spent on training. The average cost per trained worker was 7,007 Estonian kroons, of which 70% accounted for the cost of the course, and 30% for the salary for hours spent on training, which is 10–12% less than in the most EU candidate countries.[64]

More than half of the SMEs have trained their staff within last years. Bigger companies are training more, because the worker's skills are more important for them. During 2001 more than half of the SMEs have trained their staff mostly on the courses organised by the training company or internally. The small enterprises prefer training outside the firm. High cost of training is considered the biggest problem.[65]

SMEs' former experiences with training the employees and the future plans are strongly related. Companies who have been training their staff and have understood the usefulness of training for the development of their company, are planning to train their staff also in the following years. Those SMEs, who have not been training, do not plan to start next year, as they do not feel the need for it.[66]

2.5.4 Participation in education and training

The number of persons participating training has decreased from 3.5% in 2000 to 2.7% in 2001 of the working age population (persons aged 15–74 years). Of these 2.7%, 80% were employed and 76% were salary workers. 71% participated training courses at work, conferences or seminars. The average duration of a course was 1 week (38%), but there were alos many courses lasting from 3 months to one year (23%). In 2001, 57% of persons aged 15–74 years were studying. During the last 3 years, the rate of participation in education has increased among all age groups, except among the persons aged 23–24 years. Of those studying in 2001, 13% were attaining basic education, 26% secondary education, 22% VET and 40% higher education. 18% of the students were employed, 3% unemployed and 79% inactive because of studying.[67]

1. October 2002, there were 81 VET schools in Estonia, where 28,095 students were acquiring vocational education on secondary level and 7,216 students vocational higher education and applied higher education. 16,543 students followed a VET programme after basic education and 11,552 a VET programme after general secondary education. During previous year 5,126 students discontinued studies in VET schools at secondary level and 648 at higher level.[68]

In 2002/03, 15,773 students were enrolled to VET schools, which is 655 students more than previous academic year – VET programmes after basic education 6,533 students, VET after general secondary education 6,669 students and applied higher education 2,571 students. 12,016 students were enrolled for diurnal, 1,103 for distant and 83 for evening study form. In applied higher education study 2,222 were enrolled for full-time and 349 for distant study. Most students were enrolled to the engineering trades in the VET after basic education level, to business and administration field in VET after secondary general education and applied higher education level.[69] (Look Table 11 in Annex)

In 2001/02, 10,911 students graduated from VET schools on the secondary level – 2,445 from vocational education, 3,396 VET after basic education, 4,629 VET after secondary general education, 441 post-secondary technical education programme. 1,202 students graduated from VET schools on the vocational higher education programme. [70]

[64] Statistical Office of Estonia (a), 2002
[65] Emor, 2003
[66] Emor, 2003
[67] Statistical Office of Estonia (c), 2002
[68] Estonian National Observatory, 2003
[69] Estonian National Observatory, 2003
[70] Estonian National Observatory, 2003

In 21–30 November 2001, the Social and market research company Saar Poll conducted questionnaire "Lifelong Learning Needs Analysis" in the frames of a barometer survey. The objective of the questionnaire was to obtain information about the learning needs and possibilities of adults. The face-to-face questionnaires were conducted with 1,008 persons in age 15–74 in their homes.[71]

According to the survey, in 2001, 13% of people in age 15–74 participated different training programs (evening and distance courses, external courses, complementary or retraining), 14% were women and 12% men. Considering the population of Estonia it could be said that approximately 130,000 people participated training during the year (except non-formal education).[72]

The average percentage of learners among Estonians was 15 and among non-Estonians below 9%. Among the non-Estonians the most popular were language courses (29% of all students) and driving licence courses (16%). For Estonians, mostly employers covered their learning expenses (45%) and only one third covered the learning expenses themselves, while the non-Estonians covered the learning expenses mostly by themselves (61%). Employer covers the learning expenses completely (51%) or partly (7%) for the salary workers, while the employers cover their learning expenses mostly themselves (49%) as do the temporary unemployed (57%) and the pensioners (61%). A positive aspect is that the employers are also covering the learning expenses of the mothers on child care leave (44%).[73]

Enterprises financed from the state budget covered the training expenses completely in more than half the times (55%), while 54% of people working in private enterprises had to cover the training expenses themselves. Still, *lack of money* is mentioned as the main reason for not studying among the employees of the state enterprises. Perhaps the funds for teacher training should be increased in the state budget, because new qualification requirements assume more training than it is provided at the moment, but the teachers are unable to cover the costs with their present salary. [74]

Of enterprises, training is provided to employees by the state budget enterprises (41%), mixed companies with state and private shares (23%), state enterprises (18%) and less than 10% of the privatized enterprises. One reason is that the state enterprises can apply for training resources from the state budget – 2–4% for training civil servants and 3% for teachers of the annual payroll. This system has been in effect already since 1995 and has influenced the training market.[75]

The most active learners were in age 20–29 years, 22% of them participated training during the year, while only 13% of the age group 50–59 years. Activity was lowest among the youngest (15–19 years) and the oldest (60+ years) age groups, slightly over 3% of the respondents. Learning activity has decreased among the youngest adults – in 1994, 25% of them were studying and in 2001 only 4%. The oldest age group (60+) participated training mostly during the vacation (64%), while others study mostly during the working hours and also get salary for this time.[76]

Lack of money is mentioned as the main reason for not studying by the younger age groups, reason *being too old* starts to take effect in the age group 40–49 years, and is the main reason in the 50–59 and 60+ age groups. *Lack of money* is the main reason (43%) for not studying among people with lower income, while *lack of need* 38% or *lack of time* 30% among people with higher income.[77]

34% of men and 4% of women would like to improve their skills in the field of industry, energetics and construction or. Women prefer services sector (19%), entrepreneurship, business training (19%) and accounting (18%).[78]

The higher the acquired education, the more person values continuing education. The current survey showed that 12% of people with secondary education, 14% with post-secondary technical education, 19% with applied

[71] Andras, 2002
[72] Andras, 2002
[73] Andras, 2002
[74] Andras, 2002
[75] Andras, 2002
[76] Andras, 2002
[77] Andras, 2002
[78] Andras, 2002

higher education and 28% with academic higher education participated training, while only slightly more than 1% of people with less than compulsory basic education. [79]

In 2001, 28% of the leaders and 32% of the specialists participated training, while only 9% of blue-collar workers. White-collar workers acquired mostly knowledge and skills in the field of health care and medicine (41%), entrepreneurship, business (32%) and management (24%). Blue-collar workers were trained in more practical fields like transport, communications (39%), and industry, energetics and construction (37%).[80]

The salary workers are the most active learners (22%), the least active are pensioners who are still working (4%), although especially they should study in order to stay competitive. Also women on child care leave have become more active, as almost 10% of them are studying. They are taking computer courses (44%), acquiring professional skills (29%) or learning languages (28%). It is obvious that without these skills, it is very hard to enter the labour market and stay competitive.[81]

In 2001, 12% of students were from urban and 14% from rural areas. In West-Estonia 23% of population were studying, while only 8% in Northeast-Estonia. As it appears from the survey, students preferred the following fields: Vocational[82] (22.3%), Speciality[83] (20.2%), Language courses (13.8%), Occupational[84] (13.7%), Other self development (8.9%), Computer courses (8.8%), Higher education or academic degree (4.7%), Driving license (4.3%), Other (1.9%) and Basic and secondary education (1.5%).[85]

The most popular were language, computer and driving license courses (13.8%, 8.8% and 4.3%). If to leave aside the acquiring of basic and secondary education, the most popular fields were medicine, health care, education and pedagogy, services, transportation, communication, management, industry, energetics and construction. Older people develop their skills mostly in the field of medicine, health care and pedagogy, the younger tend to participate in management, entrepreneurship and business training.[86]

There are clear gender differences with traditional roles in effect – women study more pedagogy, services, catering, culture and accounting. Men tend to study more transportation, communication, management, industry and energetics.[87]

Short-term courses are preferred. 31–40 hour courses (4–5 days) formed almost 18% of all courses, and 11–20 hour courses (2–3 days) came second. The Adult Training Act provides every adult with the right to study 14 days a year. The long-term courses are not completely abandoned – almost 25% of the learners studied 13 or more days during the year.[88]

The most mentioned motives for learning, brought out by learners, are the following: Self development (54%), Raising professional qualification (40%), Raising competence (34%), Employer sent to courses (31%), Wish to be competitive (24%).

Students' contribution in training is quite big – 30% of students covered their learning expenses themselves (the same trend appeared in the 1995 survey), and 7% of students covered the learning expenses partly (5.5% in 1995). In 2001, 37% of students covered completely or partly their learning expenses. Employers participated in

[79] Andras, 2002
[80] Andras, 2002
[81] Andras, 2002
[82] *Vocational education* – the system of knowledge, skills, experiences, values and behavioural norms, acquisition of which provides the opportunity to be recognised by the colleagues and to work on the respective vocation
[83] *Speciality education* - the system of knowledge, skills, experiences, values and behavioural norms, acquisition of which provides the opportunity to work professionally on the respective speciality
[84] *Occupational education* - the system of knowledge, skills, experiences, values and behavioural norms, acquisition of which provides the opportunity to work on the respective occupation, make decisions, organise the fulfilment of these, lead, govern, administer, combine and be responsible for the possible results and consequences
[85] Andras, 2002
[86] Andras, 2002
[87] Andras, 2002
[88] Andras, 2002

covering expenses in 52% of the cases – covering all 45% or some 7% of the costs. Labour Market Board covered 4% of courses and 9% were free of charge (15% in 1995).[89]

88% of people who participated training were employed, 12% were unemployed. Those who attended courses during work time, also gained salary for this time (80% of cases). Only in 6% of cases the employer did not pay for the time spent on training. 10% of people were studying during vacation.[90]

Estonian society is not yet up for studying – 11% intended to participate training in 2002. 50% of respondents had no intention to study (52% in 1995). The most popular reason was *age* (38% of all respondents), in the oldest age group (60+) 76% mentioned it as the main obstacle for studying. The next came *lack of interest* (27%) and on *lack of money* (23%). The latter was mentioned most (43%) by the young people whose monthly income is up to 1000 Estonian kroons. Among younger age group the main reasons were *lack of money* and *lack of time*. In the 20–29 age group *lack of interest* and *lack of suitable training offer* could be distinguished.[91]

On the national level it would be necessary to prepare the national strategy on how to expand the learning possibilities for adults, to increase the learning supports for adults and to reward the learning motivation.[92]

According to the Adult Education Act employees are entitled for study leave, its length depending on the type of education and training (from 42 days for higher education to 14 days for vocational training, 7 days for informal adult education). An employee is entitled for the average salary for 10 days.

2.5.5 Guidance and counselling

The lack of a comprehensive system of vocational counselling and guidance will be partly addressed by the VET Centres but also professionally trained counsellors working in VET schools are foreseen.

In 2003, the following activities are planned to make vocational counselling services more effective: [93]

- creating additional vocational counsellor positions at the employment offices;
- improving access to systematic, regular information on the labour market situation (e.g. labour needs by fields and occupations);
- description of vocations, occupations for clients electronically and on paper;
- translation and editing of the counselling materials into Estonian;
- preparation and publishing of the booklets assisting the youth in choosing a career.

Most of the SMEs have trained their staff, but only a few have used external counselling and consultation services. Though larger companies are using more counselling services, the services and feeling of content is similar to small and large companies. In addition to the most popular consultation services (legal, accounting, taxes, marketing advice) there is an increasing need for advice on strategic planning and management.[94]

Although most of the SMEs are not part of any professional union or organisation, they consider the information about entrepreneurship relatively easily available (except the information disseminated on the national level – access to laws and regulations and different support mechanisms). The current survey confirmed that most of the SMEs have heard of the national support mechanisms, but actual awareness is rather little.[95]

[89] Andras, 2002
[90] Andras, 2002
[91] Andras, 2002
[92] Andras, 2002
[93] Employment Action Plan 2003, 2002
[94] Emor, 2003
[95] Emor, 2003

3 Recent developments in employment policy and implementation

The Employment Action Plans are in line with the four pillars of the European Employment Strategy and European Employment Guidelines. Most attention is paid to risk groups whose competitiveness in the labour market is lowest (youth, long-term unemployed and disabled).

On January 18 2002, Estonian Employers' Confederation, Confederation of Estonian Trade Unions, and the Government of the Republic signed an agreement pertaining to the labour market policy. The purpose of the agreement was to involve different labour market parties in solving (un)employment problems. The agreement specifies the measures to be taken by the three parties and resources necessary for their implementation. Actions carried out at the initiative of the Government of the Republic are financed mainly from the state budget but, if necessary, additional funding will be applied for from the Privatisation Reserve Fund of the Government of the Republic. In addition to the Ministry of Social Affairs, the Ministry of Education and the Ministry of Economic Affairs were also involved in the preparation and implementation of the agreement. Their actions, aimed at the development of employment, and corresponding expenses were also noted in the agreement. The collaboration between all the three parties of the agreement promotes the work of tripartite employment councils. In case of lay-offs more attention is given to the preparation of social plans, and the principles for financing and operating for continuing training and re-training systems are being prepared. Pursuant to the agreement, Estonian Employers' Confederation and Confederation of Estonian Trade Unions will actively participate in the preparation process of the Employment Action Plan for 2003 and initiate additional employment related projects.[96]

3.1 General outline of employment policy objectives and measures

Taking into account the problems hindering SME development, their potential in creating employment, regional differences, the Ministry of Economic Affairs and Communications prepared in 2002 a SMEs policy "Enterprising Estonia – National Policy for the Development of Small and Medium-sized Enterprises in Estonia in 2002–2006"

The SMEs have been divided into three categories: micro enterprises (0–9 employees), small enterprises (10–49 employees) and medium-sized enterprises (50–249 employees). In addition to the supporting of the existing businesses, several measures have been targeted at starting businesses and potential entrepreneurs, proceeding from the need to support the creation of new enterprises. No preferences are set with respect to the fields of activities. Exceptional are agricultural enterprises, to which the enterprise policy is not targeted. [97]

The policy concentrates on the following priority fields:[98]

- **Human resource development** – to reduce regional and structural unemployment and raise the quality of labour by encouraging business start-up and developing skills and knowledge required in a specific field of activity. The measures include training support to create new jobs and raise the quality of labour in the SMEs; consultation support to increase the competence of the managers and workers of micro- and small enterprises; and promoting entrepreneurship to encourage potential entrepreneurs to start businesses and favour the formation of positive attitudes towards business activities in the society.
- **Access to finances** – to ensure better access to financing for SMEs, new financial instruments to meet the needs of starting enterprises and those with a great growth potential. The measures include start-up aid to create conditions for strong new SMEs by increasing motivation to start a business and helping the starting businesses to overcome financing difficulties; credit guarantee to improve SMEs' access to capital; direct guarantee for small loans to improve the financing of small loans; investment support to support

[96] Employment Action Plan 2003, 2002
[97] Enterprising Estonia, 2002
[98] Enterprising Estonia, 2002

infrastructure development of the SMEs; and additional financial instruments to improve financing of starting businesses and encourage the creation of new enterprises.

- **Business support structure** – well-functioning state support structure to improve access to the support measures for SMEs by developing the business support structure to ensure transparent and efficient implementation of state support measures, and to support creation of incubators and industrial parks to facilitate business start-up especially in growing and higher added value industry and services sectors.
- **Dissemination of business information** – to improve access to business information (including information about different state support measures) by information portal to distribute business information and by enhancing discussion to improve communication between the state and enterprise level;
- **Reduction of administrative burden** – to ensure simple and transparent procedures and regulations related to business activities.[99]

3.2 Adaptation of the legal framework

The **access** to training courses and other **active measures** has been widened due to the new legal framework of October 2000, although substantial increase in participation is still limited by financial resources. Previously only those entitled to unemployment benefit have had access to labour market services, now all registered unemployed.

Employment Service Act (June 2000) regulates the provision of employment services to persons who seek employment and to employers.

Social Protection of the Unemployed Act (June 2000) regulates the registration of persons as unemployed and the payment of state unemployment benefits, single benefits and stipends through employment offices.

Unemployment Insurance Act (June 2001) regulates the conditions and procedure for the payment and grant of benefits upon unemployment, collective termination of employment contracts and insolvency of employers, and the organisation of unemployment insurance. It came to force in the beginning of 2002. It stipulates 1% unemployment insurance tax on gross salaries and 0.5% of the employers salary fund. The insurance is to support the person's chances to manage unemployment. It should not lower the motivation to seek job, as the payments will be lowered after 100 days and stopped in case active job-seek is discontinued. The first unemployment insurance benefits will be paid in 2003. The insured persons have the right to receive unemployment insurance benefits if they are registered as unemployed and their insurance period is at least 12 months during the 24 months prior to registration as unemployed.

3.3 Governance and responsible bodies

There is a clear need for strengthening the partnership approach, combining the priorities and resources of a range of institutions, including local governments and social partners. Tripartite Employment Councils have been established in 2000, expected to be fully operational in all 15 counties at the end of 2002. Delay in implementation was due to difficulties in co-operation between public employment service providers and employers.
The Employment Action Plan for 2002 set as an important target an increase in expenditures on active labour market policy in the state budget. indicates The expenditures on active labour market measures are indeed larger in the state budget for 2002 than they were for 2001. (Look Table 12 in Annex) Administrative expenditures or expenditures on wages and running costs have also increased thus enabling improved management of extra resources allocated to the measures. An increase in administrative expenses has been the result of hiring new employees by the employment offices. Though an increase in expenditures is by far insufficient – e.g. in 2001, only 7.5% of all the registered unemployed participated in labour market training while the EU has set the target at 20% at least.[100]

Labour market training is financed from the state budget through the Labour Market Board's budget. Projects directed to specific target groups (less competitive unemployed persons) are financed separately from the budget

[99], Enterprising Estonia, 2002
[100], Employment Action Plan 2003, 2002

of the Ministry of Social Affairs, who coordinates these projects. Labour market training can be longer than six months in case the unemployed person is guaranteed a job after covering the training and the future employer pays for training which exceeds the six month period.

The allocation from the Privatisation Reserve Fund (10.54 million in 2001 and 11 million in 2002) for the implementation of the programme "Increasing employment, preventing long-term unemployment and forestalling exclusion of risk groups from working life" has helped alleviate the under funding of the labour market policy to a certain degree. Pilot projects and surveys on different risk groups have received funding.[101]

3.4 Employment services

3.4.1 Structure and organisation

The **National Labour Market Board** (NLMB), working under the governance of the Ministry of Social Affairs (Labour Market Department), has a network of 36 state local employment offices in 15 counties and the capital Tallinn. The main functions of the NLMB are to administer labour mediation services, to organise unemployment registration, to regulate the payment of benefits and supervise the entire process. The services provided by the employment offices for the job-seekers and employers are free of charge. In 2002, the Labour Market Board has started preparing for becoming the implementing agency of the European Social Fund.

In order to use resources effectively and ensure better maintenance quality, it is planned to transfer to distant administration and maintenance system by 2004. Transfer will be gradual. First, the local servers of the employment offices will be transferred to distant maintenance, then the workstation computers. As a result the software and hardware administration will be centralised. Second, elimination of errors will be centralised. As a result, the employment offices do not need to deal with the problems related to the repair and administration of the computers and other information technology.[102]

In the end of 2001, the Estonian Unemployment Insurance Fund was created, to provide insurance premiums for the unemployed who meet certain requirements. One condition is that the applicant must be registered in the employment office, therefore the employment offices will deal with the applications. In addition to transmitting the applications, the adequate communication channels have to be developed and implemented, and in connection with the integration to the European Union in 2004, the institutional framework needs to be developed. Free movement of workers causes the need for employment mediation covering the whole Europe. Estonian Labour Market Board is making preparations for integrating to the EURES network, which should take effect upon integration to the EU.[103]

According to the regulation of the Government of the Republic, starting January the 1st 2003, the Labour Market Board must have an effective national register of the job-seekers and labour market services. [104]

Labour market training is commissioned from providers, who provide suitable training for any client group, i.e. an education institution, natural or legal person who holds education licence from the Ministry of Education and Research or a juridical persons, or a sole proprietors who has received a special operating licence from the Ministry of Social Affairs. Since the beginning of 2001, the Ministry of Social Affairs has issued 35 licenses. At the same time there are a number of companies operating without any such license thus endangering the interests of jobseekers. In 2002 were prepared the monitoring mechanism and sanctions to be implemented in 2003. Pursuant to the draft amendment of the Employment Service Act inspection of the private companies and sole proprietors offering labour market services will become the domain of the Labour Market Board who will regulate the provision of the labour market services nationwide regardless whether the service is offered by a private company or state institution.[105]

[101], Employment Action Plan 2003, 2002
[102] National Labour Market Board, 2002
[103] National Labour Market Board, 2002
[104] National Labour Market Board, 2002
[105] Employment Action Plan 2003, 2002

Private employment services are active on a small scale in employment mediation, vocational training and guidance. According to LFS the share of unemployed seeking for a job through private agencies averaged around 3% annually since 1997 (2.7% in 2000).

3.4.2 Delivery of services

There is a high need to strengthen capacity and effectiveness in operation of local employment offices and staff, and to improve co-operation with local stakeholders, in particular employers.

Although the structure of employment in local offices seems to be favourable for implementing active measures (about 80% of total staff were so called "counsellors" in 2001),[106] the average time available for counselling per unemployed is being considered as not sufficient. The number of registered job-seekers per one employee of the employment office is higher than in the EU – monthly average 228 people and 155 people respectively.

Efforts have been undertaken since 2001 to prepare common standards for all services (being discussed also with selected unemployed and employers), to introduce internal audits for local offices, to pilot a self-service information system and to upgrade equipment and computer infrastructure. Most actions are supported by Phare funds and in addition a Pre-accession advisor for employment services has been in place since 2002.

The range of tasks of the employment offices includes implementation of national employment policy, registration of unemployed, payment of benefits and provision of employment services:

- employment mediation – matching a worker with the necessary skills with a vacant position;
- information on the labour market situation and employment training – information on the conditions on the labour market, changes and forecasts, vacancies, requirements for working on a certain position, training providers, and job-seeking techniques;
- labour market training – increasing the chance to find a job by upgrading the vocational skills or retraining, incl. general job-seeking principles like writing a CV, going to a job interview;
- vocational guidance and counselling –aid making the choice of what to study, where to work, to specify the wishes, opportunities and personal suitability by testing, etc.;
- employment subsidy to start a business – non-repayable (max 20,000 Estonian kroons) subsidy for implementing a good business idea;
- community placement – temporary jobs, which generally do not require vocational, professional or occupational preparation;
- employers' subsidy – subsidy allocated to employers for employing a less competitive unemployed person.

The unemployed have the right to participate complementary and retraining:[107]

- if a person refuses the labour market training for the first time, the payment of the unemployment benefit is stopped for 10 calendar days (except there is less than 5 years to old age pension or the proposed field of study does not suit the person for health reasons);
- if a person refuses the labour market training for the second time, his/her status as registered unemployed is terminated;
- the unemployed who participates labour market training lasting at least 80 hours, has the right to receive study stipend, which monthly rate can not be less than 1.5 times the unemployment benefit. The benefit is currently 400 and study stipend 600 Estonian kroons per month[108];
- the unemployed has the right to apply for additional stipend amounting to 200 Estonian kroons per month, for covering transportation expenses in case the place of training is located at least 30 kilometres away[109];
- the unemployed is eligible to receive the unemployment benefit while participating labour market training.

By fields, the most training is provided for service trades (salespeople, client services), followed by entrepreneur, construction and machine operators. Of the training, which is not considered directly work-related training, computer and language training and adaptation courses are common.[110]

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[106] Raul Eamets, Capacity of public and private employment services, draft paper February 2002; the term "counsellor" is referring to a job-title and does not necessarily imply full-time counsellors
[107] Riigi Teataja, 2003
[108] Riigi Teataja, 2003
[109] Riigi Teataja, 2003
[110] National Labour Market Board, 2003

Labour market training is divided to initial, re- and complementary training and adaptation training. Special programmes are usually only for adaptation training, which aim at introducing the labour market requirements and possibilities to the unemployed, acquiring the necessary knowledge for integrating into the society, developing national language skills and raising the activity and skills for seeking employment, including psychological support. Maximum duration of adaptation training is 30 days, and its' short version – job-seeking (e.g. writing a CV, going to a job interview etc.) – 5 days.

About 10% of the unemployed registered during a year, participated labour market training. In 1999, 7,095 participants for 32 million, 2000 – 8,156 participants for 32.2 million, 2001 – 10,233 participants for 42.3 million and 2002 – 9,544 participants for 46.7 million Estonian kroons.

The experience shows that no matter the number trained, only certain number of them will find placement after and effectiveness of training decreases with volume of training. The existing labour market training system is not able to train high level specialists who are able to create the need for their skills on the labour market, but follows the needs of employers. Therefore, increasing the volume of training, would not necessarily lead to better results, but would help in internal integration in the society and to decrease the number of discouraged persons.[111]

As there has been lack of systematic monitoring and evaluation on the impact and effectiveness of active labour market measures. Research has been commissioned in 2002 by the NLMB in order to analyse effectiveness of measures on registered unemployed.

In January 2002, the national programme for the implementation of the policy aimed at the elderly in Estonia was approved for the years 2002–2005. The Ministry of Social Affairs is responsible for the implementation of the programme and the resources for financing the programme come from the state budget, foreign donors, as receipts from taxes levied on gambling and resources provided by the implementers of the project. The total cost of the programme is 14 million Estonian kroons. The IV sub-objective in the programme – greater opportunities for self-realization of the elderly and active participation in public life – is aimed at improving the situation of the ageing labour force. Two measures are applied to achieve the objective: supporting the implementation of actions specified in the national employment action plan and facilitating access to Internet. Under the first measure the following actions have been planned: [112]

- promoting employment among people at the pre-retirement age;
- creating conditions for smooth transition from work life into retirement;
- fostering working with a decreased work load at retirement age.

More attention needs to be paid to increase the responsiveness of the education system to special needs of disadvantaged groups (including "non-Estonians") and to counteract the risk of a growing educational/social divide.

Concerning the Lisbon targets and conclusions, Estonia is rather advanced compared to other candidate countries, but still has to catch up to most EU averages and future targets. However, main issues are already being addressed by national policies (ICT development, increase in employment rate, access to education, strengthening research and development, foreign languages, LLL).

[111] National Labour Market Board, 2003
[112] Employment Action Plan 2003, 2002

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