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SKILL NEEDS OF COMPANIES IN SOUTH- ESTONIA

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1. Executive Summary

The audit describing the workforce and skills in South Estonia reflects and assesses the current situation and requirements in the region, including those represented in the priority sectors of the economy.

The objective of the audit is to determine how and to which extent the businesses of the South Estonian region deal with the workforce issues, and which shortfalls are stressed, how the businesses assess the skills of their employees from the point of view of competitiveness of the businesses, and to which extent training is offered to employees.

Proceeding from the task set for this work the analysis was focused on companies operating in the South Estonian region in three priority sectors of economy – food industry, tourism and environmental services. Altogether 60 business entities were involved in the study. The selection was based on the assumption that the businesses should represent the major operators in their respective fields. The group selected included 33 companies representing the food industry, 16 representing the tourist industry and 11 representing the environmental field.

The employees of the investigated companies of all companies of the three sectors analysed constitute 80% of the sectors' total employment. Therefore, the study reflects the majority of the employment related issues in these sectors, micro-companies excluded.

95% of the investigated companies were small and medium size companies with less than 200 employees.

23% of the companies have reduced their staff in the last 2 years.

In the last 2 years the spread of employees by occupational groups has changed in case of 52% of companies. The prevailing trend in the companies has been an increase of the number of managers, top specialists, servicing and sales personnel and skilled workers.

More than half of the companies (65%) complained about the lack of workforce with required skills.

The occupational groups where employers have identified skills shortages are: service and sales personnel, and skilled and craft workers (respectively 25% and 18% of the companies).

The most important observation is that, with the exception of technical skills and knowledge of foreign languages (issues related to basic education), the major shortcomings pertain to personality related skills (interpersonal and verbal skills, creativity /initiative, teamwork skills, customer service skills, leadership skills).

57% of the companies stated that in the last 12 months they have experienced problems with recruiting employees to fill vacancies. However, major polarisation was observed in certain occupational groups – many companies have found recruitment of employees for various occupational groups fairly easy or even very easy, while this has been difficult or even very difficult for other companies. Generally it was observed that recruitment of new employees is rather difficult in all occupational groups. Only elementary workers can be found fairly easy. Recruitment of new employees is particularly difficult in occupational groups, where higher qualifications are required (senior officials and managers, top professionals and mid-level professionals).

In 90% of the companies the employees have received special training, 24% of the companies have provided training to less than 25% of the employees, 16% have provided training to 100% of their employees. Short courses are predominant.

In the last 2 years training volumes have increased for 40% of the companies, in case of 47% the volume has remained more or less the same.

The reasons for increased training volumes are competition, company development, changes in job related tasks, and to a smaller extent – legislative changes.

The main type of training offered were courses outside the company – 71% of the companies.

2. Introduction

Among the rest of the problems of the Estonian economy the issues related to workforce and human resources – the high level of unemployment is accompanied with structural employment problems and limitations in the area of skills, discipline, etc. – have manifested themselves quite significantly. These problems vary in scope and nature in different regions and business fields.

Considering the future needs, we speak about growing competition and more time consuming economy, which means that the human resources are becoming increasingly more important. Finding workforce with necessary skills and qualifications requires well functioning training, retraining and in-service training systems. But also the attitudes valuing the human resources (more than currently) are essential. Consequently the planning of the human resources and workforce development falls in the category of most significant objectives.

These statements are true also with respect to the South Estonian region, including the priority sectors of economy, identified in the development documents. In order to reduce unemployment, to improve competitiveness of the enterprises of the region and to increase the overall income of the region, the development of human resources is becoming more and more important.

Undoubtedly the development of human resources requires involvement of many participants and better substantive co-operation between them. The results of the analysis (facts, assessments and messages) are thus quite significant for the government, employers and their associations, employees, training and educational institutions.

The objective of this study is to:

- evaluate the human resources of the key sectors of the region in the context of their socio-economic development;
- assessthe companies' positions in respect to the skills and training of the workforce, i.e. the topics related to the requirements to the labour resources;
- support the strategies of the region targeted at elaboration of the human resource development in the context of PHARE planning and access to the European Structural Funds (in the context of the economic and social development of the region).

The study region has chosen as a regional policy target area and the three economic sectors studied have been considered among the development priorities of the South Estonian development plan.

The task of the study is to:

- provide an overview of the perspectives of the development of economy of the region in the broader national environment;
- evaluate the trends of employment and unemployment;
- register the initiatives/activities of the national policies of human resources development and employment;
- assess the employers' needs and positions related to the existence and quality of the workforce.

The study deals with a diagnosis – identification of the current situation (and needs), and provision of evaluation of the workforce situation for the region of South Estonia by the priority sectors of economy.

The report is starting with an overview of the region´s economic background and existing development plans related to the human resource and workforce development; also the results of previously conducted studies are presented (Ch.3). The background is followed by the description of research methodology (Ch.4). Chapter 5 provides information about the economic performance and recent changes of the companies interviewed. Chapters 6 –8 present the findings of face-to-face interviews with companies in South Estonia concerning workforce issues of skills, training etc. In Chapter 9 the results of focus groups discussions are presented by three economic sectors.

3. Background: Economy and workforce of South Estonia

This chapter offers an overview of the following:

- the economic and geographical situation of the South Estonian region, and the priorities of the economic development;
- the employment situation of the South Estonian region, and its trends, i.e. the problems related to the workforce quality in the enterprises of the region;
- employment related policies, development plans and activities directly and indirectly influencing the region.

The South Estonian counties are the most peripheral regions of Estonia. The largest centre – Tartu – is situated 186 km from the capital Tallinn by land, and the most remote county centres – Võru and Valga – are situated at a distance over 250 km from the capital.

The South Estonian target region includes five counties (Jõgeva, Tartu, Põlva, Valga and Võru), and it borders with Russia in the east and south-east, and with Latvia in the south. There are approximately 310 thousand inhabitants in the region, constituting 21.4% of the entire Estonian population. The level of urbanisation (55%) is lower than the national average. Most of the townspeople of the region (over 108 thousand) live in the second largest town of Estonia – Tartu. The density of population is 25.6 persons/km^2, which is also lower than the average for Estonia. By age structure the region has less people in working age compared to the national average (64.7% in 1999), and more children (19.9%) and senior citizens (15.4%). Compared to the data of 1989 the population has decreased by 5% in the region, which is somewhat less than Estonia as a whole.

11.6% of the gross national product is being produced in South Estonia. The region has traditionally been too much dependent on agricultural production. The share of the primary sector of the employment is higher (13.3%), and the share of the secondary sector is lower (28.1%) than the national average. The main fields of activity in East Estonia are agriculture and forestry, food industry and timber processing. The decline of agriculture in this region has been the most considerable in Estonia. In the southern part of the region (the Põlva, Valga and Võru counties) the natural conditions are relatively unfavourable for agriculture – the landscape is hilly, the agricultural land consists of small parcels, the soil fertility is relatively low. Nevertheless, the conditions of the region are favourable for developing rural tourism and winter sports.

The development of the South Estonian target region in the 1990s has been moulded both the general transitional changes, the specific features of its location and the structure of economy. The economy of the target area has traditionally been strongly agricultural. The decline of production capacities and employment, characteristic to the 1990s was more significant here, than in Estonia in average. At the same time, creation of compensating jobs in South Estonia (with the exception of the Tartu) has been taking place more slowly than in the majority of the Estonian regions. Among other reasons this has been caused by factors hindering the economy of the region, resulting from re-creation of state borders in the east and south:

- border trade of the local population and companies targeted at Russia stopped almost altogether;
- rail transport between Latvia and Russia was directed through the Latvian territory, and the Valga railway junction is underused;
- passenger transport in the Russian direction (Moscow, Pskov, Pechora) suffered a collapse.

Remoteness from Tallinn (the major centre of foreign relations) has impeded creation of business contacts with the West, and thus become and obstacle preventing development of enterprise.

In addition to the problems arising from restructuring of agriculture, the worsening of transport and the geographical position have also had negative impact on the development activities of the region. The second most important transport route of the country (Tallinn-Tapa-Tartu-Pechora railway and the Tallinn-Tartu-Luhamaa highway) runs through the region to Russia. Due to poor technical conditions of the railroad and border crossings the full potential of the above mentioned corridor has been inadequately utilised. As Estonia has established the state border and border crossing procedures with both Russia and Latvia, transit transport between Russia and Latvia, which was carried out through Valga, has stopped completely. At least at the current moment Valga has totally lost its significance as a transport junction.

The main centre of the region is the city of Tartu, which clearly stands out from its agricultural surroundings, functioning as the most important service centre for the surrounding townships and towns. The role of Tartu as the economic centre of the entire region is rather modest. However the city is of national importance by reason of the educational and scientific activities taking place there. Tartu is the home for the Tartu University with very long historical traditions, the Estonian Academy of Agriculture, the Baltic Defence College, and several scientific research institutions. Many high-level medical services have been brought together into one of the largest medical centres of Estonia – The Clinic of the Tartu University. The Supreme Court of Estonia is also operating in Tartu.

Technical disciplines and applied sciences play a modest role in the educational and scientific life of the city. The relations between science and the local enterprise are weak. The Tartu Science Park has failed to act as a strong innovation centre.

The main problems of the South Estonian region are:

- high level of unemployment;
- low average income;
- poor entrepreneurial orientation of the population;
- poor development of economic activities besides agriculture.

During the last years South Estonia started to utilise its own tourism business potential, and has become the third most important tourism region in the country besides Tallinn and West Estonia. Here the major role is played by the city of Tartu, but farm tourism and sports related tourism have also gained a significant momentum lately.

Since 1996 the Põlva, Võru and Valga counties have been the target regions of the regional policies (the South-East Estonia and Setomaa programmes). Due to inadequate financial resources available the main emphasis has been placed, until recently, on various non-investment related projects like development plans, strategies, training, and events. The target region of the Agricultural Regions Programme, which begun in 2000, and the on-going Setomaa programme include the Põlva, Võru, Valga and Jõgeva counties.

3.1. 3.1. The development priorities of South Estonia

The following employment, education and skills related strengths and weaknesses in the region have been identified in the course of elaboration of the South Estonian development plan, based on the SWOT analysis.

<u>Strengths</u>

- Tartu is an internationally recognised higher education, science and medical centre of national importance.
- Tartu has highly educated workforce.

- Based on the scientific and development work taking place in the universities the first high-tech companies are established in the field of bioengineering, genetic engineering and material technology.
- The Võrumaa Vocational Education Centre successfully carries out its work.

Weaknesses

- The interrelations between the universities, researchers/scientists and the industry is not sufficient. The higher education institutions make an inadequate contribution to the competitiveness of the local economy.
- The vocational higher education has been developed insufficiently, there is strong lack of skilled workers and professionals.
- The economy is relatively dependent on the agricultural sector.
- Traditional business fields dominate in the industry sector, too few innovative companies, and companies with high output of surplus value.
- Prolonged period of high unemployment has caused a large part of the rural population to become apathetic.

Development priorities:

Similarly to all other regions of Estonia, development of viable production farms, alternative agricultural production opportunities and other income sources combined with the traditional agriculture, have become the focal point of restructuring of the rural economy in the South Estonian target region. At the same time the fulcrum, regarding traditional and non-traditional rural economy, must be varied according to the differences of interregional conditions. The most vital requirement for introduction of alternative activities exists in regions less suited for agricultural production, including the Põlva, Võru and Valga counties, where the preconditions are the most favourable – heterogeneous landscape, water bodies and natural sights are advantageous for developing tourism. Natural conditions are suitable for fishery and crayfish husbandry, and organic agriculture.

The industry in the South Estonian target area requires diversification, and its competitiveness needs to be improved. The share of industry sectors offering higher surplus value, and technologically more demanding and knowledge-intensive industries, and transition from subcontracting to producing final product must be increased gradually. With this respect it is possible to appeal to the scientific potential of the universities. Preference must be given to development of those economy clusters, which are the most competitive in the South Estonian region. In the industry sector such clusters are:

- timber and furniture industry,
- apparatus industry,
- food industry,
- sewing and leather industry.

In the context of the future perspective an emphasis should be placed on development of these clusters, which are supported by the scientific potential:

- bio- and genetic engineering,
- environmental technology,
- information technology.

The industry could create – particularly in rural centres and small towns – considerable number of new jobs. This would compensate the loss of jobs both in towns and in rural areas. In order to improve the technological and innovative level of industry favourable conditions should be created to enhance the cooperation between the Tartu higher educational and scientific institutions and the enterprises.

Tourism (incl. sporting tourism) is one of the principal developing economic sector in South Estonia, offering a possibility to create additional jobs both in towns and rural areas. In order to secure its further growth it is necessary to develop the related infrastructure and tourism products, and provide training. It is necessary to continue co-operation with Russia, in order to include the regions of Pskov and Pechora, with their abundance of historical sights, in the tourist routes. With this respect it is essential to restore the shipping traffic between Tartu and Pskov, and moreover, the utilisation of the tourism opportunities along Lakes Peipsi and Pskov.

In order to improve the employment situation of the South Estonian target region it is feasible to place the emphasise on development of small and medium enterprises creating new jobs (incl. expanding the existing ones), improvement of vocational education and training, and widening the opportunities for adult in-service and retraining. Involvement of the unemployed in retraining is organised through the county Employment Offices. Activation measures should be employed in order to reintroduce the long-term unemployed to the labour market.

In general the vocational education and training system of South Estonia must be developed in conformity with the national priorities. Preparing the young persons for the labour market must be supported. Among other measures it is necessary to introduce vocational and career guidance activities. The system of multifunctional vocational education centres must be elaborated further. The share of specialities related to industry and modern technologies must be increased in the vocational education and training sphere.

It is necessary to develop training on the vocational higher education level in the fields suitable for the economic profile of the region: timber and furniture industry, bio- and genetic engineering, environmental technology, information technology, apparatus industry, food industry, sewing and leather industry, logistics, tourism and sports businesses.

3.2. Employment and unemployment trends in South Estonia

A concise summary:

The employment problems of the South Estonian region as a whole (unemployment, decrease of employment and the number of jobs) are quite severe, and considerably more so if compared to the national average. The main weaknesses and challenges are stagnation in the growth of the number of jobs in the service sector, for it should be the main source for the new jobs. The employment trends of the primary and secondary sectors more or less match the overall national average (demonstrating decline in general, although differing somewhat in scope). However, these are mostly the business fields that are most dependent on the economic situation (incl. on the international level), the overall business environment in Estonia and national politics. The decreasing number of jobs in industry reveals that it has not been attractive to foreign investment. A significant message is communicated through the interrelations of the education level and unemployment and economic activity – the higher the education level, the lower the level of unemployment, and the share of inactive persons. The results point at two factors. First, the more qualified workforce is leaving the region, and second, the lack of qualified workforce is already a major hindrance of the economic development in certain regions.

Table 1. Changes in the number of employees, %

	1991 – 1995	1995 – 2000	1991 – 2000
South Estonia	-18,5	-8,6	-25,5
Estonia	-18,8	-7,2	-24,7

Table 2. Number of persons in working age and changes (%)

	2000	1991 – 2000
South Estonia	218700	-2,8
Estonia	1054900	-4,4

Table 3. Level of employment, %

	1991	1995	1997	1999	2000
South Estonia	69,1	57,9	53,3	50,8	50,4
Estonia	73,2	61,8	58,8	55,8	55,1

Table 4. Level of unemployment, %

	1997	1998	1999	2000
South Estonia	12,0	10,9	11,3	14,0
Estonia	9,7	9,9	11,7	13,7

The changes in the number of employees have been different in different fields of business. The majority of these extensive structural changes took place in the first half of the decade. The results could have been more or less anticipated, because the employment in the primary sector has been continuously decreasing by reasons of hard economic situation and marketing problems. In the service sector one could observe rapid compensation of deficit (mainly trading and catering businesses, however other services as well) in the first years of the transition period. From the development aspect the most problematic indicator appears to be too small increase of the number of employees in the tertiary sector, which has not compensated for the losses in other economic sectors. This points to the fact that South Estonian has not become attractive enough in creating new jobs in the services sector, as the employment figures are usually growing on account of jobs in the services sector.

The comparison of South Estonia and Estonia as a whole reveals that there are no essential differences in distribution of workforce by occupational groups. To a large extent these figures are influenced by the city of Tartu, where the share of qualified scientific and medical workers is large.

Agriculture is dominating in the primary sector of South Estonia. Forestry gives additional income to farms and raw material to timber industry, but as a provider of employment its role is insignificant. Agriculture occupies an important place in the economy of the South Estonian target region. The majority of agricultural production is being processed in the region, and the processing businesses are continuously the major employers here. Natural preconditions for agricultural production differ considerably in the region. The Jõgeva county and the central and western parts of the Tartu county are regions with the most fertile agricultural lands in Estonia, while hilly and unproductive areas in the upland region, boggy valleys and Lake Peipsi coastal areas are not suitable for agricultural production.

Decline of production volumes, characteristic to the 1990s, resulting from the restructuring of agriculture and shrinkage of the eastern market, was more severe in South Estonia than in Estonia in average. In 1989 – 1998 reduction of the livestock in Estonia as a whole was 46%, the figure for the South Estonian target region, however, is 51%, reaching as high as 60% in the Tartu and Valga counties.

Relative decline of employment in agriculture has also been among the most rapid in Estonia. In 1995 – 1997 alone the level of employment, according to the Labour Force survey information, decreased ca 40% (overall figure for Estonia is ca 35%), at the same time creation of other compensating jobs has been slow, and thus the share of the agricultural employment still exceeds the national average by 1/3.

The share of the secondary sector in the South Estonian target region is smaller than the national average. The vast majority of the larger industrial enterprises have been formed as a result of privatisation and restructuring of the Soviet times' companies. Foreign investments in industry have been relatively moderate.

The branches of industry, which depend on the primary sector – dairy, meat, timber and furniture industry – form the largest share of the industry sector. Timber and furniture industries are the growing branches, however the food industry is a relatively declining branch in Estonia: the production expressed in fixed prices did not increase in 1995 – 1998, and it fluctuates around the half of the production volumes of 1991.

In the course of restructuring of enterprise the employment requirements of the secondary sector have decreased as well. The number of jobs in 1995 – 1999 was reduced by about a quarter (10 thousand jobs).

The South Estonian target region has been winning popularity as a tourism region, and has reached the third place, after Tallinn and West Estonia. Tartu has become one of the most significant tourism centres of the country. The small town Otepää has been able to earn international recognition as a ski centre. In 1997, the sales of the accommodation services in the South Estonian target region constituted ca 10% of the national volumes.

Table 5. Structure of the workforce, %

	Primary sector		Secondary sector		Service sector	
	South Estonia	Estonia Total	South Estonia	Estonia Total	South Estonia	Estonia Total
1991	27,4	20,4	31,0	36,4	41,6	43,2
1994	19,6	14,6	25,5	32,3	54,9	53,1
2000	10,8	7,4	28,4	33,5	60,9	59,1

Table 6. Changes in the number of employees by economic sectors in 1991 – 2000., %

	South Estonia	Estonia Total
Primary sector	-70,7	-72,6
Secondary sector	-31,7	-30,7
Tertiary sector	9,0	3,0

Table 7. Spread of the workforce by occupational groups, %*

	South Estonia	Estonia Total
Managers, top and mid-level professionals	39,7	38,5
Office and service workers	15,2	15,8
Skilled workers	34,9	34,1
Elementary workers	9,7	11,6
Total	100,0	100,0

** according to the classification of occupational groups, see ANNEX 1.*

In general, the interrelations between employment and the education level are strong both in Estonia as a whole, and in South Estonia – the lower the education level, the lower the level of employment, and the higher the unemployment and inactivity. Comparing the employment indicators in Estonia and South Estonia it appears that no significant differences exist. However, an interesting exception was found in the unemployment level of the workforce with higher education (III level). In South Estonia the level of unemployment at that level is minimal, and ca 2 times lower than the national average. This somewhat substantiates the statements about the lack of qualified workforce in the peripheral regions: people with adequate level of education have less difficulties in finding work than in the major centres.

Table 8. The indicators of employment in South Estonia by levels of education 1999

	Level of employment, %		Level of unemployment, %		Share of the inactive*	
	South Estonia	Estonia Total	South Estonia	Estonia Total	South Estonia	Estonia Total
I level**	20,0	24,6	24,9	20,3	73,4	69,2
II level***	59,1	62,8	11,8	12,6	33,0	28,1
III level****	75,5	75,9	3,5	6,0	21,8	19,3
Total	50,8	55,8	11,3	11,7	42,7	36,9

** share of the inactive persons in the total number of people in working age, %*
*** less than elementary education; elementary education; basic education*
**** vocational secondary education after basic education, vocational secondary education after general secondary education, general secondary education,*
***** vocational secondary education after general secondary education, higher education; master's and doctor's degrees*

Table 9. Spread of the people in working age by level of education in 1999, %

	Workforce		Employed		Unemployed		Inactive		Population in working age	
	Estonia Total	South Estonia	Estonia Total	South Estonia	Estonia Total	South Estonia	Estonia Total	South Estonia	Estonia Total	South Estonia
I level	12,9	13,9	11,6	11,7	22,4	30,6	49,4	51,3	26,4	29,8
II level	57,5	58,1	56,9	57,8	62,4	60,8	38,5	38,3	50,5	49,7
III level	29,6	28,0	31,5	30,5	15,2	8,6	12,1	10,4	23,2	20,5
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

The share of the discouraged (people in working age who have ceased seeking work, and who are thus not considered unemployed any more) has gradually increased among the causes of inactivity. The number of the discouraged and inactive persons is increasing steadily in the entire country. The discouraged constitute ca 2% of the people in working age.

The discouraged may be viewed as a specific form of unemployment, and their number should be added to the number of unemployed. The table below indicates the share of discouraged in the workforce (workforce according to the data of the Estonian Labour Force Survey plus the number of the discouraged). The share of the discouraged in the workforce has also grown steadily, in 2000 it reached 3.0%.

Conditionally, it could be said that the unemployment level of Estonia in 2000 was 15.8% (instead of 13.2%). However, in South Estonia the share of the discouraged is nearly twice as high as the national average.

Table 10. Level of the discouraged, %

South Estonia	5,1
Estonia Total	3,1

3.3. Problems related to the quality of workforce

In the last years the employers declare more and more that they lack workforce with the necessary qualifications and motivation (incl. in South Estonia), and that workforce has become one of the major constraints to their economic development. This chapter summarises the problems pertaining to the quality of workforce and the measures taken so far to alleviate these problems, based on the workforce related studies carried out in the last three years. The material presented below supplements the results obtained by interviewing the South Estonian companies, which are discussed in chapters 6 – 8. It is necessary to note, however, that some of the studies deal with Estonia as a whole (with respect to certain sectors of economy, particularly important for South Estonia), whereas some only with the three counties of the South Estonian region (Põlva, Valga, Võru counties).

Due to the decrease of work volumes the employees have been made redundant in 4% of furniture manufacturing companies and 5% of the timber industry companies. The majority of the companies do not intend to expand their business in the near future, nor decrease the number of employees. The need for laying off employees was the largest in the construction sector, food and textile industry and trade.

Workforce problem

The south-eastern region of Estonia needs mostly skilled and craft workers (25%), equipment, apparatus and machine operators (18%), service personnel (15%), and elementary workers (11%). The demand is the smallest for the skilled workers in the agricultural, forestry and fishery sectors. This means that the most sought-after workforce in south-eastern Estonia are skilled and qualified craft workers.

The most difficult task is to find skilled workers; to find managers and professionals seems to be somewhat less problematic, and to find elementary workers constitutes no problem at all.

Electronics and metal industry experiences difficulties in finding managers and specialists, but also skilled workers. Timber industry has difficulties in finding skilled workers.

Labour force problems are more acute for the larger companies and the more successful companies, who are planning to recruit new employees.

Lack of qualified workforce is noted primarily by industrial enterprises.

Labour turnover

Labour turnover in South Estonia as a whole is almost non-existent among skilled workers, and this does not constitute problems for businesses. In particular smaller production entities do not have problems with labour turnover.

The main labour turnover pertains to workers with low level of qualifications, and auxiliary workers.

Sector-wise the labour turnover in timber and furniture industry companies are relatively high. In timber industry 19% of the entire personnel has changed in a year, whereas labour turnover is more intensive in smaller companies – 21% of the staff changes in a year. 15% of the entire personnel of the furniture industry companies has changed in a year, whereas the average labour turnover in larger furniture companies is 21%.

The reasons for leaving employment on the employee's initiative are the low salary (31% of the managers of the furniture industry companies, and 32% of the managers of the timber industry companies indicate this reason), moving to live in another location and foundation of one's own business. A small number of employees decide, after having worked for some time, that they are not suited for this work.

Generally two categories of people stay with companies: people who have been with the company since the beginning, and the skilled workers.

The companies admit that proper work environment motivates personnel to stay in employment longer.

Skills and skills' limitations

The most common shortcomings related to the new employees are inadequate specialised knowledge, failure to meet the set quality requirements, inadequate level of general education for acquiring new knowledge and inability/unwillingness to work intensively.

Merely specialised skills are not considered sufficient, personality and attitudes are deemed important as well.

The companies do not carry out systematic evaluation of the skills of their workforce, it is done rather randomly. Almost half of the company managers state that they attest the vocational skills of their employees. There are some firms that consider attestation highly necessary, but have not employed any concrete measures yet. Some smaller companies state that as everyone in their company must be able to do everything, there is no actual need for attestation.

Recruitment of workforce

The companies attempt to recruit necessary workforce from among the existing employees of the company, because, as a rule, promotion is more productive than hiring a new person (a person is familiar with the speciality and other employees).

Vocational schools' graduates are hired in above the average numbers by metal industry, energy, gas and water supply companies, personal servicing and hotel/catering companies. 19% of the companies, seeking new professionals/skilled labourers have hired young vocational schools' graduates.

Work and practical training opportunities have been offered by 32% of the companies, 30% of the companies, however, do not consider this necessary. This attitude is prevailing in small businesses. 71% of the larger companies (with more than 50 employees) have offered practical training opportunities.

The study of vocational schools carried out in October 1998 reveals that 32% of the interviewees (principals of the educational institutions) estimate that most of the graduates, and 29% of the interviewees that up to a half of the graduates of the vocational schools go to work to those companies, where they had their practical training.

Small companies are most likely to hire graduates (56%). These companies are actively seeking for workforce from the vocational schools. Vocational schools' graduates are hired by 36% of the larger companies.

Representatives of the vocational schools maintain that the schools (42%) and students (34%) are responsible for finding practical training bases, but the role of professional associations is perceived to be increasing.

Most of the vocational schools have established their practical training base in certain companies (78%). Over 70% of the companies being the training base are located in the same region as the school.

Training

In most cases the companies have used the following opportunities for training their personnel:

- on-the-job training, using the specialists from in the company (63% of the cases)
- on-the-job training using the trainers from outside (25%)
- private companies offering training (33%)
- abroad (22%)

Most of the interviewed managers of the companies of the public and private sector try to offer their personnel in-service training or retraining opportunities, and mainly 2 forms of training are used:

1) on-the-job training
2) off-the-job training

Nevertheless, in most companies training of employees is still random and selective, and is carried out as on-the-job training.

In certain companies – the larger private companies with larger number of employees or the state owned companies – there is often a staff member (personnel manager) responsible for recording staff training, who also refers the employees to the necessary courses.

State agencies (e.g. schools, kindergartens, police, border guard) have the respective sums allocated in their budgets, and the local entities decide on whom and how much training funds are to be spent.

Many companies have developed a programme for new employees (test period), and they also offer on-the-job training supervised by experienced staff members.

In the last years, training of personnel has decreased significantly. The companies refer to the complex economic situation as the main reason. Consequently, here we deal with a negative and short-sighted attitude, where during the so-called crisis and restructuring periods the companies economise primarily on account of the development activities, including human resources.

Many employers think that acquisition of the necessary skills by employees is an excessive cost for the company. Acquisition of skills is considered to be the obligation of the employees themselves. Only larger companies, which have personnel managers, consider training as one of the tasks of the employer, or a mutual task.

3.4. National and local measures in the human resources development and employment policy

Human resources development is largely one of the tasks of the public sector. The higher education institutions and vocational schools (which are predominantly financed by the public sector) provide the future employees the initial specialised knowledge. In addition, support to education and the human resources development in a broader sense is being listed more and more as a priority field of action in the national and regional development plans aiming at diminishing unemployment, creating better opportunities for creation of new enterprises, and improvement of competitiveness of the existing businesses.

Below one may find an overview of the development plans of the South Estonian counties and the national development plans relevant to the South Estonian region. In focus are the priority activities and existing initiatives pertaining to resolving issues related to employment and human resources development.

3.4.1 The South Estonian development plan

The South Estonian development plan is a document composed mainly for purposeful directing of the preliminary structural funds of the European Union.

The following objectives, aiming at development of the South Estonian target region have been set for the short run :

- to increasing the number of small and medium size enterprises;
- to improve the competitiveness of the enterprises;
- to decrease the unemployment level;
- to decrease the pollution load on the environment.

The objectives are sought through the following priorities:

- to strengthen the enterprises;
- to develop tourism opportunities;
- to improve the quality of workforce and of the labour market services;
- to protect the environment and
- to improve transport communications

The problems of South Estonia are primarily caused by poor development of small and medium size enterprise, which should compensate for the decline of the agricultural production and traditional industry. At the same time the vast innovative potential of the region has been poorly utilised so far. Thus, the focal point of the strategy is strengthening of enterprise, which includes improving the entrepreneurial activity, supporting growth of the small and medium sized businesses, involving the higher education institutions in the process of modernising production, intensifying and diversifying the rural economy and expanding the tourism and sports sectors. The structural unemployment will decrease and the business climate will improve with improved primary education, retraining and in-service training systems. Developing the transport communications and modernising the environment conservation will also improve the preconditions for enterprise and the living conditions of the population.

The following three priority areas are identified with respect to strengthening enterprise:

1. to encourage establishment of small and medium sized enterprises;
2. to support innovation, transition of technology and scientific and development work;
3. to develop rural economy and rural living environment.

The general objective of the priority is to decrease structural unemployment, and – through improvement of the qualifications and mobility of the workforce – to create better preconditions for new investments, creating new jobs.

Two priority areas are planned in this priority:

1. to adapt vocational education to the needs of the labour market;
2. to strengthen active labour market policies.

The activities for adapting vocational education to the needs of the labour market:

- to analyse and forecast the labour market in counties;
- to develop of the vocational schools and higher education institutions in accordance with the requirements of the labour market; and training the teachers and trainers respectively ;
- to develop of material infrastructure and training base of the educational institutions;
- to create vocational and career guidance system for all target groups;
- to begin provision of basic vocational training in general secondary schools (*gümnaasium)*;
- to develop certification system for companies, which are providing practical training places, and to introduce it through the respective support structure,
- to continue development of the multifunctional vocational training centres;
- to introduce vocational qualification examinations in the vocational schools;
- to create a training fund for entrepreneurs, job-seekers, and trainers.

The activities for strengthening active labour market policies:
To conduct regional labour market studies in order to identify the labour market needs in the region.
To increase the number and develop the quality of active labour market measures , incl.:

- to develop training for the unemployed based on the results of regional labour market research;
- to develop the system for providing labour market support for the employers in order to encourage employment of the less competitive people and to motivate the employers to participate in such activities;
- to develop measures for supporting the former unemployed, who have received labour market subsidies and started their own business during at least 1 year after commencement of the business, and to encourage co-operation between the Employment Offices and enterprises ;
- to create public jobs for the unemployed to promote working habits;
- to introduced vocational guidance as a new labour market service, and to prepare the necessary materials;
- to equip the Employment Offices with self-service computers in order to make job finding easier .

Integrated labour market services programme is developed to re-involve the young persons and the long-term unemployed in the labour market. During the first stage of the programme an emphasis is on psychological guidance, subsistence related education, vocational guidance, development of interpersonal skills and self-selling skills, providing information about study and job opportunities, and developments on the labour market. Individual job search programmes are drawn for all participants, which serve as the basis for selection of participants for the second stage of the project. In the second stage it is intended to provide vocational training, work experience at the enterprises which are getting the labour market support, business training, subsidies for starting one's own business, and apprenticeship programmes for the young people, . The first priority is to begin to develop and implement the employment programme for young persons.

In order to support the development of the existing labour market services, co-operation with employers is intensified. The integrated labour market services programme and the system for employer motivation is developed.

To improve the administrative capabilities of the Employment Offices their staff will be trained in provision of vocational guidance services, work with the long-term unemployed, preparation of the individual job search plans, and implementation of the integrated labour market services programme.

3.4.2 Current activities related to human resources development and employment in the Jõgeva county.

The Jõgeva county does not have a development strategy. The only document dealing with the human resources and workforce is the action and economic development plan of the Jõgeva county government for the years 2000 to 2002 (Annex to the budget draft of the Jõgeva county government), which identifies the following activities having positive influence on employment in the county, and the related development of the human resources:

1. to develop and co-ordinate the employment development plan of the county;
2. to improve the development capabilities in the county by creating a project writers' network;
3. to activate the unemployed;
4. to involve the disabled in employment and active social life;
5. to participate in the projects of the Foundation Vocational Education and Training Reform in Estonia.

However, the activities of the county government are non-obligatory and passive (limited only to participation in various committees).

The public sector's labour market policy in the county is weak and not systematic, especially from the labour policy aspect. For instance, in 1998 the expenditures of the Jõgeva county Employment Office aimed at active labour market policy, supporting employment, while the training funds were the smallest.

In the framework of the regional workforce situation analysis it is noted that large enterprises, which have remained from the Soviet times, and which currently experience considerable difficulties (mainly former sovkhozes and kolkhozes) are playing an important role in the economy of the Jõgeva county. Whereas the workforce related problems are among the most severe as compared to other counties. The problems are similar from the supply side. The problems are closely related to the quality of the workforce. The entrepreneurs of the Jõgeva county are rather pessimistic, they anticipate further reduction of the number of employees, and deterioration of the workforce situation in general.

Regrettably there are serious discrepancies between the supply and demand on the labour market of the Jõgeva county. For instance, in the rural areas the employers expect to find trained persons who have worked in a similar position before. The most sought-after employees are mid-level managers and skilled workers. But the labour market has to offer only people with rather limited education and professional skills. Refresher training, however, is not adequately available; training is eclectical and mainly to the management and office personnel. Insufficient funds are perceived to be the main obstacle to provision of refresher and retraining.

The current employment related activities of the public sector are rather random and inadequate. However this is also caused by the current overall national policy in this field, because generally no county level activities can be more vigorous than those carried out by the state. The responsibility of various institutions is unclear and the co-operation between the agencies is weak or non-existent.

3.4.3 The development strategy "Tartumaa 2000+" of the Tartu county

The six supporting pillars of the development model of the Tartu county include:

1. educational and training institutions,
2. scientific and innovative potential.

Human potential and the universities are perceived the most important competitive edge of the Tartu county. *The main problem is believed to be rooted in that the young intelligentsia, receiving their education at the universities of Tartu do not find work matching their abilities and ambitions. Creation of new jobs for highly qualified specialists in the county, both in the private and public sector, would allow the Tartu county to maintain and improve its human potential.*

<u>The following are considered the priority issues in the Tartu county:</u>

- to develop training, including refresher and retraining for people with higher education,
- to diversify the selection of forms of study,
- to increase the share of vocational education, particularly, vocational higher education,
- to utilise the educational potential of the Tartu county; by offering qualified workforce and knowledge to improve competitiveness of the private sector companies;
- to establish innovation and training centres in larger centres,
- to establish community learning and information centres in villages;
- to continuously train professional staff in co-operation of educational institutions and enterprises in the framework of the development trend "The "industrial arm" of the Tartu county".

3.4.4 The development plan of the Põlva county

The main obstacles to the development of the Põlva county are: large number of people in working age with very narrow qualifications, high unemployment rate resulting from the collapse of the eastern market, decline of agricultural mass production in the county, insufficient number of skilled workers, a considerable share of unskilled workforce, low level of vocational and retraining (not meeting the actual demand) and poorly organised re-qualification, adult education and informal education systems . ,

<u>The development vision of the Põlva county until the year 2005 assumes that:</u>

- the II wave of small enterprises has started business;
- industry based on the local raw materials (timber, clay, sand, water, etc) is developed;
- the number of distant jobs has increased;
- the vocational education and training system, and hobby and refresher training systems are functioning. The Räpina Vocational School will become the leading educational institution training mid-level horticultural specialists for whole Estonia; the main adult refresher training centre will be the Räpina Folk School;
- in co-operation with the Tartu University an applied higher education institution – the Põlva College of Genetic Engineering (2002) – is established;
- the Põlva Youth Guidance centre will develop its databank and become the main vocational guidance centre (2001);
- the development plan of the vocational schools and their optimal network is worked out in co-operation with other counties of the south-eastern Estonia (2002)

<u>The following measures and activities are foreseen:</u>

- Initiation of competitive adult education system;
- Development of vocational secondary and higher education;
- Development of information technology in all aspects.

3.4.5 The development plan of the Valga county

The development strategy of the Valga county has identified training as one of the four development directions. The county education development plan is established on the lifelong learning principle, which is the only way to ensure competitiveness of the individuals and organisations. In order to put this principle into practice it is necessary to develop the educational system of the county (incl. students, teachers, learning environment, support systems, etc.) according to its possibilities today and those predicted for tomorrow. Training involves structuring of the county school network, development of vocational education, creation of better opportunities for refresher training and retraining, and implementation of the vocational guidance system.

<u>The development plan states that it is important to:</u>

1. develop refresher and retraining centres based on the Valgamaa Vocational Education and Training Centre;
2. to create and improve business guidance and entrepreneurship training system,
3. to provide education for potential and new entrepreneurs on favourable terms;
4. to improve the role of the county Employment Office in mediation of the labour market services;
5. to introduce provision basic vocational training at the general secondary schools (*gümnaasium)* on specialities required in the county ;
6. to develop co-operation between the Employment Office, local governments, employers and vocational schools, incl.:
    - to organise information events to inform the employers of the labour market services;
    - to organise subsistence and business training courses;
    - to assist in job-search the less competitive people, e.g. the unemployed;
    - to select and develop the educational institutions to offer refresher education and retraining and to increase the share of the long-term (4 – 6 months) training courses;
    - to ensure that Valgamaa Vocational Education and Training Centre provides high-quality vocational education according to the county and regional labour market requirements;
    - to ensure vocational training opportunities for children (persons) with special needs, and to guarantee the necessary guidance services;
    - to create conditions for foundation of a vocational higher education institution;
    - to establish the quality award for educational institutions;
    - to establish an adult training centre, to provide refresher training and mediate training proceeding from the wishes of the population. Various study forms are used in provision of training;
    - to analyse and prepare labour market forecasts.

<u>The plan lists separately the activities related to human resources development in the tourism sector, being a priority field in the county:</u>

- to ensure that people working in the tourism and recreational sector of the Valga county are highly qualified and know at least 2 foreign languages;
- to organise training for the managers and employees of tourism companies in order to improve the quality of services offered;
- to organise project drafting and management training for entrepreneurs;
- to increase language training possibilities for all people employed in the tourism companies;
- to find opportunities for training trainers and for their co-operation with foreign specialists in order to increase the number of tourism specialists and to improve the qualifications of trainers;
- to increase training opportunities in marketing, advertising and sales;
- to identify the areas of where training and in-service training is needed the most;
- to introduce basic vocational training in tourism in the some general secondary schools in order to ensure fresh inflow of personnel;
- to co-operate with foreign twin regions .

3.4.6 The development plan of the Võru county

The main objectives of the development of the Võru county include provision of high quality general and vocational education, and a possibility to offer jobs to those, who have the necessary skills and desire.

Proceeding from the main strategy of the county one of the strategic targets is to ensure high-quality and competitive basic and secondary education, vocational secondary and vocational higher education and refresher training, which meeting the requirements of the county' labour market.

In order to realise the objectives set by the programme "Võrumaa 2010" the following projects have been planned:

- Development of the Võru County Vocational Education and Training Centre (*high level of know-how, regular in-service training and retraining of adults, links to the local businesses, preparation of professionals for the regional labour market , development of the regional vocational higher education institution*).
- Development of business incubation centres (*creating office and production environment for new and small businesses during their incubation period in Väimela, Võru and other major centres).*

3.4.6.1. Establishment of activation centres: example of the Saare Activation Centre

The issues related to employment have become increasingly important in the regions of Estonia, and both county and local governments have initiated new measures to decrease unemployment. Due to the extent of the problem and the limited resources it has been necessary to focus on the most acute issues. An example of these initiatives is creation of activation centres in Estonia, aimed at improvement of employment among the long-term unemployed and the discouraged. Below these activities are illustrated with the example of the activities of the Saare Activation Centre (Jõgeva county).

In the region, where deep economic and employment decline has been continuing for a considerably long time, social exclusion has turned into one of the most pressing problems, becoming an obstacle to development and influencing the living environment in general.

> *"Development of the local municipalities around Lake Peipsi is impeded most of all by the fact that a large number of people are not active: they do not participate in elections, are not interested in local problems and barely cope with their own lives. "This reminds starting an old motorcycle: you run and run with it by the roadside, until it eventually starts," says the rural municipality mayor Jüri Morozov, who believes that a local government is capable of doing much more to bring the unemployed back to the society.*

<u>The background: The socio-economic situation of the regions of Lake Peipsi of the Jõgeva county</u>

The economic situation of six local governments (Saare, Pala, Kasepää, Torma and Tabivere rural municipalities and the town of Mustvee) is extremely poor: dissolution or bankrupt of companies and co-operative associations engaged in agriculture has left people without work and social guarantees (medical insurance). The number of employed persons has decreased in 1994 – 1999 by 42.7% (!), employment has declined from 70.3% in 1994 to 50.1% in 1999. The unemployment rate is 21.7%. The estimated number of the long-term unemployed in the region is 2500 persons, whereas 945 of them are in the sights of the Activation Centre. The majority of the unemployed are people in pre-retirement age, mothers with infants and young persons without professional qualifications. Due to high unemployment rate, people are leaving the region, the workforce resources of rural municipalities decrease, and this has a negative impact on the development prospects of the region. Among the major risk groups in respect to falling into the category of the long-term unemployed, are young persons without vocational skills, mothers wishing to return to work, and people in pre-retirement age. In rural municipalities there are families where children of pre-school age have never experienced that both mother and father go to work.

The Saare Activation Centre

In order to improve the economic situation in the region it is necessary to organise refresher and retraining courses for people, which would allow them to return to the labour market. Activation centres have been called to life under the social welfare programme of the Estonian Ministry of Social Affairs since 1998. The main objective is to train and assist the long-term unemployed, enabling them to return to the work environment. The Saare Activation Centre started its operations in November 1998 as a regional project. It was initiated and implemented by the Saare, Pala, Kasepää, Torma and Tabivere rural municipality governments, and the Mustvee town government. The objective was to re-involve in the society those people of the region, who had been unemployed for more than six months.

The Activation Centre has brought together the unemployed and employers , has organised training courses for saw operators, preparation of business plans, and sewing. In addition to training, vocational guidance and psychological assistance activities are considered highly important. These are needed to bring the unemployed back to active social life. The centre has also organised trips for children where the children may observe how their parents participate in maintenance work organised by the rural municipality.

The Saare Activation Centre is financed by the Ministry of Social Affairs and the six local governments participating with 10% of the cost.. In addition to the programme funding allocated, the Saare Activation Centre prepared a project for training the long-term unemployed, and submitted this to the Gambling Foundation. Additional funds allowed to organise more training for the unemployed: saw operator courses for men and business training for the unemployed interested in starting their own business.

For the 150,000 kroons allocated by the Ministry of Social Affairs in 1998, the centre acquired the necessary means for their operations and subsistence, psychological and business training were organised for the unemployed. 120,000 allocated in 1999 ensured continuation of the activities of the centre, but did not allow training. The Activation Centre prepared a project for training the long-term unemployed, and submitted this to the Gambling Foundation. The Gambling Foundation allocated 82,000 kroons, which was used for organisation of refresher training and retraining for the unemployed in 1999.

The Saare Activation Centre has established co-operation with the following vocational schools and training centres which have organised training for the long-term unemployed: the Tartu Training Centre, the Luua Forestry School and the Jõgeva County Business Centre. The Activation Centre has established co-operation with the Employment Office of the Jõgeva county and an organisation for the unemployed from Finland.

The objectives of the Activation Centre:

- to prevent unemployment;
- to resolve existing unemployment;
- to render services to the long-term unemployed who have been excluded from active social and working life;
- to reintroduce the unemployed in the work environment and to help them to access the labour market;
- to increase the resource of qualified workforce in the region (refresher training and retraining);
- to encourage joint self-initiative activities of the unemployed;

- to help to sustain the population in the region, which helps to improve its socio-economic situation.

The activation centres register and maintain the files with information on the long-term unemployed. The data includes information on education, professional qualification and work or refresher training wishes.

Initial results
Altogether 1283 persons have passed through the Saare Activation Centre. 25 persons have found full-time employment, 14 persons have found temporary employment, altogether 787 persons have participated in work training and 7 persons have established their own business.

Distant plans
- to establish an activation centre, incl. the *Idea workshop* at Voore;
- to integrate the long-term unemployed to active life through activities performed in the *Idea workshop* (work training, psychological and vocational training);
- to increase the share of joint activities and self-aid, helping thus to solve social problems of the families of the unemployed.
- to involve persons with mental and physical disabilities in the social life;
- to development work habits and skills of young persons through vocational training;.
- to resolve the unemployment problem and considerably influence the socio-economic development of the region;
- to finish reconstruction of the department store building in the Voore township. For the last year and a half the Saare county, using its own resources, has been working on the building, which has stayed incomplete since the beginning of the 1990s. In the future the building could housethe regional social and cultural centres,a metal and timber workshops and a school class.

Problems and requirements
1) Lack of financial resources limits the scope of activities of the Saare Activation Centre. There are no premises for organising training, guidance or local work. So far the centre has been operating in extremely confined conditions in the premises, which are not suited for the purpose.

2) At present the status of the Saare Activation Centre is unclear. It is intended to incorporate the Activation Centre with the Jõgeva Employment Office. Inasmuch as the centre has been founded upon a regional initiative for carrying out active employment policy, and being so far financed through the Ministry of Social Affairs and various projects, incorporation would mean more stable funding, but at the same time less flexibility, because the employment policy, carried out in Estonia until now, has been rather passive.

3) Until today the Saare Activation Centre has been focusing mainly on training in the field of elementary jobs, teaching concrete, simple work operations. But, the society needs wider re-introduction to the society. It is necessary to pay more attention to the psychological preparation, to provision of more diverse skills and to broadening the perspectives of people as a whole.

3.4.7 The planned nation-wide activities in the field of human resources development and employment policy

The following objectives, aimed at development of employment and training, have been set in the field of employment-related activities in the framework of Estonian Economic Development Plan until the year 2002:
- to make the educational system more flexible and to improve its ability to adapt to the changes of the educational, social and economic spheres;

- to create opportunities for employers and employees to acquire skills and knowledge that are necessary to cope with the work-specific, structural and technological changes;
- to integrate people who belong to the risk groups to the labour market and secure them access to education;
- to ensure equal opportunities for men and women on the labour market.

In order to achieve the above listed objectives the following development strategy has been devised:
- to prevent unemployment;
- to increase the share of active labour market measures, compared to the passive measures;
- to introduce and apply the principle of lifelong learning;
- to ensure open labour market and equal opportunities for all population groups;
- to develop social partnership, through more active involvement of the social partners in resolving labour market and social policy problems;
- to develop enterprises and to create new jobs.

In order to achieve these objective it is necessary to focus on the following priority fields of activity:
- to develop initial vocational education and vocational higher education;
- to widen the possibilities and to improve the quality of in-service training and retraining ;
- to integrate of the persons belonging to the risk groups to the labour market and to secure them access to education;
- to ensure equal opportunities for men and women on the labour market;.
- to organise and improve efficiency of the activities of the employment and training support systems;,.

The nation-wide plans have particularly underlined the development of human resources in order to diminish economic inactivity and structural unemployment, also in the context of agricultural development.

The existing system of vocational and refresher education and training does not match the existing needs. Neither does the current structure of vocational schools reflect the actual needs and possibilities, and for this reason the entire network must be rationalised in an integrated manner. Curricula, material and technical resources and qualification of teachers need considerable improvement. New curricula for new specialities needs to be developed.

There is almost no system in place pertaining to refresher training in the field of agricultural production and rural economy.

The following fields are supported:
- to develop vocational schools offering vocational education and training related to agriculture and rural economy;
- to support the development of training and retraining courses and participation in these.

4. The methodology of interviewing the businesses

4.1. Research methods

In order to achieve the results 4 methods were used in the course of this study:

1. Accumulation of the existing documents (development programmes, plans and studies) as background information on the situation and problems related to the human resources and workforces, and on the activities aimed at their development;
2. Statistical analysis of the main trends pertaining to human resources and employment, including the 3 sectors of economy, represented in the sample;
3. Interviews in the selected business entities (total number – 60);
4. The method of focus groups used for generalisation of the results obtained through interviewing, and identification of specific problems in the three different business fields.

The most significant method in drawing conclusions was the third method, which was based on the questionnaire, developed, and put to practice in Great Britain – Employers Manpower and Skills Practices Survey. The questionnaire focused mainly on the following issues:

- The overall situation of the workforce and its changes (incl. the causes of the changes);
- The labour turnover and recruitment;
- The problems related to the workforce and skills, including those pertaining to various occupational groups, business fields and skills types;
- Training of the workforce, the related needs and resources.

Ca 95% of the interviewed companies were medium and small businesses, a small sample unfortunately did not leave room for specification of the workforce situation by the size of companies.

In addition to the survey, Chapter 8 offers a detailed analysis of the six companies of South Estonian region participating in the project, i.e. the so-called *case study.* The purpose of the case study was to point out, as exhaustively and clearly as possible, the specific features of every individual case. This gives an overview of the problems in the given sector, and – proceeding from their personal experience and statistical material – to draw conclusions about the actuality of these problems and their potential solutions.

The main business fields of the 6 companies are the following: three are engaged in food production, two are rendering tourism services, and one is working in the field of environmental projects. Hence these companies represent all the three sectors under investigation in the frames of this study. The selection is based, on one hand, on the typical nature of the case, and on the other – the vitality of the company. This ensures the probability that the information provided is accurate and that it could be of interest after some time as well. All the cases are investigated based on the same parameters, including the general overview of the company, its management and their relations with the staff, assessment of the employees and expectations related to them, and finally – a discussion of the identified problems. The analysis parameters, however, largely depended on the available information. The sources of the information are the formal data of the study, and the un-formulated observations made by the interviewer during the interviews. These observationsand assessments provided below, are to some extent inevitably subjective.

4.2. The framework of the sample

Proceeding from the task of the work the analysis focussed on companies of three priority sectors of industry of South Estonia – food industry, tourism and environmental services. Altogether 60 business entities were involved in the analysis, the basis for selection was the requirement that the companies represent the major businesses of the respective sectors. The interviews were conducted in April 2001.

According to the business register, in 1999 there were 257 companies registered in the 3 sectors under investigation in South Estonia (no more up-to-date data was available at the time of formation of the sample). In case of tourism, another 199 companies, engaged in catering, car rent, etc., employing 731 employees, were registered in the business register, but these companies were mostly aimed at doing business on the local market. In case of many tourism and environmental companies no information on sales and employees were available for the years 1998 and 1999, many of these entities (70% of the companies in all the three sectors of economy) were in fact micro-entities (with less than 10 employees, predominantly 1 – 2 employees). Due to the extensive nature of the questionnaire inclusion of these companies in the study sample seemed unfeasible.

Since random sample did not appear to be feasible, and representation and size of the companies in the 3 sectors in South Estonia turned out to be very diverse, the formation of the sample was based on the principle of involvement of all the major (larger) companies with the number of employees at least 10 persons.

Of the 60 companies involved, slightly more than a half represented food industry, a quarter – tourism business, and the remaining sixth – the environmental field. Such proportion follows the general proportions of all the companies of South Estonia operating in these business sectors, ca 25% of the companies representing the sectors in question were included in the sample.

Nevertheless, the share of the number of employees, employed by the interviewed companies, of all the employees of the companies of the 3 sectors in South Estonia, constituted altogether 80%, this means that the study reflects the majority of workforce problems of these sectors, with the exceptions of those faced by micro-companies.

The share of turnover of the interviewed companies of the total turnover of South Estonian companies constituted altogether 61.7%, whereas in the case of the tourism industry the number was even ¾ (76,6%) of the total turnover of the companies in this sector. The interviewed entities of food industry represented 61.3% of the total food industry turnover, and only in the case of the environmental firms the share of those interviewed constituted 51.2% of the turnover of these companies.

4.3. Description of the sample

Approximately one third of the companies (mainly the larger food industry firms) had started their business already before the transition to market economy, more than 40% of the companies had been formed during the first stage of the transition period, i.e. the period of rapid growth of enterprise in 1989 – 1994. Only 5 companies, formed in the last 3 years, were included in the sample, representing a relatively moderate increase, and being characteristic to the not very intensive activity witnessed in South Estonia in the sectors of industry, viewed as the priority business fields.

18 interviewed companies locate in the city of Tarty, 42 companies in the rest of the Tartu county and four – in other counties.

Table 11. Spread of the interviewed companies by time of foundation

Period of foundation	Number of companies	The share of the number of companies, %
Before 1988	19	31,7
1989-1994	26	43,3
1995-1997	10	16,7
1998-2000	5	8,3
Total	60	100,0

In 1991 – 1994, 11 companies changed their ownership forms, , the same was done by another 4 in 1995 – 1997, and another 4 in 1998 –. This has happened to altogether 19 companies.

The group of interviewees included 33 individual companies, 11 branches, 6 regional offices, 10 head offices.

The interviewed companies were mainly public limited companies (39 firms) and private limited companies (18 firms). In addition, there was 1 limited partnership and 2 commercial co-operative associations.

The interviewed group of business entities included 48 Estonian companies in private law, 8 subsidiaries of foreign companies, 1 company owned by the local government and 1 state owned company.

Table 12. Division of the interviewed companies by the number of employees

Number of employees	Number of companies	The share of the number of companies, %
200 and more	3	5,0
100-199	6	10,0
50-99	10	16,7
20-49	22	36,7
10-19	13	21,7
5-9	4	6,7
0-4	2	3,3
Total	60	100,0

In the last 2 years the number of employees by occupational groups has changed in 52% of the companies. One may observe a growth of the share of companies, which have increased the number of managers, top professionals, service and sales employees and skilled workers. The trend seems to be positive, because more attention is being paid to better management, and companies' operations are expanding (through the growth of production and operation volumes).

Table 13. Division of the employees of the interviewed companies by occupational groups

	Number of employees	The share of the number of the employees of the total number of employees, %
Managers	183	6,0
Top professionals	192	6,2
Mid-level professionals	272	8,9
Clerks	173	5,6
Service and sales personnel	316	10,3
Skilled workers	974	31,7

Plant and machine operators	490	15,9
Elementary workers	473	15,4
Total	3073	100,0

Table 14. The share of companies, which have changed the number employees by occupational groups

	The share of companies, which have **increased** the number of employees, %	The share of companies, which have **decreased** the number of employees, %
Managers	17,7	5,9
Top professionals	33,3	10,0
Mid-level professionals	16,1	19,4
Clerks	12,0	20,0
Service and sales personnel	30,8	19,2
Skilled workers	30,0	23,3
Plant and machine operators	11,5	19,2
Elementary workers	20,0	23,3

35% of the interviewed companies have women holding senior management positions.

One third of the interviewed companies are exporting companies (food industry firms).Half of them have export share less than one quarter of the production volumes, while one third export more than 50% of production. Generally speaking a large number of food industry firms are, for one reason or another, concentrating on the domestic market. Taking into consideration the future prospects, it is extremely important that the environmental firms start exporting as this would create a significant need for qualified workforce.

Table 15. The share of export of the total turnover of the company

The share of export of the turnover, %	The number of exporting companies
Up to 25%	10
25-50%	4
Over 50%	7
Total	21

4.4. The business environment of the interviewed enterprises, and its impact on the workforce

General economic conditions and activities.

73% of the companies have experienced expansion of their product and services market in the last two years, and only 14% has observed a decrease. Turnover in real prices has increased in 76% and decreased in 10% of the companies. This demonstrates economic success of these business sectors in the last two years, and substantiates the assumption of potential for these three sectors of economy.

71% of the firms have increased the selection of their products and services, 80% have intensified their efforts with regards to design and product development. 68% of the interviewees have introduced a new service or product - either a new product of the existing product range (43%), or a new product of a similar product range (56%). In 23% of the cases the companies have introduced a novel product or service, completely different from their existing ones.

75% of the companies have erected a new production buildings, acquired new machinery or equipment in the last 12 months; 70% of the companies have introduced new applications of information technology; 14% have introduced new operation fields; incl. 42% - new services. Only 2 companies have decreased the number of services offered.

54% of the companies have reorganised, and 71% rationalised their production in the last few years. 29% of the companies have followed the trend, and outsourced some of the work sections to subcontractors, purchasing or ordering the services from other companies. The main reason is either difficulties with recruiting (9% of the companies), or lack of capacity (15% of the companies). Thus a relative large number of companies is using other businesses as co-operation partners, whereas the workforce related reasons play an important part in this.

Competitive factors. Of the classic competitive factors, 70% of the companies consider price as most important, 92% value quality, and 93% meeting the customer expectations . Marketing and advertising (54%) and providing products and services different from those of the competitors (54%) are considered somewhat less important. Although productivity and quality are related to the quality of workforce, the interviewed companies do not consider qualified workforce an important competitive factor.

The companies have made efforts to reduce costs (83% of the companies), improve labour productivity (83%) and improve quality (92%).

54% of the companies are engaged in research and development work: 31% of the companies allocate for R&D up to 1% of the business expenses, 21% allocate more than 5%. In most cases 2 – 3% of the employees are engaged in R&D activities (21% of the companies), or 10% of the employees (21% of the companies). Only 6 companies have hired full time research and development workers.

Employment changes. About one quarter of the companies interviewed have increased or decreased the number of full time employees. One fifth of the companies have decreased the number of part-time employees, and only 13% have increased the number of part-time employees. One may observe a remarkable trend in increasing number of contracted employees (in one third of the companies), whereas 17% have nevertheless decreased the number of contracted employees.

Table 16. The change of the number of employees in the 2 last years, % of the companies

	Larger	Smaller
Full-time employees	27	28
Part-time employees	13	22
Contracted employees*	36	17

** those employed for certain time period*

Labour productivity. Labour productivity has increased in the last two years; only 7% of the companies have experienced decrease of labour productivity. Labour productivity has gained from better work organisation (incl. management), training and work experience – hence through human resources development. Almost one forth of the companies has increased their labour productivity through investments into new technology and equipment. Companies, where labour productivity has decreased, have identified the low quality of workforce and decreased motivation of the employees as the only reasons. This substantiates the statement that changes in labour productivity are very closely related to the workforce..

Table 17. Changes in the labour productivity in 2 years, % of companies

	Companies, %
Much higher	20
Somewhat higher	68
Same	5
Somewhat lower	5
Much lower	2
Total	100

Table 18. The main reasons for labour productivity increase, % of the companies

	Companies, %
Changes of work organisation, incl. management	33
Training and improvement of work experience	32
Automation, new technology, new equipment	23
Increase of demand	10
Rationalisation	2
Total	100

Recent changes. 70% of the companies have experienced various changes influencing the company's business in the last two years (Table 19.).

Table 19. The most significant changes experienced by companies in the last two years, % of the companies

	Companies, %
Changes in laws and standards	38
Increasing competition, changes in the business environment	28
Changes in currency exchange rates	7
Changes in the raw materials prices	5

The impact of the identified changes on the workforce of companies and its planning has been quite significant. Three quarters of the companies have increased attention to the human resources.In respect of some direct indicators, like control of workforce planning and personnel issues, growth may be witnessed in about half of the companies. Training budget has been increased in only one third of the companies. The share of companies, which have increased investments in new equipment or are paying more attention to quality standards, was much higher (quality standards are indeed partly related to the workforce).

Table 20. Increase and decrease of the positions in companies, which have experienced changes …

	Increased, % of the companies	Decreased, % of the companies
Number of employees	7	24
Training budget	35	14
Investments in new equipment	61	23
Attention to quality standards	70	
Control of personnel issues	54	2
Control of workforce planning	42	2
Management's consciousness of the workforce	72	

Implications for the workforce. As a result of the changes of the business environment over one third of the companies have diversified the skills of their workers, carried out rotation in the company and changed the management structure. Almost half of the companies have changed the nature of jobs or the content of work in a broader sense. Nevertheless, most attention has been paid to development of the company culture and creation of new products/services. Of all the changes, development of new products/services and changes in the nature of jobs influences the most the workforce requirements.

Table 21. Impact of changes in the companies in the last two years on the workforce requirement

Change	Companies, which have experienced change, %	Impact on workforce requirement, % of companies, the most important change *	Impact on workforce requirement, % of companies, the second most important change*
Enlarging the scope of skills of employees by different vocations	36	16	2
Rotation (shifting of the personnel in the company)	31		
Changes of the nature of a job or the content of work	46	22	7
Introduction of stockless system of production	27	4	
Introduction of quality standards at every level of operation	37	6	14
Development of the company culture	58	16	9
Subcontracting services or production sections	20	4	5
Development of new products and/or services	53	20	37
New management structure	34	9	14
Take-over of companies by other companies, changes in the ownership	15	2	2

** every interviewee was requested to name the two changes, which had had the most significant impact on the workforce requirement*

Table 22. Measures taken by companies in respect to workforce development, % of the companies

	Companies, %
Encouraging flexibility of work	83
Encouraging efficient teamwork and decentralisation of management	40
Changing the standards of customer servicing	55
Improving knowledge of employees about the products/services	83
Improving overall competence of the employees	75
Introducing new standard procedures	38

Due to changes, 82% of the companies have trained their personnel, of which 77% have used off-the-job training providers. In case of 80% of the companies the customers have impact on the level of skills of the employees and in the case of 83% of the companies the customers also influence the nature of work of the company.

1. **Co-operation.** 28.8% of the companies are co-operating with research institutions, 32% have joint activities with higher education institutions.51% of the companies co-operate with their suppliers, 27% with foreign partners/related companies. 36% of the companies are co-operating with employers' organisations and 37% with consultation companies. In general, almost a half of the companies have established relations with companies associated with their direct business operations, and approximately one third of the companies – with development operations (if relations with research institutions, higher education institutions and consultation companies may be considered as such). Such relations are deemed extremely important by 29% of the companies, and 63% of the companies consider them fairly important. Moreover 19% of the companies have considered such relations extremely important in respect to maintaining the qualification of its employees, and 57% have considered them fairly important.

6. Skills and limitations of skills

12% of the companies consider its workforce a major strength, or even the most important asset of the company, 81% are more or less or completely satisfied with the quality of its workforce and only 7% of the companies consider the workforce situation problematic, incl. 2% who see it as a major constraint.

24% of the companies consider its workforce better; 70.4% comparable, and 5% worse than the workforce of the competitors. Hence, the companies are generally satisfied with its workforce and its quality.

Table 23. Assessment of the company workforce

	Scale	*%*
Workforce is the major constraint	1	2
	2	5
The quality of the workforce is satisfactory	3	36
	4	20
	5	25
	6	5
Workforce is the major asset of the company	7	7

6.1 Limitations of skills

65% of the companies have complained about the lack of workforce with the necessary skills.

The most problematic occupational groups are service and sales personnel as well as skilled and craft workers (25% and 18% of the companies respectively). Problems with the service and sales personnel was identified by companies of all three sectors (food industry, tourism and environmental services) and food industry and environmental companies complained about the lack of skilled workers. Only few companies identified problems with other occupational groups.

Table 24. Lack of workforce with necessary skills by occupational groups, % of the companies.

Occupational group	Companies, %
Senior officials and managers	5
Top professionals	15
Mid-level professionals	12
Officials, clerks	5
Service and sales personnel	25
Skilled and craft workers	18
Plant and machine operators	12
Elementary workers	7

Lack of personnel with necessary qualifications is experienced mainly in production and sales, only few companies have problems in other areas of operation.

Table 25. Lack of workforce with necessary skills by occupational groups, as identified by the companies, total in various occupational groups *

Research	2
Production	40
Control	1
Servicing	1

Technical sales	
Sales	8
General management	2
Technical management	2
Financial management	
Strategic management	
Administration	2

** various occupational groups are involved in different operation areas, for this reason Table 32 shows the total number of times a problematic operation area has been identified in various occupational groups*

The interviewed companies experience the most severe limitations in technical skills of the employees; there are also serious shortcomings in interpersonal and verbal skills, creativity and initiative, poor foreign language skills, poor teamwork and customer servicing abilities.

Table 26. Lack of necessary skills as identified by the companies, total in various occupational groups *

Main skills	15
Technical skills	**40**
Interpersonal and communication skills	***20***
Computer skills	13
Management and supervision skills	12
Foreign language skills	***20***
Creativity and initiative	***21***
Teamwork abilities	***19***
Ability to perform the leadership role	16
Customer servicing skills	***22***
Quality management	5
Planning of production resources	
E-commerce solutions	2
Logistics	2

** See note to Table 25.*

With respect to problematic occupational groups customer servicing skills of service and sales personnel, and technical skills of skilled and craft workers were identified among the major shortcomings.

Table 27. Problematic occupational groups and skills, % of the companies

	Companies, %
Customer servicing skills of service and sales personnel	23
Foreign language skills of service and sales personnel	13
Interpersonal skills of service and sales personnel	8
Technical skills of skilled and craft workers	23
Teamwork skills of skilled and craft workers	10
Technical skills of plant and machine operators	12
Technical skills of top professionals	10
Leadership skills of top professionals (responsibility)	10

85% of the companies believe that the skills of their staff have improved in the last two years.

88% of the companies stated that the requirements set to the workforce will be higher, and thus the existing workforce related problems might become even more intense. In general the companies do not intend to increase the number of their employees significantly, and tend to be cautious in defining their future needs. They believe that the identified limitations (problematic occupational groups, areas and skills) will remain more or less the same.

The list of potential future problems: the share of companies listing the group is given in brackets:

- Technical skills of skilled workers (20%);
- Technical skills of mid-level professionals (13%);
- Technical skills of plant and machine operators (8%);
- Communication skills of mid-level professionals (8%);
- Interpersonal skills of service and sales personnel (8%).

In addition to already mentioned possible future problems, the companies have also identified technical and verbal skills of mid-level professionals. The interviewees believe that problems related to technical skills and ability to bear responsibility of the top professionals will diminish. It may be concluded that the companies' plans are rather related to improving the quality in the existing business areas, than to changes requiring amplification of the role of top professionals; or the situation with the availability and qualification (which is self-evidently assumed in relations with this occupational group) is continuously considered good.

6.2. Assessment of skills

Work results of the employees are assessed in 91% of the companies, whereas 71% of them assess the work results of all employees, and 29% the results of only certain occupational groups.

Of the 66% of the companies, which assess its workforce, 35% do ir regularly and 13% only in certain occasions. In general, the level of skills assessment is rather low (and relatively superficial), and it is carried out only during certain period(s) and proceeding from a concrete need.

Workforce skills are assessed mainly in relation to the currently sold products and services (42%), but also in relation to introduction of new products/services (33%), and technological changes (28%).

65% of the companies believe that the skills of the workforce are very important and 35% that it is important for the company's competitiveness,.

94% of the companies maintain that they are able to assess the skills required for their employees now, 77% maintain that they are prepared to do it in the future as well.

7. Labour turnover and recruitment

7.1. Labour turnover

Beside the skills and level of education of the employees labour turnover may be seen as one of the factors influencing a company's success. The companies were asked how severe are their problems with labour turnover, which occupational groups demonstrate the most severe problems, and which are the reasons influencing labour turnover. Labour turnover is too high in at least 28% of the companies (over 30%), whereas ca 40% of the companies experience no particular problems. Nevertheless most of the companies do not consider labour turnover a major problem – 72% of the interviewees believe that labour turnover in their company is more or less normal. However 22% of the interviewees thought that it is too high (mainly companies where labour turnover exceeds 30%), and 7% believed that it is too low.

Table 28. Labour turnover in companies, % of the companies

Labour turnover	0%	Up to 10%	11-30%	31-50%	Over 50%
% of companies	17	22	33	20	8

Table 29. The companies' opinion of Labour turnover, % of the companies

Too low	7
More or less normal	72
Too high	22

The general viewpoint is that labour turnover is mostly a problem of three occupational groups – (59% of the companies). The most problematic are occupational groups with low socio-economic status (which are also the groups with insufficient skills, as identified above).

Table 30. Problematic occupational groups in respect to labour turnover, % of the companies

	Companies, %
Skilled and craft workers	20
Service and sales personnel	15
Elementary workers	10

Table 31. Reasons for labour turnover, % of the companies

	Companies, %
Family commitments	27
Better pay elsewhere	20
Lack of career opportunities	15
People do not want to stay long in one job	12
Unpleasant nature of work	12
Poaching of staff	8

Most of the interviewed companies have done very little to slow down labour turnover. Of the 60% of the companies who answered this question, 40% have applied no measures; 14% have tried to alleviate the problem by offering better salary conditions and other benefits, 6% by selecting the personnel more carefully, i.e. by preferring local people.

7.2. Making employees redundant

34% of the interviewed companies have laid off employees in the last two years. Mostly it has been 1 – 3 employees per company, but 3 companies have layed off more than 50 employees. The figures are of spring 1999 - 2001. Some companies had already finished laying off personnel as a result of the impact of the Russian economic crisis in 1998 (which severely influenced the exporting food processing enterprises); some, however, still experienced its consequences. 16% of the companies plan to decrease their staff in the next two years. Mainly it is intended to lay off 1 – 4 employees, only 1 company plans to make redundant 15 employees– altogether 29 employees, which is too small number from the point of view of the changes of the total number of employees. Likewise no clear trend exist with respect to various occupational groups, both in case of companies, which have already, and which are only intending to let their employees go.

7.3. Recruitment

57% of the companies maintained that in the last 12 months they have experienced problems with finding employees to fill vacancies. With respect to occupational groups one may witness considerable polarity – for many companies finding new employees to fill vacancies is sufficiently easy or even very easy, at the same time many companies have found it rather difficult or even very difficult (Table 32). In case of all occupational groups quite many entrepreneurs have stated that the available workforce is useless for them. Generally it may be observed that recruitment of new employees is rather difficult in all occupational groups. Only elementary workers can be found fairly easy. Unlike the skill-related problems observed among the existing staff (where the most problematic occupational groups were service and sales personnel and skilled and craft workers), recruitment of new employees is particularly difficult in such occupational groups, where higher qualifications are required (senior officials and managers, top professionals and mid-level professionals).

Table 32. Filling of vacancies in last 12 months, % of the companies

	Very easy	Fairly easy	Some jobs easy, others difficult	Fairly difficult	Very difficult	Not applicable
Senior officials and managers	13	25	8	4	13	37
Top professionals	5	24	10	24	24	14
Mid-level professionals	9	23	14	23	23	9
Officials, clerks	5	29	5	24	5	33
Service and sales personnel	8	33	4	46		8
Skilled and craft workers	3	23	23	36	7	10
Plant and machine operators	13	6	25	31	6	19
Elementary workers	27	31	4	12	4	23

In filling vacancies problems have arisen (Table 33.) from the small number of applicants and from the low quality of workforce. The first reason has been prevailing in respect to all occupational groups. A small number of applicants and the quality of workforce has constituted a problem particularly in skilled and craft workers' group, but also in the group of top professionals and service and sales personnel. A small number of applicants seeking jobs of top professionals has been a problem, but less problems are anticipated in respect to their qualification.

The companies perceive that the main difficulties they face in the process of recruiting new personnel are poor attitude, motivation personality and lack of technical skills (Table 34), other deficiencies have constituted a problem only to some companies. It is necessary to note here that due to a small number of vacancies relatively few employees have been recruited, and for this reason many companies lack the relevant experience.

Table 33. Problems related to filling of vacancies within the last 12 months, % of the companies

	Low quality of workforce	Small number of applicants
Senior officials and managers	8	10
Top professionals	13	20
Mid-level professionals	22	23
Officials, clerks	10	
Service and sales personnel	20	20
Skilled and craft workers	33	35
Plant and machine operators	17	18
Elementary workers	8	

Table 34. Problems related to filling of vacancies within the last 12 months, number of companies

	Lack of technical skills	Lack of professional experience	Lack of basic ability to build upon	Poor attitude, motivation or personality	Lack of qualificati on	Lack of work experience
Senior officials and managers	1			3		
Top professionals	2	2	1	2	1	
Mid-level professionals	4	2	1	**6**		
Officials, clerks	1	2		1		2
Service and sales personnel	1	1	3	**5**		2
Skilled and craft workers	**6**	3	2	2	2	1
Plant and machine operators	3	1	1	4		
Elementary workers	1			3	1	

In respect to areas of business the most severe difficulties with filling vacant positions were observed in production and sales, **technical management** has been identified separately as an area with a difficult recruitment situation (Table 35.).

Table 35. Ease of filling vacancies within the last 12 months, by areas of operation, % of the companies

	Very easy	Fairly easy	Fairly difficult	Very difficult
Research		2	2	
Production			**35**	***8***
Control		2	2	2
Servicing			***8***	2
Technical sales				2
Sales			**17**	4
General management				4
Technical management			4	*7*
Financial management			4	2
Strategic management				4
Administration			4	2

25% of the companies have employed graduates of higher educational institutions with no work experience in the last two years, but the total number of employed persons is small (2 graduates as managers, 7 – as top professionals, 4 – as mid-level professionals, 3 – as clerks, 1 – as a skilled worker – altogether less than 20 graduates).

52% of the companies have employed graduates of general education institutions or vocational schools with no work experience within the last two years. Basic school graduates have been recruited as elementary or skilled workers (3 companies), vocational school graduates have been hired (16 companies) mainly as skilled workers (6 companies), and elementary workers (4 companies), persons with vocational secondary education (16 companies) and post-secondary technical education have been hired evenly to jobs of various occupational groups. 21 companies have hired persons with general secondary education, whereas 11 of them have recruited these persons for elementary jobs.

The main shortcomings preventing recruitment of schools' graduates are identified as lack of technical skills and previous work experience (Table 36.), among the reasons the companies have also listed (although as less important reasons) poor attitude, motivation or personality. It should be noted that compared to the overall recruitment problems poor attitude is conceived less important in case of recruiting school graduates.

Table 36. The reasons for not hiring school graduates, % of the companies

	Lack of technical skills	Lack of technical experience	Poor attitude, motivation or personality	Lack of work experience
Basic education	13	8	5	13
Post-basic school vocational education	10	7	7	10
Vocational education with secondary education	8	5		13
Post-secondary school vocational education	12	7		
Higher education	3	2	3	8

50% of the companies prefer the existing employees of the company when they recruit personnel to new positions (promotion) in case of certain occupational groups, only 12.1% of the interviewees have no preferences.

Table 37. Occupational groups where workforce is preferably recruited from inside the company, % of the companies

Senior officials and managers	7
Top professionals	8
Mid-level professionals	18
Officials, clerks	7
Service and sales personnel	12
Skilled and craft workers	18
Plant and machine operators	5
Elementary workers	5

The company's own personnel is preferred due to a simple reason: the person is known, the person is more or less familiar with the specific features of the company, and mostly has the required work experience.

8. Training

Most of the interviewed companies believe that the uncontested most efficient way to improve the quality of the workforce is refresher training and education. Better personnel selection and motivation of employees are considered relatively important ways of doing this.

Table 38. The most efficient methods for improving the quality of the workforce according to the beliefs of the entrepreneurs, % of the companies

Refresher training and education	40
Better selection of personnel	10
Motivation of employees	9
Improvement of the level of vocational education and training	3
Reorganisation of work	3
Co-operation with vocational education institutions and professional associations	3

8.1. The level of staff training of the companies

90% of the companies have offered their staff specialised training, in 24% of the companies less than 25% of the employees have been offered training opportunities, in 39% of the companies at least 50% of the employees have been trained, in 29% of the companies this rate is at least 75%, and in 16% of the companies training opportunities have been offered to 1100% of the employees.

By occupational groups the number of training days within the last 12 months has been the largest for senior officials and managers, mid-level specialists, skilled and craft workers, service and sales personnel – i.e. with respect to highly qualified workforce, and to the two so-called problematic occupational groups. The least amount of training has been provided to plant and machine operators and elementary workers. The training courses have lasted mostly up to 1 week, only 20% of the senior officials and managers have been trained from 1 to 2 weeks a year. More than 2 weeks' training has been offered by at least 10% of the companies to service and sales personnel, and to top professional.

Table 39. Training days per occupational groups within the last 12 months, % of the companies

	Incl. 1 - 4 days	Incl. 5-9 days	Total
Senior officials and managers	18	18	41
Top professionals	10	7	28
Mid-level professionals	21	10	36
Officials, clerks	12	8	27
Service and sales personnel	18	7	30
Skilled and craft workers	23	10	36
Plant and machine operators	9	3	14
Elementary workers	13		13

The general trend in the last years has revealed increase of the volume of training. In the last two years 40% of the companies have increased their training volumes, in 47% of the companies it has remained more or less the same. The reasons behind such increase are competition and company development; change of work tasks, and to a lesser extent – legislative changes.

Table 40. Changes in training volumes within the within the last 2 years, % of the companies

1	Increased	40
2	Varies for various occupational groups	8
3	Decreased	6
4	Remained more or less the same	47

Table 41. The reasons behind the change (increase) of training volumes, % of the companies

1	Competition and company development	15
2	Changes in work tasks	14
3	Laws	7

Additionally the companies have identified the following (albeit insignificant) reasons of the increase of training volumes:

- lack of qualified workforce (needs to be trained by the companies themselves);
- the need to improve the quality and decrease defective production;
- more offers for training free of charge;
- improvement of financial situation related to the reduction of the number of employees.

8.2. Training of new employees

Only two companies have introduced a training system for the graduates of higher education institutions, but 63% of the companies have a special instruction period for new employees. Generally speaking no significant differences exist in the number of average instruction days offered to various occupational groups; however only officials and clerks seem to be needing somewhat less instruction. About 40 – 50% of the companies limit their instruction period by 14 days, 20 – 25% provide instruction for at least 30 days, in case of 1/3 of the companies instruction period is considerably longer. As compared to other occupational groups a relatively large proportion of service workers and elementary workers undergo either a relatively short (up to 14 days) or a longer (30 days) instruction period. Only one third of the skilled workers are offered up to 14 days of instruction, in comparison with other occupational groups the share of 14 and 30 days instruction period is rather significant. Comparing with those occupational groups, which have been identified as problematic the skilled workers accordingly receive more instruction, whereas the instruction period for service workers, identified as the other problem group, is relatively shorter.

Table 42. The number of days of instruction offered to new employees, % of the companies

	Up to 14 days	Up to 30 days*
Senior officials and managers	43	57
Top professionals	45	60
Mid-level professionals	45	60
Officials, clerks	42	57
Service and sales personnel	52	65
Skilled and craft workers	38	66
Plant and machine operators	58	63
Elementary workers	57	65

* including instruction up to 14 days

In 80% of the companies at least some of the employees have been trained to become multi-skilled. This applies mainly to skilled workers (Table 43.), but also to plant and machine operators, mid-level professionals and top professionals. In respect to business areas multi-skilling has mainly been offered to the representatives of production operations (in as many as 78% of the companies), andthe personnel involved in sales and administration (13% and 12% of the companies respectively). Thus the companies of South Estonia have, at least in the 3 sectors of economy under investigation, tried to apply flexible work organisation in their companies. This applies mainly to acquiring new technical skills (Table 43.), other acquired skills, which have been deemed important, are teamwork skills, computer skills, customer service skills and interpersonal and verbal skills.

Table 42. Companies, where employees have been multi-skilled, by occupational groups, % of the companies

Senior officials and managers	12
Top professionals	15
Mid-level professionals	17
Officials, clerks	8
Service and sales personnel	12
Skilled and craft workers	30
Plant and machine operators	17
Elementary workers	8

Table 43. Skills, which have been acquired by the employees of the companies in the course of training, in addition to their existing ones on *

Technical skills	54
Interpersonal and communication skills	13
Computer skills	15
Management and supervisory skills	5
Foreign language skills	6
Creativity and initiative	4
Teamwork skills	15
Leadership skills	1
Customer service skills	14

** Table 54 shows the total number of times a skill has been identified for various occupational groups*

48% of the companies have trained at least one of the staff members for another job (Table 44.), this applies mainly to abilities required for skilled and craft workers' jobs.

Table 44. Companies, which have retrained their personnel to perform other jobs; by occupational groups, % of the companies

Senior officials and managers	2
Top professionals	2
Mid-level professionals	7
Officials, clerks	5
Service and sales personnel	7
Skilled and craft workers	23
Plant and machine operators	5
Elementary workers	2

8.3. Characterisation of the training activities

In the last 12 months 71% of the companies' training expenses have been spent on off-the-job training, 14% on training at work, and 12% as on-the-job training in relations to particular task.

In respect to occupational groups requiring higher qualification (managers and professionals) more off-the-job training has been provided. The service and sales workers are also trained outside the companies (Table 45.). To occupational groups requiring less qualification training is mainly offered on the job. A relatively similar number of the companies' employees of all occupational groups are offered on-the-job training pertaining to a particular job, the proportion of such training method is the largest in the skilled and craft workers' group.

Table 45. Main training forms used by companies by occupational groups (number of training days in the last 12 months), % of the companies

	Learning through work	In the company, related to a specific job	Outside the company
Senior officials and managers	21	13	49
Top professionals	12	25	37
Mid-level professionals	32	18	34
Officials, clerks	34	19	17
Service and sales personnel	22	22	38
Skilled and craft workers	28	30	14
Plant and machine operators	32	20	15
Elementary workers	54	21	

1 company has its own training centre and only 2 companies have initiated a training programme intended for the graduates of higher education institutions.

26.4% of the companies have programmes for management development.

In 30% the CEO of the company is responsible for training, in 8% a manager of a subdivision, in 7% the human resources specialist of the company. In 55% of the companies there is no person responsible for training. For 97% of the employees responsible for training, the training related activities occupy less than one half of the total work hours.

87% of the companies have a business plan, incl. 70% of them have it in a written form. 68% of the companies have a training plan. **In 15 % of the companies the training plan constitutes a part of the business plan,** in other companies the interrelations are rather indirect than direct.

Training of skilled workers is mostly considered the task of the employer, but almost an equal role is attributed to the state and the employers themselves (Table 46.). The role of professional associations is deemed less important (but not unimportant)

Table 46. Training of skilled workers – whose (principal) task is it?, % of the companies

1	The employer	65
2	The state	57
3	The employee's own obligation	55
4	The task of professional associations	37

Mainly businesses specialised in training provision and retraining centres (which may also be establishments of the public sector) are used as trainers. The role of institutions of higher education is quite modest, partly because these institutions are less engaged in training activities. (Table 47.).

Table 47. Use of training institutions by companies, % of the companies

1	Training firm	70

2	Retraining centre	40
3	Institution of higher education	13

In respect to basic training the companies primarily see the need to uniform and modernise the curricula of vocational schools with respect to similar specialities, and also for organising closer co-operation between the vocational schools in arranging practical training for students in businesses offering their opportunities for acquiring practical skills and experience.

35% of the companies have established relations with professional associations, incl. 17% who have established relations with several associations. The professional associations mainly provide information on training opportunities (Table 48), but also on other topics related to recruitment of workforce and salary levels.

The interviewed companies have established co-operation relations with other establishments and organisations (51.7%), the county government (40%), chamber of commerce and industry (35%), higher education institutions (31.7%) and other education institutions (53.3%). 15% of the companies have no co-operation relations.

Table 48. Relations with professional associations, % of the companies

Info about training possibilities	50
Info on recruitment	23
Info on salary levels	19

8.4. Assessment of the training activities

79% of the companies appreciate the need for training. 72% of the companies have appointed a person responsible for training, but in the case of all the companies the training related tasks occupy less than half of their working time.

68% of the companies have drawn a training plan, but only in the case of 15% of the companies the training plan is linked to the company's business plan.

Only 20% of the companies have their own training budget.

65% of the companies have evaluated the efficiency of training.

The main methods of evaluation of the efficiency of training (in the case of 17% companies) are methods focussing specifically on the training results: interviews, exams, expert evaluations and tests. 13% of the companies monitor the training results without applying any specific methods. 22% of the companies base their assessment on the feedback from work results.

8.5. Importance of training

Generally speaking the companies deem all the reasons for provision of training, listed in Table 49 very important or fairly important. Nevertheless, the managers feel that they are competent enough in formation of the companies' organisation, and so this field has been deemed relatively less important. Moreover there are companies (around one fifth of the interviewees) who do not think that training of employees is important from the point of view of improving workforce loyalty, some companies (15%) demonstrate underestimation of the role of training, including failure to see their importance in modernisation of skills.

Table 49. The main reasons behind training of employees, % of the companies

	Very important	Fairly important	Very important + fairly important	Not important	Not able to say
Legislation based reasons	51	42	93	2	6
Improvement of the staff loyalty	36	36	72	19	9
To maintain the existing skills	36	49	85	4	11
To improve quality standards	51	36	87	4	8
To satisfy changing needs of customers	62	28	90	6	4
Modernisation of skills	53	25	78	15	8
Introduction of new technology	46	33	79	14	8
Implementation of organisational changes	13	38	51	36	13

Some firms do not provide training to their employees (or at least not to all occupational groups). This is explained by statements according to which the particular job does not require specific skills, or that they only recruit experienced people who have been trained elsewhere. Companies also fear that a trained person is more likely to leave. The businesses admit that there are no real (legislative) possibilities for conclusion of pertaining agreements between employers and employees. Statement “there is no trainers in the region” means that in some cases there are no trainers in Estonia who are able to offer specific training (mainly if new equipment is being introduced).

Table 50. The reasons behind not training of employees, % of the companies

1	Work does not require much skill	30
2	Only recruit experienced persons	18
3	Number of employees is static or declining	18
4	A trained persons are more likely to leave	15
5	There are no local trainers	12

9. The workforce issued by business sectors

This chapter provides a short summary of the workforce related problems of three sectors of economy – food industry, tourism and environment-related businesses, and offers characteristic traits, illustrated by examples of anonymous firms. The overviews of the business fields are based on the opinions of companies, which participated in the focal group, and for this reason it is possible that they do not fully reflect the opinions of all the entrepreneurs operating in these sectors, and do not reveal all workforce related problems, needs and activities in the firms. At the same time several specific features of certain business fields could be distinguished as valuable background information. It is worth noting here that with the exception of single results based on the analysis of interviews, the opinions of entrepreneurs participating in the focal group matched the results of the interviews.

9.1. Food industry

Food industry largely represents a traditional field of business, with companies and workforce, which existed already in the Soviet period, and with a considerable share of so-called routine (line) work. Due to market changes and extremely severe competition these companies have been forced to restructure their operations more than others, in the last decade the staffs of these companies have been reduced considerably.

The main workforce problem experienced in food industry is recruiting skilled employees, and their skills. This depends also on the region; outside major centres it takes ca 1 month to find a suitable employee. At the same time this depends also on the specific features and technologies used in a concrete enterprise, and the nature of job offered – whether it is a job requiring unique or universal skills. In the latter case the personality of employees can also constitute a problem. In case of line workers the problems relate to considerable physical strain, routine nature of work, even people of excellent health cannot cope with it for long. Unfortunately not all of them can be used in other jobs.

As a rule top managers are recruited from outside the company. Skilled workers need to be mostly trained on the job. This is based largely to the fact that the sub-branches of food industry use different equipment and technologies, i.e. even in one and the same field of business they need very specific training. Such training may last quite a long time, even up to a year. Thus refresher training is organised mainly by the companies themselves, often together with the equipment suppliers. In the last few years most of the employees have been trained, and this is partially related to increased health requirement, and certainly to constantly improving technologies.

Labour turnover is not seen as a major problem, the circle of good workers is well known and in general the entrepreneurs try to reach an agreement.

Training is deemed very important, particularly in respect to the normative documents of the European Union, and the need to continuously modernise the technologies. Training problems are rather of economic nature, because training is often too expensive. Nevertheless the companies lack essential training plan, they proceed from the momentary needs. Due to specific features of the companies it is often deemed feasible to train the employees abroad.

The companies expect good technical basic skills and motivation from graduates of vocational schools. Insufficient experience of the graduate with modern technology is considered a problem, the entrepreneurs believe, however that this could be alleviated by better co-operation, incl. more active involvement of students in the work process as a part of practical training. The role of professional association is also too small in co-ordinate of training today.

Firm 1. A company operating in a small town engaged in production and sales of bakery and pastry products

Staff
The company employs mainly women of middle age. Most of them are engaged in producing bakery and pastry products from raw material to ready production. The main job of four of the women is selling the production of the company, and other goods in shops. The firm has an operating manager who essentially runs the company. Also the manager of the store, being a part of the company, production manager and the assistant/secretary of the CEO are performing management functions. The manager of the firm is a man with two higher educations, which is extremely rare for a small time. In the course of the interview it is revealed that he is also the chairman of the town council.

Internal climate and employment policy
From the very first minutes spent in the company it becomes obvious that the manager is an absolute authority for the employees. In a quarter of an hour, during which the interviewer had to wait for him, at least two employees used this as an opportunity to praise their manager, and to express their respect towards him. One of them was able to tell that her previous job was with a large plant located in a near-by township. And she had only the worst memories from that job, because according to her the attitude of the management towards the employees was "inhuman". But she was happy with the current boss with every respect. The workforce policy of the manager is targeted in building up a stable staff of responsible persons. The company has found possibilities to reward the best employees, and in spite of the small size of the company – even to promote them (a sales person was promoted to a store's management position).

Workforce related problems
However the above named objectives are not easy to achieve. One of the most acute problems is lack of qualified workforce. According to the manager of the company such situation is even more depressing because of the fact that baker's or pastry chef's work does not require any particularly complicated skills. The company is even ready to hire unqualified employees and offer them training, but in spite of considerable unemployment people tend to decline this opportunity and do not apply for the job. According to the interviewee their desire to learn and work is extremely poor, and the mentality of "easy living" is predominant. When an ad was published in the newspaper saying that the company needs part-time secretary and a full-time pastry chef, then almost 100 applications were received for the secretary's position, and none for the pastry chef's job. "People would be happy to doodle something behind the desk for 1000 kroons a month, but they are too lazy to learn, to make at least some sort of an effort to receive a decent income", says the manager. People tend to be sloppy at work; the management mistrust many of the employees. Among other things the manager considers lack of integrity of workers a serious problem. Moreover, the county experiences severe alcohol problems, which deteriorates the workforce quality even more.
In spite of all this the company has been able to develop in the last few years. A specialised point of sales, and the general turnover has gone up.

Firm 2. Public limited company engaged in production of dairy products, located near the county centre
The production of the firm is sold all over Estonia, and its trademark is well known. According to the production manager of the company its history is typical to a developing Estonian enterprise. It was established by Estonian capital, but in order to "maintain the standards" involvement of foreign investors was inevitable, and at present the Swedish parent company owns already 99% of the stock. The "Second" company's

priority is quality. To improve quality the company has installed modern equipment, continuous standardised supervision is carried out, the position of the quality manager has been created, and the employees of the company participate regularly in training conducted in Sweden. As much as a quarter of the expenses allocated to the "Second" company are spent on research and development, which is a significant number for an industrial enterprise (at least in comparison of other companies included in the sample).

Staff

Half of the employees of the company are local, the other half come to work from Tartu. The locals are mostly elementary workers constituting over 40% of the total number of employees. Their jobs are mainly related to packing of production and warehousing. Qualified workers are mainly engaged in servicing the production process, the specialists are technologists and the staff of the quality control laboratory of the dairy plant.

The management of the "Second" firm includes eight persons. On the day of the interview the CEO was in hospital, and the secretary-human resources employee substituted the CEO with respect to administrative duties. Other managers are involved in marketing, production and quality control processes. It seems that the company is managed by a team, or at least the company has a rather decentralised management system.

Internal climate and employment policy

It seems that there is a certain gap between qualified employees of the firm living mostly in towns, and local elementary workers. Jobs of the first group are more stable, they participate in the decision taking process, and also divide among themselves the lion's share of the salary fund. At the same time it is evident that the specialists must be better remunerated, and that the "Second" is one of the major employers of the region, and working with the company is prestigious. Management and production systems are modern and rational; standards of the Swedish parent are implemented almost at every level. Requirements set for the workers are strict, but this is justified in view of efficiency of production and improvement of quality. Employees are appreciated only based on the quality of their work and revelations of nepotism in the recruitment process are minimised.

***Workforce related problems** are practically absent in the firm. According to the human resources employee the company is quite satisfied with its staff, which is also reflected by an exceptionally high grade given by the company to its workforce (7 points). Sufficient number of specialists of the dairy field is prepared and the company is almost always able to fill all vacancies with suitable persons. With this respect proximity to Tartu pays a positive role. Several companies, which were interviewed in the course of the study, stated that rationalisation of production and involvement of foreign capital have been followed with letting go of people, but the "Second" has been able to avoid this, and it has even been recruiting new employees lately. From the regional aspect one should be concerned by the fact that in most cases the company is able to offer only elementary jobs for the local people.*

Firm 3. A public limited company operating in the county centre, engaged in production and sales of dairy products

Firm "3" represents an example of a fairly large producer of food products, which has been able to cope without engaging foreign capital. The marketing policy of the "Third" is not as active than that of the "Second", and its production is less known. It is rather noteworthy that this firm has carried out business in several fairly unconnected fields of business. Although most of the employees are involved in production of food products, the company is also actively operating in the field of transport and construction, whereas *the manager of the company maintains firmly that these should be also included in the list of the company's main activities. Considerable attention is being paid on improving the efficiency of production, and this indeed offers results: the firm's turnover has multiplied in the last few years, whit the same number of employees.*

Staff
Due to the large number of operation fields of the firm the composition of the staff is also quite diverse. It includes salespersons, technologists and car repair specialists. The occupational group of plant and machine operators include almost as many drivers as production personnel. The share of office personnel is also quite notable.
Unlike the previous case the management structure of the "Third" seems to be highly centralised. Although 10 persons are listed as managers the CEO supervises to a certain extent all the operation areas. The manager – a man of about 55 years of age – is a very busy person. The interviewer succeeded to contact him by phone only after five attempts made on different days. In addition to this work he is also working as a member of the management board of several other large public limited companies.

Internal climate and employment policy
The management's requirements with respect to workers are quite strict. Every person is expected to work overtime. If a person is not ready for this then his or her position in the firm becomes uncertain. To the interviewer's cautious remark that people may have other commitments beside work that require their time and attention, for instance – family – the manager retorted that he himself has not taken a leave once in the last 25 years. It seems that the growth of the turnover has been achieved mostly on account of more intensive utilisation of the workforce resources. At the same time the firm pays relatively good salaries. Employees are trained rather scarcely, particularly as compared to the competing "Second" firm.

Workforce related problems
The CEO considers sloppy work attitude and low intelligence level of workers the worst problem of the company. Particularly the latter prevents them from doing their job well. To illustrate this statement the CEO showed the interviewer a business plan drawn by one of his subordinates, which according to the CEO was prepared at the level of "a first-grader" and was full of essential and spelling mistakes, although the person who had prepared the document is well educated. "Persons have formal qualification papers, but they have not become any wiser and they are still unable to perform their work", stated the CEO discontentedly. "Instead of feeling good about work well done the prevailing attitude is "to get it off one's back"". It is also interested to note that the CEO of the "Third" admitted openly and straightforwardly that in recruiting people to certain jobs he takes the person's gender in consideration and added: "If you wish, you many call it discrimination".

9.2. Tourism

Recruitment of employees is a major problem in the tourism business field, particularly outside the city of Tartu, where during the summer season students may be used as temps.

Problems are mostly related to finding service personnel with good interpersonal skills, and the conscientiousness (integrity) of persons – especially among bartenders – i.e. with personality of employees. This situation is even more worsened by a relatively low salary level in the tourism sector, and the fact that in a small business (whereas most of the tourism firms belong to this group) it is rather difficult to promote primary level service personnel. For this reason the sector experiences difficulties with labour turnover, particularly with respect to bartenders.

Due to the fact that tourism business is also a relatively new sector in Estonia considerable attention is being paid to training. In reality a significant number of employees of tourism firms are trained on the job in the course of practical work. Most of the companies do not have training plans in a readable form, in most cases the companies have tried to offer maximum amount of training to their top management. The entrepreneurs believe that more training should be offered to senior professionals and mid-level professionals, and kitchen staff (considering the fact that – on one hand – the kitchen is "the heart" of many tourism firms, and it is necessary to learn how to use kitchen equipment, and also in view of enforcement of more and more strict health requirements).

Short courses are predominant. Often the trainer is invited to the company, because it is less costly, and the trainer can better understand the specific features of the company.

The tourism firms are quite cautious with respect to training of employees. They are not satisfied with the quality of training, and poaching of staff by other firms is quite common.

The entrepreneurs believe that co-operation with professional associations and schools, incl. vocational schools, where tourism specialities are taught, will be very important in the future. This would allow to communicate the messages pertaining to needs of enterprises more effectively, and it would allow to engage trainees – future employees. The entrepreneurs of South Estonia currently consider professional associations too Tallinn-centred, no significant training activities (and workforce related activities in a broader sense) is being carried out. The entrepreneurs believe that introduction of nation-wide uniform vocational standards and curricula is very important, and from their side they are ready to look through the curricula (which just requires organisational work), and so to contribute to the improvement of the quality of the primary education.

Firm 4. A public limited company engaged in hotel business in a county centre.

"Firm 4" has been a rather well known hotel during the entire post-war period. In Soviet times it was the only hotel in town where foreigners were allowed to be accommodated. Even today foreigners are the majority clientele group of the hotel.

Staff

The staff of the "Firm 4" consists of administrators, three-four housekeeping attendants and a catering worker, a driver and three elementary workers. Although the manager did not appreciate the personnel of the hotel very highly she was unable to point out concrete faults of individual employees, and in general was satisfied with the staff. When the manager was asked whether she intends to let some of the employees go in the near future, she first said yes, but after a short pause she asked to change this answer in the questionnaire.

One middle-aged lady is successfully running the small staff of the hotel. She has been working in this position only for few years. The former manager is still working in the hotel, but currently as an administrator. The reason for her relieving from the management task is unclear.

Business concept and employment policy

Conservatism (in a good sense) is probably the most suitable key word to describe the workforce policies and the entire business concept of the "Firm 4". No "Euro-repairs" have been carried out in the old building, but in order to attract foreign, particularly Finnish tourist traditional comfort and good reputation of the hotel have been enough.

Firm's staff has been stable in the last few years and fluidity is practically non-existent. Many interviewed hotel managers complained that fluidity is the major problem particularly in view of young employees. Many apt young people consider their job in a Tartu hotel a temporary one, and are willing to stay at the job either till the end of studies or until they find a better job. This problem has largely been avoided in the "Fourth".

Workforce related problems
In general companies operating in hotel business have not complained about lack of qualified workforce. The same applies to "Firm 4". Nevertheless conservative workforce policy has certain drawbacks too. For instance the firm has been planning to start offering a new service (conference service) to its customers, but these plans have been put aside largely due to lack of appropriate workforce.

Firm 5. A public limited company engaged in hotel, entertainment and catering business in a county centre

Unlike the previous firm this is a steadily growing business continuously expanding its business. In 1993 the company started with a hotel, later the company built an extension to the guesthouse. Some years ago the company acquired one of the night-clubs in town and opened a café in one of the academic building of the university.

Staff
The staff of "Firm 5" is not outstanding in any way: the structure is typical to the business sector of the company. The only noticeable thing is a large number of top professionals, but obviously this list includes several mid-level managers as well.
Initially the "Firm 5" was a family business, now the members of the founding family act as the company's managers and owners. The CEO wrote identified two persons in the section "managers" of the questionnaire, who are obviously he and his wife. Yet it is clear that the subdivisions of the firm (hotel, café, night-club) have their own fairly independently acting managers.

Business concept and employment policy
"Firm 5" is clearly a development-oriented enterprise. By development both the expansion of the firm, as well as improvement of the services' quality are understood. Personnel policy is one of the certain priorities of the firm, and it is particularly aimed at ensuring successful development. The management uses a lot of effort on finding suitable persons for every job, persons' work performance and its quality are also monitored attentively. If someone's work performance does not satisfy the management then this person is replaced by a new one without further consideration. This is partly the reason of the firm's considerable labour turnover: 20 persons have been let go, and recruited to the firm in the last 12 months.

Workforce related problems
According to the opinion of the CEO of "Firm 5" the most urgent problem is finding honest, active, hard-working and reliable persons. Lack of these qualities, and not professional skills, is what the manager believes to be the worst shortcoming of the workforce. He illustrates this with an example where the company had to let go several bartenders of the night-club, because they were stealing. Lately they had experienced great difficulties with finding a manager for the night-club. They were searching an experienced person with a lot of initiative. Finally they found a very suitable candidate, who, however was soon lured to a better position.

9.3. Environmental companies

The sector of environment-related enterprise is a rapidly growing and innovative field of business, requiring international co-operation, and it has been a novel and growing sector of economy in Estonia as well. Some of the environmental companies have specialised on rendering water, waste removal etc., services to general population and companies, others on development of new (innovative) technologies. In the near future the scope of development, manufacturing and maintenance of new purification equipment will enlarge in the second field of business. In companies operating in the business fields specialised on rendering traditional customer services the share of workforce with lower qualification is considerable, in companies of the second category one deals mainly with highly qualified personnel.

The environmental companies consider workforce a very important factor of the development of the firm. The statement "the workforce should be the key to the company's successful development" is true for at least 30% of the environmental companies.

Although the companies in general are satisfied with their workforce (with this respect this business sector is no different from the other ones) the gap between the desired and the reality, in view of future development, is quite wide. Workforce specially educated for working in environmental companies is scarce on the labour market; the first graduates only start working in firms. A specific feature of the environmental field is the fact that the education level of a specialist with secondary education is not sufficient, and environment-related higher education is required. At present, however, no competition exists for school graduates. Nevertheless the number of persons with environmental training is constantly growing, and this could create a situation where, if environment-related enterprise does not expand considerably, then workforce supply will exceed its demand in perhaps 5 years time. Another problem anticipated by the entrepreneurs is that by reason of relatively low salary level the "brighter brains" do not study environment-related specialities, and for this reason it may appear to be difficult to find innovative workforce. Still, although the content of environment-related enterprise is in many respects not clearly defined yet the companies have obviously failed to involve, for instance, the graduates of the Tartu University with the speciality of chemical engineers, biologists, and physicists, and from other institutions of higher education with technical education in their businesses.

At present the main workforce problems are connected with finding project managers (unlike other sectors of economy many environmental companies work on the project principles), purification equipment administrators and instructors – trainers of young specialists at companies. The sector also experiences deficiencies with customer service personnel. With regards to skills limitations the entrepreneurs again noted poor knowledge of technologies, the ability to write projects, and again – personality related limitations (inadequate responsibility and motivation). Lack of specialists with adequate foreign language skills is also considered an obstacle.

Workforce fluctuation, in its classical sense, is relatively low, and occurs mainly among younger staff members; fluidity is related to concrete projects. At present the environmental companies offer a lot of seasonal work, the work volume grows due to fieldwork performed in summer. Students are often used as temps, so they are given an opportunity to undergo practical training, and find a job in the company.

Refresher and retraining and primary vocational training system are still being developed. At the same time the companies are not able to fully define their training requirements yet. As many of the environmental companies' ownership includes foreign owners a considerable part of training (refresher training) is carried out in parent companies abroad. Environmental companies are offered training also by firms selling the relevant equipment and technologies. Training provided by them is practical, and improves concrete skills. Training is mostly offered to top professionals.

Compared to the current situation more training should be provided to plant and machine operators. As environmental technologies develop rapidly the number of employees involved in refresher training should be larger. Moreover many companies are still discovering the environment-related requirement stipulated by the EU directives.

Firm 6. A private limited company, carrying out forestry related research work, consulting and training, operating in a county centre

"Firm 6" carries simultaneously out several research projects financed by foreign states (Particularly Scandinavian countries), Estonian state and private capital. As a rule after completion of a project the results of the research are put out in a publication. The forestry sector in Estonia has been experiencing growth in the last few years, and the state has paid ever-increasing attention to forestry problems as well. All this has had a positive impact on the business of "Firm 6": the demand for the services, and consequently – the turnover has grown considerably in the last 2 years.

Staff

Operating on project principles causes significant workforce fluctuation. Workforce fluctuation in a year is practically 100% (i.e. the number of persons joining the firm and leaving it equals to the average number of employees of the company). But in view of such organisation of work this figure is considered completely normal: a person who has completed a project leaves the company and another person starting a project comes to his or her stead. In addition to managers only specialists and one secretary is employed by "Firm 6".

The management of "Firm 6" formally consists of three persons, whereas the first fiddle is plaid by the CEO, who is also the sole owner of the company. Still the company's does not have an inflexible management structure, which is conditioned by the nature of work: an independent team works with a project on hand, and the decisions of the team are taken based on consensus.

Internal climate and employment policy

The permanent employees of the firm seem to be getting along very well. People trust each other and are treated equally and very few hierarchical relations exist. It seems that it is a team linked together by both professional and personal ties. Policies related to temporary project employees are difficult to assess. Some of them are involved in a long-term co-operation; contacts with others are of rather episodic nature. It is clear too that "Firm 6" is not the sole job for most of the temporary employees, many work and study simultaneously. "Firm 6" is different from all other companies described herein, because the "class conflict" between highly salaried and educated managers and professionals – on one hand – and on the other – the workers. All the employees of the firm are professionals in their field of expertise, and they are capable of working independently and do not need constant instructions of the managers, and they feel more or less equal among equals.

Workforce related problems

No serious workforce problems may be identified with respect to "Firm 6". Some problems are caused by the fact that sometimes there are doubts about the quality of work of project implementing staff. In these cases a control research is carried out and the results are compared with those presented by the employee. If this is not possible then quality is being verified in another way. At the same time the interviewed employee of the company has identified potential shortcomings that may arise, in his opinion, in relation to mid-level professionals in the future. These problems pertain to inadequate technical skills, creativity and initiative and teamwork skills.

10. Conclusions

The study provides new information about the situation and development of human resources in South Estonia and there appear differences compared to earlier studies. Compared to the results of earlier studies (presented in Subchapter 4.3) the following statements were substantiated in most respects by this analysis:

1. The labour turnover is not perceived as a major problem by companies.
2. The main volume of labour turnover is primarily focussed on the personnel with lower qualifications, whereas the main reason is accepting a better-paid position due to low salary; the employers also believe that a proper work environment motivates an employee to stay in one and the same position for longer;
3. Most of the companies have no intentions to either expand their operations or decrease the number of their employees;
4. The companies lack the system for systematic evaluation of the skills of their employees, it is done rather sporadically;
5. The most widespread limitations of new employees are insufficient knowledge, insufficient level of general education for acquiring new skills, and lack of certain personality traits, incl. incapability for intensive work;
6. The most problematic occupational group are skilled workers and service personnel (customer service personnel);
7. The companies attempt to recruit the required workforce from among the existing employees of the company, because promotion usually gives better results than employing new and unknown persons;
8. Many companies have their own instruction programme for new employees (test period), and they also offer training at the workplace under the supervision of an experienced employee;
9. In the case of most companies in-service training of employees is carried out quite randomly.

However, many facts described in earlier analysis were not substantiated in this case; to some extent this may be a result of new trends (taking into the consideration the fact that in the Estonian conditions new attitudes may emerge in only few years), the specific features of the South Estonian region, incl. the three sectors of economy selected, and the research methodology (incl. the way of formulating the questions):

- The earlier research works stated that the majority of training takes place as in-service training at the workplace, the results of this study indicate, however, that training was predominantly organised outside the company (this may also be caused by the way of defining training);
- The earlier studies stated that in the last years training of employees has decreased considerably, this study indicated however, the growth of training volumes, at least in 1999 – 2001;
- The earlier studies noted deficiency of qualified workforce predominantly with respect to industrial enterprises, this study revealed that similar problems exist also in tourism and environmental companies;
- The earlier studies stated that many employers consider providing necessary skills for the workforce only as excess cost, this study, however, revealed a clearly positive trend – this statement was maintained by less than one sixth of the interviewed companies.

The reasons for the different findings of previous research and the current analysis need to be further explored.

The South Estonian region (except, perhaps, partly the city of Tartu) falls, according to the accepted European regionalist classifications, into the category of so-called underdeveloped regions, which need restructuring. This means that a great emphasis is placed on achieving increase in earnings in the region, which in turn means orientation towards the development (incl. implementation of new technologies), higher labour productivity, recruitment of qualified personnel and modernisation of the skills of the existing workforce.

Although the 3 sectors of economy, which were analysed in this study, have been declared to be the priority sectors in South Estonia, their share in the economy of the region (incl. employment) is relatively modest. From the business sense most of the interviewed companies do not perform poorly, but no significant growth (or development) can be observed either. The number of employees in most of the companies has decreased. The food industry has been laying off people during the entire period of '90ies, the last wave taking place in 1998 – 1999. This sector will not expand considerably any more, rather it is expected to modernise and to try to "survive". Neither do the tourism companies plan significant growth, and, in the near future, nor do the companies operating in the environmental field.

No particular orientation towards development and innovation can be observed; the existing companies strive to get by quietly. For instance, in the course of discussions in the focus group, it turned out that the environmental companies see their perspectives rather in the field of installation and servicing of environmental equipment imported from the West (they calculate that due to the increase of investments in the environment protection their market is going to expand), and are not prepared to consider innovative technologies themselves (i.e. – mostly brokerage).

Generally speaking the interviewed companies are more or less satisfied with their workforce; problems may be observed in a certain occupational and professional groups. The most significant observations are the following:

- firstly, with the exception of technical skills and knowledge of foreign languages the major shortcomings are related to skills personality related skills (interpersonal and verbal skills, creativity /initiative, teamwork skills, customer service skills, leadership skills);
- secondly, the companies mainly identify the production workers (skilled and craft workers) and sales personnel /customer service workers among the problematic occupational groups. They believe that the current shortcomings (problematic job groups, areas and skills) will remain the same in the future too, but in addition to these future problems are anticipated in recruitment of senior and mid-level professionals;
- thirdly, number of applications appears to be a significant problem, which indicates to the need to pay more attention to personality issues and motivation.

Thus the companies try to get by with the workforce they have, they contemplate the option to further decrease the number of employees, considering the major factors to be the situation of the market demand and the need to further rationalise the operations (and improve labour productivity). This also means that when answering the questions posed during the interviews the companies inevitably took the current business operations volume and character, and the related workforce issues into the account as the elements of the background. The skills of the employees are assessed and they are trained rather on the basis of the current than future requirements. One may also notice that companies refer to workforce problems in those cases, when they affect some of their existing business sections or some investments of the near future, whereas they place moderate emphasise on the workforce as a competitive edge.

A positive tendency could be observed in the increase of labour productivity. More and more attention is being paid to human resources development, the training volumes have increased and the companies widely train their employees to be multi-skilled.

The future needs, which build up around the keywords “creativity, originality, innovation, fast reaction to the changes of the market” nevertheless require more systematic and prospective in-company workforce policies than that carried out so far, including planning of training and educating the employees. Also – notwithstanding the triviality of this statement – a more widespread and operative co-operation between educational institutions, traders, professional associations (in the capacity of organisers and initiators of monitoring) and the Estonian labour policy makers.

In the field of basic education the participants see the need to unify and modernise the curricula of vocational schools in similar specialities, and to strengthen co-operation in the field of organisation of training of companies, where the students may obtain practical skills and experience.

The current labour policies (inc. regional) are not directly targeted at improving the skills of the employees of companies, looking through the development documents the following limitations were observed:

1. Many planned activities are very general, and start so-to-speak “from the scratch”;
2. From the point of view of the general human resources development the planned measures seem to be feasible, but their level by individual counties and fields of activities is quite variant;
3. The priorities related to the development of human resources and employment are insufficiently interrelated;
4. The intended measures are mainly related to the basic education and unemployed persons (or to the employment in general), e.g. retraining and in-service training is mainly targeted at the unemployed;
5. The possibilities for implementing the intended measures are considered rather superficially.

5. Recommendations

1. There is a future need for companies to consider workforce issues as important as the others (financial, technical etc.).

2. The companies should be explained to prepare systematic training plans and to include these into business plans.

3. There should be more co-operation between enterprises, regional planners, training providers and vocational schools in workforce development issues.

4. Also, closer contacts between enterprises should be increased, both in forms of informal networks and through associations.

5. There should be more analysis concerning the workforce issues for micro-enterprises and also to relate the workforce issues with new business start-up activities.

6. There should be paid more attention to social element of policy in future development plans.

7. The development priorities have addressed to develop high-tech and knowledge-intensive industries. But while there is high amount of low-skilled workers (and unemployed) considerations should also be given to labour-intensive industries and services.

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ANNEX 1. Description of the sample

ANNEX 1.1. Division of the interviewed companies by business fields, and their share in the companies entered in the commercial register.

	Companies interviewed	The share in the total number of companies, %	Companies in South Estonia	Spread of the companies in South Estonia, %	The share in companies interviewed of the total number of companies in South Estonia, %
Food industry	33	55,0	128	49,8	25,8
Tourism	16	26,7	88	34,2	18,2
Environmental services	11	18,3	41	16,0	26,8
Total	60	100,0	257	100,0	23,3

ANNEX 1.2. Division of the number of employees of the companies interviewed by their business fields, and their share in the number of employees engaged in the respective business fields of South Estonia

	Number of employees in the interviewed companies	Number of employees of South Estonian companies	The share in the employees of the interviewed companies of the total number of employees in South Estonia, %
Food industry	2665	3282	81,2
Tourism	333	413	80,6
Environmental services	118	203	58,1
Total	3116	3898	80,0

ANNEX 1.3. Spread of the turnover of the interviewed companies by sectors of industry, and their share in the turnover of the total turnover of the South Estonian companies.

	Turnover of the interviewed companies (thousand kr)	Turnover of the South Estonian companies (thousand kr)	The share in the turnover of the interviewed companies of the turnover of the South Estonian companies, %
Food industry	1392332	2269952	61,3
Tourism	65076	85007	76,6
Environmental services	19896	38878	51,2
Total	1477304	2393837	61,7

ANNEX 1.4. Spread of the South Estonian food industry, environmental services and tourism companies by the number of employees, as in the year 1999.

Employees	Number of employees	Number of companies	The share of the number of employees, %	The share of the number of companies, %
100 and more	1767	8	45,3	3,1
50-99	758	11	19,4	4,3
20-49	859	28	22,0	10,9
10-19	305	21	7,8	8,2
5-9	144	21	3,7	8,2
0-4	65	168	1,7	65,4
Total	3898	257	100,0	100,0

ANNEX 1.5. Spread of the South Estonian food industry companies by the number of employees, as in the year 1999.

Employees	Number of employees	Number of companies	The share of the number of employees, %	The share of the number of companies, %
100 and more	1767	8	53,8	6,3
50-99	615	9	18,7	7,0
20-49	619	20	18,7	15,6
10-19	162	12	4,9	9,4
5-9	97	15	3,0	11,7
0-4	22	64	0,7	50,0
Total	3282	128	100,0	100,0

ANNEX 1.6. Spread of the South Estonian tourism companies by the number of employees, as in the year 1999.

Employees	Number of employees	Number of companies	The share of the number of employees, %	The share of the number of companies, %
50-99	143	2	34,6	2,3
20-49	140	5	33,9	5,7
10-19	88	6	21,3	6,8
5-9	24	3	5,8	3,4
0-4	18	72	4,4	81,8
Total	413	88	100,0	100,0

ANNEX 1.7. Spread of the South Estonian environmental companies by the number of employees, as in the year 1999.

Employees	Number of employees	Number of companies	The share of the number of employees, %	The share of the number of companies, %
20-49	100	3	49,3	7,3
10-19	55	3	27,1	7,3
5-9	23	3	11,3	7,3
0-4	25	32	12,3	78,0
Total	203	41	100,0	100,0

ANNEX 2. Classification of occupational groups

1	Managers top and mid-level specialists	Highly qualified "white collar" employees. According to the ISCO-88 classification this group includes: (1) Legislators, senior officials and managers (2) Professionals (3) Technicians and associated specialists
2	Clerks and scientific employees	"White collar" workers with mid- and low level of qualification". According to the ISCO-88 classification: (4) Clerks (5) Service and sales personnel
3	Skilled workers	According to the ISCO-88 classification: (6) skilled agricultural and fishery workers (7) Skilled and craft workers (8) Plant and machine operators
4	Elementary occupations	According to the ISCO-88 classification: (9) Elementary workers