EMPLOYMENT AND WORKING LIFE IN ESTONIA 2007

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Trends

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Introduction

The basis for successful development of a society is the employment of as many people as possible. Increasing the employment rate becomes more important as the population is ageing and the percentage of working age population is dropping. Therefore, it is essential to maintain the people's capacity for work and their participation in working life, for as long as possible.

Not only having a job is important for the individual, but also relations at the workplace, a healthy working environment, a fair salary, and social protection and benefits in the case of losing the job. Thus, the aim of this collection is to characterise the developments in the entire field of employment in 2007: on the labour market, in employment relationships and in the working environment. For better understanding of the current situation, the collection reflects the trends of the last five years (2003–2007) and indicates also the data for the beginning of 2008 whenever possible. Furthermore, it gives comparisons with the other European Union Member States

2007 was a good year for the Estonian labour market. The labour market indicators were at their high and the starting economic recession had not affected employment and unemployment yet. The rapid economic growth of the last years, which entailed a growing demand for labour force, brought a record number of people to employment in 2007 and in the beginning of 2008. Both the employment and unemployment indicators were comparable with the levels prevailing in the beginning of the 1990s. Chapter 1 provides an overview of the macroeconomic background of these changes and of the trends in employment and unemployment in general.

The next two chapters focus on characterising the unemployed. Chapter 2 describes the risk groups of the labour market, who face higher barriers than on the average in access to employment. It examines long-term unemployed, the youth, the older people, the disabled, people with long-term health problems and non-Estonians. The analysis relies mainly on the labour force survey based on international methodology.

On the basis of the data of the Labour Market Board and the Estonian Unemployment Insurance Fund, Chapter 3 provides an overview of the dynamics of registered unemployment, the number of unemployed who receive labour market services, unemployment benefits and unemployment insurance benefits, and what is the amount spent on the labour-market policy. Since, unfortunately, only half of the unemployed register themselves as unemployed, many of them forfeit the possibility of receiving labour market services and benefits.

Chapters 4 and 5 analyse the working life of the employed people, their employment relationships and their working environment. The main focus in chapter 4 is on work organisation, remuneration and collective employment relationships. Increasing flexible work forms is very important with regard to increasing employment. This would allow employing many unemployed and inactive who have stayed away from the labour market for family or health reasons.

Chapter 5 characterises the working environment of individuals. The chapter provides an overview of occupational accidents, work-related health problems and expenses related to diseases of employed persons. A healthy and safe working environment is important in order to avoid occupational diseases, occupational accidents and withdrawal from the labour market. Illnesses are one of the main reasons why older people leave the labour market prematurely. We can keep people employed longer by making the working environment healthier.

The main sources used in compiling the overviews include the Estonian Labour Force Survey, statistics and reports from the Labour Market Board, the Estonian Unemployment Insurance Fund, the Estonian Health Insurance Fund, the Social Insurance Board and the Labour Inspectorate, and also data from Eurostat.

The target group of the collection includes, above all, those who come across labour matters in their daily work, but also those who have deeper interest in the developments which have taken place in the field of labour.

In the name of the authors,
Ülle Marksoo
Editor

1. Macroeconomic Overview of the Labour Market

Katrin Uudeküll

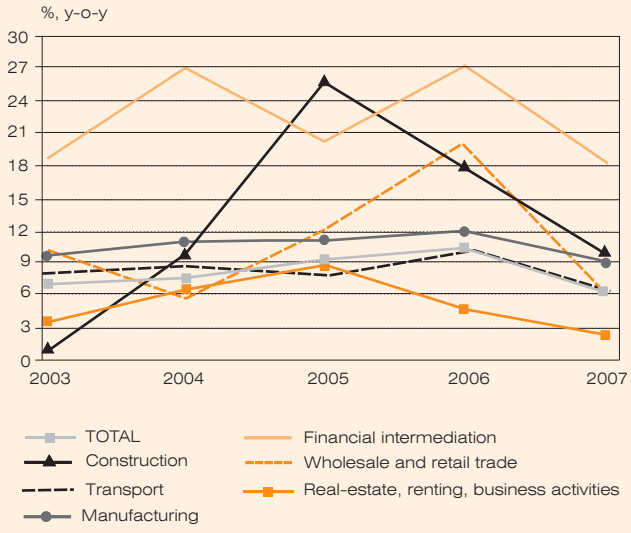
The rapid economic growth of the recent years has also brought along a lot of positive changes in the labour market, where the number of employed people has increased and the level of unemployment has decreased to the minimum. But for the employers this caused a shortage of labour force and a growth of labour costs, due to the rising demand. It is obvious that economic growth of over 10% cannot last for long and since the middle of 2007 a recession in the Estonian economy can be observed, this has continued in 2008. The extent of the impact of the recession depends on the risks and obligations taken at the high period of the economy by both the employers and employees. On the employers side the purposefulness of the investments made and the capability to reorient to more productive technologies or fields is important. On the employees' side the difficulties are created by the expectations for incomes which prevailed during the high period, on the basis of which consumer decisions were made and loans were taken, but which remain as obligations also when the economy cools down.

1.1. Economic Development

In following, we describe the changes which have taken place in the Estonian economy during the past years and their influence on the labour market. The main driver behind economic development in Estonia has been the inflow of foreign funds through commercial banks in foreign ownership and through the support funds of the European Union. The inflow of foreign finances, in turn, entailed a rapid increase in domestic demand, which was manifested in the growth of private consumption due to the easier access to loans and leases. In addition, the growth of private consumption was affected by the rise in the number of employed people and in the citizens' income, which was boosted by the broadening of working possibilities in 2004, since many Member States of the European Union opened their labour markets to the citizens of new Member States, including Estonia. An additional driver behind the rise in the income of the population was the opening up of the Finnish labour market in 2006.

The improvement of loan possibilities led to the enlivening of the real estate market and real estate development, which in turn affected sectors like construction and those sub-sectors of the manufacturing which produce building materials (building material industry, metal industry, timber industry). The growth of the manufacturing positively affected transport also. The growth of private consumption mainly affected commercial activities – new commercial spaces were opened, trade chains expanded to new regions and since 2005 the sale of motor vehicles (cars) increased rapidly. The growth of private consumption also affected the activities of hotels and restaurants – domestic tourism became more popular when the population's income increased. The rapid growth of demand and the production capacities in the aforementioned sectors entailed higher demand for labour force. The labour force deficit caused the salaries to rise rapidly, which in turn promoted domestic consumption.

Figure 1.1. **Economic growth in 2003–2007 by sectors, using the chain-linking method**



Source: Statistics Estonia.

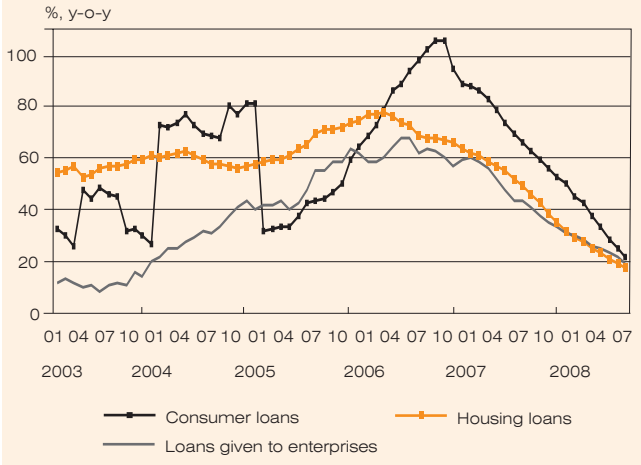
Figure 1.1 provides the annual changes in the gross domestic product (GDP) of fields of activity which have affected the development of economy the most, using the chain-linking method[1]. The figure shows that the growth of the

[1] Chain-linking method–A method for calculating the real growth of the GDP and its components, which has no fixed reference year, but is based on the year previous to the accounting period, in other words the indicator expresses real change when compared to the chosen reference year.

GDP increased from the 7–7.5% of 2003–2004 to 9–10% in 2005 and 2006. As has been mentioned above, 2007 brought along signs of recession – the growth of the GDP receded to 6.3%. The first half of 2008 showed only 0.2% of real growth of the GDP in the first quarter and –1.1% in the second quarter, when compared to the previous year. The biggest recession has occurred in construction, commercial activities, transport and in the real estate market, which all depended on the demand of the domestic market. The growth also slowed down significantly in financial mediation during the 1st half of 2008.

Figure 1.2 provides the percentages of increase of consumer loans, housing loans and loans given to enterprises, when compared to the same period of the previous year. In the context of the given macro economic overview, the increased loan capacities are an important factor in the rise of domestic demand. The figure shows rapid increase in the growth of housing loans in 2005, which reached almost 80% in the 1st half of 2008. Also the growth of consumer loans has increased significantly in 2006, which is can be associated with the rise in the incomes of people and a growing sense of security towards incomes in the future. At the same time the consumer loans may turn out to be one of the biggest problems for people in the case of the recession of the economy, as more and more people face redundancy and losing their incomes.

Figure 1.2. **Monthly increase in loans and deposit balances in 2003–2007**

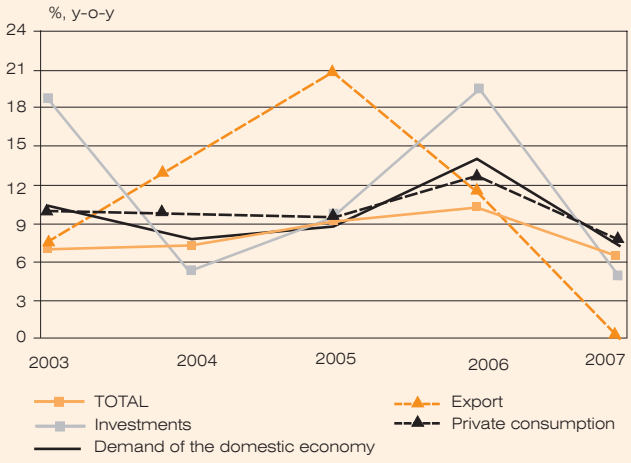


Source: Statistics Estonia.

During the examined growth period, the increase in loans given to enterprises accelerated to over 60%, the percentage of loans connected with real estate development was the largest. In the decline stage of economy, the loans connected with real estate development have also become a challenge for the riskier undertakings. Figure 1.2 shows a rapid deceleration in the growth of all loan groups in 2007 and in the 1st half of 2008 which can be associated with stricter loan conditions. The halt in the growth of loan balance and the increase of interests have instant decelerating affect on domestic demand, including the growth of private consumption, which is reflected in Figure 1.3.

Figure 1.3 points out the changes in the Gross Domestic Product on the basis of the consumption method. When in 2004–2005 the biggest contribution to the economic growth was made by export then the growth of export slowed down significantly in the II half of 2006 and the domestic demand began to play a increasingly bigger role in the formation of the economic growth, mainly in the shape of gradually strengthening private consumption. Also, investments continued to increase strongly during those years. All the above had a positive effect on several fields of activity which service the domestic demand, hence the indicators of the labour market improved. In 2007 the growth of private consumption and investments slowed down, and the effects of these processes on the labour market are expected, with a delay, starting from the IInd half of 2008.

Figure 1.3. **Changes in economic growth on the basis of the consumption method (chain-linking method) in 2003–2007**



Source: Statistics Estonia.

Salaries and Labour Productivity

During the last years the booming economic activities, which were caused by the real estate and construction activities which became more and more active, mainly due to the inflow of loan money, also affected the increase in salaries. In addition the salaries were affected by the fields of activity with growing profits, caused by high consumption demand. The rapid economic growth made it possible to raise salaries in the fields of activity connected with real estate and construction, but enterprises, whose activities were based on cheap labour force and who due to that lost their competitive advantage in the foreign markets, were under more and more pressure. The rapidly falling number of unemployed and the high domestic and foreign demand for labour force significantly improved the position of employees in salary negotiations. In connection with the opening of the labour markets of many states to the citizens of new Member States of the European Union, including Estonia, the harmonisation of wage levels is inevitable. Therefore the enterprises have to renew their technologies and increase their effectiveness as soon as possible. So far atten-

tion has not been turned to that in Estonia, which is reflected in the slow growth in labour productivity[2].

Despite the relatively rapid price growth, the real growth[3] of gross wages in 2006 accelerated to 11.6% and in 2007 even to13% (see Table 1.1 and Figure 1.4)

Table 1.1. **Real growth of labour productivity and wages in 2003–2007**

	2003	2004	2005	2006	2007
Growth of labour productivity, %	5.7	8.0	8.0	4.5	5.6
Average wages, EEK	6 723	7 287	8 073	9 407	11 336
Real growth of wages, %	8.0	5.2	6.4	11.6	13.0

Source: Statistics Estonia.

In nominal, the average wage level went up from EEK 6,700 in 2003 to EEK 11,300 in 2007. In association with the boost in the number of employed the growth of labour productivity slowed down to 4.5% in 2006, but somewhat increased in 2007 – to 5.6%.

Figure 1.4 shows that there was a double gap in the growth of wages and labour productivity in 2006 and 2007. The rapid rise of wages in the conditions of open labour markets is inevitable. The premature growth of labour costs compared with the growth of labour productivity is not a constructive factor in economy, wherefore solutions have to be found for mainly increasing productivity.

Figure 1.4. **Real growth of labour productivity, GDP and wages in 2003–2007**

Source: Statistics Estonia.

1.2. Development of the Labour Market

The development of the labour market has been very positive in the recent years, especially in 2006, when the number of the employed rose over 6% and the number of unemployed fell over 22%. The positive trends continued in the following year, although in the end of the 4th quarter of 2007 a drop in employment could be observed. Table 1.2 provides an overview of the changes in the employment status of the population.

Table 1.2. **Changes in the employment status of people aged 15–74 in 2003–2007**

	2003	2004	2005	2006	2007
Employed, thousands	594.3	595.5	607.4	646.3	655.3
Unemployed, thousands	66.2	63.6	52.2	40.5	32.0
Inactive, thousands	387.4	388.7	389.0	362.3	359.0
Employment growth, %	1.5	0.2	2.0	6.4	1.4
activity rate[4] (15–64), %	69.8	69.5	69.6	72.1	72.5
employment rate[5] (15–64), %	62.6	62.6	64.0	67.7	69.1
unemployment rate,[6], %	10.0	9.7	7.9	5.9	4.7

Source: Statistics Estonia, Estonian Labour Force Survey.

While in 2003 there were 594,000 employed people among the working age population[7] of Estonia, then during the last five years that number has increased by even 61,000 people – to 655,000 people in 2007, or 10.3% in total. The employment rate has risen from the 62.6% in 2003, to 69.1% in 2007. At the same time the number of unemployed has fallen from the 66,000 in 2003 by half – to 32,000 people in 2007, and the unemployment rate accordingly from 10% to 4.7%. The number of inactive people[8] has dropped by over 28,000. This drop took place mainly in 2006 when the demand in the labour market increased and 30,000 inactive people were employed. Among the inactive people the number of discouraged people[9] decreased significantly – from the 18,000 people in 2003 to 7,000 people in 2007. Figures 1.5 and 1.6 provide a more specific overview of these developments.

The favourable conditions of the labour market in 2006 and 2007 are reflected in the movement of the labour force between different categories of the labour market. According to the Labour Force Survey, during one year, 9,100 persons moved from employment to unemployment, but 15,100 from unemployment to employment. Also over 5,000 people more moved from inactivity to employment, than from employment to inactivity.

As the labour market reacts to the recession trends of economy with a delay, then the 1st half of 2008 showed further positive developments in the labour market when compared to 2007 – the total number of employed increased by a few thousands and the number of unemployed decreased, taking the unemployment rate to only 4.1%.

[2] Labour productivity – the GDP in constant prices per one employed

[3] Real growth of gross wages – growth of wages of which the inflation has been withheld

[4] Activity rate – the percentage of labour force (employed + unemployed) of the population aged 15–64

[5] Employment rate – percentage of employed among the population aged 15–64

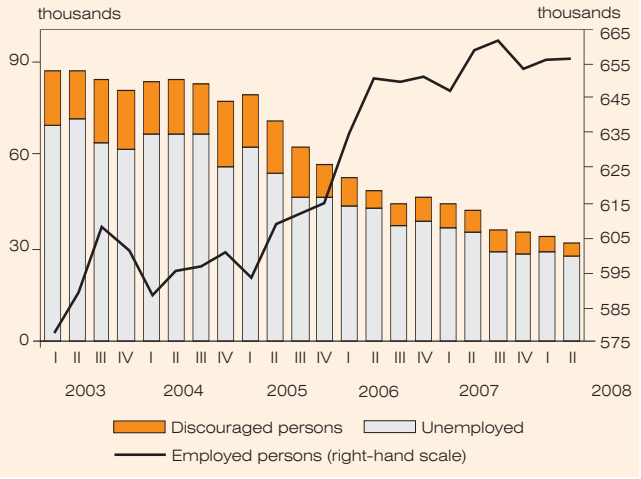
[6] Unemployment rate – the percentage of unemployed of the labour force

[7] In the Labour Force Survey people aged 15–74 are considered as working age. To ensure international comparison the employment rate and the activity rate are calculated from the population aged 15–64

[8] Inactive – person who is neither employed nor looking for a job (students, pensioners, people on parental leave, discouraged people etc)

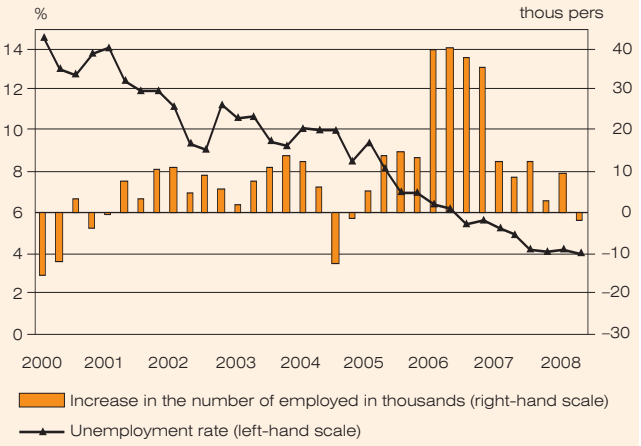
[9] Discouraged person – person, who wishes to work, but does not believe in the possibility of finding work.

Figure 1.5. **Dynamics of the number of employed, unemployed and discouraged in 2003 to 1st half of 2008** (people aged 15–74)



Source: Statistics Estonia, Estonian Labour Force Survey

Figure 1.6. **Changes in the number of employed and the unemployment rate in 2000 to 1st half of 2008** (People aged 15–74)



Source: Statistics Estonia, Estonian Labour Force Survey.

Table 1.3 gives an overview of the changes in the number of employed according to fields of activity. Of all fields of activity, the manufacturing contributed to the increase of the employed in 2004 the most, but since 2005 it has been showing a downward trend. Due to the rise in domestic demand since 2005, the number of employed increased the most in construction, but also in financial intermediation, trade, transport, hotels and restaurants, real-estate, renting, business activities and in public administration. During the viewed period the growth in the number of employed in construction has been double. When in 2003 43,000 people worked in the construction sector, then in 2007 that number was already 81,000, making up 12.4% of the total number of employed. Most of the increase in the number of employed in the mentioned field came in 2006 and 2007 when 14,000 and 18,000 workers were added to the construction sector respectively.

Table 1.3. **Employed persons by sector of activity in 2003–2007** (in thousands)

	2003	2004	2005	2006	2007	Change 2006/ 2007, thous.	Change 2006/ 2007, %
Total of fields of activity	594.3	595.5	607.4	646.3	655.3	9	1.4
Agriculture, hunting and forestry	34.4	31.4	29.4	29.9	28.8	–1.1	–3.7
Fishing	2.3	3.6	2.8	2.2	2.1	–0.1	–4.5
Mining	5.7	8	5.9	5.2	5.5	0.3	5.8
Manufacturing	134.1	140.9	139.5	136.4	134.8	–1.6	–1.2
Electricity, gas and water supply	10.2	12	12.5	12.4	9.5	–2.9	–23.4
Construction	42.9	46.8	48.7	62.8	80.9	18.1	28.8
Wholesale and retail trade; repair of motor vehicles and household goods	80.8	80	80.6	88.7	88.1	–0.6	–0.7
Hotels and restaurants	17.4	16.2	22.1	22.3	22.8	0.5	2.2
Transport, storage and communications	56.2	51.5	54.6	61.5	58.4	–3.1	–5.0
Financial intermediation	7.6	7.9	6.9	7.3	9.4	2.1	28.8
Real estate, renting and business activities	44.4	39.4	46.4	48.1	49.5	1.4	2.9
Public administration and national defence; statutory social insurance	34.5	36.9	37.2	39	39.2	0.2	0.5
Education	56.9	54.5	54.9	58.5	54.5	–4	–6.8
Health and social welfare	36.4	37.5	35	37.5	36.4	–1.1	–2.9
Other fields of activity	30.4	28.8	31.1	34.3	35.6	1.3	3.8

Source: Statistics Estonia, Estonian Labour Force Survey.

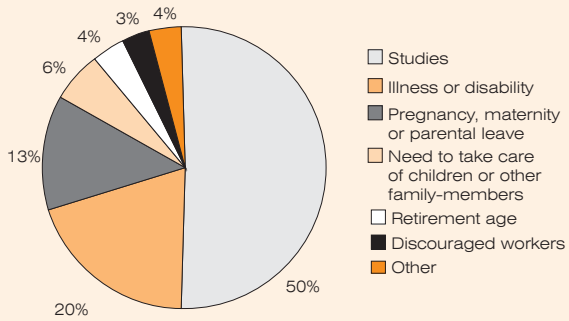
When 2007 showed a halt in the increase of the number of people employed in trade and even a decrease transport, then also the 1st half of 2008 showed signs of deterioration in the situation of the labour market. According to the data of the first two quarters the increase of employment has slowed down in construction, the halt in trade still and decrease in transport still continues. The frequent announcement about decreasing orders and redundancies suggest the deterioration of the situation of the labour market taking into account the other signs of the recession of economy. For example in the case of the recession of the real-estate sector the demand for labour force also decreases, the incomes of the workers lessen, consumption is cut down, which in turn entails a fall in demand in the retail business. The decrease in private consumption negatively affects mainly employment in the service sector. In coming out of a difficult situation the main keywords for the enterprise are reaching higher productivity, quality and orientation to foreign markets by increasing competitive export.

High demand for labour force in 2006–2007 enabled people like non-Estonians, the elderly and also discouraged people, who before had been in a disadvantageous situation on the labour market, to take part in employment. The unemployment rate of non-Estonians decreased from the 15.2% of 2003 by a half – to 6.9% in 2007. The number of discouraged people fell also (see Figure 1.5 above). One of the biggest changes took place in the employment of older women (aged 50–74), where, due to raising the retirement age and high demand for labour force, the number of inactive people and unemployed decreased and the number of employed increased from the 87,000 people of 2003 to 106, 000 in 2007.

Due to high domestic demand and the opening of the labour markets of several European countries, including our neighbouring state Finland, soon there was a lack of suitable labour force in nearly all fields of activity. At the same time, during the high points of the labour market, there were tens of thousands of unemployed and inactive people, who could have participated in employment, if they would have had the right skills and qualifications. For example, of regions the employment rate was lower than the average in North-Eastern Estonia, where there still is a high percentage of unemployed, although the unemployment rate decreased from the 18.2% of 2003 to 9% in 2007. The employment rate was also low in Western Estonia, where the unemployment rate was only 4.2% in 2007, but where more than the average percentage of working age people were inactive. Similarly, there is more than the average of non-working people in Southern Estonia.

The inactive can be viewed as an important reserve of labour force. In 2007 there were 208,000 inactive persons aged from 16 to retirement age. Not all of the inactive wish or are able to work. There are many reasons. Dominating reasons among the working age population are studies, health reasons and being on parental leave (see Figure 1.7)

Figure 1.7. **Reasons for inactivity in 2007 (people aged 16 to retirement age)**



Source: Statistics Estonia, Estonian Labour Force Survey.

The increase of the number of people inactive due to illnesses or injuries during last three years has been causing concern. The figure shows that a fifth of the working age people, that is 42,000 persons, are not working due to illnesses or disabilities. The number of people with health disorders has risen mainly in the age group of people aged 50 and over. Illnesses are one of the main reasons why many people leave work at retirement age. Therefore, in order to extend the working life of employees, attention has to be turned to their health and to reducing hazards in the working environment, which in turn helps to increase the productivity of the labour force.

2. Risk Groups of the Labour Market

Ülle Marksoo
Kaili Järv

This chapter describes those social groups, who have higher risk of being unemployed and who have bigger difficulties in returning to the labour market in the case of being unemployed. The chapter looks at the long-term unemployed, who have looked for work for a year or more; the young aged 15–24, who are entering into active working life; the older people aged 55–64, who have difficulties in finding work when losing their job; people with health problems, whose health is preventing them from taking part in working life and non-Estonians, who have difficulties in the labour market due to insufficient knowledge of Estonian.

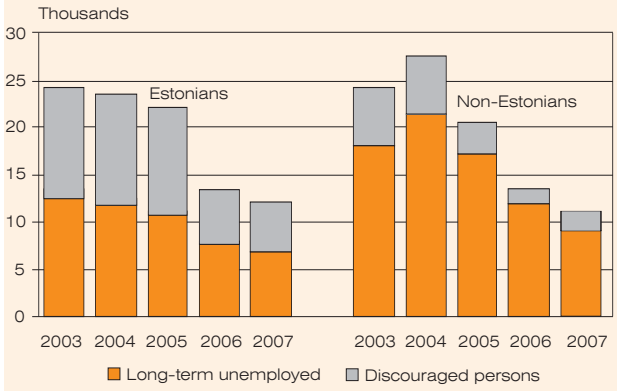
2.1. Long-Term Unemployed

Long-term unemployment[10] is a big socio-economic problem, which negatively affects the unemployed themselves, their families and the whole society. When being unemployed for a long time the professional skills and also the habit of working of a person decline. Serious coping difficulties occur due to the sudden fall in the quality of life, which in turn affects both the health and family relationships. Self-esteem decreases, as do the possibilities of finding a new job. The more there is long-term unemployment, the more difficult it is to reduce general unemployment.

The high point of long-term unemployment in Estonia was in 2000, when due to the economic crisis of Russia the number of long-term unemployed reached 41,000. In 2001 the economic situation began to recover and unemployment began to fall. There was an especially rapid decrease in unemployment, including long-term unemployment, in 2005–2007, when the record-breaking economic growth, which entailed activation of entrepreneurship and the creation of new jobs, reduced the number of unemployed to the level of the beginning of 1990s. A significant part was played by joining the European Union in 2004, which made it easier to work in foreign countries. Possibilities for increasing the competitiveness of the unemployed, including the long-term unemployed, opened up as well, with the implementation of the European Social Fund and the EQUAL programme. The shortage of labour force which developed along with the unemployment enabled also the long-term unemployed to find work on the labour market (see Figure 2.1).

In 2007 there were 15,800 long-term unemployed, who made up almost half (49%) of all unemployed and 2.3% of the labour force. 56% of the long-term unemployed had been looking for a job for over 2 years. The large percentage of long-term unemployed among the unemployed indicates structural unemployment, which means that the skills of many of the unemployed do not comply with the demands of the contemporary labour market and there are not enough suitable jobs for them. Long-term unemployment impairs their competitiveness even more. Hence, the longer people stay away from the labour market, the harder it is for them to turn back.

Figure 2.1. **Dynamics of short- and long-term unemployment in 2003 to 1st half of 2008** (in thousands)



Source: Statistics Estonia, Estonian Labour Force Survey.

When compared to other Member States of the European Union (EU), the rate of long-term unemployment in Estonia (2.3%) is below the average of the European Union (3%). But in the states with high employment rates, such as Denmark and Sweden, the rate of long-term unemployment is even lower than 1%. In ten more Member States, including Latvia and Lithuania, the respective percentage is below 2. The highest rate of long-term unemployment is in Slovakia (8.3%) and Poland (4.9%). The percentage of the long-term unemployed among the unemployed is higher in Estonia than in the EU on the average, the respective numbers are 49.5% and 42.8%. The highest percentage of long-term unemployed is in Slovakia (74.2%), however in Sweden, Denmark and Cyprus the long-term unemployed make up less than 20% of the unemployed.

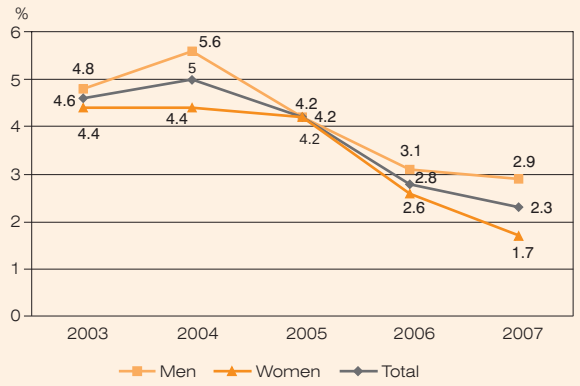
As among the unemployed as a whole, there are more men than women among the long-term unemployed (10,000 men

[10] Long-term unemployment – search for a job has lasted for 12 months and longer

and 5,800 women). The indicator which characterises long-term unemployment is the long-term unemployment rate[11], Figure 2.2 provides an overview of its dynamics.

In the comparison of age groups the search for work of younger people is generally shorter than of the elderly. This also applies to Estonia. For example among the youth (people aged 15–24) the long-term unemployed make up 30%, among people aged 25–49 the respective number is 51% and among over 50-year-olds even 70%. Among the elderly the period of searching for work is especially long. The majority (80%) of the long-term unemployed of that age group have been searching for work for over 2 years. Although the unemployment rate among the young people is higher, the employers rather employ them than older people, whose skills are often out of date and whose education does not comply with the demands of the contemporary labour market. Numerically the majority of long-term unemployed (57%) are aged 25–49, in other words they are in the best working age (see Figure 2.3)

Figure 2.2. **Long-term unemployment rate by gender in 2003–2007**



Source: Statistics Estonia, Estonian Labour Force Survey.

Figure 2.3. **Age structure of short-term and long-term unemployed in 2007**

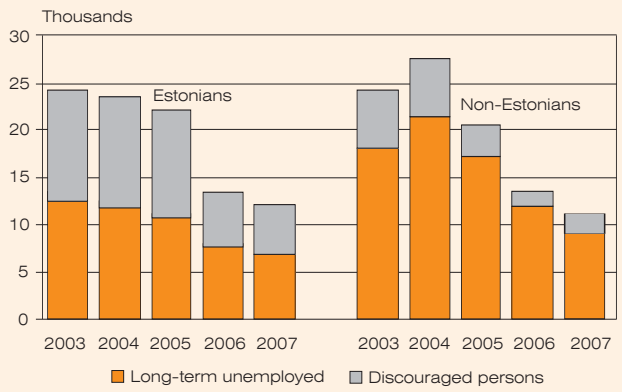
Source: Statistics Estonia, Estonian Labour Force Survey.

An important factor which affects the duration of search for work is the level of education. Usually the unemployment rate is higher among the unemployed with lowest level of education. Individuals with a higher level of education and special skills search for work more intensively, are more attractive for the employer and find suitable work more easily. When comparing the levels of education of the long-term unemployed and the employed then significant differences can be seen. There are over two times more people with basic education (21%) among the long-term unemployed than among the employed (10%) and nearly two times less people with higher education (18% and 35% respectively). The low level of education and the lack of skills are the main barriers in exiting unemployment and an important factor in the development of structural unemployment.

The duration of search for work of non-Estonians has always been significantly longer than the one of Estonians, but recently this gap has begun to diminish (see Figure 2.4). In 2007 the percentage unemployed, who had searched for work for over a year was 43% among Estonians, and 56% among non-Estonians. The long-term unemployment of non-Estonians has fallen in a significantly faster pace than the one of Estonians. Certainly a part has been played by the upturn of the economic life of North-Eastern Estonia. In that region the long-term unemployment rate is the highest and therefore the decline in long-term unemployment primarily depends on the development of the economy of North-Eastern Estonia.

Long-term unemployment should be viewed along with discouragement, as the long-term unemployed often give up searching for work and become inactive. Therefore the fall in long-term unemployment does not always mean improvement of the situation of the labour market. Figure 2.4 shows that Estonians give up searching for work in the case of losing work more often and become discouraged[12] than non-Estonians. This means, that they fall out of the labour force, which is much more damaging to the labour market. While Estonians make up 44% of the long-term unemployed, then as many as 70% of the discouraged are Estonians.

Figure 2.4. **Long-term unemployed and discouraged by ethnic nationality in 2003–2007**



Source: Statistics Estonia, Estonian Labour Force Survey.

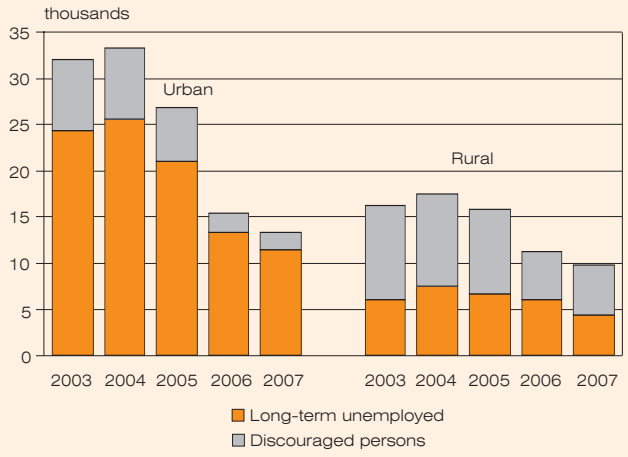
[11] Long-term unemployment rate – the percentage of long-term unemployed in the labour force.

[12] Discouraged – a person who has given up searching for work because he/she has lost hope of finding work.

There are more discouraged people in rural than in urban areas (see Figure 2.5). Many country dwellers have given up searching for work, because there are not many suitable jobs in the country and searching for work is made difficult by long distances. Serious barriers in finding work, besides low levels of education, are insufficient organisation of public transport and the scarcity of possibilities of children's day-care. During 2003–2007 the number of discouraged people showed a downward trend similarly to the number of unemployed. Discouragement decreased the most during the high period of the economic growth in 2006, in both the urban and the rural areas. In 2007 the fall in the level of discouragement in the cities continued, but in the country it began to rise again. Moving from unemployment to inactivity is especially prevalent in the rural areas of Southern and Western Estonia.

According to the Labour Force Survey the long-term unemployed have great difficulties in coping. In 2007 only 8% coped with their lives. 31% had difficulties in coping and 61% had great difficulties in coping. Odd jobs was mentioned as the main source of income (25%) along with the incomes of the husband/wife and the parents. When compared to the previous years the subsistence on odd jobs has increased.

Figure 2.5. **Long-term unemployed and discouraged by place of residence in 2003–2007 (in thousands)**



Source: Statistics Estonia, Estonian Labour Force Survey.

2.2. Young Unemployed

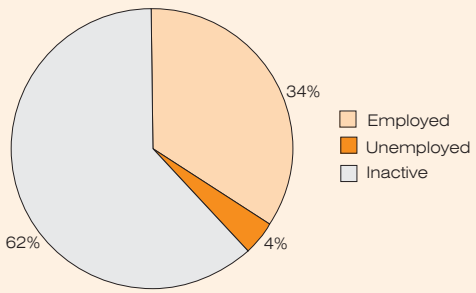
Mainly people aged 15–24 are meant when speaking of the young as a risk group of the labour market. In that age people usually graduate from school and find their first job. Educated and active young people usually do not have difficulties in finding a job. Their period of searching for work is significantly shorter than the one of the elderly. Problems occur with young people, who do not wish to learn, drop out of school or who have only basic education without professional skills. Finding a position in the contemporary labour market without education and a speciality is difficult. Being unemployed when young means that a habit of working does not develop and the risk of being unemployed in the future increases. Therefore a lot of attention has to be given to the unemployment of the young.

In 2007 the total number of young people in Estonia was 207,000, the majority (62%) of whom were inactive. Of them 89% in turn were bound to studies. The second reason for inactivity was pregnancy, maternity and parental leave (4.7%) and the third was not working due to illnesses or disabilities (2.1%).

The higher than average inactivity the youth is characteristic to the other new Member States as well. There are significantly less employed and unemployed young people in Estonia than in most of the Member States of the European Union, therefore the activity rate of the youth in Estonia (38.3%) is below the average of EU27 (44%). There are only 3.8% of unemployed among the age group of 15–24, which is one of the lowest indicators among the Member States of the EU (the average of the EU is 6.8%). The percentage of unemployed is lower only in Czech and Lithuania. An overview of the distribution of young people according to employment status is provided by Figure 2.6.

The employment of the youth has increased in recent years, but is still lower than in the other states in the European Union. In 2007 the employment rate of the Estonian youth was 34.5%, but the average in the Member States of the European Union was 37.2%. In the old Member States (EU15), where combining studies with working and practical training is more common, the rate is even 40.8%. Combining work and studies has become more common in Estonia, especially on the higher education level. But, as there are not many suitable part-time jobs, people work full-time, which negatively affects their studies, extending the duration of studies. According to the Labour Force Survey, 16% of students worked in 2007.

Figure 2.6. **Young people aged 15–24 by employment status in 2007**



Source: Statistics Estonia, Estonian Labour Force Survey.

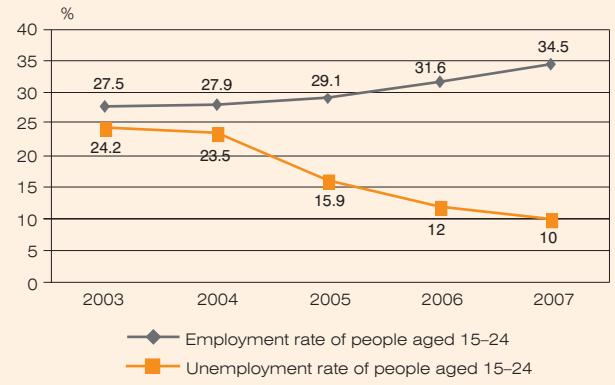
Table 2.1. **Young people aged 15–24 by employment status and studies in 2007**

	Studying	
	number	%
Employed	20 600	15.5
Unemployed	1 100	0.8
Inactive	111 100	83.7
TOTAL	132 800	100.0

Source: Statistics Estonia, Estonian Labour Force Survey.

In most states the unemployment rate among people aged under 25 is twice as high as the unemployment rate among people aged over 25 and the situation is the same in Estonia. Thanks to the positive development of economy, the unemployment rate of the youth has fallen over two times, when compared to 2003. In 2007 there were 7900 young unemployed, among them 5600 men and 2300 women, which is numerically even less than in 1992. When comparing the youth unemployment rate in Estonia, with the respective indicator in other Member States of the EU, then Estonia is in a better situation. In 2007 the youth unemployment rate was 10%, the average of the European Union was 15.5%. The youth unemployment rate was below 10% only in Denmark, Ireland, Lithuania, Netherlands and Austria. However in Greece, Italy, Poland, Bulgaria, Romania and Slovakia, the respective indicator was over 20%. Figure 2.7 gives an overview of the changes in the youth unemployment rate and employment rate in Estonia.

Figure 2.7. **Employment rate and unemployment rate of people aged 15–24 in 2003–2007**



Source: Statistics Estonia, Estonian Labour Force Survey.

During the viewed five years the youth unemployment of both men and women has fallen. There has been an especially rapid decrease in the unemployment of women, which has dropped over three times, both among Estonians and non-Estonians. The unemployment of young men increased a bit in the beginning of 2007, but the unemployment of non-Estonian women went through an extensive decrease from the 28% in 2006 to the 9% in 2007, which was also reflected in the increase of employment. When comparing residences then it is more difficult for women to find work in the rural areas than in the urban areas, where their unemployment is twice as low. In 2006 the unemployment of women in the rural areas was over 23%, but it dropped to 11% in 2007. The unemployment of men is as high in the country as in the city (12%).

Although the unemployment rate among the youth is relatively high, most young people prefer to search for work without the intermediation of the Labour Market Board. In 2007 only 11% of the unemployed youth turned to the Labour Market Board in order to find a job. Only three years ago that percentage was 38. One reason for this is certainly that young people change jobs more often and the duration of their searches for work is shorter. Over 60% of the unemployed youth have been searching for work for less than 6 months.

Table 2.2. **Employment status of people aged 15–24 by gender, thousands**

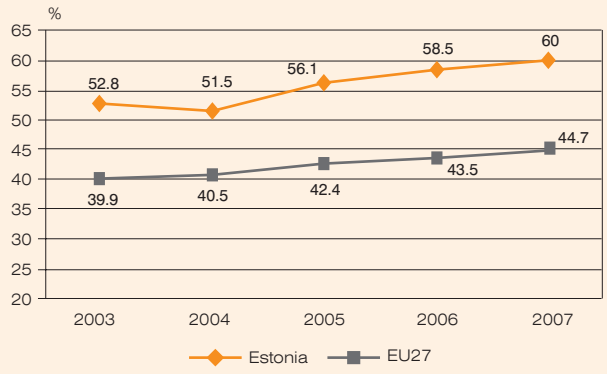
	2003	2004	2005	2006	2007
Men and women					
Employed	59.1	54.8	59.5	65.7	70.9
Unemployed	15.4	15.2	11.2	9.0	7.9
Inactive	130.4	134.9	137.0	135.5	128.5
Total	204.9	204.9	207.7	210.2	207.3
Men					
Employed	36.4	33.2	34.1	38.9	40.4
Unemployed	7.4	9.0	6.8	4.3	5.6
Inactive	60.6	62.3	65.1	64.1	59.7
Total	104.4	104.4	105.9	107.3	105.8
Women					
Employed	22.6	21.6	25.4	26.8	30.5
Unemployed	8.0	6.2	4.4	4.6	2.3
Inactive	69.8	72.6	72.0	71.4	68.8
Total	100.4	100.4	101.8	102.9	101.6

Source: Statistics Estonia, Estonian Labour Force Survey.

2.3. Older people

People aged 55–64 are treated as older people in the labour market. They are a risk group because it is very difficult to find a new job after withdrawing from the labour market. In the European Union much attention is given to promoting the employment of older people, because, due to the ageing of the population the size of working age population is decreasing and the percentage of people aged over 65 increases. The European Union has set a goal to raise the employment rate of older people to 50% by 2010. Estonia reached that goal already in 2002 and is in the second place in the ranking of states with 60%, behind Sweden. The employment rate of older people is extremely high in Sweden – 70%, while for example in Malta only 28% and in Poland 30% of the older people work.

Figure 2.8. **Employment rate of people aged 55–64 in Estonia and in the EU in 2003–2007**



Source: Eurostat.

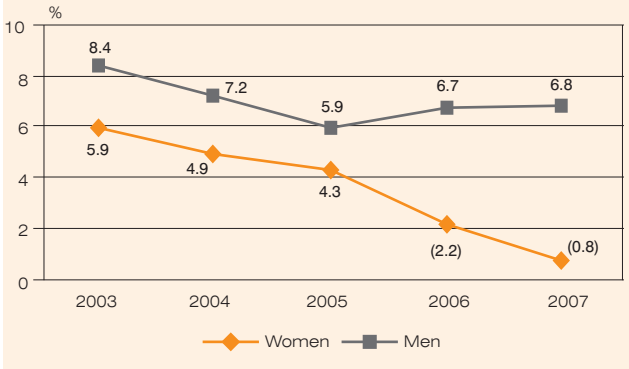
The reason for the high employment rate of older people in Estonia is extensive participation of women in the labour market. The employment rate of older women in Estonia is on the second position, after Sweden. However, older men also work more than in the EU27 on the average, but they are only on the 12th position.

The high employment rate of older people is reflected in the relatively high average exit age from the labour force (62.6 years in 2006), which surpasses the average age in the EU (61.2 years in EU25). Among the old Member States the respective number was higher only in Ireland, Sweden and United Kingdom, among new Member States in Latvia, Bulgaria and Romania.

According to Statistics Estonia the employment rate of the older people in Estonia was 59.5%, of men 58.6% and of women 60.3%. Most of them work full-time, only 10% are formalised to work with part-time. When comparing the dynamics of employment of men and women, then the increase in the employment of women is notably higher than of men. When usually the employment rate of men is higher than of women, then Estonia is the only state in the EU where, in the age group of 55–64, the employment rate of women surpasses the one of men. In 2007 the employment rate of older women surpassed the employment rate of men by 1.7 percentage points, although the age of retirement of women is lower (in 2007 the retirement age of women was 60 and the retirement age of men was 63). As the retirement age of women rises constantly, then more women stay on the labour market[13] and it can be assumed that the employment rate of women will rise in the future. Often the reason for one of the lowest rates of employment of men is deteriorating health. Long-term illnesses, injuries or disabilities are significant and continuously increasing reasons for inactivity in this age group.

The unemployment rate of older people has always been lower than the average unemployment rate of Estonia. However in 2006–2007 the unemployment of older men has surpassed the average of Estonia and has been significantly higher than the one of women. While the percentage of unemployed women among the elderly is minimal, then the unemployment rate of older men reached nearly 7% on the average, and even 11% among the non-Estonian men.

Figure 2.9. **Unemployment rate of the population aged 55–64 by gender, in 2003–2007**



Source: Statistics Estonia, Estonian Labour Force Survey.

The elderly have become more active in the labour market. In 2003–2007 the inactivity rate of older people has fallen from 44% to 38%. The inactivity of women has dropped especially rapidly, thanks to the rise in employment. The inactivity of men has been stable, or somewhat increased.

Table 2.3. **Distribution of the population aged 55–64 by employment status and gender, 2007**

Employment status	Men		Women		Total	
	Number in thousands	%	Number in thousands	%	Number in thousands	%
Labour force	40.1	62.8	51.3	60.8	91.5	61.7
…employed	37.4	58.5	50.8	60.2	88.3	59.5
…unemployed	2.7	4.2	..	0.6	3.2	2.2
Inactive	23.8	37.2	33.1	39.2	56.8	38.3
TOTAL	63.9	100	84.4	100	148.3	100
Activity rate, %	62.8		60.8		61.7	
Employment rate, %	58.6		60.3		59.5	
Unemployment rate, %	6.8		..		3.5	

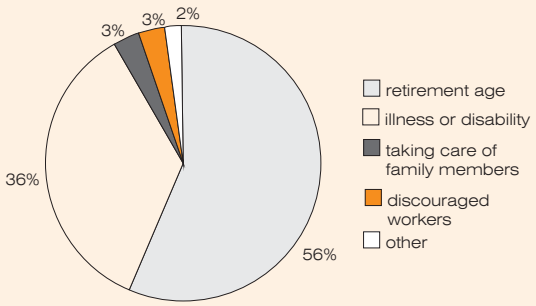
Source: Statistics Estonia, Estonian Labour Force Survey.

The people with higher level of education are more active. The higher the level of education the more probable it is that people work at a position which offers satisfaction at an older age and the higher is the employment. For example while the employment rate of older people with basic education was 36% in 2007 then the employment rate of older people with higher education was 76%. As much as 81% of women having higher education work at this age.

There are two main reasons for inactivity: retirement age and illnesses, which inhibit from activity. The relative importance of other reasons is minimal (see Figure 2.10)

According to the Labour Force Survey of 2007, most of the inactive elderly do not wish to work, even if they had the possibility. Only 13% stated that they would like to work (mainly discouraged people). Only 8% of pensioners and 11% of people inactive due to illnesses or disabilities would work if they had the possibility.

Figure 2.10. **Reasons for inactivity among the population aged 55–64, in %**



Source: Statistics Estonia, Estonian Labour Force Survey

[13] The retirement age of women gradually rises until 2016 when it becomes equal with the retirement age of men.

2.4. People with Long-Term Health Problems and Disabilities

The state of a person's health significantly affects their activity in the labour market. Working can be more or less restricted depending on the extent of the health problem. In the case of some chronic diseases health might not even be a factor which restricts working. Also disabilities may not restrict working, when a suitable job has been found for the person.

In 2002 and 2006 an additional module was added to the Labour Force Survey which enabled to determine the affect of health problems to working. People aged 15–64 answered. Table 2.4 gives an overview of how many people have long-term health problems[14] or disabilities, to what extent these restrict working and whether the situation has changed in four years.

Table 2.4. **Employment status of people aged 15–64 according to occurrence of health problems in 2002 and 2006**

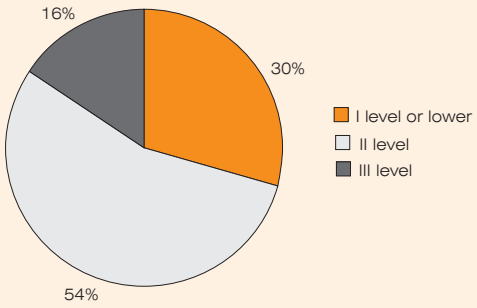
	The capacity to work is restricted due to a long-term illness			The capacity to work has not been restricted due to a long term illness	Total
	...to a great extent	..to some extent	total		
2002					
Total, thousands	50.7	45.8	96.5	819.7	916.3
including employed	4.5	20.7	25.3	540.3	565.6
including unemployed	1.7	5.5	7.2	59.3	66.5
Employment rate, %	9.0	45.2	26.2	65.9	61.7
Unemployment rate, %	27.3	20.9	22.1	9.9	10.5
Activity rate, %	12.3	57.1	33.6	73.1	69.0
2006					
Total, thousands	48.8	50.8	99.6	817.3	916.9
including employed	5.2	27.3	32.5	588.6	621.1
including unemployed	0.9	4.0	4.9	35.1	40.0
Employment rate, %	10.7	53.6	32.6	72.0	67.7
Unemployment rate, %	15.1	12.7	13.1	5.6	6.0
Activity rate, %	12.6	61.4	37.5	76.3	72.1

Source: Statistics Estonia, Estonian Labour Force Survey.

It appears from Table 2.4 that the situation of people with long-term illnesses on the labour market has improved, but their employment rate is low and unemployment is high. In 2006 the average employment rate was 67.7%. Among people, who did not have a long term illness, or whose illness did not restrict them from working, the employment rate was 72%. Among those whose capacity for work had been restricted due to a long-term illness, the employment rate was more than twice as low, that is 32,6%. When compared to 2002 the employment rate of people with health problems has increased by roughly 7 percentage points, but the majority of them are still inactive.

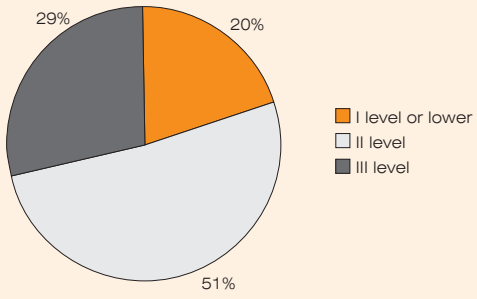
An important part is played by the level of education. People, whose disability restrict them from working to some extent or significantly have notably lower levels of education than those who do not have disabilities or whose disability does not restrict them from working (see Figures 2.11 and 2.12). This shows that people with disabilities have difficulties in accessing education and acquiring a speciality. Therefore people with disabilities have two barriers in entering the labour market: low level of education in addition to health problems, which significantly restricts the options of finding a job.

Figure 2.11. **Level of education[15] of disabled people aged 15–64 whose disability restricts them from working to some extent or significantly in 2006**



Source: Statistics Estonia, Labour Force Survey.

Figure 2.12. **Level of education of people aged 15–64 who do not have a disability or whose disability does not restrict them from working in 2006**



Source: Statistics Estonia, Labour Force Survey.

When compared to 2002 the absolute number of people with a health disorder which restricts them from working has increased by 3000. The main health problems are connected with joint-related discomfort (arthritis, rheumatism, injuries) and cardio-vascular diseases. On the average 11% of working age people (12% of men and 10% of women) have a long-term health problem which is related to work

[14] Illnesses which have lasted over 6 months, such as cardiovascular diseases, joint, skin, respiratory and gastro-intestinal diseases, diabetes, cancer etc were considered as long term health problems in the Labour Force Survey

[15] I level or lower – primary education or lower, basic education, vocational education for youth without basic education; II level – vocational education on the basis of basic education, general secondary education on the basis of basic education; vocational education on the basis of secondary education, III level – secondary specialised education on the basis of secondary education, higher education, Master's and Doctoral level degree.

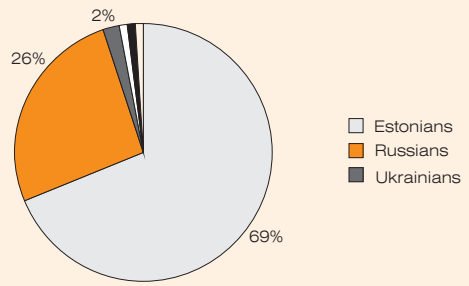
(occupational disease etc). 11,000 persons have a congenital health disorder.

The elderly have also more health disorders. While health problems affect the working of 3% of young people, then the respective indicator among people aged 25–49 is 7%, and among people aged 50–64 it is already 26% and among men even 30%. When compared to 2002 the latter percentage has increased by 8 percentage points or by 8000 people. This is one of the reasons why the employment rate of older men is lower than of women.

2.5. Non-Estonians

Besides the majority nationality there are over 100 nationality groups in Estonia. The biggest minority nationality is the Russians (26% of the population). The other nationalities, of whom the most are Ukrainian, Belorussian and Finnish, make up about 5% (Figure 2.13). Almost half of the non-Estonians (47%) have acquired Estonian citizenship by now, the rest are mainly Russian citizens (23%) or stateless persons (28%). This makes Estonia one of the states of the European Union with the largest number of immigrants, next to Luxembourg and Latvia (16.3% of residents of Estonia do not have Estonian citizenship). Geographically the non-Estonians have centred to mainly Ida-Viru County and Tallinn.

Figure 2.13. **Distribution of the population according to nationality, 1 January 2007**

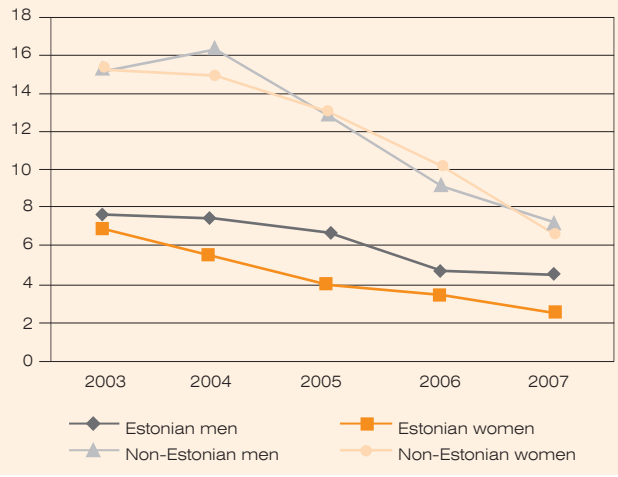


Source: Statistics Estonia.

According to the Estonian Labour Force Survey the non-Estonians make up a significant part (33%) of the working age population, wherefore it is important to treat the participation and problems of this group on the labour market separately.

During the period after the re-independence, the unemployment of non-Estonians has been constantly higher than the one of Estonians. During the recent years the unemployment of non-Estonians has dropped rapidly due to the economic growth (from 15.2% in 2003 to 6.9% in 2007), but still is twice as high as the unemployment of Estonians (whose unemployment decreased to 3.6% in 2007). In the case of non-Estonians there have not been significant differences between the unemployment of men and women (Figure 2.14), while the difference among Estonians is permanent, although it has decreased during the last few years.

Figure 2.14. **Unemployment rate of Estonians and non-Estonians (aged 15–74) by gender in 2003–2007, in %**

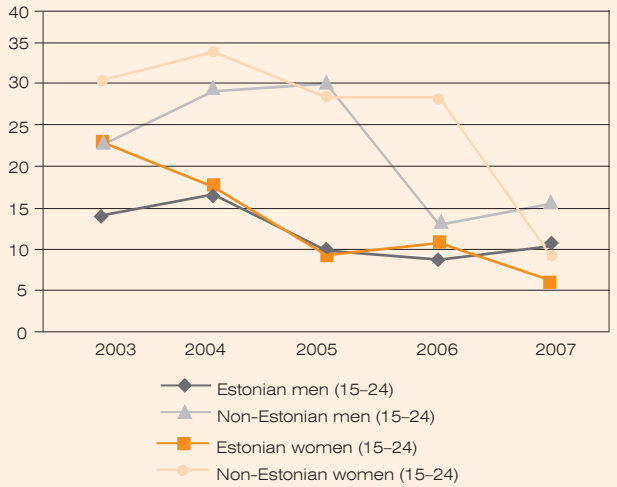


Source: Statistics Estonia, Labour Force Survey.

The reasons for the high unemployment of non-Estonians are partly hidden in the regionally unbalanced development – Ida-Viru County is still one of the regions of Estonia with the highest unemployment rates. In Tallinn the differences between Estonians and national minorities are at least as substantial (Anspal, Kallaste 2007: 5)[16].

As is evident from the previous sections of this chapter, unemployment has been traditionally higher among young people aged 15–24. The unemployment of the non-Estonian youth has rapidly fallen in the recent years – while a few years ago the unemployment of young non-Estonians was over 30% of the labour force, then now the difference from young Estonians has decreased to about 5 percentage points (the unemployment rates in 2007 were respectively 13.7% and 8.5%). However the unemployment rate of young women has fallen even more than the one of young men, whose unemployment rate somewhat rose in 2007 (Figure 2.15)

Figure 2.15. **Unemployment rate of young people (aged 15–24) by gender and nationality in 2003–2007, in %**



Source: Statistics Estonia, Labour Force Survey.

[16] Anspal, S., Kallaste, E. 2007. The Situation of Women of Minority Nationalities on the Estonian Labour Market. Survey Report to the Estonian Ministry of Social Affairs. Centre for Policy Studies PRAXIS (In Estonian)

The improvement of the situation of the labour market of young non-Estonians is reflected in the rapid growth in the activity and employment rates in 2007. Although employment rose in all age groups, the highest increase was among people aged 15–24. Therefore the gaps between Estonians and non-Estonians on the labour market have diminished due to positive developments of the economy and the labour market (Table 2.5).

Table 2.5. **Gaps on the labour market between Estonians and non-Estonians (aged 15–64) in 2003–2007**

	2003	2004	2005	2006	2007
Activity rate, %					
Estonians	69.2	68.7	68.2	71.5	71.8
Non-Estonians	70.8	70.9	72.5	73.3	74.2
Activity gap[17], percentage points	–1.6	–2.2	–4.3	–1.8	–2.4
Employment rate, %					
Estonians	64.0	64.2	64.5	68.5	69.1
Non-Estonians	59.8	59.6	63.0	66.1	69.0
Employment gap[18], percentage points	4.2	4.6	1.5	2.4	0.1
Unemployment rate, %					
Estonians	7.5	6.6	5.5	4.2	3.7
Non-Estonians	15.6	16.0	13.1	9.9	7.0
Unemployment gap[19], percentage points	–8.1	–9.4	–7.6	–5.7	–3.3

Source: Statistics Estonia: Labour Force Survey.

According to the survey which reflected the labour market integration of non-Estonians[20], which analysed the effect of several socio-demographic factors and factors connected with nationality (citizenship, language skills etc) to the participation of minority nationalities on the labour market, it became clear that good knowledge of Estonian is essential in being employed. At the same time the status of being a stateless person or a citizen of a foreign country generally affect employment negatively, except in the Tallinn region (Anspal 2008:7). In 2007 the employment gap between people with Estonian citizenship and people with some other citizenship was 3.3 percentage points.

In the case of minority nationalities, a problem besides difficulties in being employed could be occupational segregation and salary differences, when compared to the majority nationality. Ethnic segregation by occupation can be noticed in Estonia (Figure 2.16). The percentage of managers and professionals among Estonians is almost twice as high as the percentage of non-Estonians working in the same field (31% of Estonians, that is about a third are so called white-collar workers, but only 19% of non-Estonians, which is less than a fifth, are white-collar). The majority (53%) of non-Estonians work as artificers, skilled workers, device or machine operators and elementary occupations, only 35% of Estonians work in those so called blue-collar occupations.

[17] Activity gap – difference between the activity rates in percentage points

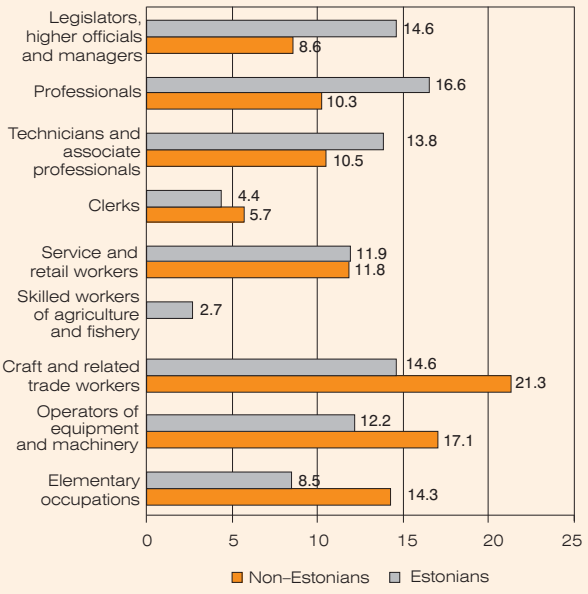
[18] Employment gap – difference between the employment rates in percentage points

[19] Unemployment gap – difference between unemployment rates in percentage points

[20] Anspal, Sten 2008. *Integration on the Labour Market. Final Report of the Estonian Integration Program 2008–2013 Necessity and Feasibility Study.* PRAXIS Centre for Policy Studies (In Estonian)

Similarly to the factors which affect the access to employment, access to white-collar occupations is inhibited by lack professionals of Estonian citizenship. In this case the reason might also be that restrictions for working at certain positions have been prescribed to the citizens of foreign states and stateless persons. In addition knowledge of Estonian and English increase the probability of working at a higher position (Anspal 2007: 9)

Figure 2.16. **Distribution of Estonian and non-Estonian workers according to occupation in 2007, in %**



Source: Statistics Estonia, Labour Force Survey.

Triin Vihalemm, who wrote about the attitudes of the Russian-speaking population towards the official language in the Estonian Human Development Report (Estonian Human Development Report 2007: 65–66)[21] brings out that the knowledge of Estonian of the Russian-speaking population has increased significantly during the last twenty years, especially among the younger generation. The knowledge of English of both, Estonians and the Russian-speaking population, has risen twice, that is as much as the knowledge of Estonian of the speakers of Russian has increased. The better language capital of young people enables them to compete more successfully at the labour markets of Estonia and other countries, which as we saw above, has positively affected their employment rates.

The different positions of Estonians and non-Estonians on the labour market are reflected in their wages and incomes. Therefore the difference in wages of Estonians and non-Estonians has remained to be 10–15% to the benefit of Estonian workers. According to the Estonian Social Survey the annual equivalent net income[22] of non-Estonians was 80% of the annual equivalent net income of Estonians.

[21] Vihalemm, T. 2008 Estonia's Linguistic Capital. *Estonian Human Development Report 2007.* Tallinn .

[22] Equivalent net income – the income of the household, which is divided with the sum of the consumption weight of the members of the household.

In conclusion it can be said that the problems of ethnic minorities on the labour markets of different countries are similar and are mainly caused by insufficient language skills, weaker social networks and less networks than the majority nationality, different attitudes and relationships between nationalities (Estonian Human Development Report: 48)[23]. Still it is positive that providing equal opportunities for non-Estonians among other risk groups and the significance of social-economic integration have been discussed more and more in Estonia in the recent years. This is reflected in the *Estonian Integration Program 2008–2013*[24] which took affect on 2008 and is based on ensuring equal possibilities regardless of nation and mother tongue, and the aim of which is to reduce the differences between the employment and incomes of workers of different nationalities.

[23] Lauristin, M. 2008. Non-Estonians as part of the population and citizenry of Estonia. – *Estonian Human Development Report 2007.* Tallinn

[24] Web page of the Office of the Minister for Population and Ethnic Affairs http://www.rahvastikuminister.ee/?id=10442

3. Active Labour Market Policy

Katrin Raadom

Labour market policy in Estonia is implemented by the Labour Market Board and the Estonian Unemployment Insurance Fund. The main goal of the Labour Market Board is to help persons seeking work to find a job as quickly as possible. In order to support access to employment the Labour Market Board offers several services for the unemployed, for example labour market training, work practice, career counselling etc and pays unemployment benefit. In order to ensure an income in the case of being unemployed, which helps to cope and search for suitable work, the Estonian Unemployment Insurance Fund pays unemployment insurance benefit. In addition the Estonian Unemployment Insurance Fund pays also benefits in the case of collective termination of employment contracts (collective redundancy) and insolvency of the employer (bankruptcy). In the case of collective redundancy the Estonian Unemployment Insurance Fund pays a part of the redundancy payments for the employer, thus helping to prevent solvency problems of the enterprise. When the employees have not received some remuneration due to the bankruptcy of the employer, then the Estonian Unemployment Insurance Fund pays them the benefit upon insolvency of the employer.

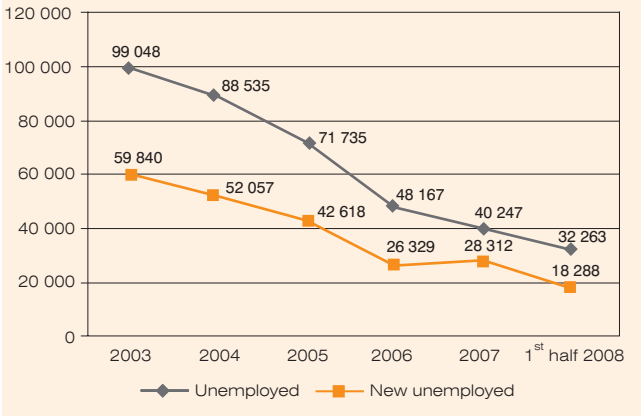
The following section will provide an overview of the unemployed registered by the Labour Market Board, the services and benefits offered, the placement of the unemployed, the recipients of benefits paid by the Estonian Unemployment Insurance Fund and the costs of paying the benefits.

3.1. Registered unemployment

Registered unemployed is a person, who is not working and has registered himself/herself as unemployed at the Labour Market Board. The number of registered unemployed began to fall rapidly since 2003, the drop in the number of registered unemployed was especially rapid in 2006. After that the number of unemployed registered at the Labour Market Board stabilised, until in the 1st half of 2008 the growing trend appeared again. During the 1st half of 2008 a total of 32,000 people were registered as unemployed at the Labour Market Board, that is only about 8000 people less than during the whole 2007[25] (Figure 3.1). Taking into account the number of new unemployed, it is probable, that the total number of unemployed registered in 2008 surpasses the respective indicator of 2007. According to Figure 3.1 18,288 new unemployed were registered during the 1st half of 2008, that is only a third less than in during the whole 2007.

42% of the registered unemployed in 2007 were men and 58% women. When compared to for example 2005, the percentage of women among the registered unemployed has risen (in 2005 there were 55% women and 45% men). 14% of the registered unemployed were aged 24 or younger and 30% were aged 55 or older. About a quarter (24%) or all unemployed registered in 2007 had first level education (primary or basic education, vocational education without basic education) and 18% had third level education (higher education, higher vocational education or secondary specialized education). 58% of the unemployed had vocational or general secondary education or post-basic vocational education (so called second level education).

Figure 3.1. **Number of registered unemployed and new unemployed in 2003–2007 and the 1st half of 2008**



Source: Labour Market Board.

The rise in the number of registered unemployed in 2008 is also indicated by the fact that in the first half-year of 2008 the average monthly increase in the number of unemployed was about 20% higher than in 2007. Also the average number of monthly new unemployed was higher in the first half-year of 2008 than it had been during the two previous years (Figure 3.2).

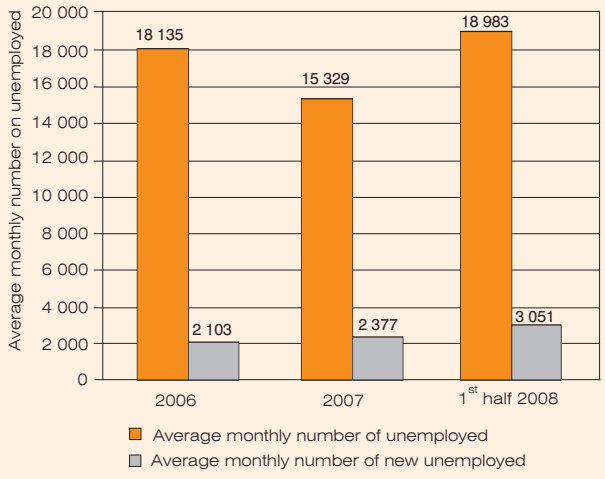
According to Statistics Estonia the general unemployment rate fell by 1.3 percentage points in 2007. In the case of the registered unemployment rate[26] the downward trend is more moderate (Figure 3.3). When compared to 2006 the regis-

[25] In the I half-year of 2007 the respective number was 25,973, that is 6290 less than in the I half-year of 2008

[26] Registered unemployment rate – the percentage of registered unemployed in the labour force

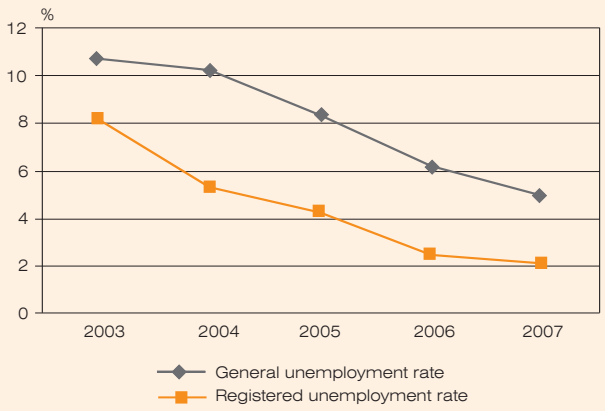
tered unemployment rate fell by 0.3 percentage points and was 2.1% in 2007. The decrease in the difference between the general unemployment rate and registered unemployment rate indicates greater willingness of people to turn to the Labour Market Board in the case of being unemployed and to receive unemployment insurance benefit until finding a new job.

Figure 3.2. **Average monthly number of unemployed and new unemployed in 2006–2007 and 1st half of 2008**



Source: Labour Market Board.

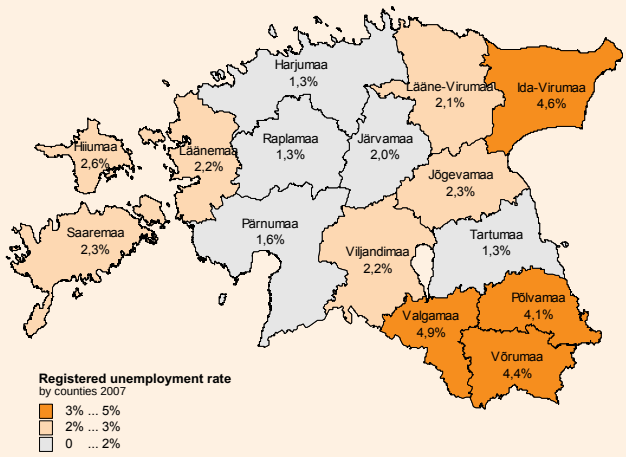
Figure 3.3. **Registered unemployment rate and general unemployment rate in 2003–2007**



Source: Statistics Estonia, Labour Market Board.

In different countries the unemployment rate differs over three times. From Figure 3.4 we see that the highest registered unemployment rate in 2007 was in Valga (4.9%) and Ida-Viru (4.6%) Counties, and the lowest in Tartu, Harju and Rapla Counties. When compared to 2006 the registered unemployment rate increased in Võru and Pärnu Counties. Registered unemployment decreased in the rest of the counties. The registered unemployment rate dropped the most (by 1.2 percentage points) in Ida-Viru and Lääne Counties.

Figure 3.4. **Registered unemployment rate by counties in 2007**



Source: Labour Market Board.

3.2. Registered Unemployed Belonging to Risk Groups

The previous section dealt with the changes in the registered unemployment rate in 2007 including the trends in the changes in the number of new people, who register themselves as unemployed. In 2007 the average monthly number of new unemployed increased when compared to 2006, but the average number of people registered during a month decreased. This is possible only when the period of time of being registered as unemployed shortens.

For some people it is more difficult to find work after being unemployed. The longer the unemployment period is, the less likely it is for a person to be employed again. Therefore the groups, who may have difficulties in finding a new job, are considered as risk groups. The source for risk may be insufficient working experience and qualification, lack of working habit, but also the age of the unemployed, insufficient knowledge of Estonian etc. Since 2006[27] the Labour Market Board offers more active counselling than usual, employment mediation and a broader range of services, including services specially directed at risk groups. The risk groups with whom the Labour Market Board is involved with more actively are the following:

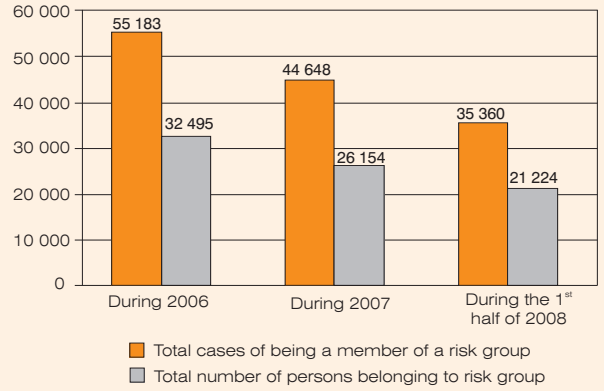
- the young unemployed aged 16–24;
- the unemployed aged 55 and older;
- the disabled unemployed;
- the unemployed without sufficient knowledge of Estonian;
- the unemployed released from prisons;
- the long term unemployed;
- the unemployed who have been previously engaged with duties of care and have received caregiver's allowance.

[27] The new Labour Market Services and Benefits Act was enforced in 01.01.2006 (RT I 2005, 54, 430).

In the following section the unemployed, who are registered in the Labour Market Board, will be covered according to risk groups.

On the average about 66% of the unemployed belong to one or more risk group. One unemployed person can be a member of several risk groups simultaneously (for example if he/she is disabled and at the same time long-term unemployed).

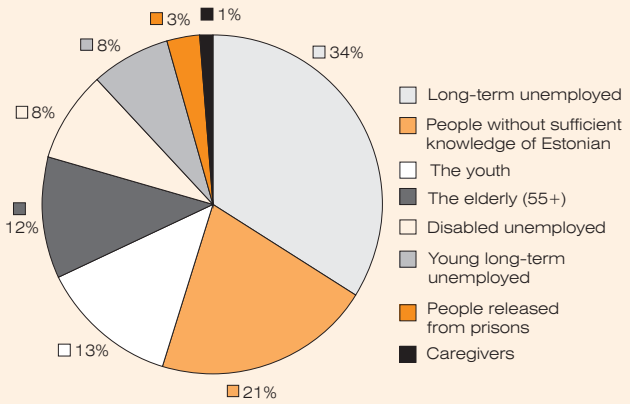
Figure 3.5. **Number of cases of being a member of a risk group and the number of people belonging to a risk group in 2006–2007 and the 1st half of 2008**



Source: Labour Market Board.

The most common risk group among the registered unemployed was the group of long-term unemployed – 34% or all registered unemployed in 2007 belonged there (Figure 3.6). Also people without sufficient knowledge of Estonian constituted a significant part of the registered unemployed of the viewed period – 21%. The percentages of young unemployed and elderly unemployed among all unemployed are roughly the same, 13% and 12% respectively. 8% of all the registered unemployed of 2007 were disabled. The relative importance of other risk groups (released from prisons, caregivers) was significantly lower.

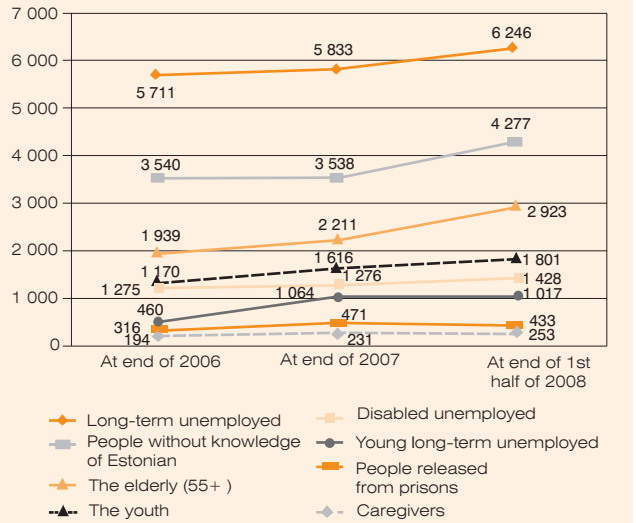
Figure 3.6. **Percentages of unemployed belonging to risk groups according to risk groups in 2007**



Source: Labour Market Board.

Figure 3.7 shows that as at the end of the 1st half of 2008 the number of unemployed belonging to different risk groups has grown, compared the end of 2007. The number of people belonging to all risk groups has increased, except the number of young long-term unemployed[28] and persons released from prison. Also the rise in the number of caregivers is low. The number of unemployed without sufficient knowledge of Estonian and elderly unemployed has risen the most. The absolute number of unemployed belonging to the risk group of long-term unemployed (6246) is still the highest.

Figure 3.7. **Number of registered unemployed belonging to risk groups as at the end of the period according to risk groups in 2006–2007 and 1st half of 2008**



Source: Labour Market Board.

3.3. Vacancies and Employment Mediation

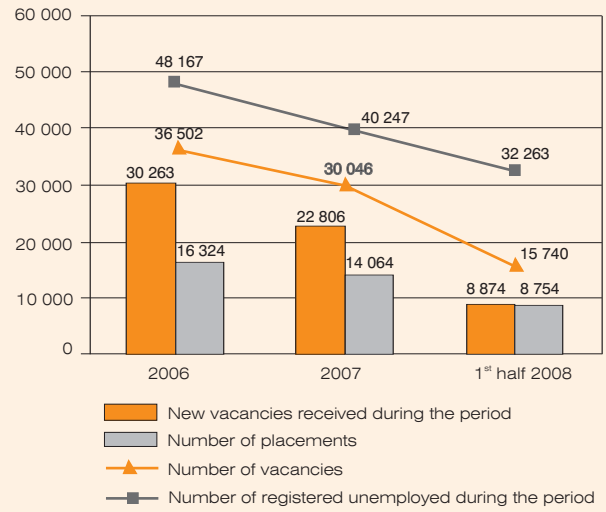
The main function of the Labour Market Board is placement of the unemployed, mediating suitable workers to employers and vacant positions to the unemployed and to offer other active labour market services if necessary, in addition to employment mediation. Although a large proportion of the budget of the Labour Market Board is spent on the active labour market measures, the number of placements can be seen as one of the most important performance indicators of the active labour market policy. Figure 3.8 brings out the number of new job offers presented to the Labour Market Board during 2006, 2007 and the 1st half of 2008, and the number of placements during the same period, the number of vacant positions registered at the Labour Market Board during the whole viewed period and the total number of unemployed registered during the observed period.

In 2007 30,046 jobs were offered through the Labour Market Board, which was about 18% less than in 2006. During the 1st half of 2008 the Labour Market Board mediated

[28] Young long-term unemployed – Registered unemployed aged 16–24, who had searched for work for over six months

15,740 jobs. A significant difference between the 1st half of 2008 and the previous years is that, in the 1st half of 2008, the number of new job offers and the number of placements was roughly the same. In 2006 the number of placements amounted to only 54% of the vacancies of the same period and in 2007 the respective percentage was 62%. Although in the case of 2008 we are dealing with the indicator of only the 1st half, it still shows that the employment mediation of the Labour Market Board has become more efficient. The rapid diminishing of the gap between the number of new vacancies and the number of placements cannot be solely connected with the improvement of the quality of employment mediation. Among other things the quality of the information about the unemployed who have left the Labour Market Board has improved. Unlike before, the Labour Market Board tries to reach contact with the unemployed to find out whether they found the work or not. Correct information about the placements, which was clearly underestimated before, is also reflected in the database of the Labour Market Board.

Figure 3.8. **Number of new and existing vacancies and the number of registered unemployed and placements in 2006–2007 and 1st half of 2008**



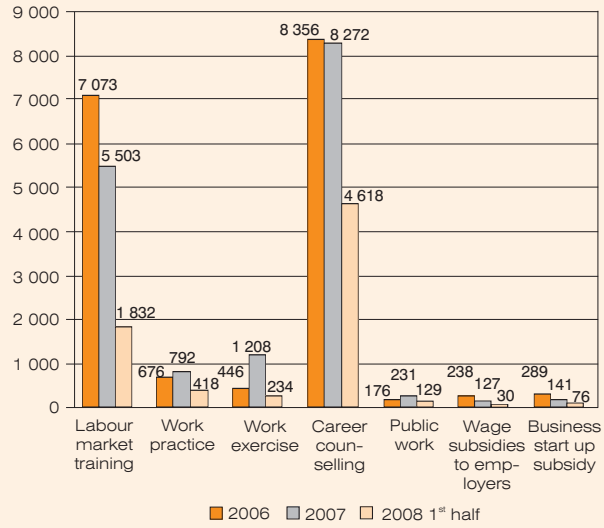
Source: Labour Market Board.

3.4. Active Labour Market Measures

Employment mediation is insufficient for finding workplace to all unemployed. Many unemployed need in-work training or retraining, a possibility of practicing in their acquired profession, career counselling or other services in order to find work. These services are called active labour market measures. This means that the unemployed have to actively participate in some activities, for example trainings or public work, in order to improve the perspective of finding work. Figure 3.9 brings out the number of participants of all active measures provided by the Labour Market Board in 2006, 2007 and the 1st half of 2008, except the specific services directed at the disabled unemployed, the capacity of which is significantly smaller when compared to other measures.

Career counselling is the measure of the Labour Market Board which has found the most use. Over 8000 unemployed took part in career counselling in both 2006 and 2007, which amounts to 17% of the number of registered unemployed in 2006 and 21% of the registered unemployed in 2007. However the most popular measure used to be labour market training, but the number of participants in this service has shown a downward trend during the recent years. When comparing 2006 and 2007 an increase in the capacity of work exercise and work practice can be seen. As both work exercise and work practice are relatively new services – the Labour Market Board began to mediate them in 2006 – the increase in the capacity of these services is expected.

Figure 3.9. **Number of unemployed, who participated in active labour market services, according to the type of the service in 2006–2007 and 1st half of 2008**



Source: Labour Market Board.

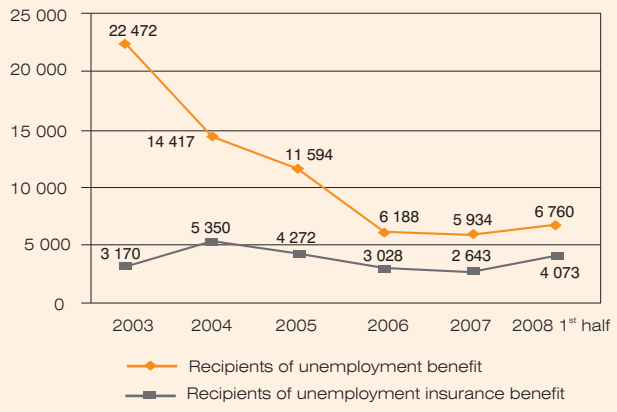
3.5. Unemployment Benefit and Unemployment Insurance Benefit

In addition to providing active labour market services, the Labour Market Board also pays unemployment benefit[29] to the unemployed, in order to enable them to pay regular visits to the Labour Market Board and search for work. Unemployment benefit is paid to those registered unemployed who have worked for at least a six months during the year preceding the registration or have been engaged with certain activities (for example raising children, care, being hospitalised etc). Since 2003 the number of recipients of unemployment benefit has rapidly decreased (Figure 3.10). Instead of 22 000 recipients of the unemployment benefit (2003), less than 6000 people applied for unemployment benefit in 2007. During the 1st half of 2008 the average number of recipients of the unemployment benefit per month has begun to grow again.

[29] The daily rate of the unemployment benefit in 2008 was EEK32.9

In addition to unemployment benefit the unemployed also have the possibility to receive unemployment insurance benefit. The unemployment insurance benefit is paid by the Estonian Unemployment Insurance Fund to those registered unemployed, whose last working relationship did not end on their own initiative or mutual agreement, and who have worked for at least 12 months during the three years which preceded the registration. Similarly to the number of recipients of unemployment benefit the average monthly number of the recipients of unemployment insurance benefit also grew during the 1st half of 2008. The number of beneficiaries rose as much as 84% when compared to the 1st half of 2007. The increase in the number of recipients of unemployment benefit and unemployment insurance benefit is connected with the rise in the number of registered unemployed, but also with the changes in their structure. Due to the rise in the number of registered unemployed the rise in the number of beneficiaries is expected. At the same time the numbers of recipients of unemployment benefit and unemployment insurance benefit rose during the 1st half of 2008 more rapidly than the number of registered unemployed, which reflects the changes in the structure of registered unemployed. When compared to the years of economic growth the percentage of people, who worked before (and are therefore eligible for the benefit), among the registered unemployed has risen and among the latter in turn, the percentage of those who did not leave work on their own initiative or due to mutual agreements has increased.

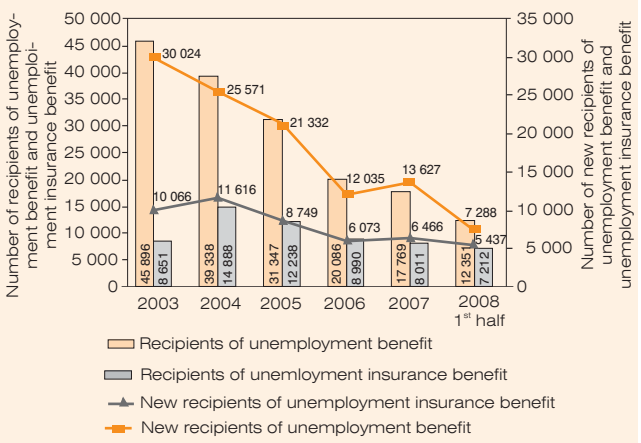
Figure 3.10. **Average monthly number of recipients of unemployment benefit and unemployment insurance benefit in 2003–2007 and the 1st half of 2008**



Source: Labour Market Board, Unemployment Insurance Fund.

During the 1st half of 2008 there were only 5427 new recipients of the unemployment insurance benefit[30] that is only 16% less than during the whole 2007 (Figure 3.11). The number of new recipients of the unemployment benefit of the 1st half of 2008 was only a bit over half of the number of recipients of unemployment benefit of the previous year. Therefore the rise in the number of recipients of the unemployment insurance benefit was faster than the rise in the number of the recipients of the unemployment benefit, which reflects that the percentage of those who were employed before registration as unemployed and lost their job on the initiation of the employer has increased.

Figure 3.11. **Number of unemployed who received unemployment benefit and unemployment insurance benefit and new unemployed in 2003–2007 and 1st half of 2008**



Source: Labour Market Board, Unemployment Insurance Fund.

3.6. Collective Redundancy and Insolvency Benefit

In addition to the unemployment insurance benefit the Unemployment Insurance Fund also pays benefits in the case of collective redundancy and bankruptcy of the employer. In the case of collective redundancy the Unemployment Insurance Fund pays a part of the benefits upon termination of employment contracts for the employer. In the case of bankruptcy the Unemployment Insurance Fund compensates the fees to the employees which they did not receive due to the insolvency of the employer. The employer applies for the collective redundancy benefit for the employees and the insolvency benefit is applied for the employees by the trustee in bankruptcy. Differently from the unemployment insurance benefit, both of the benefits are single benefits and the beneficiary does not have to be registered as unemployed in the Labour Market Board.

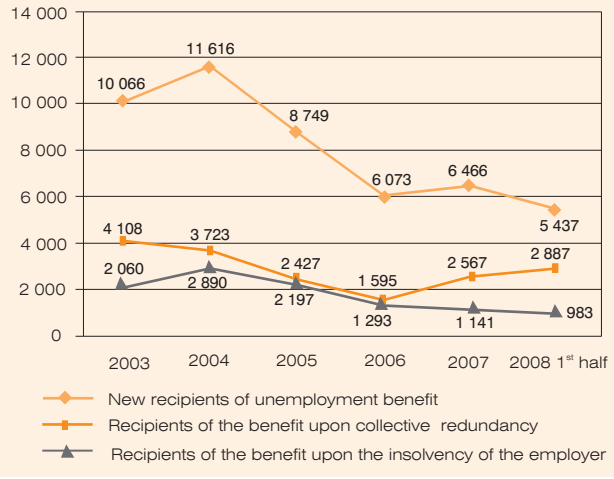
During the 1st half of 2008 collective redundancy benefit has been paid to more people than during the whole year in three previous years (Figure 3.12). This indicates that the need to adapt with new economic conditions has brought along more extensive reorganisations of work and also liquidations of enterprises.

Similarly to other benefits the number of recipients of benefit upon insolvency of the employer has shown a downward trend during the economic growth period (Figure 3.12). However, during the 1st half of 2008 the total number of recipients of insolvency benefit was as high as the total of 2007, which indicates that the number of recipients of this benefit is rising. Also, taking into account that the number

[30] New recipients of unemployment benefit or unemployment insurance benefit are unemployed to whom the benefit was awarded and the first payment was made during the viewed period. The recipient of unemployment benefit or unemployment insurance benefit are all unemployed to whom at least one benefit payment has been made during the observed period (2006, 2007 or I half-year of 2008)

of new recipients of unemployment insurance benefit during the 1st half of 2008 was only 16% less than the total of 2007, it can be expected that the number of the recipients of unemployment insurance benefit will increase in 2008 when compared to the previous year.

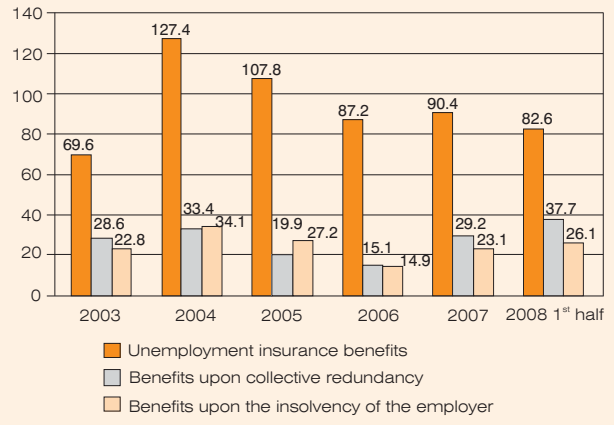
Figure 3.12. **Number of recipients of unemployment insurance benefit, collective redundancy benefit and benefit upon insolvency of the employer in 2003–2007 and 1st half of 2008**



Source: Unemployment Insurance Fund.

Figure 3.13 brings out the expenses of the Unemployment Insurance Fund for paying different benefits since 2003. When compared to all other types of benefits, the highest expenses have been made for unemployment insurance benefit throughout all the years. This is caused by both the higher number of beneficiaries (Figure 3.12) and also by the fact that the monthly payments of unemployment insurance benefit per beneficiary have been larger than the average amounts of benefits of collective redundancy and insolvency. During the 1st half of 2008 EEK 82.6 million was spent on unemployment insurance benefit, which is only a tenth less than during 2007 and only a third less than in 2004, which was the year with the highest expenses on unemployment insurance benefit.

Figure 3.13. **Expenses on unemployment insurance benefit, collective redundancy benefit and benefit upon the insolvency of the employer in 2003–2007 and 1st half of 2008 (in EEK million)**



Source: Unemployment Insurance Fund.

The payments of collective redundancy benefit grew already in 2007. During the 1st half of 2008 EEK 37.7 million was spent on the payments of this benefit, which is more than during any other previous year. Also the payments of the insolvency benefit increased in 2007. During the 1st half of 2008 EEK 26.1 million was spent on payments of the insolvency benefit, which is more than was spent in 2006 or 2007. Therefore a possible prognosis is that during 2008 as a whole the total amount of payments of unemployment insurance benefit and the costs of payments of insolvency benefit are higher than during any other previous year of the existence of the Unemployment Insurance Fund.

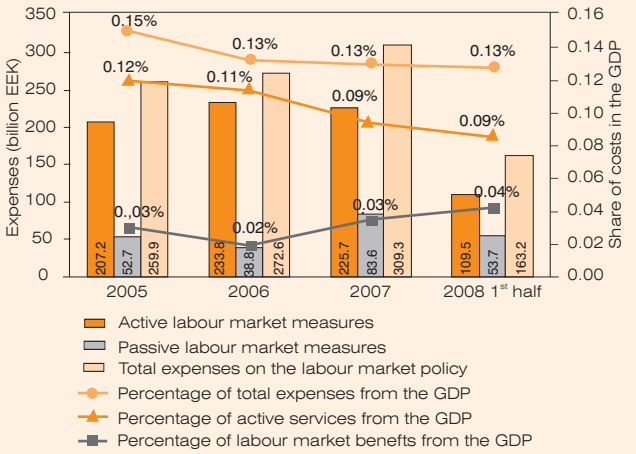
3.7. Expenses on Labour Market Policy

The unemployment benefit, collective redundancy benefit and benefit upon insolvency of the employer, covered in the previous section, are funded from the finances of the Unemployment Insurance Fund, which accrue from the unemployment insurance premiums paid by the employers and employees and proceeds from investing reserves. Active labour market measures and unemployment benefits to the unemployed are funded from the state budget and means of foreign aid (European Social Fund). Also the administration expenses of the Labour Market Board are considered as a part of the expenses on active labour market policy, as it is necessary for ensuring the provision of active labour market services, including employment mediation, to the unemployed.

Figure 3.14 brings out the expenses made for active labour market measures (labour market services) and for the so called passive measures (unemployment benefits, social tax of special cases) and on the labour market policy as a whole from the means of the state budget and foreign aid. Also the figure brings out the percentage in the GDP the expenses make up. Through years the expenses on labour market benefits have been significantly smaller than the expenses made on active labour market services, constituting, for example in 2007, only 27% of all the expenses of the state on the labour market policy. The expenses made on the passive labour market measures have increased since 2006, and if we take the expenses made during the 1st half of 2008 into account, then it is clear that this trend continues. However the expenses made on the labour market services in 2007 were smaller than in 2006, but the number of unemployed was then 16% lower. As a whole the expenses on the labour market policy of the state have increased constantly, although the percentage of the costs in the GDP has been stable since 2006 (0.13%). Therefore during the recent years the percentage of passive measures from the total costs has increased and the percentage of active measure decreased. The reason for the growth of expenses on passive measures is on the one had the rise in the unemployment benefit rate since 2006, but on the other hand also in the fact that the number of those unemployed, who have the necessary length of employment, when registering as unemployed has increased during 2007 and the 1st half of 2008. The

decrease in the expenses of the costs of the active measures is caused by the drop in the number of unemployed in 2007 when compared to previous years.

Figure 3.14. **Expenses on labour market policy and the percentage of the expenses in the GDP in 2005–2007 and the 1st half of 2008**



Source: Labour Market Board.

Table 3.1 presents the costs on the labour market policy in detail, according to the most important labour market services and benefits. It comes out that the expenses made on labour market training in 2007 have decreased significantly when compared to 2006 and the expenses of the 1st half of 2008 have been relatively low. The cutback in the training service was connected with the difficulties in the initial phase of the implementation of the programme Increasing the Supply of Qualified Labour Force 2007–2013 which is financed by the European Social Fund, wherefore it was impossible to offer measures in the extent and with the speed that were needed.

Table 3.1. **Expenses (including foreign aid) according to types of services (millions EEK)**

	2006	2007	2008 1st half
Unemployment benefit	24.7	52.3	30.3
Social tax for the unemployed paid from state budget	14.1	31.3	23.4
Grant	9.8	7.5	2.6
Transport and accommodation allowance	5.3	5.5	1.9
Business start up subsidy	6.5	2.7	4.1
Labour market training	71.0	43.9	10.0
Wage subsidy to employers	7.5	1.8	0.6
Work practice	5.2	5.6	2.8
Work exercise	2.4	9.8	3.0
Services directed at disabled unemployed	0.9	1.0	0.6

Source: Labour Market Board.

Differently from labour market training the capacities of expenses of new measures implemented since 2006 – work practice and work exercise – increased in 2007. Presumably the level of the previous year will be preserved in the expenses made on work practice, which has been provided for EEK 2.8 million during the 1st half of 2008 (50% of the total expenses of 2007). According to the trends of the recent years and the indicators of the 1st half of 2008 the measures with increasing capacities are business start up subsidies and labour market benefits – unemployment benefit and social tax of special cases, which is paid to ensure health insurance for recipients of unemployment benefit and other unemployed.

4. Organisation of Work, Remuneration and Collective Employment Relationship

Märt Masso

4.1. Organisation of Work

The variety of work formats used in employment relationships are covered under organisation of work. Firstly, a description of teleworking as a spatial organisation of work is given, thereafter different working time forms and working time organisations – fixed-term contract, part-time work, working on unusual times and overtime work – are described.

In order to characterise organisation of work we are going to look at the principal job of employees, in other words the job where the worker works for most hours in the case of many jobs. Employees are employed either full-time or part-time for an institution, enterprise or other employers, which he/she is paid for either in money or kind. It is not important whether the job is officially registered or not. According to the Labour Force Survey, in 2007 some 91.1 % of the employed or 596,800 workers were employees.

4.1.1. Teleworking

Usually work is done on the premises of the enterprise or institution, however it is often possible to organise work in a way that the employee works outside the usual premises of the employer. Teleworking is working in an employment relationship outside the usual premises of the employer, for example in the home of the employee or in premises created or obtained by the employer near the employee's home (tele-bureau). According to the definition of teleworking the employer and the employee use means of information technology and telecommunication for communication outside the premises of the employer.

Table 4.1 brings out the percentages of those employees who have had the possibility to use teleworking.

Over years teleworking has been an evenly uncommon work format and in 2007 4.6 % of employees used it. The work format is somewhat more common among male workers, among whom there are almost 2 percentage points more users of teleworking than among female workers.

Table 4.1. **Share of teleworking among employees, by gender, 2003–2007, in %**

	2003	2004	2005	2006	2007
Total	4.4	4.3	4.9	4.6	4.6
Men	5.3	5.3	6.7	5.7	5.3
Women	3.5	3.3	3.4	3.7	3.9

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

Using different forms of organisation of work is also connected with the field of activity and the occupation of the employee. Tables 4.2 and 4.3 bring out the percentages of users of teleworking among employees according to the field of activity of the enterprise or the institution and the occupation of the employee.

Table 4.2. **Share of users of teleworking among employees, by occupation, in 2007, in %**

Occupation	%
Legislators, higher officials and managers	10.9
Professionals	12.0
Technicians and associate professionals	5.4
Other occupations	1.4
Total of all occupations	4.6

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

Table 4.3. **Share of users of teleworking among employees, by sector of activity, in %**

Field of activity	%
Supply of electricity, gas and water	2.1
Construction	3.9
Retail and wholesale business; repairing motor vehicles and household goods	5.1
Transport and storage	4.9
Information and communication	28.3
Public administration and national defence; statutory social insurance	5.1
Education	6.8
Other fields of activity	3.7
Total of all fields of activity	4.6

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

It comes clear from the tables that using the possibilities of teleworking is somewhat more common among professionals, higher officials and managers. Information and communication stands out among fields of activities as there as many as 28.9 % of employees have used teleworking.

Besides the possibility of using teleworking, it is important to look at how big a portion of the working time the employees usually use teleworking. According to the Labour Force Survey of 2007 51% of the workers, who have used teleworking use it during less than a quarter of the working time, 22% use it during a quarter of the working time, 14% during half of the working time, 8% during three-quarters of the working time and 6% of teleworkers use only teleworking.

In conclusion it can be said teleworking is an unusual category of spatial organisation of work among employees. Obviously the spread of teleworking and the percentage of teleworking of the working time are restricted by the willingness and readiness of the employee to work in such a way and also the readiness and possibilities of the employer to organise work is such a form.

4.1.2. Fixed-term contract

The agreement between the employee and employer to work can be either without a term or with a fixed-term. In the case of the latter a certain deadline or some other conditions, for example completing the work, when the agreement ends is agreed upon. According to the Employment Contracts Act (see Employment Contracts Act, § 27) a fixed-term contract can be concluded for certain fixed-term jobs, for example to replace a temporarily absent employee, for a temporary increase in the capacity of work, for seasonal work. Temporary agreements are also made for specific jobs in the case of contract for services under the Law of Obligations.

According to Statistics Estonia 2.1% of all employees considered their job as with a fixed-term. The following table brings out the trends of employees during the last five years.

Table 4.4 **Share of fixed-term contract among employees in 2003–2007, in %**

	2003	2004	2005	2006	2007
Total	2.5	2.6	2.7	2.7	2.1
Men	3.1	3.5	3.4	3.3	2.7
Women	1.8	1.8	2.0	2.2	1.6

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

It comes clear from the table that the spread of fixed-term contract has not changed significantly during the previous five years. When analysing the gender differences in the spread of fixed-term contract, then it can be seen that it is somewhat more common among men.

When compared to other states in the European Union then the fixed-term contract relationship is not common in Estonia. 14.5% of the employees of the 27 states of the European Union worked with a fixed-term in 2007 (Source: Eurostat). The percentage of fixed-term employees in the neighbouring states of Estonia – Latvia and Lithuania – is similar as 4.2% and 3.5% of employees work with a fixed-term respectively. There are 15.9% of fixed-term employees in Finland.

In order to characterise the spread of fixed-term contract as a work format it is important to look at which party of the employment relationship has chosen this work format for the employee. According to the evaluations of the employees with a fixed-term contract in 2007 (Estonia Labour Force Survey) 54% of the respondents do not regard as important whether the job is permanent of temporary. 17% wish to do temporary work and 30% wish to have permanent work. In conclusion it can be said that the temporary employment relationship is not common in Estonia. From the evaluations of the employees it can be deduced that, although there is a certain part of employees who wish for and need fixed-term contract, the fixed-term organisation of work is used mainly due to the organisation of work of the employer.

4.1.3. Part-time work

Part-time work is working time which is established by the employer, is shorter than the standard working time and is implemented upon the agreement between the employer and employee (see the Working and Rest Time Act, § 5). Generally the following description is based on the national standard for working time, therefore part-time work means working less than 8 hours per day or 40 hours per week. The legislation prescribes shorter working time for employees, who do underground work, work that poses a health hazard, work of a special nature, and teachers, educators and other people working in the field of teaching and education in schools and other child care institutions, also for psychologists and speech therapists, who work on the basis of an employment contract with the provider of the health care service – up to 7 hours per day or 35 hours per week.

In order to characterise the relative importance of the part-time employees, we will look at the number of employees, who according to their own words work usually less than 40 hours per week[31].

[31] According to Statistics Estonia part-time employees are people who work for less than 35 hours per week or, in the case of the special cases brought out in the legislation, work significantly, that is at least 5 hours, less than the valid standard of working time. In this publication part-time employees are those whose working time per week is usually less than 40 hours. The approach of Statistics Estonia decreases the percentage of part-time employees by about 3-4 percentage points. The approach of this publication increases the evaluation of the relative importance of the part-time employees by employees whose standard of working time is smaller as determined by the legislation. As the aim is to characterise part-time work from the perspective of the regulation and the proportion of employees covered with special regulations is small, then the chosen approach gives a somewhat better evaluation for analysis.

Table 4.5. **Share of part-time employees among employees in 2003–2007, in %**

	2003	2004	2005	2006	2007
Total	12.6	11.9	11.8	11.7	11.4
Men	7.5	7	6.3	5.6	5.2
Women	17.6	16.5	16.7	17.3	17.2
People aged 15–24	16.4	15.6	16.8	15.5	15.6
People aged 25–49	9.4	8.6	9.1	16.2	8.9
People aged 50–74	18.5	17.7	15.7	15.4	14.8

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

From the table it becomes clear that about a tenth of the employees work part-time. The percentage of part-time employees among women, the young and the elderly is higher, which is explainable by the wish to combine work with family and private-life. According to the Estonian Labour Force Survey of 2007 18.2% of the part-time employees work part-time due to studies, 7.5% due to health problems or disabilities, 11.1% due to the need of taking care of children or family members and 11% just do not wish to work full-time. All in all about 63% of the part-time employees bring out personal or family reasons as incentives for choosing such a work format. In the case of the rest – 37% of part-time employees – the reason is the economic activity of the employer and the organisation of work, for example the scarcity of work or the lack of full-time jobs.

The choices of the employer in organising work are often caused by the field of activity and the work of the employees. In the following we will look at part-time work according to the occupation of the employees (see Table 4.6) and the field of activity of the enterprise or institution (see table 4.7) on 2007.

Table 4.6. **Share of part-time employees among employees, by occupation, in 2007, in %**

Occupation	%
Legislators, higher officials and managers	3.3
Professionals	26.4
Technicians and associate professionals	10.6
Clerks	10.9
Service and retail workers	13.2
Skilled workers of agriculture and fishery	...[32]
Craft and related trade workers	3.8
Plant and machine operators and assemblers	1.8
Elementary occupations	22.8
Total of occupations	11.4

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

Table 4.7. **Share of part-time employees among employees, by sector of activity, in 2007, in %**

Field of activity	%
Agriculture, forest management, fishing	9.3
Manufacturing	2.8
Construction	3.4
Retail and wholesale business; repairing motor vehicles and household goods	9.2
Transport and storage	5.1
Housing and catering	14.3
Real-estate activities	29.2
Administration and assistance activities	9.0
Public administration and national defence; statutory social insurance	16.2
Education	5.9
Health and social welfare	38.4
Art, entertainment and leisure	19.1
Other service activities	24.5
Other fields of activity	27.4
Total of all fields of activity	11.4

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

There are significantly more part-time employees among elementary occupations and professionals – the percentage of them is nearly twice as high as in all occupations as a whole.

Of fields of activity, part-time work is most common in real-estate activities, health and social welfare, art, entertainment and leisure and in other service activities.

As the established standard of working time is different in different states then in evaluating the percentage of part-time employees by states the Eurostat bases its evaluations on the self-determination of the employees whether the work done at their principal job is part-time or full-time. According to Eurostat there were 8,2% of part-time employees in 2007, but in the 27 states of the European Union there were 18.2% (Source: Eurostat). In Latvia and Lithuania there are 6.4% and 8.6% of part-time employees respectively, in Finland 14.1%. All in all part-time work is less common in Estonia when compared to the rest of Estonia.

4.1.4. Timing of Work: Unusual Working Hours

In order to characterise organisation of working time we will look at the timing of work or the period of time when the employees work. From the standpoint of employment relationships it is important to look at working on unusual working hours– in the evening, at night and during weekends. The following table brings out the percentage of employees, who during four consequent weeks worked at least once in the evening, at night or during weekends.

[32] The data about the rows with three dots (...) is too dubious to be presented as the sample of the survey does not allow to bring out credible numbers.

Table 4.8. **Share of working on unusual working hours among employees in 2003–2007, in %**

		2003	2004	2005	2006	2007
Working in the evenings (from 6 pm to 12 pm)	Total	34.5	35.5	33.7	39.0	35.8
	Men	37.6	38.8	36.4	43.5	37.7
	Women	31.6	32.5	31.2	34.9	34.1
	15–24-year-olds	42.5	39.2	43.2	39.5	38.6
	25–49-year-olds	35.5	35.9	33.8	40.0	36.1
	50–74-year-olds	29.2	33.4	29.8	36.9	34.0
Working at night (after 12 pm)	Total	15.4	14.5	13.0	14.6	11.5
	Men	18.6	16.3	14.8	17.6	13.1
	Women	12.3	12.8	11.3	11.7	10.0
	15–24-year-olds	16.1	13.2	16.4	11.3	10.3
	25–49-year-olds	16.1	14.6	12.7	14.7	11.3
	50–74-year-olds	13.5	14.8	12.2	15.4	12.5
Working during weekends	Total	41.0	38.7	35.0	38.5	36.5
	Men	43.5	39.8	48.0	41.2	36.7
	Women	38.6	37.7	37.4	36.0	36.4
	15–24-year-olds	47.8	43.6	48.0	42.0	41.0
	25–49-year-olds	41.6	38.3	37.5	38.8	36.5
	50–74-year-olds	37.1	37.9	35.0	36.7	34.8

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

When compared to the average of the 27 member states of the European Union then Estonia does not differ in the number of people working in the evenings. While 35.8% of employees in Estonia work in evenings, then the respective number in the European Union is 36.2%. When compared to the neighbouring states, then we have more employees, who work in the evenings than in Latvia and Lithuania – the respective numbers in these states are 32,7% and 31.8%. 44.9% of the employees in Finland work in evenings.

As the percentage of night-time workers in Estonia has fallen when compared to 2006, we have a somewhat smaller percentage of night-time workers when compared to other states. There are 13.7%, 13.3% and 15.2% of night-time workers in Latvia, Lithuania and Finland respectively. The average percentage of night-time workers in the 27 states of the European Union is 15.8%, while in Estonia it is 11.5%.

In order to compare the employees, who work during weekends, we are going to separately look at working on Saturdays and Sundays. While 35.9% of employees in Estonia have worked on Saturdays, 43.6% of employees of the 27 member states of the European Union have worked on Saturdays. There are 38.9% of those who have worked on Saturdays in Latvia, 38.2% in Lithuania and 29.9% in Finland.

24.7% of the employees of the 27 member states of the European Union and 23,4% of the workers in Estonia have worked on Sundays. In the neighbouring states, Latvia, Lithuania and Finland, the respective numbers are 23,7%, 26,3% and 22,3%.

Working on unusual working hours has shown a downward trend in Estonia during the recent years. When compared to the states of the European Union, then in Estonia there are somewhat less workers, who work at nights or on Saturdays.

4.1.5. Amount of Working Time and Overtime Work

The organisation of work is also characterised by the amount of working time. In order to characterise the amount of working hours done on the main job we will look at the average working time per week (see table 4.9)

Table 4.9. **Average working time of employees in 2003–2007, in hours**

	2003	2004	2005	2006	2007
Total of employees	39.5	39.8	39.5	39.5	39.4
Part-time employees (less than 40 hours per week	25.3	25.8	25.4	25.5	25.4
Full-time employees (at least 40 hours per week)	41.5	41.7	41.4	41.4	41.2

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

From the table it becomes clear that the working hours of full-time employees have remained relatively stable during the last five years. On the average the part-time employees work for 25 hours and full-time employees for about 41 hours per week.

The temporal assessment of the amount of work somewhat differs between genders and age groups. According to the data of 2007 part-time male workers work per week about as much as the female workers, 25.2 and 25.4 hours respectively; however the average full-time male employees work more than female workers, 41.7 and 40.7 hours per week respectively.

When characterising the average working time per week on the basis of age then differences occur mainly in the case of part-time work. According to the data of 2007, generally the youth and the elderly work less than the employees of the middle age group. While the part-time employees aged 15–24, work for 23.9 hours per week on the average, and the employees aged 55–74 work for 23.4 hours, then employees aged 25–49 work for 27.4 hours.

In order to compare the European countries we will look at the usual length of the working week of full-time employees, whereas in the case of Estonia we consider full-time employees to be employees with a working week of over 35 hours. Using this assessment the average length of the working week of the full-time employees of Estonia is 40.9 hours, according to Eurostat. The average length of the working week in the 27 states of the European Union is 40,5 hours. The lengths of the working week of our neighbouring states are the following: 41.7 hours in Latvia, 39.8 hours in Lithuania, and 39.2 hours in Finland (Eurostat). It becomes clear that the working week of employees in Estonia is somewhat longer than in the European Union as a whole.

In order to characterise the working time of Estonian employees we will look at the percentages of employees, who usually work for over 48 hours on their principal job (see table 4.10) or in other words have long working weeks.

Table 4.10. **Share of full-time employees, who usually work for more than 48 hours per week, in 2007, in %**

	2003	2004	2005	2006	2007
Total	6.2	5.9	5.7	6.1	5.5
Men	8.9	9.1	8.4	8.7	8.2
Women	3.3	2.6	2.8	3.4	2.6
15–24-year-olds	6.1	6.2	4.9	6.0	4.8
25–49-year-olds	7.0	7.0	6.3	6.9	5.8
50–74-year olds	4.4	3.3	4.3	4.6	5.1

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

In 2007 there were 5.5% of workers with a usual working week of over 48 hours. Here gender behaviour was clearly distinguishable – men work for over 48 hours per week three times more often than women.

When we look at employees according to occupation then long working weeks are more common among higher officials and managers and among plant and machine operators and assemblers, where the percentages of full-time employees who work for over 48 hours per week are respectively 9.2% and 8.2% (see table 4.11).

Table 4.11. **Share of full-time employees, who usually work for over 48 hours per week, by occupation, in 2007, in %**

Occupation	%
Legislators, higher officials and managers	9.2
Professionals	5.1
Technicians and associate professionals	4.2
Clerks	…
Service and retail workers	3.1
Skilled workers of agriculture and fishery	…
Craft and related trade workers	5.8
Plant and machine operators and assemblers	8.2
Elementary occupations	4.0
Total of occupations	5.5

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

The largest percentages of employees with long working weeks according to the main field of activity of enterprises and institutions is in transport and storage, agriculture, forest management, fishing and construction (see table 4.12).

Table 4.12. **Share of full-time employees, who usually work for over 48 hours per week, by sector of activity, in 2007, in %**

Field of activity	%
Agriculture, forest management and fishing	13.3
Manufacturing	2.8
Construction	9.4
Retail and wholesale business; repairing motor vehicles and household goods	3.6
Transport and storage	14.3
Education	4.4
Other fields of activity	3.8
Total of all fields of activity	5.5

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

Overtime work often occurs along with long working weeks. Overtime work is working over the agreed norm of working time. The need for overtime work occurs when a certain amount of work has to be done in addition to the contractual working time. In the case of variable beginning and end of work and sum total calculation of working time, overtime work is the working hours exceeding the general number of working hours of the accounting period.

Table 4.13. **Share of employees, who do paid and unpaid overtime in 2006–2007, in %**

	2006	2007
Total	10.5	8.4
Men	11.4	9.0
Women	9.7	7.8
15–24-year-olds	10.6	6.8
25–49-year-olds	10.3	8.8
50–74-year-olds	10.8	8.3

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

From the table we see that in 2006 and 2007 the percentages of employees who did paid and unpaid overtime has dropped by nearly 2 percentage points. As the amount of working hours of male workers is bigger then the percentage of overtime workers among male workers is somewhat higher.

Plant and machine operators and assemblers and professionals do more overtime (see table 4.14). Of fields of activity there are more employees who do overtime in agriculture, forest management, fishing and education (see table 4.15).

Table 4.14. **Share of employees, who do paid and unpaid overtime, by occupation, in 2007, in %**

Occupation	Percentage among the employees of the occupation, %
Legislators, higher officials and managers	7.4
Professionals	9.9
Technicians and associate professionals	6.3
Clerks	7.1
Service and retail workers	8.3
Skilled workers of agriculture and fishery	…
Craft and related trade workers	8.7
Plant and machine operators and assemblers	11.0
Elementary occupations	6.8
Total of occupations	8.4

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

In conclusion it becomes clear that the percentage of employees, who have long working weeks and who do overtime, has been falling from year to year. Almost 5% of employees have long working weeks. This can affect their possibilities of combining work, family and private life, also the quality of their working life and health. Almost 8% of employees work more than has been agreed upon.

Table 4.15. **Percentage of employees, who do paid and unpaid overtime, by sector of activity, in 2007, in %**

Field of activity	%
Agriculture, forest management, fishing	11.5
Manufacturing	7.8
Construction	9.6
Retail and wholesale business; repairing motor vehicles and household goods	7.3
Transport and storage	10.2
Public administration and national defence; statutory social insurance	8.7
Education	12.3
Health and social welfare	8.5
Other fields of activity	6.0
Total of all fields of activity	8.4

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

4.2. Remuneration

Salary is one of the most important conditions of work in which the employer and employee agree upon when concluding the employment contract. Remuneration is a fee which the employer pays to the employee for work according to the contract between the parties of the employment relationship, collective contract or legislation.

4.2.1. Amount of Remuneration

In order to characterise the amounts of remuneration of employees and the changes in it, we are going to look at the average monthly gross wages. Table 4.16 gives an overview of the amount and growth of the average gross wages during the last five years.

Table 4.16. **Average monthly gross wages in 2003–2007, in EEK**

	2003	2004	2005	2006	2007
Average monthly gross wages	6723	7287	8073	9407	11 336
Growth rate, %	9.4	8.4	10.8	16.5	20.5

Source: Statistics Estonia.

During the last five years the average gross earnings have increased about 69% – by EEK 4613. The growth rate of the average wages has increased mainly during the last two years.

As the field of activity, the occupation of the people working on the field of activity and the labour productivity of the field of activity are important in the formation of the remuneration, we are going to look at the average gross wages according to fields of activity (table 4.17).

Traditionally the highest wages are in financial mediation, where the average wage reaches to EEK 21,205, the lowers wages are in hotels and restaurants – EEK 7146 – and in agriculture, hunting and fishing, where the average wages are EEK 8609, EEK 9212 respectively.

As calculating statistics which would compare the remunerations of states, then Eurostat does not publish data which would be comparable. However EUROFUND has compared the trends of changes in the remunerations established by collective contracts in Europe. According to the fund the increase in the gross wages established by collective contracts in the member states of the European Union (EU27) in 2006 and 2007 was 5.6% and 7% respectively, whereas the biggest increase was in new member states like Estonia. For example the growth of the average gross wages in 2007 was 32.3% and in Lithuania 21.2%. The Baltic States had also the highest increase in remunerations in 2007 (EUROFUND: Pay Developments 2007)

Table 4.17. **Average monthly gross wages according to fields of activity in 2006–2007, in EEK**

	2006		2007	
	Average gross wages	Growth, %	Average gross wages	Growth, %
Average of the fields of activity	9407	16.5	11 336	20.5
Agriculture, hunting and the fields which service them	6808	21	8609	26.4
Forest management, timber collection, and sectors servicing these	9105	8.8	11 014	21
Fishing	7107	55.4	9212	29.6
Mining industry	10 070	15.3	12 920	28.3
Manufacturing	8844	17.5	10 651	20.4
Supply of electricity, gas and water	10 385	7.8	12 560	20.9
Construction	10 075	18.8	13 020	29.2
Retail and wholesale business; repairing motor vehicles and household goods	9111	23.1	10 961	20.3
Hotels and restaurants	6148	13.4	7146	16.2
Transport, storage and communication	10 126	14.3	12 545	23.9
Financial mediation	16 915	3.2	21 205	25.4
Real-estate, renting and business activities	11 433	17.6	12 248	7.1
Public administration and national defence; statutory social insurance	11 482	13.7	14 301	24.6
Education	7949	10.1	9393	18.2
Health and social welfare	9026	14.3	11 051	22.4
Other community, social and personal services	7862	12.8	9556	21.5

Source: Statistics Estonia

4.2.2. Minimum Wages

According to the Wages Act (§ 2 (7)) the minimum wage is an amount of remuneration which has been established by the Government of the Republic for certain units of time (hour, day, week, month etc), less of which it is not allowed to agree upon in the case of full-time employment. The minimum wage agreement is achieved every year in negotiations between the representative organisations of the social partners – the Confederation of Estonian Trade Unions and the Estonian Employer's Confederation – and is established with a regulation of the Government of the Republic.

The aim of the minimum wage is to avoid unfair remuneration of employees and to influence the development of the amount of remunerations in a way that it would provide an income from professional activities, sufficient for coping. As the minimum wage limit prescribed to the employers avoids hiring labour force under a certain limit, then it directly affects the labour force costs of the employers.

The following table brings out the changes in minimum wages by years.

Table 4.18. **Minimum wages 2003–2008, in EEK**

	2003	2004	2005	2006	2007	2008
Minimum hourly wage	12.9	14.6	15.9	17.8	21.5	27.0
Minimum monthly wage	2160	2480	2690	3000	3600	4350
The relationship of the minimum monthly wage to the average wages	32.1%	34.0%	33.3%	31.9%	31.8%	

Source: Government of the Republic of Estonia Regulation *Establishment of Minimum Wage*; Statistics Estonia.

From the table it becomes clear that by the absolute value the nominal value of the minimum monthly wage has increased by EEK 1440 from 2003 to 2007, that is 1.67 times. By years the average of growth of the minimum wage has been about 14% per year. The minimum wage makes up about 32% of the average wages.

In order to compare the size of the minimum wage we will compare the minimum wage in Estonia with our neighbouring states. When in 2007 the minimum wage in Estonia was EUR 230.1, then in Latvia it was EUR 229.4, in Lithuania EUR 231.7, in Poland EUR 312.7. But if we look at the destination countries of the labour migration of Estonians, then there the minimum wages are significantly higher, for example in Ireland the minimum wage in the beginning of 2007 was EUR 1462 and in The United Kingdom EUR 1222.5 (Eurostat).

The affect of the minimum wage on the wage level is characterised by the percentage of people who receive minimum wage (see table 4.19).

Table 4.19. **Share of full-time employees who receive minimum wage, in 2003–2005, in %**

	2003	2004	2005
Total	6.4	5.7	4.8
Men	5.5	4.8	3.5
Women	7.3	6.6	5.9

Source: Statistics Estonia.

From the table we see that the percentage of full-time employees who receive minimum wage has decreased. From that we can deduce the affect of the growth of the minimum wage in the recent years, which has increased the remunerations of employees with lower wage levels. Also it becomes clear, that as the wage level of female workers is lower than the one of male workers, as there are somewhat more of those who receive minimum wage among female workers. When we look at the same indicators of our neighbours for comparison, the in Latvia 9.2% and in Lithuania 7.0% of full-time employees received minimum wage in 2007.
All in all, the increase in the growth of wages during the recent years was affected by the economic growth. As the growth of productivity of labour has been lower than the rise in wages and the economic growth has significantly decreased during this year, then in the following years a smaller growth in wages can be expected.

4.3. Collective Employment Relationship and Social Dialogue

Collective employment relationship is a process where the parties of the employment relationship[33] exchange information, consult, exert pressure, make agreements etc. with the aim of shaping working conditions.

The following indicators have been brought out in order to characterise the collective employment relationship. These indicators show how many employees work in a enterprise, institution, where there is an organisation which represents the interests of the employees – trade union – and how many of the employees are members of the trade union.

Table 4.20. **Spread of trade unions and membership of trade unions in 2003–2007, in %**

	2003	2004	2005	2006	2007
Percentage of employees, whose enterprise, institution has a trade union	21.7	19.4	19.3	18.3	18.5
Percentage of employees who are members of the trade union	11.1	9.3	8.5	8.4	7.6

Source: Statistics Estonia, Estonian Labour Force Survey, calculations of the author.

By years the percentage of employees who belong to trade unions has decreased, a downward trend is noticeable in the percentage of employees who work for employers where there is a trade union. By 2007 the percentage of employees who belong to trade unions has decreased to 7.6% of all employees.

The fall in the percentage of employees, who belong to trade unions, characterises other European states, but generally the percentage of employees, who belong to trade unions is significantly higher in those states. For example in Sweden the percentage of employees, who belong to trade unions has dropped from 77% in 2006 to 17% in 2007. In The United Kingdom the percentage of employees who belong to trade unions has dropped to 28.4% by 2006, while a year before the respective percentage was 29% (see Industrial Relations Developments in Europe 2007)[34].

[33] The parties of the employment relationship – from the employees' side usually trade unions, but also other institutions which represent employees; from the employer's side, usually single employers or their organisations.

[34] European Foundation for the Improvement of Living and Working Conditions. Industrial relations developments in Europe 2007. Luxembourg: Office for Official Publications of the European Communities 2008 – VIII, 58 p.

One possible outcome of social dialogue, collective employment relationship is a collective contract. A collective contract is an amicable agreement between employees or the union of employees and the employer or the union of employers, and also state authorities or local governments, which regulate the employment relationships between employers and employees (Collective Agreements Act § 2).

Collective agreements are registered in the database kept by the Ministry of Social Affairs. In Estonia the collective negotiations for collective contracts usually take place on the level of the enterprise, institution. In 2006 85 new contracts were made, in 2007 the respective number was 91. According to the Confederation of Estonian Trade Unions in the spring of 2007 there were 175 valid institution level contracts, 176 a year before.

There is no quality statistics about the number of employees covered with collective contracts due to deficiencies in the registration of the collective contracts. Here we will bring out the data about the number of people covered with collective contracts of the Confederation of Estonian Trade Unions and the register of collective contracts, for comparison. According to the Confederation of Estonian Trade Unions 65,200 employees were covered with collective contracts in 2006, in 2007 the respective number was 62,300 employees (Industrial Relations Developments in Europe 2007). According to the register, in 2006 49,707 employees were covered with collective contracts, in 2007 the respective number was 67,386 employees. We have to acknowledge that the data of the register about the last two years does not reflect actual trends, but problems in the registration of contracts. In order to get a general characterisation, we can recognise that according to the register, 11% of the employees were covered with collective contracts in 2007.

All in all, the downward trend of the percentage of employees belonging to trade unions indicates individualisation of employment relationships, where the employees base their negotiations over work conditions less and less on the trade union as an representative organisation of employees. However, the data about the employees covered with collective contracts does not show a downward trend in the spread of collectively agreed working conditions.

5. Working Environment

Ester Rünkla

Working environment is the surroundings in which the person works. In the working environment there are hazards[35], with natural capacities of causing occupational accidents[36] or other work-related health problems[37] in the case of exposure. According to the Occupational Health and Safety Act the task of the employer is to evaluate risks[38] and, by using all possible precautions, to reduce contact with hazards in the surrounding environment in order to ensure that the contact with the hazards does not exceed the established limit values or negatively influence the health of the employees.

According to the European Working Conditions Survey[39], contact with the hazards of the working environment of the employees in the case of almost all hazards in Estonia is about 5–10 percentage points higher than in the EU15 states on the average. This means that the prevalence of hazards or potential health risks in the working environment is higher in Estonia. According to the same survey, 38% of employees in Estonia (25% in the EU15) regard danger caused by work as possible, and over a half of the questioned employees (58%) have the opinion that their work poses a health hazard, 32% of the questioned have the same opinion in the EU15. Also, in Estonia 25% of employed persons are not satisfied with the working conditions in general, about 15% of the questioned in the EU15 were on the same opinion.

In general it could be assumed, that the worse the situation in the working environment is, the more occupational accidents happen and the more work related diseases are diagnosed. The internationally accepted indicators for evaluating the levels occupational accidents and work related diseases are the following:

- number of occupational accidents per 100,000 persons in employment
- number of fatal occupational accidents per 100,000 persons in employment
- number of occupational diseases per 100,000 persons in employment

[35] A hazard is any factor, which can cause damage. Hazards can be associated with people, property and working processes; can cause accidents, damage health or equipment, reduce productivity etc.

[36] Occupational accident is personal injury or death of an employee, which happened during fulfilling an task appointed by the employer or any other work done on the permission of the employer, during the break included in the working time or any other activities on the behalf of the employer.

[37] Damage to health is a disorder of anatomical integrity of organs and tissues or their physiological functions, also diseases or other pathological conditions, which is caused by mechanical, physical, chemical, biological, psychical or other factors.

[38] Risk is the severity and probability of an injury or disease caused by contact with the hazard.

[39] Survey conducted by EUROFUND in 2005.

In the following an overview is given about the statistics of occupational accidents and other work-related health disorders and about the expenses connected with the diseases on employed, using the Eurostat database, the survey results of the Estonian Labour Force Survey and the reports of the Labour Inspectorate, Health Insurance Fund and Social Insurance Board as sources.

5.1. Occupational accidents

According to the Labour Inspectorate 3707 occupational accidents happened in 2007 (2521 with men and 1186 with women). When compared to 2006, the number of registered occupational accidents rose 1.5% or by 54 accidents. Most of the accidents happened to young people aged 20–24.

The distribution of occupational accidents which were registered at the Labour Inspectorate during the last five years has been presented in table 5.1 according to fields of activity[40].

According to the number of occupational accidents the most dangerous fields of activity in 2007 were construction (422), metal industry (408) and timber industry (368), however the most accidents per 100,000 persons in employment happened in the timber industry (1831), food industry (1536) and furniture industry (1364). The least accidents per 100,000 employed occurred in financial mediation (85), fishing (95) and education (152).

On the European level the comparable statistics about fatal occupational accidents and occupational accidents with more than three days of incapacity for work, is collected and published by Eurostat. The order of registering occupational accidents and notifying about them is different in different states, being based on either on the data of insurance companies or the reports of employers. Eurostat considers the statistics based on the data of insurance companies on the occupational accidents with more than three days of incapability for work as true, but the statistics based on the reports of the employers is considered to be underreported. As in Estonia the registration of occupational accidents is based on the reports of employers, we are probably dealing with underreporting of occupational accidents.

[40] Until July 1 2003 the accidents which happened on the way to work were registered as occupational accidents, and these accidents made up about 25 % of the total number of occupational accidents. For better comparison the accidents which happened on the way to work were deducted from the number of occupational accidents registered in 2003.

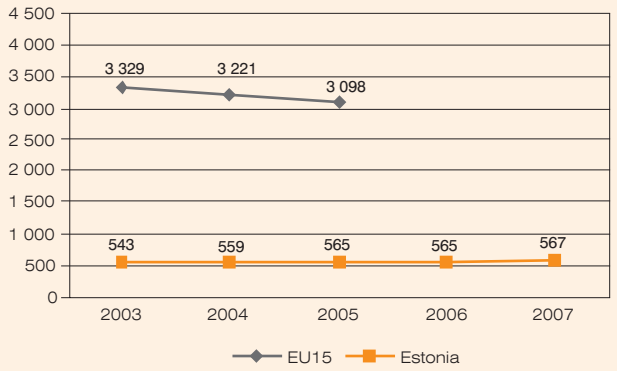
Table 5.1. **Number of occupational accidents, by sector of activity, in 2003–2007**

	Number of occupational accidents					Occupational accidents per 100,000 persons in employment	
	2003	2004	2005	2006	2007	2003	2007
Agriculture, hunting	167	169	193	179	159	645	761
Forest management	24	27	25	19	27	182	342
Fishery	4	3	4	2	2	174	95
Mining industry	47	60	48	46	54	825	982
Food industry	227	248	202	222	238	1056	1536
Textile and leather industry	125	125	100	101	102	510	427
Timber industry	346	337	346	367	368	1573	1831
Furniture industry	197	181	148	132	150	1564	1364
Paper industry, printing	48	50	50	50	45	979	652
Production of chemicals and chemical goods	136	180	196	195	184	1374	1252
Metal industry, production of machinery and other equipment	291	339	322	374	408	756	953
Supply of electricity, gas and water	41	34	30	37	21	402	221
Construction	264	255	302	379	422	615	522
Retail and wholesale business	334	301	367	383	374	413	425
Hotels and restaurants	63	60	74	86	77	362	338
Transport and storage	191	221	199	220	219	393	431
Communication	59	44	61	75	66	776	868
Financial mediation	18	5	14	12	8	237	85
Real-estate activities	196	168	193	193	196	441	396
Public administration and national defence; statutory social insurance	212	246	277	290	312	615	796
Education	89	96	82	93	83	156	152
Health and welfare	69	88	102	106	96	190	264
Other types of service	82	89	92	91	91	270	256
Undetermined		5	4	1	5	*	*
TOTAL	3230	3331	3431	3653	3707	543	567

Source: Labour Inspectorate.

The average rate of occupational accidents in the EU15 based on the Eurostat methodology[41] has constantly dropped, while the Estonian rate of occupational accidents shows a small increasing trend although the level has been relatively stable during the recent years (see figure 5.1), which indicates a decrease in concealing occupational accidents and a trend to reflect the real situation of the working environment.

Figure 5.1. **Occupational accidents per 100,000 persons in employment in Estonia and in EU15 in 2003–2007**



Source: Eurostat (data published until 2005), Labour Inspectorate.

In 2007 the Eurostat's module of occupational accidents was added to the Estonian Labour Force Survey, which enables to determine the actual number of occupational accidents and underreporting of registered occupational accidents on the basis of survey results. This methodology needs more adaptation, because when taking the size of Estonia into consideration, then there are generally few occupational accidents wherefore calculating reliable weights according to fields of activity on the basis of the survey is problematic. The analysis of the data of the survey shows that the level of underreporting of occupational accidents with over three days of incapacity for work in 2007 was 34% or the weight was about 3.

According to the occupational accidents registered at the Labour Inspectorate 0.5% of the employed have accidents with over three days of incapability for work, however according to the Labour Force Survey the respective number is 1.3%, whereas the percentage of employees injured in occupational accidents is in construction (3.0%) and manufacturing (2.3%).

5.1.1. Serious Occupational Accidents

In 2007 1082 serious occupational accidents[42] were registered at the Labour Inspectorate, which is 11 more than in 2006 (increase 1%). Table 5.2 brings out the distribution of occupational accidents of last five years according to the degree of severity determined by the doctor.

[41] In order to compare the statistics of occupational accidents with more than three days of incapacity for work of different states, the Eurostat has implemented a methodology for approximating the number of accidents, taking into account the different data collecting systems of the states (based on reports of the employers or insurance). According to the data of the surveys conducted in states, the underreporting levels or weights of occupational accidents are determined, which enable to adapt the data of occupational accidents based on the reports of the employees with the data based on insurance. In the near future it is necessary to introduce comparing the number of occupational accidents with surveys, which enables to determine the level on underreporting of occupational accidents registered in Estonia and for making the number of occupational accidents in Estonia more comparable with the respective number in other states.

[42] According to legislation, in Estonia occupational accidents are classified according to the degree of severity determined by the doctor – minor, serious, fatal.

Table 5.2. **Number of occupational accidents, by degree of severity, in 2003–2007**

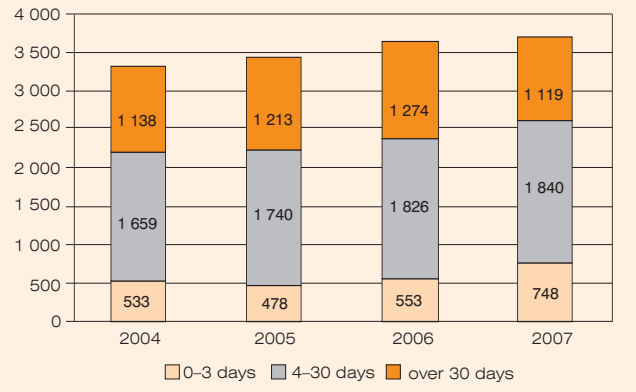
		2003	2004	2005	2006	2007
Total number of occupational accidents		3230	3326	3431	3653	3707
Where of	minor	2293	2319	2405	2555	2604
	serious	906	973	1002	1071	1082
	fatal	31	34	24	27	21

Source: Labour Inspectorate.

In international statistics the occupational accidents of different countries are compared according to the days of incapacity for work caused by the accident, accidents are considered as severe if they cause more than 30 days of incapacity for work. The contract of exchange of data between the Labour Inspectorate and the Health Insurance Fund enables to divide the occupational accidents registered at the Labour Inspectorate according to the number of days of incapability of work since 2004 (see figure 5.2)[43].

The number of serious occupational accidents has been relatively stable in the recent years. The total number of occupational accidents is rising due to mild accidents, which indicates better registration of occupational accidents and a rise in the awareness and law-abidance of employers.

Figure 5.2. **Number of occupational accidents according to days of incapability for work, in 2004–2007**



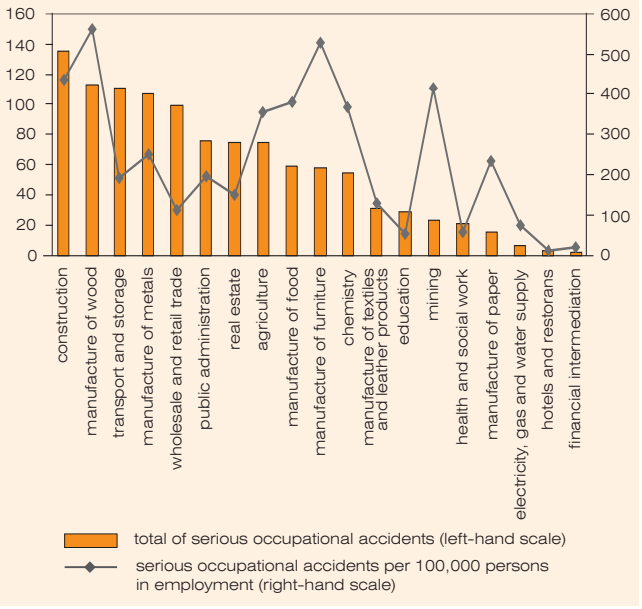
Source: Labour Inspectorate, Health Insurance Fund.

The highest number of serious occupational accidents among fields of activity happened in the construction sector, however when looking at the ratio of accidents per 100,000 employed the construction sector (438 cases) is surpassed by the timber industry and furniture industry (562 and 527 cases respectively, which are followed by the mining industry (418 cases).

The number of severe occupational accidents has risen the most in Rapla and Harju Counties, and fallen the most in Võru, Saare and Hiiu Counties.

[43] Figure 5.2 and table 5.2 do not have exact compliance of the number of occupational accidents as the degree of severity determined by the doctor is not always reflected in the days of incapability for work.

Figure 5.3. **Distribution of serious (over 30 days of incapacity for work) occupational accidents, by sector of activity, in 2007**



Source: Labour Inspectorate.

5.1.2. Fatal Occupational Accidents

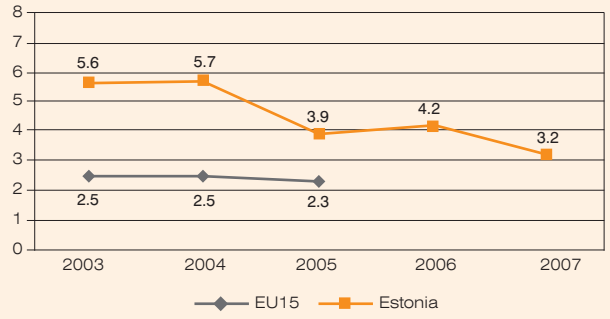
In 2007 21 fatal occupational accidents were registered at the Labour Inspectorate (all accidents happened to men). When compared to 2006, the number of fatal occupational accidents decreased 22% or by 6 occupational accidents. 12 of the 21 fatal occupational accidents were connected with non-compliance with requirements of the Occupational Health and Safety Act, 4 occupational accidents happened abroad, 2 of them in the national defence sector. Almost a quarter of fatal occupational accidents (5 accidents out of 21) happened with young people aged 22–28.

As it is practically impossible to conceal fatal accidents then the issue of underreporting is minimal and therefore the statistics of fatal occupational accidents can be considered as the most important indicator in comparing the working environment of Estonia with other European countries. Eurostat does not weigh the data about fatal occupational accidents. Therefore the statistics of the Estonian Labour Inspectorate, based on data about fatal occupational accidents, is comparable with the data of Eurostat. The number of fatal occupational accidents per 100,000 persons in employment (see figure 5.4) shows that the rate of fatal occupational accidents has been significantly higher in Estonia when compared to the European average. When the number of fatal occupational accidents per 100,000 employed in EU15 has been 2.8–2.3 during last years then in Estonia the respective numbers are 5.6–3.2.

The statistical drop in 2007 is probably coincidental and connected with the situation common to Estonia – taking the small size of Estonia into account then there are generally few deaths and therefore the statistics are influenced by some single additional accidents. In the following the 21 fatal occupational accidents of 2007 according to fields of ac-

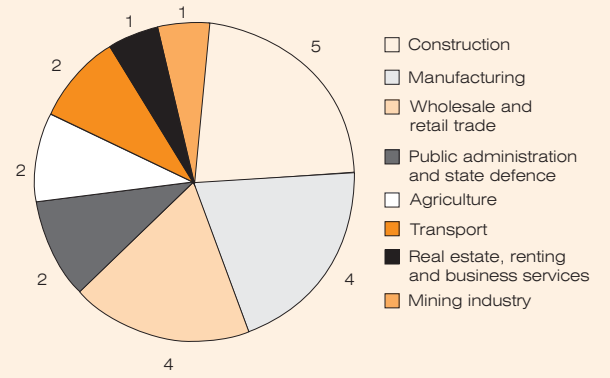
tivity (see figure 5.5) and the same statistics about 100,000 employees (see table 5.3) are presented in order to clarify the issue.

Figure 5.4. **Fatal occupational accidents per 100,000 persons in employment in Estonia and EU15 in 2003–2007**



Source: Eurostat (data published up to 2005), Labour Inspectorate.

Figure 5.5. **Distribution of fatal occupational accidents of 2007 according to fields of activity**



Source: Labour Inspectorate.

On the basis of the cases of fatal occupational accidents brought out in figure 5.5 we can conclude that the most dangerous fields of activity are construction and manufacturing. As in making any conclusions, rates per 100,000 employed should be used instead of absolute numbers, therefore when calculating the cases of fatal occupational accidents in 2007 we reach the result that the most dangerous fields of activity in 2007 were the mining industry and agriculture (see 5.3), where the number of employed is small.

The prior example shows how big a part is played by one fatal occupational accident in the statistics.

In conclusion to the statistics of occupational accidents, it can be said that while the statistics of fatal occupational accidents is probably realistic, then the other occupational accidents are underreported and it can be assumed that the statistics about the fields of activities are tilted. On the level of the European Union the aim is to decrease the number of occupational accidents by 25% in 2007–2012, but in the context of Estonia this aim is applicable to only fatal occupational accidents. It is important to ensure reliable statistics of occupational accidents in the coming years.

Table 5.3. **Fatal occupational accidents per 100,000 persons in employment, by sector of activity, in 2003–2007**

	2003	2004	2005	2006	2007
Agriculture and hunting	8	8	4	8	9
Mining industry	17	0	17	38	18
Manufacturing	7	4	4	6	3
Supply of electricity, gas and water	10	17	8	0	0
Construction	9	11	2	9	6
Retail and wholesale business	2	3	5	1	5
Hotels and restaurants	0	12	0	0	0
Transport, storage and communication	14	14	11	0	3
Financial mediation	0	0	29	0	0
Real-estate, leasing and business services	7	11	2	6	2
Public administration and national defence	3	8	0	10	5
Education	2	2	0	0	0
Health and social work	0	0	3	0	0

Source: Labour Inspectorate.

5.2. Work-Related Health Problems

Work-related health problems are classified into occupational diseases, diseases caused by work and work-related diseases

Occupational diseases develop during long-term employment under conditions which pose a health hazard. Occupational disease is directly caused by the hazards of the working environment, in other words there is a cause-result connection between the hazard and the disease. In the case of an occupational disease the victim has decreased occupational capacity for work and has a right to demand compensation for damage from the employer.

In the case of diseases caused by work the hazard of the working environment is one of the many factors which could cause the disease. The diseases caused by work need attention from the specialists who are involved in solving the issues of the working environment in order to direct the necessary resources into reducing the effect of hazards of the working environment and prevention of occupational diseases.

The concept of work-related disease is broader, covering all health problems and diseases which can be caused, complicated or, caused jointly with other factors by working conditions. Data about work-related diseases is collected by surveys.

Differently from occupational accidents, there is no comparable material about cases of occupational diseases in the states of the European Union. That is for mainly due to the fact that Eurostat publishes information only on the basis of the diagnosis of occupational diseases and does that according to fields of activity, not according to the statistics of the states. In Estonia ten times less occupational diseases are diagnosed than in the European Union on the average.

According to the Occupational Health and Safety Act, occupational diseases and diseases caused by work are diagnosed by an occupational health physician, who, in order to do so, collects data about the current and former working conditions and work forms of the employee. The Labour Inspectorate keeps a register of occupational diseases and, since 2004, also about diseases caused by work.

In 2007, according to the Labour Inspectorate::

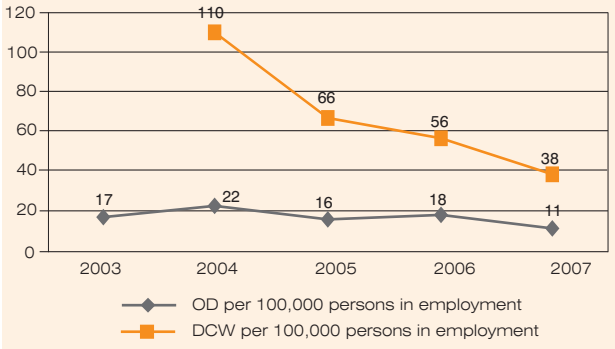
- 74 cases of occupational diseases (OD) were registered (31 men and 43 women), in the course of which 155 different diagnoses of occupational diseases have been raised;
- 253 cases of diseases caused by work (DCW) were registered (130 men and 123 women), there were 337 different diagnoses;
- the age group with the most diagnoses of ODs and DCWs was people aged 45–54
- of occupations, the operators of various machines(for example tractor operators) have the most diagnoses of ODs and the most diagnosed DCWs are among skilled workers (for example welders);
- The ODs diagnosed the most are musculoskeletal and connective tissue diseases caused by manual handling of loads, forced positions and movements, according to the notices of DCWs the most diagnosed disease is hearing weakness

The drop in the number of registered occupational diseases and diseases caused by work has to be explained with the deepening problems in the financing of the health care services[44] provided by the occupational health physician as a specialist. As according to the survey of working conditions of Europe the prevalence of hazards or the potential health risk in Estonia is higher than in the EU15 on the average then we are certainly dealing with underreporting in the case both occupational accidents and occupational diseases.

The reasons for underreporting of occupational diseases:

- lack of occupational health physicians;
- the problems of financing occupational diseases, due to which diagnosing has been centred into two larger hospitals, as only two institutions are able and capable of diagnosing occupational diseases;
- the occupational health services provided by the occupational health physician are not on the list of health services financed by the Health Insurance Fund;
- the general attitude of the employers towards the activities associated with diagnosing occupational diseases, the difficulties in associating the disease of the employee with the hazards and work formats in the working environment as the factual evidence is often insufficient or missing;
- scarcity of social guarantees of employees.

Figure 5.6. **Registered occupational diseases and diseases caused by work per 100,000 persons in employment in Estonia in 2003–2007**



Source: Labour Inspectorate (Diseases caused by work have been registered since 2004).

Since 2003 the number of providers of services of the occupational health physician has doubled and the accessibility of the service in counties has improved significantly thanks to the increased mobility of the service providers, but still the availability of this service is below the average of the EU (see table 5.4) especially in the case of occupational hygienists.

Table 5.4. **Composition of occupational health specialists (01.04.2008)**

	Number of specialists in Estonia	Persons in employment per one specialist	
		In Estonia	In the EU15 on the average
Occupational health physicians	96	6 826	3 233
Occupational health nurses	29	20 913	1 518
Occupational hygienists	13	50 408	2 753
Ergonomist	8	81 912	...

Source: Health Care Board.

The availability of the occupational health services is deficient mainly for the small enterprises outside bigger cities. There are also major differences between counties in diagnosing occupational diseases and diseases caused by work per 100,000 employed. The situation is especially controversial in Tallinn and Harju County, were there are the least registered occupational diseases per 100,000 employed, which naturally does not mean that the working conditions are be so much better, when compared to for example with Jõgeva County or Põlva County. The number of occupational health physicians compared to the number of employed is unjustifiably low in Tallinn and Harju County.

In 2007 an module of Eurostat was added to the Estonian Labour Force Survey in order to collect information about the work-related health disorders of the employed people.

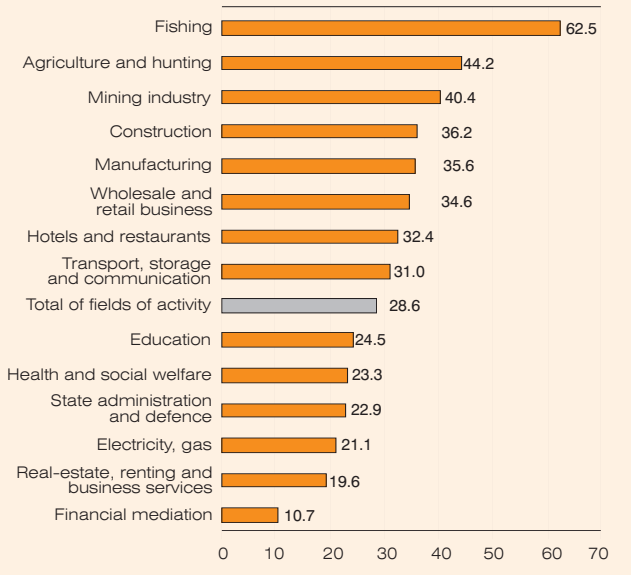
[44] Occupational health service – fulfilling the duties of the occupational health physician, occupational health nurse, occupational psychologists or ergonomist with the purpose of contributing to creating a safe environment for the health of the employee, to prevent work-related diseases and to preserve and promote the health and capability for work of the employee.

The results of the survey:

- 28.3% of the questioned had had a disease, impairment, disability or other health disorders during the previous 12 months;
- among 28.6% of them the reasons for the development or aggravation of the health disorder were work-related, which means that about 8% have had work-related health disorders or – if we expand this to the whole number of employed – 52,000 employed, which as a rate is about 8000 employed with work-related health disorders per 100,000 persons in employment.

In most of the fields of activity (see figure 5.7) the amount of work-related health disorders reaches up to 20–35% of all the health disorders of the employed persons, the only exception is the financial sector, where only 10% of all health disorders are work-related. The data about the fishing sector is clearly not reliable due to the small number of cases (only 8 cases in the sample).

Figure 5.7. **Work-related health disorders according to fields of activity (of all health disorders %)**



Source: Statistics Estonia, Estonian Labour Force Survey 2007.

According to the survey half (51.4%) of the health disorders did not require any days of incapacity for work, but 1.4% of the cases were so severe that the employee will probably never be capable of working again.

5.2.1. Work-Related Musculoskeletal Disorders

Musculoskeletal disorders are one of the most common work-related health disorders in Europe. While about 21% of the employed of old member states have back-aches and 20% muscle aches, then in the new member states the respective numbers are 29% and 37% in Estonia even 40% and 43%[45].

Nearly 55% of the cases of occupational diseases and diseases caused by work registered at the Labour Inspectorate are directly connected with musculoskeletal disorders. As occupational diseases and diseases caused by work are diagnosed only by occupational health physicians, the number of cases registered at the Labour Inspectorate (about 400 cases per year) forms only a small section of the actual musculoskeletal health disorders.

In 2007, two surveys were conducted in order to get a picture about the spread of musculoskeletal disorders in Estonia (according to occupation, field of activity, gender, age, county, length of employment) and of the possible risk groups.

1. An analysis of the data collected through medical examinations of employed people was ordered from AS Medicover in the scope of the occupational health campaign of the European Union. 10% of the medical records of employed who had consulted an occupational health physicians in 2006 were examined, that is 641 people from different fields of activity.

2. The Health Care Board organised a national poll for the occupational health physicians of Estonia, in order to collect information about the work-related musculoskeletal disorders. Unfortunately only 11 occupational health physicians replied to the poll.

As the samples of both of the surveys were disproportionate in the respects of age and fields of activity, then the results do not enable to make reliable conclusions. The results of the survey can be summed up as follows:

- musculoskeletal disorders increase with age; for men somewhat more than for women;
- main hazard is the computer, followed by the impact of the environment or physical labour;
- of fields of activity, there are more hazards which create musculoskeletal disorders in fish processing, mining oil shale, timber industry, metal industry and construction sector and the occupations of the employed persons, who have musculoskeletal disorders comply with the fields of activity – fish processor, production worker, construction worker, driver, dressmaker;
- most of the work-related musculoskeletal disorders (about 52%) are pains in the back or in arms.

Musculoskeletal disorders can cause serious health damages, which can result in permanent incapacity for work. Table 5.5 gives an overview of the spread of those musculoskeletal disorders which have caused incapacity for work based on the data of the medical expertise of the Social Insurance Board

[45] European Working Conditions Survey 2005.

Table 5.5. **Musculoskeletal diseases and first-time permanent incapacity for work, in 2003–2007**

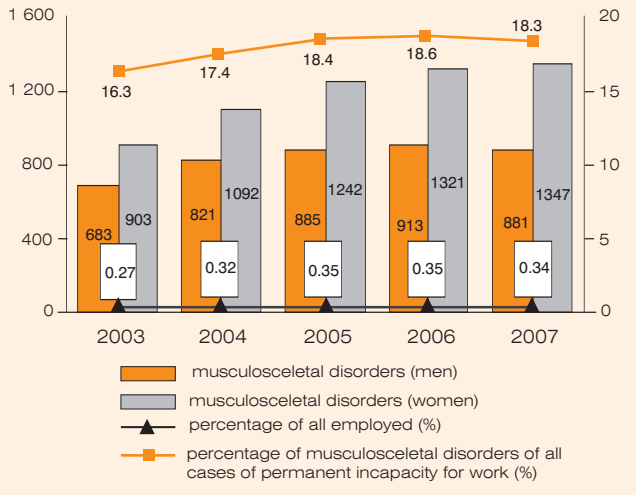
		Gender	2003	2004	2005	2006	2007
Total		M+F	1586	1912	2127	2234	2228
		M	683	820	885	913	881
		F	903	1092	1242	1321	1347
Age groups	16–29	M	58	71	66	73	68
		F	57	74	96	71	86
	30–44	M	164	192	197	203	175
		F	205	258	224	255	256
	45–54	M	260	287	330	302	321
		F	449	526	568	623	575
	55–62	M	199	250	268	286	273
		F	191	231	285	303	364
	63+	M	2	20	24	49	44
		F	1	3	69	69	66
Percentage of incapacity for work	100	M	33	32	35	37	30
		F	26	19	59	62	57
	80–90	M	130	149	138	131	144
		F	106	135	147	159	154
	40–70	M	486	581	653	672	635
		F	696	845	923	969	981

Source: medical expertise of the Social Insurance Board.

First-time permanent incapacity for work occurs more among women than men (respectively 1347 and 811 cases in 2007). Most people with permanent incapacity for work belong to the age group 45–54. In 2007 100% incapacity for work was determined for 87 people (30 men and 57 women), which is 3.9% of all people with first-time permanent incapacity for work due to musculoskeletal disorders.

Whereas, according to the medical expertise, the number of all cases first-time permanent incapacity for work has risen in 2003–2007 by about 25% (9,760 and 12,211 cases, respectively), the number of cases of first-time permanent incapacity for work caused by musculoskeletal disorders has dropped (see figure 5.8). Also the percentage of people with permanent incapacity for work caused by musculoskeletal disorders among the employed has dropped.

Figure 5.8. **Share of musculoskeletal disorders in all diseases related to incapacity for work, in 2003–2007**



Source: medical expertise of the Social Insurance Board.

Problems connected with musculoskeletal disorders can be avoided or their effect can be reduced by following the existing health and safety regulations and guidelines of good practice. The occupational health campaign of the European Union in 2007 was directed at the prevention of musculoskeletal disorders as the statistically most prevalent work-related health disorder. A thematic *Good Practice* competition and conferences dedicated to occupational health problems were organised in all member states in the scope of the campaign, also the information materials of the European Agency for Safety and Health at Work were distributed.

5.3. Expenses Connected with the Diseases of the Employed Persons

Occupational accidents and work-related diseases bring economic damage to the employed persons, the employer and also to the state and the society. Of the direct expenses connected with the diseases of the persons in employment we can analyse the expenses connected with occupational accidents and occupational diseases[46].

5.3.1. Incapacity Benefits

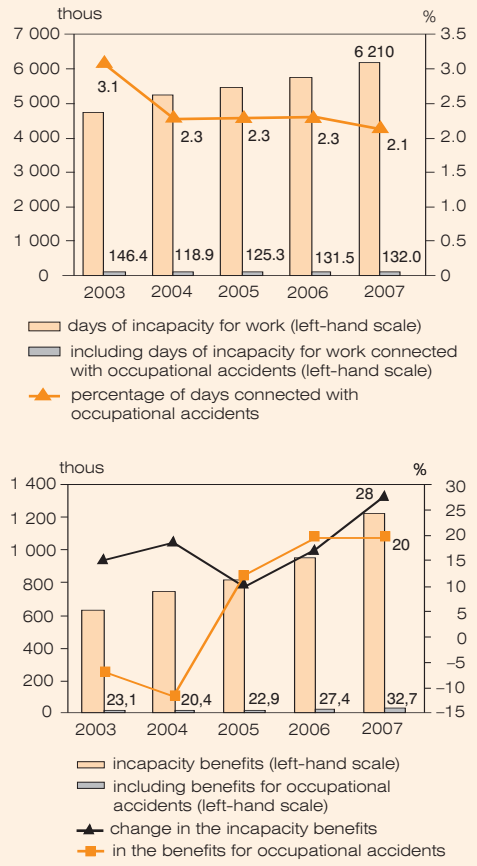
According to the reports of the Health Insurance Fund[47] the days of incapacity for work – connected with illnesses not caused by an accident or regular employment and occupational accidents – and the incapacity benefits accompanying them have constantly increased.

The number of days of incapacity for work connected with occupational accidents makes up about 2% of all days of incapacity connected with illnesses of employed persons. The percentage of accident related days of incapacity for work of all days of incapacity (see figure 5.9) has decreased in the previous year, but it is not connected with the decrease in the number of days of sick leave connected with occupational accidents, but with the general rapid increase in the number of days of incapacity for work of the employed persons.

[46] In reality the specific information about the disease conditions, medical treatment expenses is at the Estonian Health Insurance Fund, but it has not been initially coded in a way that it would be possible to analyse it principally, while taking into consideration all the cases of diseases of employees – occupational accidents, occupational diseases, diseases caused by work and work-related diseases and the illnesses not caused by an accident or regular employment, also the direct costs connected with them, not to mention associating the diseases of the employed persons with certain field of activity, enterprise, length of employment and other such conditions of the working environment.

[47] Annual reports of the Health Insurance Fund

Figure 5.9. **Dynamics of days of incapacity for work and incapacity benefits in 2003–2007**



Source: Health Insurance Fund.

The number of days of sick leave connected with occupational accidents is rising by the accidents with very long periods of incapacity for work. According to the report of 2007 of the Health Insurance Fund, 195 employees were awarded the certificate of incapacity for work for more than 100 work-days, 16 of them for more than 180 work-days.

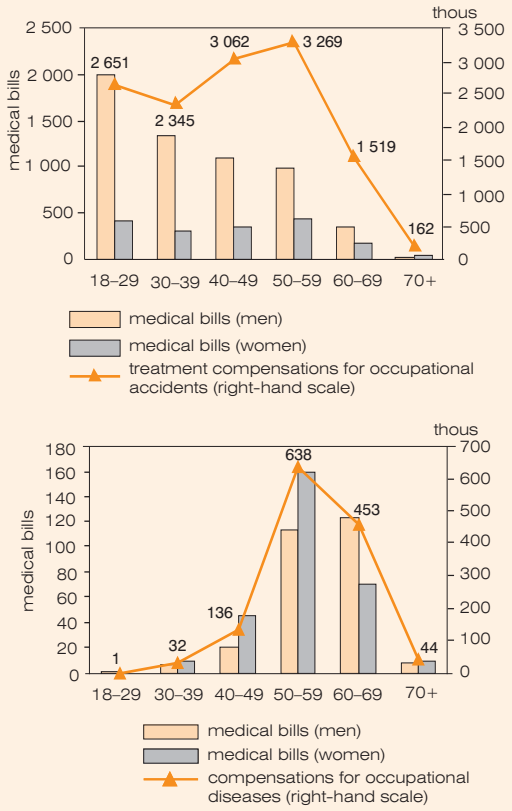
The growth of benefits of temporary incapacity for work in 2007 was 28%, when compared to 2006. The reasons for the continuous rise in the costs for temporary incapacity for work are the increases in the average profits of the day and in the number of days of incapacity for work. The trend of benefits for occupational accidents has been negative in 2003–2004, but turned positive in 2005 and has risen by 20% during the last two years. The drop in 2003 is explainable by changes in the legislation, since July 2003 accidents which happen on the way to work are not considered as occupational accidents. The 20% increase of the recent years indicates a rise in the percentage of expenses related to serious occupational accidents. As the number of serious occupational accidents has remained practically the same (see figure 5.2) then we are probably dealing with serious occupational accidents which require long-term treatment.

In 2007 the percentage of benefits for occupational accidents among incapacity benefits was 2.7% (2.9% in 2006). The fall is explainable by the general increase in the amount of incapacity benefits – 28% when compared to 2006.

5.3.2. Medical Treatment Expenses

In 2007, the Health Insurance Fund compensated 7525 medical treatment bills connected with occupational accidents in the total amount of EEK 13,007,649. While most of the victims (32% of all medical bills) were in the age group 18–29, then the highest expenses were in the cases of occupational accidents which had happened to employed persons aged 40–60 (see figure 5.10). The cost of 16 medical bills surpassed the EEK 100,000 limit; four of them were over EEK 200,000.

Figure 5.10. **Treatment compensations for occupational accidents and occupational diseases according to age groups in 2007**



Source: Health Insurance Fund.

In 2007, the Fund compensated medical treatment expenses associated with occupational diseases to 512 victims (253 men and 259 women) in the total amount of EEK 1,304,055. Most of the victims (218 men and 212 women) were aged 50–69.

While in the case of occupational accidents the number of compensated medical bills decreases with age and the cost of the medical bills rises, then in the case of occupational diseases there is a proportional relationship between the number of medical bills and the amount of paid compensations.

In 2007, EEK 14.3 million was paid in total from the Fund for compensating occupational accidents and occupational diseases, which is 0.14% of the total costs of the health insurance benefits of the Fund (EEK 10,148,769,000)[48].

5.3.3. Permanent Incapacity for Work caused by Work

Permanent incapacity for work caused by work brings along expenses on both the level of the state and the level of the society. According to the Social Insurance Board, there were 74,576 people with permanent incapacity for work as at 01.01.2008 (see table 5.6), 1277 of them were caused by occupational accidents and 1620 by occupational diseases.

Table 5.6. **Permanent incapacity for work, by gender and age, in 2007**

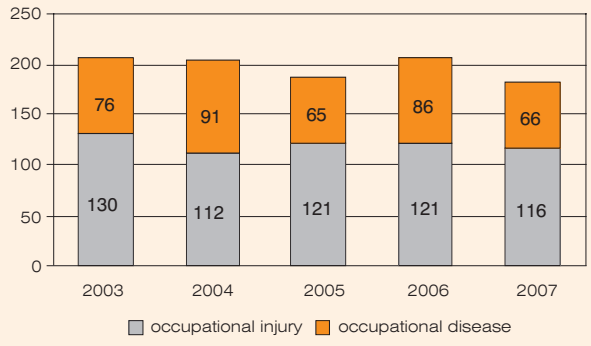
Age groups	Gender	Number of people with permanend incapacity for work in 1.01.2008			First permanent incapacity for work in 2007		
		Total	Including occupational injuries	Including occupational diseases	Total	Including occupational injuries	Including occupational diseases
Total	M+F	74 576	1277	1620	12 201	116	66
	M	39 827	1054	933	6505	92	30
	F	34 749	223	687	5696	24	36
16–29	M	4990	55	0	1152	15	0
	F	3633	5	1	754	0	0
30–44	M	8296	241	13	1300	23	1
	F	6658	41	24	1214	7	5
45–54	M	11 292	333	138	2068	28	8
	F	11 793	64	175	2224	8	12
55–62	M	12 750	322	367	1290	21	8
	F	11 983	84	342	1241	7	16
63+	M	2499	103	415	695	5	13
	F	682	29	145	263	2	3

Source: Social Insurance Board.

First-time permanent incapacity for work is determined for a relatively high number of employed persons every year due to occupational accidents and occupational diseases. In 2007, some 3707 occupational accidents were registered at the Labour Inspectorate, and First-time permanent incapacity for work was determined for 116 persons, which is about 3% of occupational accidents.

According to the medical expertise conducted by the Social Insurance Board, the number of occupational accidents and occupational diseases which let to determining first-time permanent incapacity for work has remained more or less the same during the last five years (see figure 5.11).

Figure 5.11. **First-time permanent incapacity for work caused by work, in 2003–2007**



Source: Medical expertise conducted by the Social Insurance Board.

The reasons for the fall in the number of cases connected with occupational diseases lie in the aforementioned problems of diagnosing occupational diseases (see p 5.2).

In addition to pension for incapacity for work the Social Insurance Board pays compensation for damage[49], to the people with permanent incapacity for work, every year, in the total amount of millions of kroons. In 2007 the compensation was paid to 2159 people for about EEK 36.7 million (about 34.9 million in 2006, increase 5.1%)

Systematic gathering and thorough analysis of data connected with diseases of employed caused by the hazards of the working environment and occupational accidents would help to determine the occupations and sectors of the economy with the highest health risks, making it possible to guide and co-ordinate preventative work in the field of safety, development of guidelines, health surveillance and other measures of occupational(health) policy, in order to prevent occupational accidents and work-related diseases.

5.4. Monitoring of the Working Environment

Despite the regulations of the Occupational Health and Safety Act the working conditions differ to a great extent even inside one enterprise. Often the working environment does not conform to the regulations. Labour Inspectorate exercises state supervision in the working environment over fulfilment of the regulations of legislation on occupational health and safety. The aim of surveillance of the working environment is to evaluate the hazards in the working environment and the organisation of the working environment

[48] Annual report 2007 of the Estonian Health Insurance Fund.

[49] An employed person who has suffers a health disorder during performance of duties, has a right to demand compensation of the damages caused by the health disorder. The health disorder may be caused by ether an occupational accident or an occupational disease, due to which a permanent incapacity for work of the employed person has been detected. The person is entitled to a compensation of damages, if the health disorder is caused by the employer. If the employer responsible for the damages, has been liquidated without a legal successor, the obligation of compensating the unrecieved income and additional expenses transfers to the National Social Insurance.

in the enterprise in order to reduce or eliminate dangers which affect the health of the employed person.

The aim, to exercise supervision in as many different enterprises as possible and to finish the supervisory operations and conduct follow-up inspections when necessary, has affected activities of the Labour Inspectorate in 2007 (the increase when compared to 2006 is 3% or 127 enterprises).

The following campaigns of targeted checks were conducted in 2007:

- machinery safety – 281 machined were controlled in agriculture, construction, industry;
- manual handling of loads – 319 targeted checks were conducted all over Estonia, 101 of them were conducted in transport enterprises and 118 in the field of health.

The precondition for improving the working environment in the enterprise and preventing occupational accidents and occupational diseases is an overview of the situation of the working environment, which has to be reflected in the risk assessments[50] conducted in the enterprise. The employer has to compile a plan of action on the basis of the results of the risk analysis, in which the planned actions on all fields of activity and levels of management of the enterprise will be prescribed along with the time-scheme and executors, in order to avoid or reduce the health risk of the employed.

During the supervision of the working environment of the Labour Inspectorate in 2007 a total of 1584 working environment hazard grading sheets were filled, on the basis of which the following was concluded:

- 37% of enterprises had not conducted a risk assessment (40% in 2006)
- 45% of enterprises had not compiled a plan of action for reducing the risks (51% in 2006)

The follow-up inspections conducted by the Labour Inspectorate (13% of the inspections) affirm the efficiency of the work of the inspection in improving the working environment, above all in better organisation of the work on the field of the working environment.

The surveillance detected:

- 12,176 violations of the regulations of the legislation (15,209 in 2006);
- 3139 precepts were issued (3306 in 2006).

According to the number of violations, most precepts were issued about the absence of a risk assessment, which is the most prevalent violation in nearly all counties.

- 333 warnings were issued for a total penalty payment of EEK 1,477,500 (560 cases in 2006, total amount EEK 2,434,900);
- in 20 cases the penalty payments were enforced, totalling EEK 100,900 (40 cases in 2006, total amount EEK 151,000).

Monitoring of the working environment has moved from punishment to guidance and teaching, there are more activities directed at raising the awareness of the employees and employers, in order to reach the common goal with the employers – to make the working environment safe and healthy for the employed person.

[50] Risk assessment is an activity for determining the hazards in the working environment, measuring their characteristics, where necessary, and evaluating the possible effect of the hazards on the health of employed person, while taking into account gender and age.

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The basis for successful development of a society is the employment of as many people as possible. Increasing the employment rate becomes more important as the population is ageing and the percentage of working age population is dropping. Therefore, it is essential to maintain the people's capacity for work and their participation in working life, for as long as possible.

Not only having a job is important for the individual, but also relations at the workplace, a healthy working environment, a fair salary, and social protection and benefits in the case of losing the job. Thus, the aim of this collection is to characterise the developments in the entire field of employment in 2007: on the labour market, in employment relationships and in the working environment.

The following topics are covered in this collection: economic and labour market developments, risk groups of the labour market, active labour market policy, organisation of work, remuneration, collective employment relationship, occupational accidents and work-related health problems. For better understanding of the current situation, the collection reflects the trends of the last five years (2003–2007) and indicates also the data for the beginning of 2008 whenever possible.

Trends is a series of publications of the Ministry of Social Affairs designed to analyse the trends in the field of social, labour and health policy and thereby promote the development of knowledge-based policies.