Assisting the disadvantaged groups
Statements and Comments

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Introduction

In 2004, the Estonian Ministry of Social Affairs, in cooperation with various stakeholders, prepared a new concept of labour market policies. The objectives of the reform include attainment of the highest possible employment rate in the working-age population, prevention of long-term unemployment and inactivity and supporting the inclusion of disadvantaged groups into the labour market. The central idea of the reform is to move from a service oriented approach towards an individual needs-based approach, where the main focus is on the individual and the services offered according to his/her needs. In addition, several new active labour market measures were introduced for disadvantaged groups. There were also changes in benefit systems, which support participation in active labour market policies (ALMPs) and active job search. The new Labour Market Services and Support Act entered into force in January 2006.

1. Context and background

1.1. General developments on Estonian labour market

Since 2003-04, various positive trends could be observed in Estonian labour market. As a result of the rapid economic growth (10.5% in 2005, 11.4% in 2006), the employment rate has increased remarkably (see Table 1). Due to the favourable economic climate, which brought about the creation of new jobs, the unemployment rate has decreased and has been lower than the European Union average in 2005 and 2006. In conjunction with the overall decrease in unemployment the unemployment rate of young people and the number of long-term unemployed has also dropped. Today, several regions of Estonia and also different industries face the lack of workforce and therefore it is critical to increase the employability of inactive and unemployed persons.

Table 1. Key characteristics of labour market (15-64 years old), %

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2000</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour force participation rate</td>
<td>70.4</td>
<td>69.5</td>
<td>69.6</td>
<td>72.1</td>
</tr>
<tr>
<td>Employment rate</td>
<td>60.7</td>
<td>62.6</td>
<td>64.0</td>
<td>67.7</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>13.8</td>
<td>9.9</td>
<td>8.1</td>
<td>6.0</td>
</tr>
<tr>
<td>… Youth unemployment rate</td>
<td>23.8</td>
<td>21.7</td>
<td>15.9</td>
<td>12.0</td>
</tr>
<tr>
<td>… Percentage of long-term unemployed</td>
<td>45.4</td>
<td>52.2</td>
<td>53.4</td>
<td>48.1</td>
</tr>
</tbody>
</table>

In 2006, 48.2 thousand unemployed persons were registered at the Labour Market Board, and compared to previous year; the number of unemployed persons decreased by 32.9%. In 2006, according to the Labour Market Board statistics, 32.5 thousand unemployed persons (67.5% of all registered unemployed persons) belonged to the risk groups and among them: 42.7% are long-term unemployed; 26.1% of unemployed persons who are not proficient in Estonian and whose employment is difficult for such reasons; 14.1% of young unemployed persons (16-24 years old); 12.2% of unemployed persons of 55 years up to the pension age; 8.4% of unemployed persons with disabilities; 3.2% of unemployed persons released from prison within the 12 month preceding registration as unemployed; and 2.3% of unemployed persons who, prior to registration as unemployed, have received a caregiver's allowance and who have not been employed or engaged in an activity equal to work during the twelve months prior to registration as unemployed.

1.1 Legislative background

In Estonia, both active and passive labour market policies, as well as institutions providing these services, were introduced in the beginning of 1990s. The Labour Market Board and the network of public employment services (PES) were established in May 1990. The provision of ALMPs was regulated by different government decrees in the beginning of 1990s. The Social Protection of the Unemployed Act, regulating the payment of unemployment benefits and the supply of ALMPs came into force in 1995. It was formed in 2000 by Employment Services Act and the Social Protection of the Unemployed Act. The new Labour Market Services and Support Act entered into force on 1 January 2006, brought considerable changes in the principles of providing employment services to registered unemployed. Compared to the previous act, the new law contains considerably more types of employment services (see Appendix), which are provided to the unemployed on the basis of an individual job seeking plan. There are also several changes in benefit systems which support participation in ALMPs and active job search. According to the new act, there are three types of employment benefits: the unemployment allowance, stipend and travel and accommodation benefit. Unemployed person, who takes part in practical training, work practice or employment training with duration of at least 40 hours, has the right to receive a stipend. Participants in employment training and practical training have the right to apply for travel and accommodation benefit.

2. Potential transferability and application to Estonia

How to expand the labour force in a flexible and effective way in the coming years is the challenge for Malta, as well as for Estonia. There is growing evidence of labour and skill shortage in the future and the issue, how to facilitate transition from unemployment or non-activity to labour market is getting more importance in both countries. Compared to Malta, the disadvantaged

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1 The share of young long-term unemployed was 36% of all young unemployed persons. A young person is deemed to be a long-term unemployed if he/she, for at least 6 months, has not engaged in the work.
groups are mostly the same; the biggest difference between the countries concerns the participation of women in the labour market. The Maltese approach of improving employability and assisting of disadvantaged groups to seek employment has many similarities as well as some differences compared with how things are done in Estonia. The main objective in both countries is to bring disadvantage groups back to the labour market, using individual approach and giving them both monetary and moral support. In Estonia, the following main changes are introduced in PES during the last years:

**An individual approach and case management and early identification of person’s needs.** During the first contact with the unemployed, a case worker will assess the skills of the unemployed person and his/her ability to find a job and draw up an individual job search plan. The plan will specify the steps necessary to find a job, including participation in ALMPs and reporting activities the individual should undertake in order to prove he/she is actively looking for a job. If the unemployed person does not find a job during the first 18 weeks of unemployment a more integrated approach and in depth plan will be set up. Same will apply if person belongs to a disadvantaged group at the beginning of his/her unemployment, except the plan will be set up as soon as possible but not latest than 5 weeks since a person has registered as unemployed. In depth plan will focus on requirements necessary to overcome the hindrances resulting from a particular disadvantage. In that case, the plan will also include services offered by the other institutions such as social assistance, education and health providers.

**New ALMP measures for disabled people.** Disabled in Estonia are defined as people with a disability or people who are declared permanently incapacitated and they form an important target group for increasing the overall employment rate. According to the 2002 Estonian labour force survey, employment rate in Estonia for disabled people of working age was 26% (an overall employment rate of 62%). The relative low employment rate for disabled people is associated with low labour market participation and the “discouraged worker” effect rather than with high unemployment. There are around 60-90 thousand disabled people in Estonia (around 9-14% of the labour force), who can be seen as the potential target group for the new active measures (Leetmaa, 2005). Previously there were no special measures for this target group; the only exception was a wage subsidy for employers to hire people with disabilities. The major changes in the legislation aimed at supporting employment of disabled people were: (1) all disabled people can access employment offices and apply for active labour market measures (previously only a fraction of disabled people could participate); and (2) there are four new measures, which aim to meet the minimum requirements to overcome disability-related barriers to employment:

- Support to employers for adaptations of premises and equipment, whereby 50% of the costs resulting from workplace adaptations will be reimbursed to employers;
- Communication support at interview, whereby employees of the PES will help a disabled person at a job interview;
- Special aid and equipment necessary to overcome the barriers at work resulting from disability will be provided to disabled persons or employers free of charge.
- Support workers for those disabled people who need additional help or guidance resulting from disability.

**Basic working skills and apprenticeship programmes.** From the registered unemployed persons, more than half are long-term unemployed. Despite such a high proportion, previously
only the subsidy to the employer has been specially targeted to long-term unemployed people. New legislative act introduces also training in basic working skills for this target group. The aim of this measure is not to teach new vocational skills, but rather to help long-term unemployed people to get used to working life by practising the habits and skills necessary for working life, during up to three months of training. After the programme, long-term unemployed people can continue in other programmes teaching vocational skills. The apprenticeship scheme is targeted at unemployed people whose access to employment is restricted due to the lack of work experience, e.g. young unemployed people. Both private and public sector employers will have a right to supervise people participating in this scheme and get paid for that. The duration of apprenticeship is up to four months and restricted to eight hours per day and 40 hour per week.

**More emphasis on contracts with employers.** The result of the survey of clients of public employment offices indicate that, despite the statutory obligation, only 18% of the vacancies are notified to employment offices (Faktum, 2003). One of the goals is to strengthen contacts with employers and offer more services supporting the process of hiring in firms.

**Strengthening the linkages between active and passive measures.** To encourage participation in ALMPs and job search activities, a travel and accommodation subsidy was introduced. The subsidy will cover partly the travel and accommodation costs resulting from participation in ALMPs. The subsidy and retraining allowance will not be taken into account as income for the calculation of social assistance benefits. The aim of these benefits is to cover extra costs resulting from participation in ALMPs. Furthermore, unemployed people participating in active labour market programmes are covered by health insurance since January 2007, which was not the case before. Another important innovation, compared to the previous regulations, is the stricter sanctions imposed after a refusal of a suitable job, of participation in ALMPs and inability to comply with a personal job search plan. The new legislation defines the term and the case workers are required to act according to the definition given by the law and not according to their judgement on the suitability of a job for the unemployed person. Refusal of a suitable job can lead to temporary withdrawal of unemployment assistance or the termination of the payment. This also applies in the case of inability to comply with a personal job search plan.

Table 2 summarises the main indicators concerning the registered unemployed persons and their participation in different active labour market measures.

**Table 2. Indicators of registered unemployment, thousands**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2000</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered unemployed persons (total, during the year)</td>
<td>120.9</td>
<td>88.5</td>
<td>71.7</td>
</tr>
<tr>
<td>Recipients of unemployment benefit</td>
<td>67.4</td>
<td>39.3</td>
<td>31.3</td>
</tr>
<tr>
<td>Participants in active labour market measures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>… re-specialisation</td>
<td>8.2</td>
<td>7.0</td>
<td>9.9</td>
</tr>
<tr>
<td>… community placements</td>
<td>4.2</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>… employment subsidy for the unemployed for starting a business</td>
<td>0.4</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td>… subsidy for employers to employ less competitive unemployed</td>
<td>0.2</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>… vocational guidance(number of consultations)</td>
<td>2.1</td>
<td>7.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Vacancies received (by state employment offices, per year)</td>
<td>14.9</td>
<td>20.7</td>
<td>29.2</td>
</tr>
</tbody>
</table>

*Source: Labour Market Board*
3. Important issues relevant to policy areas

The system for the integration of social risk groups into the labour market is well developed in Malta. The setting up of Multi Disciplinary Teams in order to offer integrated solution to the multidimensional problems of disadvantaged groups is an example of good practice to facilitate the engagement of disadvantaged groups into the labour market and to ensure the efficiency of the system. The Maltese experience of cooperation with NGOs is valuable practice to expand available human and financial resources for implementation of employment policies. The Estonian Ministry of Social Affairs together with Labour Market Board are responsible for the implementation of the reform. Beside to the need of hiring additional case mangers, there is need to strengthen the cooperation between public employment offices, social insurance departments, rehabilitation centres as well as local municipalities, vocational training centres, schools and probation supervisors also in Estonia.

The experiences of policy evaluation in Malta emphasise the elaboration and establishment of an evaluation system containing both internal and external evaluation for every policy measure. Despite of limitations, the policy evaluation can offer useful insights in order to improve the efficiency of interventions, and there is need for detailed quantitative and qualitative information about what works and how operating network really can facilitate the individual employment process. There are no evaluations available of the impacts of new measures in Estonia, as they were introduced only in January 2006. Unfortunately, there is no tradition of evaluating the effectiveness of active labour market programmes in Estonia and the impact of these programmes generally remains unclear (Leetma, 2006).

The continuously declining unemployment and inactivity in Estonia over the last years is related with favourable economic climate, creation of new jobs and increasing labour shortage. The demographic situation in Estonia presents a significant threat to the long-term growth of the economy. The demographic burden will increase in the coming years emphasising the need to increase the involvement of different non-employed groups in the labour market.

References

Faktum (2003), Tööturusüsteemi kliendiüuring (Survey of Clients of Public Employment Offices), Tallinn.
Appendix. Labour market services in Estonia

According to the Labour Market Services and Support Act the labour market services are:

- Provision of information on the situation on the labour market, and of the labour market services and support.
- Job mediation – finding suitable work for unemployed and job-seekers and finding suitable employees for employers.
- Labour market training – is professional training organised for unemployed persons, during which the persons receive or develop professional or other skills which facilitate their employment. Labour market training shall last for a period of up to one year.
- Career counselling – making recommendations on the further education, career choices, training or work corresponding to the personal characteristics, education and skills of unemployed persons and persons who have received notice of termination of their employment relationship. The aim of counselling is to advise persons in matters related to the choice of employment or profession, access to employment and career formation.
- Work practice – is a labour market service for gaining practical experience provided to unemployed persons to improve the knowledge and skills needed for the employment of the unemployed persons. An unemployed person shall participate in work practice for 8 hours per day or 40 hours per week.
- Public work is paid work which does not require professional, special or occupational preparation. An unemployed person is sent for public work with his/her consent for the period of up to 10 working days during one month.
- Work experience is labour market service for restoring the work habits of or gaining the first work habits by unemployed persons. The aim of work experience is to prepare an unemployed person for working. The duration of work experience is up to 3 months.
- Wage subsidy is support payable to employees for employing unemployed persons. Wage subsidy may be paid for the employment of unemployed persons who, within the 12 months preceding registration as unemployed, have been released from prison and unemployed persons who have been registered as unemployed for more than 12 consecutive months. Wage subsidy may be paid for the employment of unemployed person of 16-24 years of age who have been registered as unemployed for more than 6 consecutive months.
- Business start up subsidy may be applied for from Labour Market Board Department by unemployed who has completed business training (or has vocational or higher education in economics or experience in business) and who have business plan.
- Adaptation of premises and equipments means the rendering of an employer's construction works, facilities, workstations or equipment accessible to and fit for use by a disabled person.
- Special aids and equipment for disabled persons.
- Communication support at interviews is provided to disabled unemployed persons who, due to their disability, need help in communicating with the employer during job interviews.
- Working with support person is a labour market service provided to disabled unemployed persons who, due to their disability, need help and direction while working.