1. Introduction

The main motivation of the Portuguese programmes described in the paper by Antonio Oliveira das Neves seems to be to raise the general qualification level of workforce. In Estonia, the average educational level is high in international comparison. Nevertheless, the Estonian educational system has failed to keep up with fast changing labour requirements so as to provide young people joining the labour market with a level of education and professional skills that match labour market requirements. A general problem is lack of prestige for vocational education and training. Although the relative share of students choosing vocational education has increased over the last years, it is still considerably lower than in most European countries. However, the concept of lifelong learning and continuous vocational training has attracted more attention in recent years. Maintenance and further raise of qualifications and skill of the workforce is an important policy issue in Estonia.

2. Policy context, economic circumstances and institutional/legal background

2.1. General background

The most important strengths of Estonia are its stable macro-economic framework and a labour force that is capable of learning and attaches high value to education. The main weaknesses are the lack of preparation and flexibility of the labour force, the failure to meet labour market requirements and (partly attributable to human resource quality) insufficient long-term competitiveness of the business sector. The most important opportunities are the enlargement of markets and new technologies, while the main threat can be seen in the decline of cost-based competitive advantages.

In many respects, the situation on the labour market is difficult since it still suffers from the combination of the negative impacts of restructuring and market problems. At the end of the 1990s, high unemployment rates emerged as a result of the closing of inefficient enterprises and a general decrease in the number of jobs. The most vulnerable groups at the risk of becoming unemployed are disabled people, older people and people with lower levels of education or not speaking Estonian language. Insufficient professional education provided by the vocational education system is one of the core reasons for the high rates of unemployment among young people. There are remarkable regional differences: unemployment rates are the highest in the industrial regions (Ida-Virumaa) and in some agricultural areas. Mobility among the unemployed, both professional and geographical, is rather limited. Many people have become discouraged and have left the labour market. At the same time, Estonia suffers from a lack of qualified labour; that is, the
demand for certain categories of highly qualified workers remains unsatisfied. Entrepreneurs consider the lack of good workers with suitable qualification to be one of the main problems hampering the development of enterprises. Low wages and the free movement of labour threaten Estonia with the loss of well-qualified labour. Above all, this refers to the permanent departure of researchers and specialists, but also to the outflow of some of the more highly qualified workers (nurses, for example).

To a certain extent, the situation described above can be related to the gaps in the professional preparation of labour, and therefore be blamed upon the shortages of the educational system. Training of teachers, existing curricula and training environments are not in compliance with contemporary requirements. Co-operation with enterprises to provide students with opportunities for practical training is weakly promoted. The educational system does not provide opportunities for continuing education, in-service training or the retraining of labour.

The following strategic documents are used as guidance for promoting employment in Estonia:
- National Employment Programme for Ida-Virumaa, developed under the guidance of the Ministry of Economy and in co-operation with the Ministry of Education and Ministry of Social Affairs,
- Joint Assessment of Employment Priorities in Estonia, developed in co-operation with the European Commission.

2.1. EU Structural Funds in Estonia

To develop its regional policy, Estonia will, over the next few years, receive support from the Structural Funds of the EU. The Structural Funds of the EU will become available for Estonia for the first time in 2004. Before, Estonian regional development has been supported out of the pre-accession programmes such as Phare, ISPA and Sapard.

The principles of EU Structural Funds assistance and its use and application procedures are described in “The Estonian National Development Plan for the Implementation of Structural Funds – Single Programming Document 2004-2006” (SPD). The SPD is supplemented by a programme complement with sets out the possible applicants; the main criteria for selection of projects, the purposes of achievement and the funding plan.

According to the needs of Estonian economy, following priority areas have been chosen for Estonia:
- Priority 1: Human Resource Development (funding from European Social Fund (ESF)) focuses on bringing the education into better conformity with contemporary labour market requirements; guaranteeing pupils’ better preparations for work and decreasing the drop out rate; providing better prerequisites and terms for life-long learning; stimulating investments into human resources to increase their productivity and development potential. Active labour
market policy measures are used to re-train the unemployed and bring them back into the labour force. Support for local initiative and social activeness will ensure social inclusion at a wider level. The priority also promotes administrative capabilities by training officials and civil servants, thus promoting smoother cooperation between the public and private sectors in economic development.

• Priority 2: Competitiveness of Enterprises (funding from European Regional Development Fund (ERDF)) focuses on the promotion of research and development activities and innovation. This sphere is expected to contribute through applied research and the rapid growth of product and technology development initiatives. Facilitating the establishment of and encouraging small and medium-sized enterprises is the key element in business development. Activity related to this is one of the main tools for the implementation of a national employment strategy.

• Priority 3: Agriculture, Fisheries and Rural Development (funding from European Agricultural Guidance and Guarantee Fund (EAGGF), Financial Instrument for Fisheries Guidance (FIFG)) focuses on strengthening the economic basis of rural development will focus on increasing the competitiveness of the food chain as a whole by providing support to the investment projects. The priority criteria for developing alternative economic activities is the creation of new jobs to provide employment for people leaving, or about to leave, agriculture, and the utilization of such local resources as rural tourism, handicraft, etc.

• Priority 4: Infrastructure and Local Development (funding from ERDF) is mostly of a supportive nature. Investments are to be made into the vocational education and applied higher education infrastructures to support the schooling of the labour force and provide for contemporary learning requirements. Elaboration and implementation of the ICT solutions available for the public is one of the priorities. A local development measure has been devised to involve rural municipalities and towns in the implementation of this programme and to put to maximum use the resources available on the local level. Local projects need to be based on local initiatives and preference should be given to activities based on wide-based partnership.

In addition to the objectives implemented by individual priorities, attention is paid through the programming document to environmental protection, regional development, information society development and promotion of gender equality.

2.2. Priority 1: Human Resource Development

The ESF aims to improve job opportunities for both, employees and the unemployed, focus on retraining of employees and create new jobs. The general goal of this priority is to enhance and better utilise the Estonian labour potential. The core aim is to promote human resource development and for that purpose the following activities will be supported:

• Prevention of weaknesses related to human resources;
• Adjusting the education system;
• Promoting life-long learning;
• Improving active labour market measures;
• Promoting the adjustment capacity of labour;
- Rapid and wide implementation of new technologies;
- Promoting the use of widening market and cooperation opportunities.

The activities of this priority will be implemented through four measures, all of which will contribute to reaching the goals of the priority (see Table 1).

**Table 1: Measures and objective of the measures of the Human Resource Development**

<table>
<thead>
<tr>
<th>Measure</th>
<th>Objectives of the Measure</th>
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| Measure 1.1: Educational system supporting the flexibility and employability of the labour force and providing opportunities of life-long learning for all | • Development of human resources and improving its competitiveness in the labour market;  
• Improving the education and training system;  
• Creating the necessary environment for the life-long learning through provision of training;  
• Ensuring quality of training;  
• Creating equal opportunities in access to education;  
• Creating conditions and providing opportunities for life-long learning. |
| Measure 1.2: Human resource development increasing the competitiveness of enterprises | • Ensuring a growth of investments in further and re-training of labour in order to ensure an increase in the productivity and competitiveness of enterprises;  
• Encouraging entrepreneurs to start a business by teaching them business management skills;  
• Increasing the knowledge of managers about novel management methods, export operations and marketing;  
• Giving an opportunity to employees to get trained in new technologies and quality management systems when these are introduced in enterprises. |
| Measure 1.3. Inclusive Labour Market | The overall objective is a more and efficient prevention and alleviation of unemployment and thus, poverty and social exclusion, and enhancing social inclusion:  
• To integrate more quickly in the labour market the unemployed and the employees who have received a redundancy notice and are at risk of becoming unemployed;  
• To provide better access to risk groups to the labour market;  
• To increase the effectiveness and quality of labour market services. |
| Measure 1.4. Enhancing administrative capacity | • Enhancing the administrative capacity of state agencies and local government units and their associations;  
• Raising professional skills in public administration;  
• Developing and ensuring a high quality and sustainable public service training system;  
• Improving the quality of management by supporting management training of government agencies. |


The priority will be funded from the ESF. During the period 2004-2006, 99 million euros will be allocated under the SDP priority “Human Resource Development”, of which the co-funding of ESF will amount to 76 million euros (see Table 2) and the Estonian match funding to 23 million euros.
Table 2: ESF support in 2004-2006 (in million Euros)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 1.1</td>
<td>9.8</td>
<td>13.2</td>
<td>17.2</td>
<td>40.0</td>
</tr>
<tr>
<td>Measure 1.2</td>
<td>1.9</td>
<td>2.5</td>
<td>3.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Measure 1.3</td>
<td>6.4</td>
<td>8.7</td>
<td>11.3</td>
<td>26.4</td>
</tr>
<tr>
<td>Measure 1.4</td>
<td>0.5</td>
<td>0.6</td>
<td>0.8</td>
<td>1.9</td>
</tr>
<tr>
<td>Total: Priority 1</td>
<td>18.5</td>
<td>25.0</td>
<td>32.6</td>
<td>76.1</td>
</tr>
</tbody>
</table>


3. Potential transferability of the policy/measure

The aim of the Portuguese programmes is to improve the qualification of labour force, which should lead to the increase of the efficiency and productivity of Portuguese labour market and competitiveness of the country. The discussion paper presents some descriptive results of the strategy and brief assessment of the obstacles and constraints encountered.

The Structural Funds of the EU will become available for Estonia for the first time only in 2004. As the majority of programs have not reached their end, then it is complicated to analyse the results and assess of the obstacles and constraints in Estonian case. The general per cent of funds paid out to final recipients is actually high - more than 16% of the total amount of the SPD (see Table 3) and by the end of 2005, the amount paid out to final recipients in Estonia will be more than 20% of the total amount of the SPD. As the funds foreseen in the SPD can be used until the end of the year 2008, Ministry of Finance foresees that by the end of the period more than 90% of the funds allocated to Estonia will be paid out.

Table 3: Implementation of Structural Funds (December 1, 2005)

<table>
<thead>
<tr>
<th></th>
<th>Applications approved since 2004</th>
<th>Total volume of the fund (2004-2006)</th>
<th>Foreign support used since 2004</th>
<th>Implementation % (cumulative amount of foreign finances used/total amount of the fund)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESF</td>
<td>769 934 789</td>
<td>1 191 020 772</td>
<td>53 736 681</td>
<td>4.51%</td>
</tr>
<tr>
<td>ERDF</td>
<td>1 808 342 853</td>
<td>3 535 750 856</td>
<td>544 444 027</td>
<td>15.40%</td>
</tr>
<tr>
<td>EAGGF</td>
<td>534 113 680</td>
<td>888 700 015</td>
<td>330 526 026</td>
<td>37.19%</td>
</tr>
<tr>
<td>FIG</td>
<td>95 699 211</td>
<td>195 103 996</td>
<td>36 017 246</td>
<td>18.46%</td>
</tr>
<tr>
<td>National Development Fund 2004-2006</td>
<td>3 208 090 533</td>
<td>5 810 575 638</td>
<td>964 723 981</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

4. Important issues relevant to policy areas

4.1. Vocational education

The Estonian education system has not been able to adapt sufficiently to the rapid changes in labour demand and to ensure an adequate general education level and vocational skills for all students. Inadequate funding and the bad reputation of vocational schools mean that less than one third of Estonian primary school graduates opt for the vocational education system, and 20% of those who attend vocational school drop out without graduating. To raise the quality to an internationally comparable level, it is important to improve the standards of both vocational teachers and also their instructors by improving the content, capacity and quality of initial and further training. Moreover, vocational school courses should be updated to match changes in economic activity. The learning environment should correspond to current workplace requirements and should have learning tools that meet the needs of the relevant specialty.

In July 2005, the government approved the Estonian Vocational System Development Plan for 2005-2008 (VSDP), designed to set objectives for promoting vocational education until 2008 and to develop the necessary measures, activities and resources to that aim. Among other things, the development plan provides for:

- greater involvement by the social partners;
- increased investment in vocational education, step by step;
- abolishing taxes on employers' costs arising from workers' formal and informal education and training.

VSDP anticipates that the government will substantially increase financing for vocational education. However, because the plan for allocating money is uncertain and subject to political change, companies and vocational schools can plan only a year ahead, thereby decreasing the overall stability of vocational schools. Estonian Employers' Confederation believes that the implementation of the vocational education development plan for 2005-8 is unrealistic if the planned activities are not funded, and that the planning ignores the need for continual development. Nevertheless, they state that they have contributed to drawing up the development plan and will participate in its implementation. Employers declare that an increase in financing for vocational education will address the currently uneven distribution within the whole education system and the popularity of vocational education will increase.

4.2. Life-long learning

Because the population of Estonia is decreasing, an efficient re-training system for adults, accessible for all, is of utmost importance. For that purpose, professional training programs need to create studying opportunities for people for whom learning is not the basic occupation and improve access to vocational and voluntary training. Adults in Estonia now have the opportunity to obtain a general secondary education through part-time studies. Adult students are also admitted to vocational educational institutions providing secondary schools graduates with part-time training programs. In both cases the studies are funded by the state budget.
Reorganisation of complementary and in-service training systems intended for people actively participating in the labour market is a sphere that needs special attention. Up to now, focus is on re-training the unemployed or people with lower qualifications. The real implementation of lifelong learning in Estonia calls for the establishment of complementary and in-service training mechanisms extending to all interested parties.

References

European Social Fund in Estonia – www.sm.ee/esf
