



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

OECD Reviews of Labour Market
and Social Policies
ESTONIA


Labour market and Social Policy Review of Estonia

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www.oecd.org/els/estonia2010





How does Estonia compare with the OECD in terms of unemployment during the crisis?

Harmonised unemployment rate

	Dec 2007	Dec 2009	%-point change since Dec 2007
Norway	2.4	3.3	0.9
Japan	3.8	5.2	1.2
Australia	4.3	5.5	1.0
Czech Republic	4.9	7.4	3.0
Germany	7.9	7.4	-0.6
United Kingdom	5.1	7.7	2.7
Finland	6.5	8.8	2.5
Poland	8.3	8.8	0.8
Sweden	6.0	8.9	2.7
France	7.8	9.9	2.3
United States	5.0	10.0	4.7
Portugal	7.8	10.2	2.7
Slovak Republic	10.4	14.2	3.7
Estonia	4.1	15.5	11.4
Spain	8.8	18.9	10.3
OECD	5.8	8.7	2.9
EU	6.9	9.4	2.7

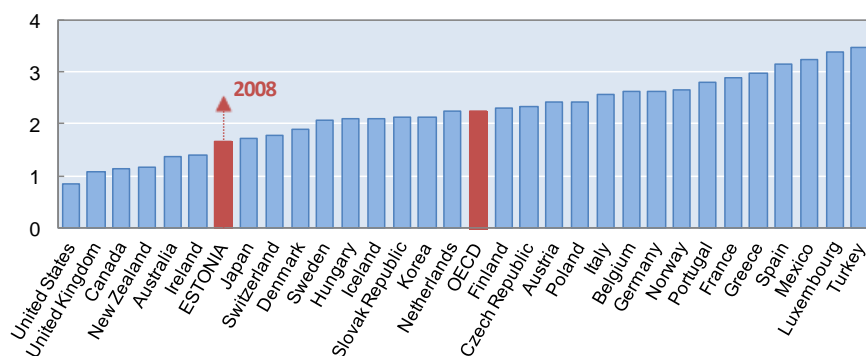
Source: OECD



How does Estonia compare with OECD countries on labour market policies?

Employment protection regulations are very flexible in Estonia following the 2009 reform

Average scores 0-6 from lowest to highest strictness, 2008-09



Note: Scores for Estonia, France and Portugal refer to 2009.

Source: Venn (2009), updated for Estonia according to the 2008 Employment Contracts Act, which entered into force on the 1st of July 2009.



How does Estonia compare with OECD countries on labour market policies? (cont.)

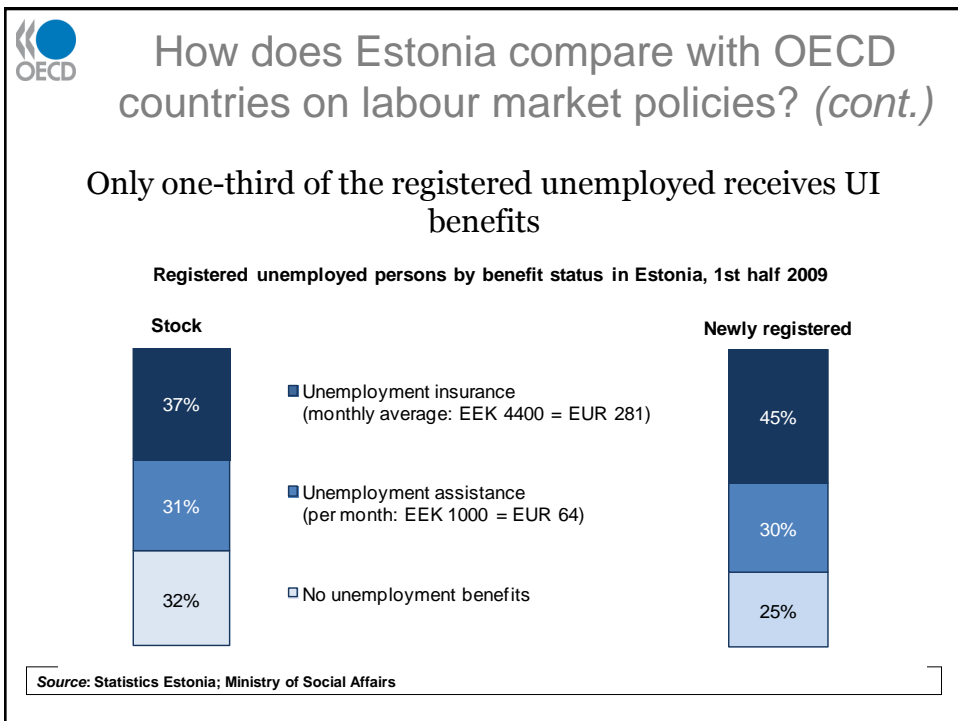
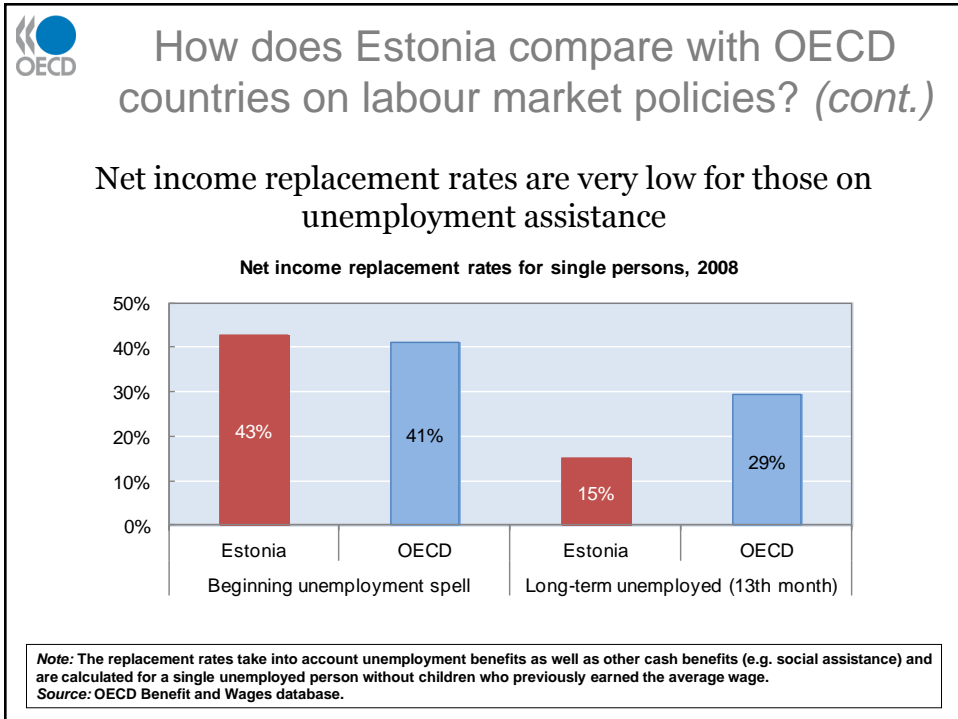
Pensioners and unemployed people are increasingly at risk of poverty

Share of the Estonian population with income less than the 60% median threshold, 2000-07

	2000	2001	2002	2003	2004	2005	2006	2007
Labour status								
Employed	9	9	9	9	5	6	6	6
Unemployed	50	47	48	49	60	60	62	61
Retired	18	21	21	19	23	29	37	43
Ethnic nationality								
Estonians	..	..	..	..	18	17	19	18
Non-Estonians	..	..	..	..	20	20	21	22
Total	18	18	18	18	18	18	19	20

Note: The income concept used is that of disposable household income in cash, adjusted for household size with modified OECD adult-equivalence scale. Change in data source in 2004 should be taken into account when comparing data for 2000-2003 with the following years.

Source: Statistics Estonia.





OECD recommendations on labour market policies

To boost income security for the unemployed Estonia could, once the recovery is well under way and public finances permit,

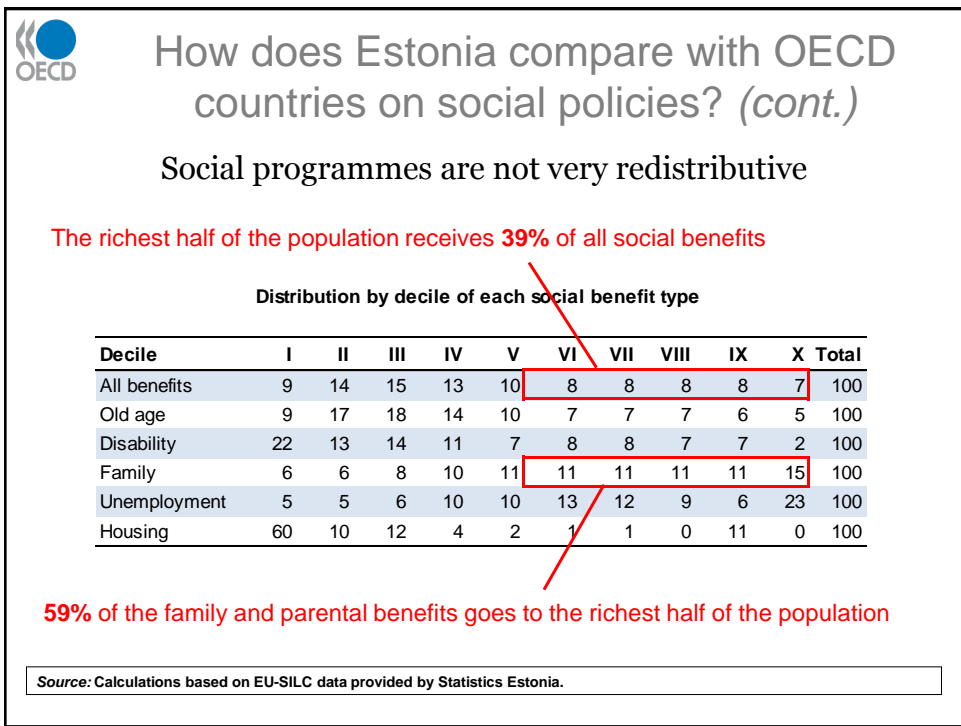
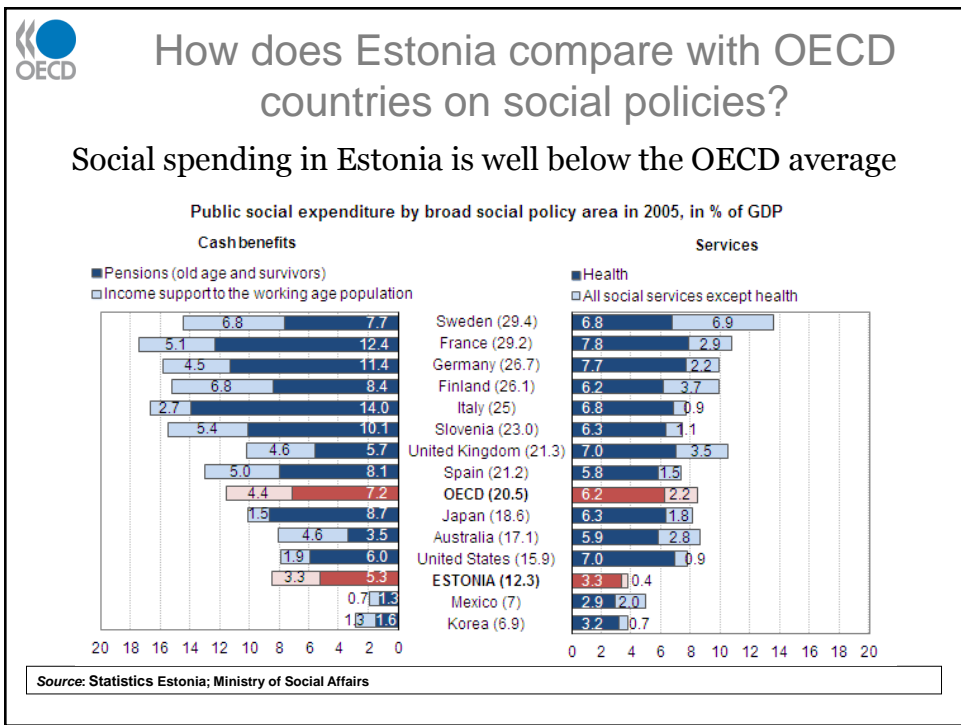
- Extend the eligibility for unemployment *insurance* benefits
- Increase substantially the unemployment *assistance* benefit level
- Reduce maximum payments of unemployment insurance



OECD recommendations on labour market policies

Further improve the public employment services

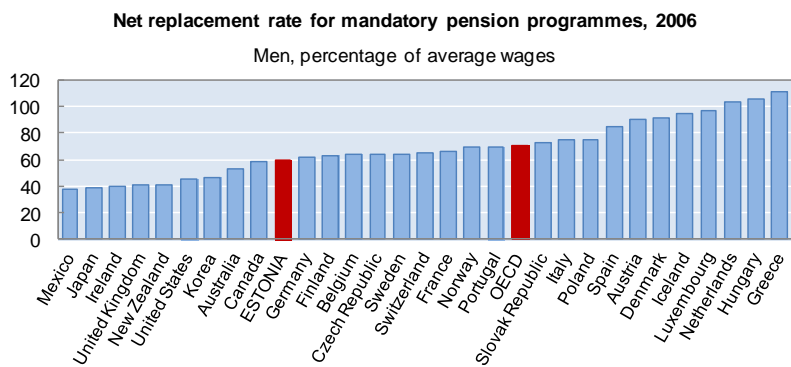
- Need for well-developed information system to improve job-broking
- Concentrate on job counselling and short courses
- Focus on difficult-to-place clients





How does Estonia compare with OECD countries on social policies? (cont.)

Pension replacement rates are low compared with OECD



Source: OECD Benefit and Wages database.



OECD recommendations on social policies

Strengthen the redistributive role of the existing programmes

- Reduce maximum parental leave payments
- Introduce an upper limit on 1st-tier pensions
- Raise the national pension or the basic amount of 1st-tier pensions
- Extend the use of means-testing in benefit programmes