Connecting People with Jobs

Improving the Provision of Active Labour Market Policies in Estonia

OECD

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Foreword

Giving people better opportunities to participate in the labour market is a key policy objective in all OECD and EU countries. More and better employment increases disposable income, strengthens economic growth and improves well-being. Well-tailored labour market and social protection policies are a key factor in promoting the creation of high quality jobs and increasing activity rates. Such policies need to address pressing structural challenges, such as rapid population ageing and evolving skill needs, including those needed for the green transition. They should also foster social inclusion and mobilise all of society.

The COVID-19 pandemic has increased the need for policies to support employment and inclusive labour markets. Even before the crisis, employment rates differed markedly across population groups. High unemployment, weak labour market attachment of some population groups and unstable or poor-quality employment reflect a range of barriers to working or moving up the jobs ladder. The economic repercussions of the pandemic risk entrenching these barriers further. It will be a major challenge for policy makers in the coming years to lift these labour market obstacles, support labour relocation and make labour market participation accessible for all.

Therefore, the OECD Employment, Labour and Social Affairs Committee is carrying out a set of reviews of labour market and social protection policies to encourage greater labour market participation and better employment among all population groups with a special focus on the most disadvantaged who face the greatest barriers to finding quality jobs. This includes a series of country studies, *Connecting People with Jobs*, which provide an assessment of how well active labour market policies (ALMPs) help all groups to move into productive and rewarding jobs and a number of policy recommendations that could improve the situation.

This report on Estonia is the seventh country study published in this series, this time undertaken in the framework of a broader technical support project that the European Commission and the OECD have provided to Estonia between 2019-21, funded by the European Union's Structural Reform Support Programme. It discusses the set-up and performance of active labour market policies in Estonia. In particular, the report analyses the institutional and regulatory framework of ALMP provision, assesses the need for ALMPs in the Estonian population and evaluates whether ALMPs reach the people they are targeted to.

The present publication presents time series which extend beyond the date of the United Kingdom's withdrawal from the European Union on 1 February 2020. In order to maintain consistency over time, the "European Union" aggregate presented here excludes the United Kingdom for the entire time series.

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Acronyms and abbreviations

ALMP	Active Labour Market Policy
CARe	Comprehensive Approach to Rehabilitation
COVID-19	Coronavirus Disease 2019
DWP	Department of Work and Pensions (United Kingdom)
EC	European Commission
EEA	European Economic Area
EGF	European Globalisation adjustment Fund
ESF	European Social Fund
ESS	Employment Service of Slovenia
EU	European Union
EUIF	Estonian Unemployment Insurance Fund
EUR	Euro
EU-SILC	European Union Statistics on Income and Living Conditions
G20	Group of Twenty
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
IMF	International Monetary Fund
ISCED	International Standard Classification of Education
IT	Information Technology
KELA	Social insurance institution (Finland)
LAFOS	Labour Market Service Centres (Finland)
LMP	Labour Market Policies
LMRA	Labour Market Regulation Act (Slovenia)
LMSBA	Labour Market Services and Benefits Act (Estonia)
LTU	Long-Term Unemployed
MOBI	Mobile Counselling
NEET	Not in Education, Employment, or Training
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
OSKA	Skills Assessment and Anticipation exercise (Estonia)
PES	Public Employment Services
PLMP	Passive Labour Market Policy
QCG	Qualifizierungschancesgesetz (German law)
SGB	German Social Code, Sozialgesetzbuch
SME	Small and medium-sized enterprises
SOM	Ministry of Social Affairs
UI	Unemployment Insurance
UK	United Kingdom
YoY	Year-on-Year

Executive summary

The Estonian labour market has performed relatively well over recent years placing the country among the top performers in the European Union (EU) both in terms of employment and activity rates. In 2019, the employment rate among 15-64 year-olds rose to 75.2%, well above the EU average of 68.4% and above its highest value prior to the Global Financial Crisis.

Despite this remarkable performance**, the country faces a number of structural challenges, such as a shrinking labour force, substantial regional disparities and low employment rates among vulnerable population groups**. About one-quarter of 15-64 year-olds in Estonia were weakly attached to the labour market in 2018, i.e. they were potentially available for work but did not work at all or were working in jobs that were low paid, temporary or intermittent. The economic consequences of the COVID-19 outbreak have further exacerbated some of these challenges, at least temporarily. The unemployment rate rose to 7.8% in the third quarter of 2020, an increase of 3.8 percentage points in comparison with the third quarter of 2019, with larger increases among youth and low-skilled.

In this context, **ensuring a well-functioning and effective system of active labour market policies (ALMPs) will play an important role in paving the way for sustained and successful labour market outcomes in the** recovery from the COVID crisis and beyond. This review focuses on the institutional and regulatory set-up of ALMP provision in Estonia, the outreach strategies and the support provided to people weakly attached to the labour market. Its objective is to provide an assessment of the system of ALMP provision, identify challenges and make recommendations. It draws on consultations with the relevant stakeholders, an analysis of the institutional and regulatory setup of ALMP provision and a number of relevant examples and good practices from other countries. A substantial part of the review is based on the analysis of rich linked administrative data. This unique data set that was compiled specifically for this review comprises extensive individual-level information on employment, income, health, socio-economic background, contact with the public employment service and access to ALMPs for Estonia's entire population. It provides important insights on people's attachment to the labour market and common labour market obstacles they face. Most importantly, it can be used to match the employment barriers individuals face with the ALMPs provided to them.

Over the years, **Estonia has boosted active labour market policies and fine-tuned their targeting.** At 0.47% of GDP in 2018, expenditures on ALMPs in Estonia were close to the OECD average and slightly below the EU average of 0.51%, while expenditures on passive labour market policies (PLMPs), i.e. income support, were still lagging behind both the OECD and EU average. This makes Estonia one of the few OECD countries spending more on ALMPs than PLMPs. Furthermore, the diversity of ALMPs provided by the public employment service (the Estonian Unemployment Insurance Fund, EUIF) has increased considerably to meet the individual needs of the jobseekers. The composition of ALMPs is well aligned with the international evidence on which types of policies are most effective and efficient, relying relatively more on counselling and training, and not at all on mediating public work schemes. Employment counsellors identify individual needs for ALMPs by well-established work-focused counselling and quantitative profiling tools, and the impact of ALMP provision is continuously monitored and evaluated.

Although the EUIF has become more active in advertising the support it can offer and reaching out to the groups in need, **many of the people with weak labour market attachment do not have established contact with the EUIF.** This is an issue particularly among the low skilled and people who, even if they do not have long-term health issues preventing them from working, face other major obstacles to social integration. Nevertheless, once a contact has been established, most of the clients (79% in a three-year-frame) are referred to specific ALMPs targeting their individual obstacles, i.e. beyond regular work-focused counselling and job mediation that are provided to all clients. While these ALMPs generally match well with the actual labour market obstacles faced by individuals with weak attachment to the labour market, some re-design of the training measures and wage subsidies on offer could make them more effective. Extending training provision has become particularly crucial in the context of labour market disruptions caused by COVID-19 to support the reallocation of labour across occupations, sectors and regions and meet the new emerging needs. Training programs can be particularly effective during recessions and, when targeted to vulnerable groups, suppor economic recovery while minimising lock-in effects.

The institutional and regulatory framework of ALMP provision is flexible, permitting to adjust policy measures and services swiftly to changing labour market needs. However, **the co-existence and overlap of different legal regulations on ALMP provision make the system unnecessarily complex**. Both the Labour Market Benefits and Services Act and the Employment Programme have detailed regulations addressing similar types of ALMPs but with different conditions and amendment processes. The complexity of regulations can potentially cause administrative inefficiencies. Furthermore, the legal framework is somewhat vague regarding the responsibilities of the Ministry of Social Affairs and the EUIF, which share responsibilities related to ALMP design and the organisation of ALMP implementation. This can compromise co-operation between the two institutions.

Overall, the Estonian ALMP system responds well to labour market needs and changes in those needs, and produces good labour market outcomes. However, the **following policy directions could contribute to addressing the remaining challenges and further improving ALMP provision in Estonia**:

- **Improve the outreach strategies** particularly to the low skilled and people with obstacles to integrate into the society (e.g. people who have been away from the labour market for a long time). To reach out to people with low skills, promote up-skilling and re-skilling together with the institutions in the education system and through the network of career counsellors, relying systematically on the results of the Skills Assessment and Anticipation exercise OSKA. Continuously build co-operation practices with the municipalities and consider scaling up the Youth Guarantee Support System tool to reach out to discouraged workers more generally.
- **Increase access to training measures among the low skilled**. Provide further training and ensure the implementation of guidelines to employment counsellors to detect training needs and convince the low skilled with a weak labour market attachment to take up training. Extend train-first approaches, where training needs are identified, particularly when tackling the labour market challenges caused by the COVID-19 outbreak. Adapt training programmes to fit better the needs of the low skilled, minimising discouraging aspects and preventing drop-out.
- **Revise the design of wage subsidies**. Most importantly, Estonia could consider restricting the target groups to the most disadvantaged or granting and adapting the rates of wage subsidy reimbursements to the employer upon the decision of the employment counsellor (e.g. the counsellors could consider the assessments of the quantitative profiling tool used in the EUIF to predict clients' probability of labour market integration). Additionally, caseworkers of the unemployed who are particularly discouraged about finding work should devote more efforts to present these clients to the employers (potentially in co-operation with the counsellors for employers), and promote wage subsidies for the employers as a tool to cover potentially lower productivity in the first months.

- **Build the capacity of institutions providing health care and social services** to tackle challenges concerning caring obligations and other barriers that limit the possibilities to engage in paid work or expand hours worked. The most critical link in the system are the municipalities, which have the greatest potential to understand and respond to the individual needs of people, particularly in smaller communities, but their capacity needs to be strengthened. The role of the EUIF and its employment counsellors should be to assist persons weakly attached to the labour market to overcome their obstacles by networking with the relevant organisations and finding solutions together.
- **Make the legal framework for ALMP provision less complex without reducing its flexibility**. Restrict the Labour Market Benefits and Services Act to include only key aspects of ALMP provision, such as a general description of the aim of ALMP provision and target groups of ALMPs, while setting the details in a more flexible regulation, similar to the Employment Programme. The fine details, particularly concerning the operational design of ALMP provision should be decided by the organisation implementing the ALMPs, i.e. the EUIF (e.g. whether to outsource or provide in-house specific ALMPs, channel management, counselling frequency, etc.). In addition, ALMPs regulated by the ESF Programmes should be incorporated into the Labour Market Services and Benefits Act and the Employment Programme, once the programming period ends and if proven to be effective and efficient. Agreement should also be reached between the key stakeholders on the principles of the new legal framework, the division of responsibilities between the main institutions and co-operation mechanisms.
- **Increase co-ordination of employment policy with social, health and education policy.** Coordinate the use of inter-ministerial working groups to address common strategic challenges more systematically and effectively. Consider changes in the composition of the EUIF Supervisory Board to cover a more relevant and diverse range of stakeholders, while keeping the balance of the three social partners and preferably also the total number of members close to the current level. Involve key stakeholders of education, social and health policy as necessary as observers in the meetings of the EUIF Supervisory Board. Set up an (informal) advisory group for the EUIF Management Board to discuss strategic issues and the EUIF operating model systematically with a wider group of stakeholders before the EUIF Supervisory Board meetings. The advisory group could meet when needed and involve researchers and practitioners in addition to policy makers.

1 Assessment and recommendations

Despite Estonia's good labour market performance, a considerable share of the population lacks solid labour market attachment, facing a number of obstacles limiting their access to good jobs. Overall, the institutional set-up of ALMP provision produces good results and its key features have proven their effectiveness. Nevertheless, the system could benefit from more co-operation among stakeholders and across policy fields. While the regulatory set-up of ALMP provision permits flexible policy responses, it is complex, making its administration burdensome and causing complexity in budgeting and financing. The Unemployment Insurance Fund has increased its outreach to potential jobseekers over recent years. Despite these efforts, population groups who are furthest from the labour market remain difficult to reach. The ALMP basket is overall appropriate, but some ALMPs are not sufficiently well targeted to the groups they are designed for.

1.1. Labour market challenges and the role of ALMPs

1.1.1. Estonia has a strong labour market, but structural challenges persist

Estonia's labour market has outperformed most other OECD and EU countries over recent years. While the country was severely hit by the Global Financial Crisis, with unemployment among 15-69 year-olds peaking at almost 17% in 2010, the labour market recovered strongly. In 2019, unemployment was down to under 5%, the number of employed people was higher than ever before (670 000 in the first quarter of 2020, corresponding to an employment rate of 75.0%) and wages had risen by more than 30% compared to 2008, placing Estonia among the top performers among OECD countries.

Labour market improvements came to a sudden end in early 2020, when the COVID-19 pandemic deeply affected the global economy amid confinement measures and a disruption of international trade. As a small open economy, Estonia was vulnerable to falling demand in its main export markets and its GDP fell by 6.9% in Q2 2020 and by 1.9% in Q3 2020 compared to one year earlier. The unemployment rate among 15-69 year-olds increased, reaching 7.2% in Q2 2020 and 7.8% in Q3 2020, against 5.1% (Q2 2019) and 4.0% (Q3 2019) one year earlier. Despite these headwinds, the Estonian labour market proved comparatively resilient, in part due to the support of quick policy responses. Already a few months after the outbreak of the crisis, the number of new weekly employment contracts started to outpace the number of terminated contracts in most weeks and the labour force participation rate reached 75.5% in the third quarter of 2020, its highest level since 2018. It remains to be seen how rapid and permanent the recovery of the labour market will be.

While Estonia's labour market is generally sound, the country faces major structural employment challenges. First, rapid population ageing is likely to become an obstacle to the development of the economy. The working-age population is projected to decline over the next decades while the share of people in retirement age in the population is set to rise, from about 20% in 2020 to almost 30% in 2030. Such an evolution is likely to amplify labour shortages and may strongly affect fiscal spending. In addition, there are marked mismatches between the skills workers possess and the skills for which there is labour demand in Estonia. In 2016, almost 30% of Estonian workers were either over or underqualified for the tasks they perform and more than 35% worked in a position that did not match their qualification. Finally, there are stark differences in employment outcomes across regions, pointing to a heterogeneous labour market with limited employment perspectives in economically weak areas, such as Ida-Viru and Valga.

1.1.2. A large share of people could benefit from active labour market policies

Many people in Estonia are only weakly attached to the labour market, that is, they do not work, or work only some months a year, work on unstable employment contracts or have low earnings. According the Labour Force Survey data, close to one-fifth of 25-64 year-olds were out of employment and another fifth earned low wages or worked on precarious contracts in 2019. Active labour market policies (ALMPs) can be a useful tool for a large part of this population to improve their labour market situation.

Rich data from different administrative registers can be used to identify groups in need of ALMPs well. The unique micro-level data set used for this analysis includes a wide range of information such as people's labour market status, employment records, earnings, citizenship, mother tongue, education, place of residence, health status as well as information on the ALMPs, social services and health services they receive. The data allow to identify people who have a weak attachment to the labour market with great precision and account for the fact that not all of them are likely to benefit from ALMPs. People who are weakly attached to the labour market and are in poor health or living in rich households, for instance, are unlikely to enter employment even if they are referred to ALMPs. Therefore, it is necessary to focus on people for whom ALMPs have a significant chance of being effective.

According to the microdata analysis for 2018, 26% of 15-64 year-olds in Estonia are only weakly-attached to the labour market (including those that are not working and excluding those in full-time education) and might achieve better labour market outcomes through ALMPs. While all regions in Estonia are home to a significant share of people with possible ALMP needs, counties in the country's East and South are particularly concerned. While 23% and 24% of working-age adults have possible ALMP needs in the counties around Tallinn and Tartu, respectively, they are more than 30% in Ida-Viru (East) and Valga (South).

1.1.3. Lack of skills and family-related obstacles are particularly widespread among people with weak labour market attachment

Skills obstacles, family-related obstacles and obstacles to social integration (very long periods out of employment, migrant background, etc.) are particularly widespread among groups with weak labour market attachment. 68% of these people face skills obstacles, often because they have only a low level of education or because they lack professional qualifications. Two-thirds (64%) face family-related obstacles, such as care responsibilities for a young child, an elderly household member or a person with disabilities. 42% face challenges to integrate into the society and the labour market as they have experienced a long history of inactivity or have a migration background. Other common labour market challenges among the people with weak labour market attachment are related to health limitations (21%), geographic distance from jobs (18%) and motivation challenges (such as significant non-labour income or misconduct on the previous job).

Facing several employment obstacles simultaneously is common among people with a weak labour market attachment. Almost all of persons weakly attached to the labour market face at least one labour market obstacle, three-quarters face at least two obstacles and close to 40% face three obstacles or more. Simultaneous obstacles are considerably less frequent among people who have established a solid labour market attachment.

1.1.4. People with weak labour market attachment need individual support

The correlation between different labour market obstacle types is overall low, suggesting that "typical" profiles of people with ALMP needs may be insufficient to reflect the diverse life circumstances of people with weak labour market attachment in Estonia. People confronted with skills obstacles, for instance, are as likely to face family obstacles as people with geographic obstacles. Therefore, people with weak attachment to the labour market need individual approaches to support them as the exact same support package is not likely to be effective for everybody.

1.2. Institutional set-up of ALMP provision

1.2.1. The institutional set-up of ALMP provision produces good results and its key features should be maintained

The Ministry of Social Affairs (SOM) and the Unemployment Insurance Fund (EUIF) are the two main institutions involved in the provision of active labour market policies (ALMPs) in Estonia. SOM is the central institution governing labour market and social issues. The EUIF fills the role of a public employment service. The EUIF is set up as an autonomous public body and it is steered by a tripartite Supervisory Board consisting of two employee representatives, two employer representatives and two Government representatives (including the Minister of Health and Labour) to strike a balance of power between different interest groups.

The current system of ALMP provision performs well both in terms of outcomes and its ability to adjust to labour market changes. For example, the introduction of the Work Ability Reform in 2016 is widely considered a success. Furthermore, the quick introduction of a new short-time working scheme to address the challenges posed by COVID-19 has received a lot of positive feedback by stakeholders and employers, including publicly via the media. The sustained improvements on the labour market before the COVID-19 crisis also point to good outcomes of ALMP provision in Estonia and suggest that the system supports the Estonian labour market well.

All key stakeholders agree that the key features of the institutional set-up should be maintained – i.e. how the EUIF is set up, its legal status and its management framework. They consider it beneficial that ALMPs are provided by an autonomous public body with a tripartite strategic management body (the Supervisory Board). The Supervisory Board functions as a buffer between high-level policy orientations and actual ALMP design and implementation. Generally, the composition of the Supervisory Board with an equal representation of all three social partners is considered to be suitable for its mandate.

1.2.2. The division of responsibilities and co-operation practices of the Ministry of Social Affairs and the Unemployment Insurance Fund should be further defined and agreed on

The legal regulation concerning the institutional set-up is not explicit on the division of responsibilities in designing and organising ALMPs, and some of the tasks assigned to SOM and the EUIF are similar. Furthermore, the legal regulation is not explicit on what the tasks related to ALMP design and organising implementation mean in practice. This lack of clarity regarding the exact competences of institutions can have negative consequences on co-operation and increases the risk of competing agendas.

To bring more clarity on the division of responsibilities, SOM and the EUIF should discuss and agree on their exact tasks, potentially involving other key stakeholders as well. This option has the advantage that it is based on a high degree of consensus and can lead to very flexible and efficient solutions which may not be achievable if competences are narrowly defined by regulation.

In addition, SOM and the EUIF should discuss and agree on their co-operation principles. Co-operation is necessary throughout the process of designing ALMPs, enabling to systematically involve both the expertise gained from implementation as well as the strategic view of broader employment policy objectives. SOM and the EUIF need to identify efficient channels for co-operation and agree on them as well as the level of formality, regularity and other arrangements regarding co-operation.

1.2.3. Employment policy could be co-ordinated better with social, health and education policies

Significant improvements in the co-ordination of social, health and employment policies have been made in the framework of the Work Ability Reform. This reform introduced new ALMPs addressing labour market integration and health obstacles, and increased funding for ALMPs and social services targeting health obstacles. It also improved the co-operation and information exchange between the organisations implementing the reform. In addition, SOM has developed a Welfare Development Plan 2016-23 to generate a strategic view on labour and social policies and address the fields of social affairs more holistically. Nevertheless, there might be room for improving policy co-ordination across different fields within SOM to support holistic approaches to citizens (i.e. the officials in SOM need to co-operate both internally and externally when designing policies, aiming to avoid gaps and overlaps in policy design).

Better co-ordination of employment and education policies would also be desirable particularly regarding adult learning programmes. Despite the higher participation in adult learning programmes in recent years, the need for upskilling and reskilling remains high and access to training measures is not sufficient. Access to adult training programmes could be improved by better co-operation between the stakeholders of the system of ALMP provision and the Ministry of Education and Research. Although co-operation has

improved over the years, designing adult training programmes still takes place somewhat separately in each of the employment and education policy fields.

The co-ordination between employment and economic policy regarding measures for employers and entrepreneurship is generally appropriate. Although some measures in employment and economic policies are similar, the objectives, target groups and conditions of these two types of support are quite different and thus not overlapping. In designing ALMPs for employers, SOM and the EUIF co-operate tightly with the Ministry of Economic Affairs and Communication. This ensures that employers' needs are viewed holistically across policy fields. In addition, two representatives of the Estonian Employers' Confederation represent employers in the Supervisory Board of the EUIF. However, there are no representatives of the Estonian Association of SMEs in the Supervisory Board of the EUIF, although they are consulted on an *ad hoc* basis, either directly or via the Ministry of Economic Affairs and Communication.

1.2.4. Strategic co-operation across policy fields could improve through adjustments in the working methods

A possibility to ensure policy co-ordination is to use inter-ministerial working groups more systematically and effectively than currently. While many different working groups operate for specific purposes, more thoroughly co-ordinated and systematic approaches could help achieve more strategic co-operation. For example, there are many working groups that are initiated in the education, social and health policy areas, where also the EUIF and/or SOM representatives take part. Nevertheless, these initiatives fulfil specific purposes without overall co-ordination and systematic approaches across working groups, which might lead to fragmentation of discussions, as well as gaps and overlaps in policy co-ordination. Furthermore, SOM and the EUIF could consider whether simply participating in initiatives of other policy fields is sufficient or should the labour market policy field (i.e. SOM and the EUIF) drive some of the inter-ministerial policy co-ordination (currently the EUIF has a more active co-ordination role only regarding career counselling).

As the EUIF and its Supervisory Board have an important role in ALMP design and the strategy of ALMP provision, better co-ordination of policy fields could also be envisioned via the composition and activities of the EUIF Supervisory Board. Nevertheless, the current size, composition and balance are generally considered to be very suitable by the stakeholders. The set-up of the EUIF Supervisory Board has been the benchmark for reforming the size and the composition of the Supervisory Board of the Health Insurance Fund. The number of members in the Health Insurance Fund Supervisory Board was reduced from 15 to six in 2018, and was composed similarly to the EUIF (two ministers to represent the government, two representatives of insured people, two representatives of employers), to make it more efficient as well. In case the stakeholders deem necessary to involve additional stakeholders as members of the EUIF Supervisory Board, they should consider the changes carefully and aim at keeping the balance between the three social partners. If possible, substituting some of the current members should be preferred over increasing the total number of members in the Supervisory Board to keep the working methods of the Supervisory Board efficient. For example, a representative of the Estonian Association of SMEs could replace one of the current employers' representatives. Involving a representative from the Ministry of Education and Research could be made possible by not involving a representative of the Ministry of Finance on the board.

A better alternative to fundamentally changing the composition of the EUIF Supervisory Board is to involve other stakeholders more systematically as observers, i.e. with rights to discuss the issues, but with no voting rights. Nevertheless, the number of observers at the meetings of the Supervisory Board should be small (only key experts), to ensure that working methods remain efficient.

Another way to foster co-operation between a broader set of relevant stakeholders would be to organise more extensive discussions systematically before discussing and deciding strategies in the EUIF Supervisory Board. This approach could help overcome the gaps in policy co-ordination without needing to establish further inter-ministerial working groups per se or making changes in the composition of the

EUIF Supervisory Board. Estonia could set up an advisory body involving key stakeholders, experts and researchers to advise the Management Board of the EUIF, similarly to the example of the Expert Council advising the PES Management Board in Slovenia. In line with this, the reform reducing the number of members in the Supervisory Board of the Health Insurance Fund was accompanied by establishing an advisory body to enable inputs from a wider group of stakeholders into strategy development (in addition to advisory bodies for specific questions). The advisory body of the EUIF could be informal and the range of stakeholders to be involved could be adapted according to a specific policy question. The policy questions could cover strategy development (inputs for the Supervisory Board) as well as operating model (inputs for the Management Board). However, it is important that the advisory body discusses relevant questions systematically and that the discussions are driven by the needs of labour market policies. Among other stakeholders, the EUIF Management Board could involve the representatives of SOM in these meetings, as they are the main policy designers in the field.

1.3. Regulatory set-up and financial framework for ALMP provision

1.3.1. Estonia's legal set-up of ALMP provision is unnecessarily complex, making its administration burdensome

In Estonia, the legal framework for designing and implementing active labour market policies consists of three main sets of regulations. Some ALMPs are regulated in detail in the Labour Market Services and Benefits Act (LMSBA, adopted by the parliament), while others are regulated in the so-called Employment Programme (a government decree) or by provisions adopted by the Minister of Health and Labour (concerning programmes financed by the European Social Fund, ESF). In all three cases, the level of detail specified is similar, but their amendment procedures and time differ. Furthermore, the three sets of provisions often contain similar ALMPs (similar content and objective), but applying to different target groups on different conditions and/or using different technical processes. This means that the system has features to adjust ALMPs quickly when necessary, but it is complex.

An in-depth analysis of the legal frameworks of ALMP provision in Iceland, Germany, Slovenia and Denmark reveals that none of the reviewed countries have systems in place as complex as in Estonia in terms of duplicating similar ALMP content for different target groups or on different criteria. Furthermore, the lower-level details of ALMP provision are often left for lower-level regulations and decisions, contrary to Estonia where many details are set in the LMSBA, a high-level act passed by the parliament.

1.3.2. The Estonian legal set-up should be re-designed to decrease complexity and advance flexibility

One way of addressing the complexity and duplication of regulations in Estonia would be to restrict the LMSBA to key aspects of ALMP provision, such as the general institutional set-up, a general description of the aim of ALMP provision, target groups of ALMPs, and optionally the broad categories of ALMPs (such as in the OECD/EC methodology of LMP categories or in the framework act of ALMP provision in Slovenia). More specific characteristics of ALMPs, e.g. eligibility criteria or specific measures, would be set by more agile regulation (similar to the Employment Programme). The most granular details, particularly concerning the operating model of ALMP provision, would lie within the responsibility of the organisation implementing the ALMPs, i.e. the EUIF, regulated in internal documents and guidelines. The COVID-19 outbreak has indicated that public employment services that had more autonomy regarding their operating model were able to adapt their working methods faster (directing clients to online channels, reallocating staff to priority work areas, enabling staff to work remotely, etc.).

Such a set-up would enable to streamline the regulatory framework while maintaining its flexibility and ability to react to labour market changes. In such a setting, the LMSBA should also state how and by whom

the details of ALMPs should be fixed. For example, the details of ALMPs could be fixed via a process similar to the one that is used when the Employment Programme is developed (first approved by the Supervisory Board of the EUIF and subsequently adopted by the government). The key stakeholders should discuss and agree on whether the current process of adopting and amending the Employment Programme should be adapted, e.g. whether the final adoption should be by the government or the minister, or whether, in order to enhance the agility and flexibility of the system, the approval by the Supervisory Board of the EUIF is sufficient. Another agreement that the key stakeholders should consider, is about which of the institutions takes the responsibility to draft the details of ALMP design – the EUIF or SOM. In any case, SOM and the EUIF should co-operate tightly (i.e. exchanging ideas from the very initial drafts until final versions) in drafting the regulation regardless of which organisation leads the process.

The complexity of the legal set-up could be further reduced if ALMPs regulated by the ESF Programmes would be incorporated into the LMBSA and the Employment Programme. This can be done once the programming period ends in 2023 and for those ALMPs that are proven to be effective and efficient. For the next programming period, SOM and other stakeholders should consider the regulation of ALMPs financed via the ESF funding more carefully, keeping the regulations of ALMP provision lean and flexible (i.e. avoid designing many similar ALMPs for slightly different target groups, and avoid setting up a high number of ESF Programmes).

1.3.3. Complexity in the regulations of ALMP provision triggers complexity in financing and budgeting

In 2016-19, 76% of ALMP expenditures were financed from unemployment insurance contributions, 19% of ALMP expenditures from ESF and 5% from the state budget (excluding reimbursements of social tax contributions for employers of people with reduced work ability as it is not considered to be an ALMP by the Estonian stakeholders). In general, the ALMPs in the Employment Programme and the LMSBA are financed mostly from unemployment insurance contributions. The ESF Programmes are financed from the ESF with co-financing from the state budget or unemployment insurance contributions. The EUIF has some financial independence as its operating expenses as well as key ALMPs and benefits are financed from the dedicated unemployment insurance contributions.

The complexity of legal regulations of ALMP provision triggers complexity regarding ALMP financing and budgeting. For example, budgeting and accounting takes place separately for each regulation (e.g. separate accounting for the Employment Programme and each ESF Programme). In addition, the financial flexibility is greater for general counselling and job matching, which are financed from the unemployment insurance contributions and for which the budget is approved by the Management Board (detailed budget) and the Supervisory Board (overall budget for operating costs) of the EUIF. Re-allocations between ALMPs in the Employment Programme within a financial year are also possible with the approval of the EUIF Management Board, but the overall increase in the budget needs to be adopted additionally by the Supervisory Board and the government.

1.3.4. Sustainability of the ALMP financing framework is a potential issue

The decisions to allocate unemployment insurance contributions to finance ALMPs do not depend only on the labour market situation. The resources of the unemployment insurance scheme are taken into account in the overall state budget balance, which implies that any change in ALMP allocation has an impact on other expenses in the state budget. As a result, this dedicated funding source does not ensure full flexibility in allocating ALMP expenditures. Even if the reserves to cover ALMP needs may be sufficient, the final decision on unemployment insurance premium and allocations for ALMPs are taken by the government and these decisions are based on the overall state budget balance, not necessarily considering the needs of the system of unemployment insurance. The current financing framework can create situations when the reserves of

unemployment insurance are sufficient, but these could not be used to cover all ALMP needs, or that the unemployment insurance premium could not be lowered even when reserves were sufficient.

The current ESF programming period lasts until 2020 and allows to use the allocated funding up to 2023. Nevertheless, as of September 2020, the Estonian stakeholders do not yet have a plan on how to integrate the ALMPs currently financed by the ESF to the national framework or how to finance these ALMPs in the future.

The only considerable allocation to ALMPs from the state budget concerns reimbursements of social tax contributions for employers of people with no or partial work ability (a measure that is considered as an ALMP since 2016 when the EUIF took over its administration). The co-financing from the state budget for the Employment Programme and ESF Programmes has decreased over the years and is at a marginal level in 2020. To avoid putting additional pressures on unemployment insurance scheme, additional allocations from the state budget could cover the needs for ALMPs for uninsured jobseekers (who have not paid unemployment insurance contributions) and for measures that will be not financed from the ESF in the future. However, an increase in the funding of ALMPs from the state budget would require considerable political will and a re-prioritisation in strategic objectives.

1.3.5. The financing model does not systematically support accumulating reserves during good times for economic downturns

The unemployment insurance premium is pro-cyclical in Estonia as the premium has been higher during the times of higher unemployment rate and higher expenditures of the system of labour market policies, and lower during better conditions, when also expenditures are lower. The stakeholders of the ALMP system and the government need to agree on new principles for setting the unemployment insurance premium to introduce counter-cyclicality and accumulate sufficient reserves during the good times, before any economic downturns. For example, an automatic mechanism could be built in the system that takes into account the economic situation and/or forecasts and the current reserves, which would trigger changes in the unemployment insurance premium. Alternatively, the unemployment insurance premium could be kept at a constant level, optimised across business cycles. The unemployment insurance system would be in a deficit in poorer economic conditions and in surplus in better times. In addition, automatic triggers for higher benefit generosity could be introduced in such a financing model.

1.3.6. In the context of central management of public funds, the low financial sustainability in the systems of health care, social services and social security undermines the financial sustainability of labour market policies

Since 2012, the Ministry of Finance manages the public sector funds centrally, including the reserves from the unemployment insurance contributions. Although EUR 250 million (about 30% of unemployment insurance reserves) were quickly made available for the short-time work scheme in spring 2020, the key stakeholders have expressed concern about whether the funding for ALMPs and benefits would be always so easily available in case of an urgent need. Estonia should consider revising the health care, social services and social security systems to make them financially sustainable, to ensure that the unemployment insurance reserves actually remain available for labour market needs.

1.4. Outreach of the public employment service

1.4.1. Benefits and health insurance are strong incentives to contact the EUIF

Despite the low generosity of the unemployment benefit system in Estonia, benefits play a big role in incentivising jobseekers to register and stay registered with the EUIF. Furthermore, subsistence benefits

can be an incentive to register with the EUIF as municipalities can take the registration with the EUIF into account when they decide on granting benefits.

People with health issues have particularly strong motivation to register with the EUIF. In 2007, health insurance coverage was extended to the registered unemployed. Moreover, in 2016, the Work Ability Reform linked the payment of the work ability allowance to registering with the EUIF. In addition, the Work Ability Reform strengthened the support to people with reduced work ability significantly (new ALMPs targeting this group, increased funding of ALMPs, changed service concepts to meet the needs of this group). These incentives have contributed to a rising share of EUIF registrations among the unemployed with health limitations. In 2013, the share of people with reduced work ability among registered unemployed was 6.3%. This rate started to increase fast along with the discussions on the reform, reaching 18.4% in June 2016, just before the implementation of the reform. The share of registered unemployed with reduced work ability among all registered unemployed has grown fast during the years of implementation of the Work Ability Reform, reaching 31.4% in December 2019.

1.4.2. The EUIF has become more active to advertise its support

Along with wider client groups and new ALMPs, the EUIF has increased its efforts to advertise its new activities and policies. A wide-scale marketing campaign promoted the new ALMPs targeting employed people in 2017 (re-enforced in 2019), aiming to prevent their unemployment. Concerning the Work Ability Reform, the EUIF did not focus on advertising its services and measures, but on ensuring that the affected groups were well informed. The information about the reform, its objective and the process of its implementation were also disseminated by other organisations involved, above all by SOM.

In addition, the EUIF has specific activities to reach out to people in need, such as organising mobile counselling (so-called MOBI), the rapid response service (the EUIF counsellors go to workplaces where a collective redundancy is about to take place), counselling people about to be released from prisons and prisoners who are allowed to exit the prison premises for work reasons, providing career counselling in schools, organising job fairs, etc.

Overall, the EUIF has made significant effort to create awareness about its possibilities to support people in getting (better) jobs. Nevertheless, the efforts during the last years have focused mostly on people with health limitations or low skills, while other vulnerable groups have been somewhat left behind. For example, the extension of ALMPs to people in retirement age in 2016 has not been advertised more widely. Estonia could learn from the United Kingdom on how to build a comprehensive strategy to reach out to and support older workers.

1.4.3. People who are very far from the labour market are difficult to reach

According to the analysis of micro data from different registers, close to 40% of people with weak labour market attachment are in contact with the EUIF. While people who have recently lost employment tend to register with the EUIF more commonly, those furthest away from the labour market, many of which have been out of employment for a long time, are particularly difficult to approach. Only one-third of people who did not work in 2018 were registered with the EUIF at least once between 2017 and 2019 (to account also for people who were already registered earlier with the EUIF and for people registering late).

The share of people with weak attachment to the labour market who are in contact with the EUIF differs by the labour market obstacles they face. Due to the Work Ability Reform, the proportion of people registering with the EUIF is highest among people with health obstacles, reaching 60% and exceeding other groups by far. However, only 41% of people with skills obstacles were in contact with the EUIF in 2018, 35% of people with longer term integration challenges (and only 27% of people with longer term integration challenges without health problems) and 40% of people with family-related challenges (mainly care obligations).

1.5. ALMP basket and coverage

1.5.1. The EUIF should increase its outreach through further activities to raise awareness

The EUIF should continue and reinforce its outreach activities, including to inactive people, the unemployed and employed people who lack a solid attachment to the labour market. The EUIF outreach and support to vulnerable groups could be increased by improvements in networking with other organisations (municipalities, other providers of social and health services, youth centres) as well as by raising awareness to change employers' attitudes, change the attitudes of the target population, change the attitudes of society to combat discrimination, increase awareness of the available ALMPs and encourage ALMP take-up. Past experience in generating awareness about the Work Ability Reform and unemployment prevention measures could be used to address other groups that are currently left behind, such as older workers (including retirees), people with social integration obstacles, low-skilled inactive. The EUIF should communicate clearly what it can offer and how this benefits these groups, using indirect outreach channels (e.g. media), as well as direct outreach (e.g. via employers).

1.5.2. Estonia has boosted expenditures on ALMPs

Over recent years, Estonia has boosted active labour market policies. At 0.47% of GDP in 2018, expenditures on ALMPs in Estonia are close to the OECD average level of 0.48% and the EU average of 0.51%. Expenditures on passive labour market policies (PLMPs) are still lagging behind both the OECD and EU average (0.41% of GDP in Estonia versus 0.64% in the OECD and 0.67% in the EU), although unemployment rates have been on similar levels (5.4% in Estonia versus 5.6% in the OECD in 2018 among 15-64 year-olds). This makes Estonia one of the few OECD countries spending more on ALMPs than PLMPs.

In addition, labour market and social integration is supported by other measures and services, such as social, health and education services or measures to support entrepreneurship. Several of these services have similarities to ALMPs provided by the EUIF. Moreover, other benefits are provided for the people that are weakly attached to the labour market, besides unemployment benefits (PLMPs). Most notably, work ability allowance (administered by the EUIF) and subsistence benefit (administered by municipalities) impose also activity and job search requirements for the beneficiaries.

1.5.3. The composition of the overall ALMP package is appropriate

Along with the increase in ALMP expenditures, the diversity of ALMPs provided by the EUIF has increased considerably to meet the individual needs of the jobseekers. The general composition of ALMPs is well aligned with the international evidence on which types of policies are most effective and efficient, relying relatively more on counselling and training, and not at all on mediating public work schemes. Along with the Work Ability Reform, Estonia spends a large share of its ALMP budget on ALMPs targeting health obstacles, which indicates that the ALMP package should also be supporting well jobseekers in greater difficulties or jobseekers with disabilities. Nevertheless, while the largest increase in ALMP expenditures during the last years concerns sheltered and supported employment and rehabilitation measures, 89% of this type of expenditures in 2018 covered the reimbursements of social tax contributions for employers hiring people with reduced work ability. This measure on its own, however, does not address the individual needs of jobseekers as all employers employing any person with reduced work ability are eligible for these reimbursements.

The EUIF uses an individualised approach to provide ALMPs. The employment counsellors identify individual needs for ALMPs by well-established work-focused counselling and quantitative profiling tools (except for ALMPs for employers, such as wage subsidies and reimbursements of social tax contributions).

The EUIF invests a lot in the skills of its counsellors as referrals to ALMPs depend largely on counsellors' discretion. The counsellors are supported by a quantitative profiling tool that estimates jobseekers' probability of employment and probability of returning to unemployment in case they get employed based on 60 different variables. The approach to ALMP provision has moved slightly away from work-first strategy (i.e. to always prioritise labour market integration opportunities) towards train-first strategy (i.e. prioritising up- or re-skilling to improve first labour market integration opportunities) to some client groups (people with low digital or native language skills, low-skilled employees).

The impact of ALMP provision is continuously monitored and evaluated and the basket of ALMPs is redesigned taking into account evaluation results. Impact evaluations conducted by the EUIF as well as external evaluations have shown that the ALMPs provided by the EUIF (e.g. training, apprenticeship programmes, wage subsidy programmes, business start-up subsidies) have been generally effective and cost-efficient. Furthermore, the assessments of the European Network of Public Employment Services indicate that the business and operating models of the EUIF are effective and efficient.

1.5.4. The coverage of ALMPs is high once a jobseeker is in contact with the EUIF, but the share of people with weak labour market attachment in contact with the EUIF should be higher

The analysis of individual-level administrative data from a number of registers shows that among people with weak labour market attachment in 2018, 28% participated in ALMPs at least once between 2017 and 2019 (i.e. specific ALMPs beyond counselling, information provision and job mediation that are provided to all clients). The referral rate to ALMPs was slightly higher, at 31%, as not all jobseekers that were referred to ALMPs did eventually participate. Comparing the referral rates to the share of people in contact with the EUIF indicates that the EUIF counsellors referred 80% of the people in contact with the EUIF to a particular ALMP.

The share of people referred to specific ALMPs (and participated in them) once they are in contact with the EUIF is similar across the sub-groups with weak labour market attachment, across the obstacles they are facing as well as across the number of obstacle types. As such, the coverage of ALMPs is highly dependent on the share of people in contact with the EUIF.

1.5.5. Job-search support and ALMPs targeting health and geographic obstacles reach many of the people in need

ALMPs supporting labour market integration in general are by far more frequently provided than other types of ALMPs. Around 80% of ALMP participants receive ALMPs that support their job search in general, either alone or in addition to more targeted ALMPs. Given that general ALMPs, such as career counselling, are in many cases a precondition for a successful job search, their frequent use is helpful, even if they are targeted to a large share of jobseekers facing different circumstances and labour market obstacles.

ALMPs addressing specific labour market obstacles usually correspond to the obstacles people face. ALMPs targeting health and geographic obstacles, for instance, tend to be more often provided to people facing such obstacles.

1.5.6. ALMPs addressing skill obstacles need to be better targeted and re-designed

The match is less evident for ALMPs addressing skills obstacles. Participation in ALMPs targeting skills is around 50%, irrespective of people's specific labour market obstacles.

While up- and re-skilling can improve job perspectives for all job seekers, skill-related ALMPs should be further promoted specifically among the low skilled. The outreach strategy to low skilled people with weak labour market attachment should be revised to promote up-skilling and re-skilling directly and personally

as raising general awareness might not be sufficient for this group. In addition, further training and guidelines should be provided to employment counsellors to detect training needs and convince the low-skilled to take up training. Furthermore, training programmes could be adapted to better fit the needs of the low skilled, thus favouring higher take-up and lower drop-out. Drop-outs could be minimised by providing counselling and mentoring during participation in training programme, discussing the challenges met and trying to address them. This counselling and mentoring should be conducted by the training conductor, co-operating with the employment counsellor in case needed. Estonia could learn from Germany, Austria and Norway on tailoring the training programmes to target better people with low qualification and skills and particularly on combining workplace and classroom training.

1.5.7. The most vulnerable groups need better targeted employment incentives and follow-up support

Likewise, the design of the different wage subsidies should be scrutinised to improve their targeting. While international experience suggests that such polices are only effective if they are targeted to the most disadvantaged groups, Estonia's wage subsidies are not confined to the most vulnerable. In particular, the analysis on the Estonian administrative microdata indicates that people with integration obstacles, whose labour market outcomes are more likely to be improved by wage subsidiesaccording to international evidence, do not receive them significantly more than other people with a weak labour market attachment.

Caseworkers of the unemployed who are particularly discouraged about finding work should devote more efforts to present these clients to the employers (potentially in co-operation with the counsellors for employers), and promote wage subsidies for the employers as a tool to cover potentially lower productivity in the first months. Additionally, Estonia could consider restricting the target groups to the most disadvantaged or granting wage subsidy reimbursements to the employer upon the decision of the employment counsellor (e.g. the counsellors could consider the assessments of the quantitative profiling tool used in the EUIF to predict clients' probability of labour market integration).

In addition, the most vulnerable groups might need additional support compared to what the EUIF has provided up until 2020. The Employment Programme 2021-2023 adopted in November 2020 foresees follow-up counselling to be provided more systematically from 2021 onwards. The experience form other countries, such as Germany, France and Denmark, shows that more intensive support and follow-up activities could be very effective to integrate long-term unemployed into sustainable employment. Estonia should ensure that sufficient resources are available to implement the new provisions regarding follow-up counselling systematically across vulnerable groups, and fine-tune the processes.

1.6. Networking and co-operation to provide services holistically

1.6.1. The EUIF has the capacity to network with other organisations, but the wider system lacks holistic approaches

There is no one single entry point to the system when a person needs to be supported not only by ALMPs, but also by social services, health services or education measures. As such, the person could contact any of the service providers they think they need and it is up to the service providers to understand if the person needs more extensive support also from other providers and direct them to the relevant institution.

The EUIF applies a three-tier counselling model to enable its counsellors to have more time for networking with other service providers in case of helping the more vulnerable groups. In addition to reaching out to other organisations case by case, the EUIF head office and regional offices co-operate with other organisations to provide specific services (e.g. organising coaching for working life or job clubs together with municipalities, or providing career counselling in schools in co-operation with them).

Contrary to the EUIF, other service providers (municipalities, health care sector, Social Insurance Board, education sector) do not have elaborate concepts (both strategies and procedures) in place on reaching out to other providers when needed. The most critical link in the system are the municipalities, which have the greatest potential to be close to the people in need, but are unable to fulfil this role due to often low capacity as well as prioritising other fields than social and employment policy. The capacity of municipalities needs to increase to make any fundamental improvements in reaching out to people needing multidisciplinary support possible.

1.6.2. Different institutions provide similar services, potentially causing gaps and overlaps in service provision

Over the years, the EUIF has started to provide some services that have elements of social and health services. The volume of EUIF policies with elements of social and health services has particularly increased in the framework of the Work Ability Reform, potentially increasing duplication of service provision across the EUIF, the Social Insurance Board, the Health Insurance Fund and the municipalities. Some duplication of ALMPs and related services can be caused by so-called Open Calls Projects that the SOM uses to outsource ALMPs to other providers than EUIF. Some potential duplication exists also between ALMPs and education measures concerning short-term training programmes.

1.6.3. While overlaps in service provision are rare in practice, gaps in services are a concern

Some ALMPs provided by the EUIF have stark similarities with services provided by other institutions and bear the risk of overlaps. This is in particular the case for some social services (e.g. support person service, personal assistance service, debt counselling), health services that are similar to ALMPs (e.g. psychologic counselling, technical aids) and adult learning programmes (e.g. adult learning programmes provided through ESF). In practice, however, overlaps of very similar services are rare. In most cases, people do not receive such services and similar ALMPs simultaneously, suggesting that some co-ordination and co-operation between the different institutions may be taking place. Overall, there does not seem to be an urgent need for additional measures to avoid the provision of overlapping services.

Gaps in services are a bigger concern. Although about half of the weakly-attached and even 74% of people facing health obstacles participate in ALMPs or similar services (provided by the EUIF or other providers), more efforts are required to reach the most vulnerable. Even when considering the system as a whole, a significant share of people with labour market difficulties does not receive any labour market services at all. For example, only 42% people with obstacles to integrate to the society received some ALMPs or similar services.

1.6.4. Institutions providing employment, social and health services need to co-operate to provide holistic support

The low coverage of services among the most vulnerable groups underlines the need for better outreach to these groups, potentially through stronger emphasis on outreach activities by social workers of municipalities as well as reinforced co-operation and networking between the organisations.

A particular area that needs to be improved is data and information exchange between the different institutions concerning employment, social and health policies. The IT infrastructure used in municipalities (STAR) should be replaced with a modern and user-friendly IT system to support municipalities and facilitate data exchange with other organisations.

To encourage holistic approaches across the providers of employment, social and health services, networking and building partnerships have to be prioritised by the EUIF as well as other service providers. Estonia could set up multidisciplinary teams and partnerships based on informal and voluntary

co-operation between employment counsellors and other professionals (e.g. social workers), i.e. more holistic approaches could be achieved without changes in the institutional set-up. As the EUIF has higher capacity and more developed approaches in place than other service providers, the EUIF could be well placed to initiate the informal co-operation and encourage and drive the development of joint practices, e.g. joint case management for particularly vulnerable clients together with social workers. However, these practices can be successful only in case all parties have a willingness to co-operate and at least some capacity to do so. The joint case management should concern above all clients that need simultaneous support from several service providers, as there are clients who need only ALMPs, as well as clients who need first strong support by social welfare services (e.g. solving housing or mobility issues, home violence, difficulties with everyday activities) before ALMPs could be helpful and joint case management effective. Estonia could learn from France, Austria, Flanders (Belgium) and Slovenia on how to set up joint case management for the particularly vulnerable groups with simultaneous needs for employment and other services. The experience of Flanders could also be an example on how to improve data exchange between institutions to support joint case management. Furthermore, Estonia could consider scaling up the Youth Guarantee Support System tool that links data from nine different registers to detect young people not in employment or in education and training and facilitate reaching out to them. This tool could potentially be extended for other age groups to enable reaching out to discouraged workers more generally.

Key policy recommendations

Making the legal framework for ALMP provision less complex without reducing its flexibility

- Restrict the scope of the Labour Market Benefits and Services Act to focus on key aspects of ALMP provision, such as a general description of the aim of ALMP provision and the broad target groups of ALMPs.
- Set the details of ALMP provision by a more flexible regulation, similar to the Employment Programme. Authorise the adoption of the detailed regulation of ALMPs either to the Minister of Health and Labour (after adoption by the Supervisory Board of the EUIF) or the Supervisory Board of the EUIF.
- The key stakeholders of the system of ALMP provision should discuss and agree on whether the detailed regulation approved by the Supervisory Board of the EUIF or the minister should be additionally adopted by the government. The key stakeholders should also agree on which of the institutions takes the responsibility to draft the details of ALMP design – EUIF or SOM – but ensure that co-operation between these organisations would take place in the drafting process in any case (i.e. joint drafting and consultations).
- Leave the fine details, particularly concerning the operational design of ALMP provision for the EUIF to decide and set these with internal documents and guidelines (e.g. whether to outsource or provide in-house specific ALMPs, channel management, counselling frequency).
- Incorporate ALMPs regulated by the ESF Programmes into the Labour Market Services and Benefits Act and the Employment Programme, once the programming period ends and if proven to be effective and efficient.
- For the next programming period, consider the regulation of ALMPs financed via the ESF funding more carefully to keep the regulations of ALMP provision lean and flexible (i.e. avoid designing many similar ALMPs for slightly different target groups, avoid setting up a high number of ESF Programmes).

Increasing co-ordination of employment policy with social, health and education policy

- Co-ordinate the use of inter-ministerial working groups to address common strategic challenges more systematically and effectively.
- Consider changes in the composition of the EUIF Supervisory Board to cover a more relevant and diverse range of stakeholders (e.g. a representative of SMEs, a representative from the Ministry of Education and Research), while keeping the balance of the three social partners unchanged and the total number of members preferably the same or close to the current level.
- Consider involving key stakeholders of education, social and health policy (such as representatives from the Ministry of Education and Research, Social Insurance Board, Health Insurance Fund, the Association of Estonian Cities and Municipalities, the Estonian Chamber of Disabled People) as observers in the meetings of the EUIF Supervisory Board as necessary and depending on the topics for discussions and decision making.
- Set up an (informal) advisory group for the EUIF Management Board to discuss strategic issues of labour market policies and the EUIF operating model with a wider group of stakeholders before the EUIF Supervisory Board meetings. The advisory group could meet systematically when there is a need and involve researchers and practitioners in addition to policy makers.
- Discuss possibilities to take more advantage of the vocational education system when providing labour market training. Involve all relevant organisations in the discussions in finding solutions to the current limitations regarding public procurement for labour market training – the Ministry of Social Affairs, the EUIF, the Ministry of Education and Research, the Ministry of Justice and Ministry of Finance.
- Improve co-ordinating policies across different fields within the Ministry of Social Affairs to support holistic approaches to citizens.
- Improve data and information exchange between the different institutions concerning employment, social and health policies. Consider substituting STAR for a modern and user-friendly IT system to support municipalities.

Ensuring sustainability of ALMPs funding

- Develop a plan for future funding of the ALMPs currently financed by the ESF.
- Agree on new principles for setting the unemployment insurance premium to rely only on the needs of the labour market (not financial needs of other policy areas). Introduce counter-cyclicality in setting the unemployment insurance premium and accumulate sufficient reserves before any economic downturns (e.g. an automatic adaption mechanism or an optimal rate of unemployment insurance premium across business cycles).
- Revise the systems of health care, social services and social security to make these systems financially sustainable and to ensure that the unemployment insurance reserves actually remain available for labour market needs (even in case the public funds remain consolidated).
- Improving the outreach strategies to the low skilled and people with obstacles to social integration.
- Promote up-skilling and re-skilling in a joint co-operation between SOM, the EUIF and institutions in the education system and through the networks of career counsellors, employment counsellors and training organisations (i.e. approaching the target groups personally, not only by raising general awareness).
- Reach out to older workers by communicating clearly what the EUIF can offer and how this benefits older workers, using indirect outreach channels (e.g. media), as well as direct out-reach (e.g. via employers).
- Continuously build co-operation practices with the municipalities to reach discouraged workers.

Increasing access to training measures among the low skilled

- Involve systematically the stakeholders from both employment and education policy to design and implement adult learning programmes to target the training programmes better, avoiding gaps and overlaps (e.g. discussions and consultations early in the process of drafting the policies).
- Provide further training and ensure the full implementation of guidelines to employment counsellors to detect training needs and convince the low skilled to take up training.
- Adapt training programmes to better fit the needs of the low skilled, encouraging participation, minimising training barriers and preventing drop-out. This could be done by providing counselling and mentoring during participation in a training programme, discussing the challenges met and trying to address them. This counselling and mentoring could be conducted by the training provider, co-operating with the employment counsellor in case needed.
- Rely on the results of the Skills Assessment and Anticipation exercise OSKA and the EUIF Occupational Barometer systematically across different adult learning programmes, including those not provided by the EUIF (Open Calls Projects, programmes of the Ministry of Education).
- Extend train-first approaches to those in need, particularly when tackling the labour market challenges caused by the COVID-19 outbreak. A training-first approach could be generally prioritised for young low-skilled people as well as young drop-outs.

Supporting people who have obstacles to social integration and other particularly vulnerable groups

- Allocate more working time of the caseworkers of the unemployed who are particularly discouraged about finding work to present these clients to employers (potentially in co-operation with the counsellors for employers), and promote wage subsidies for the employers as a tool to cover lower productivity in the first months.
- Consider restricting the target groups of wage subsidies to the most disadvantaged, particularly in better economic conditions.
- Consider using the quantitative profiling tool to grant wage subsidy reimbursement to employers based on each client's probability of labour market integration (i.e. the probability can define eligibility and/or reimbursement rate).
- Ensure that sufficient resources are available to extend more intensive support and systematic follow-up activities to more vulnerable groups beyond those with long-term health challenges.
- Build the capacity of institutions providing health care and social services to tackle challenges concerning caring obligations as well as other needs beyond ALMPs. Allocate time for employment counsellors to assist vulnerable groups by networking with the relevant organisations and finding solutions together.
- To support particularly vulnerable groups, set up multidisciplinary teams and partnerships based on informal and voluntary co-operation between employment counsellors and other professionals (e.g. social workers).
- Consider scaling up the Youth Guarantee Support System tool to reach out to discouraged workers more generally.

2 Recent trends in the Estonian labour market

In 2019, Estonia was among the top performers in the European Union in terms of employment and labour market participation. Although the early figures from 2020 show that the COVID-19 crisis had a strong impact on Estonia, the economy also already shows early signs of recovery. Despite comparatively robust labour market fundamentals, some structural challenges persist. Demographic trends are likely to limit the extension capacity of the labour market, skill mismatches are common and the unemployment insurance system leaves many unemployed with a low level of or even without benefits, thereby contributing to a high risk of poverty among the unemployed. Some population groups are particularly vulnerable in terms of labour market outcomes and face a high risk of unemployment.

2.1. Introduction

This chapter takes stock of recent labour market developments in Estonia. The Global Financial Crisis starting in 2007 had severely affected the labour market but the situation remarkably improved after the crisis. In 2019, Estonia was among the top performers in the European Union in terms of employment and labour market participation. While the Estonian labour market was starting to cool in the second half of 2019 and early 2020 (Eesti Pank, 2020[1]), it was still in a very good position prior to the outbreak of the COVID-19 pandemic. Early figures from 2020 show that the COVID-19 crisis, which triggered a global economic downturn, had a strong impact on Estonia. Nonetheless, the economy already shows early signs of recovery.

The chapter highlights that despite comparatively robust labour market fundamentals, some structural challenges persist. Demographic trends are likely to limit the extension capacity of the labour market, skill mismatches are common and the unemployment insurance system leaves many unemployed with a low level of or even without benefits, thereby contributing to a high risk of poverty among the unemployed. The chapter also reports aggregate statistics demonstrating that some population groups are particularly vulnerable in terms of labour market outcomes and face a high risk of unemployment. The chapter prepares the ground for a more in-depth analysis of population groups with a potential need for labour market policies (ALMPs) in Chapter 5 of this report.

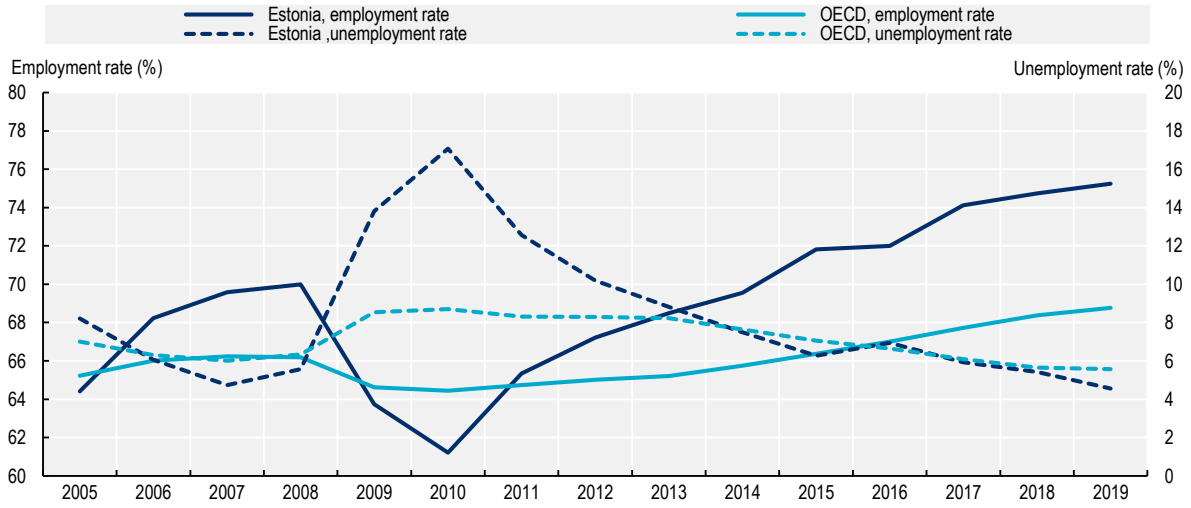
2.2. The Estonian labour market made remarkable progress after the Global Financial Crisis

Following a period of sustained economic growth, the Global Financial Crisis severely hit the Estonian economy from 2007 onwards. Unemployment escalated, rising from 4.6% in 2007 to 16.7% in 2010. Young people were particularly hard hit and every third active 15-24 year-old was unemployed when the crisis reached its peak in 2010. Similarly, the employment rate among 15-64 year-olds dropped from 70% just before the Global Financial Crisis to only 61.2% in 2010, thereby falling well below the 2010 OECD-average of 64.4% and the EU average of 63.3%.[1]

While the Global Financial Crisis was very disruptive for Estonia's economy and labour market, the country recovered remarkably well in the aftermath of the crisis. Between 2010 and 2019, the labour market situation continuously improved and Estonia outpaced many OECD countries in terms of employment performance. In 2019, the employment rate among 15-64 year-olds rose to 75.2% in the country (Figure 2.1), against 68.8% on average in the OECD and 68.4% in the EU, exceeding its maximum pre-crisis level. The number of employed people reached record levels, even though the size of the working-age population has been shrinking: about 670 000 people worked in Estonia in the first quarter of 2020 (Eesti Pank, 2020[1]), against 570 000 in 2010 and 588 000 in 2000. Among 15-74 year-olds, Estonia's 2018 employment rate of 68.3% was, along with Sweden, higher than that of any other member country of the European Union. In 2019, Estonia was among the top performers in the OECD in terms of both employment and activity.

Figure 2.1. The Estonian labour market was severely hit by the Global Financial Crisis, but recovered quickly

Employment and unemployment rates among 15-64 year-olds in Estonia and the OECD



Note: OECD is the weighted average of the 37 OECD member countries.
Source: *OECD LFS by Sex and Age – Indicators Database*, http://stats.oecd.org//Index.aspx?QueryId=54218.

StatLink https://stat.link/gxbptv

Favourable macroeconomic conditions were an essential factor permitting the marked labour market improvements after the Global Financial Crisis. In addition, a number of policy reforms took place and are likely to have contributed to the swift recovery of the Estonian labour market.

- In 2009, the system of ALMPs went through an institutional reconstruction, resulting in major changes to the ALMP provision system. The reform strengthened the conditionality of unemployment benefits on jobseekers' participation in ALMPs and aimed at improving the match between ALMPs and individual needs (HoPES, 2013[2]). Since the introduction of the reform, ALMP provision has followed a continuous improvement process with the objective of enhancing effectiveness and efficiency and reaching out to more people in need (Chapter 4).
- In 2016, the system of work ability/incapacity benefits was reformed, with the aim of supporting and incentivising people with reduced work ability to return to the labour market. The reform introduced a work ability allowance system requiring people with at least partial work capacity to register with the Estonian Unemployment Insurance Fund (EUIF, the Estonian public employment service) as a prerequisite for work ability allowance, unless they are employed or otherwise actively engaged. Work ability assessments based on functional limitations were introduced instead of diagnosis based assessments to increase the accuracy of work ability assessments and to help identify people in need of assistance. In addition, the benefit structure changed and the use and provision of ALMPs increased, e.g. work-related rehabilitation was introduced as a new measure. While this reform is still ongoing, its first results point to positive effects on labour market outcomes (Masso, 2019[3]). Prior to the reform, a strong temporary surge in unemployment was expected, as previously inactive people with disabilities and partial work ability would join the labour force and register with the EUIF in order to receive benefits, but would struggle to find employment quickly. Contrary to these expectations, unemployment did not increase significantly until 2019 whereas employment rates have risen, suggesting that people with partial work ability registering with the EUIF were able to find employment more easily than expected.

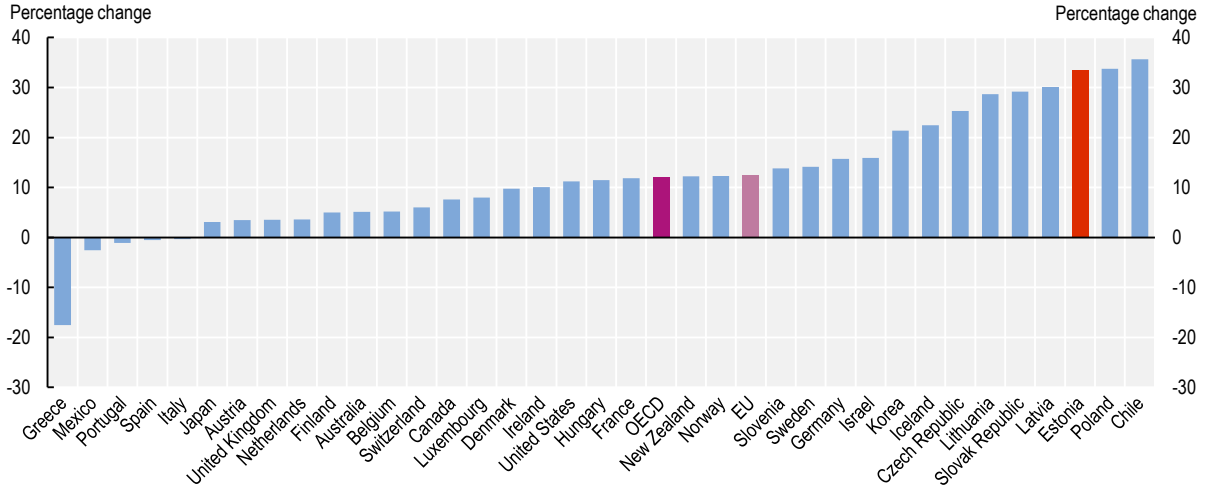
- The pension age increased in Estonia, contributing to rising activity rates among older people. While the pension age was 61 for women and 63 for men in 2010, it went up for women and reached 63 in 2016, thus equalising the male age. In line with these changes, labour market participation of the 60-64 year-olds rose more strongly among women than among men and the female activity rate is higher than the male rate in this age group today, while the opposite is true for younger age groups. Whereas 50.8% of men and 46.0% of women aged 60-64 were active in 2010, there were 65.2% and 68.2% in 2019, respectively. The pension age for both men and women is set to increase further to reach 65 in 2026 and will be linked to life expectancy thereafter.

In addition to good outcomes in terms of employment, unemployment and activity, further employment characteristics point to a labour market characterised by solid labour demand. Involuntary part-time work in Estonia is amongst the lowest in the OECD. In 2019, only 0.8% of all employees worked part-time because they could not find full-time employment, against 3.2% in the OECD. This share is very low, especially compared to countries like France (6.5%), Spain (8%) and Italy (12%). At its peak in 2009, the share of involuntary part-time work in Estonia was four times higher than it is today.

Furthermore, wages have grown substantially over the last years. Between 2008 and 2019, the average real wage increased by 33%, placing Estonia among the countries with the highest wage increase in the OECD (Figure 2.2). Real wage growth is even more pronounced when focusing on shorter periods, as wage levels decreased between 2009 and 2011 in Estonia due to the crisis. The country's average real wage grew by 41% from 2011 to 2019, against 11% on average in the OECD and 12% among OECD countries that are members of the EU. Over this period, the increase in Estonia was stronger than in any other OECD country except for Lithuania (44%) and Latvia (55%). The rapid and sustained wage growth over the past years points to a labour market with substantial labour needs. Although increasing labour supply has alleviated labour shortages over the past years, labour demand still exceeded labour supply in 2018 (Eesti Pank, 2019[4]). At the same time, the rate of nominal wage growth slowed from 8.2% in the second half of 2018 gradually to 7.4% in the fourth quarter of 2019. This reflected falling corporate expectations for employment and the general slowing of growth in the economy (Eesti Pank, 2020[1]).

Figure 2.2. Wages grew strongly after the Global Financial Crisis

Change in average real wage, 2008-19



Note: OECD and EU are unweighted averages. OECD excludes Colombia and Turkey. EU is the unweighted average of the 22 countries shown.
Source: *OECD Average Annual Wages Database*, http://stast.oecd.org//Index.aspx?QueryId=25148.

StatLink https://stat.link/yaknd9

2.3. Economic impact of the COVID-19 pandemic

Estonia reacted quickly to the first local cases of COVID-19 on 27 February 2020, declaring emergency confinement measures already on 12 March 2020. Overall, however, confinement measures were less severe than elsewhere. Most stores, restaurants and entertainment establishments were able to remain (partially) open during the state of emergency, which ended on 17 May, considerably earlier than in many other countries. In addition, Estonia established a testing system with one of the highest coverage rates relative to its population in the OECD. Over the summer, the number of cases remained comparatively low, with 2 800 confirmed cases and 60 deaths by mid-September, similar to neighbouring Latvia and Lithuania, but much lower (per capita) than in other OECD countries.

Having accumulated a significant fiscal space before the pandemic, the Estonian Government was able to install a significant economic stimulus (4.1% of 2019 GDP, compared to an average of 4.5% on average across G20 countries (IMF, 2020[5])). The stimulus included a temporary wage subsidy scheme, coverage for social contributions, a temporary reduction in fuel excise taxes, and provision of liquidity to firms.

Nonetheless, restrictions on economic activity had an immediate and sizeable impact on consumption and employment. According to data from Swedbank (2020[6]), consumer spending fell by 36% year-on-year (YoY) at the peak of confinement in spring 2020 – more than in neighbouring Latvia and Lithuania. In addition, Estonia is a very open economy and vulnerable to falling demand in its main export markets. Exports fell by 2% and 15% in the first and second quarter of 2020, respectively (Statistics Estonia, 2020[7]). Overall, GDP fell by 6.9% in the 2nd quarter of 2020 and by 1.9% in the 3rd quarter of 2020 compared to one year earlier.

The labour market was equally strongly affected. The unemployment rate among 15-69 year-olds rose to 7.2% in the second quarter of 2020 and to 7.8% in the third quarter of 2020, corresponding to increases (YoY) of 2.1 and 3.8 percentage points, respectively. Over the same period, the employment rate dropped by 2.2 (Q2 2020) and 2.5 (Q3 2020) percentage points YoY, falling below 70%. According to Statistics Estonia (2020[7]) data, the number of open vacancies was down by 28% in the second quarter of 2020, compared to a year earlier. On the name note, the pandemic stalled sustained nominal wage growth to 1% in the second quarter of 2020 (YoY), ending two years of quarterly wage increases of above 7%. Unemployment increased particularly among women, young people and people with only basic education (Eesti Pank, 2020[1]). These groups work more often in the service sectors, which were affected by health measures to curb the pandemic.

At the same time, some indicators point to signs of recovery. In the third quarter of 2020, exports started to rise again and were 1.5% higher than one year earlier. In October and November 2020, the YoY increase in exports even reached 10.2% and 8.9%, respectively. Concerning the labour market, high-frequency weekly data from Statistics Estonia (2020[8]) show that the number of new employment relations outpaced the number of terminated relationships in most weeks between May and December 2020. While the unemployment rate stood at significantly higher levels in the third quarter of 2020 than on year earlier, labour market participation had increased. In Q3 2020, the labour market participation rate among 15-69 year-olds reached 75.5%, its highest level since 2018, up from 75% in Q3 2019 (Statistics Estonia, 2020[9]).

Starting in late October/early November 2020, the number of newly diagnosed coronavirus infections in Estonia increased rapidly, exceeding the number of diagnosed cases in spring 2020 by far. The implications of this second wave for Estonia's economy and labour market are not clear for now. It remains to be seen to what extent employment will be affected and whether the labour market will be able to recover quickly and permanently.

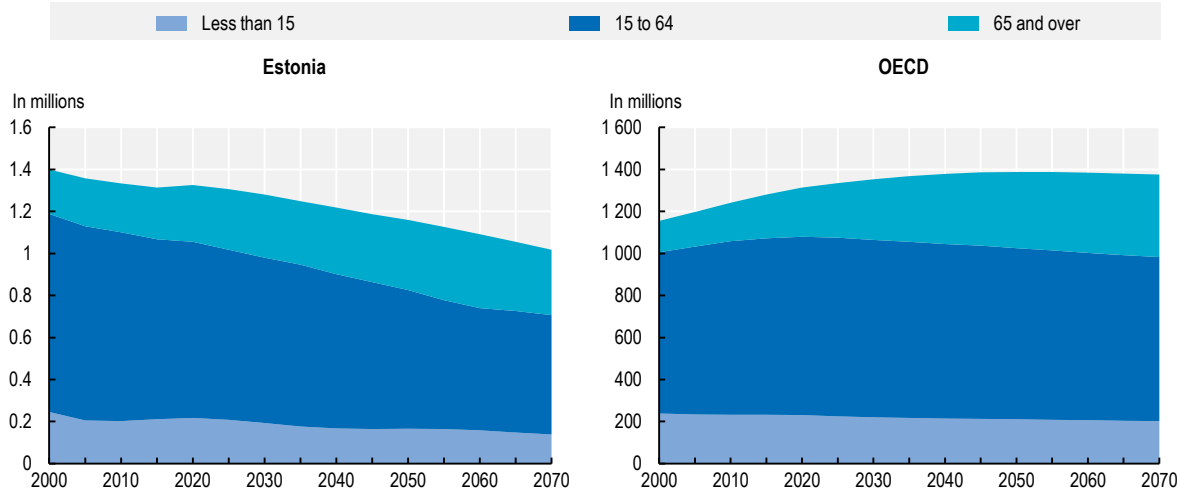
2.4. Despite solid labour market fundamentals, structural challenges persist

Despite the initial economic shock following the COVID-19 outbreak, unemployment is still comparatively low in Estonia and the labour market proved to have strong fundamentals. Nonetheless, Estonia faces several structural employment-related challenges. In particular, the effects of an ageing and shrinking population, skill mismatches in the labour market and a high risk of poverty among the unemployed are difficulties confronting Estonia's economy and society.

The working-age population is projected to decline over the next decades while the share of retired people in the population is set to rise strongly (Figure 2.3). According to United Nations projections, the number of 20-64 year-olds will decrease by 22% between 2020 and 2050 whereas the number of people aged 65 and over is expected to increase by 23% over the same time span. Similarly, national forecasts point to a pronounced decrease in the working-age population by 2035.[2] These stark population dynamics bear long-term economic risks, most importantly falling labour supply and increasing spending on pensions and health services. Labour supply being scarce already today, the implications for Estonia's growth prospects could be significant.

Figure 2.3. The Estonian population is projected to shrink and age quickly

Number of inhabitants, by age group



Note: OECD excludes Colombia.
Source: United Nations World Population Prospects 2019, https://population.un.org/wpp/.

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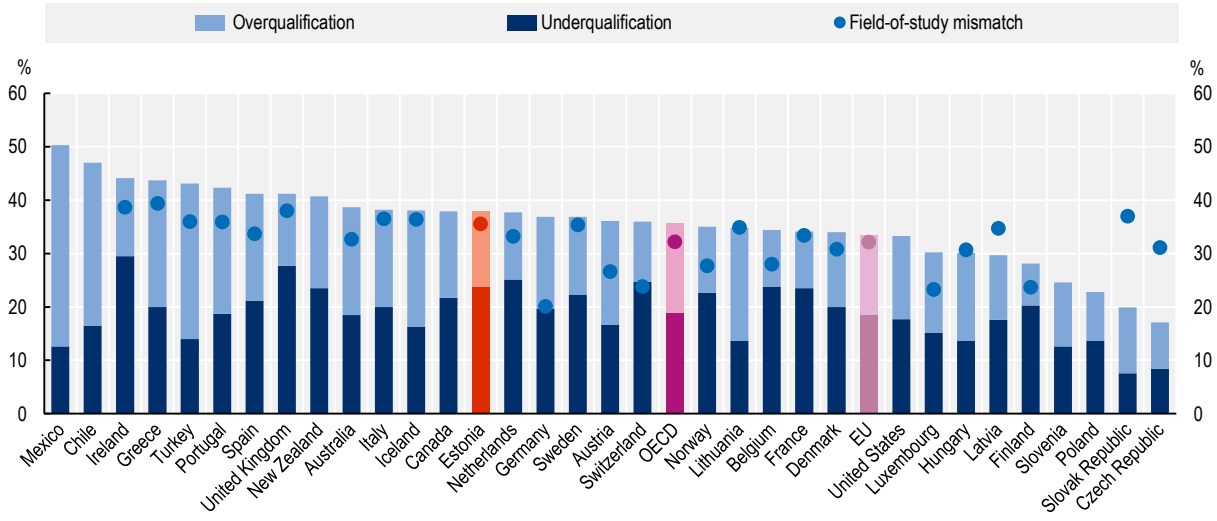
In addition, there is a high level of mismatch in the labour market, in terms of both mismatch between workers and their jobs and between the unemployed and vacancies, i.e. structural unemployment. Under-qualification and field-of-study mismatches among employees are more common in Estonia than in many other OECD countries (Figure 2.4). In 2016, 24% of Estonian workers were underqualified for the requirements of their job while 14% were overqualified, against 19% and 17% in the OECD, respectively. Furthermore, 36% of workers had a field-of-study mismatch in Estonia, i.e. they were employed in a job that did not match their field of study, compared to 32% on average across countries. A large share of unemployed registered with the EUIF has a low level of qualification, with 40% of the registered unemployed having only general education and lacking higher education, vocational education or studies. Therefore, economic growth is not only limited by a decreasing working age population, i.e. labour shortage in general, but also by low labour productivity due to skill shortages and

a high share of low value-added sectors in the economy. Especially in light of the tense labour supply situation, reinforcing the skills of workers and, more generally, improving the skill match between workers and jobs can be essential factors increasing the economic capacities of the Estonian labour market.

Figure 2.4. There is a high degree of skill mismatch in Estonia

Share of employed persons experiencing qualification or field-of-study mismatch in 2016, age 15-64



Note: Qualification mismatch arises when workers have an educational attainment that is higher or lower than that required by their job. If their education level is higher than that required by their job, workers are classified as over-qualified; if the opposite is true, they are classified as under-qualified. Field-of-study mismatch arises when workers are employed in a different field from what they have specialised in. Countries are ranked in decreasing order of the sum of workers over-qualified plus those under-qualified. OECD and EU are unweighted averages. OECD excludes Colombia, Israel, Japan and Korea for which no data are available. EU is the unweighted average of the 22 countries shown.
Source: OECD *Skills for Jobs Indicators Database, Mismatch Dataset*, http://stats.oecd.org//Index.aspx?QueryId=77595.

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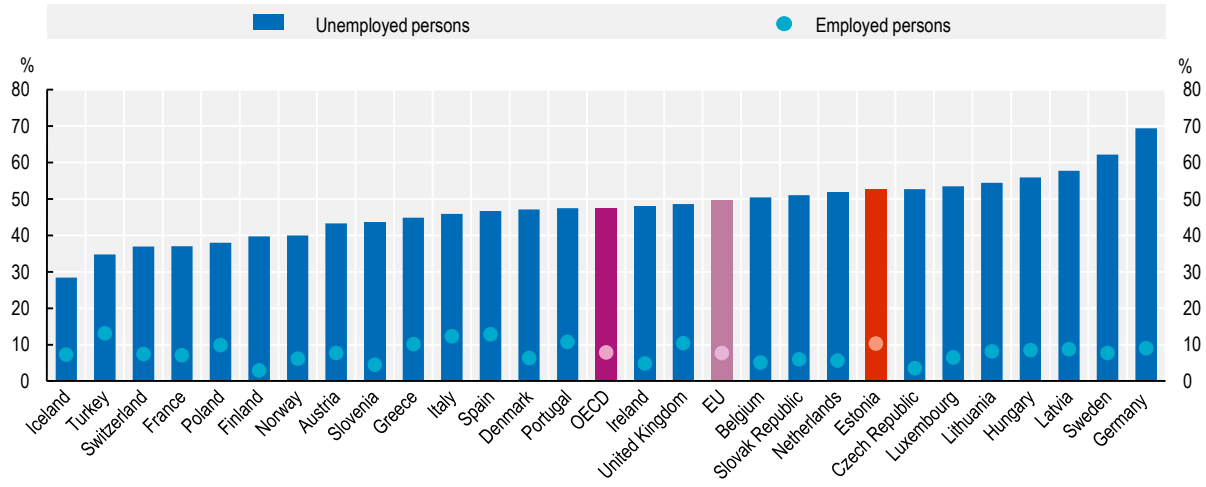
The risk of poverty is high among the unemployed in Estonia. In 2018, 52% of unemployed people were estimated to be at risk of poverty, against an average of 48% in 27 European OECD countries (Figure 2.5). One factor contributing to this relatively high level is the limited unemployment benefit coverage, with less than half of registered unemployed people receiving unemployment benefits, due to strict entitlement conditions.[3] While strict entitlement conditions increase the financial incentives to find employment quickly, they also bear the risk of strongly penalising vulnerable population groups who struggle to find employment despite job search efforts. In Estonia, unemployed people who do not qualify for unemployment insurance benefits (Töötuskindlustushüvitis) are entitled to the means tested unemployment allowance (Töötutoetus) under certain conditions, most notably a history of labour market participation or studying. The unemployment allowance is low, however, with a maximum benefit of EUR 189/month in 2020 (that is 35% of the minimum wage in 2019), leaving recipients who rely entirely on this allowance below the poverty line. In 2021, the unemployment allowance will be set to 50% of the minimum wage in 2020, thus rising to EUR 292.

Figure 2.5. The poverty risk is high among the unemployed in Estonia

Share of people (ages 18-64) at risk of poverty, by employment status, 2018



Note: The risk-of-poverty threshold is 60% of the national median equivalised disposable income after social transfers. OECD is an unweighted average of the 27 countries shown. EU is an unweighted average of the 22 countries shown. Data refer to 2017 for Iceland.
Source: Eurostat, *In-work at-risk-of-poverty rate dataset*, https://ec.europa.eu/eurostat/databrowser/view/TESEM210/default/table.

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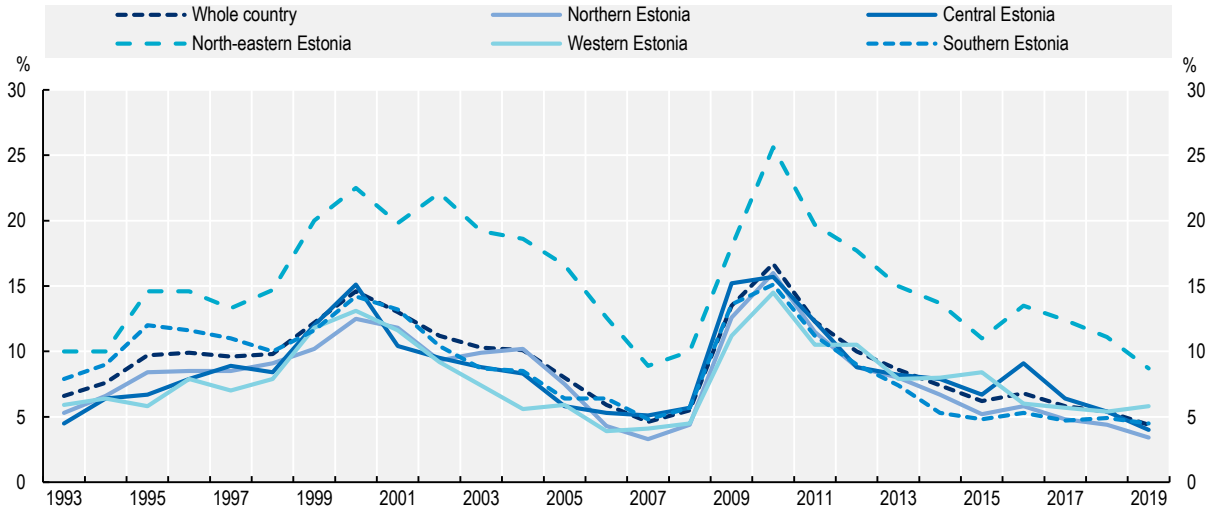
Finally, significant differences persist in the labour market across regions. Historically, the unemployment rate was particularly high in north-eastern Estonia. In Estonia, as well as in other former Soviet Republics, the drop of employment following the economic reforms in the 1990s was the sharpest in large industrial enterprises. These were mainly concentrated in north-eastern Estonia. Despite overall improvement in the labour market since 2010, these differences persist until today and have even widened recently (Figure 2.6). While the unemployment rate was roughly 63% higher in north-eastern Estonia than in the rest of the country in 2000, the difference was at 96% in 2019.[4]

Figure 2.6. Unemployment rate by regions, 15-74 year-olds



Source: Statistics Estonia Database, https://www.stat.ee/en.

StatLink https://stat.link/cdbx5r

2.5. Vulnerable groups require specific policy attention

Despite the economic toll of the COVID-19 economic crisis, labour market conditions are generally favourable for workers in Estonia. At the same time, some population groups lag often behind due to the labour market challenges discussed in 2.4 and face significant labour market difficulties:

- According to OECD data, 20% of the unemployed in 2019 were unemployed for at least one year. Although the share of long-term unemployment among total unemployment was higher in the aftermath of the crisis, these numbers point to the existence of a pool of vulnerable people with significant employment difficulties. Since the chances to find high-quality jobs dwindle as people stay out of employment for longer, reconnecting the long-term unemployed with jobs remains a major challenge and requires specific policy efforts.
- The educational divide in Estonia's labour market is strong. The unemployment rate stood at under 3% among highly educated 15-64 year-olds (with tertiary education) in 2019, whereas it was 4.9% among people with upper-secondary education and 10.3% among people with low (below upper-secondary) levels of education (Eurostat, 2020[10]).
- Furthermore, there are differences between age groups. Most importantly, young people without previous work experience face bigger difficulties finding employment than other population groups. The unemployment rate of 15-24 year-olds exceeds the rates of other age groups by far: in 2019, the unemployment rate stood at 11.1% among 15-24 year-olds, against 4.0% both among 25-54 year-olds and 55-64 year-olds.
- Regional labour market differences are stark. In 2019, the unemployment rate was 4.4% in Estonia on average, but it was 3.3% in the city of Tartu against almost 9% in the Ida-Viru county in Estonia's northeast. Similarly, labour market participation is much higher in Tallinn, Tartu and north-western Estonia than in other parts of the country, most notably southern and north-eastern Estonia. In Tallinn, for instance, labour market participation among 15-74 year-olds was 78.9% in 2019 whereas it was only about 60% in Ida-Viru, Põlva, Võru and Jõgeva. In addition, in some of the regions with more pronounced labour market difficulties, a large share of the workforce is concentrated in a few economic sectors only, reflecting a low degree of employment diversification in the labour market. In Ida-Viru, 50% of all workers were employed in manufacturing, mining and quarrying or construction in 2017, making the local labour market situation vulnerable to shocks to these sectors.
- One common obstacle to employment in Estonia is bad health. Although good macroeconomic conditions and the Work Ability Reform have contributed to a strong increase in the employment rate among people with reduced work ability in age group 15-64, from 32.5% in 2010 to 52.1% in 2019, bad health remains a frequent employment barrier. More than one out of five inactive people aged 15-74 was inactive due to illness or disability in 2019, placing health problems as the most widespread reason for inactivity in Estonia, apart from retirement and studying.

According to Browne et al. (2018[11]), which relies on data from the European Union Statistics on Income and Living Conditions (EU-SILC) from 2013, the most common employment barriers in Estonia were a lack of recent and adequate work experience, a lack of relevant skills and health limitations. Further barriers included care responsibilities and scarce job opportunities, but the latter were less widespread. People who were entirely out of employment or who were only weakly attached to the labour market (e.g. working less than six months per year) tended to face employment barriers significantly more frequently than population groups in regular employment, suggesting that the link between employment barriers and labour market outcomes could be strong. In addition, vulnerable groups often faced several employment barriers simultaneously, thus reinforcing their difficulties in accessing the labour market. According to the study, the five biggest groups with employment barriers were the following: experienced early retirees with health limitations; older labour market inactive adults with health

limitations, low skills and limited work experience; working poor; well-off mothers with care responsibilities; and prime-age long-term unemployed with low skills.

These labour market differences between educational groups, age groups and regions point to a heterogeneous labour market with favourable outcomes for some population groups in some regions, but less favourable conditions for others, and call for labour market policies that are flexible enough to adapt to this high degree of heterogeneity. A number of specific employment barriers exist and prevent some population groups from working despite historically low unemployment and sustained labour demand.

With these results and the recent trends in the Estonian labour market in mind, Chapter 3 provides an assessment of the institutional and regulatory set-up of labour market polices, focussing on both policy design and strategy development, and the legal framework and financing models. Chapter 4 focuses on the outreach to people in need of ALMPs, the strategy of ALMP provision and the networking and co-operation practices between the providers of employment, health and social services. Chapter 5 identifies groups of people with possible ALMP needs and discusses the obstacles they face in integrating in the labour market. Chapter 6 assesses the match between ALMP needs and access to ALMPs.

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Notes

[1] Average values for the European Union are based on data published by Eurostat.

[2] https://sisu.ut.ee/sites/default/files/ranne/files/rita_hoive_ja_rahvastik.pdf.

[3] Throughout this report the term “entitlement condition” is used to refer to a prerequisite for benefit payments (e.g. having fulfilled a minimum contribution period) whereas “eligibility criterion” refers to an additional, often behavioural, requirement (e.g. actively search for work). See Immervoll and Knotz (2018[12]) and Langenbucher (2015[13]).

[4] Calculations based on an unweighted average of regional unemployment rates.

3 Institutional and regulatory set-up of active labour market policy provision in Estonia

The current system of ALMP provision in Estonia supports good outcomes in the labour market and the stakeholders tend to be satisfied with the broad set-up of the system. Nevertheless, the stakeholders should consider reducing some of the complexity in the regulations and revise the co-operation practices within the system of ALMP provision as well as with other policy fields.

3.1. Introduction

This chapter assesses the institutional and regulatory set-up underpinning the provision of ALMPs in Estonia. The aim is to understand whether there are bottlenecks to policy setting and implementation that are rooted in the wider institutional set-up and prevent the formulation of state wide strategies across policy fields. In addition, the chapter highlights good practices from other countries that could be useful for Estonia. First, the analysis looks at the institutional set-up and division of responsibilities between the stakeholders for the design of policy and strategies development in the field of ALMPs. Second, the chapter maps the legal regulation of ALMP provision to assess whether the legal framework supports flexible and agile provision of ALMPs. Third, this chapter discusses the financing sources and budgeting processes for ALMP provision. Finally, the chapter looks at co-operation across policy fields to support the provision of ALMPs. The sections on institutional set-up, regulatory set-up and co-operation across policy fields conclude with sub-sections providing recommendations on how to fine-tune the system of ALMP provision.

In general, the current system of ALMP provision in Estonia supports good outcomes in the labour market and the stakeholders tend to be satisfied with the broad set-up of the system. For example, the necessary adaptions and innovations in the system to respond to the consequences in the labour market of the COVID-19 crisis were some of the quickest in the EU. Nevertheless, the stakeholders should consider reducing some of the complexity in the regulations and revise the co-operation practices within the system of ALMP provision as well as with other policy fields.

The chapter has benefited from discussions with the key stakeholders of the Estonian ALMP system in October 2019 and February 2020, as well as from the discussions with the participants in the webinar "Institutional and regulatory set-up of providing active labour market policies in Estonia: possibilities for improvement?" organised on 4 September 2020 in the framework of the same project as the current report.[1] Furthermore, the chapter uses the information presented by international experts during the aforementioned webinar to identify good practices in other countries that Estonia could learn from.

3.2. The institutional set-up for the design and provision of ALMPs

The Ministry of Social Affairs and the Estonian Unemployment Insurance Fund (EUIF) are the two main institutions involved in the design and provision of ALMPs in Estonia. The Ministry of Social Affairs has the general responsibility for employment policy while the EUIF implements ALMPs. Good co-operation between these two institutions is necessary to design and implement effective and efficient ALMPs.

3.2.1. The key institutions to design and implement ALMPs

Ministry of Social Affairs

The Ministry of Social Affairs (SOM) is the main institution in charge of governing social issues in the country, including supporting good functioning of the labour market.

According to the Government of the Republic Act, SOM has the following competences:

- Drafting and implementing plans to respond to the challenges in the social affairs;
- Organising public health protection and medical care; **organising fields of employment, labour market** and working environment; organising social security, social insurance and social welfare;
- Promoting equality of men and women, co-ordinating activities in this field, and preparing respective draft legislation.

The organisation of SOM is regulated in more detail in its statue, which is adopted by the government. The statute sets out, among other things, the competences and functions of the minister, the duties of the

Secretary General, the organisation of the departments of the ministry and the main functions of the different structural units. The statute of SOM assigns it the same competencies as stipulated in the Government of the Republic Act. In addition, the statute assigns specific responsibilities regarding ALMPs to the Employment Department of SOM, stipulating that "*the main task of the Employment Department is to* ***plan labour market policy and organise its implementation*** *in order to ensure a high level of employment of the working age population and the availability of the necessary labour force for employers. The department plays a leading role in developing labour mobility, work ability and employability, and in shaping ALMPs, expenditure, benefits and allowances related to these policy fields*".

In practice, the Employment Department consists of nine staff members as of 2020, seven of them focusing on ALMPs. The Employment Department together with the Deputy Secretary General on Labour support the Minister of Health and Labour in policy making regarding ALMPs, such as drafting regulations, co-ordinating employment policy with other policy fields and co-operating with relevant stakeholders.

Estonian Unemployment Insurance Fund

The Estonian Unemployment Insurance Fund (EUIF) is an autonomous public body that has the responsibilities of the public employment service since 1 May 2009. The EUIF has responsibilities related both to ALMP implementation and design (according to the Unemployment Insurance Act and the Labour Market Services and Benefits Act):

- Organising the provision of ALMPs and providing ALMPs.
- Drafting the Employment Programme in co-operation with SOM (one of the main regulations of ALMP provision in addition to the Labour Market Services and Benefits Act, see Section 3.3).
- Analysing the impact and effectiveness of ALMPs in co-operation with SOM.
- Participating in the planning of ALMPs and providing opinions concerning draft legislation related to ALMPs.

In addition, the EUIF is responsible for disbursing unemployment benefits, assessing work ability and paying work ability allowance, participating in the planning and designing of the unemployment insurance scheme and managing the register of jobseekers.

The highest body of the EUIF is the tripartite Supervisory Board that consists of six members. The Minister of Health and Labour is a member of the Supervisory Board by virtue of office. The government appoints one additional member of the Supervisory Board (in practice, this representative has been always from the Ministry of Finance). The Estonian Central Federation of Trade Unions and the Estonian Employees' Unions' Confederation appoint one member of the Supervisory Board each. The Estonian Employers' Confederation appoints two members of the Supervisory Board. The board members are appointed for five years.

The competencies of the Supervisory Board include responsibilities related to ALMP design and ALMP funding (among others, according to the Unemployment Insurance Act):

- Approving the Employment Programme (a regulation for ALMP provision using unemployment insurance contributions).
- Making proposals regarding the level of the unemployment insurance premium (affects the resources available for ALMPs, see Section 3.4).
- Making proposals regarding the funding allocated to ALMPs from unemployment insurance contributions.
- Approving the budget of the EUIF, reporting on the receipt and use of funds and assessing the use of the financial resources of the EUIF.

According to the Unemployment Insurance Act, the Management Board of the EUIF manages the EUIF together with the Supervisory Board, filling the role of the executive management body. The Supervisory Board appoints and recalls the Management Board members (up to five members for five-year-appointments). The Management Board reports to the Supervisory Board.

The organisation and administrative procedures of the EUIF are regulated in more detail in its statute, which is adopted by the government. The statute lays out in more detail how the Supervisory Board and the Management Board operate, and what their respective responsibilities are. For example, it details that the Supervisory Board meets at least once every three months and that the Supervisory Board members elect their chairman publicly. However, the statute does not specify how the EUIF co-operates or interacts with SOM.

The Estonian institutional set-up for ALMP provision compared to other countries

The institutional set-up of ALMP provision in Estonia is broadly similar to many other countries in the EU/EEA. 84% of public employment services (PES) in the EU/EEA (26 out of 31 PES, i.e. including Iceland, Norway and three separate PES in Belgium and excluding the United Kingdom) are set up as separate public bodies (autonomous public bodies or executive agencies), with varying level of independence (European Commission, 2018[1]). The remaining five PES are part of the ministry responsible for employment policy in the country (Cyprus, Finland, Hungary, Ireland and Poland). About one-third of PES in the EU/EEA have tripartite management in the form of a supervisory board and a few others have a tripartite advisory board. About two-thirds of PES are in charge of granting benefits, either unemployment and/or additional benefits.

The analysis in this section aims above all to identify good practices from other countries with broadly similar institutional set-ups. As such, the analysis looks at the systems in place in Iceland and Slovenia, which have an autonomous PES with tripartite strategic management and are comparable countries to Estonia in size and general labour market performance in recent years. Germany is added to this list as, although not comparable in size, it has similarities with Estonia in the institutional set-up. Moreover, the German labour market has performed exceptionally well over the past years, including during the Global Financial Crisis. In addition, Denmark is included in the analysis. Denmark has a very different system for ALMP provision from the countries listed above, allowing a lot of autonomy, flexibility and responsibility on the local level (municipalities). Nevertheless, the labour market performs generally well and some good practices could potentially be transferable to Estonia despite the different institutional set-up.

Table 3.1 presents the key features of the institutional set-up of ALMP provision in Denmark, Germany, Iceland and Slovenia. The institutional set-ups in these countries are almost exclusively regulated by higher-level legal regulations (i.e. acts passed by the parliament).[2]

The models closest to the model used in Estonia can be found in **Iceland** and **Germany**. Like Estonia, Iceland and Germany have a relatively autonomous PES with tripartite strategic management and the PES can have a role in designing the details of ALMPs. In Iceland, the PES has more independence in ALMP design than in Estonia, as the main act regulating ALMPs (the Labour Market Measures Act) is very general and all details of ALMP design are decided by the PES executive management. In Germany, the PES has a fairly high degree of independence in designing ALMPs, too, as far as these are targeted to unemployed people (not for social assistance beneficiaries). While it can only provide ALMPs foreseen in the law, it can decide on the details of their design in most cases.

Social partners are more involved in both of these systems than in Estonia, as they have an advisory role also on the regional level through tripartite councils or strategic bodies. Germany, being a federal state, almost mimics the national level arrangement on the regional level (i.e. tripartite strategic bodies are advising regional directorates of the PES, involving regional level ministry and regional social partners). Iceland has tripartite regional councils to advise the PES on tailoring ALMPs to regional needs. However, the role of these tripartite labour market councils varies between regions and their role has in general decreased considerably in the last years.

Table 3.1. Institutional set-up of ALMP provision in selected EU countries

	Denmark	Estonia	Germany	Iceland	Slovenia
Ministry in charge of employment policy	The Ministry of Employment	Ministry of Social Affairs	Ministry of Labour and Social Affairs	Ministry of Social Affairs	Ministry of Labour, Family, Social Affairs and Equal Opportunities
Public employment service	Danish Agency for Labour Market and Recruitment	Estonian Unemployment Insurance Fund	Federal Employment Agency	The Directorate of Labour	Employment Service of Slovenia
Legal set-up of PES	Executive government agency	Autonomous public body	Autonomous self-governing public body	Autonomous public body under the authority of the Minister of Social Affairs	Autonomous public body directly reporting to the ministry
Level of autonomy of the PES	Not autonomous as it is an executive agency under the ministry	Relatively autonomous in ALMP implementation, while ALMP design prescribed in high detail, some financial independence	Relatively autonomous in providing contribution-based ALMPs (both in terms of ALMP design and budget)	Relatively autonomous. The law provides a framework for the minister to intervene if necessary, but it is not a general practice	Low level of autonomy as high level of detail in laws and regulations by parliament/government/ minister/ ministry
Strategic management of PES	Under the direct control of the ministry	The Supervisory Board has 6 members (Government 2, employers 2, trade unions 2)	The Board of Governors has 21 members (employers 7, trade unions 7, public bodies 7)	The Board of Directors has 10 members (Government 4 (incl. 1 local level), trade unions 4, employers 2) advising the executive management	PES Council has 13 members (Government 6, employers 3, trade unions 3, PES staff 1)
Executive management of PES	Executive Board	Management Board appointed by the Supervisory Board	Members proposed by Board of Governors and appointed by Federal Government	Director chosen by a dedicated competence committee and appointed by the minister	Director appointed by the government, following a proposal by the minister
Involvement of social partners (employers and trade unions)	Advisory role on national, regional and local level	4 members in the Supervisory Board	1) 14 members in the Board of Governors 2) advisory bodies on regional level	1) 5 members in the Board of Directors, 2) Involved in regional advisory councils	6 members in PES Council
Institution(s) designing ALMPs	Ministry (Centre for ALMPs) and PES provide general framework, municipalities have considerable flexibility	Ministry and PES in co-operation prepare regulations (depending on regulation, the leading role for one or the other)	General framework in law (prepared by the ministry), details by PES	Very general framework in dedicated act (prepared by the ministry), all details decided by the PES strategic management	Parliament/government/ minister/ministry, all regulations in great detail. No role foreseen in law for PES or PES inputs
Institution(s) implementing ALMPs	Job centres of municipalities	PES	PES	PES	PES
Additional key stakeholders	Many advisory bodies involving social partners, organisations of people with disabilities, and others		Municipalities in charge of jobseekers not under unemployment insurance scheme*	During crisis, a co-ordination group on employment and educational measures	Expert Council is a professional advisory body of the PES

Note: *In Germany, unemployment insurance benefits and ALMPs for unemployment insurance beneficiaries are regulated in social code III (SGB III) whereas social assistance and ALMPs for social assistance recipients are regulated in social code II (SGB II). The German PES, is in charge of paying out unemployment insurance benefits and providing ALMPs in the scope of SGB III while benefits, measures and services related to SGB II (e.g. social assistance) are managed by so-called job-centres. The latter are organised either by municipalities alone or jointly by municipalities and the PES.
The key features of the institutional set-up are generally regulated by the main acts regulating the ALMP provision, see also Table 3.3.
Source: Kröning (2020[2]), *Insights on the ALMP system in Germany: Institutional and regulatory set-up*; Šarčevič and Vončina (2020[3]), *Active Labour Market Policy in Slovenia*; Pétursson and Sverrisdóttir (2020[4]), *Institutional and regulatory set-up of ALMP provision in Iceland*; legal texts and regulations from the respective countries and interviews with officials from the respective countries.

The **Slovenian** system is somewhat similar to the Estonian one as the PES is also established as an autonomous public body and the strategic management body of PES involves social partners. Nevertheless, the PES in Slovenia has less autonomy than the PES in Estonia, Germany or Iceland. Firstly, the Slovenian PES has less autonomy regarding its operating model and ALMP design – it is reporting directly to the ministry, the ALMP design is regulated in higher detail by the regulations by the parliament, government, minister and ministry, and there is an annual contract drafted by the ministry that stipulates the PES tasks and staff levels. Secondly, the executive manager of the PES is politically appointed and dismissed, which has led to sudden and frequent changes in the past.[3] An interesting feature in Slovenia is that there is one member in the PES strategic management body that is a representative of the workers' council of PES elected by the PES staff. However, while the posts of the President and Vice-President rotate every two years among the three parties of social partners in the strategic management body, the PES staff representative cannot be elected to these roles.

The **Danish** system of ALMP provision is somewhat exceptional in the whole EU. The ALMPs are provided by the municipalities (job-centres managed by municipalities), which in most other EU countries (including Estonia) would be the task of the national PES. The municipalities in Denmark have a high degree of freedom to decide the operating models of the job-centres, the financing of ALMPs as well as the details of ALMP design.

The institution that is considered to be the PES in the Danish system, is an executive government agency**,** i.e. not an autonomous body. The PES supports the Minister for Employment in policy formulation and amending legislation. Essentially, the main role of the Danish PES is related to policy design. Following the past reforms over the recent years, the Danish PES has shifted from being a monitoring agency supervising municipalities' activities in providing employment support, to a supporting unit for the municipalities. The Danish PES provides guidelines for the municipalities, encourages mutual learning and sharing good practices, provides the infrastructure for service provision and disseminates knowledge.

The social partners do not have a formal decision making role in the Danish system, but an advisory role on all different levels (national, regional, local). Furthermore, this advisory role is also well implemented, i.e. other stakeholders take these inputs into account in policy design and implementation. In total, the Danish system produces good labour market results. Nevertheless, it is not an easily transferable system as it stands on strong social partners, strong traditions and culture of involving social partners as advisers, a strong tradition of networking with practitioners and stakeholders, strong municipalities and a well-established accountability framework, standing on the overall labour market flexicurity model.

3.2.2. The key features of the institutional set-up should be maintained, but co-operation between the stakeholders could be improved

The key stakeholders are generally satisfied with the institutional set-up of ALMP provision in Estonia

The current system of ALMP provision performs well both in terms of outcomes, as well as its ability to adjust to labour market changes. For example, the introduction of the work ability reform is widely considered a

success. Furthermore, the quick introduction of a new ALMP to address the challenges posed by COVID-19 has received a lot of positive feedback by stakeholders and employers, including publicly via the media. The sustained improvements on the labour market before the COVID-19 crisis also point to good outcomes of ALMP provision in Estonia and suggest that the system supports the Estonian labour market well.

The Estonian stakeholders agree that the high-level institutional framework should be maintained – i.e. how the EUIF is set up, its legal status and its management framework. It is considered beneficial that ALMPs are provided by an autonomous public body with a tripartite strategic management body (the Supervisory Board). The Supervisory Board functions as a buffer between the high-level political will, and the actual ALMP design and implementation. The tripartite system of the Supervisory Board functions well and takes into account the views of all three social partners. Furthermore, most stakeholders consider the working methods of the Supervisory Board to be appropriate, board members usually reach a consensus and their decisions are generally considered as good. SOM supports the work of the Supervisory Board by producing a summary note of the documents prepared by the EUIF for the Supervisory Board, to keep the preparations for meetings more efficient for the members of the Supervisory Board.

Generally, the current size, composition and balance between the three social partners in the Supervisory Board of the EUIF are generally considered to be very suitable by the stakeholders. The set-up of the EUIF Supervisory Board has been the benchmark for reforming the size and the composition of the Supervisory Board of the Health Insurance Fund. The number of members in the Health Insurance Fund Supervisory Board was reduced from fifteen to six in 2018, and was composed similarly to the EUIF (two ministers to represent the government, two representatives of insured people, two representatives of employers), to make it more efficient as well.

Furthermore, in case supplementary expertise is needed for decision making, the Supervisory Board of the EUIF can invite additional participants to its meetings. In practice, the Supervisory Board has invited additional participants from SOM (such as the Deputy Secretary-General on Labour as well as other officials), experts from the EUIF as well as external experts. This practice supports involving good expertise in the meetings and tightens the co-operation between SOM and the EUIF, while keeping the Supervisory Board meetings efficient. The stakeholders stress the need to keep the number of Supervisory Board members (participants with the rights to vote) as well as other participants (participants with the rights to observe only) at a level that does not jeopardise the efficiency of this institution.

The division of responsibilities and co-operation practices have to be further defined and agreed on

The current legal regulations for the institutional set-up of ALMP provision in Estonia can lead to two types of issues, namely a lack of clarity in sharing responsibilities and uncertainty about how the co-operation between the EUIF and SOM should be organised.

Overall, the legal regulation is not explicit on the division of responsibilities in designing and organising ALMPs as some of the tasks assigned to the ministry and the EUIF are similar. Furthermore, the legal regulation is not explicit on what the tasks related to ALMP design and organising implementation could mean in practice. The legal framework for introducing and designing ALMPs in Estonia assigns an important role to the EUIF, such as preparing the regulation on ALMP provision using unemployment insurance contributions in co-operation with SOM (the Employment Programme). Furthermore, the EUIF is responsible for organising the provision of ALMPs. The higher-level legal regulation does not explicitly state that SOM should take on responsibilities in designing ALMPs, although it confers to SOM the general competence to draft and implement plans to resolve social issues of the state. In addition, the Government of the Republic Act stipulates that SOM is responsible for “organising” the labour market, but does not clearly define what “organising” means in practice in terms of ALMPs. Nevertheless, the Statute of the Ministry states that the Employment Department in the ministry plans and organises the implementation of labour market policy and plays a leading role in shaping ALMPs, thus attributing tasks related to ALMPs to SOM more clearly.

Furthermore, the LMSBA stipulates that the EUIF and SOM should co-operate in ALMP design when drafting the Employment Programme, but does not specify how the co-operation should look like. The co-operation practices are a question of good will and good governance between the different institutions, i.e. requiring an on-going interaction between institutions to capture different points of view and interests. As co-operation between the two organisations is key to design effective and efficient ALMPs, the co-operation process to develop ALMPs on the working level of the EUIF and SOM could benefit from improvements. The current situation could potentially have negative implications for the staff in the two organisations as the division of competences and responsibilities within the process of developing ALMPs might not be clear.

To bring more clarity on the division of responsibilities, the key stakeholders should discuss and agree on the exact tasks. This option has the advantage that it implies a high degree of consensus and can lead to very flexible and efficient solutions which may not be achievable if competences are narrowly defined by regulation. The legal definitions can only be partial solutions as these might reduce the flexibility and efficiency of the system by overregulating aspects that can work in practice only if mutual understanding and good will are there.

The key stakeholders need also to discuss and agree on the co-operation principles. Co-operation is necessary throughout ALMP design, involving both the expertise gained from implementation as well as the strategic view of broader employment policy objectives in ALMP design. A continuous dialogue between the stakeholders is necessary to identify efficient channels for co-operation as well as to agree on the level of formality, regularity and other arrangements regarding co-operation. Achieving co-operation simply by further regulation might not produce as good and binding results as an actual agreement between the stakeholders. Therefore, it should be considered as a second-best or a complimentary option (i.e. some of the features of agreed co-operation practices are introduced in the regulation).

Co-operation practices between the core stakeholders is key in all ALMP systems (see Box 3.1). Furthermore, the most effective co-operation practices are as a rule informal agreements between the stakeholders and not regulated in detail in legal regulations or formal agreements. For example, the PES and the ministry in Germany have signed an official co-operation agreement in the past, but their good will and mutual respect defines their good co-operation, not the formal agreement. In addition, in all the international examples of ALMP provision presented in Table 3.1, there are several different core stakeholders in the system that need to co-operate to produce good results (i.e. to achieve the best outcomes for citizens and employers). The Estonian system is a comparatively simple one in this respect as other systems have often additional key stakeholders at regional/local level as well as additional advisory bodies. As such, it should be easier to find solutions for good co-operation between the limited number of stakeholders in Estonia.

Box 3.1. Co-operation practices between the key stakeholders of ALMP systems in Iceland, Slovenia, Germany and Denmark

In **Iceland**, tight co-operation takes place between the key stakeholders, most of this not regulated formally. Iceland is a small country with short communication channels and short chain of command. As such, legal prescriptions for formal co-operation are very limited. The management, as well as staff level, of the ministry and PES co-operate regularly without formal co-operation agreements on ALMPs. As for regulated co-operation, the Labour Market Measures Act stipulates that the executive manager of the PES is legally and operationally responsible to the minister. In practice, the executive manager meets the staff of the ministry and minister often to discuss the labour market developments and policy matters. In addition, reports are provided to the ministry upon request.

In **Slovenia**, the Labour Market Regulations Act stipulates co-operation between the ministry and the PES only in terms of reporting. The PES reports quarterly to the ministry on its activities, budget, assessment of the results, etc. Although the legal system does not foresee a role for the PES to contribute to policy design, the informal practices of the stakeholders aim to ensure that also PES expertise is taken into account in designing ALMPs. All regulations of ALMP provision are drafted by the ministry, but shared with the PES for consultation and inputs. The PES proposals are largely taken into account in the preparation of the documents, as the PES is the main institution that implements the policies and can identify which aspects of ALMP design need to be changed to increase effectiveness.

In **Germany**, several channels are favouring good co-operation between the PES and the ministry. The Ministry of Labour and Social Affairs and the PES agree annually on the broad objectives related to ALMPs and the PES reports to the ministry on their progress and outcomes. In addition, at a regional level, the regional directorates of PES co-operate with regional governments to ensure coherence with broader regional strategies and objectives. Furthermore, the PES publishes its projected and actual annual budget in detail, thus contributing to a high degree of transparency. The co-operation practices are supported by the legal framework, as the competences and roles of each organisation are clearly specified and respected in practice. The PES and the ministry have concluded a formal co-operation agreement in the past, but their experience is that the willingness to co-operate has had a stronger influence on the practices than formal agreements.

In **Denmark**, the PES is one of the key co-ordinators of co-operation between the stakeholders. The PES is in dialogue with the municipal job-centres, the regional labour market councils (regional tripartite advisory bodies) as well as the minister and the Centre for ALMPs in the ministry. On the one hand, the PES supports policy design, ensuring that the requirements and challenges regarding ALMP implementation are considered. On the other hand, the PES supports the municipal job-centres in policy implementation, by translating the regulations into guidelines and providing the platform to exchange good practices. Co-operation and inclusiveness are general features of the Danish system of ALMP provision, also beyond the PES activities.

Source: Kröning (2020[2]), *Insights on the ALMP system in Germany: Institutional and regulatory set-up*; Šarčevič and Vončina (2020[3]), *Active Labour Market Policy in Slovenia*; Pétursson and Sverrisdóttir (2020[4]), *Institutional and regulatory set-up of ALMP provision in Iceland*; interviews with officials from the respective countries.

3.3. The legal framework for active labour market policies

This section maps the main legal regulations for ALMP provision, compares the regulatory set-up of ALMP provision in Estonia to that in other countries and proposes possibilities to streamline the regulations to increase clarity and flexibility.

3.3.1. The main regulations of ALMP provision

Table 3.2 summarises the key regulations concerning ALMP provision in Estonia. ALMPs are regulated mainly by the Labour Market Services and Benefits Act (LMSBA, adopted by the parliament) and the Employment Programme (adopted by the government). In addition, some measures and services are financed through EU instruments (e.g. ESF). In these cases, additional decrees by the Minister of Health and Labour (the ESF Programmes) establish further rules on how the services can be provided, considering the overall framework set by the Structural Assistance Act. The LMSBA together with the Unemployment Insurance Act (that regulates the unemployment insurance benefit scheme) are the main laws regulating the institutional set-up of ALMP provision in Estonia.

Table 3.2. Key regulations of ALMP provision in Estonia

Regulation	Labour Market Services and Benefits Act	Unemployment Insurance Act	Employment Programme	ESF/EGF Programmes
Specifies ALMP design	Yes	No	Yes	Yes
Specifies institutional set-up of ALMP provision	Yes	Yes	No	No*
Institution adopting the regulation	Parliament	Parliament	Government	Minister of Health and Labour
Institution approving the regulation before adoption	Government, the Minister of Health and Labour	Government, the Minister of Health and Labour	The Supervisory Board of the EUIF, the Minister of Health and Labour	No prior formal approvals
Main institution drafting (the amendments of) the regulation	The Ministry of Social Affairs	The Ministry of Social Affairs	The Estonian Unemployment Insurance Fund co-operating with the Ministry of Social Affairs	The Ministry of Social Affairs

Note: * The institutional set-up is regulated only as much to regulate which organisation implements the programme.
Source: Legal regulations in Estonia.

The Labour Market Services and Benefits Act lacks flexibility

The central role of the Labour Market Services and Benefits Act (LMSBA) as the key legal regulation of ALMP provision has decreased over the years. From 2006 until 2009, the LMSBA used to be the single legal act regulating the institutional set-up of ALMP provision and defining the list of main ALMPs.[4] The LMSBA has been amended to accommodate the reforms in the system of ALMP provision over the years, although the more urgently needed changes have been introduced to lower-level legal regulations (most importantly the Employment Programme; for more information, see below).

The LMSBA has remained the single legal framework that establishes how people can register as unemployed, and sets their rights and obligations. The LMSBA regulates also the provision of the unemployment allowance, which is the second tier (low) unemployment benefit scheme. The unemployment insurance benefit scheme is regulated in another act, the Unemployment Insurance Act.

The LMSBA regulates also the institutional set-up of ALMP provision as it stipulates that the EUIF organises the provision of labour market policies and pays out labour market benefits (amendment in force since May 2009 when the EUIF took over the responsibilities of the public employment service). Nevertheless, the EUIF responsibilities are further regulated in the Unemployment Insurance Act and the EUIF statute that determine the legal status of the EUIF, its objectives, responsibilities, etc.

The LMSBA regulates the provision of some, but not all ALMPs provided in Estonia. The LMSBA provides a list of ALMPs (e.g. job mediation, career counselling and labour market training) and sets detailed prescriptions how these shall be provided (target groups, durations, channels, amounts, etc.). Furthermore, all types of ALMPs regulated by the LMSBA are regulated additionally by the Employment Programme and/or ESF Programmes allowing more favourable conditions or wider target groups. The only exception concerns the “provision of information on the situation of the labour market, and of the labour market services and benefits”, which is only in the LMSBA. In practice, this ALMP is provided in the framework of regular counselling and general activities of the EUIF, and not tracked as an individual ALMP.

The parliament amends the LMSBA, using the usual legislative procedure and there is no legal restriction on how long the legislative procedure may take. In practice, it takes often close to a year to make changes. Nevertheless, not all changes can bypass the LMSBA, such as changes in the rights and obligations of the registered unemployed). For that reason, the LMSBA has been frequently amended over the years, although the revisions are generally marginal.

The Employment Programme offers a flexible solution to introduce new and re-design existing ALMPs

A major change in the legal set-up took place in 2011 when the government decided to use the financial resources collected from unemployment insurance contributions for ALMP provision. To accommodate this change while minimising the changes in the main legal regulations, the LMSBA was amended to foresee the development of the Employment Programme. The process to draft and adopt the Employment Programme foresees a strong role for the EUIF and its Supervisory Board as this is the institution governing the financial resources collected from unemployment insurance contributions, which are used to finance the Employment Programme (see also Section 3.4).

The Employment Programme is adopted and amended by the government and enables to set additional ALMPs as well as to provide ALMPs on more favourable conditions than those stipulated in the LMSBA. The current Employment Programme (2017-20) contains some similar types of ALMPs as the LMSBA, but the exact criteria and target groups differ. In addition, the Employment Programme sets several types of ALMPs that are not covered in the LMSBA.

Similarly to the LMSBA, the Employment Programme describes the ALMPs in great detail. However, the LMSBA that prescribes the content of the Employment Programme, does not require such granularity. The LMSBA only requires that the Employment Programme sets the activities carried out in the framework of the Employment Programme, the duration of the Employment Programme and the volume of the Employment Programme (annual budgets and numbers of participants).

The Employment Programme provides the government with the flexibility to introduce quick changes to meet the labour market needs as a new Employment Programme is adopted every 2-4 years and adapted in practice at least once a year. Therefore, it can be viewed as a useful tool for governing the labour market situation in Estonia. A recent example that points to the system's agility in an emergency situation is a new measure (a short-time working scheme to prevent redundancies) introduced in April 2020 to address the challenges posed by the COVID-19 crisis.[5] The new measure was developed and adopted within a week, through an amendment to the Employment Programme.

The process to draft and amend the Employment Programme differs from the process to amend the LMSBA. Drafting the Employment Programme is led by the EUIF, which co-operates with SOM and involves other organisation in the processes as well. In the case of the LMSBA, SOM is the main actor initiating and drafting changes, co-operating with other stakeholders when deemed necessary. The quality and intensity of the co-operation is a question of good will in both cases.[6]

The social partners are strongly involved in adopting and amending the Employment Programme, contrary to amending the LMSBA.[7] The Employment Programme has to be approved by the Supervisory Board of the EUIF, which is a tripartite body involving employers, trade unions and the government in equal representation. The Supervisory Board of the EUIF can approve the Employment Programme only if the Minister of Health and Labour (who is also a member of the Supervisory Board of the EUIF) is in favour of the Employment Programme. As the adoption of the Employment Programme requires prior approval of the tripartite Supervisory Board of the EUIF, it favours an adequate balance between the different stakeholders' opinions, interest and points of view. The fact that the government adopts the Employment Programme makes the whole process of ALMP design slightly longer (unless there is a strong common political consensus), but ensures its political legitimacy as it implies that a political body takes responsibility for co-ordinating ALMPs.

Piloting new ALMPs or new target groups using funding from the European Structural Funds adds to the number of regulations

Estonia has covered a substantial part of its ALMP budget over the years using the European Social Fund (ESF) funding, which allows to pilot new ALMPs or extending ALMPs to new target groups. Furthermore,

funding from the European Globalisation Adjustment Fund was used in 2016-17 to address the labour market challenges due to the contraction of the oil shale industry. Using funding from these sources requires developing additional regulations as in these cases, the changes cannot be introduced in the main national legislation (e.g. the LMSBA and Employment Programme).

The Structural Assistance Act is the main act enabling drawing up regulations to use the EU funds as it contains above all rules on the application for and use of different EU financial measures (e.g. ESF or EGF). According to this act, a ministry in charge of the specific policy area designs the services and measures to be provided as well as the monitoring framework of service provision. Similarly to the adaptions in the LMSBA, designing ALMPs in the framework of ESF/EGF funding is led by SOM, which co-operates with other key stakeholders (such as the EUIF) in case deemed necessary. The regulations of EU-funded ALMPs are adopted as ministerial decrees, the so-called ESF/EGF Programmes.[8]

Often, several different ESF Programmes are in place simultaneously to target different groups, adding to the number of regulations and ALMPs with slightly different designs in place. Currently, there are five ESF Programmes in place that regulate ALMP provision. All of these programmes display ALMP design in similar detail to the LMSBA and the Employment Programme. Three of them assign responsibilities for implementation on the EUIF, while two others aim to encourage ALMP provision by other organisations (e.g. municipalities or NGOs).

The ESF Programmes that are implemented by the EUIF contain in part similar types of ALMPs as prescribed in the LMSBA and the Employment Programme. However, there are no actual overlaps as the exact conditions and target groups vary across the different regulations. Some ALMPs are only in the ESF Programmes, such as some specific ALMPs to support people with health limitations. Regarding similar types of ALMPs in the ESF Programmes and other regulations, the conditions are set more favourable in the ESF Programmes as the aim is to pilot extending the existing ALMPs.

In theory, once a certain programming period is over (e.g. funds from the ESF 2015-20 programming period can be used up to 2023), those ALMPs that had a positive impact on labour market outcomes should be incorporated in the LMSBA and the Employment Programme.[9] While this would decrease the number of regulations in place, new regulations could be introduced simultaneously to fund new ALMPs using ESF/EGF resources.

3.3.2. ALMP regulation in Estonia could be streamlined to increase clarity and flexibility

The Estonian legal set-up of ALMP provision is more complex than the set-ups of other comparable systems

As explained in the previous sections, different legal documents regulate similar ALMPs in Estonia, partly due to historic reasons.[10] The duplication of ALMPs in the LMSBA, the Employment Programme and the several different ESF Programmes for slightly different target groups adds unnecessary complexity to the system, making it challenging for both stakeholders and clients to get a comprehensive overview of the set of ALMPs provided in the country. Sometimes ALMPs in different regulations have the same name, but differ in terms of target groups or implementation processes, thus adding to the confusion.

The complexity of the system is also reflected in the high number of ALMPs. There are about 50 ALMPs across all regulations. This complexity makes the work of job counsellors more challenging and might bear the risk that jobseekers cannot access the ALMPs that would be most appropriate for their situation. For example, there are seven different designs for wage subsidy programmes – e.g. targeting migrants, 16-24 year-olds, 16-29 year-olds without working experience, people with health obstacles, regions with high unemployment, long-term unemployed and ex-convicts – each programme with different eligibility criteria and conditions. Furthermore, a person could in practice fall into several categories simultaneously, adding to the complexity to match her/him with the correct wage subsidy programme.

The comparison of the regulatory set-ups that follows focuses on the systems' complexity and flexibility and the level of detail in the regulations. The discussion also highlights the role of different institutions in the regulatory set-ups. Similarly to Section 3.2, this section compares the Estonian system to Iceland, Slovenia, Germany and Denmark. Table 3.3 presents the key features of the legal framework of ALMP provision in these countries.

The detail of regulations is the lowest in **Iceland**, which allows full flexibility for adapting the provision of ALMPs to prevailing labour market conditions (Table 3.2). The Labour Market Measures Act provides a very general framework for the institutional set-up and ALMP provision, encouraging the involvement of all relevant stakeholders.[11] This act also highlights the broad categories of ALMPs and states that the PES sets the specific ALMPs. All ALMP design details are prepared annually by the PES, discussed with the tripartite PES strategic management body and the Ministry of Social Affairs and finally adopted by the PES executive management in the annual work plan. The same process can be applied also in case changes are needed at any point during the annual cycle. As such, it is possible to quickly and flexibly draw up new ALMPs or redesign the existing ALMPs when necessary. This requires only approval by the executive management of the PES.

Also the **German** and **Danish** legal frameworks are relatively straightforward and leave some scope for ALMP design details to the bodies that are responsible for ALMP implementation. In Germany,[12] the main framework is regulated by the dedicated act passed by the parliament (Sozialgesetzbuch III). This act is more detailed than the similar act in Iceland. The main act in Iceland highlights only the six broad types of ALMPs, while Sozialgesetzbuch III provides a list of ALMPs displaying their general aims, target groups and conditions. Nevertheless, the finer details are still decided by the PES tripartite strategic management body in Germany. In Denmark, the main act (Act on Active Employment Efforts, passed by the parliament) defines ALMPs on a similar level of detail as in Germany. The Danish Minister for Employment publishes annually guiding employment policy objectives, which are binding for the municipalities, but are formulated rather broadly and generally.[13] The PES supports the employment policy objectives with guidelines for municipalities and job-centres (not part of legal regulation, but supporting the translation of regulation into implementation) and the municipalities can still decide on the finer details.

Adapting ALMPs in the main legal act (Sozialgesetzbuch III) can be quick in practice in Germany when there is political consensus. In Denmark, the system of many stakeholders and advisory bodies (see Section 3.2) means on the one hand that a broad set of views is taken into account when amending the Act on Active Employment Efforts. On the other hand, changing the act involves a consultation process with a wide range of stakeholders and a parliamentary approval procedure. While any possible change in ALMPs is very inclusive, it can be time-consuming. Minor details of ALMP delivery design are up to the municipalities, which means that these changes can happen much faster.

Table 3.3. Regulation of ALMP provision in selected EU/EEA countries

	Denmark	Estonia	Germany	Iceland	Slovenia
General groups eligible for ALMPs	Act passed by the **parliament**	Act passed by the **parliament**	Act passed by the **parliament**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the **minister**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government
General aim of ALMP provision	1) Act passed by the **parliament**, 2) A regulation implementing the act by the **minister**	Act passed by the **parliament**	Act passed by the **parliament**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the **minister**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government
Set-up and purpose of PES	Act passed by the **parliament**	Act passed by the **parliament**	Act passed by the **parliament**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the **minister**	Act passed by the **parliament**
List of specific ALMPs	1) Act passed by the **parliament**, 2) A decision by **municipalities**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government, 3) Regulations by the **minister**	Act passed by the **parliament**	A decision by the **PES executive management**	1) A regulation implementing the act by the **minister**, 2) The Catalogue of ALMPs by the **ministry**
Aim of specific ALMPs	1) Act passed by the **parliament**, 2) A decision by **municipalities**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government, 3) Regulations by the **minister**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the **minister**, 3) A decision by the **PES strategic management body**	A decision by the **PES executive management**	1) A regulation implementing the act by the **minister**, 2) The Catalogue of ALMPs by the **ministry**
Conditions of specific ALMPs (duration, sums)	1) Act passed by the **parliament**, 2) A decision by **municipalities**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government, 3) Regulations by the **minister**	1) Act passed by the **parliament**, 2) A decision by the **PES strategic management body**	A decision by the **PES executive management**	1) A regulation implementing the act by the **minister**, 2) The Catalogue of ALMPs by the **ministry**
Target groups of specific ALMPs	1) Act passed by the **parliament**, 2) A decision by **municipalities**	1) Act passed by the **parliament**, 2) A regulation implementing the act by the government, 3) Regulations by the **minister**	1) Act passed by the **parliament**, 2) A decision by the **PES strategic management body**	A decision by the **PES executive management**	1) A regulation implementing the act by the government, 2) A regulation implementing the act by the **minister**, 3) The Catalogue of ALMPs by the **ministry**

Source: Kröning (2020[2]), *Insights on the ALMP system in Germany: Institutional and regulatory set-up*; Šarčevič and Vončina (2020[3]), *Active Labour Market Policy in Slovenia*; Pétursson and Sverrisdóttir (2020[4]), *Institutional and regulatory set-up of ALMP provision in Iceland*; legal texts and regulations from the respective countries and interviews with officials from the respective countries.

In comparison to Estonia, the legal framework is relatively more regulated in **Slovenia** and provides for a much stronger role of the government and competent ministry. The main act that regulates ALMP provision (including ALMP content and institutional set-up) is the Labour Market Regulation Act (LMRA). The LMRA lists the ALMPs, discusses their aims, content and target groups. In addition, it puts the responsibility to adopt a (multi-annual) strategic plan for ALMP provision on the government (the Guidelines for ALMP Implementation), the annual plan on the responsible minister (the Plan for ALMP Implementation) and the annual implementation programme on the ministry (the Catalogue of ALMPs, which is an even more detailed annual implementation plan than the Plan for ALMP Implementation). In addition, there is an annual contract in place between the ministry and the PES that stipulates the PES budget, tasks and personnel (i.e. defining ALMP implementation further). Furthermore, the minister is tasked with setting the norms and standards for the provision of labour market services and the methodology for pricing.

As the LMRA in Slovenia is quite detailed, it takes time to make major changes, as these require a parliamentary process. Furthermore, the legal system has a cascade of regulations that need to be changed to introduce more fundamental changes. Hence, the legal system does not enable a quick response to major changes in the labour market. Regardless, some details of ALMP design are reviewed at least annually by the ministry (the Plan for ALMP Implementation and the Catalogue of ALMPs). The latter can be a quick process as no prior agreement by other stakeholders is required. Nevertheless, the Plan for ALMP Implementation is shared beforehand with the social partners for opinions.

In summary, none of the reviewed countries has as complex systems in place as Estonia in terms of duplicating similar ALMP content for different target groups or on different criteria, i.e. all the systems are leaner in this respect. Furthermore, the lower-level details of ALMP provision are often left for lower-level regulations and decisions, rather than high-level acts passed by the parliament (such as the LMSBA in Estonia). The cases of Iceland and Germany have the most promising elements that could inform the possible improvements of the regulatory system in Estonia, particularly regarding the more general provisions in the main acts regulating ALMP provision. The Slovenian system is potentially less agile and flexible than the Estonian system and the Danish system is not easily adaptable due to a very different institutional set-up.

In addition to Germany and Iceland, it is worth to look at additional countries for specific good practices that might be transferable to Estonia regardless of differences in the general framework. Furthermore, there are several other systems of ALMP provision that use broadly similar institutional framework for ALMP provision as Estonia (i.e. the PES is set up as an autonomous public body and steered by a tripartite strategic management body). These examples include Austria, Belgium (systems in Wallonia, Flanders and Brussels) and France. Austria and Flanders have also achieved relatively good labour market outcomes in the recent years (close to the outcomes of Estonia and the other countries discussed above) and hence could be the most potential sources of good practices for Estonia.

The Estonian legal set-up could be streamlined to advance flexibility

One way of addressing the complexity and duplication of regulations in Estonia would be to restrict the LMSBA to include only key aspects of ALMP provision (the general institutional set-up, a general description of the aim of ALMP provision and target groups of ALMPs), while setting the details in a more agile regulation, similar to the Employment Programme. In this way, two crucial features of ALMP regulation are addressed: 1) the rights for support in labour market integration are guaranteed and the general conditions for this support are regulated; 2) the flexibility to react to the changes on the labour market is ensured.

Consolidating the regulation and determining all ALMP details in the Employment Programme would simplify the system and make it leaner. A simpler and leaner regulation could decrease administrative burden in amending ALMP design and implementing ALMPs, for example regarding budgeting and

bookkeeping (see Section 3.4). In addition, it would become more straightforward for the stakeholders and clients to get an overview of all ALMPs that are available. It would be easier for the stakeholders to communicate the ALMPs available (e.g. to reach out to the target groups). Furthermore, a leaner regulation would enable a clearer division of competencies.

The complexity of the legal set-up could be further reduced if ALMPs regulated by the ESF Programmes would be incorporated into the LMBSA (in case higher-level changes would be necessary) and the Employment Programme. This can be done once the programming period ends (in 2023) and for those ALMPs that are proven to be effective and efficient. For this, impact evaluations and cost-benefit analysis of the ALMPs financed from the ESF funds have to be conducted, as it is already planned. These evaluations should aim at comparing the slightly different designs of otherwise similar ALMPs, such as the different designs of wage subsidies or training programmes. The evaluations could take advantage of the cut-off points in eligibility for the different ALMP designs (e.g. making it possible to apply regression discontinuity design), enabling to continue with the most effective and efficient designs only.

For the next programming period, SOM and other stakeholders should consider the regulation of ALMPs financed via the ESF funding more carefully. The stakeholders should reconsider the necessity of introducing different designs for essentially the same ALMP or the necessity to regulate these in several different ESF Programmes. Consolidating the programmes reduces administrative burden also for ALMP implementers and adds flexibility in the budget, besides reducing complexity in the regulatory set-up.

In addition, the most granular details, particularly concerning the operating model of ALMP provision should be the responsibility of the organisation implementing the ALMPs, i.e. the EUIF, regulated in internal documents and guidelines. For example, the EUIF executive management under the supervision of its tripartite Supervisory Board could have some freedom to decide whether to outsource or provide in-house specific ALMPs, channel management, counselling frequency, etc. Leaving the operating model of the PES to be decided by the PES executive management is a common practice across countries, although the scope of decisions varies with the autonomy of PES. A higher degree of autonomy regarding PES operating models adds to the flexibility of the system to respond quickly to the labour market needs (OECD, 2020[5]). Yet, some of the details on the EUIF operating model are regulated by the high-level LMSBA in Estonia. For example, the 3-month-limit on using digital tools for counselling was dropped from the LMSBA only in Spring 2020, limiting the EUIF channel management up to that point. The limitations in which cases the EUIF could provide an ALMP in-house or use simplified pre-authorisation of providers are set in the LMSBA, leaving some people in need of ALMPs without access to support (e.g. for specific ALMPs it can be difficult to find providers in some regions).

Drafting regulations for effective and efficient ALMPs requires co-operation between stakeholders

In case the stakeholders agree to generalise and simplify the LMSBA, it should confer the authorisation to establish the detailed regulation of ALMPs either to the Minister of Health and Labour (after adoption by the Supervisory Board of the EUIF) or the Supervisory Board of the EUIF. In this set-up, the detailed regulation would have sufficient agility to respond to the labour market needs and, in addition, a consensus of the social partners would be backing it up.

The key stakeholders of the system of ALMP provision should discuss and agree on, whether the detailed regulation approved by the Supervisory Board of the EUIF or the minister, should be additionally adopted by the government. The adoption by the government makes a higher-level political body accountable for ALMP details. Nevertheless, this makes the process longer and less agile and, therefore, the pros and cons of this additional step have to be considered. In general, the objective should be to keep the detailed list and the description of ALMPs in the new regulation flexible, i.e. it should be possible to amend them easily to react to changes in the labour market.

Another agreement that the key stakeholders should make, is about which of the institutions takes the responsibility to draft the details of ALMP design – EUIF or SOM. In any case, SOM and the EUIF should co-operate tightly in drafting the regulation regardless of which organisation leads the process. The drafting process should involve expertise from the side of implementation (the knowledge what works, for whom and how) as well as from the political will and state strategies.

Even within the current regulatory set-up, good co-operation between SOM and the EUIF is necessary to develop ALMPs that are needed by the citizens, drawing from experience gained from implementation and working with the clients, the political will, high-level strategies and good international practices. Such co-operation is necessary for amendments in the law (LMSBA, Unemployment Insurance Act) as well as drawing up and adjusting the Employment Programmes and ESF Programmes.

Although currently, the legal framework does not determine how exactly the co-operation should look like, extensive co-operation and consultations between the two institutions exist in practice. For example, the new ALMP addressing the COVID-19 crisis was developed in April 2020 in tight co-operation between the ministry staff, the minister, the Supervisory Board of the EUIF and the EUIF staff. The close co-operation involving policy implementation expertise in the design of the new measure was instrumental: the new measure was designed in a week and implemented within two weeks.

3.4. The financing models for ALMP provision

The complexity of legal regulations of ALMP provision triggers complexity regarding financing ALMPs and budgeting. This section discusses first the sources used for ALMP provision and the sustainability of this financing model. Second, the process of drawing up the budgets for ALMPs is examined.

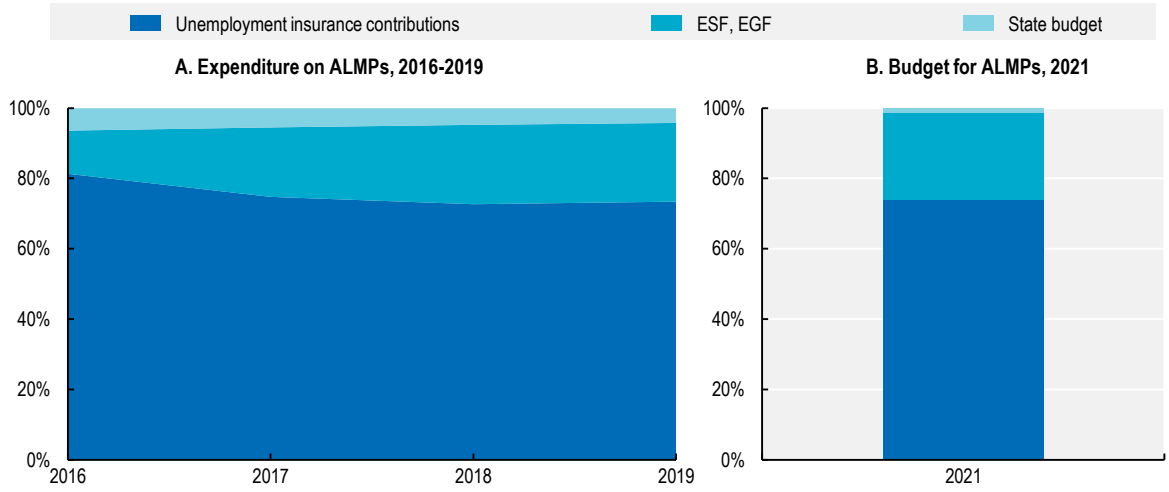
3.4.1. Sustainability of ALMP financing is a potential issue

Until 2011, ALMPs in Estonia were financed using ESF funding and the state budget. Due to the Global Financial Crisis, the ESF funding for the period 2007-13 ran out quicker than planned and the resources in the state budget were tight. The government considered the reserves accumulated from the unemployment insurance contributions sufficient to cover the gap in ALMP budget. As such, a major change in the financial and legal set-ups took place in 2011, when the government decided to provide ALMPs using the financial resources collected from unemployment insurance contributions and introduced the concept of the Employment Programme.

Figure 3.1 depicts the EUIF expenditures on ALMPs in 2016-19 and budget for 2021. The majority of ALMPs have been financed from unemployment insurance contributions and only marginally from the state budget through the past years.[14]

Figure 3.1. The majority of ALMPs are financed from unemployment insurance contributions

Share of financing sources of ALMP expenditures



Note: ALMP categories 1-7: labour market services (including EUIF operating costs, except operating costs for work ability assessments), training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives.
1. 2020 excluded as an exceptional year – EUR 256 million spent on short-time working scheme using unemployment insurance contributions, while the entire ALMP budget in previous years has been between EUR 50 to 100 million.
2. The figure does not include expenditures on social tax contributions for employers of people with no or partial work ability. This is a measure that is considered as an ALMP in category 5 by the EU/OECD LMP database since 2016 when the EUIF took over its administration, but is not considered to be an ALMP by the Estonian stakeholders. This measure is fully funded by the state budget and all employers hiring a person with reduced work ability using an employment contract are eligible (no additional targeting or conditionality).
Source: Estonian Unemployment Insurance Fund.

StatLink https://stat.link/4cbux8

Unemployment Insurance contributions as the main financing source

Until 2011, the reserves collected from the unemployment insurance contributions were to cover the needs of the people who had paid the contributions (i.e. originally to cover their needs for income replacement during unemployment through unemployment insurance benefits). As ALMPs were needed also by those who had not paid unemployment insurance contributions, the agreement was to add a share to the ALMP budget from the state budget to make the new arrangement legally valid. However, since then the annual contribution from the state budget has been rather marginal, kept at the level of less than EUR 4 million per year (Eesti Töötukassa, 2020[6]), from which EUR 3 million to finance ALMPs in the Employment Programme for people not covered with unemployment insurance. The latter sum has been cut to only EUR 18 thousand since 2020. Moreover, in recent years there have been discussions to withdraw the financing from the state budget entirely.

Currently, the majority of ALMP expenditures in the framework of the Employment Programme, part of the co-financing of the ESF programmes and the EUIF (and ALMP) operating costs are covered using finances collected through unemployment insurance contributions. The resources of the unemployment insurance scheme are taken into account in the overall state budget balance, which implies that any shift of ALMP allocation has an impact on other expenses in the state budget. As a result, this dedicated funding source does not ensure full flexibility in allocating ALMP expenditures.

The social partners in the Supervisory Board make annually a proposal to the government on the level of the unemployment insurance premium and the share of unemployment insurance contributions for ALMP expenditures. However, the proposition of the Supervisory Board is not binding for the government, which

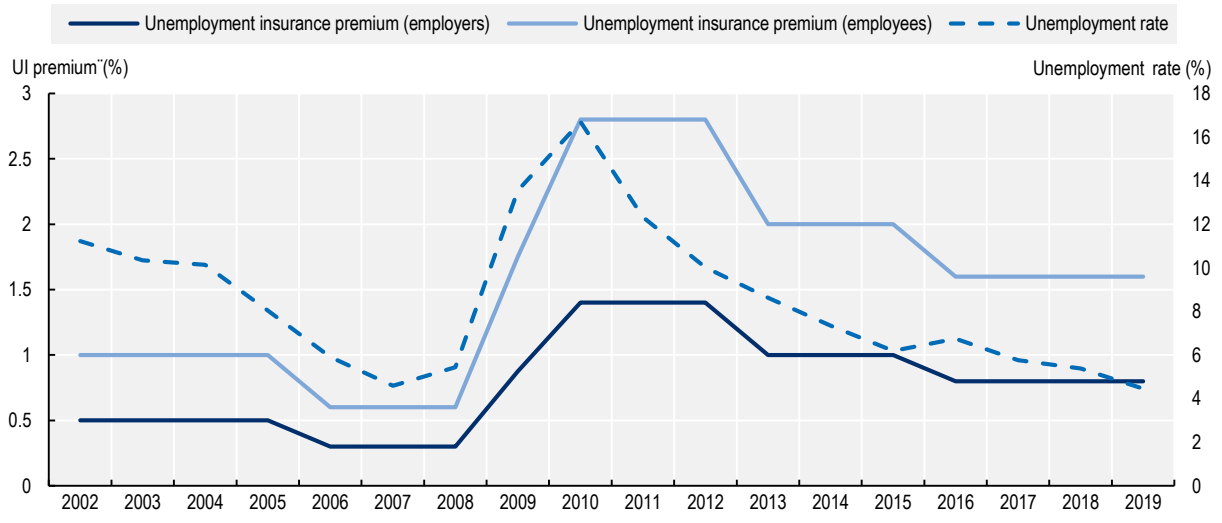
can and has set different unemployment insurance premium based on concerns for the state budget rather than labour market needs.

The unemployment insurance premium is pro-cyclical in Estonia (Figure 3.2). The pro-cyclicality is partly due to setting the unemployment insurance premium based on the needs of the state budget balance. In addition, the pro-cyclicality is caused by the increasing responsibilities of the EUIF because of the recent reforms (on-going Work Ability Reform, introducing unemployment prevention measures in 2017, career services' reform in 2019, etc.). This implies that the total tax burden on labour is higher during worse economic conditions and lower during better times. The system might have potentially not accumulated reserves to face longer economic downturns. The short-time working scheme introduced in Spring 2020 to address the labour market consequences of COVID-19 outbreak decreased the accumulated reserves of the EUIF within four months by EUR 256 million, i.e. by about 30%.

The stakeholders of the ALMP system and the government need to agree on new principles for setting the unemployment insurance premium to introduce counter-cyclicality and accumulate sufficient reserves before any economic downturns. For example, an automatic mechanism could be built in the system that takes into account the economic situation and/or forecasts and the current reserves, which would trigger changes in the unemployment insurance premium. Alternatively, the unemployment insurance premium could be kept at a constant level, optimised across business cycles. The unemployment insurance system would be in a deficit in worse economic conditions and in surplus in better times. In addition, automatic triggers for higher benefit generosity could be introduced in such a financing model (Andersen, 2014[7]).

Figure 3.2. Unemployment insurance contributions are pro-cyclical in Estonia

Unemployment rate and unemployment insurance (UI) premium, 2002-19



Source: Government decrees on unemployment insurance premium in 2002-19.

StatLink https://stat.link/fi3ps6

Since 2012, the EUIF does not manage its reserves from the unemployment insurance contributions anymore. The Ministry of Finance manages the public sector funds centrally (i.e. makes the investment decisions for these funds). This consolidation of funds in the public sector made the Supervisory Board concerned about the accessibility of the reserves in the future and for a while, the representatives of employers and trade unions refused to co-operate with the government representatives, which led to the Supervisory Board not being operational for three months. Although the Supervisory Board became soon

again operational, the concerns regarding the management of the unemployment insurance reserves have remained. While other funds under the central government (health insurance, pensions) have been in shortage of funding, the surplus from the unemployment insurance contributions has helped the government to balance the gaps and surpluses out. This makes the stakeholders concerned whether the funding for ALMPs and benefits would be actually available in case a crisis hits the labour market despite the significant reserves.

While a significant share of the reserves became quickly available to cover the short-time working scheme in Spring 2020, it is not guaranteed that using the reserves will be as easy in the future, as the net balance of the consolidated public funds has been at times lower than the total amount of unemployment insurance reserves. Estonia has to revise the systems of health care, social services and social security to make these systems financially sustainable, to ensure that the unemployment insurance reserves actually remain available for labour market needs.

Funding from the European Structural Funds

A large proportion of ALMPs is financed through the ESF funding (amounting to 22% of expenditures in 2019). The programme to fund ALMPs for people with reduced work ability is particularly extensive, representing about 80% of all funds from ESF for ALMPs provided by the EUIF (Eesti Töötukassa, 2019[8]). While not all of the ALMPs within the Work Ability Reform have been individually evaluated, the overall preliminary evaluations have been positive (see Masso et al. (2019[9])). Hence, those ALMPs should be introduced in the main national legislation and be financed from the national financial means.

The current ESF programming period lasts until 2020 and allows to use the allocated funding up to 2023. Nevertheless, as of September 2020, Estonian stakeholders do not yet have a plan on how to integrate the ALMPs currently financed by the ESF to the national framework or how to finance these ALMPs in the future. This undermines the sustainability of the system of ALMP provision.

Additional allocations from the state budget could cover the needs for ALMPs for jobseekers who have not paid unemployment insurance contributions and for measures that will be not financed from the ESF in the future, to avoid putting additional pressures on unemployment insurance scheme. However, an increase in the funding of ALMPs from the state budget would require a considerable political will and a re-prioritisation in strategic objectives.

3.4.2. ALMP budgeting process

The budgeting process for ALMPs involves inputs from the EUIF and allows some flexibility in implementation

The EUIF has some financial independence as its operating expenses as well as key ALMPs and benefits are financed from the dedicated unemployment insurance contributions. The EUIF budget is drafted by the Management Board, and approved and supervised by the EUIF Supervisory Board. However, the financial flexibility varies across the types of expenditures, their financing sources and which political institution approves the budgets.

The annual budgets of the Employment Programme are drawn up along with the development of the content of the Employment Programme. The budget is drafted by the EUIF (in co-operating with SOM), approved by the Supervisory Board of the EUIF (conditioning that the minister approves it as well) and adopted by the government. The government decree stipulates only an overall budget for ALMPs. The Supervisory Board of the EUIF approves a more detailed budget and can adjust it flexibly during the year.

SOM leads the budgeting process for the ESF Programmes, requiring significant inputs from the EUIF as well. The Supervisory Board of the EUIF discusses the ESF Programmes and the budgets within the drafting process, but only the minister adopts the programmes officially. The budgets of the ESF

Programmes are more detailed than the Employment Programme, but allow still some flexibility for adaptations within the limitations set by the Structural Assistance Act.

The ALMPs described in the LMSBA do not have a dedicated budget. All types of ALMPs regulated by the LMSBA (except "the provision of information on the situation of the labour market, and of the labour market services and benefits") are regulated additionally by the Employment Programme and/or ESF programmes allowing more favourable conditions or wider target groups. The provision of information on the labour market situation to jobseekers is covered in the general operating expenditures of the EUIF (drafted by the EUIF and approved by the Supervisory Board of the EUIF).

Germany and Iceland give more autonomy for PES to design budgets for ALMPs that correspond to the labour market needs

Table 3.4 displays the key stakeholders, which adopt the overall and detailed budgets for ALMP provision in Iceland, Slovenia, Germany, Denmark and Estonia. In general, budgeting decisions at a lower level (e.g. by PES management bodies rather than the government or the ministry) mean more financial independence for PES, but also more flexibility to swiftly adapt the budgets to the changing needs of the labour market.

Compared to the EUIF, the **German** PES has more financial independence as it manages its own financial resources and the strategic management body is fully responsible for the budget. This permits adapting ALMPs to changing labour market needs quickly.

In **Iceland**, the financial independence of the PES is also somewhat greater than that of the EUIF as a key role is on the executive management body. The first input to start the budgeting process is prepared by the PES executive board. The minister uses the inputs from the PES in the discussions to draw up the state budget in the government. The overall budget for ALMPs is passed by the government and the parliament in the context of the state budget. The detailed budget is prepared by the PES and approved by the executive management of the PES after discussing it with the strategic management body. Furthermore, there is an additional step in the process of assigning the overall budget for ALMPs as the executive management of the PES has an option to agree with the budget or disagree with it and send a proposal back to the government. The PES executive board can ask for an increase in the overall budget also in case a need arises in the middle of a financial year (e.g. labour market worsens). These proposals should be then approved by the minister and the government to become effective. As such, the PES can have relatively high influence to achieve appropriate funding for ALMPs.

The PES in **Slovenia** has less autonomy as well as fewer possibilities to adapt the budget as the ALMP budget is regulated in high detail by the parliament, government, minister and ministry, and there is an annual contract drafted by the ministry to fix the PES budget. The Slovenian PES cannot decide on its own operating expenditures, contrary to Estonia, Germany and Iceland.

In **Denmark**, the municipalities decide themselves on financial allocations to ALMPs, i.e. they have the autonomy and flexibility to design the ALMP budgets. Denmark has a national financial incentive system for the municipalities to provide ALMPs, which was extensively reformed in 2015 (see European Commission (2018[10])). This system aims to establish financial incentives for municipalities to actively support jobseekers and provide effective ALMPs, and thus to prevent individuals from receiving social benefits for long periods. In principle, the state reimburses municipalities' social benefit expenditures based on the number of weeks jobseekers received social benefits.

Table 3.4. Stakeholders adopting budgets for ALMP provision in selected EU/EEA countries

	Denmark	Estonia	Germany	Iceland	Slovenia
(Annual) budget for ALMPs	A decision by **municipalities**	1) A regulation implementing the act by the government, 2) Regulations by the **minister**	A decision by the **PES strategic management body**	Act passed by the **parliament**	1) A regulation implementing the act by the government, 2) A regulation implementing the act by the **minister**, 3) A contract between the **ministry and PES**
(Annual) budget for each ALMP	A decision by **municipalities**	1) Regulations by the **minister**, 2) A decision by the **PES strategic management body**	A decision by the **PES strategic management body**	A decision by the **PES executive management**	1) A regulation implementing the act by the government, 2) A regulation implementing the act by the **minister**, 3) A contract between the **ministry and PES**

Source: Kröning (2020[2]), *Insights on the ALMP system in Germany: Institutional and regulatory set-up*; Šarčevič and Vončina (2020[3]), *Active Labour Market Policy in Slovenia*; Pétursson and Sverrisdóttir (2020[4]), *Institutional and regulatory set-up of ALMP provision in Iceland*; legal texts and regulations from the respective countries and interviews with officials from the respective countries.

3.5. Co-operation across policy fields

This section discusses the higher-level division of responsibilities and co-operation between stakeholders concerning the ALMPs designing process. The co-operation between stakeholders within the ALMP implementation process is discussed in Chapter 4. The implementation of ALMPs requires that the different service providers view the clients holistically, network with each other, and exchange data and information. The co-operation regarding policy design needs co-ordination on a higher level to ensure the approaches consider state-wide strategies across policy fields.

3.5.1. Key fields of co-operation

Regarding ALMP design, the SOM and the EUIF need to co-ordinate and co-operate above all with stakeholders in the Ministry of Education and Research, the Ministry of Economic Affairs and Communications and the health and social policy fields in the Ministry of Social Affairs. Institutions in these policy fields provide some measures that have similar objectives as ALMPs or concern similar target groups (e.g. training provision in the education system, services aiming to integrate people into the society in the social policy field, subsidies promoting entrepreneurship by the Ministry of Economic Affairs and Communication). Co-ordination is needed to avoid gaps and overlaps in service provision and ensure that policies across the policy fields support the same national strategic objectives.

Besides the three ministries mentioned above, some co-operation with other policy fields is relevant as well, although the coinciding policy objectives are narrower. For example, co-ordination with the Ministry of Justice is required to support the re-integration of imprisoned people back into the society and the labour market. The integration of migrants to the labour market needs co-operation with the Ministry of the Interior, as well as potentially other ministries. Furthermore, co-operation with the governments of Municipalities is needed as they have some scope for policy making across policy fields, regardless of a highly centralised government system (European Commission, 2018[11]).

Good co-operation and co-ordination are essential with the Ministry of Finance for the financing of ALMPs. As described in the previous section, the Ministry of Finance co-ordinates drawing up the state budget and manages the consolidated public sector funds (including reserves of unemployment insurance contributions used for ALMP provision).

Co-ordination between health, social and employment policy could be improved

As people with a weak attachment to the labour market frequently face health and social integration obstacles (see Chapter 5), employment policy needs to be co-ordinated with social and health policy. Nevertheless, at present the people in need of support are not approached holistically (see Chapter 6), which is not only rooted in service implementation, but also in policy design and co-ordination. As employment, social and health policies are co-ordinated by one single ministry – the Ministry of Social Affairs – there is a good potential to improve the co-ordination of these policy fields. Furthermore, one minister is in charge of employment and health policy within SOM, increasing the potential to link these policy fields. Besides co-ordinating the employment and health policy within SOM, the Minister of Health and Labour has tools to co-ordinate the activities of the main institutions implementing these policies. He is a member of the Supervisory Board in both the EUIF and the Health Insurance Fund.

Significant improvements in co-ordination have been made in the framework of the Work Ability Reform. This reform introduced new ALMPs aiming both at labour market integration and removing health obstacles, increased funding for ALMPs and social services targeting health obstacles, and improved co-operation and information exchange between organisations implementing the reform. However, the reform caused also some divergence from the concept of one-stop-shops as work ability and disability assessments are co-ordinated by two different organisations (the EUIF and the Social Insurance Board) and services with similar objectives can be provided often by three or more different organisations (for example, technical aids can be provided by the EUIF, the Social Insurance Board and the Health Insurance Fund; see other examples in Chapter 6).[15] Although the objectives and processes of the reform have been thoroughly communicated to the target groups, the set-up can be still potentially confusing for them. In addition, the vulnerable groups without long-term health limitations still receive little ALMP support or similar social services (see the quantitative analysis in Chapter 6).

To generate a strategic view and address the fields of social affairs more holistically, SOM has developed a Welfare Development Plan 2016-23, which was adopted by the government in June 2016 (Ministry of Social Affairs, 2016[12]). The Welfare Development Plan sets strategic objectives regarding the labour market, social protection, gender equality and equal treatment policies for 2016-23. However, this strategic plan does not include health policy, although it should be also tightly linked to other strategies, particularly considering the on-going Work Ability Reform.

Regardless of the improvements in strategic view and implementation of the recent reform, there might be room for improvement on co-ordinating policies across different fields within the Ministry of Social Affairs. A particular area that needs to be improved to enable holistic approaches to clients, is data and information exchange between the different institutions concerning employment, social and health policies. The existing exchange of administrative data is not sufficient to co-ordinate policy implementation. The most problematic is the data exchange between municipalities on social services (the dedicated information system developed by SOM and currently managed by the Social Insurance Board) and other organisations. The municipalities are not providing the necessary information on social services through the IT system to other relevant organisations and are not able to access all relevant information from the other institutions. Significant efforts are needed to increase the user-friendliness of the system and modernise it, potentially by substituting the IT system with a new one. Also, the data exchange between the Health Insurance Fund, Social Insurance Board and the EUIF could be improved enabling a more holistic view of their clients. Inserting data in the health care database (e-tervis) by health care providers has significantly improved since the Work Ability Reform was launched, but is still not sufficient to support an efficient process of work ability assessments. Missing data and low data quality in e-tervis can lower assessment quality and cause delays in the work ability assessments, and thus affect the access to benefits and ALMPs for the people in need.

Recommendations to strengthen the integration of registers in social, health and employment policy to implement the integrated care model in Estonia will be provided also in the forthcoming report of the project

conducted in co-operation of the European Commission's Directorate General for Structural Reform Support, the Ministry of Social Affairs and the World Bank. Implementing an integrated care model in Estonia would potentially require advancing an integrated data model and adding new functionalities in the IT architecture (dashboards for policy makers, providers and citizens, as well as an expanded e-consultancy system between stakeholders).

Improving information and data exchange could also support policy design. Better data exchange between the EUIF and SOM could improve co-operation between these organisations, particularly their joint efforts to design ALMPs. As the EUIF is developing a new data warehouse solution enabling user-friendly access to statistics for SOM and the public, access to information will be potentially well facilitated in the future.

Furthermore, good data are needed for ALMP impact evaluations, informing designing and re-designing policies. However, challenges in using data for impact evaluations relate to both legal regulations as well as the existing IT solutions, above all in the field of social and health services. For example, the implementation of the General Data Protection Regulation (GDPR) is not yet fully clear and this has put analytic and research activity on hold in many fields. Nevertheless, the first attempts to enable data access for researchers under the GDPR have already been put in practice (such as enabling access to data used in this report, Chapters 4 and 6), enabling to build on these for future research.

The Ministry of Education and Research could be more involved in strategic decisions

The Ministry of Education and Research and SOM have a substantial common strategic objective – ensuring that the population has sufficient skills and qualification to be employed on good jobs, matching their skill and qualification level. The common policies concern above all adult learning programmes and career counselling. The Ministry of Education and Research has drawn up a dedicated strategy for lifelong learning, including adult learning, called The Estonian Lifelong Learning Strategy 2020, which aims "*to provide all people in Estonia with learning opportunities that are tailored to their needs and capabilities throughout their whole lifespan, in order for them to maximize opportunities for dignified self-actualization within society, in their work as well as in their family life*" (Ministry of Education and Research, 2014[13]). SOM links the Estonian Lifelong Learning Strategy 2020 with the first objective of the Welfare Development Plan 2016-2023: "*Correlation between the demand and supply of the workforce ensures a high level of employment and high-quality working conditions support long-term participation in working life*" (Ministry of Social Affairs, 2016[12]).

The EUIF, SOM and the Ministry of Education and Research are the main co-ordinators of short-term training programmes for adults, although some training programmes, particularly the Estonian language courses, are partially co-ordinated by other ministries such as the Ministry of Culture or the Ministry of Interior (Kallas, Kallaste and Anspal, 2018[14]). Both the EUIF and the Ministry of Education and Research have increased the provision of these programmes over the last years. As a consequence, participation in adult learning has reached a record high level (European Commission, 2019[15]).

Despite the higher participation in adult learning programmes in recent years, the need for upskilling and reskilling remains high (European Commission, 2019[15]). Also the quantitative analysis in the current report (Chapters 5 and 6) shows that access to training measures is not sufficient.

Access to adult training programmes could be improved by better co-operation between the stakeholders of the system of ALMP provision and the Ministry of Education and Research. Although the co-operation practices have improved over the years, common efforts to reach out to people with low skills are rare and designing adult training programmes still takes place somewhat separately in the employment and education policy fields. Promoting up- and re-skilling together and through the networks of career counsellors, employment counsellors and training organisations could potentially lead to more effective and efficient results. Involving the stakeholders from both employment and education policy to design and implement adult learning programmes could help target the training programmes better, avoiding gaps and overlaps. In particular, the co-operation between the stakeholders could support adapting training

programmes to fit better the needs of the low skilled, minimising discouraging aspects and preventing drop-out.

Furthermore, the targeting of adult learning programmes should take greater advantage of the national Skills Assessment and Anticipation exercise called OSKA (Sihtasutus Kutsekoda, 2020[16]). OSKA is a great example of a cross-policy initiative in Estonia and has been successful in creating practical and useful labour market intelligence (Melesk, Haaristo and Haugas, 2018[17]).

Currently, OSKA is used strictly and systematically by the EUIF when providing training programmes to prevent unemployment (i.e. targeting the low-skilled employed people). Since Spring 2018, the EUIF provides also guidelines to its employment counsellors called "The Principles for Skills development" that advise the counsellors to consider OSKA as well as the Occupational Barometer of the EUIF when referring a jobseeker to labour market training programmes. Nevertheless, the link in these cases between training and OSKA are weaker and not as systematically implemented in the regional offices in practice. In addition, training programmes are provided also within the Open Calls Projects managed by SoM, where no specific link to OSKA has been highlighted.

Although the OSKA initiative is in the policy field of the Ministry of Education and Research, its results are not used for the adult training programmes provided by this ministry as strictly as they should, particularly concerning the adult training programmes provided via ESF funding. OSKA results are used in the planning phase of formal and non-formal education, but the delivery of the programmes is strongly affected by the traditional supply by education providers and demand for courses by the participants. Due to this, the adult learning programmes provided by the Ministry of Education and Research are not supporting up-skilling the low-skilled population well (see Chapter 6) and are potentially less effective in supporting labour market outcomes than training programmes provided by the EUIF. Also a previous evaluation of the training programmes implemented by the Ministry of Education and Research using ESF funding shows a very low impact on labour market outcomes (Leetmaa et al., 2015[18]), although the situation could be currently better as the programme has been somewhat re-designed. Nevertheless, also more targeting has been called for regarding the adult learning programmes in the evaluation of the Lifelong Learning Strategy 2020 in a very recent report (Haaristo et al., 2019[19]). More co-ordination, co-operation and taking advantage of the existing tools are needed within the Ministry of Education and Research itself as well as wider in the field of adult learning.

Another key area of co-operation between SOM and the Ministry of Education and Research is the provision of career counselling. Traditionally, the EUIF provided career counselling to the unemployed people and the Ministry of Education and Research governed career services for youth. Other groups (employed people needing career advice and inactive people) had essentially no access to career services. The EUIF started to provide career services to all adults and youth entering the labour market in 2015, which created some potential overlap of target groups with the career services provided under the Ministry of Education and Research. Hence, since 2019, essentially all career services have been consolidated in the EUIF. Nevertheless, as the Ministry of Education and Research is still responsible for career education in general and vocational education,[16] and as career services are tightly linked to training provision, co-operation is essential between the Ministry of Education and Research and the stakeholders of ALMP provision.

Based on stakeholder consultations conducted within this project, further co-ordination of employment and education policy could be desirable. The lifelong learning and vocational training activities of the Ministry of Education and Research could be potentially more thoroughly co-ordinated with the ALMPs of the EUIF, for example enabling to take more advantage of the vocational education system. The vocational education system has been continuously improved over the last years, involving substantial investments, although challenges remain in improving the image of the system of vocational education (Musset et al., 2019[20]). Nevertheless, some challenges to using the vocational education system in providing labour market training are beyond the competencies of SOM and the Ministry of Education and Research, particularly

concerning the legal framework regulating public procurement. As such, any changes in this field require wider co-operation, potentially involving also the Ministry of Justice and Ministry of Finance.

The interests of employers are generally well represented

The main ministry encouraging entrepreneurship and supporting employers is the Ministry of Economic Affairs and Communication. The interests of employers are presented also by strong employers' confederations, above all the Estonian Employers' Confederation and the Estonian Association of SMEs.

Institutions in the policy fields of both SOM and the Ministry of Economic Affairs and Communication provide some measures to encourage entrepreneurship. In the policy area of SOM, the EUIF grants business start-up subsidies, as well as training and mentoring for the business start-up subsidy recipients. In the policy area of the Ministry of Economic Affairs and Communication, Enterprise Estonia provides subsidies, training and counselling. The activities of Enterprise Estonia are supported by the County Development Centres (counselling to new entrepreneurs regionally) and the Foundation KredEx (loans, loan guarantees and venture capital investments). Although the measures of the EUIF and Enterprise Estonia have similarities, the objectives, target groups and conditions of these two types of support are quite different and thus not overlapping (Villsaar et al. (2014[21]), Estonian Unemployment Insurance Fund (2020[22])). The business start-up subsidies of the EUIF target exclusively unemployed persons and non-employed people in retirement age, encouraging employment in cases and areas where job offers are scarce. The objective of the measures by Enterprise Estonia is to support economic growth by encouraging entrepreneurship and innovation, focusing particularly on more prospective economic fields and assuming initial capital investments also from the beneficiaries.

The ALMPs provided by the EUIF support employers also more generally, such as through mediating vacancies, supporting adapting premises and equipment when hiring a person with health limitations, or when staff needs re-training as the enterprise is going through a restructuring process. A relatively new ALMP supporting entrepreneurship is the regional support measure that aims to facilitate job creation and employment of unemployed persons in high unemployment areas, essentially via wage subsidies on certain conditions.

In designing ALMPs for employers, SOM and the EUIF have co-operated tightly with the Ministry of Economic Affairs and Communication. This has ensured that employers' needs are viewed holistically across policy fields, avoiding gaps and overlaps. In addition, two representatives of the Estonian Employers' Confederation represent employers in the Supervisory Board of the EUIF. As two out of the six Supervisory Board members represent employers' interests, employers have a direct channel to contribute to the strategies and ALMP design discussed in the Supervisory Board.

Nevertheless, SMEs have fewer chances to feed into ALMP policy design. In 2017, 99.8% of enterprises in Estonia were SMEs (1-249 employees), employing 79% of the all employed and accounting for 79% of total value added (OECD, 2020[23]). However, there are no representatives of the Estonian Association of SMEs in the Supervisory Board of the EUIF and they are consulted *ad hoc*, either directly or via the Ministry of Economic Affairs and Communication.

The stakeholders of the system of ALMP provision should consider whether the two representatives of employers in the EUIF Supervisory Board could represent two different organisations – one member from the Estonian Employers' Confederation and one member from the Estonian Association of SMEs. This would be better aligned with the current membership of the EUIF Supervisory Board where the government is represented by two different ministries and the trade unions are represented by two different trade union confederations.

3.5.2. Strategic co-operation could be increased through some adjustments in the working methods

Co-ordinate the use of inter-ministerial working groups to address common strategic challenges more systematically and effectively

The high-level co-ordination between policy fields should be the responsibilities of ministers and ministries via the discussions in the government as well as via involving experts from other ministries in the process of policy making.

To discuss the cross-policy issues, inter-ministerial working groups are often used in Estonia. For example, in the field of education and training, the representatives of SOM and/or EUIF take part in the meetings of the Adult Education Council and the Vocational Education Council (both led by the Ministry of Education and Research), OSKA Co-ordination Council (led by the Estonian Qualifications Authority), the Evaluation Council for Continuing Adult Education and the Evaluation Council for Vocational Education (both led by the Estonian Quality Agency for Higher and Vocational Education). Similarly, there are many working groups that are initiated by social and health policy areas, where also the EUIF and/or SOM representatives take part.

While there is an abundance of different working groups, the different initiatives are not strategically co-ordinated. The initiatives fulfil specific purposes without systematic approaches across working groups, which might lead to fragmentation of discussions, as well as gaps and overlaps in policy co-ordination.

A possibility to achieve more strategic co-operation practices is to co-ordinate the use of the inter-ministerial working groups and apply this working method more systematically and effectively than today. For example, this is a successful practice used in the system of ALMP provision in Iceland, where the coherence between national objectives is supported by agreed principles when to set up temporary inter-ministerial bodies to co-ordinate specific strategic issues across policy fields. For example, inter-ministerial bodies on employment and education measures are set up in times of economic crises. A co-ordination group was established on the initiative of both the Minister of Education and Culture and the Minister of Social Affairs during the Global Economic Crisis in 2008 and the current COVID-19 crisis. The currently established co-ordination group started working on their proposals to respond to the crisis already in April 2020 and this has enabled to re-structure the support to the unemployed people and people in threat of unemployment holistically and swiftly.

Furthermore, the cross-policy working groups tend to be set up by other parties than the key stakeholders of the system of ALMP provision in Estonia. The EUIF has more active co-ordination role only regarding career counselling via the Career Services Co-operation Council after the career services reform in 2019. As such, there is no active strategy management of labour market policies by involving other relevant policy fields systematically. SOM and the EUIF should consider whether simply participating in initiatives of other policy fields is sufficient or should the labour market policy field (i.e. SOM and the EUIF) should drive some of the inter-ministerial policy co-ordination.

The ministries as well as the institutions implementing policies have also the responsibility to generate awareness about their policy fields in the society. First, this would increase the accountability of their actions. Second, this would enable to prioritise the policy field on a wider political level.

To increase accountability in the system of ALMP provision and prioritise employment issues, the key Estonian stakeholders met in the consultation process of the project proposed that it could be beneficial if the EUIF reported not only to SOM but also regularly directly to the parliament. This is the practice of some other autonomous public bodies in Estonia, such as Eesti Pank (the central bank) and the National Audit Office. For example, the Chairman of the Management Board together with the Chairman of the Supervisory Board could present to the parliament a yearly report regarding ALMP provision in Estonia. Alternatively, the EUIF and SOM could present a joint report to the parliament. The Estonian key

stakeholders should discuss and agree on the division of roles of SOM and the EUIF in case a practice like this was introduced.

Involving additional stakeholders in the strategic management of the EUIF

As the EUIF and its Supervisory Board have an important role in ALMP design and the strategy of ALMP provision, better co-ordination of policy fields could also be envisioned via the composition and activities of the EUIF Supervisory Board. For example, other key stakeholders, such as a representative from the Ministry of Education and Research or a representative of the Association of Organisations of People with Disabilities could be involved in the meetings.

Nevertheless, the current size, composition and balance are generally considered to be optimal by the stakeholders. The number of members is small enough to keep the work efficient, but high enough to represent well the three main social partners. The composition and working methods of the EUIF Supervisory Board have served as a role model to re-structure the Supervisory Board of the Health Insurance Fund, limiting the composition to the key stakeholders and increasing efficiency in its activities.

In case the stakeholders deem necessary to involve additional stakeholders as members of the EUIF Supervisory Board, they should consider the changes carefully and aim at keeping the balance between the three social partners. If possible, substituting some of the current members should be preferred over increasing the total number of members in the Supervisory Board to keep the working methods of the Supervisory Board efficient. For example, as proposed earlier in this chapter, a representative of the Estonian Association of SMEs could replace one of the current employers' representatives. Involving a representative from the Ministry of Education and Research could be made possible by not involving a representative of the Ministry of Finance in the board. A representative from the Association of Organisations of People with Disabilities could potentially mean that only one of the presently represented trade union confederations could be involved.

A better alternative to changing fundamentally the composition of the EUIF Supervisory Board is to involve other stakeholders[17] more systematically as observers, i.e. with limited rights to discuss the issues, but with no voting rights. Nevertheless, also the number of observers at the meetings of the Supervisory Board should be kept optimal and relevant to keep the working methods efficient. For example, a representative from the Ministry of Education and Research could be invited to those meetings that discuss addressing skill challenges in Estonia, but perhaps not to a meeting that discusses the unemployment insurance premium, etc.

Another way to co-operate and co-ordinate better with other stakeholders would be having discussions with relevant stakeholders before discussing and deciding strategies in the EUIF Supervisory Board. For example, the Slovenian system of ALMP provision has an additional body called the Expert Council that can comprise different key stakeholders, experts and researchers to advise the executive management of the public employment system (Box 3.2). Although the set-up of the Expert Council in Slovenia is defined in the main act regulating ALMP provision, it could operate also without further legal amendments in the legal system in Estonia. The Estonian approach could be more similar to the Icelandic model where the Executive Management of the PES involves other stakeholders flexibly. Another example from Estonia is the reform that reduced the number of members in the Supervisory Board of the Health Insurance Fund down to six that was also accompanied by establishing an advisory body to enable inputs from a wider group of stakeholders into strategy development (in addition to setting up advisory bodies for specific questions).

The advisory body of the EUIF could be operate informally. For example, the Management Board of the EUIF could systematically invite the stakeholders to discuss strategic questions and then present the results to the Supervisory Board. The range of stakeholders to be involved in the discussions could be adapted according to a specific policy question. Among other stakeholders, the EUIF Management Board

should involve also the representatives of SOM in these meetings, as they are the main policy designers in the field. Alternatively, these systematic expert discussions could be held by SOM instead.

This approach could help overcome the gaps in policy co-ordination without needing to establish further inter-ministerial working groups per se or making changes in the composition of the EUIF Supervisory Board. The policy questions could cover strategy development (inputs for the Supervisory Board) as well as operating model (inputs for the Management Board). However, it is important that the advisory body discusses relevant questions systematically and that the discussions are driven by the needs of labour market policies.

Box 3.2. The Expert Council in the Slovenian system of ALMP provision

According to the Labour Market Regulation Act (LMRA), the Expert Council is the professional advisory body of the Slovenian public employment service (ESS).

The main tasks of the ESS Council are:

- Discussing and approving the methodology of working with jobseekers and employers
- Discussing other issues related to ALMP provision
- Providing opinions to the executive management of the ESS on the ESS operating model
- Addressing interdisciplinary issues relevant to support the labour market
- Addressing other labour market issues at the initiative of the executive management of the ESS

The Expert Council has above all an advisory role rather than a decision-making role. Most importantly, the Council advises the executive management of the ESS. However, it can also forward some recommendations to the ESS Council (the tripartite strategic management body of the ESS) as well as the Ministry of Labour, Family, Social Affairs and Equal Opportunities.

The Expert Council meets two to five times a year. The discussions during these meetings are very detailed and in-depth. The documents for the meetings of the Expert Council are mostly prepared by the ESS staff and are typically very detailed, particularly when they concern the needs to change the legislation, procedures or policies.

Source: Legal texts and regulations in Slovenia and interviews with Slovenian officials.

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Notes

[1] https://www.oecd.org/els/emp/DG-Reform-OECD-Ministry%20Social%20Affairs%20Workshop_website.pdf.

[2] Some advisory roles and possibilities to set up temporary committees can be regulated by decrees or implemented as a practice without formal regulation.

[3] Labour Market Regulations Act of 28 September 2010, Text No. 4304 stipulates that The Director of the PES is appointed for 5 years directly by the government, following a proposal by the Minister responsible for the area (and the same process for dismissal).

[4] The LMSBA was complemented by the ESF Programme for 2007-13 which extended the client groups and conditions of the ALMPs in the LMSBA and a small-scale testing of additional ALMPs.

[5] In the Estonian context the new measure is considered to be an ALMP as its primary objective is to prevent unemployment and thus it also is regulated and financed as an ALMP. Nevertheless, according to

the OECD-EC methodology for labour market policies, short-time working schemes are generally categorised as income support measures, i.e. passive labour market policies.

[6] According to the legal framework, the EUIF should be the main driver for drafting the Employment Programme and SoM should be driving drafting amendments in the LMSBA. In practice, at times both organisations have initiated and drafted amendments for both the Employment Programme and the LMSBA.

[7] Regulations for good legislative practice when preparing draft acts or regulations require involving interest groups in the process, which can mean also involving social partners. Nevertheless, this channel for involvement is not as explicit, strong and formal as the role of social partners in the Supervisory Board of the EUIF.

[8] In this report, we refer to both the projects implemented by the EUIF as well as by NGOs (open calls) financed by the ESF as "ESF Programmes".

[9] In the past, some target groups and more favourable conditions regarding ALMPs in the ESF Programme for 2007-13 were introduced in the first Employment Programme for 2012-13.

[10] One reason for this situation is that while the institutional set-up of ALMP provision was fundamentally changed in May 2009, the main act regulating the provision of ALMPs (the LMSBA) was only adapted marginally. A thorough revision of the legal framework was agreed between the government and the social partners, but due to the speed of the reform and the looming global recession, this thorough revision was postponed and only some critical elements of the law have been adapted. As a bridge to meet the necessity to provide additional ALMPs or ALMPs on different criteria, the framework of temporary Employment Programmes was implemented in 2011, which also enabled financing ALMPs from unemployment insurance contributions.

[11] The Labour Market Measures Act stipulates that the PES arranges and organises ALMP provision and puts in place contracts with service providers to execute ALMPs.

[12] Regarding ALMPs for unemployment insurance beneficiaries.

[13] The three national objectives set by the Minister for 2020 are: 1) Businesses have to be ensured with sufficient and qualified labour; 2) More refugees and reunified families have to become self-sufficient; 3) More people with disabilities have to become employed.

[14] This chapter does not consider under ALMP expenditures the reimbursements of social tax contributions for employers of people with no or partial work ability. This is a measure that is considered as an ALMP in category 5 by the EU/OECD LMP database since 2016 when the EUIF took over its administration, but it is not considered to be an ALMP by the Estonian stakeholders. This measure is fully funded by the state budget and all employers hiring a person with reduced work ability using an employment contract are eligible (no additional targeting or conditionality).

[15] Nevertheless, the Work Ability Reform has been very well communicated, so that this slight divergence from the concept of one-stop-shop has not really become a challenge in practice.

[16] https://www.innove.ee/en/teaching-materials-and-methodologies/career-education/.

[17] Such as representatives from the Ministry of Education and Research, Social Insurance Board, Health Insurance Fund, the Association of Estonian Cities and Municipalities, the Estonian Chamber of Disabled People.

4 Outreach activities and targeting of active labour market policies by the Estonian Unemployment Insurance Fund

The provision of active labour market policies has significantly improved in Estonia over the past decade. The incentives for the jobseekers to contact the Estonian public employment service have increased, the employment service has increased its efforts to advertise its support, expenditures on active labour market policies have increased, the package of policies has been revised to match the labour market needs and the employment service has developed strategies to network with other institutions to support the clients holistically. Nevertheless, discrepancies in the capacity of different institutions can potentially cause some gaps and overlaps in the overall support provided to people weakly attached to the labour market.

4.1. Introduction

The system of ALMP provision has significantly improved in Estonia over the past decade. The incentives for the jobseekers to contact the Estonian public employment service (EUIF) have increased, the EUIF has increased its efforts to advertise its support, expenditures on active labour market policies (ALMPs) have increased, the package of ALMPs has been revised to match the labour market needs and the EUIF has developed strategies to network with other institutions to support the clients holistically. As of 2018, the share of jobseekers in contact with the public employment service and expenditures on ALMPs in Estonia are similar to the OECD average levels. Nevertheless, discrepancies in the capacity of different institutions can potentially cause some gaps and overlaps in the overall support provided to people weakly attached to the labour market. The most critical link in the system are the municipalities, which have the greatest potential to be close to the people in need, but often fail to do so.

The next section of this chapter discusses the outreach to people in need of ALMPs, such as the incentives for the people to contact the EUIF, as well as the activities of the EUIF to reach out to the potential clients. The subsequent section assesses the strategy of ALMP provision in Estonia, including the general composition of the ALMP package and ALMP targeting. The last section discusses networking and co-operation practices between the providers of employment, health and social services to provide holistic support to the people in need.

4.2. Outreach of the Estonian Unemployment Insurance Fund

Public employment services need to reach out to the people with weak attachment to the labour market in order to be able to support these groups. First, this section analyses, which incentives are in the Estonian system for the people in need of support to get in contact with the Estonian Unemployment Insurance Fund (EUIF). Second, the outreach activities of the EUIF are reviewed.

4.2.1. The share of unemployed using PES for job search is similar to the OECD average

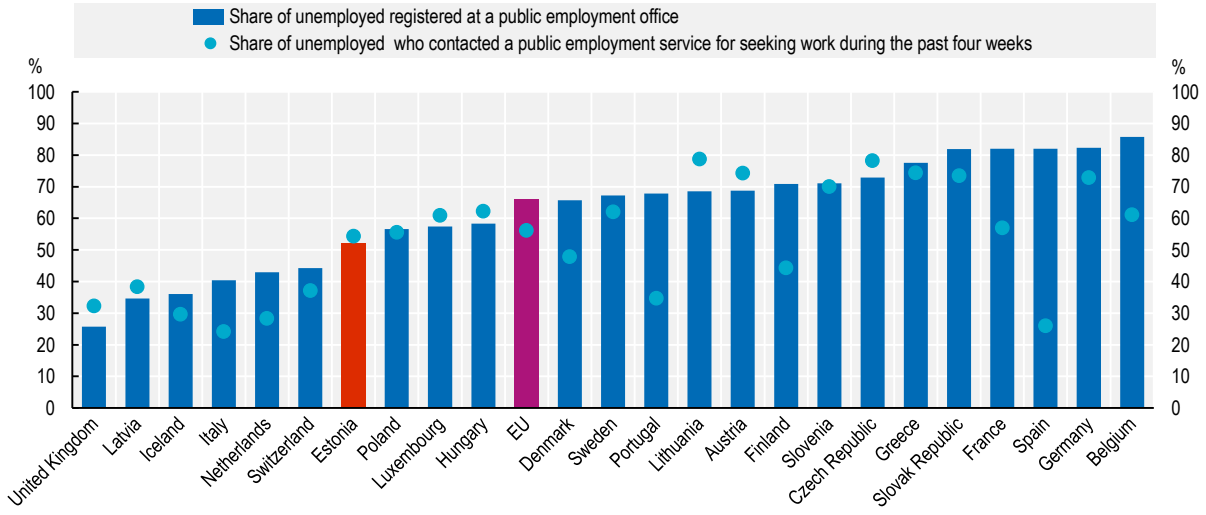
Slightly more than half of all unemployed people were registered with PES in Estonia in 2018, a share 10 percentage points lower than the respective OECD average (Figure 4.1). Among countries for which data are available, only six report lower values than Estonia, most notably Iceland (36%), Latvia (35%) and the United Kingdom (26%). At the other end of the spectrum, Belgium reports the highest level in the OECD, reaching 86%.

Conversely, the share of unemployed people who use public employment office services to look for a job is on a similar level in Estonia as the OECD average. In 2018, 54% of jobseekers participating in the Labour Force Survey contacted PES in Estonia to get assistance in seeking work over the past four weeks before their survey interview, against 53% on average in the OECD.

Taken together, these two findings suggest that while comparatively fewer unemployed people register with PES, those who register are in close contact with the employment office to receive help in finding a job. Legal requirements can partly explain this pattern. According to the legal regulation, an unemployed person who registers with the EUIF is required to maintain a regular interaction with the EUIF, generally at least once a month. In many other countries, activation requirements are less strict (see e.g. (Langenbucher, 2015[1])). Nevertheless, the findings also indicate that once a contact between the EUIF and a jobseeker is established, the EUIF is there and has the capacity to support the jobseeker in their job search.

Figure 4.1. The share of unemployed registering with PES is low, but contacts with PES are high among those registered with the Estonian PES

Share of unemployed in contact with public employment services in 2018



Note: EU is an unweighted average of the 21 EU OECD member countries shown (excludes Ireland). Data for the share of registered unemployed for Austria are from 2017.
Source: Eurostat Database and European Labour Force Survey, OECD calculations.

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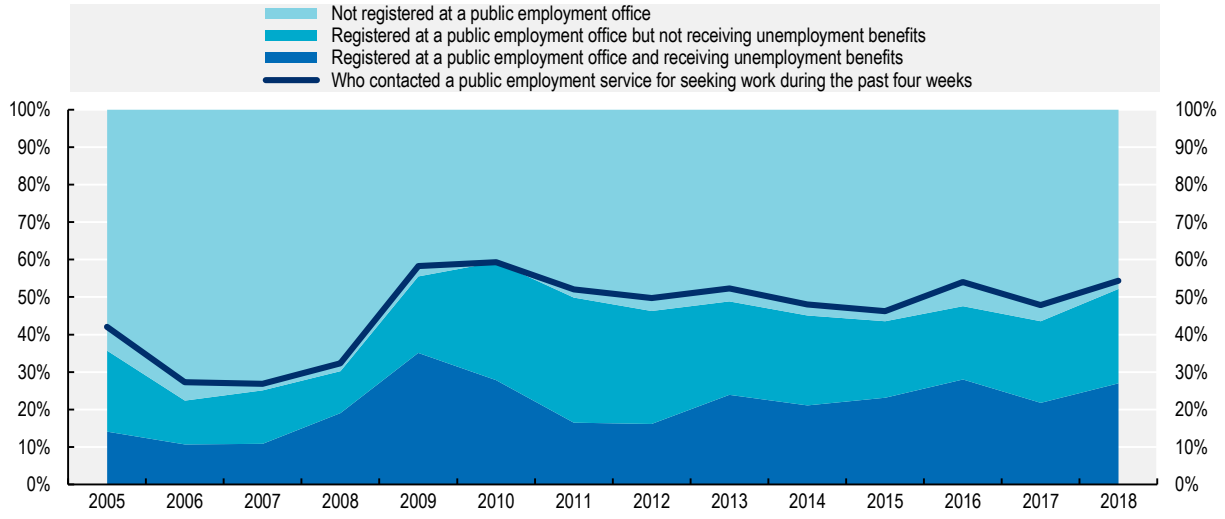
4.2.2. Benefits and health insurance are strong incentives to contact the EUIF

International evidence as well as economic theory (the job search theory) show that although the main purpose for jobseekers to register with the public employment service should be to get support to improve their employment prospects, passive labour market policies and other benefits significantly increase jobseekers' motivation to register and stay registered with the employment service. On the one hand, the receipt of benefits causes disincentives for the jobseekers to leave unemployment registers and take up jobs (see e.g. Mortensen and Pissarides (1999[2])), underlining that PES needs to nudge jobseekers to active job search. On the other hand, the possibility to access unemployment benefits from PES encourages people in need to get in contact with the PES. Therefore, the PES has better possibilities to engage more people in job search, including people whose initial motivation was not (re-)entering the labour market.

Unemployment benefits are not very generous in Estonia (Laurimäe et al., 2019[3]; Leetmaa et al., 2012[4]), which explains at least partially the somewhat lower share of jobseekers registering with PES compared to other OECD countries. Only about half of registered unemployed (27% of all jobseekers) receive unemployment benefits (unemployment insurance benefit or unemployment allowance, Figure 4.2). Taken together, unemployed who are not registered with the PES (48%) and registered unemployed receiving no benefits (25%) make up for almost three-quarters of unemployed jobseekers.

Figure 4.2. Many unemployed do not receive unemployment benefits in Estonia

Share of unemployed, 2005-18



Source: European Labour Force Survey, OECD calculations.

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Regardless of low generosity of the unemployment benefit system in Estonia, benefits cause significant disincentive effects, i.e. jobseekers are reluctant to exit unemployment while receiving benefits (Lauringson, 2012[5]). Furthermore, a study by Espenberg et al. (2014[6]) indicates that unemployment benefits encourage jobseekers to register with the EUIF as they feel that they deserve receiving benefits, having paid previously unemployment insurance contributions. As the generosity of unemployment benefits has increased over time in Estonia due to maturing (more people are entitled to benefits, and for longer potential benefit periods) and due to regulatory changes (e.g. the increase in the benefit replacement rate in 2020), more people have incentives to register with the EUIF.

The Work Ability Reform, which has been implemented from July 2016 onwards,[1] has induced a major change in the incentives to register with the EUIF, in particular for people with reduced work ability. First, the support to people with reduced work ability has been significantly strengthened. New ALMPs targeting this group were designed, funding of ALMPs increased and service concepts changed to meet the needs of this group better. Second, the fact that the payment of work ability benefits is linked to registering with the EUIF creates a strong financial incentive to establish a contact with the EUIF. The introduction of the Work Ability Reform is potentially the main reason that the share of registered unemployed with reduced work ability among all registered unemployed has grown from 14.9% in December 2015 to 31.4% in December 2019 (data from Eesti Töötukassa (2020[7])).

Furthermore, subsistence benefits can be an incentive to register with the EUIF. Although the responsibility for granting subsistence benefit lies with the municipalities, not with the EUIF, municipalities can take the registration with the EUIF into account when they decide on granting benefits. More precisely, municipalities can refuse to grant subsistence benefits or only grant reduced benefits in case working-age benefit applicants, or one of their household members, are out of work, but do not register with the EUIF (Social Welfare Act § 134). Municipalities can also apply such penalties if applicants or their household members do not comply with the activation criteria set by the EUIF (i.e. do not fulfil the individual action plan or refuse a suitable job offer).

Since January 2007, health insurance is granted for registered unemployed, which is thus an additional motivation to register with the EUIF. For example, in the first quarter of 2007, the increase in registered

unemployment was faster than the increase in unemployment according to the Labour Force Survey, most likely due to the extension of health insurance coverage. On the one hand, health insurance can be an incentive to contact the EUIF in particular for people who are furthest from the labour market and are not entitled to unemployment benefits. On the other hand, this set-up can give rise to an increased risk of abuse of the system, as even people who do not need EUIF support may register to gain access to health insurance, e.g. workers in the shadow economy or spouses of wealthy partners with no motivation to become employed (Espenberg et al., 2014[6])).

In addition to incentives to contact the EUIF due to benefits, health insurance and general support to find (better) employment, some groups might contact the EUIF hoping to receive specific ALMP, such as training or a business start-up subsidy. For example, this may be the case for the financing of drivers' licences (particularly category C; Espenberg et al. (2014[6])), which have always been one of the largest groups of training programmes among the short training programmes covered by the EUIF (see e.g. Lauringson et al. (2011[8]), Eesti Töötukassa (2020[9])).

In certain cases, people who might be interested in registering with the EUIF cannot do so due to the eligibility criteria set in the Labour Market Services and Benefits Act. For example, people enrolled in the education system are generally not eligible to register with the EUIF, unless they are entitled to unemployment benefits or are on academic leave. People receiving early-retirement pension are not eligible to register as unemployed either. Nevertheless, these groups can register as "jobseekers", for whom the support provided by the EUIF is somewhat restricted compared to those with the status of "unemployed". In addition, some ALMPs do not require any previous registration with the EUIF, such as career counselling and information, the employment subsidy for minors and unemployment prevention measures.

Although people in retirement age could be an important reserve for the labour force, especially against the background of a shrinking working-age population, they have fewer incentives to contact the EUIF. While they can register with the EUIF as jobseekers (but not unemployed) and are eligible for some ALMPs, such as job mediation, training and business start-up subsidies, they are not eligible for unemployment benefits and do not need to register with the EUIF to get health insurance, as health insurance is universally granted to pensioners.

4.2.3. The EUIF has become more active to advertise its support

Traditionally, the EUIF strategy has focused on jobseekers and employers as its main client groups. Over the years, the focus has widened and now includes the support of employed people in maintaining their jobs or changing jobs (Estonian Unemployment Insurance Fund, 2015[10]). The latest EUIF strategy for 2020-23 (Eesti Töötukassa, 2019[11]) highlights, in addition, the importance of encouraging inactive people to look for a job with the support of the EUIF and its partners, as well as supporting young people in school in the smooth transition from school to work. The latest EUIF strategy is also the first one highlighting specifically the need to support people with care responsibilities, people in retirement age and people with no Estonian language skills. These strategic changes are largely driven by the Work Ability Reform, the new package of ALMPs aiming to prevent unemployment and the reform concerning career services in schools (implemented in 2019). Nevertheless, the EUIF strategy for 2020-23 does not state specific activities to reach out to these new groups as the focus lies on providing the most appropriate ALMPs once a person is in contact with the EUIF. The EUIF key performance indicators focus on more and better jobs for the EUIF clients, filling vacancies and client satisfaction. Conversely, there are no targets for EUIF outreach.

Regardless of not setting targets for outreach in its strategy, along with wider client groups and new ALMPs, the EUIF has increased its efforts to advertise its new activities and policies in practice. A wide-scale marketing campaign promoted the new ALMPs targeting employed people in 2017 (re-enforced in 2019), aiming to prevent their unemployment. This campaign involved promotion through social media,

radio, TV, billboards, newspapers as well as the EUIF webpage. These activities likely contributed to increasing the take-up of these ALMPs, although the levels are still slightly lower than expected (Eesti Töötukassa, 2020[9]). Also during the COVID-19 crisis, social media and the internet continue to be the main channels to advertise EUIF services, such as advertising the online counselling possibilities of the EUIF and organising webinars to provide skills and knowledge for job search.

Concerning the Work Ability Reform, the EUIF did not focus on advertising its services and measures, but on ensuring that the affected groups were well informed. The information about the reform, its objective and the process of its implementation were also disseminated by other organisations involved, above all by the Ministry of Social Affairs (SOM). In addition, the organisations representing the interests of people with reduced work ability were tightly involved in designing the Work Ability Reform, contributing to informing these client groups about EUIF activities. As a result, people with reduced work ability started to use EUIF services more actively already before the first step of the reform was implemented in July 2016. In 2013, the share of people with reduced work ability among registered unemployed was 6.3%. This share started to increase fast along with the discussions on the reform, reaching 18.4% in June 2016, just before the implementation of the reform.

A successful tool for advertising the activities of the EUIF is its co-operation with the Estonian Public Broadcasting. Different TV programmes have been broadcast in co-operation with the Estonian Public Broadcasting highlighting above all key labour market issues and EUIF priorities, such as supporting people with reduced work ability or supporting people to find employment in general during the years of the Global Financial Crisis. The main contribution of the EUIF lies in identifying relevant and interesting cases to show in these programmes.

In addition to generating a general awareness of EUIF support, the EUIF has specific activities to reach out to people in need. A specific practice to reach out to people further from the labour market is organising mobile counselling (so-called MOBI, see Eesti Töötukassa (2017[12])) about twice a year in each county, in co-operation with other relevant stakeholders (municipalities, schools, representatives of different interest groups and organisations). Although the main objective of MOBI is disseminating information on the EUIF support and labour market prospects, this activity also enables the EUIF counsellors to meet people in more distant locations and encourage them to look for a job or get support from the EUIF. Another EUIF activity to reach out to specific people in need is through the rapid response service, within which the EUIF counsellors go to workplaces where a collective redundancy is about to take place, to support people already before they become unemployed. A pro-active approach concerns also people about to be released from prisons and prisoners who are allowed to exit the prison premises for work reasons. Both of these groups receive work-focussed counselling from the EUIF counsellors. Furthermore, due to the reform in career services, the EUIF has better opportunities to support young people in their transition to the labour market now, in particular by providing counselling in schools. A further opportunity to reach out to people is through the Job Fairs organised by the EUIF. Nevertheless, as the objective of these events is above all to facilitate employers and employees meet, they are organised in economic centres of the country, and the attendees are typically already close or well attached to the labour market.

In addition, the EUIF co-operates with many other organisations to understand the needs of the people these organisations represent and disseminate information on its activities. Furthermore, the EUIF case workers network with other organisations, such as municipalities, concerning the individual needs of jobseekers, once a jobseeker is in contact with the EUIF. Specific activities to reach out to people in need are more commonly conducted by social workers in the municipalities or for example youth pop-ups (a network of youth centres) for young people.

Overall, the EUIF has made significant effort to create awareness about its possibilities to support people in getting (better) jobs. Nevertheless, not all vulnerable groups have been targeted yet and not all new packages of ALMPs have been advertised more widely. For example, information on the extension of ALMPs to people in retirement age (since 2016) has not been extensively disseminated.

4.3. ALMPs provided by the Estonian Unemployment Insurance Fund

This section discusses the EUIF strategy of ALMP provision, comparing ALMP expenditures with other countries, assessing the general composition of the ALMP package and discussing the strategy to implement ALMP targeting. The detailed quantitative analysis of ALMP coverage and targeting is presented in Chapter 6.

4.3.1. Estonia is one of the few countries that spends more on active than passive policies

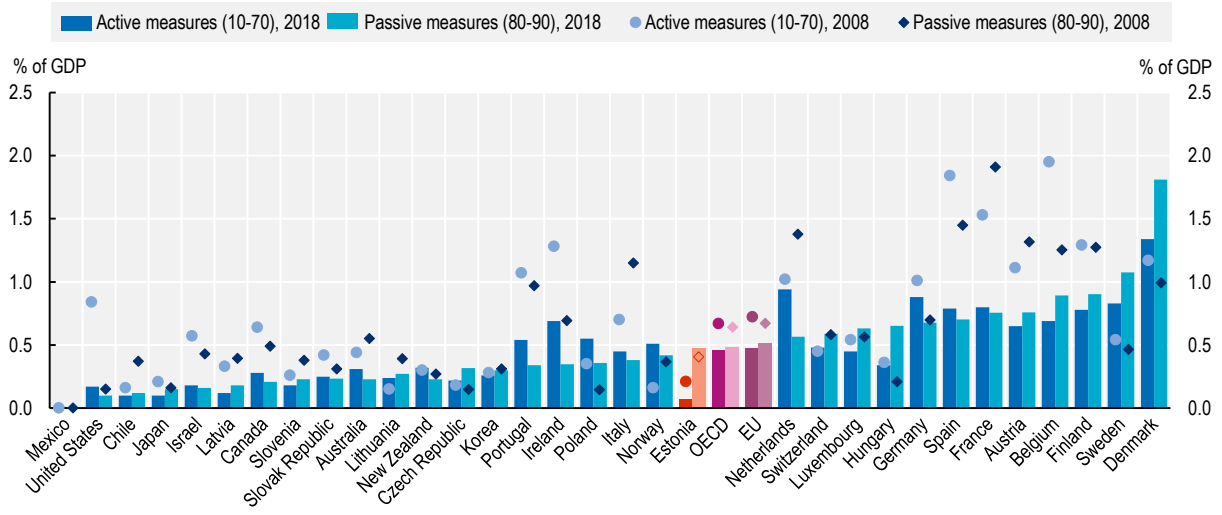
Over the years, Estonia has boosted spending on active labour market policies. Spending on ALMPs in Estonia at 0.47% of GDP is close to the OECD average level of 0.48% in 2018 and the EU average of 0.51%,[2] while spending on passive labour market policies (PLMPs) remains lower despite an increase over the years (0.41% of GDP in Estonia versus 0.64% in the OECD and 0.67% in the EU as shown in Figure 4.3). A considerable increase in ALMP expenditures was induced by the reform of the system in May 2009 when the EUIF took over the role of the public employment service. While the labour market situation has improved markedly over the past ten years (see Chapter 2) and the number of people potentially needing ALMPs has decreased, expenditures on ALMPs stayed on a similar level over several years and have significantly increased since 2016 (Figure 4.4), most notably due to the implementation of the Work Ability Reform (2016), the introduction of unemployment prevention measures (2017) and the career services reform (2019).

The low level of spending on passive labour market policies in Estonia is partly the result of strong employment outcomes, at least prior to the outbreak of COVID-19 (see Chapter 2), and of relatively low generosity of unemployment benefits. In the short to medium term, however, expenditures on both active and passive labour market policies are set to rise, most notably due to recent reforms in ALMP provision, a surge in job losses caused by the COVID-19 outbreak and an increase in unemployment insurance benefit levels in summer 2020 and in unemployment allowance in 2021. Those changes brought the benefit replacement rate of unemployment insurance benefit to 60% of previous wage during the first 100 days of unemployment from 50% previously, and the rate of unemployment allowance to 50% of the minimum wage of the previous year (from the previous rate of 35%).

In addition, labour market and social integration is supported by other measures and services, such as social, health and education services or measures to support entrepreneurship. Several of these services have similarities to ALMPs provided by the EUIF. Also other benefits are provided for the people that are weakly attached to the labour market, besides unemployment benefits (PLMPs). Most notably, the work ability allowance (administered by the EUIF) and the subsistence benefit (administered by municipalities) impose also activity and job search requirements for the beneficiaries.

Figure 4.3. Spending on ALMPs in Estonia is close to the OECD average, and below the OECD average for PLMPs

Spending on ALMPs and PLMPs as a percentage of GDP, 2008 and 2018



Note: ALMPs – Active labour market policies. PLMPs – Passive labour market policies.
1. Data for Korea and New Zealand refer to 2017 instead of 2018.
2. OECD and EU are unweighted averages. OECD covers the member countries shown in the chart. The EU covers all 27 EU member countries with the exception of Greece and Croatia (2008 only).
Source: *OECD Employment and Labour Market Statistics database*, https://doi.org/10.1787/data-00312-en and *European Commission Labour Market Policy Spending database*.

StatLink https://stat.link/sxjhbr

4.3.2. The overall ALMP package of the EUIF has a good composition

Along with an increase in ALMP expenditures, the diversity of ALMPs provided by the EUIF has considerably increased to meet the individual needs of the jobseekers. While there were in total five ALMPs in place in 2005, the EUIF provides today over 50 different policies aiming to tackle different barriers of labour market integration. Annex 6.A in Chapter 6 presents the entire list of ALMPs, their objectives and volumes, except the reimbursements of social tax contributions for employers hiring people with reduced work ability as this measure is not considered to be an ALMP by the Estonian stakeholders and is thus not included in the microdata analysis in Chapter 6.

Over the recent years, a new range of ALMPs has been added, most importantly: i) policies to support jobseekers with partial work ability (such as peer counselling, work-related rehabilitation, sheltered employment, covering additional costs due to disability when travelling to work, etc.); ii) policies to prevent unemployment (mainly training measures targeting both low-skilled employees as well as employers whose employees need upskilling); iii) policies for geographical mobility; iv) regional policies in the North-eastern area and in the Southern regions (areas with worse labour market situation); v) career advice and counselling for groups beyond registered unemployed. There is also a service stream to meet the very specific individual needs of a jobseeker that requires a different approach or covering some necessary expenditures that the jobseekers is not able to cover themselves, going beyond the fixed set of policies. From March to June 2020, the EUIF implemented additionally a short-time working scheme to address the labour market consequences of the COVID-19 outbreak.[3]

The emergence of new ALMPs in the EUIF package is the result of a combination of the needs for new ALMPs (revealed in the process of supporting EUIF clients), political will and national strategies and

reforms, as well as a lower capacity to provide certain services by other organisations. For example, debt counselling is not a traditional ALMP provided by PES and in the case of Estonia, this service should be provided by municipalities. Nevertheless, as municipalities often lack capacity to provide the service to those in need, the EUIF provides debt counselling in case the counsellor assesses that this would support the jobseeker in labour market integration. There are similar cases of a few other ALMPs provided by the EUIF, which involve aspects of labour market integration, but also include health and/or social service aspects (for example providing technical aids and equipment or addiction counselling).

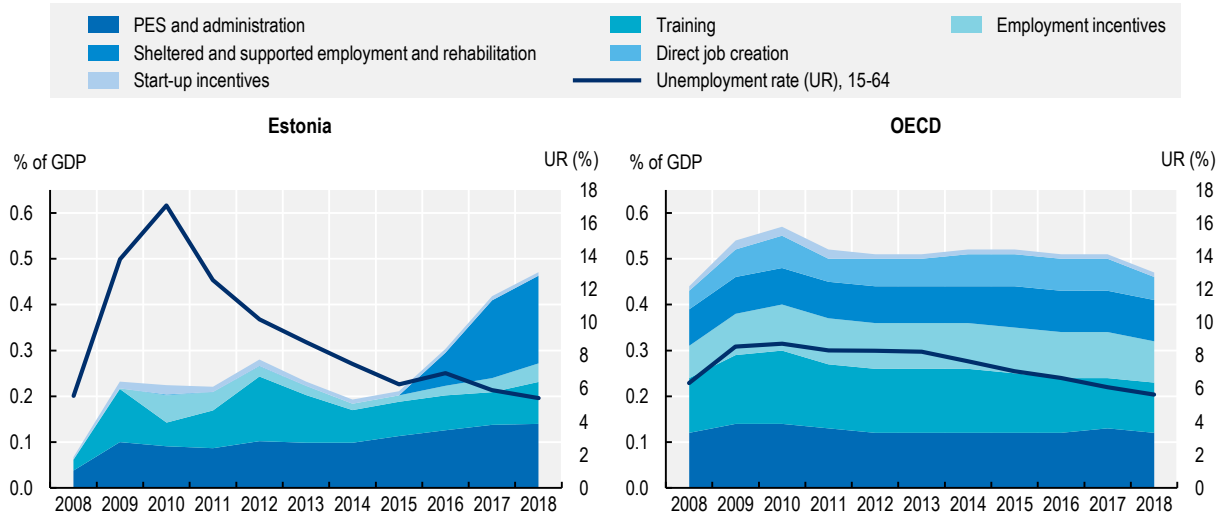
Simultaneously, some ALMPs have been dropped from the package provided by the EUIF as their effectiveness has been considered insufficient (e.g. public work schemes). A few ALMPs have been dropped due to their low take-up. For example, the EUIF used to cover costs for caregiving during ALMP participation or during the first months of employment, but this measure was terminated in 2019.

In general, the composition of ALMPs in the package provided by the EUIF has a good potential to be effective[4] and efficient[5] integrating the EUIF clients into the labour market (Figure 4.4). Estonia spends on PES and administration (job-search assistance, job mediation, counselling services, etc.) more than OECD countries on average, which according to the evaluations in other countries (Card, Kluve and Weber, 2017[13]; Brown and Koettl, 2015[14]; Dar and Tzannatos, 1999[15]; Kluve, 2010[16]) tend to be the most efficient ALMP expenditures even if targeted to a wide group of jobseekers. A high share of ALMP expenditure goes on training, which has the potential to alleviate skill mismatches and up-skill the high share of low-skilled labour force on the Estonian labour market (see Chapter 2). In the past years, when the economic situation was good, the share of employment incentives (wage subsidies) has been low, targeting only people far from the labour market, which is also the recommendation coming from the international impact evaluations. The direct job creation schemes, which in other countries consist mostly of public works schemes and for which the empirical evidence is not showing positive effectiveness on employment outcomes (often even significant negative impacts have been found), are no longer provided in Estonia. Along with the Work Ability Reform, Estonia spends a large share of its ALMP budget on ALMPs targeting health obstacles (sheltered and supported employment, rehabilitation), which indicates that the ALMP package should also be supporting well jobseekers in greater difficulties or jobseekers with disabilities. Nevertheless, while the largest increase in ALMP expenditures during the last years concerns sheltered and supported employment and rehabilitation measures, 89% of this type of expenditures in 2018 covered the reimbursements of social tax contributions for employers hiring people with reduced work ability. This measure, however, does not address individual needs of jobseekers as all employers employing any person with reduced work ability are eligible for these reimbursements.

The detailed analysis using administrative microdata of how the specific ALMPs provided by the EUIF match with the needs of their clients is presented in Chapter 6.

Figure 4.4. Spending on active labour market programmes by type of employment support and unemployment rate

Percentage of GDP, 2008-18



Note: GDP: Gross domestic product; PES: Public employment service.

1. OECD is an unweighted average for the different types of employment support for the OECD countries for which data are published in the *OECD/EC Labour Market Programme Database*.

2. Data for the United Kingdom are missing as of 2012, and Korea and New Zealand for 2018. Some other countries have occasionally some types of expenditures missing.

Source: *OECD/EC Labour Market Programme Database*, http://dx.doi.org/10.1787/data-00312-en; *OECD Employment Database*, www.oecd.org/employment/database for unemployment rates.

StatLink https://stat.link/w1nop9

4.3.3. ALMP provision by the EUIF is based on an individualised approach and evidence on what works and for whom

The implementation of targeting ALMPs takes place in the EUIF above all within the process of work-focussed counselling. During work-focussed counselling, the counsellor and the jobseeker analyse the opportunities and challenges for labour market integration together, identifying needs for ALMPs to support labour market integration. It means that most ALMPs provided by the EUIF are provided upon the counsellors' discretion (a decision that the jobseeker needs a specific ALMP) and jobseekers cannot self-select to ALMPs. The change in the concept from self-selection to counsellor discretion has been evaluated also to have increased effectiveness of the ALMPs provided by the EUIF (Lauringson et al., 2011[8]; HoPES, 2013[17]). Nevertheless, eligibility criteria are set on some ALMPs (e.g. by age, unemployment duration or work ability), meaning that not all ALMPs are available to be used by all the EUIF clients. Exceptional types of measures are wage subsidies and reimbursements of social tax contributions, for which employers will be always eligible in case the hired employee fulfils the eligibility criteria. Although self-selection does not take place 100% of times also regarding wage subsidy, because case workers also mediate the more vulnerable clients to employers directly and advise employers to use wage subsidies. In addition, general career services are open to everybody.

Work-focussed counselling is the keystone of support provided by the EUIF to help jobseekers in their individual pathways to work. For the majority of the EUIF clients, work-focussed counselling sessions take place at least monthly unless the person is assessed to be very close to employment and self-efficient or engaged already in an extensive ALMP. Work-focussed counselling is provided by all three tiers of

counsellors (job mediation counsellors, case workers, disability employment counsellors), although the counselling sessions include additional elements for clients further from the labour market.

Work-focussed counselling helps detect the individual needs for ALMPs. The counselling sessions focus on creating a trustful relationship between the counsellor and the client, supporting a self-assessment of the client and an analysis of factors affecting job finding, supporting occupational decisions and setting goals, drafting the individual action plan, supporting the client with appropriate ALMPs and information, and monitoring the action plan and adapting it when necessary (Eesti Töötukassa, 2019[18]).

In addition to qualitative profiling in the framework of work-focussed counselling, counselling is supported by a digital tool since 2020 providing quantitative assessments on the jobseekers' perspectives. Among other features, the digital tool profiles clients based on 60 different variables to estimate their probability of employment and probability of returning to unemployment in case they get employed, and thus the tool indicates the extent of support needed. In addition, the tool provides evaluations on the effectiveness of some groups of ALMPs that could be supporting the client. The tool allows counsellors to devote more time to actual counselling as it gives a quick overview of the client's situation and proposes ALMPs.

Although the EUIF has generally a strong work-first[6] strategy in place, a prioritisation of train-first approach has taken place for some client groups since 2017, having an impact also on detecting ALMP needs in work-focussed counselling. First, more emphasis is put on training along with implementing the package of unemployment prevention measures since 2017 (see Holland (2018[19])). Second, Estonian language courses and courses to increase digital skills are always proposed when the respective skills are low (in place since 2018). As such, Estonian skills, digital skills and vocational skills are always assessed during the first counselling sessions. Digital skills are assessed using the International Digital Skills Framework and Vocational skills are retrieved from the education register. For occupational skills, the assessments from OSKA methodology for skill needs are prioritised.

4.3.4. The individualised approach to target ALMP requires continuous investments in counsellors' skills

The EUIF invests a lot in the skills of its counsellors as referrals to ALMPs depend largely on counsellors' discretion. It is key that counsellors are able to detect the needs for ALMPs correctly and on time. Training counsellors aims at ensuring a proper application of the work-focussed counselling methodology and using the digital means leading to effective provision of ALMPs and labour market integration of the EUIF clients. The counsellors receive training when they are recruited as well as refreshing courses later in the career, particularly when changes are implemented in the approaches and methodologies.

The training of work-focussed counselling is built largely on practical exercises involving individual and group work. The disability employment counsellors are additionally trained in CARe (Comprehensive Approach to Rehabilitation) methodology. Furthermore, the counsellors receive daily coaching by the leading senior counsellors, co-vision (regular meetings of people on similar tasks, led by one of the colleagues), needs-based individual supervision by external consultants and feedback through regular development and quality assessments by their managers. The profiling and counselling competencies are also improved through active learning groups, where first a counsellor chooses a counselling skill they want to improve, the lead counsellor job-shadows the counsellor and gives feedback on the use of the specific skill, and finally, the counsellor and the lead counsellor analyse how to improve the skill in the future (Saat, 2017[20]).

In addition, counsellors are tested on their work-focused counselling and profiling competencies and in the past, the quality of individual active plans used to be regularly assessed to enable improving their correspondence to the individual needs of the clients (Radik, 2016[21]).

4.3.5. Empirical evidence suggests that ALMPs provided by the EUIF are effective and efficient

The EUIF conducts each year at least one in-depth analysis of a specific policy or a group of policies involving counterfactual impact evaluation if possible (e.g. it is possible to define an adequate comparison group; see Eesti Töötukassa (2020[22]). The effects of key ALMPs are regularly evaluated by a digital impact evaluation tool and displayed on a dashboard for the counsellors to assist them. Furthermore, the EUIF has used randomised control trials to fine-tune its counselling approaches (Scharle and Márton, 2019[23]).

Evidence on effectiveness is supported also by the EUIF monitoring framework (Kraavi, 2018[24]; Lauringson, 2013[25]; Lauringson, 2015[26]). The EUIF has an elaborate performance management system in place, focusing on the reintegration of registered unemployed, ALMP coverage and customer satisfaction, which has shown good progress over the past years. The key performance indicators are disseminated publicly in the Development Plan (Eesti Töötukassa, 2019[11]) and the results in the Annual Reports (Eesti Töötukassa, 2020[27]). The monitoring framework continues to be improved. The latest revisions include adding a composite indicator in the performance management framework aiming to measure the overall value-added of the EUIF, which was developed in co-operation with the University of Tartu (Trumm et al., 2018[28]).

Impact evaluations are conducted also by other organisations (think tanks, research organisations), as procured by SOM (Anspal et al., 2012[29]; Masso et al., 2019[30]; Melesk et al., 2019[31]; Melesk and Michelson, 2019[32]; Kallas, Kallas and Anspal, 2018[33]; Balti Uuringute Instituut, 2017[34]). Generally, all new ALMPs are being evaluated as soon as there is a sufficient volume of observations and a possibility to define a comparison group to conduct the evaluation.

Both, impact evaluations conducted by the EUIF as well as external evaluations have shown that the ALMPs provided by the EUIF (such as training, apprenticeship programmes, wage subsidy programmes, business start-up subsidies, etc.) have been generally effective and cost-efficient. Furthermore, the assessments of the European Network of Public Employment Services (2016[35]) and (2018[36]) indicate that the business and operating models of the EUIF are effective and efficient.

4.4. Networking between the providers of employment, social and health services

People with weak attachment to the labour market need often support beyond ALMPs. This section discusses the approaches to holistic support, as well as potential gaps and overlaps in the service provision between the EUIF and other service providers.

4.4.1. The EUIF has the capacity to network with other organisations, but the wider system lacks holistic approaches

Estonia does not provide different services and measures that a person might need to be integrated to the labour market and society as a one-stop-shop. There is no one single entry point to the system, in case a person needs not only to be supported by ALMPs, but also by social services, health services or education measures. As such, the person could contact any of the service providers they think they need and it is up to the service providers to understand if the person needs more extensive support also from other providers and direct them to the relevant institution.

To be able to network with other service providers in cases needed, the EUIF has implemented a three-tier counselling model:

- Job mediation counsellors counsel those clients who are considered to be job ready and easy to be integrated to the labour market. The main tools used by the job mediation counsellors are job

mediation and providing the clients with job search skills, although other ALMPs are also used in case needed. There are on average 220 clients (in 2019) in the portfolio of a job mediation counsellor, leading to about 22 minutes per counselling session.

- Case managers counsel clients who have significant obstacles to enter the labour market, but their work ability is not necessarily reduced. The case managers have on average 140 clients in their portfolio (in 2019), leading to about 37 minutes per counselling session. A part of the working hours of the case managers is devoted to network with other organisations and service providers to provide the support to their clients more holistically (e.g. networking with social workers in the municipalities).
- Disability employment counsellors are counselling clients with reduced work ability and with health limitations imposing significant obstacles to enter the labour market. The disability employment counsellors have on average 100 clients in their portfolio (in 2019), leading to about 54 minutes per counselling session. The disability employment counsellors have a significant part of their working hours devoted to reaching out to other organisations (e.g. social workers, health care workers) to find the suitable and holistic solutions for their clients. Furthermore, the package of ALMPs that the disability employment counsellors use, focuses more on ALMPs targeting obstacles connected to health (e.g. work-related rehabilitation, providing technical aids to support working, etc.).

In addition to reaching out to other organisations case by case, the EUIF head office and regional offices co-operate with other organisations to provide specific services (e.g. organising coaching for working life or job clubs together with municipalities, or providing career counselling in schools in co-operation with them). Furthermore, employers' counsellors at the EUIF, whose main purpose is to support employers to find the labour force they need, have also dedicated working hours for networking activities. These activities can include helping to find suitable employment for people who have larger obstacles to enter employment i.e. in co-operation with case managers and disability employment counsellors.

Contrary to the EUIF, other service providers (municipalities, health care sector, Social Insurance Board, education sector) do not have elaborate concepts in place on reaching out to other providers when needed. Nevertheless, some segments are being tested (e.g. the concept of pathways for stroke patients led by the SOM), which have the potential to improve the situation in the future, preventing people to fall in the gaps of the system.

The most critical link in the system are the municipalities, which have the greatest potential to be close to the people in need, particularly in the smaller communities. Nevertheless, all the stakeholders in the system consider the municipalities to be unable to fulfil this role. Although some municipalities are exceptions, in general they lack capacity to support the people in need, partly also as social affairs are not sufficiently prioritised in the agendas and budgets.

A great initiative to support the municipalities in reaching out to the groups in need, is the Youth Guarantee Support System. This is a tool supporting the municipalities to reach out to young people aged 16-26 not in education, employment or training (NEETs) in their area and, if necessary, provide them with support for continuing their education or integrating to the labour market. The tool was initiated in 2016 by SOM, but implemented finally in 2018 as its full implementation needed changes in legislation to fully comply with the data protection legislation. The tool links data from nine registers to detect the NEETs and provides the data on the detected NEETs to the case managers in the municipalities. Subsequently, the case managers can follow up with the NEETs and also refer them to the EUIF if deemed necessary. However, only about half of the municipalities were using the Youth Guarantee Support System tool as of September 2019 and only about a fifth of municipalities used it continuously in 2019 (Pärg, 2019[37]).

4.4.2. Divergences in capacity of institutions might cause gaps and overlaps in service provision

Particularly people further from the labour market might need more complex support, as their labour market integration is dependent on addressing their more overarching obstacles to social integration. To support the effectiveness of the EUIF support and its core policies to its clients, the EUIF has started to provide services that have elements of social and health services. In some cases, this is driven by a low capacity of the institutions which should be providing social and health services. In addition, in some cases, the existing social and health services provided by other institutions do not target well the aspects of labour market integration, although the general objective of the measure might be similar.

Municipalities have generally rather low capacity to provide employment and social services, above all as the priorities of their expenditures lie often in other areas. Out of the 13 social services that the municipalities are responsible for, four of them are provided in some form also by the EUIF as ALMPs (two types of support person services, support with transport in case of health obstacles, debt counselling).

The volume of policies of the EUIF with elements of social and health services has increased particularly in the framework of the Work Ability Reform (both in terms of ALMP types and numbers of participants) as the profile of the EUIF clients changed considerably and the EUIF (as well as the Social Insurance Fund) received a substantial budget increase from the ESF resources to support the people with reduced work ability. Nevertheless, some policies having social or health elements were there already before, such as psychologic counselling or adapting the premises of a workplace to meet the needs of a person with reduced work ability, although the use of these policies was lower before the reform.

The Work Ability Reform might have theoretically increased duplications of service provision across the EUIF, the Social Insurance Board, the Health Insurance Fund and the municipalities. For example, after the reform, three types of rehabilitation are provided in Estonia – work-related rehabilitation by the EUIF (a new policy), social rehabilitation by the Social Insurance Board and Astangu Vocational Rehabilitation Centre, medical rehabilitation by the Health Insurance Fund. Although the objectives are slightly different (integration to working life, integration to society, recovery of health), they tend to have overlapping components. On the one hand, this might cause duplication of services and confusion among the people in need of rehabilitation. On the other hand, this can cause gaps in service provision in case one institution expects the other organisations to fill also its role. Similar potential (although theoretical) overlaps concern also technical aids and equipment, support person services, support with transport in case of health obstacles, debt counselling and addiction counselling.

Some duplication of ALMPs and related services can be caused also by the so-called Open Calls Projects (ESF 2015-20, Priority 8.1, activity 3.2.1) that SOM uses to outsource ALMPs to other providers than the EUIF, targeting disadvantaged youth, people aged over 50, long-term unemployed and other vulnerable groups. These providers implement similar ALMPs as the EUIF, such as short-term training programmes, work practice or support person service and their value added compared to the ALMPs provided by the EUIF is not quite clear (Riigikontroll, 2016[38]). In addition, some municipalities provide ALMPs like coaching for working life or work practice, at times in co-operation with the EUIF.

Some duplication exists also between ALMPs and education measures concerning short-term training programmes. Above all, this concerns the ESF 2015-20 programme to provide up-skilling and re-skilling for adults and support life-long learning (Priority 10.3, activity 1.6.2 managed by the Ministry of Education and Research). Although the ESF programme of the education system has a more general objective regarding adult learning, many of the training programmes are the same as provided by the EUIF, but simply not targeted to jobseekers or people in threat of job-loss.

Avoiding gaps and overlaps in service provision is not sufficiently supported by data exchange due to implications of data protection as well as challenges related to the IT infrastructure. For example, the Health Insurance Fund is conducting in 2019-20 an audit of the rehabilitation system to better understand the

current gaps and overlaps, as the data on medical rehabilitation services is not exchanged on operational basis. Some data from the Social Insurance Board reaches the EUIF, although there is also scope for improvement (information exchange via Excel files). Data exchange on services provided by municipalities and the EUIF is in place, but the actual information has still gaps. The municipalities are expected to provide the data in a central IT system (STAR) developed for that purpose by the SOM (and managed by the Social Insurance Board since 2019). Nevertheless, as the IT system has often errors and is not user-friendly, the municipalities have not started to fully use this tool (Riigikontroll, 2019[39]).

Regardless of some potential overlaps in the system, stakeholders assess that there are several groups of people who still do not get sufficient support from any of the existing schemes or that the support is temporary (project-based activities financed by the ESF). For example, care arrangements for people with dementia are largely missing (some dementia centres started in 2018 through ESF financing), posing care responsibilities for other household members and hindering their labour market integration. Furthermore, although addiction counselling is provided by several institutions, the stakeholders do not consider access to addiction treatment to be sufficient.

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Notes

[1] The Work Ability Reform has been introduced in stages and is still going on as of 2020.

[2] Furthermore, spending on active labour market policies increased between 2018 and 2019, i.e. it might exceed the OECD average in 2019. However, data are not available for all OECD countries yet.

[3] In the Estonian context the new measure is considered to be an ALMP as its primary objective is to prevent unemployment and thus it also is regulated and financed as an ALMP. Nevertheless, according to the OECD-EC methodology for labour market policies, short-time working schemes are generally categorised as income support measures, i.e. passive labour market policies.

[4] Effective ALMPs – ALMPs have a positive effect on employment outcomes for the participants in ALMPs.

[5] Efficient ALMPs – The benefits from improved employment outcomes are higher than the cost of providing the ALMPs.

[6] An approach prioritising a quick entry into employment, rather than focusing on increasing jobseekers' employability first (train-first approach).

5 Groups in need of active labour market policies and their obstacles to labour market inclusion

One quarter of 15-64 year-olds in Estonia are only weakly attached to the labour market (they do not work, or work only some months a year, work on unstable employment contracts or have low earnings) and might achieve better labour market outcomes through active labour market policies. While all regions in Estonia are home to a significant share of people with weak attachment to the labour market, counties in the country's East and South are particularly concerned. Skills obstacles, family-related obstacles and obstacles to integrate into the society (very long periods out of employment, migratory background, etc.) are particularly widespread among groups with weak labour market attachment. Almost all of persons weakly attached to the labour market face at least one labour market obstacle, three-quarters face at least two obstacles and close to 40% face three obstacles or more. The correlation between different labour market obstacle types is overall low, suggesting that "typical" profiles of people with needs for active labour market policies may be insufficient to reflect the diverse life circumstances of people with weak labour market attachment in Estonia.

5.1. Introduction

This chapter identifies groups of people with possible ALMP needs. In particular, people fall into such groups if they are not attached or are only weakly attached to the labour market, but their employment perspectives could significantly improve through ALMPs. The analysis is based on a particularly rich set of linked administrative data permitting to distinguish four groups of people with weak labour market attachment: i) individuals of working age who are entirely out of employment; ii) workers with interrupted employment records; iii) workers on unstable short-term contracts; and iv) people with very low labour income. The linked administrative data used to identify these groups includes a wide range of information, including information on people's socio-economic background, income, work history, health status and their educational background. Acknowledging that ALMPs are not effective for everybody, the analysis abstracts from groups whose labour market outcomes are very unlikely to react to ALMPs, such as people with particularly severe health issues, students and people living in high-income households.

Following the identification of groups with possible ALMP needs, the chapter defines and discusses common labour market obstacles they face, such as insufficient skills, geographic distance to jobs, family-related challenges, health problems, integrational challenges and motivational obstacles.

Chapter 5 has similarities with Browne et al. (2018[1]), which also studies people with weak labour market attachment and common employment obstacles in Estonia, using the OECD's Faces of Joblessness methodology (Fernandez et al., 2016[2]). The studies differ in their methodology and data set used. Browne et al. (2018[1]) is based on EU-SILC (European Union Statistics on Income and Living Conditions) data while this chapter uses linked administrative data covering whole Estonian population. The studies differ in the definitions of key variables, e.g. weak labour market attachment and labour market obstacles as the dataset in the current analysis allows to define many variables more precisely. In addition, Browne et al. (2018[1]) is based on data from 2013, reflecting a labour market still recovering from the Great Recession and before the implementation of the Work Ability Reform, while this chapter studies a very healthy labour market in 2018 prior to the outbreak of the COVID-19 crisis. Nonetheless, both studies concur in finding that the number of people with weak labour market attachment is quite large and that many of these people are confronted with multiple labour market obstacles. Most importantly, this chapter builds the grounds for Chapter 6, which establishes a link between the groups with weak labour market attachment and the ALMPs and other services they receive.

5.2. Population share with weak or no labour market attachment: International comparisons

ALMPs can be effective policy tools to improve the employment prospects of inactive and unemployed people, but also of other groups with weak attachment to the labour market such as workers with very low earnings and workers on precarious employment contracts (see e.g. Card et al. (2017[3])).

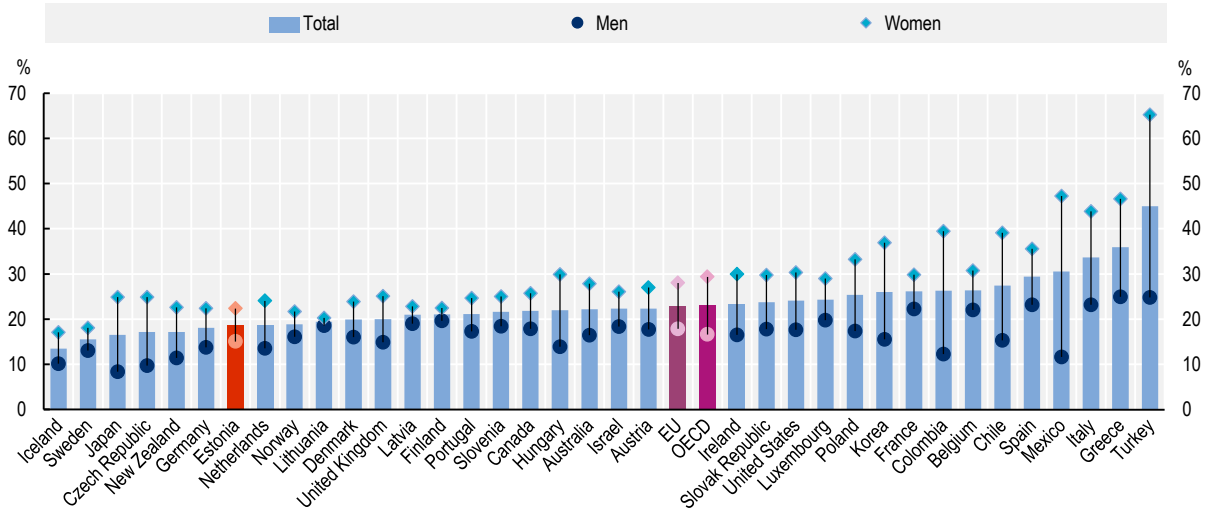
According to 2019 data, 19% of 25-64 year-olds in Estonia are out of employment, i.e. they are either unemployed or inactive (Figure 5.1). Compared internationally, the share of prime-aged adults with no job is lower in Estonia than in most other OECD countries. On average in the OECD, 23% of 25-64 year-olds do not work. Only in seven OECD countries, out of which three are members of the European Union, the level is lower than in Estonia, with 18% in Germany, 17% in the Czech Republic and 16% in Sweden.

Overall, having no job is more frequent among women (22%) than among men (15%), but the pattern is not stable across age groups. Younger women aged 25-34 are far more likely to be out of employment than younger men, at 32% against 8%, in part due to maternity and participation in higher education. Conversely, at older ages, a higher proportion of women than of men work, in particular in the decade preceding retirement. Among 55-64 year-olds, 31% of men have no job, while they are only 25% of women.

Overall, the employment gender-gap is comparatively low in Estonia, at 7% among 25-64 year-olds against 13% in the OECD and 10% in OECD countries that are member countries of the EU. However, it is higher than in neighbouring Latvia (4%) and Lithuania (2%).

Figure 5.1. Close to one-fifth of 25-64 year-olds do not work in Estonia

Share of 25-64 year-olds not in employment, 2019



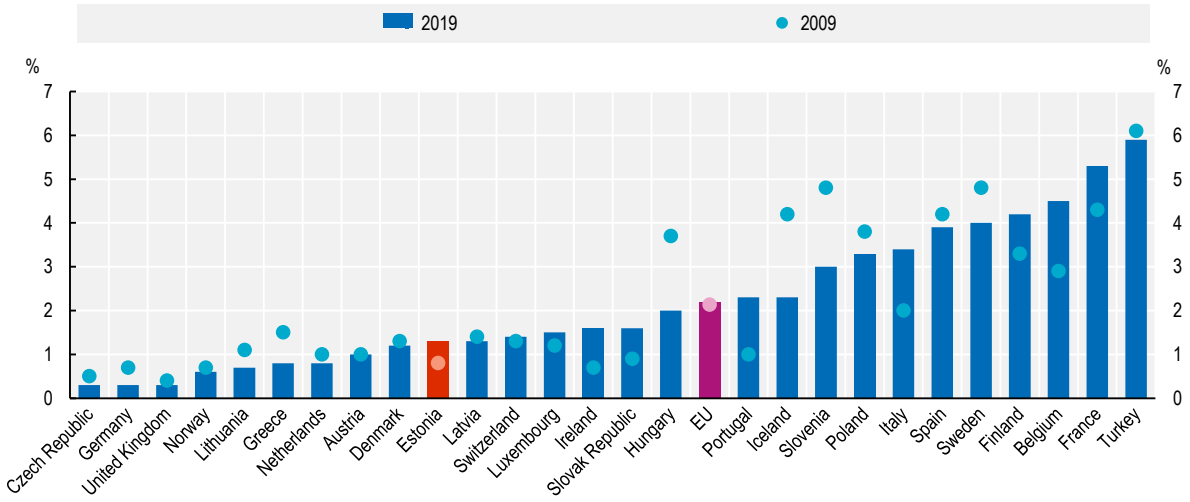
Note: OECD and EU are unweighted averages. The graph represents the share of 25-64 year-olds out of employment among all 25-64 year-olds. Employment refers to working and earning a salary or, in case of longer absences from work, continuing to receive at least a partial salary.
Source: *OECD LFS by Sex and Age – Indicators Database*, http://stats.oecd.org//Index.aspx?QueryId=54218.

StatLink https://stat.link/m5o4yz

Precarious employment is less common in Estonia than in most other OECD countries (Figure 5.2). About 1.3% of employees in Estonia are on short-term contracts with a duration of three months or less, against an EU average of 2.2%. However, the incidence of precarious employment in Estonia has been increasing over time, from 0.8% in 2009, in part due to a labour market reform in 2009 that made the use of fixed-term contracts more flexible. While not numerous, workers who are on precarious employment contracts have to cope with frequent job changes and face a higher risk of unemployment.

Figure 5.2. Only few workers are on precarious contracts in Estonia

Share of employees (aged 15 and over) with short-term contracts of up to three months



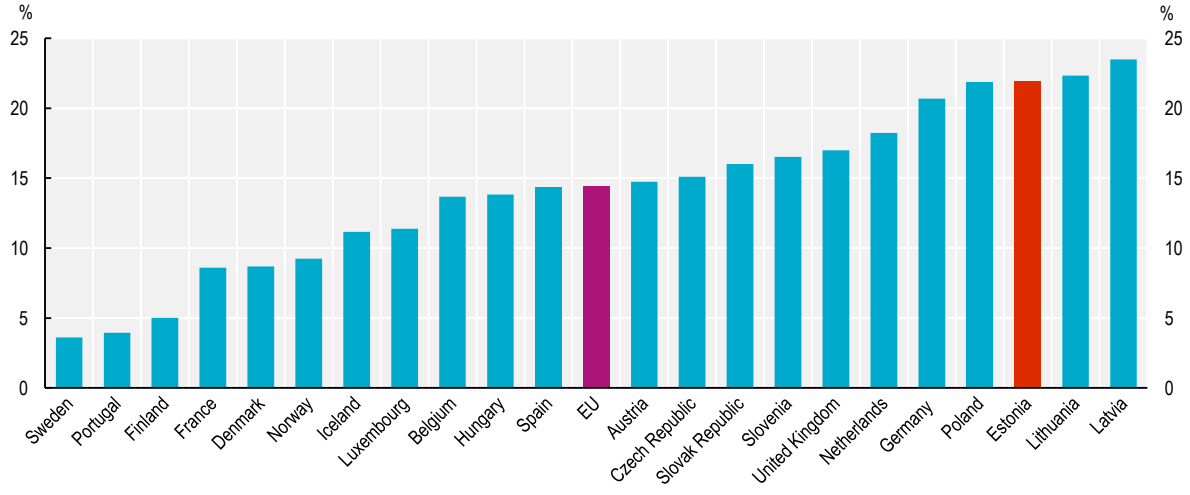
Note: EU is an unweighted average of the 22 EU OECD member countries.
Source: Eurostat, *Precarious employment by sex, age and NACE Rev. 2 activity dataset*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsa_qoe_4ax1r2&lang=en.

StatLink https://stat.link/y4xa3c

Many workers in Estonia earn low wages. About 22% of full-time workers earn less than two-thirds of the median wage of all full-time workers (Figure 5.3). This share is among the highest in European OECD countries, comparing to an EU average of 14%.

Figure 5.3. Low pay is widespread in Estonia

Share of workers earning two-thirds or less of the national median gross hourly wage, 2018



Note: EU is an unweighted average excluding Greece, Ireland and Italy. Only employees of firms with at least 10 employees are included (excluding apprentices).
Source: Eurostat, *Low-wage earners as a proportion of all employees (excluding apprentices) by sex dataset*, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_ses_pub1s&lang=en

StatLink https://stat.link/qi7ztn

Taken together, the prevalence of people who are out of employment, earn little or work on precarious short-term contracts, concerning in total about 40%-50% of 15-74 year-olds, point to a considerable need for ALMPs in Estonia. This is especially the case for the large number of workers with low wages and of people who are entirely out of employment.

Nevertheless, ALMPs are not effective for all the people with weak or no labour market attachment. The labour market situation of some groups is unlikely to improve in response to participation in ALMPs while others might need different measures, such as social, health or education services instead of ALMPs, or they need no measures at all. For example, students who do not work because they are enrolled in full-time studies are generally not in need of ALMPs. Similarly, retirees with health problems typically do not need ALMPs, but rather health and social services. The aggregate statistics presented above do not permit to account for these groups that are not available for labour market participation or would not benefit from ALMPs. Therefore, the microdata analysis in the next section refines the groups that are considered to be in need of ALMPs and could be possible ALMP target groups.

5.3. Microdata analysis of groups in need of active labour market policies in Estonia

This section identifies the population groups that would likely benefit from ALMPs, drawing on a unique set of linked administrative microdata combining data from a wide set of administrative registers, including the employment register, the tax register, the education register and health data from the Health Insurance Fund. In contrast to previous studies, this chapter is not based on surveys, but uses exclusively linked administrative data. The methodology of this analysis as well as the data sources are described in Box 5.1. Most of the discussions in this section focus on 15-64 year-olds as the primary target group for ALMPs. Conversely, the last part of the section also includes a discussion on ALMPs for pensioners, acknowledging that supporting older people to stay in employment or take up a new job may be one way of alleviating labour supply shortages.

Box 5.1. Defining population groups with possible ALMP needs

Concept and methodology

This analysis identifies four groups of people with weak attachment to the labour market who could potentially benefit from participation in ALMPs:

- People who had no registered employment income and no registered employment contract within a given year, i.e. people who were entirely out of employment in a given year.
- People who worked for parts of a given year, but were without an employment contract for at least three months.
- People who worked on precarious employment contracts (most notably contracts under the Law of Obligations Act, *Võlaõigusseadus*) on more days than they worked on regular employment contracts within a given year.
- People with earnings below 50% of the median wage in the data, in line with one of the definitions of the income-poverty line used by the OECD.[1] This group includes people whose total annual income is below 50% of the median annual wage within a given year, as well as people who had, on average, a monthly income below 50% of the median monthly wage. As a result, this group can include people with very low hourly earnings, but also people who work part-time or only for some months per year.

However, for some of these groups, it may be impossible to provide effective support through ALMPs, e.g. because they are in very poor health or because they are unavailable for work for other reasons. Therefore, the following categories are excluded from the group of people with a weak labour market attachment:

- Students, i.e. people who are enrolled in the education system.
- Mothers who have recently given birth and received a childbirth allowance within the calendar year.
- People who live in institutions (e.g. retirement homes or prisons).
- People with significant health problems (i.e. people with a diagnosed severe or profound disability; people with more drug prescriptions than 90% of the people with at least 1 prescription).[2]
- People from high-income households with an adjusted household income[3] exceeding the adjusted household income of 90% of all households.
- Pensioners (unless indicated otherwise).

Following this methodology, all people in working-age belong to one of the following three mutually exclusive categories:

- People with solid labour market attachment
- People with weak labour market attachment
  - People who were entirely out of employment in a given year
  - People who worked, but work out of employment for at least 3 months
  - People who worked on precarious employment contracts
  - People who had low earnings
- People who have no solid labour market attachment, but are excluded from the group of people with weak labour market attachment because they are unavailable for work.

While this methodology permits a thorough identification of people who would benefit from ALMPs, it does not account for informality. It is likely that a non-negligible share of individuals who are classified as not working, working in precarious jobs or working with low pay in this analysis have undeclared labour income. Even in these cases, however, ALMPs can be a useful tool to encourage people to enter the formal labour market, with benefits for both workers (e.g. access to insurance) and the state (e.g. tax income).

Data

The core dataset for this analysis is the Estonian EUROMOD dataset for 2017-18, which builds on data from 17 Estonian administrative registers. It uses an elaborate residency indicator – developed by Statistics Estonia – to correct the base of residents for people who have emigrated but are still officially registered in Estonia. The Estonian EUROMOD contains data on household structure, socio-demographic variables, income, social benefits, consumption and assets.

In addition, the following data registers are linked with the EUROMOD data for this analysis:

- Employment register – data on starting and ending dates of employment contracts, contract types, reasons for the termination of employment contracts, 2015 to 2018
- Tax register – wages and other income, 2006 to 2018
- Data on self-employed – revenues, costs and profits from self-employment, 2006 to 2018
- Education register – participation in education system (ISCED levels 4 to 7), 2005 to 2018

- Population census 2011 – nationality, mother tongue, migratory background
- Computations by Statistics Estonia using Population register data to estimate the distance from a person's home to the economic centre of the county, 2018
- Health Insurance Fund – general data on health conditions (occurrence of medical prescriptions), 2012 to 2018
- Dataset for European Social Fund (ESF) monitoring – socio-economic background information for participants in ESF measures, participation in ESF measures

1. An alternative definition of the poverty line in 60% of equivalised median household income.
2. As of 2018 (2017), this level corresponds to at least 27 (26) medical drug prescriptions.
3. Adjusted for household size. Adjusted household income is computed as total household income, divided by the square-root of household size.

5.3.1. A considerable share of the Estonian population could benefit from ALMPs

Overall, 26% of 15-64 year-olds[1] are weakly attached to the labour market and would potentially benefit from ALMPs (Figure 5.4). This corresponds to just above 200 000 people. In line with the results of the aggregate data analysis in Section 5.2, there is a large number of people who do not work at all, work with interruptions or earn low salaries while only few workers are on precarious contracts.

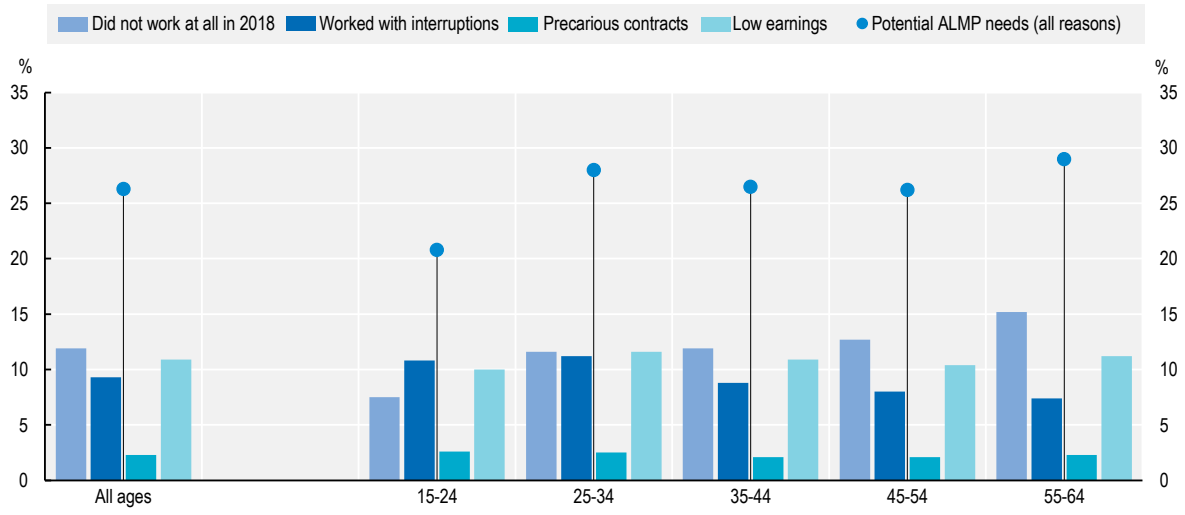
Many people face several labour market difficulties simultaneously. For instance, people with unstable careers are also much more likely to have low earnings than workers who work without interruptions. About 65% of people who worked with interruptions in 2018 also had low earnings. Similarly, fewer than half of workers with low earnings in 2018 held stable and uninterrupted contracts. ALMP needs differ across age groups. As of 2018, 21% of the age group 15-24 are weakly attached to the labour market and have a potential need for ALMPs (i.e. excluding students), against 28% among 25-34 year-olds, 27% among 35-44 year-olds, 26% among 45-54 year-olds and 29% among 55-64 year-olds. The comparatively low need for ALMPs among 15-24 year-olds is driven by the fact that many young people are enrolled in the educational system, i.e. they are already engaged in upskilling and are thus not included in the current analysis on needs for ALMPs.

Working with interruptions is relatively common among younger people. The proportion of people who worked only for some months in 2018 was 11% for 15-24 and 25-34 year-olds, against 9% for 35-44 year-olds, 8% for 45-54 year-olds and 7% for 55-64 year-olds. The high frequency of interrupted employment spells among young adults reflects that the transition from studying to work is not always smooth. In addition, it may possibly point to a higher preference for flexible but less stable employment arrangements among younger people.

The analysis shows that a higher share of men than of women are weakly attached to the labour market and could benefit from participating in ALMPs. Among 15-64 year-olds, this is the case for 29% of men, against 24% of women. The lower share among women is due to the fact that more women than men are excluded from the group of people with a weak labour market attachment (e.g. due to maternity, enrolment in the educational system as a student or health issues).

Figure 5.4. A considerable share of the Estonian population could benefit from ALMPs

Share of the Estonian population with weak attachment to the labour market and potential need for ALMPs, ages 15-64, 2018



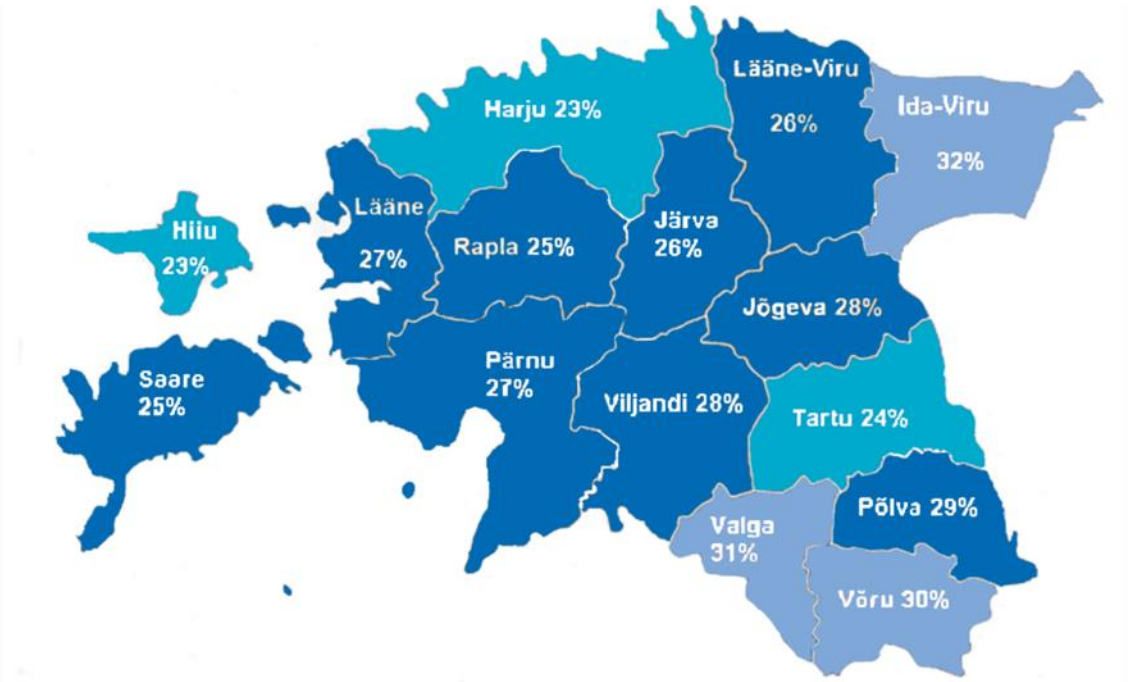
Note: Pensioners are excluded from the calculations, i.e. they are neither counted in the nominator nor in the denominator.
Source: OECD calculations based on linked administrative microdata.

StatLink https://stat.link/iyzxuk

ALMP needs differ largely across counties in Estonia (Figure 5.5). In the economically strongest counties, including the counties around Tallinn (Harju) and Tartu (Tartu), ALMP needs are lower than in the areas of limited economic activity. While 26% of people have a potential need for ALMPs due to their weak labour market attachment on average in Estonia, they are 23% in Harju and Hiiu, and 24% in Tartu. Conversely, the share of persons with weak or no attachment to the labour market is higher in Võru (30%), Valga (31%) and Ida-Viru (32%). Cross-county differences in the size of the groups with potential ALMP needs are closely linked with other employment indicators, such as employment rates and unemployment rates. For instance, the counties with the lowest share of people with potential ALMP needs all have above-average employment rates among 15-64 year-olds, amounting to 75.1% in Tartu, 75.5% in Hiiu and 79.4% in Harju in 2018, against 74.5% on average in Estonia.

Figure 5.5. ALMP needs vary greatly across the country

Share of the Estonian population with weak or no attachment to the labour market and potential need for ALMPs, ages 15-64, by county, 2018



Note: The three counties with the highest ALMP needs are marked in light blue; the three counties with the lowest needs in aqua blue. Pensioners are excluded from the calculations, i.e. they are neither counted in the nominator nor in the denominator.
Source: OECD calculations based on administrative microdata.

Self-employed workers (i.e. people registered as self-employed), who account for about 10% of all workers in Estonia, are more likely to have a weak attachment to the labour market than the overall population. On average, 32% of the self-employed could potentially benefit from ALMPs as of 2018, against 26% of people in the overall population, mostly because many self-employed have no or little professional income. A lack of earnings among the self-employed often lasts for long periods: More than 80% of registered self-employed with zero registered earnings in 2017 also had zero earnings in 2018.

People who could significantly benefit from access to ALMPs are not one homogenous group, but have diverse demographic and professional backgrounds, as this analysis shows. Younger people with unstable careers, prime-age adults who are entirely out of employment, people with no solid employment who live in economically feeble areas and self-employed people with no or very low income are all examples of such groups. This diversity is a challenge for providing well-tailored ALMPs to the people who most need them and calls for efficient outreach activities by ALMP providers (see Chapter 6).

5.3.2. Numerous pensioners could benefit from ALMPs

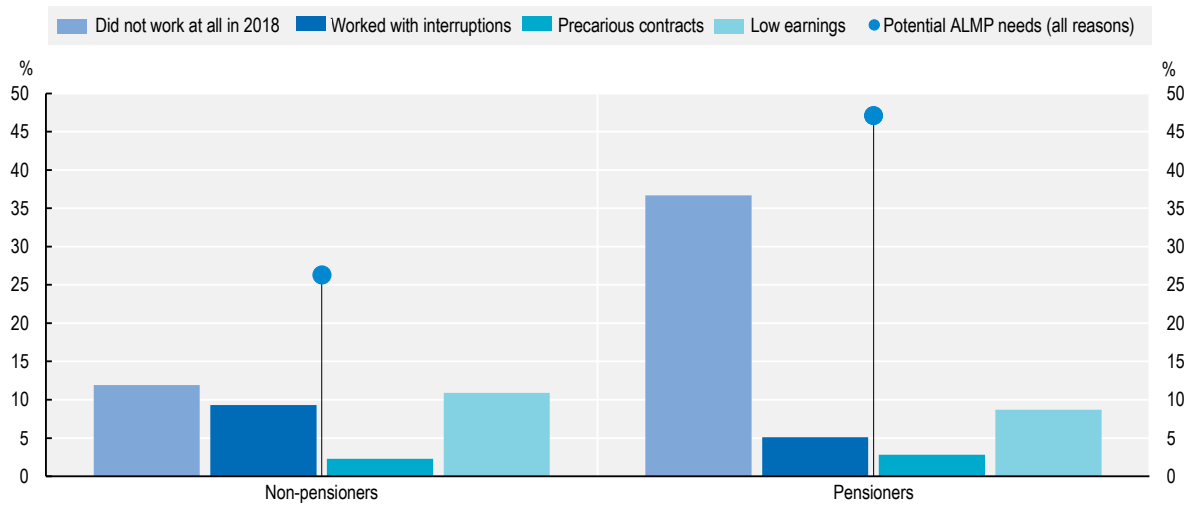
While the statistics and discussions presented above focus on non-pensioners aged 15-64, who are typically the main target group of ALMPs, providing ALMPs to pensioners can have benefits as well. With record-high employment rates prior to the outbreak of the COVID-19 crisis and a shrinking working-age population (see Chapter 2), healthy people in retirement age who retire late or return to work after retiring can be an important pool of workers contributing to limit labour shortages in Estonia. According to the Estonian Labour Force Survey data from 2019, pensioners are the biggest group (25%) among inactive

people, who are not actively seeking work, but willing to start working as soon as a job is offered to them. Only about 50 000 inactive 50-64 year-olds were willing to take up employment, against 97 000 inactive 65-74 year-olds.

There are numerous people in retirement age in Estonia who do not work (mostly retirees receiving pensions) but do not face severe individual obstacles (e.g. very bad health) preventing them from working (Figure 5.6), even though employment rates at older ages are higher in Estonia than in many other EU and OECD countries. While 26% of non-pensioners lack a solid labour market attachment and might benefit from ALMPs, they are 47% among pensioners, reflecting the fact that workers commonly retire around the statutory retirement age, even if they are healthy. Although pensioners are not the main target group of ALMPs, the Estonian ALMP system should provide support to pensioners who would like to prolong their working life or re-renter employment. With relative old-age poverty being among the highest in the OECD (OECD, 2019[4]), especially among people who live alone, such type of support could be of particular help for retirees with low pensions who are willing to take up work.

Figure 5.6. Many pensioners do not work, but might benefit from support to find employment

Share of the Estonian population with a weak labour market attachment and potential need for ALMPs, by pension status, 2018



Note: *Non-pensioners* refers to 15-64 year-olds who do not receive any pension payments and whose main labour market status is not pensioners. *Pensioners* refers to people aged 65-74 as well as younger people receiving pensions.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/3vze07

5.4. Microdata analysis of obstacles to labour market integration

This section analyses common obstacles to labour market inclusion that people with weak attachment to the labour market face in Estonia, thereby providing insights on the type of support that would be needed through ALMPs. The analysis is based on the same set of linked administrative microdata as used in Section 5.3. The following sections first describe the methodology to define labour market obstacles and then present the results.

5.4.1. Methodology to define labour market obstacles

This analysis focuses on supply side labour market obstacles based on microdata covering the labour force and people who could be better integrated to the labour market. Immervoll and Scarpetta (2012[5]) define three types of policies to address labour market barriers – policies that strengthen people's motivation to look for work, policies that address people's work capabilities and policies to foster labour demand. This analysis focuses on people's motivation and capabilities and looks at labour demand from the perspective of (potential) workers – such as geographical distance to job opportunities. Compared to the methodology used by Browne et al. (2018[1]), who also rely on the three broad types of policies defined by Immervoll and Scarpetta (2012[5]) and define employment barriers using SILC data for Estonia, the current analysis defines labour market obstacles in more detail, in particular in the case of obstacles related to people's capabilities and labour market availability. This high degree of precision is possible because the administrative microdata used in this analysis involves rich information covering the full Estonian population.

Using the set of administrative microdata described in Section 5.3, the analysis defines the following types of labour market obstacles:

- *Skills and qualification* – this refers to obstacles linked to people's capabilities, recognising that low skills may limit the extent to which people can work in jobs with a high value added. In addition, people with insufficient skills and qualification tend to have fewer job opportunities, i.e. labour demand is lower in this group. This obstacle is captured through three variables: 1) Low qualification, defined as ISCED 2011 levels 0-2; 2) No professional education, defined as no vocational or higher education degree (e.g. only general high-school or basic school education); 3) Mother tongue other than Estonian, which is a proxy for potentially lower Estonian skills. While this methodology might under-estimate Estonian skills, there are no comprehensive administrative data available for language skills for the whole population. Furthermore, this variable might capture additional obstacles on the labour market, such as integration and discrimination issues.
- *Geographic distance to jobs* – this obstacle captures a person's physical distance from job opportunities and is captured by two variables: 1) Living far from an economic centre, defined as living at least 5 km away from the economic centre of the county, and having no car. Living far from an economic centre implies that the person is likely to need some form of transportation to reach the job location daily. Public transportation being scarce in many parts of Estonia's rural areas, the combination of living outside of an economic centre and lacking access to a car can be a significant labour market barrier; 2) High ALMP need area – estimates whether a person lives in an area where job opportunities are particularly scarce. High ALMP need areas are defined as municipalities in which the share of people with weak attachment to the labour market in the population is in the top 10% of municipalities.
- *Family related obstacles* – address whether a person is available to take on job search and jobs, defined by two variables: 1) Care obligations, limiting the hours a person is available for work. Estimations are provided for the whole group of people, who could potentially have care obligations, and its subgroups – households with young children (at least one child up to three years old), households with a household member with disabilities, households with an older household member (80 or more years), single parents (only one person in the household 18 or more years old and at least one household member less than 15 years old); 2) Living in a household in which no household member is well-attached to the labour market. Living in such a household limits the financial resources a person can devote to looking for a job (e.g. transportation costs, telephone costs, access to computer and internet, clothing, etc.). No household member has stable and sufficient income from labour in the calendar year in these households.
- *Health-related obstacles* – capture whether a person is less available for work (less hours) as well as less capable of work (less functions that can be performed) due to health reasons. Estimations

are provided 1) For all people who have moderate disability, partial work ability or work incapacity between 10% to 80% (as people with more severe health conditions are excluded from this analysis); 2) Alcohol addiction, being tightly connected to health conditions, defined as people who received support to treat their alcohol addiction from the Health Development Institute in 2016-19. This variable indicates only a fraction of people in Estonia that have alcohol addiction and there are no data available to define the group comprehensively.

- *Integration challenges* – circumstances that pose additional challenges to integration into society, potentially hindering labour market integration: 1) Criminal history, defined as having been released from prison (relying on the data about registered unemployed from the Estonian Unemployment Insurance Fund, 2012-19) or having a criminal record (ESF data collection 2015-19); 2) Migratory background, defined as people who were not born in Estonia according to census data from 2011 (might have some overlap with an obstacle of lacking Estonian skills); 3) Homelessness, based on ESF data 2015-19. The variables for criminal history and homelessness are likely to underestimate the size of the population affected by these obstacles as they are only available for a subset of the population.
- *Motivational challenges* – motivation to look for a job and work is captured by two aspects: 1) People whose recent employment contract (between 2015 and 2019) ended due to a breach of duties, damaging significantly employer's assets, abusing alcohol at the workplace, etc. – potentially indicating a lack of motivation to perform working tasks well; 2) Significant non-labour income – person's income from benefits, investments, collected rents etc. is at least at the level of minimum wage, potentially hindering the motivation to look for and accept a job.

The analysis aims to cover the main potential obstacles that people face to integrate to the labour market. However, some obstacles are covered for parts of the population only (e.g. addictions, criminal background). Furthermore, additional individual obstacles can be present, for which there are no data in administrative records.

5.4.2. People with a weak labour market attachment often face several obstacles to labour market inclusion

People with a weak labour market attachment and a potential need for ALMPs often face several obstacles preventing them from finding employment in general and high-quality jobs in particular. While numerous individual factors can impinge on people's labour market outcomes, some employment obstacles are particularly common among people with weak attachment to the labour market.

Table 5.1 displays the occurrence of different labour market obstacles as defined in the previous section for different groups of people with weak attachment to the labour market in 2018. In addition, it provides information on how commonly people face several obstacles simultaneously. For the sake of comparability, the obstacle indicators are also reported for people who are well attached to the labour market (i.e. have stable and sufficient labour income), applying the same criteria for labour market availability as for groups with weak labour market attachment (e.g. at least partial work ability, not engaged in the education system, etc.).

Table 5.1. People further from the labour market face often several obstacles to integrate

Groups with weak labour market attachment by labour market obstacles, 2018

Obstacles		Age 15-64						Pensioners
Type of obstacle	Specific obstacle	Not worked at all	Worked with interruptions	Precarious contracts	Low earnings	Weakly attached to the labour market (all reasons)	Well attached to the labour market	Weakly attached to the labour market (all reasons)
Skills and qualification		**69.3%**	**69.2%**	**67.8%**	**69.4%**	**68.4%**	**52.5%**	**69.1%**
Low education		23.6%	24.0%	20.5%	20.6%	22.0%	9.8%	13.9%
No professional education		53.8%	52.9%	50.9%	50.6%	51.6%	34.8%	48.1%
Mother tongue other than Estonian		36.1%	36.3%	37.1%	38.6%	36.6%	28.1%	38.9%
Geographic distance		**19.2%**	**17.2%**	**17.8%**	**17.4%**	**17.7%**	**10.5%**	**23.1%**
Far from economic centre and no access to car		13.4%	11.8%	11.9%	11.4%	12.0%	6.3%	18.3%
High joblessness area		9.6%	8.5%	9.0%	9.1%	8.9%	5.4%	9.3%
Family-related challenges		**66.6%**	**60.4%**	**59.9%**	**62.0%**	**63.6%**	**25.6%**	**74.8%**
Care obligation		27.3%	26.0%	23.8%	28.7%	28.1%	25.2%	12.9%
	young children	12.8%	13.3%	11.2%	17.1%	14.5%	14.9%	2.4%
	disabled household member	11.6%	10.6%	10.9%	10.7%	10.9%	7.9%	9.4%
	older household member	5.9%	5.1%	5.4%	5.0%	5.4%	4.8%	4.1%
	single parent	1.8%	1.6%	1.4%	1.9%	1.8%	1.%	0.1%
No household member well attached to the labour market		53.5%	46.1%	46.6%	44.7%	48.7%	0.0%	69.7%
Health		**24.6%**	**17.8%**	**17.6%**	**20.2%**	**21.1%**	**8.2%**	**N.A.**
Long-term health issues		24.2%	17.1%	17.1%	19.6%	20.6%	8.0%	N.A.
Alcohol addiction*		0.7%	1.1%	0.8%	0.9%	0.8%	0.3%	0.1%
Integration		**71.2%**	**17.4%**	**19.8%**	**15.6%**	**41.9%**	**11.9%**	**75.6%**
Criminal history*		2.5%	3.7%	2.8%	3.4%	2.8%	0.9%	0.1%
Migratory background		18.4%	12.0%	12.7%	12.8%	15.3%	10.4%	30.8%
Homeless*		0.1%	0.1%	0.1%	0.2%	0.1%	0.0%	0.0%
At least 3 years inactivity		66.4%	N.A.	N.A.	N.A.	31.2%	N.A.	65.0%
Motivation		**6.4%**	**13.6%**	**8.4%**	**13.8%**	**10.3%**	**8.7%**	**N.A.**
Previous employment ended due to misconduct		2.0%	8.0%	4.6%	6.2%	4.3%	1.4%	0.6%
Significant non-labour income		4.4%	5.8%	3.9%	7.7%	6.1%	7.3%	N.A.
At least 1 obstacle type		**97.1%**	**91.8%**	**90.9%**	**92.1%**	**94.1%**	**72.7%**	**98.5%**
At least 2 obstacle types		**82.9%**	**63.4%**	**61.9%**	**64.6%**	**72.0%**	**33.5%**	**88.4%**
At least 3 obstacle types		**52.6%**	**29.0%**	**28.1%**	**29.9%**	**39.4%**	**9.4%**	**58.3%**
Total number of people in group		**92 885**	**72 749**	**18 120**	**84 949**	**205 996**	**448 909**	**93 440**

N.A. – "not applicable".
Note: The methodology for ALMP need groups is defined in Box 5.1 and for obstacles in Section 5.4.1.
1. People unavailable for labour market (in education system, people with very bad health, etc.) are excluded from all groups.
2. Pensioners are excluded from 15-64 year-olds.
3. Stricter health criterion is applied for retirees than for people of working age. Only healthy retirees are considered potentially in need of ALMPs.
* the occurrence of the obstacle likely under-represented, particularly for the group of people well-attached to the labour market.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/oa48ln

Almost all people (94%) with a weak labour market attachment and potential ALMP needs face at least one type of labour market obstacle (corresponding to 194 000 people), more than two-thirds (72%, corresponding to 148 000 people) at least two types of obstacles and 39% (corresponding to 81 000 people) at least three types of obstacles, out of a maximum of 6 obstacle types. Obstacles to labour market integration are also present among people with a solid labour market attachment, although to a lesser extent, with 73% of them facing at least one labour market obstacle. This underpins that labour market obstacles do not necessarily preclude a good labour market integration, especially if people are supported through ALMPs and have access to social services. Nonetheless, the higher the number of simultaneous obstacles, the harder it is to achieve stable and sufficient labour income. The share of people with at least one obstacle is a fourth higher among people in need of ALMPs than among people well attached to the labour market (94% versus 73%), about twice as high when it comes to the share of people with at least two obstacles (72% versus 34%) and more than four times higher regarding the share of people with at least three obstacles (39% versus 9%).

Although many people with potential ALMP needs face several obstacles simultaneously, the combination of obstacles is very individual. The correlation coefficients between different types of obstacles tend to be low. The highest correlation exists between “health obstacles” and “integration obstacles” (correlation coefficient 0.13), which is partially driven by the strong link between health problems and a long history of inactivity. All other correlation coefficients are below 0.1, pointing to a large number of individual situations and multifaceted need for support.

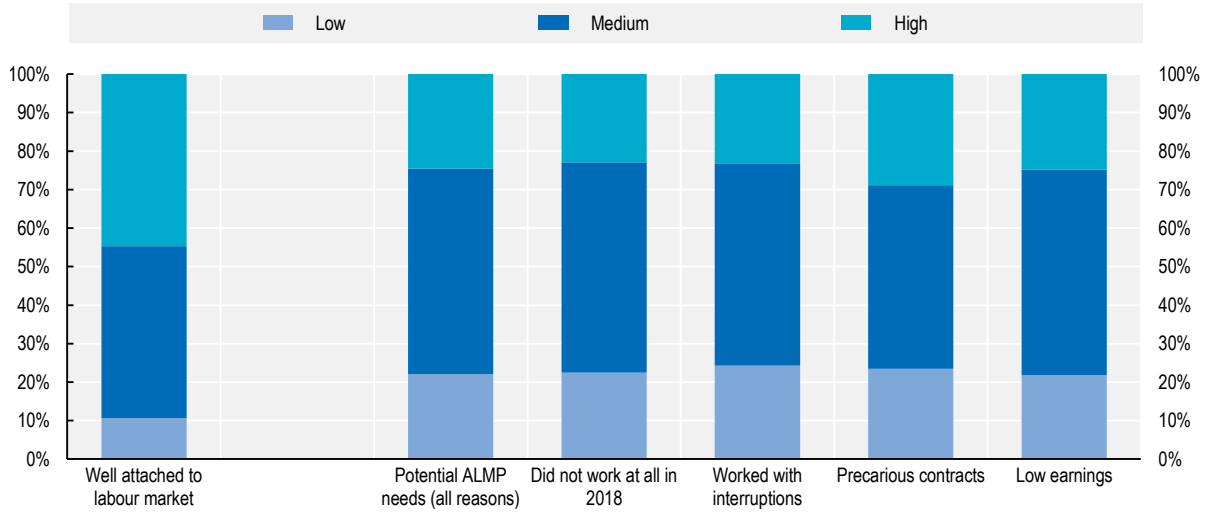
All different types of labour market obstacles are more prominent among groups that are weakly attached to the labour market than among the well attached. The largest differences concern family-related obstacles (most notably, having no person with a solid and stable income in the household, who could support the job search), integration obstacles (in particular a long history of inactivity) and skills and qualifications. Nevertheless, all of the other types of obstacles as well as most of the more specific variables defining the obstacles are also more widespread among people with potential ALMP needs compared to people that are well-attached to the labour market. The only exception is significant non-labour income (i.e. income on the level of minimum wage). 7.3% of the well attached people receive significant non-labour income, compared to 6.1% of people who are weakly attached to the labour market. This indicates that people who have stable and sufficient labour income, might be more likely to be able to make investments and earn additional revenue (e.g. collecting rent). Although people weakly attached to the labour market are more likely to access benefits, they are often lower than the minimum wage, limiting their disincentive effects on job search.

5.4.3. ALMP needs are particularly widespread among the low-educated

Lack of skills is likely to be a major obstacle to employment. There is a stark link between educational attainment and a weak attachment to the labour market in Estonia (Figure 5.7). While 22% of people with potential ALMP needs are low-educated (ISCED levels 0-2), less than 11% of people with a solid attachment to the labour market have only low education level. Conversely, the share of people with high educational attainment (ISCED levels 5 and above) is much lower among people with weak attachment to the labour market, at 25%, than among people solid attachment, at 45%.

Figure 5.7. Especially people with low educational attainment are weakly attached to the labour market and might need ALMPs

Share of the Estonian population with a weak attachment to the labour market and potential ALMP needs, ages 25-64, by educational attainment, 2018



Note: People under 25 are excluded because their highest level of educational attainment is likely to be not final. Retirees are excluded.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/azunr4

Beyond qualification and skills in general, insufficient knowledge of the Estonian language is a probable obstacle to employment. Among people who are weakly attached to the labour market, the share of non-native Estonian speakers (who may or may not speak Estonian as a second language) is about a quarter higher than among people without ALMP needs, at 37% against 29%, respectively. This pattern is not solely due to labour market differences across regions (i.e. between counties in which Estonian is the sole primary language and counties with a large share of Russian-speakers), but holds also in counties with linguistic pluralism. Even in Ida-Viru, where most people are Russian speakers, being an Estonian native speaker is associated with a higher likelihood of achieving a solid labour market attachment.

5.4.4. Even moderate health problems are associated with higher obstacles to labour market integration

Bad health is a significant barrier to employment. Even people with moderate disabilities and who have been assessed as fully or partially able to work, are much more likely to be in need of ALMPs than people who have no disability: 20% of people with a weak attachment to the labour market have long-term health issues, against 9% among people with solid attachment to the labour market. The share of people with health issues is highest among people who are entirely out of employment, exceeding 24%.

Bad health is not only a barrier to work when it concerns potential workers themselves, but also when one or several of their household members are in bad health, possibly requiring care. 11% of 15-64 year-olds with weak attachment to the labour market have at least one household member with a severe or profound disability, compared to 8% among people with a solid attachment to the labour market.

5.4.5. People weakly attached to the labour market face difficulties in transportation to work

Limited mobility is another obstacle faced by people with potential ALMP needs. Especially for people living outside of bigger cities, transportation to the job can constitute an impediment. About 12% of people who are weakly attached to the labour market live outside of economic centres (at least 5 km away of the economic centre of the county) and do not have access to a family car. Among people with a solid attachment to the labour market, they are only 7% in this situation. The correlation between labour market attachment and the possession of a household car confounds two effects: first, the lack of a household car can be a barrier to access to (good) jobs; second, workers in good jobs and a high pay can afford cars more easily.

5.4.6. Labour market obstacles differ across population groups with weak labour market attachment

Although all major obstacles to labour market inclusion (such as challenges concerning skills and health) are widespread among the different sub-groups with a weak labour market attachment, the patterns of obstacles vary across groups.

People who are entirely out of employment tend to have more problems with being available for work and with accessing job offers. They are much more likely than other groups to have health issues (24% versus 14% to 18% in other groups). This finding suggests that people with health issues are more likely to drop out of employment altogether, rather than remaining in precarious or interrupted employment. People out of employment have also more often a household member with disabilities or an older person in the household, which might give rise to care obligations. In addition, they live more frequently in households in which no member is well-attached to the labour market, implying that the resources might be too tight to look for a job or even to participate in ALMP programmes. They are slightly more likely to live in high joblessness areas and often live far from economic centres while lacking access to a car.

People with interrupted working records frequently face challenges related to skills as well as unique personal obstacles concerning their motivation and health. They have more often a low level of educational attainment than other groups and many of them lack professional education. In this group, the share of people with a recent history of misconduct as the reason for job termination is outstandingly high (10%, compared to 2-8% in the other groups). Although the numbers are low and data incomplete, there is an indication that this group might face more challenges due to alcohol addiction and criminal activities in the past (the different obstacles not necessarily occurring simultaneously).

Precarious contracts concern, relatively speaking, more people who live far from economic centres and have no access to a car. Among the people who have precarious contracts, the share of people with a significant non-labour income is the lowest (3% versus 4% to 7% in the other groups). While this means that the monetary disincentive effect is the lowest for them, it also means that they have lower access to benefits as well as potentially less opportunities to save and invest.

A particularly high share of people with low earnings do not speak Estonian as their primary language (39% versus 28% among the well-attached). Many low-earners have care obligations because they have young children and/or are single parents. This group has also a comparatively high share of people with significant non-labour income, partially driven by child benefits.

Table 5.1 presents also obstacles for pensioners (people in retirement age and younger people receiving pension benefits). While health is in general a major concern for people in older age groups, this is not reflected in Table 5.1, as pensioners who have significant health issues are not included in the analysis. In addition, most people in this group receive non-labour income through pension payments, which is why this is not included as an additional obstacle for this group.

Among the pensioners who could have potential for a better integration to the labour market, the share of people who were not born in Estonia is particularly high, at 31%, much higher than among younger groups. Simultaneously, for 40% of this group, Estonian is not their mother tongue. This means that this group involves relatively more people who immigrated to Estonia during the Soviet era.

The group of pensioners who could have a better labour market attachment has also a high share of people who have no other person in their household who is well attached to the labour market (69%). This result is due to the fact that often both partners in the household are retired or the retiree lives alone. On the other hand, the small size of the households also explains the lower share of people with care obligations.

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Annex 5.A. Supplementary statistics

Annex Table 5.A.1. Share of people with a weak labour market attachment and possible need for ALMPs, by municipality, 2018

Municiaplity	%	Municiaplity	%	Municiaplity	%
Alutaguse vald	30.0	Lääne-Nigula vald	30.1	Rapla vald	24.9
Anija vald	24.8	Lääneranna vald	31.9	Rõuge vald	33.3
Antsla vald	28.9	Loksa linn	34.7	Ruhnu vald	35.6
Elva vald	26.5	Lüganuse vald	29.3	Saarde vald	31.8
Häädemeeste vald	31.4	Luunja vald	22.1	Saaremaa vald	25.5
Haapsalu linn	27.6	Maardu linn	28.5	Saku vald	17.0
Haljala vald	25.4	Märjamaa vald	28.2	Saue vald	19.5
Harku vald	19.1	Muhu vald	28.8	Setomaa vald	36.2
Hiiumaa vald	25.0	Mulgi vald	33.7	Sillamäe linn	31.5
Järva vald	27.3	Mustvee vald	34.1	Tallinn	25.8
Jõelähtme vald	21.3	Narva linn	35.6	Tapa vald	28.0
Jõgeva vald	27.9	Narva-Jõesuu linn	37.8	Tartu linn	23.9
Jõhvi vald	23.7	Nõo vald	20.7	Tartu vald	22.4
Kadrina vald	25.3	Otepää vald	27.4	Toila vald	24.7
Kambja vald	19.3	Paide linn	25.8	Tori vald	27.0
Kanepi vald	28.6	Pärnu linn	27.1	Tõrva vald	30.1
Kastre vald	27.1	Peipsiääre vald	34.0	Türi vald	27.1
Kehtna vald	27.4	Põhja-Pärnumaa vald	27.7	Väike-Maarja vald	30.5
Keila linn	17.5	Põhja-Sakala vald	30.3	Valga vald	34.8
Kihnu vald	40.2	Põltsamaa vald	26.5	Viimsi vald	19.7
Kiili vald	15.9	Põlva vald	29.5	Viljandi linn	25.6
Kohila vald	21.9	Raasiku vald	19.0	Viljandi vald	29.5
Kohtla-Järve linn	32.2	Rae vald	16.0	Vinni vald	29.4
Kose vald	21.9	Rakvere linn	24.5	Viru-Nigula vald	28.2
Kuusalu vald	22.5	Rakvere vald	27.1	Vormsi vald	33.8
Lääne-Harju vald	27.0	Räpina vald	32.6	Võru linn	30.3
				Võru vald	30.8

Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/l3yzud

Annex Table 5.A.2. Share of people with a weak labour market attachment and possible need for ALMPs among different population groups, 2018

Population group	Not worked at all	Worked with interruption	Precarious contracts	Low earnings	Weak labour market attachment (any reason)
Women, 15-24	6.7%	8.7%	2.4%	9.0%	18.0%
Men, 15-24	8.3%	12.7%	2.7%	10.8%	23.4%
Women, 25-34	11.0%	9.3%	2.3%	12.2%	26.7%
Men, 25-34	12.2%	12.9%	2.8%	11.0%	29.3%
Women, 35-44	10.2%	7.3%	1.8%	11.3%	29.3%
Men, 35-44	13.5%	10.3%	2.4%	10.6%	28.8%

Population group	Not worked at all	Worked with interruption	Precarious contracts	Low earnings	Weak labour market attachment (any reason)
Women, 45-54	9.5%	6.6%	1.7%	10.0%	21.9%
Men, 45-54	16.0%	9.5%	2.5%	10.7%	30.7%
Women, 55-64	12.8%	6.5%	2.1%	11.6%	26.4%
Men, 55-64	17.9%	8.5%	2.5%	10.8%	32.0%
Estonian nationals	9.8%	8.2%	2.1%	9.6%	22.6%
Foreign nationals or unknown	16.3%	11.6%	2.9%	13.6%	34.1%
Native Estonian speakers	9.4%	8.0%	2.0%	9.4%	22.0%
Non-native Estonian speakers	12.5%	10.8%	2.8%	13.9%	30.0%
Lower secondary education or lower	21.0%	15.0%	3.3%	15.5%	41.9%
Upper secondary but no tertiary education	14.0%	9.9%	2.4%	12.4%	30.2%
Tertiary education	8.4%	6.1%	1.8%	8.0%	19.5%

Note: Pension recipients are excluded.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/omiqrt

Annex Table 5.A.3. Correlation between labour market obstacles among people with a weak labour market attachment, 2018

	Skills obstacles	Geographic obstacles	Family obstacles	Health obstacles	Integration obstacles	Motivation obstacles
Skills obstacles	1					
Geographic obstacles	0.03	1				
Family obstacles	- 0.01	0.09	1			
Health obstacles	0.07	0.08	0	1		
Integration obstacles	0.08	0.06	0.05	0.13	1	
Motivation obstacles	- 0.01	0	0.07	0.02	- 0.1	1

Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/ytnmcv

Notes

[1] This includes all 15-64 year-olds except people receiving pensions.

6 Active labour market policy coverage among people with weak labour market attachment

Only 40% of people who are weakly attached to the labour market are in contact with the Estonian public employment service. However, the referral rate to active labour market policies is high (80%) once the contact has been established. Due to the recent Work Ability Reform, the share of people in contact with the public employment service and the share of people participating in active labour market policies are markedly higher among people who have long-term health issues. At the same time, the outreach and coverage of (well-targeted) active labour market policies is lower among the groups that face labour market integration obstacles related to low skills or caring responsibilities or who face particularly high obstacles to integrate into the society. These results suggest that active labour market policies in Estonia are generally well-targeted, but might not reach all the groups that would benefit from such support.

6.1. Introduction

This chapter builds on the results of Chapter 5 and extends the microdata analysis to assess the match between active labour market policy (ALMP) needs and access to ALMPs. First, it evaluates how commonly people with weak labour market attachment are in contact with the Estonian public employment service (EUIF). After that, it analyses how well the ALMPs provided by the EUIF correspond to the obstacles people with weak labour market attachment face. Finally, the chapter assesses access to services that are similar to the ALMPs provided by the EUIF, but are provided by other institutions, thus permitting to assess gaps and overlaps in service provision by the system as a whole. Each of the three main sections concludes with a sub-section providing recommendations on how to address the challenges identified in the quantitative analysis and improve the system of ALMP provision.

For the analysis in this chapter, the data used in Chapter 5 is extended and linked on an individual basis to data on registrations with the EUIF and services and measures provided by the EUIF and other relevant providers. In particular, the data on services and measures covers ALMPs provided by the EUIF and NGOs through ESF-funded projects, as well as social, health and adult learning services that have similarities to the ALMPs implemented or managed by the Social Insurance Board, municipalities, Astangu Vocational Rehabilitation Centre (social services), the Health Development Institute, the Health Insurance Fund (health services) and the Ministry of Education and Research (adult learning programmes). Altogether, it is a unique dataset that enables to identify labour market obstacles of people with weak labour market attachment as well as to detect which services and measures these people received, allowing to draw conclusions on whether the provided services and measures target the individual needs of people.

The analysis in this chapter shows that only 40% of people who are weakly attached to the labour market are in contact with the EUIF. However, the referral rate to ALMPs is high (80%) once the contact has been established. Due to the recent Work Ability Reform, the share of people in contact with the EUIF and the share of people participating in ALMPs are markedly higher among people who have long-term health issues. At the same time, the outreach and coverage of (well-targeted) ALMPs is lower among the groups that face labour market integration obstacles related to low skills or caring responsibilities or who face particularly high obstacles to integrate into the society. Taken together, these results suggest that ALMPs in Estonia are generally well-targeted, but might not reach all the groups that would benefit from such support.

6.2. Share of people with weak attachment to the labour market in contact with the Estonian Unemployment Insurance Fund

This section analyses the outreach activities of the Estonian Unemployment Insurance Fund (EUIF) to people with a weak labour market attachment. The statistics in this section provide insights on how successful the EUIF is in reaching people with a weak or no attachment to the labour market (following the methodology of Chapter 5, i.e. people who do not work at all, work with interruption, on precarious wage or have low earnings are considered to be weakly attached to the labour market). A person is considered to be in contact with the EUIF if he/she is a registered jobseeker (i.e. registered unemployed or other registered jobseeker i.e. “töötu” and “tööotsija”)[1] for at least one day or received at least one ALMP from the EUIF within a given period of time. In both cases, a direct contact is established between the EUIF and the person and the interaction is recorded in the EUIF registers.[2]

Most of the results presented in this section focus on people who were weakly attached to the labour market in 2018, reflecting whether they had a contact with the EUIF between 2017 and 2019. Focusing on a 3-year time period permits to account for the fact that it can take some time before EUIF’s outreach activities and the ALMPs it provides have an effect (e.g. a person received support from the EUIF in 2017, but was still weakly attached to the labour market in the beginning of 2018; or the person was well attached

to the labour market until late 2018 and contacted the EUIF in 2019). Annex Table 6.A.1 also reports results for other time frames, namely people in contact with the EUIF in 2018 and between 2012 and 2019.

6.2.1. There is scope for more contact with the EUIF for groups with weak attachment to the labour market

The outreach of the EUIF to people weakly attached to the labour market has scope for improvement. Overall, only 39% of people with a weak attachment to the labour market in 2018 were in contact with the EUIF between 2017 and 2019 (Figure 6.1), corresponding to about 81 000 people. That is, more than every second person weakly attached to the labour market is out of the reach of the EUIF. When interpreting these results, one should keep in mind that the group considered to be weakly attached to the labour market in this report does not include frictional unemployment (out-of-employment periods up to three months), nor people who are unavailable for work because of severe health problems or because they are enrolled in the education system, etc., i.e. there might be even more people whose labour market status could potentially be improved by the EUIF. Conversely, administrative data are not always sufficient to reflect an individual's full situation and might over-estimate the number of people with weak attachment to the labour market. For example, some people considered here to be weakly attached to the labour market might have severe health problems or addictions and might in fact be unavailable for work. If they do not have health insurance, they might not appear to have severe health limitations in the administrative data.

The share of persons in contact with the EUIF was highest (56%) among people who were employed a few months in 2018 ("Interrupted work" in Figure 6.1). This group comprises "traditional" groups of people in contact with the EUIF, i.e. people registering with the EUIF after recently losing their job as well as people who have been registered with the EUIF for a while and succeed in entering employment.

Conversely, being in contact with the EUIF was less common (33%) among people who did not work at all in 2018, pointing to a significant pool of people who are inactive and far from the labour market and yet have no contact with the EUIF. Among people who were weakly attached to the labour market in 2018, but did not have contact with the EUIF, many had been working for less than 12 months over the last three years (67%), underlining their distance from the labour market.

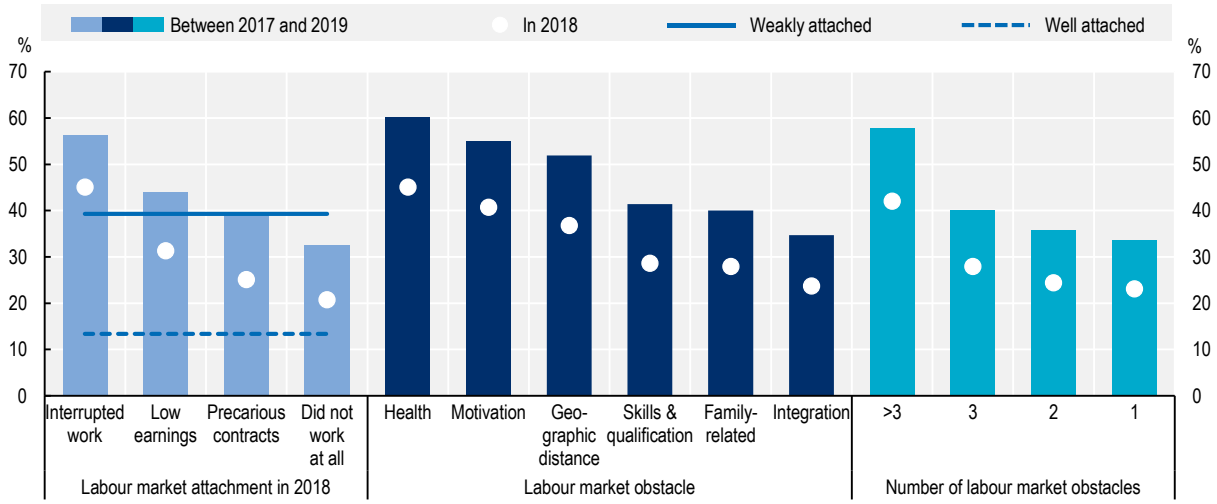
The Work Ability Reform has improved the contact between the EUIF and people with health obstacles, but other groups further from the labour market are often left behind. The share of people weakly attached to the labour market in contact with the EUIF is highest among those with health related obstacles to labour market integration (60% of weakly-attached people with health obstacles in 2018 were in contact with the EUIF in 2017-19) and was higher than in previous year.[3] However, only 41% of people with skills obstacles were in contact with the EUIF in 2018, 35% of people with longer term integration challenges (and only 27% of people with longer term integration challenges without health problems) and 40% among people with family-related challenges (mainly care obligations).

The likelihood of contacts with the EUIF is positively correlated with the number of labour market obstacles people face. The EUIF was in contact at least once between 2017 and 2019 with 33% of weakly attached people with no identifiable labour market obstacles, 40% of people with at least one obstacle and 58% of people with at least three obstacles (Annex Table 6.A.1). Firstly, people with fewer obstacles might expect to be able to find a job on their own. Secondly, people with more obstacles are more likely to be referred to the EUIF by other stakeholders in the system when they need to receive services from them (e.g. social workers in municipalities).

Only 4% of people with solid labour-market attachment in 2018 contacted the EUIF in 2018, 13% of them over 2017-19 and 29% over 2012-19 (Annex Table 6.A.1). In many cases, these are people who had weak labour market attachment in the prior years, but managed to achieve (potentially with the support of the EUIF) a solid labour market attachment by 2018.

Figure 6.1. The EUIF is in contact with people weakly attached to the labour market, but does not reach everybody

Share of people in contact with the EUIF by their labour market attachment and obstacles



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when in contact with the EUIF (e.g. a year earlier, when the person might have been fully out of employment). For more detailed data see Annex Table 6.A.1.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/fa42hz

6.2.2. The EUIF should increase its outreach by further activities to raise awareness

Inactive people constitute a particularly difficult group to reach out to for public employment services across countries as they have less incentives to register and they are less likely to contact the PES themselves, unless the PES can contact inactive people due to e.g. paying social assistance, parental leave or pre-retirement benefits (Konle-Seidl, 2020[1]).

If the institutional set-up does not encourage PES contacts with the inactive, the most effective and efficient way to reach out to the vulnerable groups is through networking with institutions responsible for social benefits as well as local level initiatives addressing specific target groups, such as activity centres for youth. In case these networks and institutions do not exist locally or do not reach the vulnerable groups sufficiently, physical outreach to the groups directly by the PES or the contracted-out providers might be necessary (e.g. physical distribution of information in the community, mentoring within the community, etc.). These approaches are used for example in particularly remote areas in Bulgaria and Australia.

In addition to co-operation with other institutions, PES can also increase its outreach to vulnerable groups through raising awareness – raising awareness to change employers' attitudes, change the attitudes of the target population, change the attitudes of society to combat discrimination, increase awareness on the available ALMPs and encourage up-take, etc. (Mosley, Scharle and Stefanik, 2018[2]).[4]

The EUIF outreach to vulnerable groups could be increased by improvements in networking with other organisations (discussed later in the chapter in Section 6.4) as well as by raising awareness. The EUIF has been successful in recent years to reach out to low-skilled employed people and inactive population with health obstacles. Experience in generating awareness among these target groups could be used to address other groups that are currently left behind – older workers (including retirees), people with social integration obstacles, low-skilled inactive. Reaching out to older workers can be particularly important as

the results in Chapter 5 show that people in older age groups have more often no attachment to the labour market, facing social integration and skills obstacles. The EUIF should communicate clearly what it can offer and how this benefits these groups, using indirect outreach channels (e.g. media), as well as direct out-reach (e.g. via employers). Some successful examples to reach out to similar groups are provided in Box 6.1 – WeGeBau in Germany to reach out to older low-skilled workers and the strategy in the United Kingdom to support older workers by awareness raising and dedicated ALMPs.

Box 6.1. Reaching out to vulnerable groups by raising awareness

WeGeBau in Germany to reach out to workers with skill deficiencies

In Germany, WeGeBau is a programme aiming at promoting training and qualification, initially with a focus on workers aged 45 or older and low-educated workers. The programme, which was introduced by the German Federal Employment Agency in 2006, provides training grants to permit eligible workers to acquire basic or higher professional qualification without having to interrupt their work contracts. WeGeBau aims at reducing unemployment risks as well as alleviating the shortage of qualified labour in the country. In 2019, WeGeBau was complemented through the *Qualifizierungschancesgesetz* (QCG), broadening the target group of the programmes to younger employees.

In the case of this programme, outreach channels through employers. Employers who identify skill or qualification deficiencies among one of their staff members can apply to the Employment Agency. People benefiting from the programme have a higher employment probability, in particular through lower early retirement rates.

WeGeBau has many similarities with the unemployment prevention measures ("Work and study") introduced in Estonia in 2017. However, the channel to reach out to people through their employers while keeping the employee's needs in the focus is stronger in the German system. The Estonian measure puts a stronger focus on the specific needs of the employee's current employer. The German model aims at up-skilling more generally. QCG states explicitly that the training measures shall aim at providing skills to overcome the challenges posed by the structural changes of the labour market (e.g. automation) or to direct workers to jobs with labour supply shortages. That is, the programme specifically aims to promote training for skills for which there is (or will be) high demand.

Strategy to support older workers by the Department for Work and Pensions in the United Kingdom

The Department for Work (DWP) and Pensions in the United Kingdom (the Ministry that fulfils also the role of PES) has a multifaceted approach towards workers aged 50 years and over, supporting people re-enter or maintain employment as well as employers hiring older workers. The strategy aims to support people taking control of when and how they retire, reducing the risk of people leaving the labour market earlier than they wish to and thus increasing the financial security, health and well-being in older age.

The government has set up a dedicated team to support good business practices regarding older workers – Business in the Community's Age Leadership Team. The main focus areas of the team are: 1) Raising the profile of the ageing population and workforce as a business-critical issue and promote the benefits of a multi-generational workforce, 2) Age-friendly employment practices to inspire and help companies to take action to become more age friendly, 3) Developing an evidence base for recruitment practices, measure to support the retention of older workers, and strategies for retraining. In the context of COVID-19 outbreak, this dedicated team tries to ensure that older workers are referred to the sector-based work academy programme, which aims to support people on unemployment benefits to be up-skilled and meet the needs of employers looking for skilled workforce.

In addition to the activities of the dedicated team supporting employers, the DWP offers guidance for employers advisory, conciliation and arbitration services, research and information on what works and for whom, as well as online tools that employers can use to support and motivate their older employees.

Regarding older workers themselves, the DWP encourages this group to benefit from different ALMPs, such as training measures, but also apprenticeship and self-employment programmes. In addition, the DWP aims at holistic approaches, informing older workers on flexible working options, combining work and caring for grandchildren, planning the retirement income, managing health and disability in older age, and supporting older workers in case of age discrimination.

Source: Mosley and Dohse (2019[3]), *PES Strategies in Support of an Ageing Workforce*; Konle-Seidl (2017[4]), *Retention and Re-integration of older workers into the labour market: what works?*; Department for Work and Pensions (2020[5]), *Help and support for older workers*; Department for Work and Pensions (2020[6]), *Sector-based work academy programme: employer guide*; Business in the Community (2020[7]), *Age Leadership Team*.

6.3. Access to ALMPs among groups with weak labour market attachment

This section focuses on access to ALMPs provided by the EUIF among groups with a weak labour market attachment. It assesses to what extent EUIF's ALMPs reach people with labour market difficulties, reporting the share of ALMP recipients among different population groups with weak labour market attachment. Finally, the section compares the labour market obstacles people face to the obstacles expected to be addressed by the ALMPs they receive, thus evaluating the match between people's needs and ALMPs available to them. Based on these results, the section concludes with specific recommendations regarding EUIF's ALMP package.

6.3.1. The coverage of ALMPs is high once a jobseeker is in contact with the EUIF

The previous section and Figure 6.1 cover direct contacts with the EUIF, i.e. the provision of ALMPs in the wider sense, involving regular job-focussed counselling and job mediation provided by the EUIF to all registered jobseekers. This section looks at ALMPs for which it is necessary for the employment counsellors to first detect a need to provide a specific ALMP and refer the client to this ALMP, and for the EUIF to provide the ALMP (depending on a policy whether outsource or provide in-house). Hence, this section does not cover counselling, information provision and job mediation that are provided to all clients.

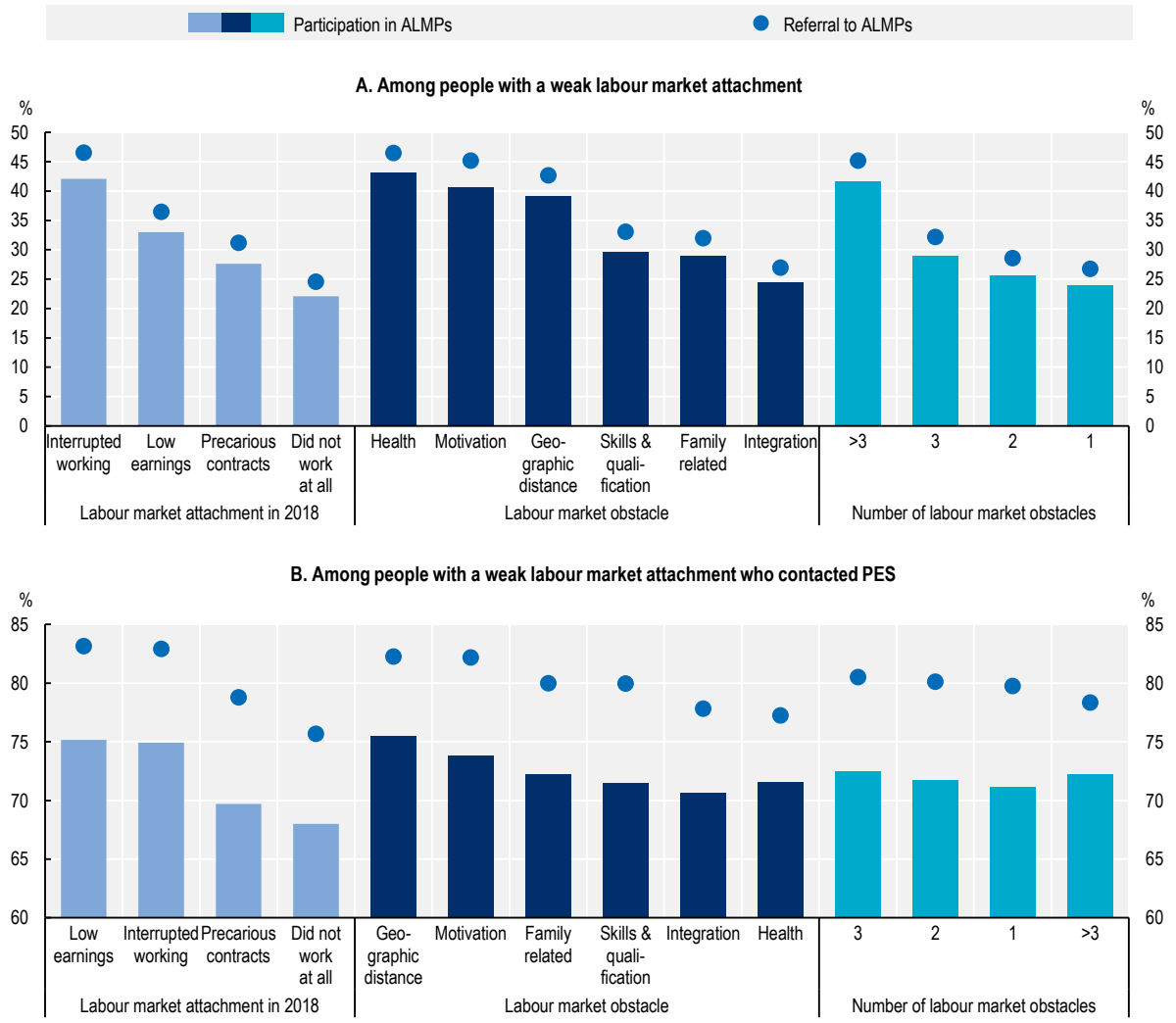
The EUIF targets most of its ALMPs to people who are weakly attached or not attached to the labour market (Figure 6.2). Even though some ALMPs are open to everybody and are not subject to eligibility restrictions dependent on employment status, the ALMPs that the EUIF provides reach, in the vast majority of cases, people who are likely to need them. Among people with no or weak labour market attachment in 2018, 28% participated in ALMPs at least once between 2017 and 2019 (corresponding to almost 60 000 people), against 9% among people with a solid labour market attachment, with the latter including people who used to face labour market difficulties in the past, but successfully integrated in the labour market. 18% of people with a weak labour market attachment participated in ALMPs in 2018, against 3% of people with a solid labour market attachment (Annex Table 6.A.2).

In line with the results regarding the contacts with the EUIF (Figure 6.1), the share of ALMP participants (between 2017 and 2019) was highest among people who had interrupted work spells in 2018 (at 42%, corresponding to over 30 000 people), i.e. among the traditional client group of the EUIF consisting of people who recently lost their job as well as people who succeeded in finding a job after some period of unemployment. Simultaneously, the share of ALMP participants was considerably lower (at 22%) among people who did not work at all in 2018. This pattern further underpins that people who are very distant from the labour market and often have a long history of inactivity, are less likely to participate in ALMPs than other groups.

Nevertheless, once a contact has been established between the EUIF and a person with weak attachment to the labour market, the likelihood of detecting a need for a particular ALMPs is high. Comparing the results in Figure 6.1 and Figure 6.2 indicates that the EUIF counsellors referred 80% of the people in contact with the EUIF to a particular ALMP, as 31% of weakly-attached were referred to an ALMP while 39% had contact with the EUIF. Given that some clients did not participate in the ALMPs they were referred to, in total 72% of the clients benefitted from ALMPs i.e. they received support beyond work-focussed counselling and job mediation. The share of people referred to specific ALMPs (and participate in them) once they are in contact with the EUIF is similar across the sub-groups with weak labour market attachment, across the obstacles they are facing as well as across the number of obstacle types. Pensioners are the only group with significantly lower ALMP referral and participation rate, at 68% and 61%, respectively.

Figure 6.2. ALMPs are targeted to people weakly attached to the labour market, but do not reach everybody

Share of people referred to ALMPs by the EUIF, by their labour market attachment and obstacles in 2018, ALMPs in 2018



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving an ALMP (e.g. a year earlier, when the person might have been fully out of employment). For more detailed data see Annex Table 6.A.1 and Annex Table 6.A.2.
Source: OECD calculations based on administrative microdata.

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As the referral rates to ALMPs are similar across the different groups weakly attached to the labour market, the coverage of ALMPs is highly dependent on the share of people in contact with the EUIF. For example, once in contact with the EUIF, referral rates are almost identical for people with integration obstacles, motivation obstacles and geographic obstacles, all falling in a close range around 80%. Nonetheless, the share of people who eventually receive ALMPs differs significantly across these groups, reaching 25% for people with integration obstacles and about 40% for people with motivation obstacles or geographic obstacles. These differences are mostly due to differences in contacts with the EUIF.

As the EUIF has more contact with people facing multiple labour market obstacles, their coverage with ALMPs is also higher. People with multiple labour market obstacles are particularly likely to receive ALMPs from the EUIF, with a share of 42% among people with three or more obstacles against 29% among people with at least one obstacle and 24% among people with no labour market obstacles (2017-19).

6.3.2. Labour market services, training and employment incentives are the most common ALMP categories across different groups weakly attached to the labour market

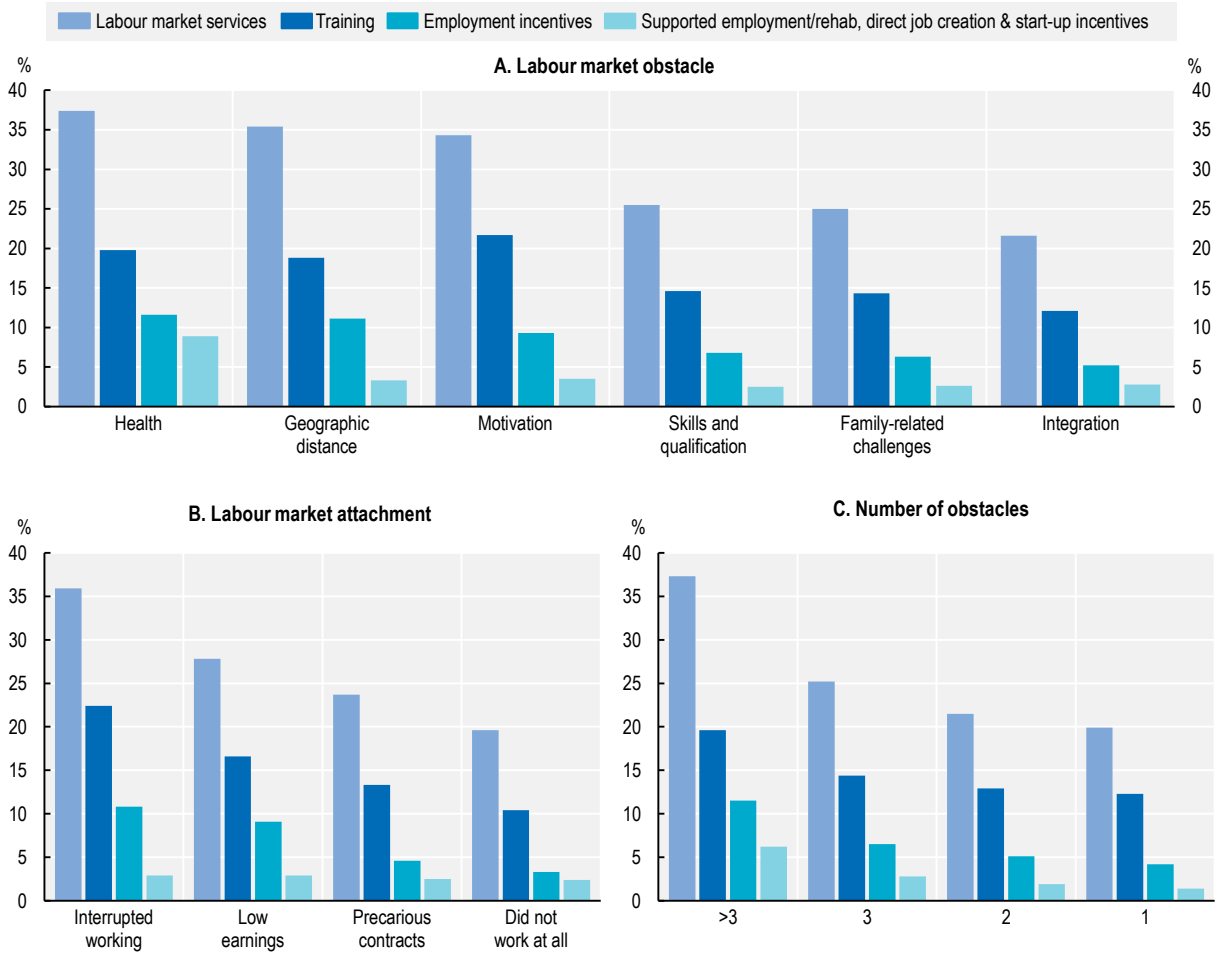
Labour market services, training and employment incentives are the most common ALMPs targeted to groups with weak labour market attachment (Figure 6.3), using the classification of EC/OECD LMP database methodology). Among people with no solid labour market attachment in 2018, 24% received labour market services, 14% training and 6% employment incentives between 2017 and 2019. Supported employment and rehabilitation, direct job creation and start-up incentives were far less common, at 1.7%, 0.4% and 0.4%, respectively.

Across all types of ALMPs, ALMP participation is highest among persons weakly-attached to the labour market with health obstacles, compared to the groups with other labour market obstacles. Conversely, ALMP participation is low among those with integration and skill obstacles, also across most of the ALMP categories. Most concerning are the low share of the weakly-attached with skill obstacles participating in training measures (15%) and the low share of persons weakly-attached to the labour market with integration obstacles benefiting from employment incentives (5%). Nevertheless, the latter might be underestimated as employment incentives take the form of wage subsidies in Estonia and people with different kinds of obstacles might have benefitted from these measures in 2018 without being identified as weakly attached to the labour market due to their employment contract and regular labour income.

In addition to a higher likelihood of ALMP participation in general, people with multiple obstacles are also likelier to be referred to different ALMPs simultaneously or consecutively, addressing their multiple obstacles.

Figure 6.3. Training measures and employment incentives might not reach those who need these ALMPs

Share of people receiving ALMPs by the EUIF by their labour market attachment and obstacles, ALMP provision in 2017-19



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving an ALMP (e.g. a year earlier, when the person might have been fully out of employment). LMP categories as defined in the EC/OECD LMP database. For more detailed data see Annex Table 6.A.3
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/3g7f4c

6.3.3. Matching between ALMPs and labour market obstacles of persons weakly attached to the labour market

A wide set of ALMPs exists in Estonia, aiming to help people overcome different types of labour market obstacles that prevent them from finding employment and improving their labour market situation. In order to assess whether ALMPs are well targeted to the obstacles people face, it is necessary to classify ALMPs into different groups, identifying the main obstacles they address and match them with the categorisation of obstacles that people face (applied in the previous sections and Chapter 5).

For this analysis, six different categories are used to classify ALMPs, addressing:

1. Labour market integration in general (i.e. ALMPs preparing jobseekers for successful job search, provide the clients with career advice, etc.);
2. Skills obstacles;
3. Geographic obstacles;
4. Family obstacles;
5. Health obstacles;
6. Integration obstacles.

Among the approximately 50 ALMPs the EUIF provides, the majority addresses skills obstacles and health obstacles. There are also various ALMPs addressing labour market obstacles more generally (e.g. *career counselling*, *work trials*, *career information centre*), integration obstacles (e.g. debt counselling, wage subsidy, individual work placement) and several ALMPs addressing geographic obstacles (e.g. *mobility support, regional job creation subsidy*). Conversely, there is only one single ALMP classified as specifically addressing family obstacles, namely the *care allowance* (*hooldusteenus*), which, in addition, is not offered any longer. The full list of EUIF ALMPs and their categorisation is listed in Annex Table 6.A.8. and Annex Table 6.A.7 (in Estonian).

Match between obstacles that ALMPs target and the obstacles people face is not always sufficient

ALMPs supporting labour market integration in general are by far more frequently provided than other types of ALMPs (Table 6.1). Regardless of the exact obstacles people face, around 80% of them receive ALMPs that support their job search in general (alone or in addition to other, more specifically targeted ALMPs). Beyond general ALMPs, the EUIF frequently refers people to ALMPs focusing on skill obstacles, around 50% of ALMP recipients participate in these ALMPs across the groups with different obstacles. The frequent provision of more general ALMPs and ALMPs addressing skills obstacles can help improve labour market outcomes. General ALMPs, such as career counselling, are in many cases a precondition for a successful job search and are complementary to other ALMPs. ALMPs aiming to remedy skill deficiencies can also be beneficial for people facing other types of obstacles. For example, acquiring new skills required by the local labour market, or digital skills permitting to work remotely, may help overcome geographic obstacles. Re-skilling might be also necessary for people who can no longer work on their current job due to health obstacles even though they might not be low-skilled.

The ALMPs addressing specific labour market obstacles tend to correspond to the obstacles people face. For example, the share of people receiving ALMPs addressing geographic obstacles is higher among ALMP participants who face geographic obstacle as one of their labour market obstacles (24%) and lower among the groups facing other obstacles (although some of them also face geographic obstacles in addition). Similarly, 30% of ALMP participants with health obstacles receive ALMPs targeting health obstacles as at least one of the ALMPs they receive (the share is only 14% to 17.5% among other groups, which include only some people with health obstacles). The targeting of integration related ALMPs is also quite strong, although also commonly used by people with health obstacles and geographic obstacles. However, integration obstacle also occurs often simultaneously with health obstacles and geographic obstacles (see Chapter 5), which might cause the high participation in these measures by the respective groups.

ALMPs targeting skills obstacle (above all different training measures), however, do not seem to be well targeted to people with low skills. Although up- and re-skilling might be relevant across people with different obstacles (including for people with digital skills or outdated education that might not be fully accounted for in the data for skills obstacles in the current report), access to these measures should be particularly high

among people with low skills. This is not the case as participation in ALMPs targeting skills is around 50% across groups facing different obstacles.

Also people with family related obstacles (above all care-giving) do not receive dedicated ALMPs from the EUIF and also their overall participation in ALMPs is lower than among most other groups (see Figure 6.2). The only ALMP that aimed at addressing family obstacles was scrapped in 2019. In principle, a support to addressing care responsibilities should be provided by the system of social services. Nevertheless, this support is currently weak in Estonia.

Table 6.1. Match between ALMPs provided by the EUIF and labour market obstacles

Obstacles addressed by ALMPs provided to people with weak attachment to the labour market in 2017-19, by obstacles people were facing, share among all ALMP participants with a specific obstacle

	People with skills obstacle participating	People with geographic obstacle participating	People with family obstacle participating	People with health obstacle participating	People with integration obstacle participating	People with motivation obstacle participating
ALMP addressing skills obstacle	51.2%	49.6%	51.4%	47.5%	51.0%	54.9%
ALMP addressing geographic obstacle	15.9%	24.0%	15.9%	12.3%	15.1%	15.5%
ALMP addressing family obstacle	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%
ALMP addressing health obstacle	14.1%	14.3%	14.2%	29.8%	17.5%	14.5%
ALMP addressing integration obstacle	20.9%	25.2%	20.9%	28.8%	25.4%	20.3%
ALMP supporting labour market integration in general (addressing various obstacles)	80.8%	84.4%	80.7%	81.0%	81.4%	78.8%
Total (At least 1 ALMP, any type)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Weak labour market attachment refers to a weak labour market attachment in 2018. Some people face simultaneously several labour market obstacles.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/hk9s6f

Targeting individual ALMPs is often driven by eligibility criteria

Among the ALMPs the EUIF provides, some are very well targeted and reach precisely the population group they are designed for, often due to strict eligibility criteria. For example, labour market training with a training voucher for the employed (Tööturukoolitus koolituskaardiga töötavatele) reaches in the vast majority of cases (86%) people facing some form of skills obstacle. Similarly, measures that specifically address health obstacles usually reach people that need them due to strict eligibility criteria. Among people receiving work-related rehabilitation (Tööalane rehabilitatsioon) in 2017-19, 94% faced health obstacles that were detectable in the data in 2018, whereas they were 96% among people receiving a travel-to-work allowance (Töölesõidu toetus).

Conversely, ALMPs with less strict eligibility criteria also reach people who may not necessarily need them and sometimes do not fully reach the people they are targeted to. For instance, the general labour market training for unemployed and jobseekers (Tööturukoolitus töötutele ja tööotsijatele, sh kutseeksam), which is a very common measure, also reaches many people without detected skills gaps, as about one-third of recipients face no skills obstacles to labour market integration. While participation in such a measure can be beneficial even to highly educated people with a well-developed skill set, referring such measures widely to this group and leaving the low-skilled behind may undermine cost-effectiveness (the so-called creaming might be taking place). Therefore, reassessing the targeting of widely provided training measures can be beneficial.

Likewise, employment incentives might not reach the groups that would mostly benefit from them, but are commonly referred to people with other obstacles. The wage subsidy (palgatoetus), which is primarily a measure for people with integrational obstacles (such as being out of the labour market for long, migration background, previous imprisonment), tends to reach only few people with such obstacles (31% of all wage subsidy recipients had integration obstacle), but is more commonly referred to people with health obstacles (37% of recipients with health obstacle, but no integration obstacle), family obstacles (36% of recipients with this obstacle, but no integration obstacle) and skills obstacles (48% of recipients with this obstacle, but no integration obstacle). Nevertheless, as wage subsidy programmes incur regular employment contracts and wage, not all of the target group might be observable in the data as the participants might not be identified as weakly attached to the labour market in 2018. Furthermore, contrary to most other ALMPs, wage subsidies have a strong element of self-selection (i.e. it is not a discretionary decision by the employment counsellor to provide this ALMP).

ALMPs related to start-ups, e.g. training for start-ups and business start-up subsidies, mostly reach people with no or little labour market obstacles. For example, among people receiving training for start-ups, only 25% face skills obstacles, 8% geographical obstacles and 14% health-obstacles, which are very low levels compared to other ALMPs. While jobseekers with few or no labour market obstacles can significantly benefit from such ALMPs and should continue to have access to them, these numbers point out that some groups, i.e. people living in remote areas, are not well reached by these measures.

6.3.4. The ALMP basket needs to be redesigned concerning training and wage subsidies

Some adjustments to the ALMP basket provided by the EUIF might be necessary to ensure that persons with weak labour market attachment receive the support they need. The EUIF has chosen an approach to identify needs for ALMPs through work-focussed counselling and this has in general led to effective ALMP provision. On the one hand, this approach enables the counsellors to identify needs for ALMPs that could not be revealed by analysing data in the administrative registers. On the other hand, the data analysis in the current report indicates that for some groups facing specific labour market obstacles, the corresponding ALMPs might not be not be sufficiently accessible. This can happen when a counsellor fails to identify the need for an ALMP.

ALMPs addressing skill obstacles need to be promoted directly and tailored to the needs

ALMPs addressing skill obstacles should be redesigned in priority. The comparatively lower outreach to persons with low skills and weak attachment to the labour market is coupled with a potentially insufficient provision of ALMPs addressing the skill obstacles among this group. The low-skilled EUIF clients do not receive markedly more ALMPs targeting skills (training measures) than those with higher skills. It is possible that to some extent, creaming takes place regarding the training measures, and training is often provided to those who are easier to refer to training measures as well as potentially easier to integrate to the labour market later on.

Further efforts should be made to refer and convince to participate in training measures also the low-skilled / low-educated as the potential positive effects of their participation are likely to be higher than for the high-skilled (see e.g. Leetmaa et al. (2015[8]) for an evaluation in Estonia). The EUIF has extensive guidelines to detect training needs and motivate the low skilled to take up training (the “Principles for Skills Development”, supported by the guidelines for work-focused counselling). Further training should be provided to employment counsellors to fully implement these guidelines in practice. In addition, training programmes could be adapted to fit better the needs of the low-skilled, minimising discouraging aspects and preventing dropping out. The latter could be done by providing counselling and mentoring during participation in training programme, discussing the challenges met and trying to address them. This counselling and mentoring should be conducted by the training conductor, in co-operation with the

employment counsellor in case needed. In general, practical and work-based training offers tend to be more effective for this target group.

Furthermore, the outreach strategy to low skilled people with weak labour market attachment should be revised to promote up- and re-skilling directly and personally as raising general awareness might not be sufficient for this group. OECD (2019[9]) provides an extensive toolkit to engage low-skilled adults to learning, such as by finding creative ways to reach out to potential learners directly (e.g. community-based approaches and mobile outreach services), offering holistic and personalised advice and guidance (e.g. counselling of learning opportunities through the network of career counsellors), and creating interesting and relevant learning opportunities (e.g. designing online training to meet adult learners' needs, particularly in the context of COVID-19). Many of these activities could be more effective if designed in co-operation of the institutions in employment and education policy (see also Chapter 3).

While the EUIF has increased its train-first[5] approach to certain groups, extending its provision of training on digital skills and Estonian language, the train-first approach could be extended further, particularly considering the potential economic restructuring due to COVID-19 outbreak. Extending train-first approaches should involve using even more systematically and extensively than today the inputs from the EUIF Occupational Barometer[6] and the national Skills Assessment and Anticipation exercise OSKA.[7] Training-first approach could be generally prioritised for young low-skilled people as well as young drop-outs. For example, this rule has been introduced even in the ALMP regulation in Austria, Germany and Finland (Murray and Tubb, 2013[10]). In addition, Germany has introduced over the years ALMPs that effectively target and support school drop-outs in different ages (Box 6.2).

Regarding employees whose skills are particularly far away from the labour market needs, the practices of the Norwegian Skills Plus programme set a good example (Kompetanse Norge, 2016[11]). Although in Norway, this practice is implemented by an organisation under the Ministry of Education and Research, it could be easily adapted to be applied as an ALMP by a public employment service. The Skills Plus programme aims to provide adults with basic skills they need for the modern labour market, such as reading, writing, numeracy, digital skills and oral communication, and strengthen participants' motivation to learn. While any private or public sector organisation is eligible for funding, outreach activities to involve the low skilled in the programme target above all SMEs and industries that tend to employ people with low formal skills.

Box 6.2. Targeting training measures to support the low-skilled

Second chance initiatives in Germany

As part of its "qualification strategy", Germany set up the two second chance initiatives *Zukunftsstarter ("*future starter*")* and *Spätzünder gesucht* ("late staters wanted").

In 2016, the German Ministry of Employment and Social Affairs and the social partners in the PES supervisory board jointly initiated the second chance initiative *Zukunftsstarter,* which aims at increasing qualification levels among young people (Bundesagentur für Arbeit, 2016[12]). In particular, it targets 25-35 year-olds who have no vocational degree (which is a requirement for working in many jobs, including in many technical, administrative and service occupations), or have been working in a job that does not require such a degree for at least four years. The programme is open to employed people as well as people who do not work and sponsors training, usually for two years, permitting to obtain a vocational degree. Depending on individual conditions, the PES may cover direct training costs, travel and accommodation costs incurred to attend the training and further related costs (e.g. for child care). In addition, it may pay grants to the employer to make up for the time the employee is absent from work.

The objective of *Zukunftsstarter* is to provide training to 120 000 unskilled young adults between 2016 and 2020. Ultimately, this shall contribute to alleviating shortages of skilled labour, improving people's employment prospects and lowering unemployment.

A similar second change initiative, *Spätzünder gesucht*, ran between 2013 and 2015 as *Zukunftsstarter's* predecessor. The results of *Spätzünder gesucht* are encouraging, pointing to the high potential of this type of initiative. Following the start of the programme in 2013, entries into degree-oriented training programmes increased markedly, in total by 19%.

Training guarantee in Austria

In Austria, young people (up to 25 years) wishing to enter the country's company-based apprenticeship system but struggling to find a company to train them may reach out to the PES for assistance. Following a period of initial preparatory courses, they are entitled start an apprenticeship without having a company that employs them. Just as apprentices who follow an apprenticeship with a company, apprentices benefiting from the training guarantee attend a professional school to cover the theoretical part of their education. In contrast, however, they do not carry out the practical part of their education in a regular company, but rather in educational institutions, vocational schools and partner enterprises. After having started an apprenticeship through the training guarantee, it is still possible for the apprentice to change to the standard path in case they succeed in finding a company willing to train them. The degrees obtained through the regular path with a company and the path based on the training guarantee are equivalent.

As of 2020, 7% of apprentices make use of the training guarantee (Wieland, 2020[13]). About 72% of apprentices using the training guarantee and finishing their apprenticeship succeed in passing their final exam, thus obtaining a vocational degree, against 86% in the company-based path. The costs for the programme are mainly covered by the PES (90%, through funding of the unemployment insurance), with the remainder stemming from regional government budgets.

Source: Bundesagentur für Arbeit (2016[12]), https://www.arbeitsagentur.de/; Wieland (2020[13]), *Die Ausbildungsgarantie in Österreich, https://www.bertelsmann-stiftung.de/fileadmin/files/BSt/Publikationen/GrauePublikationen/Ausbildungsgarantie_Oesterreich.pdf*.

ALMPs addressing people with social integration obstacles should be targeted, individualised and involve follow-up

Another group of ALMPs that should be redesigned, are employment incentives (the seven different types of wage subsidies). Previous international impact evaluations suggest that these types of policies are only effective in case these are well targeted to the most disadvantaged, such as people who have been out of employment over a longer time period (see e.g. Card et al. (2018[14]), Dar and Tzannatos (1999[15])). The analysis on the Estonian data indicates that on the one hand, the target groups for wage subsidies are quite wide; and on the other hand, that people with integration obstacles might not receive these measures markedly more than other groups with weak labour market attachment. While in worse economic conditions, the targeting of these policies could be wider to support job creation (such as in the recovery phase from the COVID-19 effects), in a better economic situation (such as in 2017-19), these measures should be more targeted.

Most importantly, the case workers of persons particularly discouraged about finding work should devote more efforts to present these clients to the employers (potentially in co-operation with the counsellors for employers), and promote wage subsidies for the employers as a tool to cover potentially lower productivity in the first months. Additionally, Estonia could consider restricting the target groups of wage subsidies to the most disadvantaged or granting wage subsidy reimbursements to the employer upon the decision of the employment counsellor. To grant the wage subsidy, the assessments of the profiling tool could be

considered by the counsellor when deciding granting wage subsidy or alternatively could be used as a strict eligibility condition for wage subsidies without counsellor's discretion. As such, only those people with the worst outlook on labour market integration could be targeted by wage subsidies. Furthermore, Estonia could consider using the clients' probability of labour market integration based on the quantitative profiling tool (and counsellor's assessment) to define the reimbursement rate of the wage subsidy. For example, in Austria, the counsellor can adapt the baseline reimbursement rate of wage subsidy depending on the situation of the jobseeker.

For particularly vulnerable groups, primary labour market integration even with a wage subsidy and other supporting measures might not be easily feasible. For these groups, one step on the pathway to employment can be working in a sheltered workplace / social economy before being able to be integrated into the primary labour market. In Estonia, sheltered and supported employment are provided only for people with profound health limitations, while in many countries, the means of social economy and the structures of NGOs are used to support also vulnerable groups with social integration obstacles more generally (see Box 6.3 for some of the more innovative examples from France and Austria; the Austrian example was also introduced to the Estonian stakeholders during a webinar discussing supporting vulnerable groups, organised in December 2020 in the framework of the same project as the current report). In any case, sheltered and supported employment should be provided together with other measures (above all training and mentoring) to be effective and aim at the integration into the primary labour market in the longer run.

Box 6.3. Targeting ALMPs to the most vulnerable

France – Territories of zero long-term unemployment

The initiative of "zero long-term unemployment territories" was introduced by the French Government in 2016, inspired by a proposal by ATD Quart Monde (an NGO). The concept stands on three basic principles:

1. No one is non-employable.
2. Even people who have been out of work for a long time have work-related know-how.
3. There are plenty of vacant jobs, because the society has many unmet needs.

The initiative started as an experiment in 10 communities, expected to last five years. The government discusses the extension of the experiment and increasing the number of communities as of Fall 2020. The communities in the experiment are expected to create jobs that correspond to the needs and skills of the long-term unemployed. These new jobs should not compete with the activities of enterprises already on the market (i.e. not to compete with the private sector). However, the scheme does not cover public works' schemes as the jobs need to be "marketable". The scheme follows a strong bottom-up approach as the local actors co-operate to create the jobs.

The communities establish dedicated employment-oriented enterprises that hire the long-term unemployed without a selection process, i.e. any long-term unemployed qualifies. The French PES is one of the main partners in the initiative, referring jobseekers to the employment-oriented enterprises, training the jobseekers and consulting the companies on potential business developments. The people are hired on open-ended contracts paying minimum wage. The state reimburses the communities EUR 18 000 per year per job, which corresponds to the savings from un-paid benefits. The remaining wage costs are expected to be covered by the employment-oriented companies themselves. Nevertheless, not all of these companies have succeeded in covering their costs fully and have generated losses.

The impact evaluations of similar wage subsidy schemes with social enterprises in Germany indicate however, that the positive effects on employability and social participation are higher where the schemes are targeted more narrowly to the most vulnerable groups. The French scheme might thus have higher effectiveness if the target group were fine-tuned, instead of targeting all who have been unemployed for at least 12 months.

Austria – supporting vulnerable groups through social economy

Austria has a long history of a wide network of Social Economic Enterprises. These agencies provide products and services of public or non-profit interest, while offering sheltered, but still market-based work places for particularly vulnerable groups (such as very long term unemployed, people with health limitations). The agencies network with private companies to enable the participants to move on to the primary labour market. The Austrian PES mediates the LTU to these agencies and provides often some preparatory training as well as other support measures.

In addition, the Austrian PES provides a separate programme for people who are on the one hand close to the labour market and do not need to be employed first in a sheltered workplace, but who are on the other hand not ready to be employed in the primary labour market (with a wage subsidy). For this group, the Austrian PES uses a measure called non-profit personnel leasing. In this model, the jobseekers are referred to contracted NGOs (Social Economic Enterprises) and they get employment contracts with the project. Subsequently, the NGOs mediate (lease) these people to employers on the primary labour market. In the preparatory period as well as when there are gaps in leasing (allowed up to three weeks), the participants also receive training and other measures – basic qualification (literacy, numeracy), training leading to professional qualifications (e.g. driving licence for forklifts), health related services, support in job search and job application. The Austrian PES has outsourced the selection of participants to a counselling organisation, which needs to decide whether the person is ready enough to participate in this model (as it would involve working by a regular employer in the primary labour market) or needs other kind of support. The target groups involve people over 50 years of age, long-term unemployed and people with disabilities, but these criteria are flexible and other groups can be referred as well.

A new experiment to guarantee employment to vulnerable groups started in Austria in November 2020. The experiment has some similarities to the French experiment of Territories of zero long-term unemployment (see above) as its aim is to provide a job to all long-term unemployed, even if a subsidised private sector jobs is not feasible and the job needs to be created based on the skills and knowledge of the jobseeker and the community's needs. Compared to the French model, training and assistance to find work are more strongly integrated into the scheme. The pilot scheme is implemented by the regional PES of Lower Austria and conducted in the municipality of Gramatneusiedl.

Source: Hiebl (2020[16]), *Outreach to and ALMPs for people furthest from the labour market*; University of Oxford (2020[17]), *World's first universal jobs guarantee experiment starts in Austria*; Grandguillaume (2019[18]), *Territoires Zéro chômage de Longue Durée*; Konle-Seidl (2019[19]), *Zero Long-Term Unemployment Territories. Comment from a German Perspective*; TZCLD (2020[20]), *Territoires Zéro chômage de Longue* Durée; Mašidlauskaitė (2018[21]), *Ad Hoc Module to the 2018 PES Capacity Questionnaire Survey report,* https://ec.europa.eu/social/BlobServlet?docId=20186&langId=en.

Effective ALMPs for the integration of people furthest from the labour market are targeted, individualised and small scale, and potentially involving follow-ups after integration (Scharle, Weber and Puchwein Roberts, 2014[22]). While the EUIF provides generally an individualised approach to supporting its clients, as of up to 2020, the support is more intensive and involves follow-up only regarding people with long-term health obstacles. The Employment Programme 2021-2023 adopted in November 2020 foresees follow-up counselling to be provided more systematically from 2021 onwards. Follow-up counselling will be provided to client groups in risk of rapid return to unemployment due to health limitations, lack of work experience, previous long-term unemployment or other labour market integration obstacles. Case managers and

disability employment counsellors will continue work-focussed counselling during the first six months of employment, keeping in touch with the client as well as the employer and, when necessary, involving municipality, service providers and social network. The experience form other countries, such as Germany, France and Denmark, shows that more intensive support and follow-up activities could indeed be effective also to long-term unemployed more generally (Box 6.4). As such, Estonia should ensure that sufficient resources would be available to implement the new provisions regarding follow-up counselling systematically across vulnerable groups, and fine-tune the processes, learning also from countries that have longer experience in implementing this practice.

Box 6.4. Follow-up support to vulnerable groups – INA! in Germany

The German Federal Employment Agency has established a specific programme for sustained integration, *INA!*, in co-operation with counties, targeted to vulnerable groups. The programme was initially piloted in 2011, leading to a countrywide implementation in 2016 due to convincing results.

INA! extends the 4-phase counselling model (profiling based on strengths and weaknesses, identifying objectives, setting up an integration plan, implementation of measures), offering post-placement support and counselling after a jobseeker has found employment, typically for six months. Post-placement support can consist of a variety of activities, depending on the profile of the former jobseeker. For instance, the newly placed person can benefit from continued counselling on training opportunities, guidance to other service providers (e.g. child care facilities), assistance to increase mobility (e.g. covering parts of transportation costs) or support to succeed in prolonging fixed-term contracts.

The programme specifically targets vulnerable groups, such as older people, long-term unemployed, workers on unstable employment contracts or with scattered career histories and low-skilled people. The outcomes of *INA!* are promising. They point to a more stable integration into the labour market among groups benefitting from the programme and high satisfaction rates among both former *INA!* clients and local employment agencies/jobcentres.

Source: Staible (2017[23]), *INA!- Sustain Integration,* https://ec.europa.eu/social/BlobServlet?docId=17306&langId=en.

ALMPs addressing care obligations

Furthermore, support to people with family-related obstacles, particularly concerning care obligations, could be improved. However, long-term care and other caregiving services tend to be exclusively the responsibilities of the health care sector and social services, and not the responsibilities of PES, across the OECD countries. Yet, the public long-term care system in Estonia is generally less accessible to those in need. In 2017, Estonia spent on long-term care (health and social components together) only 0.2% of GDP, the lowest share among all OECD countries together with Hungary (the OECD average was at 1.7% of GDP, (OECD, 2020[24])). The share of people over 65 receiving long-term care in institutions or at home has been half the OECD average level over the past years. This situation has been the reason why care obligations represent a particularly challenging obstacle to labour market integration that needs to be tacked by the EUIF and also the reason why the care allowance was introduced in 2011.The care allowance was a short-term reimbursement of care giving costs when participating in training or taking up a new job.

ALMPs can play a role in helping people with care responsibilities to return to work, but they cannot substitute social and health services in the long-term and support substituting public infrastructure with private providers. Building the capacity of institutions providing health care and social services should be the main way to tackle challenges concerning care obligations. Furthermore, the different services should

be accompanied by employment policies that support flexible working models and other work-family reconciliation policies, tax-benefit incentives to return to work (Mosley, Scharle and Stefanik, 2018[2]).

ALMPs and PES activities to support people with care responsibilities in other OECD countries involve above all promoting the flexible working models to employers and people with care, networking with the other service providers to find the solutions for people with care responsibilities, and reimbursing temporarily care giving costs (e.g. subsidising childcare provided or reimbursed[8] by the employer and/or private providers in general as it used to be the case in Estonia). Good examples to support parents returning to work are in Austria (multifaceted support combining care allowance, restart bonuses and training),[9] and supporting people with care responsibilities in general in Germany (Box 6.5).

In Estonia, the role of the EUIF and its employment counsellors could be to assist the people with care obligations by networking with the relevant organisations and finding the solutions together, promoting a holistic view of clients (see also Section 6.4), but also supporting them in overcoming other labour market challenges they might face, such as potentially outdated skills. In case it will be possible to increase the EUIF outreach to people with care obligations, Estonia could consider re-introducing and re-designing temporary reimbursements for care allowances, from Austria and Germany.

Box 6.5. Reintegration programme in Germany for people with care responsibilities – *Perspektive Wiedereinstieg*

The action programme "Perspective Returning" (*Perspektive Wiedereinstieg*) is a wide umbrella of activities implemented by the German Federal Ministry for Family, Seniors, Women and Youth and the German public employment service together. The programme targets to support women and men who have left working life for several years due to family reasons (due to childcare or providing care for their partners and families) with a promising return to working life.

The action programme puts a lot of effort on informing the employers, society and people willing to return to work. The more specific objectives of the action programme are:

- To support women and men to achieve sustainable and as close to full-time as possible employment that matches their skills, after several years of family-related career interruptions.
- To support people on marginal jobs due to family obligations enter solid labour market attachment.
- To stimulate discussions to redistribute family and domestic tasks in families.
- To inform human resource managers in companies about the potential of well-qualified re-entrants as a way to address skill shortages.
- To network with a wide set of institutions and associations and thus achieve an effective and efficient support at the federal, state and local level for people returning to work.
- To bundle the various offers and initiatives under one umbrella.

Source: Bundesministerium für Familie, Senioren, Frauen und Jugend (2020[25]), *Perspektive Wiedereinstieg.*

6.4. Gaps and overlaps in service provision with other service providers

This section focuses on gaps and overlaps in the service provision between the EUIF and other service providers. The section identifies ALMPs provided by the EUIF that are particularly prone to overlaps due to stark similarities with services provided by other institutions. Finally, it evaluates service coverage of the system as a whole, i.e. the share of groups with weak attachment to the labour market that receive ALMPs

or similar services from any public provider, and assesses the match between these services and people's labour market obstacles.

All services and measures provided by the state and municipalities can have direct or indirect effect on the social and labour market integration of the citizens – e.g. providing childcare facilities supports people being available to work, a functioning public transportation system supports people to reach workplaces. While these can be vital for some individual cases for labour market integration, in general many of these services serve wider objectives. This section looks only at services and measures provided by other institutions than the EUIF that are tightly linked to labour market integration, i.e. have similarities to the ALMPs provided by the EUIF or are complementary to them.

More specifically the following services and measures are analysed in this section:

- Social services similar to ALMPs – support person service, personal assistance service, social transport service, debt counselling provided by the municipalities; social rehabilitation, technical aids and special care services provided by the Social Insurance Board; social services that have similarities to the EUIF policies provided through ESF 2015-20 (some measures under Priority 9.4 measures 2.2.3 and 2.2.1, Priority 8.1 measures 3.1.1) and provided by Astangu Vocational Rehabilitation Centre, municipalities, the Social Insurance Board.
- Health services similar to ALMPs – Health services that are provided by health care providers to non-hospitalised clients and have similarities to work-related rehabilitation, psychologic counselling and technical aids provided by the EUIF (e.g. physiotherapy, speech therapy, medical rehabilitation, psychologic counselling, orthoses); alcohol addiction treatment provided by the Health Development Institute (ESF 2015-20 funded, under Priority 9.4 measure 2.3.1).
- Adult learning and ALMPs provided by other organisations than the EUIF – adult learning programmes provided by the Ministry of Education and Research through ESF 2015-20 (some measures under Priority 10.3 measures 1.6.2), ALMPs and adult learning programmes provided through ESF 2015-20 funding (selection of measures under Priority 9.4 measures 2.2.1, Priority 8.1 measures 3.2.1).

6.4.1. A small share of persons with weak labour market attachment receive services that are similar to ALMPs from other providers

While almost a half of persons weakly attached to the labour market get some support from the EUIF and a third are supported with specific ALMPs (see Sections 6.2 and 6.3), almost a fifth of these groups receive services from other providers that have similarities to the ALMPs provided by the EUIF (Figure 6.4). While social services, adult learning and ALMPs provided by other providers concern a limited number of people only, health services resembling ALMPs are more widespread. About 16% of people who were weakly attached to the labour market in 2018 received health services that are similar to ALMPs at least once between 2017 and 2019, most commonly physiotherapy.

Access to health services is underpinned by health insurance coverage. People who did not work at all in 2018, were the least likely to be in contact with the EUIF (see Figure 6.1) and thus had no access to health insurance through registered unemployment nor employment. As a consequence, only 13% of people who did not work in 2018, received ALMP-related health services in 2017-19, while this share was 16% among the groups with weak labour market attachment on average and 17% among those well-attached to the labour market as well as pensioners with weak attachment (both last groups fully covered by health insurance). Access to health services was also particularly low among people with integration obstacles as this group includes a large share of persons who have been out of employment over a longer period. Nevertheless, the difference in access to health services between persons with weak and good attachment to the labour market can be caused partly also by an easier access to health-related ALMPs once a contact

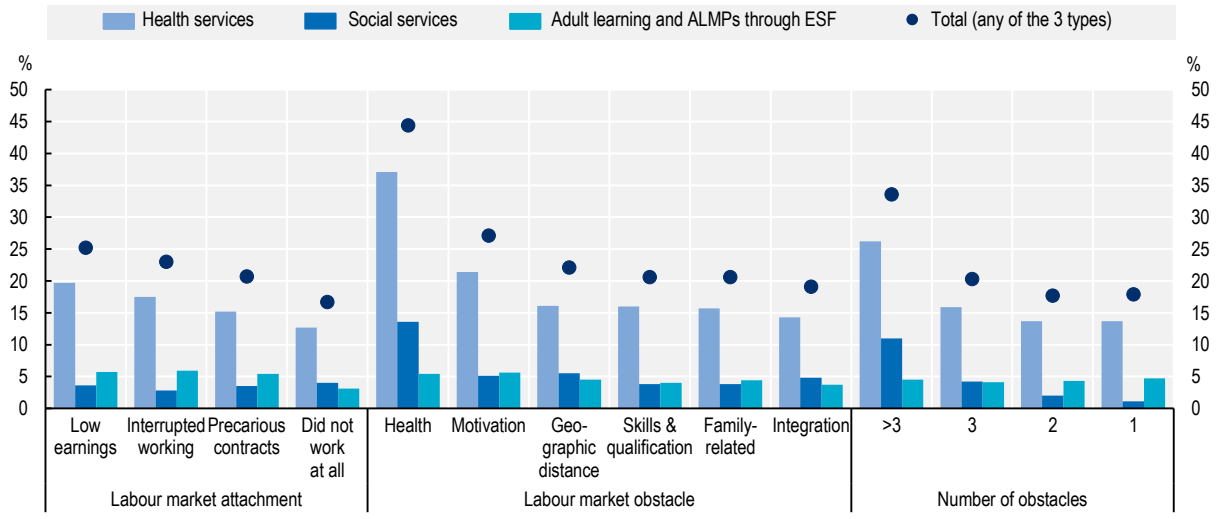
with the EUIF has been established, potentially substituting some services that could be provided by the health care service providers instead.

The introduction of the Work Ability Reform has increased access to all ALMP-related services for persons with long-term health obstacles and weak attachment to the labour market. First, the funding of these services increased also beyond the ALMPs provided by the EUIF and second, the objectives of the Work Ability Reform have been widely promoted across the institutions involved. As such, the participation rates among this group with health-obstacles is two to three times higher than among other groups of weakly-attached people across the different types of services. In any case, most of the social and health services included in this analysis also target specifically long-term health challenges (see also the next subsection).

Adult learning programmes and ALMPs that are not provided by the EUIF do not always target weakly attached people with low skills. This concerns particularly adult learning programmes provided by the Ministry of Education and Research through ESF 2015-20 (some measures under Priority 10.3 measures 1.6.2, excluding training courses targeting education sector staff). Among people with a weak labour market attachment who participate in these programmes, about 60% face skills obstacles, which is less than among the weakly-attached people in the training programmes provided by the EUIF (71% across programmes targeting skills obstacles). That is, such programmes are also commonly provided to people who do not have major skill gaps, such as people with professional or higher education. In addition, the programmes are also more often provided to people with a solid labour market attachment to support adult learning in general, with a broader focus than overcoming the obstacles faced by the low-skilled. As a consequence, the adult learning programmes financed via the ESF increase human capital more generally, but are less specifically tailored to the challenges arising from low skills than the adult learning programmes provided by the EUIF.

Figure 6.4. People furthest from the labour market are not covered by health insurance and do not access the services they might need

Share of people receiving services that are similar to the ALMPs, but not provided by the EUIF, in 2017-19, by labour market attachment and obstacles



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment). Adult learning and ALMPs through ESF do not include those ALMPs that are implemented by the EUIF. Social services and health services include those that are provided via ESF funding. For more detailed data see Annex Table 6.A.4.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/fjvs1c

6.4.2. In total, half of people with weak labour market attachment participate in ALMPs and similar services, but more efforts are required to reach the most vulnerable

The total outreach of ALMPs and similar services is relatively high. Overall, 40% of people who were weakly attached to the labour market in 2018 had access to some labour market related services between 2017 and 2019 (Figure 6.5), i.e. 12 percentage points higher than the coverage of ALMPs provided by the EUIF only. Furthermore, almost half of this group (48%) got some support from the system considering also work-focussed counselling and job mediation provided by the EUIF.

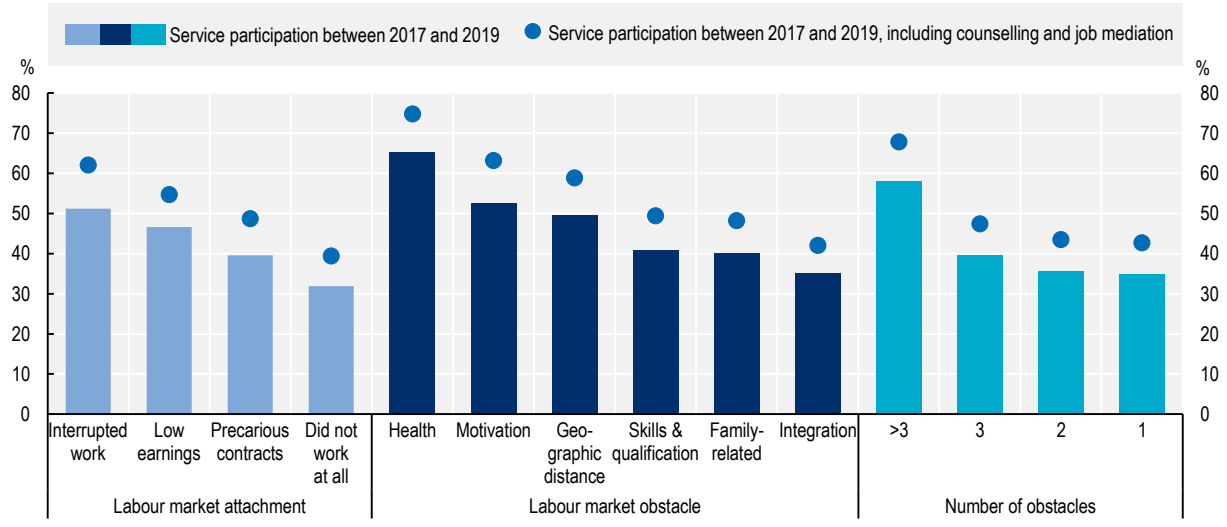
People who are more likely in contact with the EUIF are also more likely to participate in ALMPs by the EUIF and services similar to ALMPs by other providers. For example, people who worked partially in 2018 were more likely to receive ALMPs and similar services than other groups, reaching 62%. Similarly, people facing long-term health obstacles were particularly likely to receive at least some service (74%). Furthermore, a higher number of labour market obstacles was associated with a higher probability of receiving such services.

Nonetheless, even when considering the system as a whole, a significant share of people with labour market difficulties does not receive any labour market services at all. This concerns particularly the people who are the furthest from the labour market, such as people who do not work at all (only 39% of them received some labour market services) and people with obstacles to integrate to the society (42% received such services).

The results on the total outreach of the system underline needs for improvement in reaching out to the most vulnerable groups in the labour market, potentially by further emphasis on outreach activities by the social workers in the municipalities as well as co-operation and networking between the organisations to guide the most vulnerable to the services they need.

Figure 6.5. Two-thirds of people working intermittently access labour market and realted services, but only one-third of people who did not work at all in 2018

Share of people referred to ALMPs or similar services by the EUIF or other providers, by their labour market attachment and obstacles in 2018, services provided in 2018 or 2017-19



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment). For more detailed data see Annex Table 6.A.5
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/psne4d

The match between services from the system as a whole and labour market obstacles performs similarly to the ALMPs provided by the EUIF (Table 6.2). Especially people with long-term health obstacles often receive specific services related to health, in addition to general services. Also people with geographic obstacles are more likely to receive these types of services compared to people without such obstacles. However, there is scope for better targeting of services that should be addressing skills obstacles as well as obstacles to integrate into the society. As such, many of the needs for improvement that concern ALMPs provided by the EUIF, are relevant also for the other service providers. For example, it is necessary to increase the outreach of training measures and apply the results of the Skills Assessment and Anticipation exercise OSKA and the EUIF Occupational Barometer systematically across different adult learning programmes, including those not provided by the EUIF – the Open Calls Projects and the ESF programme of the Ministry of Education.

Furthermore, the results indicate that people with family-related obstacles might be not well supported with services addressing these obstacles. Nevertheless, this analysis does not involve all these services provided by the providers of health care and social services as these do not have similarities with ALMPs provided by the EUIF.

Table 6.2. People with skill and social integration obstacles might not get the services they need

Obstacles addressed by ALMPs and similar services from any provider to people with weak labour market attachment in 2018, by obstacles people were facing, 2017-19

Obstacle ALMP addresses:	People with skills obstacles receiving…	People with geographic obstacle receiving…	People with family obstacle receiving…	People with health obstacle receiving…	People with integration obstacle receiving…	People with motivation obstacle receiving…
Skills obstacle	43%	44.1%	43.6%	35.7%	41.8%	47.7%
Geographic obstacle	11.6%	19.1%	11.5%	8.2%	10.6%	12.0%
Family obstacle	0.1%	0.0%	0.1%	0%	0.1%	0.1%
Health obstacle	48.3%	43.8%	48.4%	71.9%	52.9%	49.2%
Integration obstacle	15.4%	20.1%	15.3%	19.2%	17.9%	15.8%
Labour market integration in general (addressing various obstacles)	59.4%	67.5%	58.8%	54.1%	57.6%	61.3%
Total (At least one service, any type)	100%	100%	100%	100%	100%	100%

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/sdj4zt

6.4.3. The overlap between very similar services is very low

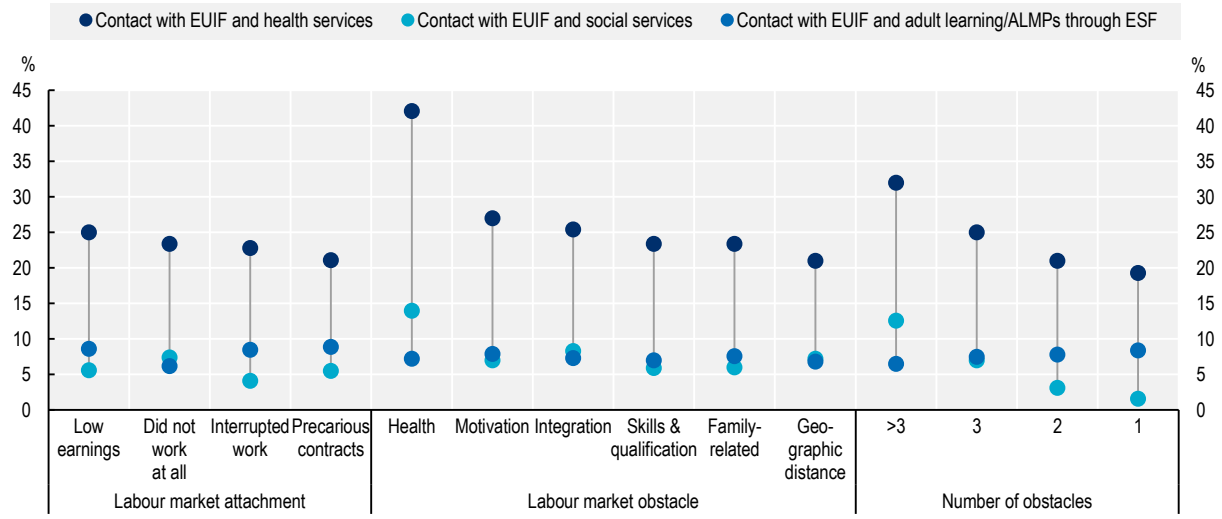
As over the years the EUIF has started to provide ALMPs that have similar components to health care and social services and as some programmes financed via the ESF funding cover ALMPs and adult learning, similar services can be potentially provided by several institutions.[10]

The potential overlaps of service provision between the EUIF and other service providers concern health care services (see Figure 6.6) as 24% of EUIF clients in 2017-19 received some service from the health care providers that was similar to ALMPs provided by the EUIF. Participation in other types of services while being in contact with the EUIF is relatively rare. Furthermore, people with long-term health obstacles in contact with the EUIF are also more likely to receive services from all other providers – health care providers, social service providers as well as adult learning ALMPs financed from the ESF funding.

The data on participation in services from other providers while in contact with the EUIF indicates also that some networking and co-operation between the different institutions probably does take place. The more obstacles a person with weak attachment to the labour market has, the more likely it is that this person receives services from several different service providers.

Figure 6.6. People in contact with the EUIF sometimes use other services simultaneously

Share of people among EUIF clients who simultaneously receive labour market related services from other service providers, by labour market attachment and obstacles



Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/mv1dt7

For some of the ALMPs provided by the EUIF there is a higher risk of duplication by other service providers as similar services are provided by other institutions. In particular, this is the case for technical aids, rehabilitation services, providing support persons for people with health issues, support with transport for people with health obstacles, debt counselling and addiction counselling.

However, overlaps between different services are quite rare. The biggest overlap detected in the dataset is between technical aids provided by social service providers, health service providers (only orthoses in this analysis) and the EUIF. About 4.5% of people who receive such services received them from at least two providers. Nevertheless, there is virtually no overlap between technical aids provided by the EUIF and other service providers as the overlap concerns almost exclusively technical aids from health services and social services. Close to 10% of people receiving such services from social service providers also received them from health service providers.

A higher but still moderate level of overlap exists for rehabilitation services, as about 7.5% of people who receive such a service, receive it from at least two different providers. The majority of people receive rehabilitation services only from health services. However, when people receive rehabilitation services from the EUIF or social service providers, a considerable fraction (> 50%) receives, in addition, rehabilitation services also from health services.

Overlaps for other services (support persons, transportation services in case of health obstacles, debt counselling, addiction counselling) are less common.[11]

6.4.4. Changes are necessary to ensure holistic approaches through networking

To encourage holistic approaches across the providers of employment, social and health services, networking and building partnerships have to be maintained strongly in the EUIF agenda. A Eurofound (2017[26]) study among EU countries indicates that poor co-ordination of employment and other services tends to be the key issue limiting the provision of effective services and measures to the economically inactive people. Even in countries like Denmark where municipalities co-ordinate both employment and social services on the local level, the services are often provided by several different local authorities and offices, which can be complex for the citizens.

To overcome the fragmentation of services, PES across countries are increasingly co-operating with social service providers to reach and support vulnerable groups more effectively. For example, as the Finnish system of employment and social services has been largely operating in two different silos, the creation of one-stop-shops for NEETs has been an effective approach (Box 6.6). In the Estonian system it would not make sense to create new employment centres specifically for youth in the current institutional set-up and well-developed employment services (Scharle et al., 2018[27]). However, some approaches of the Finnish one-stop-shops could be useful to be adopted in the existing Estonian youth centres (*noortekeskused*) and particularly in the activities of Youth Prop Up (*noorte tugila*).

Furthermore, platforms for one-stop-shops could be envisaged for other particularly vulnerable groups without changing the overall institutional set-up. Co-operation practices between employment and social services without fundamentally changing the institutional set-up have been tested also in many other countries, such as Belgium (Flanders), France, Slovenia and Sweden. Instead of full formal merger of services, these countries have practiced multidisciplinary teams and partnerships based on informal and voluntary co-operation. These practices are successful in case both/all parties have a willingness to co-operate and at least some capacity to do so. The joint case management should concern above all clients that need simultaneous support from several service providers, as there are clients who need only ALMPs, as well as clients who need first strong support by social welfare services (e.g. solving housing or mobility issues, home violence, difficulties with everyday activities) before ALMPs could be helpful. The experience of Flanders could also be an example on how to improve information exchange between institutions to support joint case management.

In addition, Estonia could consider scaling up the Youth Guarantee Support System tool that links data from nine different registers to detect NEETs and facilitates the social workers to reaching out to NEETs and network with other service providers in case needed (see also Chapter 4). This tool could potentially be extended to other age groups to enable reaching out to discouraged workers more generally.

Box 6.6. Ensuring holistic approaches to the groups in need

One-stop-shops for long-term unemployed in Finland

Finland has been testing different set-ups to increase holistic-multiprofessional approaches over the years. For example, joint services called Labour Market Service Centres (LAFOS) were introduced in 2004 to support long-term unemployed people with multiple challenges. The joint services started as voluntary co-operation between PES, the social insurance institution KELA and municipalities. Regardless of formalising this co-operation across country in 2015, the services have stayed fragmented, particularly due to data exchange challenges.

PITKO experiment in 2017-18 moved PES counsellors temporarily to local a municipality in Pirkanmaa region. The pilot enabled personal employment coaches to provide improved working life oriented services due to capacity increase (in the background of underfinanced public employment offices).

Regarding NEET youth, Ohjaamo centres (piloted 2014-18 and now rolled out fully) have been evaluated to be particularly successful practices in Finland. Ohjaamo centres provide a platform for one-stop-shops bringing together service providers from private, public and third sector. The key staff are youth and employment counsellors from PES and social workers from municipalities, but also study counsellors, psychologists, nurses, outreach workers and role models. In 2021, the Finnish Government plans to further invest in the Ohjaamo centres to hire additional social workers and education professionals in these centres, as well as piloting new apprenticeship models and providing short-term psychotherapy. In addition, the government has agreed to a fixed-term start-up pilot, increasing business training and support during the early stages of entrepreneurship for youth in a number of regions.

The Finnish Government is planning further pilots of multi-professional models in 2021-23, aiming to provide access to employment, health care and social welfare services at the same time according to a person's individual needs. According to the plan, certain tasks of employment offices in more than 30 municipalities would be temporarily transferred to local governments.

As Estonia has an institutionally well-established PES, severe changes in the institutional set-up similarly to Finland will be likely not beneficial. Nevertheless, some better platforms for joint-services for specific targets groups could be envisaged, learning from the experience of Finland.

Linking employment and social services in France

The French PES, Pôle emploi, and regions (*Départements*) introduced starting from 2014 a programme to support people with multiple labour market obstacles: *l'accompagnement global*. The programme is targeted to people who are registered with PES and face both professional and social difficulties, such as jobseekers who are confronted with financial problems, which hamper their job search. The objective of the programme is to take account of jobseekers' personal situation from a global perspective, i.e. including their labour market situation, educational background, family circumstances and economic and social problems.

L'accompagnement global relies on the co-operation between PES and Départements. Jobseekers benefitting from this programme are supported through a PES caseworkers and a social worker from the Département. While the former focuses on professional difficulties, helping to identify personal labour market obstacles and to set up an action plan to find employment, the latter provides support to address social problems, such as legal problems related to housing or financial difficulties. Support from the PES caseworker and the social worker are co-ordinated so as to provide a well-tailored individual solution.

The importance of *l'accompagnement global* has been growing over time, reaching over 71 000 jobseekers in 2018. Satisfaction rates among beneficiaries are high, at about 85%. According to an evaluation of the programme, *l'accompagnement global* increases the probability to find stable employment within six months after entering the programme by 27%.

Source: Scharle et al. (2018[27]), *Study on integrated delivery of social services aiming at the activation of minimum income recipients in the labour market – success factors and reformpathways,* https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8148&furtherPubs=yes; Savolainen (2018[28]), *One-Stop-Shop Guidance Centres for young people (Ohjaamo),* https://ec.europa.eu/social/BlobServlet?docId=19409&langId=en; Arnkil (2019[29]), *Integrating social and labour market services – lessons from Tampere region, Finland*; Ministry of Economic Affairs and Employment (2020[30]), *Government proposes to expand the local government trials on boosting employment;* Ministry of Economic Affairs and Employment (2020[31]), *Minister of Employment Haatainen: Government budget session decisions support the achievement of the employment target;* Ministry of Economic Affairs and Employment (2020[32]), *Minister of Employment Haatainen: Government spending limit discussion and supplementary budget support the processing of applications and multi-professional services;* Pôle Emploi (2018[33]), *Rapport Annuel 2018*; Pôle Emploi (2020[34]), https://www.pole-emploi.org.

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Annex 6.A. Detailed results of microdata analysis

Annex Table 6.A.1. The EUIF is in contact with people weakly attached to the labour market, but does not reach everybody

Share of people in contact with the EUIF by their labour market attachment and obstacles

	Contact with the EUIF at least once:	In 2018	Between 2017 and 2019	Between 2012 and 2019	Total group size (=100%)
PES contact by labour market attachment					
Working-age population (15-64)	Well attached to the labour market in 2018	4.2%	13.4%	29.0%	448 909
	Weak attachment to the labour market in 2018	27.4%	39.3%	54.9%	205 996
	Did not work at all	20.7%	32.5%	48.3%	92 885
	Worked with interruptions	45.1%	56.2%	68.4%	72 749
	Precarious contracts	25.1%	39.6%	57.6%	18 120
	Low earnings	31.3%	43.9%	60.0%	84 949
Pensioners	Weak attachment to the labour market in 2018	1.5%	3.1%	13.6%	93 440
PES contact by labour market obstacles (15-64 year-olds weakly attached to the labour market in 2018)					
Skills and qualification obstacles		28.6%	41.4%	57.7%	140 858
Geographic distance obstacles		36.8%	51.9%	67.0%	36 377
Family-related obstacles		27.9%	40.0%	55.7%	130 992
Health obstacles		45.1%	60.2%	73.0%	43 400
Integration obstacles		23.7%	34.7%	49.6%	86 377
Motivation obstacles		40.7%	55.0%	69.5%	21 191
No obstacles detected		23.2%	33.4%	48.1%	12 251
At least 1 labour market obstacle		27.6%	39.7%	55.3%	193 745
1 obstacle type		23.1%	33.6%	49.4%	45 370
2 obstacle types		24.4%	35.7%	51.9%	67 249
3 obstacle types		27.9%	40.0%	55.9%	52 188
More than 3 obstacle types		42.0%	57.7%	71.4%	28 938

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when in contact with the EUIF (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/rokhi1

Annex Table 6.A.2. ALMPs are targeted to people weakly attached to the labour market, but do not reach everybody

Share of people referred to ALMPs by the EUIF, by their labour market attachment and obstacles in 2018, ALMPs in 2018, 2017-19 and 2012-19

		ALMP participation in 2018	ALMP participation between 2017 and 2019	ALMP participation between 2012 and 2019	ALMP referrals (including non-participation), 2017-19	Total group size (=100%)
ALMPs by labour market attachment						
	Well attached to the labour market in 2018	2.6%	9.1%	19.4%	10.0%	448 909
	Weak attachment to the labour market in 2018	17.6%	28.2%	41.0%	31.3%	205 996
Working-age population (15-64)	Did not work at all	12.7%	22.1%	34.8%	24.6%	92 885
	Worked with interruptions	29.8%	42.1%	53.0%	46.6%	72 749
	Precarious contracts	15.2%	27.6%	41.9%	31.2%	18 120
	Low earnings	21.1%	33.0%	46.4%	36.5%	84 949
Pensioners	Weak attachment to the labour market in 2018	0.8%	1.9%	8.7%	2.1%	93 440
ALMPs by obstacles, 15-64 year-olds weakly attached to the labour market in 2018						
Skills and qualification		18.2%	29.6%	42.7%	33.1%	140 858
Geographic distance		25.0%	39.2%	52.5%	42.7%	36 377
Family-related challenges		17.9%	28.9%	41.9%	32.0%	130 992
Health		29.2%	43.1%	56.6%	46.5%	43 400
Integration		15.2%	24.5%	36.6%	27.0%	86 377
Motivation		26.5%	40.6%	53.3%	45.2%	21 191
No obstacles detected		14.9%	23.8%	35.9%	25.9%	12 251
At least 1 labour market obstacle		17.7%	28.5%	41.3%	31.6%	193 745
1 obstacle type		14.7%	23.9%	36.0%	26.8%	45 370
2 obstacle types		15.5%	25.6%	38.3%	28.6%	67 249
3 obstacle types		17.9%	29.0%	41.9%	32.2%	52 188
More than 3 obstacle types		27.4%	41.7%	55.2%	45.2%	28 938

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving an ALMP (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/sl4731

Annex Table 6.A.3. Training measures and employment incentives might not reach those who need these ALMPs

Share of people receiving ALMPs by the EUIF by their labour market attachment and obstacles, ALMP provision in 2017-19

		Labour market services	Training	Employment incentives	Supported employment and rehabilitation	Direct job creation	Start-up incentives
ALMPs by labour market attachment							
Working-age population (15-64)	Well attached to the labour market in 2018	7.1%	4.1%	1.4%	0.4%	0.0%	0.1%
	Weak attachment to the labour market in 2018	24.2%	14.1%	6.1%	1.7%	0.4%	0.4%
	Did not work at all	19.6%	10.4%	3.3%	1.7%	0.4%	0.3%
	Worked with interruptions	35.9%	22.4%	10.8%	1.8%	0.5%	0.6%
	Precarious contracts	23.7%	13.3%	4.6%	1.4%	0.7%	0.4%
	Low earnings	27.8%	16.6%	9.1%	2.0%	0.4%	0.5%
Pensioners	Weak attachment to the labour market in 2018	1.6%	0.8%	0.2%	0.0%	0.0%	0.0%
ALMPs by obstacles, 15-64 year-olds weakly attached to the labour market in 2018							
Skills and qualification		25.5%	14.6%	6.8%	1.9%	0.4%	0.2%
Geographic distance		35.4%	18.8%	11.1%	2.3%	0.7%	0.3%
Family-related challenges		25.0%	14.3%	6.3%	1.7%	0.5%	0.4%
Health		37.4%	19.8%	11.6%	7.7%	0.9%	0.3%
Integration		21.6%	12.1%	5.2%	2.1%	0.5%	0.2%
Motivation		34.3%	21.7%	9.3%	2.3%	0.6%	0.6%
No obstacles detected		19.6%	12.2%	3.8%	0.1%	0.3%	1.2%
At least 1 obstacle detected		24.5%	14.2%	6.2%	1.8%	0.4%	0.4%
1 obstacle		19.9%	12.3%	4.2%	0.4%	0.3%	0.7%
2 obstacles		21.5%	12.9%	5.1%	1.1%	0.4%	0.4%
3 obstacles		25.2%	14.4%	6.5%	2.2%	0.4%	0.2%
More than 3 obstacles		37.3%	19.6%	11.5%	5.1%	0.9%	0.2%

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving an ALMP (e.g. a year earlier, when the person might have been fully out of employment). LMP categories as defined in the EC/OECD LMP database.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/6oevs3

Annex Table 6.A.4. People furthest from the labour market are not covered with health insurance and do not access the services they might need

Share of people receiving services that are similar to the ALMPs, but not provided by the EUIF, in 2017-19, by labour market attachment and obstacles

		Social services	Health services	Adult learning and ALMPs through ESF	Total (any of the 3 types)	Total group size (=100%)
Services received from other providers, by labour market attachment						
Working-age population(15-64)	Well attached to the labour market in 2018	1.4%	17.2%	4.3%	21.2%	448 909
	Weak attachment to the labour market in 2018	3.5%	16.0%	4.4%	20.7%	205 996
	Did not work at all	4.0%	12.7%	3.1%	16.7%	92 885
	Worked with interruptions	2.8%	17.5%	5.9%	23.0%	72 749
	Precarious contracts	3.5%	15.2%	5.4%	20.7%	18 120
	Low earnings	3.6%	19.7%	5.7%	25.2%	84 949
Pensioners	Weak attachment to the labour market in 2018	0.7%	20.2%	1.1%	21.2%	93 440
Services received from other providers, by labour market obstacles, 15-64 year-olds weakly attached to the labour market in 2018						
Skills and qualification		3.8%	16.0%	4.0%	20.6%	140 858
Geographic distance		5.5%	16.1%	4.5%	22.1%	36 377
Family-related challenges		3.8%	15.7%	4.4%	20.6%	130 992
Health		13.6%	37.1%	5.4%	44.4%	43 400
Integration		4.8%	14.3%	3.7%	19.1%	86 377
Motivation		5.1%	21.4%	5.6%	27.1%	21 191
No obstacles detected		0.4%	13.5%	5.6%	18.3%	12 251
At least 1 obstacle		3.7%	16.1%	4.4%	20.8%	193 745
1 obstacle type		1.1%	13.7%	4.7%	17.9%	45 370
2 obstacle types		2.0%	13.7%	4.3%	17.7%	67 249
3 obstacle types		4.2%	15.9%	4.1%	20.3%	52 188
More than 3 obstacle types		11.0%	26.2%	4.5%	33.6%	28 938

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment). Adult learning and ALMPs through ESF do not include those ALMPs that are implemented by the EUIF. Social services and health services include those that are provided via ESF funding.
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/8c10p7

Annex Table 6.A.5. Two-thirds of people working intermittently access labour market and related services, but only one-third of people who did not work at all in 2018

Share of people referred to ALMPs or similar services by the EUIF or other providers, by their labour market attachment and obstacles in 2018, services provided in 2018 or 2017-19

		Service participation between 2017 and 2019	Service participation between 2017 and 2019, including counselling and job mediation	Total group size (=100%)
Services by labour market attachment				
Working-age population(15-64)	Well attached to the labour market in 2018	27.4%	30.6%	448 909
	Weak attachment to the labour market in 2018	39.6%	47.8%	205 996
	Did not work at all	31.9%	39.4%	92 885
	Worked with interruptions	51.2%	62.1%	72 749
	Precarious contracts	39.6%	48.7%	18 120
	Low earnings	46.6%	54.7%	84 949
Pensioners	Weak attachment to the labour market in 2018	22.7%	23.5%	93 440
Services by obstacles, 15-64 year-olds weakly attached to the labour market in 2018				
Skills and qualification		40.7%	49.4%	140 858
Geographic distance		49.4%	58.9%	36 377
Family-related challenges		40.0%	48.2%	130 992
Health		65.3%	74.8%	43 400
Integration		35.1%	42.1%	86 377
Motivation		52.5%	63.2%	21 191
No obstacles detected		35.6%	43.3%	12 251
At least 1 labour market obstacle		39.9%	48.0%	193 745
1 obstacle type		34.9%	42.7%	45 370
2 obstacle types		35.7%	43.5%	67 249
3 obstacle types		39.6%	47.4%	52 188
More than 3 obstacle types		57.9%	67.9%	28 938

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/kbj0c6

Annex Table 6.A.6. People in contact with EUIF sometimes use other services simultaneously

Share of people among EUIF clients who simultaneously receive labour market related services from other service providers, by labour market attachment and obstacles

		Contact with EUIF and social services	Contact with EUIF and health services	Contact with EUIF and adult learning/ALMPs through ESF
Services received from other providers, by labour market attachment				
Working-age population(15-64)	Weak attachment to the labour market in 2018	5.7%	23.8%	7.7%
	Did not work at all	7.4%	23.4%	6.2%
	Worked with interruptions	4.1%	22.8%	8.5%
	Precarious contracts	5.5%	21.1%	8.9%
	Low earnings	5.6%	25%	8.6%
Pensioners	Weak attachment to the labour market in 2018	2.3%	22.0%	6.5%
Services received from other providers, by labour market obstacles, 15-64 year-olds weakly attached to the labour market in 2018				
Skills and qualification		6.0%	23.4%	7.0%
Geographic distance		7.3%	21.0%	6.8%
Family-related challenges		6.2%	23.4%	7.6%
Health		14.7%	42.1%	7.2%
Integration		8.8%	25.4%	7.3%
Motivation		6.9%	27.0%	7.9%
No obstacles detected		0.5%	17.2%	9.7%
At least 1 obstacle		6.0%	24.1%	7.5%
1 obstacle type		1.7%	19.3%	8.4%
2 obstacle types		3.4%	21.0%	7.8%
3 obstacle types		6.7%	25.0%	7.5%
More than 3 obstacle types		12.7%	32.0%	6.5%

Note: Labour market attachment refers to the labour market attachment in 2018. For example, a person who had a precarious contact in 2018, might have not had this kind of contract when receiving a service (e.g. a year earlier, when the person might have been fully out of employment).
Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/d0m3vj

Annex Table 6.A.7 Classification of the ALMPs provided by the EUIF

ALMP in Estonian	ALMP in English	Target Obstacle	Number of client inflow in 2018
Alaealise töötamise toetus	Employment subsidy for minors	Skills and qualification	4 327
Avalik töö	Public work	Integration	66
Ettevõtluse alustamise toetus	Business startup subsidy	Geographic distance	436
Hooldusteenus	Care allowance	Family-related challenges	33
Individuaalne rakendumine	Individual work placement	Integration	222
Järelnõustamine ettevõtluse alustamise toetuse saajatele	Counselling for startups	Geographic distance	31
Kaitstud töö	Sheltered employment	Health	187
Karjäärinõustamine	Career counselling	General	20 379
Karjääriinfo vahendamine	Career information provision	General	0
Karjääriinfotuba	Career information centre	General	11 414
Karjäärinõustamine noortele	Career counselling for young people	General	0
Karjäärinõustamine töötavatele ja mitteaktiivsetele	Career counselling for employed and inactive people	General	16 106
Kogemusnõustamine	Peer counselling	Health	182
Koolitustoetus tööandjale muutuste olukorras	Training grant upon changing circumstances for employers	Skills and qualification	197
Koolitustoetus tööandjale töötaja eesti keel oskuse arendamiseks	Training grant for development of employees' Estonian language proficiency	Skills and qualification	435
Koolitustoetus tööandjale töötajate värbamiseks	Recruitment training grant for employers	Skills and qualification	50
Kvalifikatsiooni saamise toetamine töötavatele	Support for obtaining qualifications	Skills and qualification	141
Mentorlus	Mentoring for startups	Geographic distance	126
Minu esimene töökoht	My first job	Skills and qualification	1 018
Minu esimene töökoht Eestis	My first job in Estonia	Integration	6
Mobiilsustoetus	Mobility support	Geographic distance	415
Muu teenus	Other ALMPs	Integration	71
Palgatoetus	Wage subsidy	Integration	2 887
Proovitöö	Work trial	General	4 788
Psühholoogiline nõustamine	Psychological counselling	Health	2 156
Saatja sõidukulu hüvitamine	Reimbursement of travel expenses for support person	Health	1
Sõltuvusnõustamine	Addiction counselling	Health	317
Sotsiaalne rehabilitatsioon	Social rehabilitation	Health	0
Täiendkoolitus ettevõtluse alustamise toetuse saajatele	Training for startups	Skills and qualification	227
Talgutöö	Community work	Integration	29
Tasemeõppes osalemise toetus	A degree study allowance	Skills and qualification	820
Tehnilise abivahendi andmine	Working with special aids and equipment	Health	180
Töö harjutus	Coaching for working life	Integration	2 040
Töö praktika	Work practice	Skills and qualification	4 210
Tööalane rehabilitatsioon	Workrelated rehabilitation	Health	3 145
Tööandja koolituskulude hüvitamine	Reimbursement of training expenses to employer	Skills and qualification	95
Tööintervjuul abistamise teenus	Communication support at interviews	Health	4
Tööklubi	Job club	General	3 001

ALMP in Estonian	ALMP in English	Target Obstacle	Number of client inflow in 2018
Töökoha kohandamine	Adaptation of premises and equipments	Health	8
Töökoha loomise toetus	Job creation subsidy	Geographic distance	0
Töölesõidu toetus	Travel-to-work allowance	Health	703
Tööotsingu töötuba	Job search training	General	13 381
Tööturukoolitus koolituskaardiga töötavatele	Labour market training with a training card for employed	Skills and qualification	2 380
Tööturukoolitus töötutele ja tööotsijatele (sh kutseeksam)	Labour market training for unemployed and jobseekers (including qualification exam)	Skills and qualification	22 738
Tugiisikuga töötamine	Working with support person	Health	344
Vabatahtlik töö	Voluntary work	Skills and qualification	717
Võlanõustamine	Debt counselling	Integration	1 810

Source: Unemployment Insurance Fund data.

StatLink https://stat.link/l5dvi6

Annex Table 6.A.8. ALMPs and people they reach, by obstacles faced

ALMP	Target obstacle	Obstacles faced by people who are provided with ALMP					
		Skills	Geographical	Family	Health	Integration	Motivation
Employment subsidy for minors	Skills and qualification	100%	12%	30%	9%	5%	1%
Public work	Integration	83%	17%	79%	76%	32%	13%
Business startup subsidy	Geographic distance	35%	10%	53%	14%	18%	17%
Counselling on EURES	Geographic distance	79%	51%	57%	26%	36%	13%
EURES Information		75%	38%	56%	25%	33%	14%
Providing information on EURES	Geographic distance	84%	44%	57%	32%	43%	12%
Care allowance	Family-related challenges	57%	8%	76%	18%	30%	11%
Individual work placement	Integration	77%	42%	72%	56%	52%	11%
Counselling in group	General	82%	34%	57%	37%	41%	14%
Counselling for startups	Geographic distance	30%	13%	53%	17%	21%	14%
Sheltered employment	Health	81%	32%	76%	99%	43%	9%
Career information provision	General	77%	34%	55%	34%	41%	15%
Career counselling	General	65%	22%	55%	32%	31%	15%
Career counselling for young people	General	93%	15%	36%	14%	46%	3%
Career counselling for employed and inactive people	General	69%	22%	38%	27%	25%	11%
Peer counselling	Health	71%	27%	64%	92%	50%	18%
Training grant upon changing circumstances for employers	Skills and qualification	74%	21%	32%	25%	22%	9%
Training grant for development of employees' Estonian language proficiency	Skills and qualification	94%	29%	24%	15%	40%	6%
Recruitment training grant for employers	Skills and qualification	52%	10%	33%	24%	16%	12%
Support for obtaining qualifications	Skills and qualification	63%	15%	40%	38%	16%	16%
Mentoring for startups	Geographic distance	29%	15%	50%	15%	17%	16%
My first job	Skills and qualification	79%	24%	53%	24%	28%	10%
My first job in Estonia	Integration	70%	0%	90%	0%	80%	20%
Mobility support	Geographic distance	60%	27%	48%	35%	29%	15%

ALMP	Target obstacle	Obstacles faced by people who are provided with ALMP					
		Skills	Geographical	Family	Health	Integration	Motivation
Other ALMPs	Integration	70%	31%	64%	70%	46%	13%
Wage subsidy	Integration	70%	26%	52%	51%	31%	16%
Regional job creation subsidy	Geographic distance	81%	35%	64%	30%	36%	13%
Work trial	General	80%	35%	58%	40%	35%	15%
Psychological counselling	Health	64%	20%	57%	44%	33%	16%
Addiction counselling	Health	74%	38%	79%	68%	62%	23%
Training for startups	Skills and qualification	25%	8%	50%	14%	16%	15%
Community work	Integration	47%	46%	68%	35%	47%	14%
A degree study allowance	Skills and qualification	76%	27%	49%	47%	34%	14%
Working with special aids and equipment	Health	57%	12%	41%	99%	18%	20%
Workrelated rehabilitation	Health	72%	20%	51%	94%	41%	14%
Reimbursement of training expenses to employer	Skills and qualification	66%	16%	43%	19%	19%	8%
Coaching for working life	Integration	79%	37%	72%	54%	60%	12%
Communication support at interviews	Health	100%	0%	90%	100%	50%	30%
Job club	General	73%	24%	58%	41%	42%	15%
Adaptation of premises and equipments	Health	37%	4%	37%	100%	15%	19%
Job creation subsidy	Geographic distance	95%	58%	60%	53%	38%	12%
Travel-to-work allowance	Health	70%	22%	39%	96%	30%	23%
Job search training	General	69%	22%	55%	31%	32%	14%
Work practice	Skills and qualification	77%	31%	58%	35%	34%	14%
Labour market training with a training card for employed	Skills and qualification	86%	33%	31%	32%	31%	8%
Labour market training for unemployed and jobseekers (including qualification exam)	Skills and qualification	66%	19%	54%	28%	31%	17%
Working with support person	Health	86%	48%	68%	87%	42%	15%
Voluntary work	Skills and qualification	59%	24%	63%	47%	39%	15%
Debt counselling	Integration	84%	33%	74%	47%	53%	18%

Source: OECD calculations based on administrative microdata.

StatLink https://stat.link/se2ugq

Notes

[1] In the Estonian legal system, jobseekers are a distinct category with different rights and obligations than registered unemployed. A jobseeker can be an unemployed or an employed person looking for a job. The term covers, for example, people in employment looking for a new job, including people who have received a redundancy notice from their employer, or people in retirement age looking for a job. In the current report, the term jobseeker is defined as in the Estonian legal system only if explicitly stating this. In all other cases, a jobseeker is defined more generally as an unemployed or an employed person looking for a job, covering both "registered unemployed" as well as "jobseekers" in the Estonian legal system.

[2] A few specific ALMPs are not recorded in the EUIF registers by individuals (such as general counselling within rapid response service, MOBI, job fairs) and are therefore not taken into account.

[3] The Work Ability Reform has provided significant incentives for people with long-term health problems to contact the EUIF through work ability benefits and new ALMPs. In addition, health insurance coverage can be an incentive for people with temporary or recently discovered health problems.

[4] See a thorough overview on approaches to reach out to inactive population through generating awareness as well as other approaches in Mosley et al. (2018[2]) concerning older workers, working-age women and migrants and in Scharle (2012[35]) concerning older workers.

[5] A train-first approach focuses on increasing jobseekers' employability first, rather than prioritising a quick entry into employment (the work-first approach).

[6] https://www.tootukassa.ee/eng/baromeeter.

[7] https://oska.kutsekoda.ee/en/.

[8] An example from France: https://travail-emploi.gouv.fr/droit-du-travail/les-contrats-de-travail/article/le-cheque-emploi-service-universel-cesu-declaratif..

[9] https://www.ams.at/arbeitsuchende/karenz-und-wiedereinstieg/so-unterstuetzen-wir-ihren-wiedereinstieg.

[10] If several institutions provide similar service to tackle the same obstacle, it could lead to overlaps and inefficiencies (e.g. similar technical aids are provided by social service providers, health care service providers as well as ALMP providers). At the same time, different services by these three types of service providers might be necessary to tackle multiple labour market obstacles as well as the same obstacle in certain cases (e.g. a person who has to change occupation due to injuries from an accident might need health-related rehabilitation measures from the health care sector, technical aid from the Social Insurance Board and re-training from the EUIF). Although the EUIF provides work-related rehabilitation and technical aids for working, these might not be always advisable substitutes for the services from other providers.

[11] The overlap concerning services provided by the municipalities might be underestimated as not all municipalities insert the data on their social services sufficiently into the central IT database STAR.

Connecting People with Jobs

Improving the Provision of Active Labour Market Policies in Estonia

This report on Estonia is the seventh country study published in a series of reports looking into how policies connect people with jobs. It discusses the set-up and performance of active labour market policies (ALMPs) in Estonia. In particular, the report analyses the institutional and regulatory framework of ALMP provision in Estonia, assesses the need for ALMPs in the Estonian population and evaluates whether ALMPs reach the people they are targeted to. For that purpose, the report relies on the analysis of a rich set of linked administrative data which allow to identify the labour market obstacles faced by people furthest from the labour market, and identify gaps and overlaps in the ALMPs and related support provided to them.

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