



EC-OECD PROJECT IMPROVING THE PROVISION OF ACTIVE
LABOUR MARKET POLICIES IN ESTONIA
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**IMPROVING THE PROVISION OF
ACTIVE LABOUR MARKET POLICIES IN
ESTONIA**
OECD report

Stefano Scarpetta

Director

Directorate for Employment, Labour and Social Affairs

OECD





EC-OECD-SOM project “Improving the Provision of Active Labour Market Policies in Estonia”

Objectives

- Support further **increases in the employment rate** and the transition towards **better jobs**
- Identify possible **improvements in the provision of ALMPs** through adjustments to the institutional set-up of labour market policy design and implementation
- Propose ways to **improve ALMP targeting and outreach** strategies for the segments of the labour market that are not sufficiently addressed



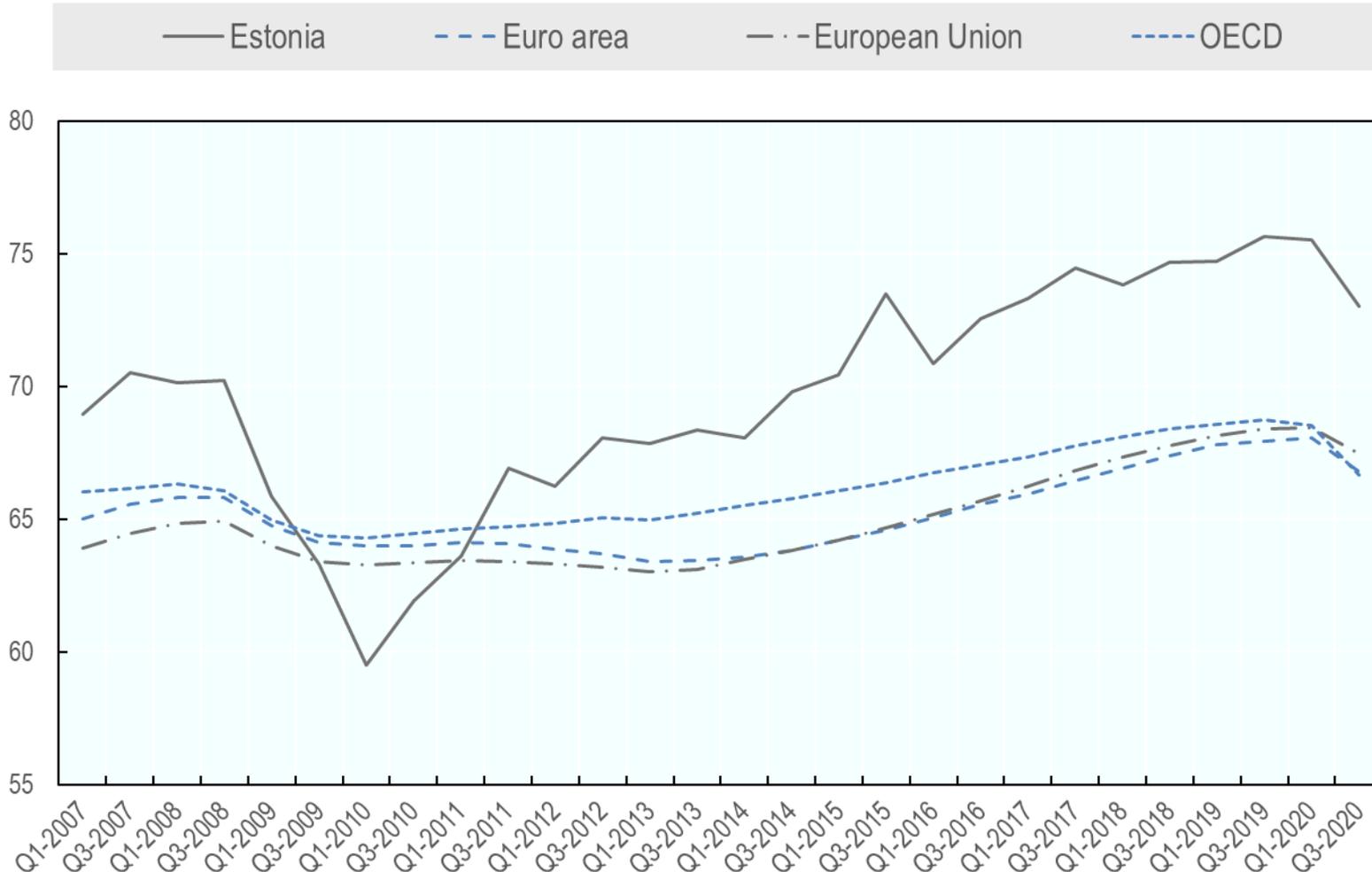
Analyses

- **Analysis of linked administrative data** from more than 20 registers to:
 - Identify groups in need of ALMPs to integrate the labour market
 - Understand the obstacles they face
 - Identify gaps and overlaps in service provision
- **Analysis of legal texts** to identify areas for improving institutional and regulatory setup
- **Analysis of international good practices** and lessons drawn for Estonia



Estonia has a strong labour market, but structural challenges persist

Employment rate among the working-age population, in %

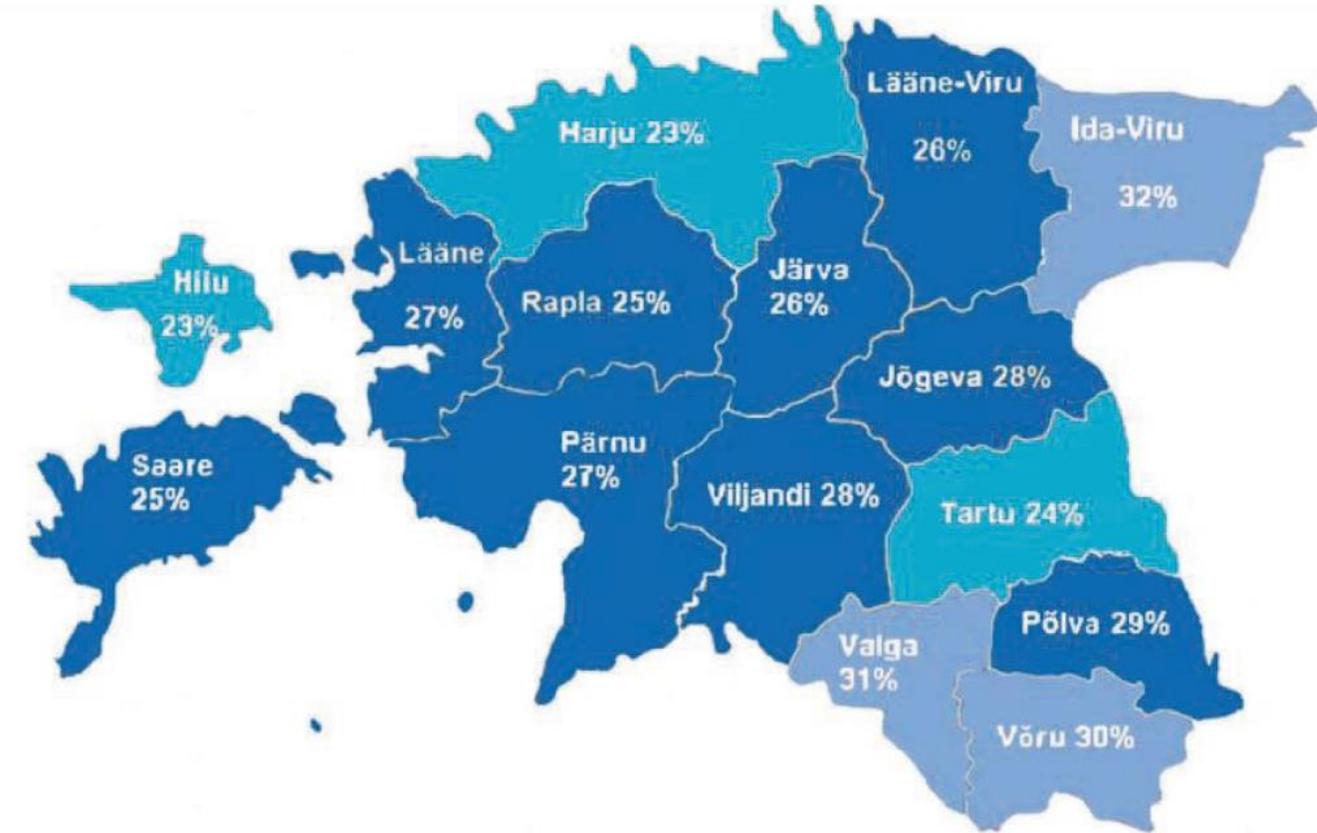


- The Estonian **population will shrink** and age rapidly
- Stark differences across **regions**
- Employment rates differ by **age, education level, health,** and other factors
- High degree of **skill mismatch**
- Among the unemployed **high poverty risk** (52% in 2018) and **low skill level** (40%)
- Uncertainty due to **COVID-19**



Despite a healthy labour market, many people lack stable jobs and income

Share of 15-64 year-olds, who could work, with no solid attachment to the labour market, 2018



Source: OECD report "Connection People with Jobs: Improving the Provision of Active Labour Market Policies"

In 2018, 26% of 15-64 year-olds (200 000 people) in Estonia could achieve better labour market outcomes through targeted ALMPs

They face a wide range of labour market obstacles...

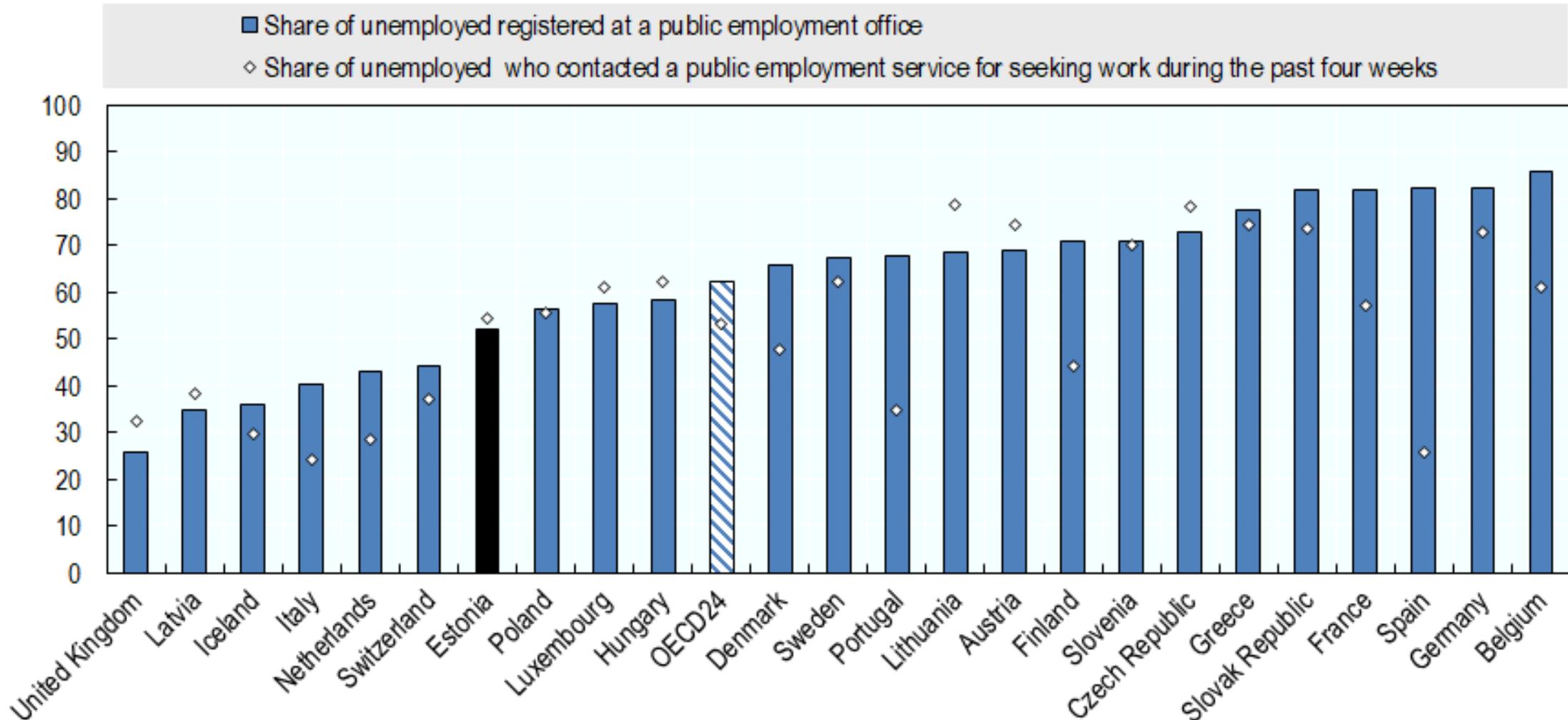
- Low skills 68%, family-related challenges 64%, social integration issues 42%, health limitations 21%, geographic distance to jobs 19%

...and often a combination of them

However, there is no typical combination of obstacles, calling for individual support



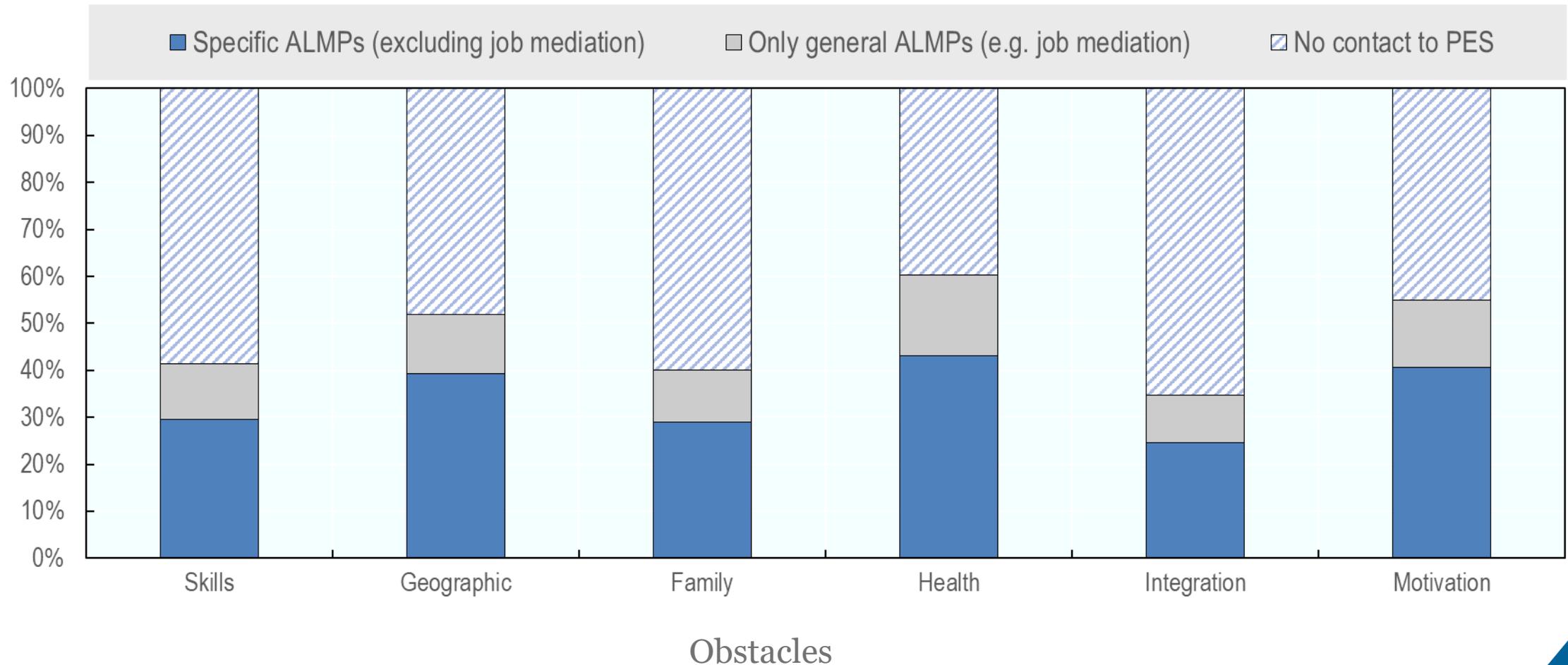
The share of job seekers contacting PES is lower than in other countries...





...and groups with certain types of obstacles do not have sufficient access to ALMPs

Share of ALMP participants among people with no stable employment, by the obstacles they face





More outreach to people far from the labour market is needed

Assessment

- ALMP receipt **varies** among people with no solid employment, **depending on the obstacles** they face
- ALMP participation is **highest among people with health obstacles** (60%), in part due to the Work Ability Reform
- ALMP receipt is **lowest (35%) among people who face integration challenges** and are very far from the labour market
- Referral to ALMPs is high once a person is in contact with PES → **Outreach is key for comprehensive support**

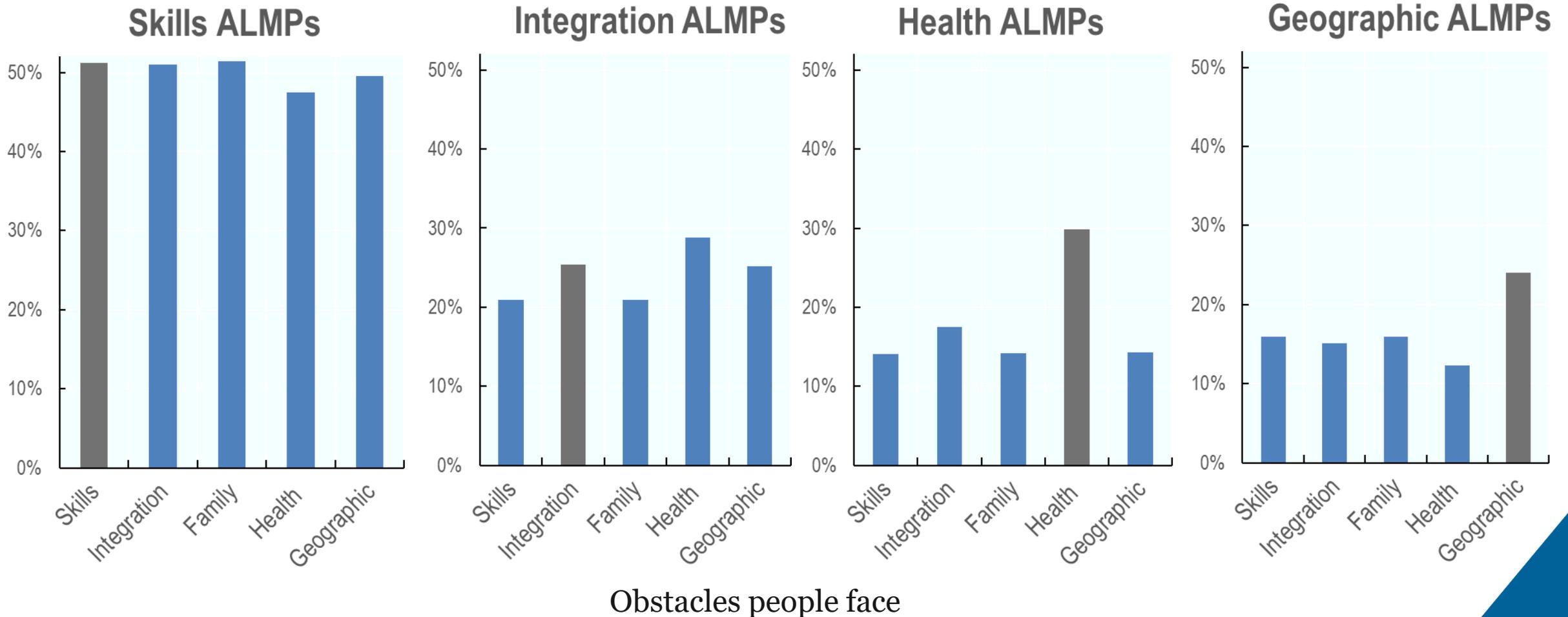
Recommendations

- Continue to **reinforce outreach to discouraged workers and groups far from the labour market**
 - Strengthen cooperation with municipalities to facilitate outreach
 - Use direct and indirect channels (e.g. media) to reach out
- **Strengthen outreach to older workers** by communicating clearly what the EUIF can offer



Not all ALMPs are well targeted to the obstacles people face

Participation in specific types of ALMPs among all ALMP participants, by labour market obstacles they face





Recommendations to improve ALMP targeting and coverage

Holistic approaches across organisations

- **Reinforce cooperation and networking** between organisations (EUIF, Social Insurance Board, Health Insurance Fund, municipalities)
- **Improve data and information exchange** between the different institutions concerning employment, social and health policies
- Set up **multidisciplinary teams** and informal and voluntary **partnerships** between employment counsellors and other professionals (e.g. social workers)

ALMP basket and coverage

- **Ensure access to training measures among the low-skilled**
 - Involve the stakeholders from both employment and education policy to design and implement adult learning programmes
 - Adapt training programmes to better fit the needs of the low skilled, minimising discouraging aspects and preventing drop-out
- **Support particularly vulnerable groups**
 - Allocate more working time of the caseworkers of particularly discouraged unemployed to present these clients to employers



The institutional and regulatory set-up of ALMPs needs to support service provision

Assessment

- The key features of the institutional set-up, including the **tripartite balance** in the Supervisory Board of the Unemployment Insurance Fund, have proven to work well
- The legal set-up of ALMP provision is **complex**, making its administration **burdensome**
- **Significant improvements in the coordination of social, health and employment policies** have been achieved through the Work Ability Reform

Recommendations

- **Maintain the key features** of the institutional set-up, including **tripartite balance**
- Restrict the **act adopted by the Parliament to include only key aspects** of ALMP provision.
- Set details of ALMP provision in more **flexible regulation** (e.g. decrees by the Government, the Minister or decisions by the PES Supervisory Board).



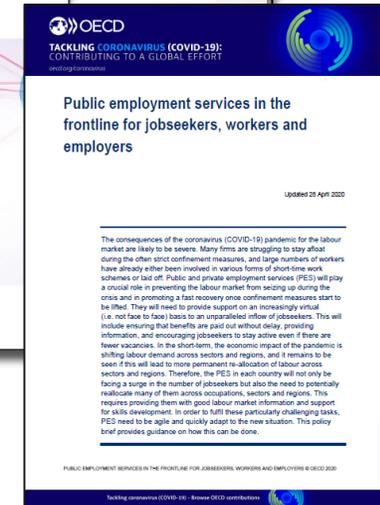
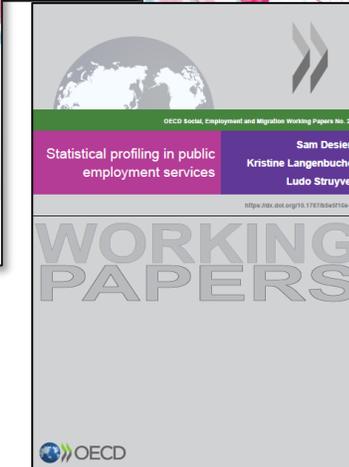
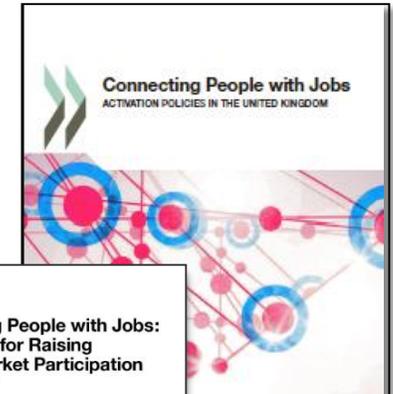
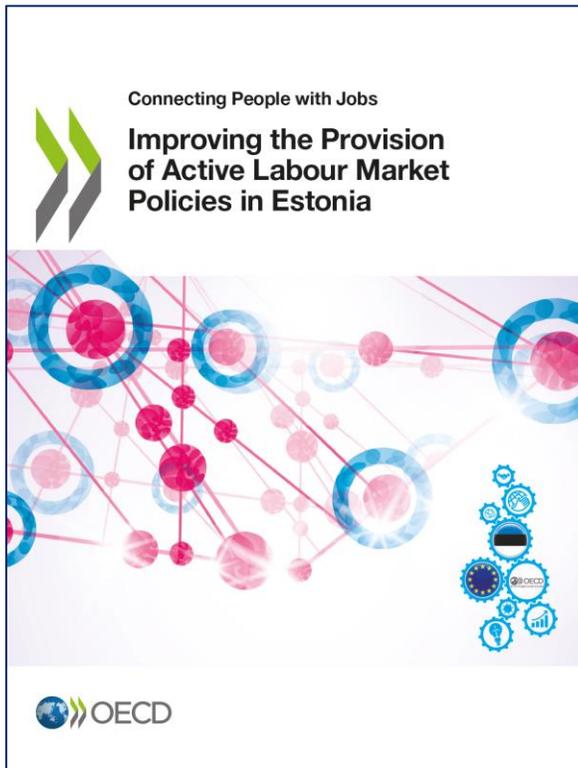
Key messages

- **The overall provision of ALMPs in Estonia is good but its coverage can still improve**
- **The legal set-up of ALMP provision needs to be re-designed to address changing needs in the labour market, and not cause administrative inefficiencies**
- **Better cooperation and coordination across policy fields and institutions is needed to make ALMPs more effective**



Contacts

Contact: Stefano Scarpetta (Stefano.SCARPETTA@oecd.org), Theodora Xenogiani (Theodora.XENOGIANI@oecd.org), Anne Lauringson (Anne.LAURINGSON@oecd.org), Marius Lüske (Marius.LUSKE@oecd.org)



OECD Directorate for Employment, Labour and Social Affairs: www.oecd.org/els

More on active labour market policies and activation strategies:

www.oecd.org/els/employment/activation.htm