

Estonia

Regions and Cities at a Glance provides a comprehensive assessment of how regions and cities across the OECD are progressing in a number of aspects connected to economic development, health, well-being and the net zero-carbon transition. It presents indicators on individual regions and cities to assess disparities within countries and their evolution since the turn of the new millennium. Each indicator is illustrated by graphs and maps. The report covers all OECD countries and, where data is available, partner countries and economies.

Territorial definitions

The data in this note reflect different sub-national geographic levels in OECD countries:

- **Regions** are classified on two territorial levels reflecting the administrative organisation of countries: large regions (TL2) and small regions (TL3). Small regions are classified according to their access to metropolitan areas (Fadic et al. 2019).
- **Functional urban areas** consist of cities – defined as densely populated local units with at least 50 000 inhabitants – and adjacent local units connected to the city (commuting zones) in terms of commuting flows (Dijkstra, Poelman, and Veneri 2019). Metropolitan areas refer to functional urban areas above 250 000 inhabitants.

In addition, some indicators use the degree of urbanisation classification (OECD et al. 2021), which defines three types of areas:

- **Cities** consist of contiguous grid cells that have a density of at least 1 500 inhabitants per km² or are at least 50% built up, with a population of at least 50 000.
- **Towns and semi-dense areas** consist of contiguous grid cells with a density of at least 300 inhabitants per km² and are at least 3% built up, with a total population of at least 5 000.
- **Rural areas** are cells that do not belong to a city or a town and semi-dense area. Most of these have a density below 300 inhabitants per km².

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Regional economic trends

Employment and unemployment rates in regions

In Estonia, regional disparities in unemployment rates are stark compared to other OECD countries. While in Northeast Estonia 12.2% of the working force was unemployed in 2022Q2, the share was 4.8% in Southern Estonia.

Meanwhile, the difference in employment rate between the regions with the highest (North Estonia) and lowest (Northeast Estonia) employment rates reached 18 percentage points in 2022.

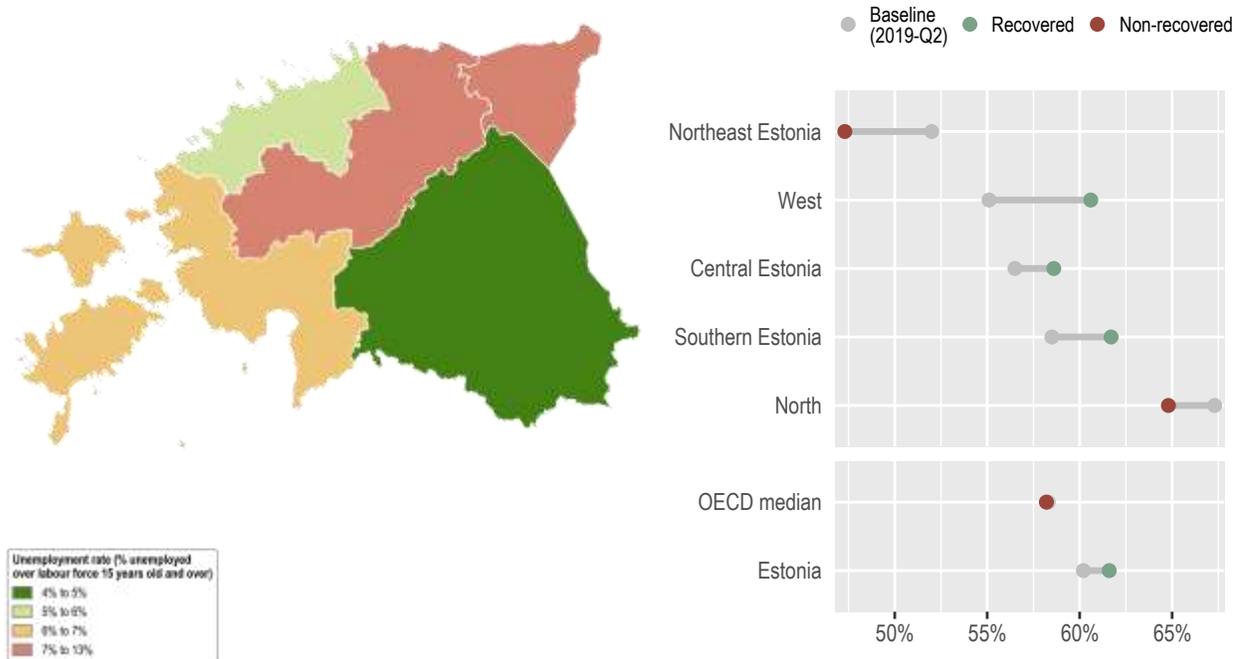


Figure 1: Unemployment rates in small regions, 2022Q2

Figure 2: Change in employment rates in small regions, 2019Q2-2022Q2

Note: Harmonised employment and unemployment rates, aged 15 and over. The OECD median corresponds to the median employment rate in large regions.

Source: OECD (2022), "Short-term regional statistics", *OECD Regional Statistics* (database)

The first year of COVID-19 on GDP per capita

The first year of COVID-19 resulted in a decrease in GDP per capita in all Estonian regions. West Estonia, a region with a GDP per capita -43% below the national average (18 744 vs. 33 140 USD PPP), experienced the largest decrease in GDP among Estonian regions, of approximately -5%.

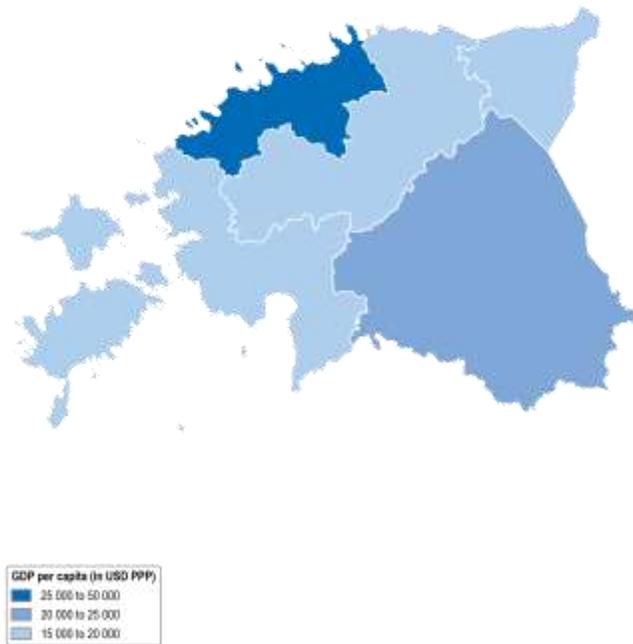


Figure 3: GDP per capita in small regions, 2020

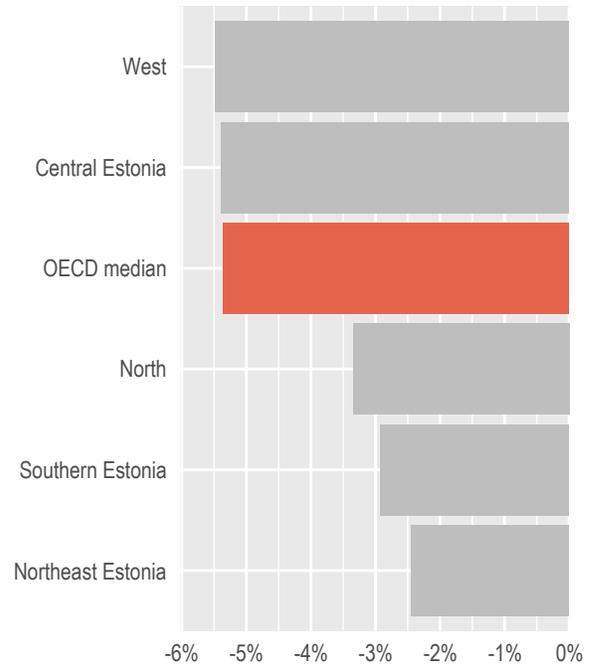


Figure 4: % change in GDP per capita in small regions, 2019-2020

Note: GDP per capita is measured in constant prices and constant PPPs, reference year 2015. Constant prices are calculated using national deflators. The OECD median corresponds to the median decline in GDP per capita observed across OECD large regions over the period.
 Source: OECD (2022), "Regional economy", *OECD Regional Statistics* (database)

Trends in regional economic disparities in the last decade

Differences between Estonian regions in terms of GDP per capita have slightly increased over the past nine years. Higher growth in the richer regions has driven such increase.

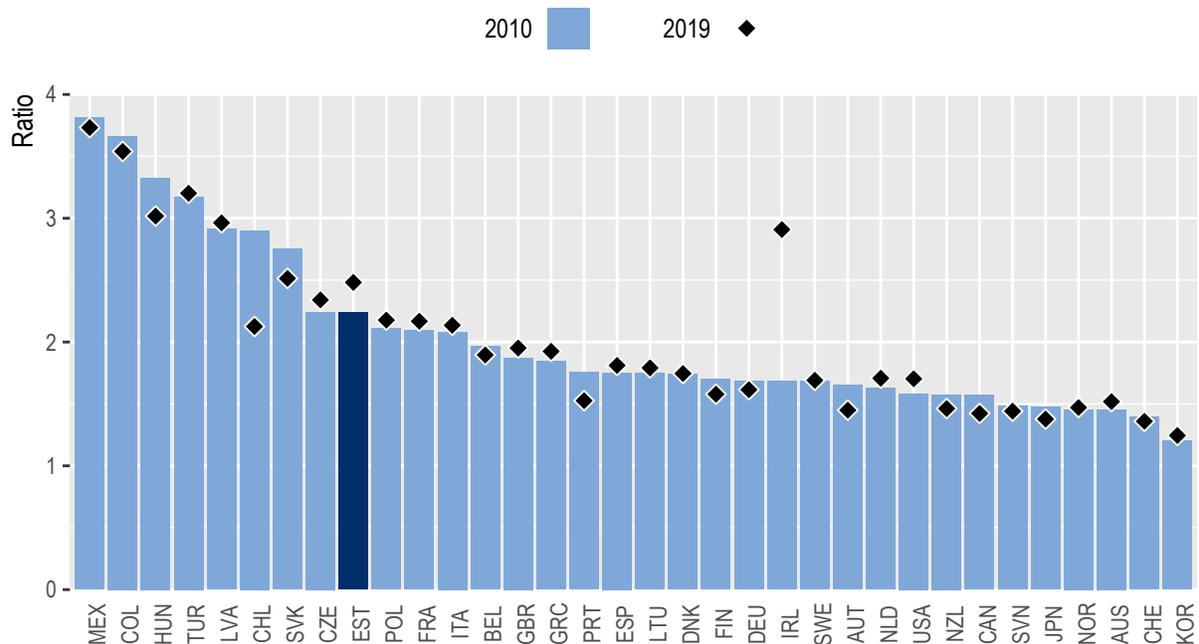


Figure 5: Index of regional disparities in GDP per capita (richest 20% relative to poorest 20% of regions)

Note: The GDP per capita of the top and bottom 20% regions are defined as those with the highest/lowest GDP per capita until the equivalent of 20% of the national population is reached. A ratio of 2 means the richest regions have a GDP per capita twice as large as the poorest regions. The indicator is calculated using large regions, except for Latvia and Estonia, where small regions are used instead. Irish GDP underwent an [upwards revision](#) in 2016. Care is advised in its interpretation.

Source: OECD (2022), "Regional economy", *OECD Regional Statistics* (database)

Productivity trends in the last decade

Between 2010 and 2019, Central Estonia and West Estonia experienced the highest and lowest productivity growth in Estonia, respectively. Central Estonia saw a labour productivity increase of 2.1% per year, above the OECD average of 0.9%¹. During the same period, West Estonia experienced a decline in measured labour productivity, averaging -1.1% per year.

Most Estonian regions experienced a decline in labour productivity between 2019 and 2020. West Estonia experienced the largest decline, with a drop of 3.2%

¹ International comparability in 2019 and 2020 is limited because of methodological differences in the calculation of employment counts during the height of the COVID-19 economic crisis.

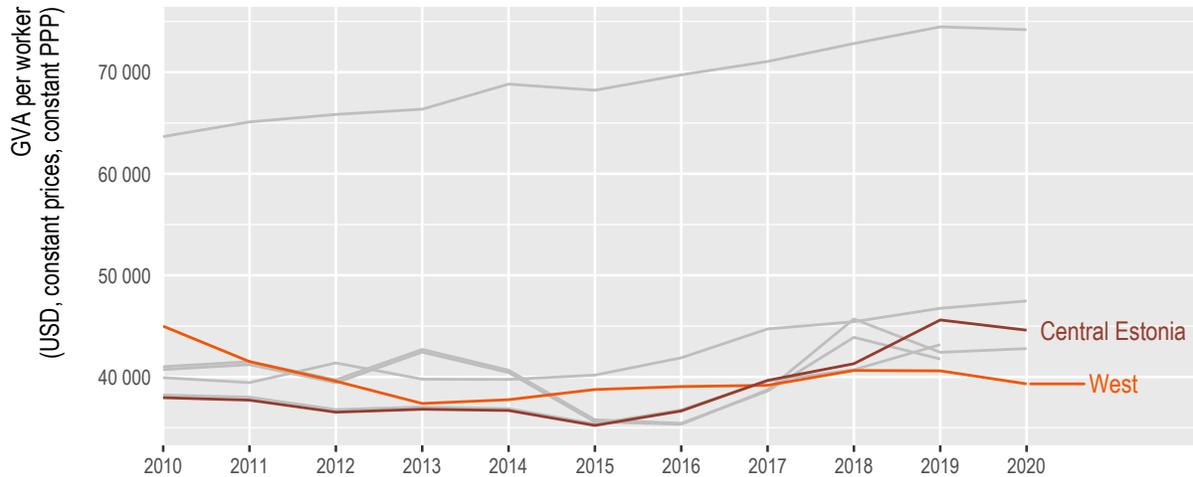


Figure 6: Regions with the highest and lowest productivity growth between 2010 and 2020

Note: Regional Gross Value Added (GVA) per worker, in USD, constant prices, constant PPP, base year 2015.
 Source: OECD (2022), "Regional economy", *OECD Regional Statistics* (database)

Well-being, liveability and inclusion in regions

Regional well-being

Estonia faces stark regional disparities across eight well-being dimensions, with the starkest disparities in terms of community, safety and jobs.



Figure 7: Regional gaps in well-being

Note: Regional indices provide a first comparative glance of well-being in OECD regions. The figure shows the relative ranking of the regions with the best and worst outcomes in the eleven well-being dimensions, relative to all OECD regions. The eleven dimensions are ordered by decreasing regional disparities in the country. Each well-being dimension is measured by the indicators in the table below.

Relative to other OECD regions, Estonia performs best in the environment dimension, with all of Estonian regions lying in the top 20% of OECD regions.

The top 20% of Estonian regions rank above the OECD median region in 9 out of 14 well-being indicators, performing best in terms of education and employment.

	Country average	Median OECD region	Estonian regions	
			Top 20%	Bottom 20%
 Community				
Perceived social network support (%), 2016-20	92.8	90.5	93.7	6.5
 Safety				
Homicide Rate (per 100 000 people), 2021	2.0	1.4	0.0	4.0
 Jobs				
Employment rate 15 to 64 years old (%), 2021	74.0	68.5	77.6	67.9
Unemployment rate 15 to 64 years old (%), 2021	6.5	5.8	5.7	9.3
 Civic engagement				
Voters in last national election (%), 2019	63.7	66.7	66.8	54.4
 Education				
Population with at least upper secondary education, 25-64 year-olds (%), 2021	89.5	80.4	92.1	82.4
 Health				
Life Expectancy at birth (years), 2015	78.0	80.3	78.7	75.9
Age adjusted mortality rate (per 1 000 people), 2020	8.9	8.0	8.3	9.9
 Access to services				
Households with broadband access (%), 2017	87.0	86.0	91.1	81.4
Internet download speed: deviation from OECD average (%), 2021-Q4	-38.2	..	-28.3	-55.9
 Housing				
Rooms per person, 2017	1.7	1.6	1.8	1.4
 Life Satisfaction				
Life satisfaction (scale from 0 to 10), 2016-20	6.2	6.6	6.3	5.9
 Income				
Disposable income per capita (in USD PPP), 2018	15 224	20 601	16 840	12 706
 Environment				
Level of air pollution in PM 2.5 (µg/m³), 2020	6.3	10.8	5.3	6.7

Figure 8: How do the top and bottom regions fare on the well-being indicators?

Note: Regional well-being indices are affected by the availability and comparability of regional data across OECD countries. The indicators used to create the indices can therefore vary across OECD publications as new information becomes available. For more visuals, visit <https://www.oecdregionalwellbeing.org>.

The digital divide

Fixed Internet connections in Estonian cities and rural areas deliver speeds significantly slower than the OECD average (-15% and -52%, respectively). This gap (37 percentage points) is smaller than in most other OECD countries.

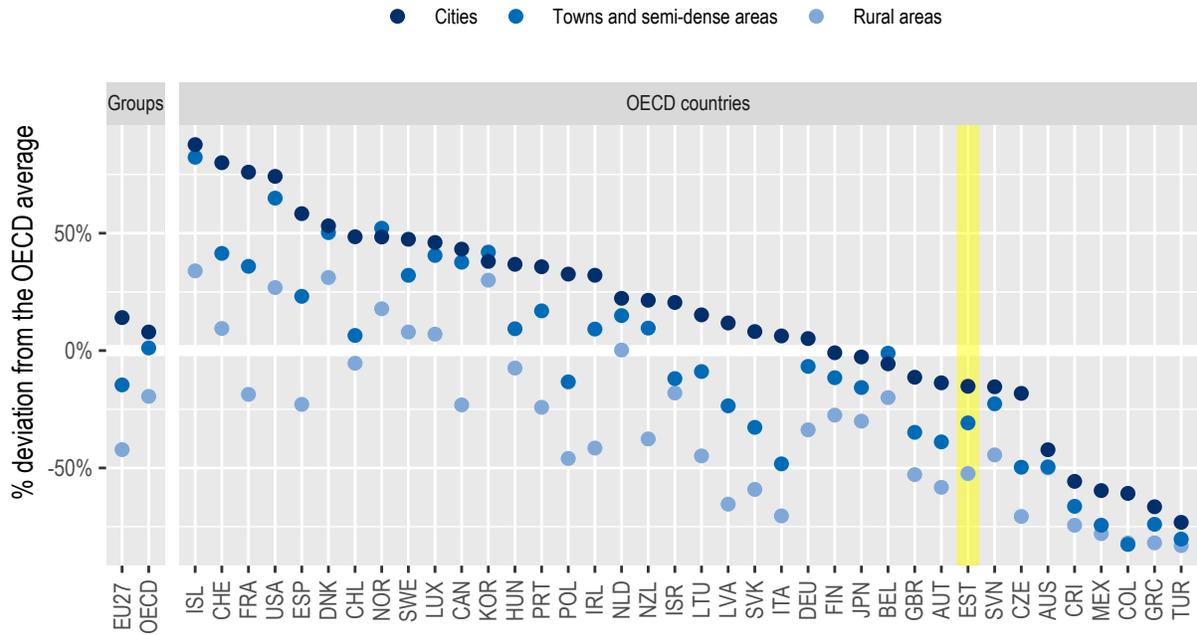


Figure 9: Speed of fixed Internet connections relative to the OECD average, by degree of urbanisation, 2021Q4

Note: Cities and rural areas are identified according to the degree of urbanisation (OECD et al. 2021). Internet speed measurements are based on speed tests performed by users around the globe via the Ookla Speedtest platform. As such, data may be subject to testing biases (e.g. fast connections being tested more frequently), or to strategic testing by ISPs in specific markets to boost averages. For a more comprehensive picture of Internet quality and connectivity across places, see OECD (2022), *"Broadband networks of the future"*.

Source: OECD calculations based on [Speedtest by Ookla Global Fixed and Mobile Network Performance Maps](#) for 2021Q4.

The average speed of fixed Internet connections is below the OECD average in all Estonian regions. Within the country, residents of North Estonia, Southern Estonia and Northeast Estonia experience the fastest connections.

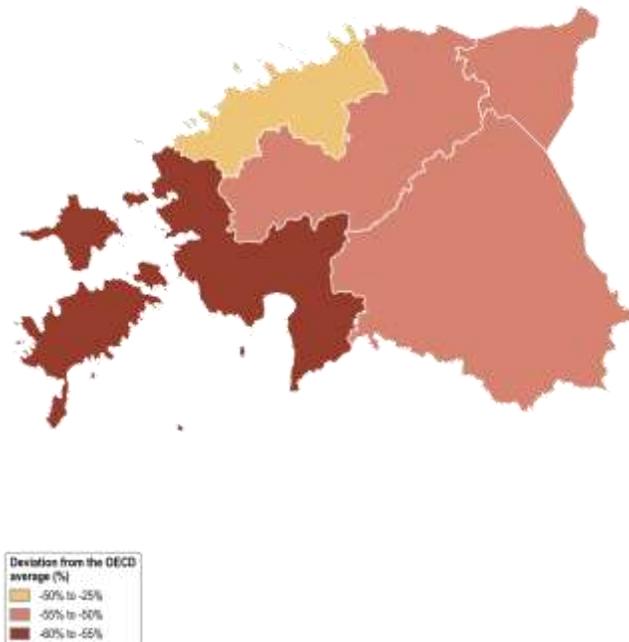


Figure 10: Speed of fixed Internet connections relative to the OECD average, in small regions (2021Q4)

Demographic trends in regions and cities

Population projections by type of regions across OECD countries

Between 2020 and 2040, the population of Estonia is expected to grow in metropolitan regions and decrease in other types of regions. Regions far from a metropolitan area are expected to see the greatest change, with their population decreasing, on average, by 16 % over the next two decades.

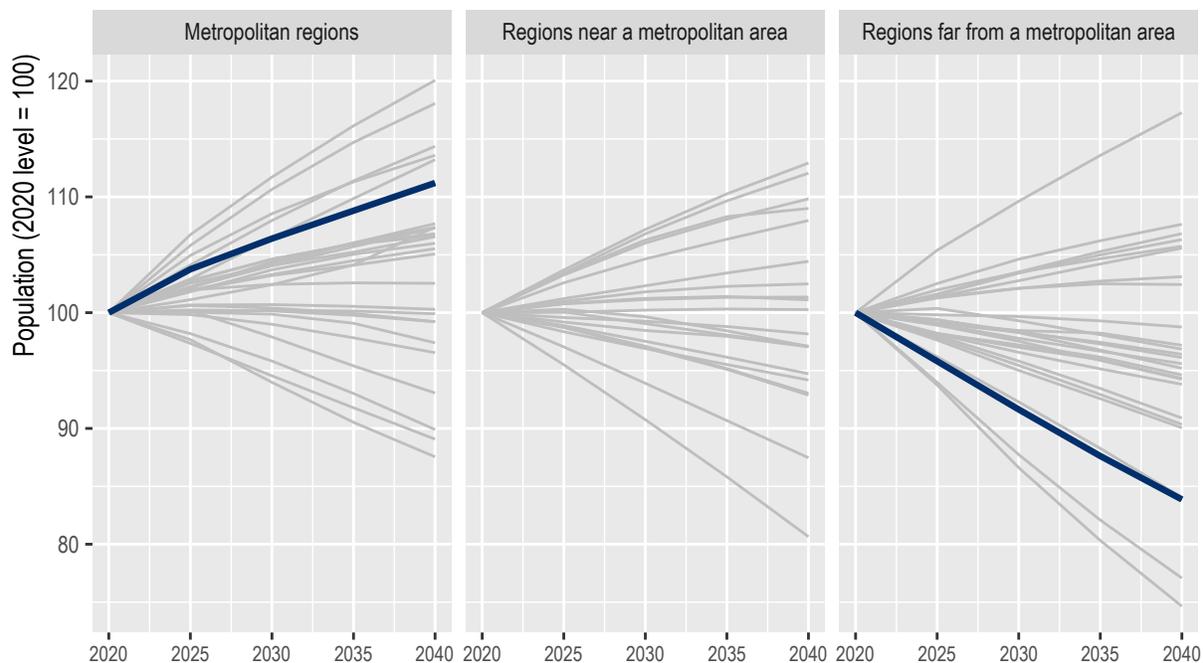


Figure 11: Population projections across OECD countries, by type of regions

Note: Lines represent the population projection in OECD countries per type of region (Fadic et al. 2019). Estonia is highlighted in blue.

Dependency rate and proportion of the elderly

In the coming two decades, the share of the elderly population in Estonia is expected to increase across all types of regions.

The elderly dependency rate² in Estonia is also higher than the OECD average (30.4 %) in most regions, ranging from 42.9% in Northeast Estonia to 27.5% in North Estonia.

² The elderly dependency rate compares the number of elderly people at an age when they are generally economically inactive (i.e. aged 65 and over), to the number of people of working age (i.e. 15-64 years old).

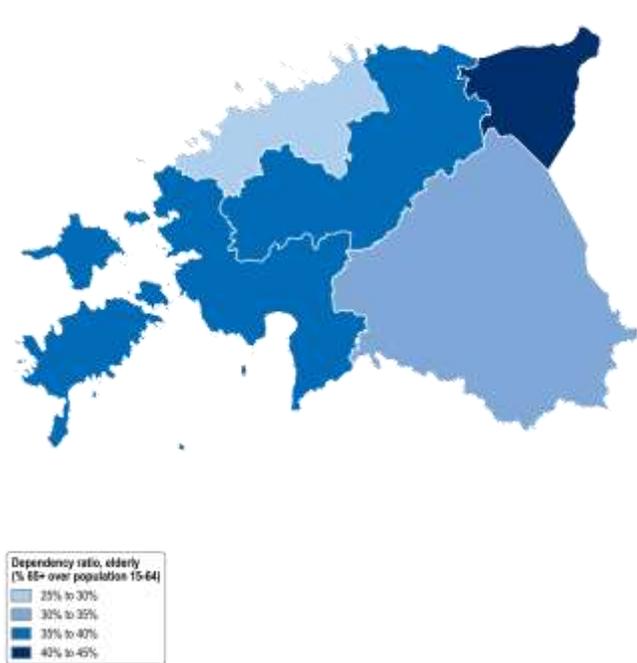


Figure 12: Elderly dependency rate in small regions, 2021

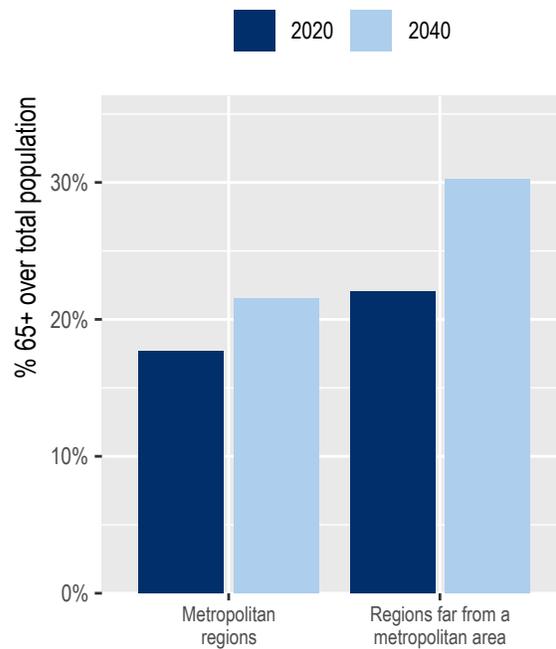


Figure 13: Evolution of the elderly population by type of region

Population in cities

Between 2010 and 2021, 67% of cities in Estonia experienced a decline in population. Population growth ranged from -1.7% per year in Narva to 0.9% per year in Tallinn.

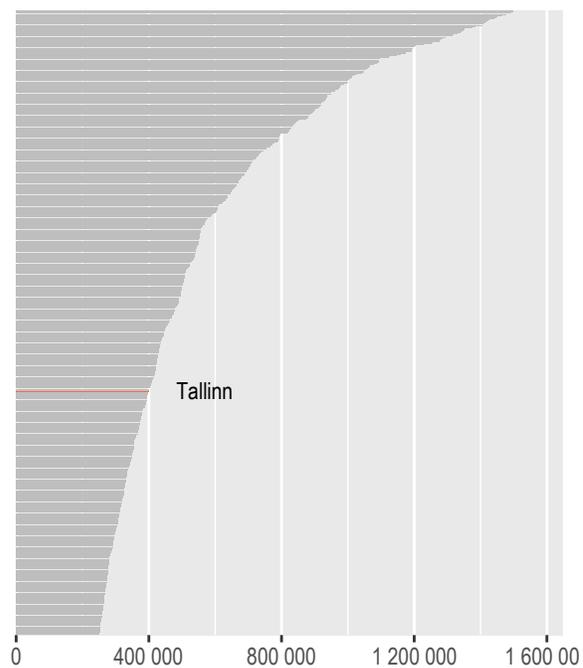
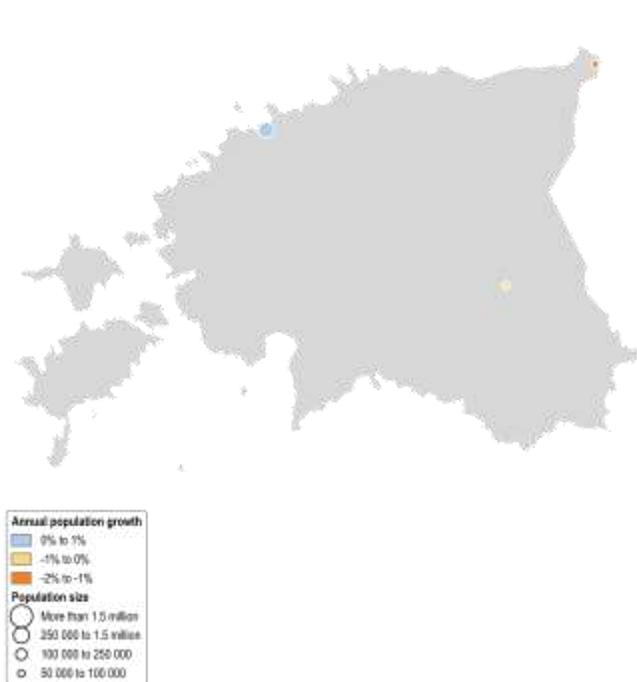


Figure 14: Population growth between 2010 and 2021

Figure 15: Population in OECD functional urban areas, 2021 or latest available year

Note: Cities refer to functional urban areas (Dijkstra, Poelman, and Veneri 2019). The boundaries of functional urban areas correspond to the 2020 Urban Audit. Population counts for the functional urban area are estimated from administrative regional data (TL3 regions, OECD regional database), using the population distribution from population grids. For readability, only a selection of cities are labelled.

Over the past decade, the population has grown the most in Tallinn. Narva has shrunk.

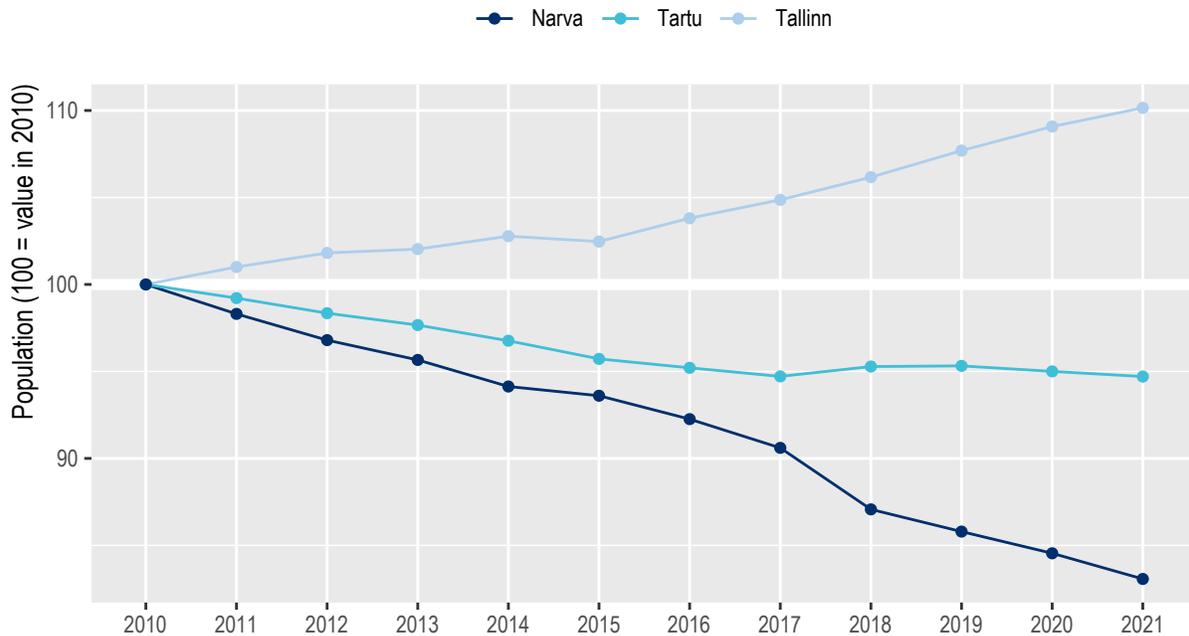


Figure 16: Population by size of functional urban area (100 = value in 2010), 2010-2021

Environmental challenges in regions and cities

Greenhouse gas emissions in regions

Since 1990, production-based greenhouse gas emissions have decreased in most Estonian regions. North Estonia (56%) and West Estonia (-54%) experienced the largest increase and decrease in emissions, respectively.

On average, Estonian regions decreased their emissions by 1.35% per year between 1990 and 2018. This is below the 1.93% yearly reduction rate needed to reach the EU target of a 55% reduction in emissions by 2030, with respect to 1990 levels.

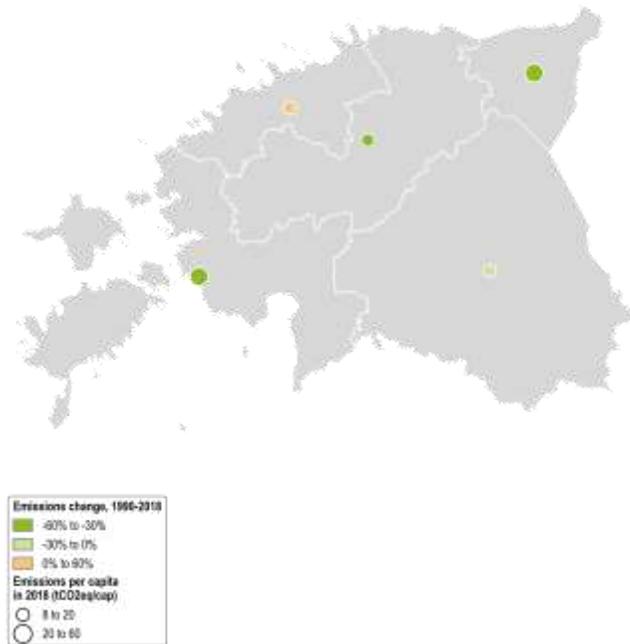


Figure 17: Change in production-based emissions in small regions, 1990-2018

Note: Bubbles are proportional to *per capita* greenhouse gas emissions, not to the overall level of greenhouse gas emissions in the region.
 Source: OECD calculations, based on the Emissions Database for Global Atmospheric Research (European Commission. Joint Research Centre. 2019).

In 2018, greenhouse gas emissions per capita in Estonia were largest in Northeast Estonia, West Estonia and Central Estonia. Power accounts for the largest share of greenhouse gas emissions in the three regions.

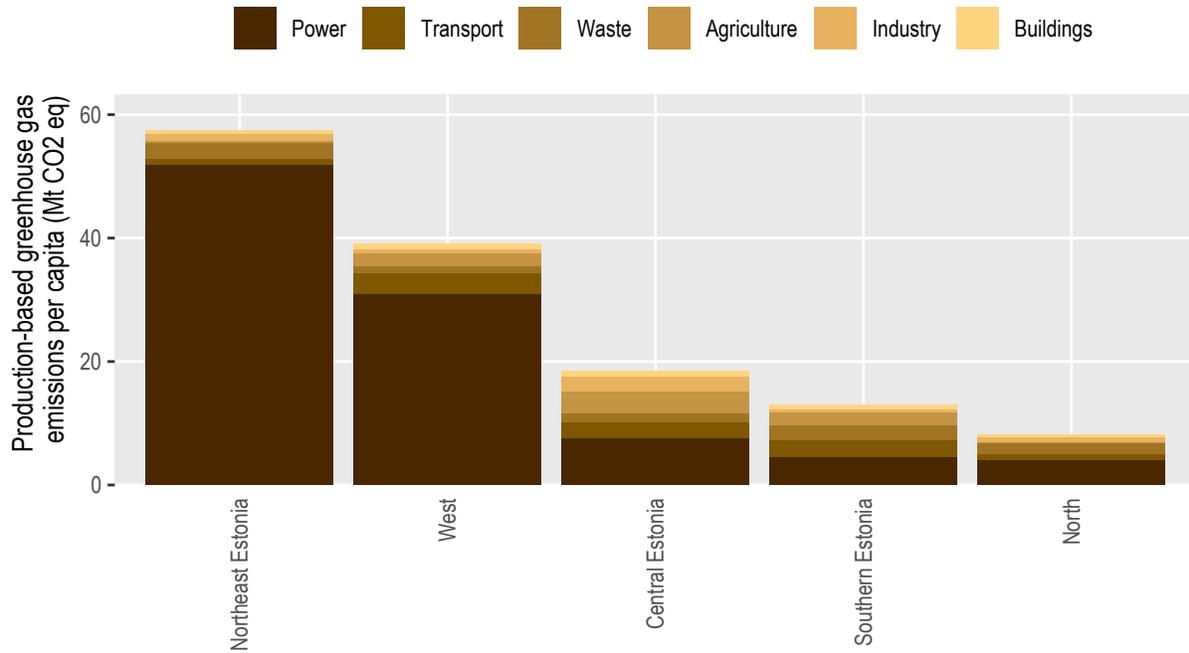


Figure 18: Production-based greenhouse gas emissions per capita in small regions, 2018

Note: Regions with low population counts may rank high in greenhouse gas emissions per capita while contributing relatively little to overall emissions in the country.

Urban heat island effect

In Estonian cities, the difference in temperature between cities and their surrounding areas (i.e. urban heat island intensity) reaches 4.1 degrees Celsius (°C). The largest effect is observed in Tartu and Narva, two cities that are, on average, 5°C and 3.8°C warmer than their surrounding areas, respectively.

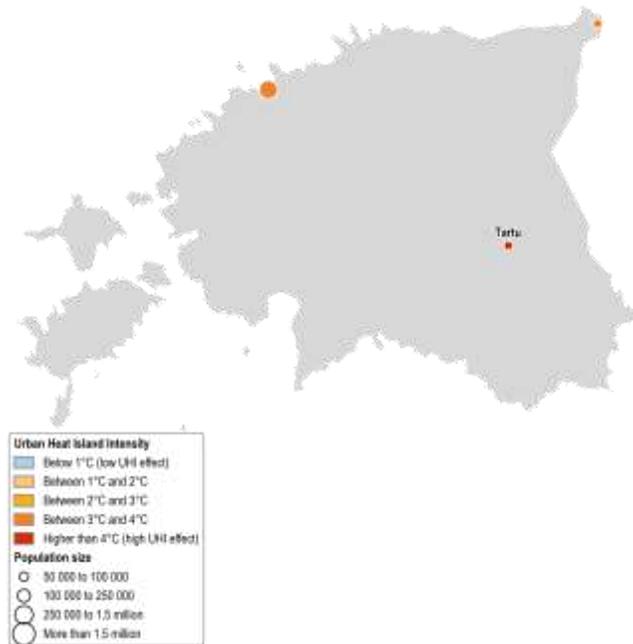


Figure 19: Urban heat island intensity index, 2021

Note: The Urban Heat Island Intensity (UHI) index is defined as the difference in land surface temperature between built-up areas and non-built-up areas within functional urban areas. This index can be affected by the type of vegetation and climate in non-built-up areas.

Source: OECD calculations, based on land surface temperature data from NASA's Moderate Resolution Imaging Spectroradiometer (MODIS) (Wan, Hook, and Hulley 2021a, 2021b)

References

Source of administrative boundaries: © OECD, © EuroGeographics, National Statistical Offices, © UN-FAO Global Administrative Unit Layers (GAUL)

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