



EC-OECD PROJECT IMPROVING THE PROVISION OF ACTIVE  
LABOUR MARKET POLICIES IN ESTONIA  
2 March 2021

**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



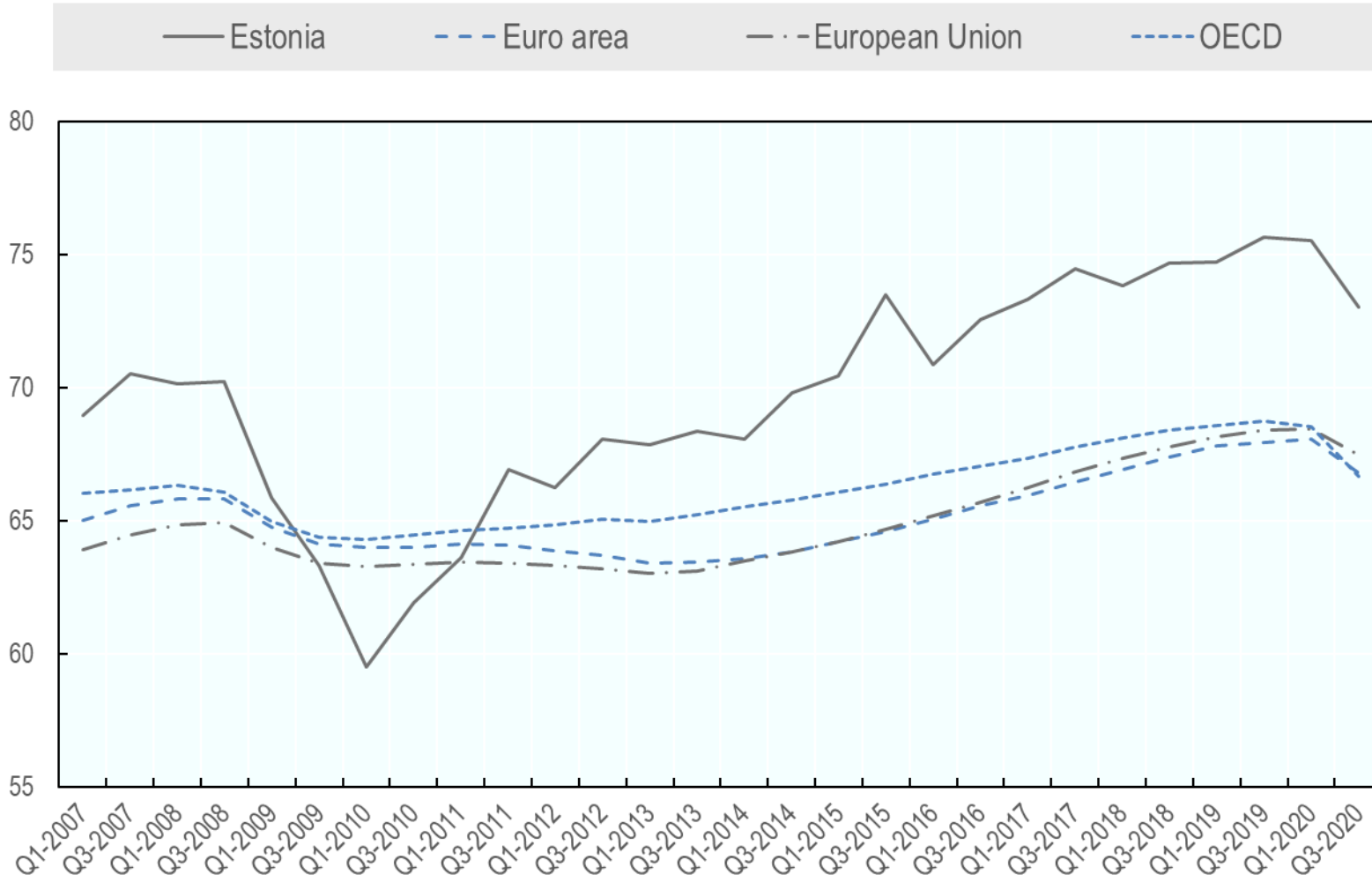
## Analyses

- **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 %

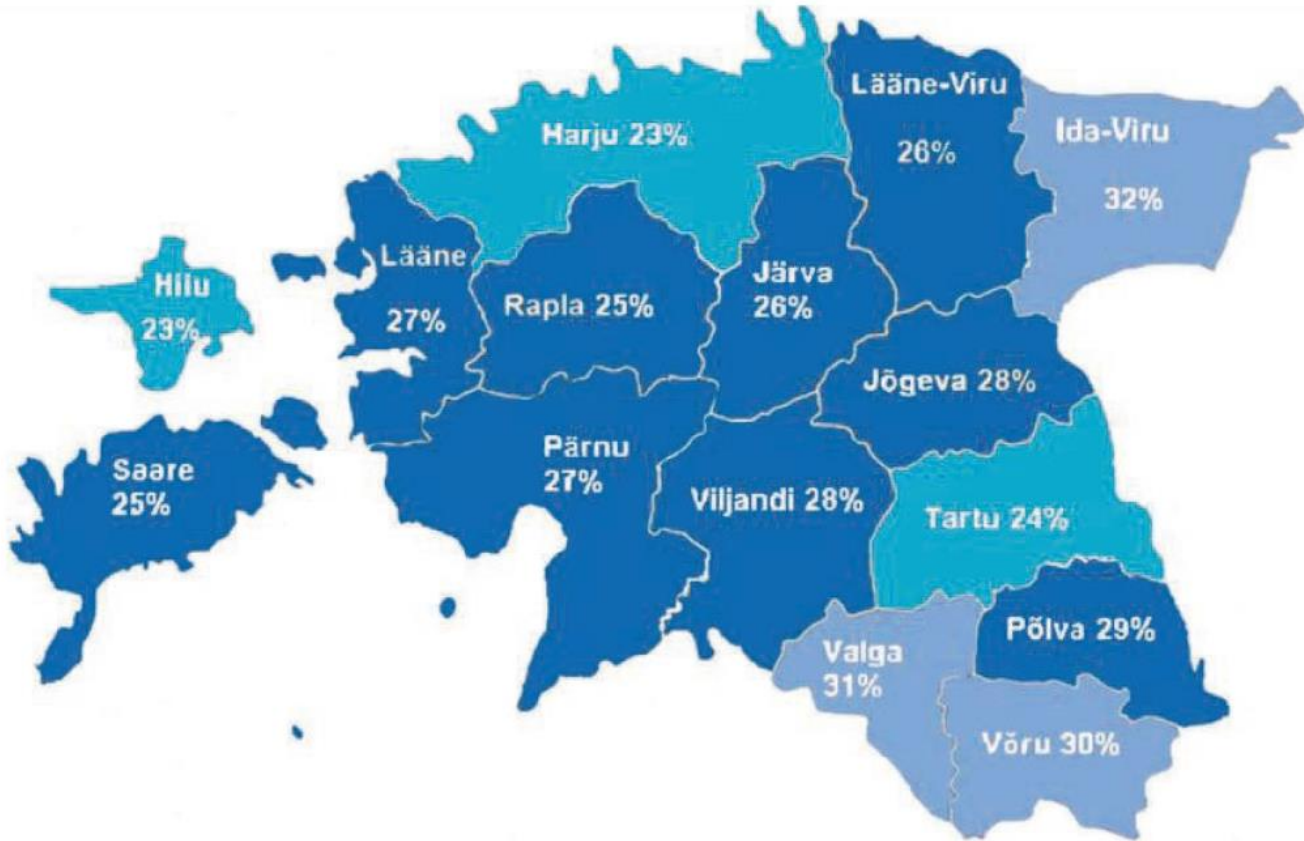


- The Estonian **population will shrink** and age rapidly
- Stark differences across **regions**
- Employment rates differ by **age, education level, health,** and other factors
- High degree of **skill mismatch**
- Among the unemployed **high poverty risk** (52% in 2018) and **low skill level** (40%)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

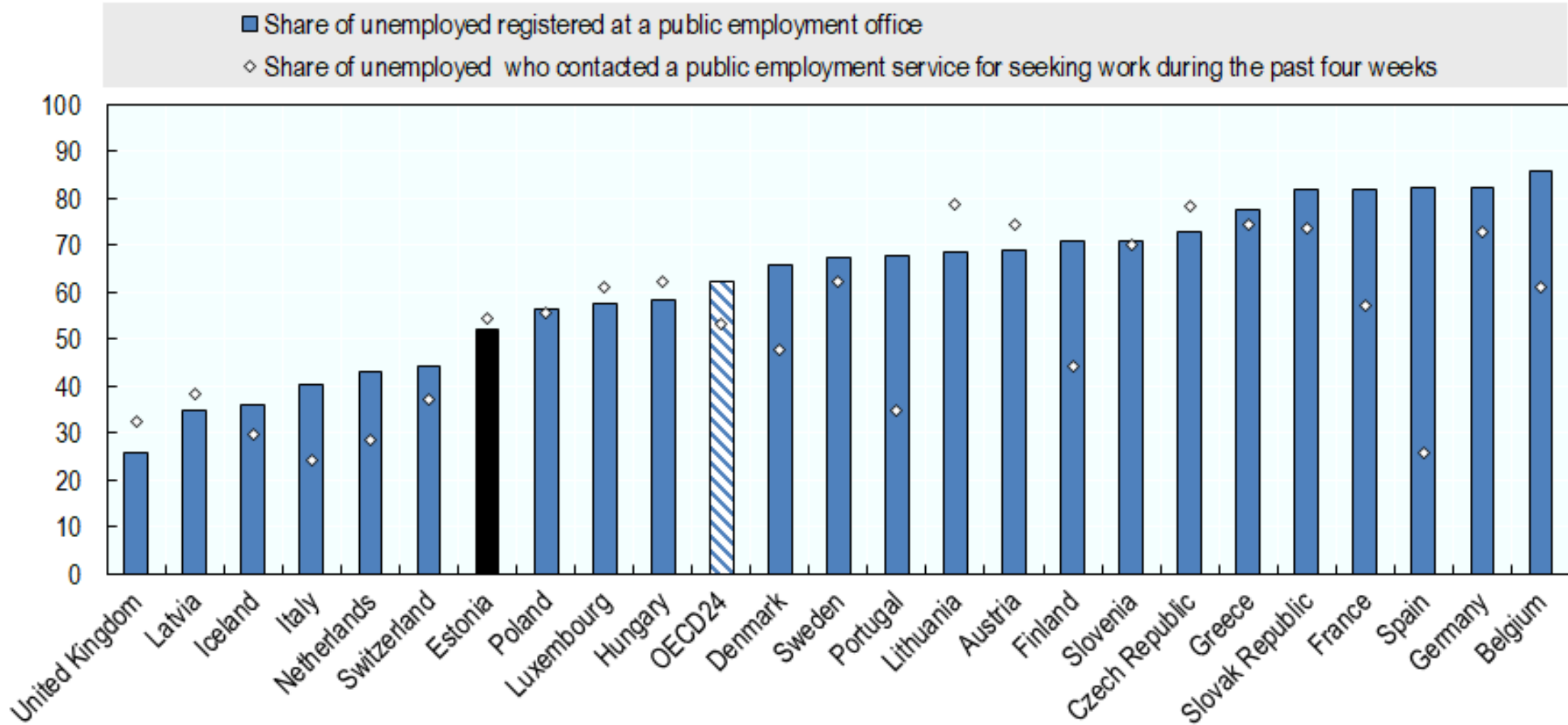
- Low skills 68%, family-related challenges 64%, social integration issues 42%, health limitations 21%, geographic distance to jobs 19%

...and often a combination of them

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



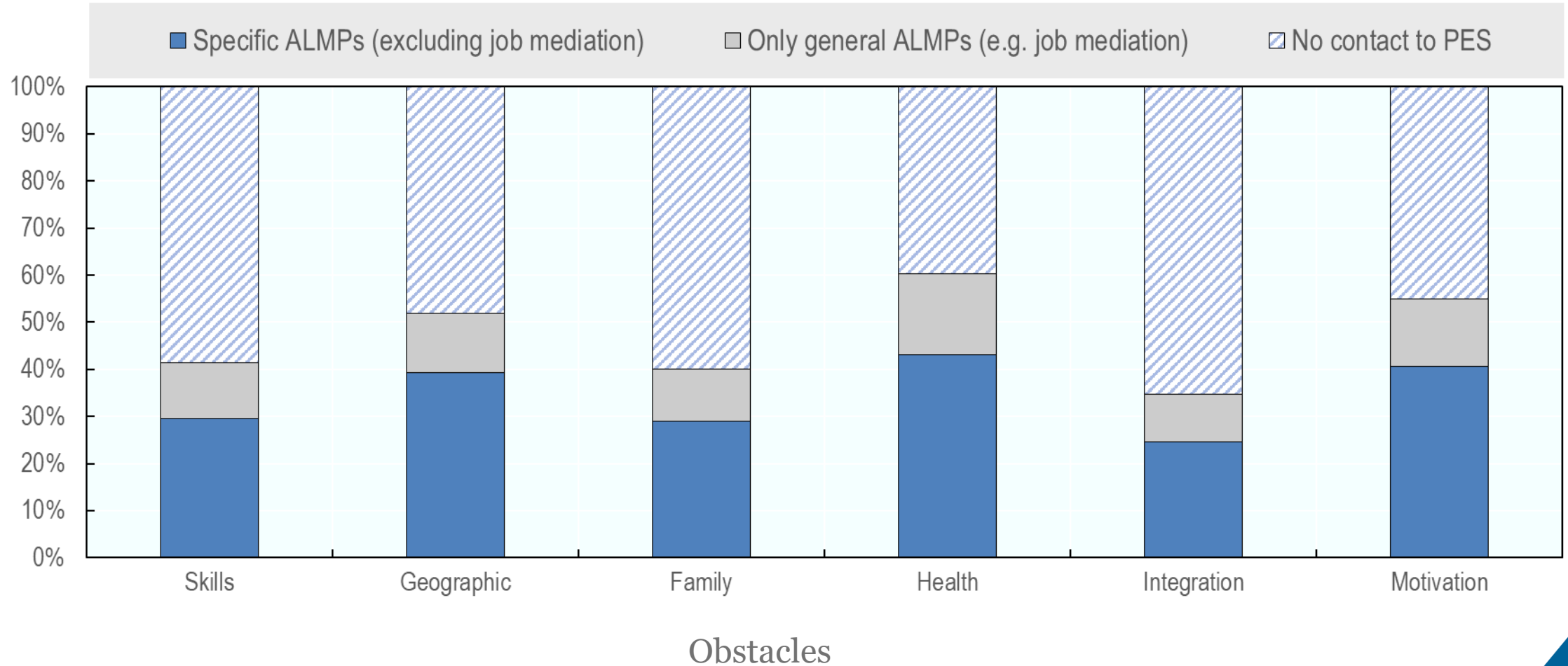
# The share of job seekers contacting PES is lower than in other countries...





# ...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**

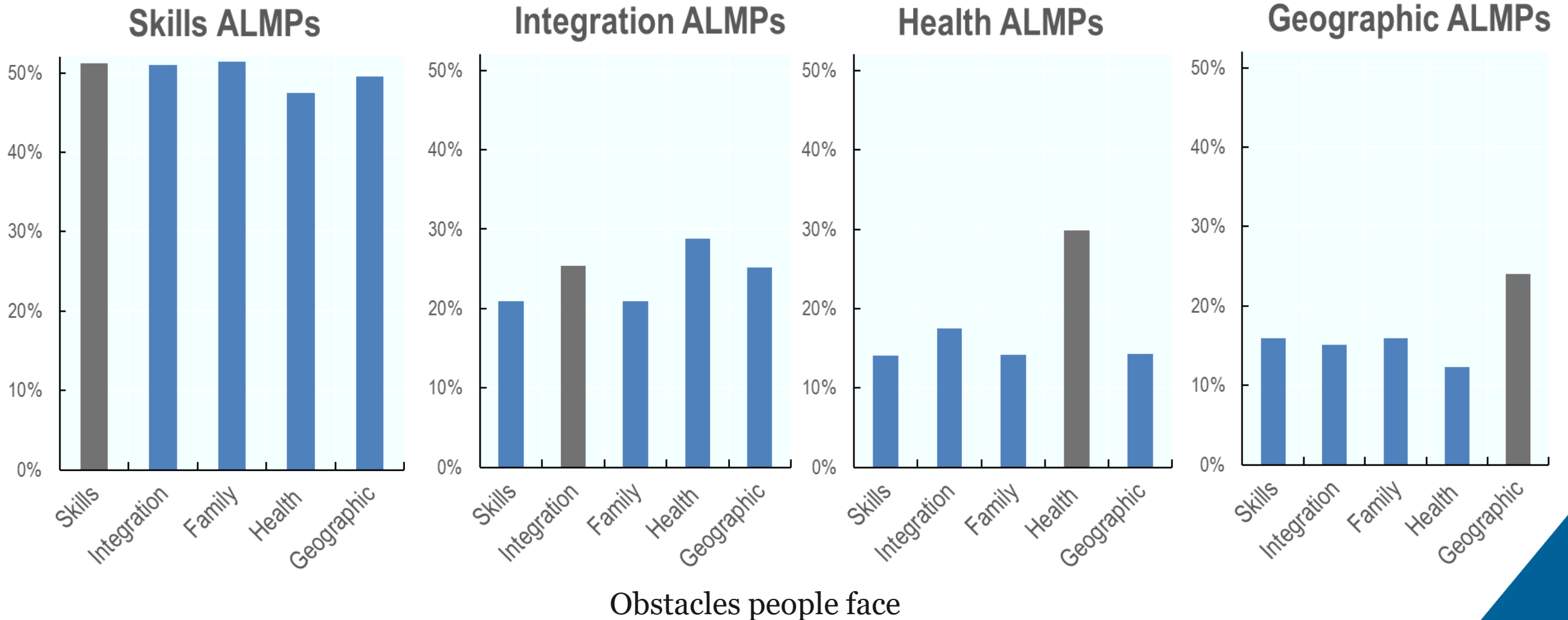
## Recommendations

- 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

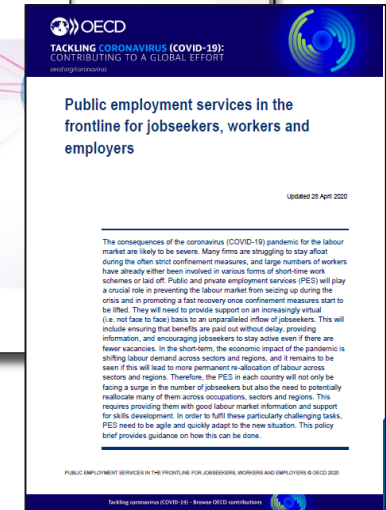
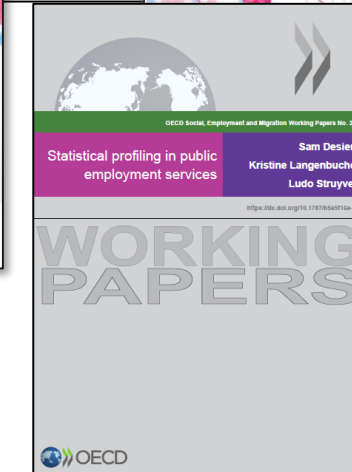
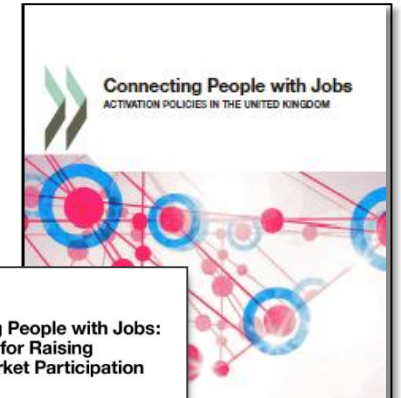
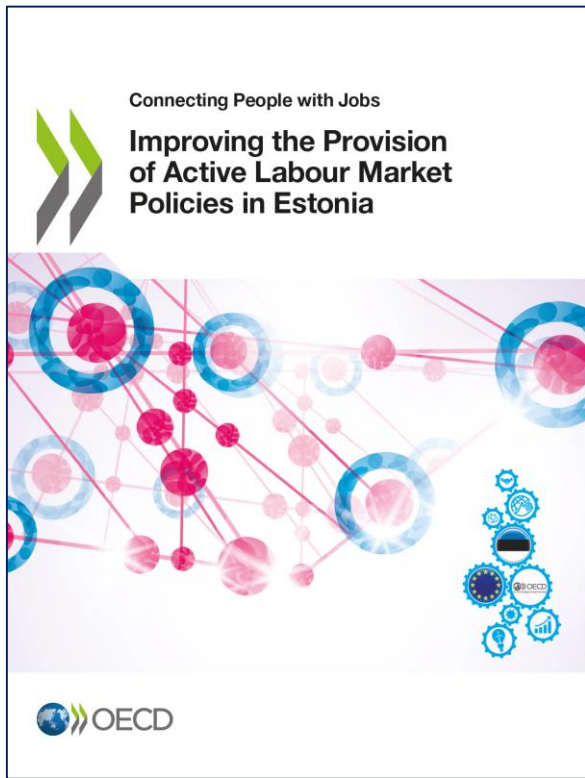
---

- **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](mailto:Stefano.SCARPETTA@oecd.org)), Theodora Xenogiani ([Theodora.XENOGIANI@oecd.org](mailto:Theodora.XENOGIANI@oecd.org)), Anne Lauringson ([Anne.LAURINGSON@oecd.org](mailto:Anne.LAURINGSON@oecd.org)), Marius Lüske ([Marius.LUSKE@oecd.org](mailto:Marius.LUSKE@oecd.org))



OECD Directorate for Employment, Labour and Social Affairs: [www.oecd.org/els](http://www.oecd.org/els)

More on active labour market policies and activation strategies:

[www.oecd.org/els/employment/activation.htm](http://www.oecd.org/els/employment/activation.htm)