



Creative Age Management Strategies for SMEs in the Baltic Sea Region

Annex 1: Country Studies ESTONIA

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www.best-agers-project.eu

The Republic of Estonia



Socio-Demographic Situation (Selected Indicators)

Indicators	Estonia	Europe (EU27)
Area	45,226 sq. km	4,324,782 sq. km
Population (2007)	1,315,912	495,400,000
Population density (pop. per sq. km)	29 Inhabitants per sq. km	115 Inhabitants per sq. km
Capital	Tallinn	
Form of Government	Parliamentary Republic	
Number of children per woman (2008)	1.55	1.52
Average Age	39.4	40.3 not EU27, but the average of the ten participating countries
Young Population (0-14 years) as % of total (2008)	14.8	15.7
Working Age Population (15-64 years) as % of total (2008)	68.0	67.3
Elderly Population (65 and over) as % of total (2008)	17.2	17.1

http://www.ipicture.de/daten/regierung_estonia.html; 19.12.2011

European Commission - DG for Economic and Social Affairs: The 2009 Ageing Report: economic and budgetary projections for the EU-27 Member States (2008-2060), Luxembourg 2009

<http://www.imf.org/external/pubs/ft/weo/2010/01/weodata>; 19.12.2011

Estonia, the smallest of the three so-called Baltic States, has 1.3 million inhabitants; it is very sparsely populated. Its land area is only slightly larger than the one of Denmark, but only a quarter of its population lives in Estonia, which is composed as follows: 68 % of Estonians, 25.2 % of Russians, 2.1 % of Ukrainians, 1.3 % of Belarusians and 0.9 % of Finns.

The relationship between the Estonians and the Russian segment of the population, who settled there during the occupation by the Soviet Union, is tense. It is partly due to the Estonian legislation, in particular the citizenship law. Many Russians are still without citizenship and are often isolated from the political and economic life. On the other hand, the bilateral relations between Estonia and Russia have been tense. Finland is the only natural partner with whom the Estonians are more closely associated owing to the linguistic relationship. Due to the low birth rate (1.55 children per woman) and a high emigration rate (population flow: -3.22/1000), the population of Estonia is shrinking.

The proportion of persons below 15 years of age in 2008 amounted to 14.8 %, of the persons between 15 and 64 years of age amounted to 68 % and the persons over 65, 17.2 %.

The average age of Estonians in 2008 was 39.4 years, so the Estonian society is slightly younger than the EU average.

Average life expectancy at birth (years)	Estonia	Europe (EU27)
(2008) males	68.00	76.03
(2050) males	78.76	83.10
(2008) females	78.74	82.08
(2050) females	86.09	87.87

European Commission - DG for Economic and Social Affairs: The 2009 Ageing Report: economic and budgetary projections for the EU-27 Member States (2008-2060), Luxembourg 2009

The Estonian citizens have a rather low life expectancy. Thereby the difference between genders in all the Baltic republics in comparison with the EU27 is the largest: Women are on average 10 years younger than men.

Overall, the life expectancy of the Estonian society is increasing. The average life expectancy of Estonian men amounts to 68.00 years. Life expectancy at the level of 78.76 is projected for the year 2050. On average, Estonian women are currently 78.74 years old. Their projected life expectancy for the year 2050 is 86.09 years. All

Estonian values are below the EU27 average.

Participation Rate	Estonia	Europe (EU27)
Participation Rate 15 - 64 (2008) males	77.3	77.8
Participation Rate 15 - 64 (2008) females	68.8	63.4
Participation Rate 55 - 64 (2008) males	63.7	57.3
Participation Rate 55 - 64 (2008) females	61.4	38.2

European Commission - DG for Economic and Social Affairs: The 2009 Ageing Report: economic and budgetary projections for the EU-27 Member States (2008-2060), Luxembourg 2009

The participation rate of male Estonians aged 15 to 64 is in the midfield at the level of 77.3 % in comparison to the other Baltic States after Latvia with 77.8 % and Lithuania with 71.2 %, and slightly below the EU27 average. (Currently 14.8 % of people living in Estonia are under 15 years of age, the EU27 average amounts to 15.7 %)

The participation rate of Estonian females aged 15 to 64 is at the forefront in comparison with the other Baltic States, at the level of 68.8 %. In comparison: the Swedish women have the highest participation rate from all the countries compared in this study, at the level of 76.8 %.

The participation rate of males aged 55 to 64 at the level of 63.7 % is above the EU27 average. Noteworthy is the exceptionally high proportion of elderly Estonian women in gainful employment. With the value of 61.4 %, Estonia is well above the EU27 average. The Polish elderly women are in the last place with the employment rate at the level of 20.8 %.

Actual Retirement Age	Estonia	Europe (EU27)
(2008)	62.1	61.4

Focus-Online, Hutterer, M.: Franzosen arbeiten nur bis 59, 12/08/2010; ref: EU-Commission, Eurostat, Missoc, Ageing Report, dpa

The official retirement age for the Estonian men is 63, whereas for women 60 years of age. The average is relatively high at the level of 62.1. For the year 2016, it is planned to increase the retirement age to 63 for both genders.

Work affects the health ...	Estonia	Europe (EU27)
mainly negatively (2005)	59.2	35.4
mainly negatively (2010)	43.5	25.0

European Foundation for the improvement of living and working conditions, Fourth European Working Conditions Survey (EWCS), Dublin 2008; First Findings2010: <http://www.eurofound.europa.eu/surveys/smt/ewcs/results.htm>

The opinion that work has a negative influence on health was shared by 59.2 %, over a half of the Estonian population, in 2005 (in comparison, the British were at the level of 20.8 %). In 2010, the percentage decreased to 43.5 % (Great Britain 14.4 %).

(very) satisfied with the working conditions	Estonia	Europe (EU27)
(2005)	75.5	82.3
(2010)	77.2	82.3

European Foundation for the improvement of living and working conditions, Fourth European Working Conditions Survey (EWCS), Dublin 2008; First Findings2010: <http://www.eurofound.europa.eu/surveys/smt/ewcs/results.htm>

The Estonians were in 2005, similarly to their Baltic neighbours, more dissatisfied with their working conditions than the EU average. The value was only slightly higher in 2010.

A rapid economic growth took place in Estonia in the last few years, which started from a very low basic level. The average household income at the level of 5,575 Euro/person is rather low compared to the other European states. This means that the Estonian labour force is engaged and works a lot, but the remuneration for the performance is insufficient for a decent standard of living.

The Demographic Future of Europe – How the Regions are Changing, 2008; pp. 212

Participated in the last 12 months at Employer-Paid-Trainings	Estonia	Europe (EU27)
(2005)	29.8	26.1
(2010)	36.6	33.7
ELLI-Index	40.86	52.06 not EU27, but the average of the eight participating countries

European Foundation for the improvement of living and working conditions, Fourth European Working Conditions Survey (EWCS), Dublin 2008; First Findings2010: <http://www.eurofound.europa.eu/surveys/smt/ewcs/results.htm>

European Lifelong Learning Indicators; Bertelsmann-Stiftung, www.elli.org

In 2005, the Estonians, with 29.8 %, were minimally over the EU27 average (26.1 %), in terms of participation in the workplace training. Poland, Germany, Latvia and Lithuania, in the rear with 22.7 %, are the countries in this study whose participation in training is the lowest (in comparison: Finland had 52.6 % of persons participating in training).

In 2010, the Estonians caught up. With 36.6 %, their result was in a similar relationship to other countries, still only unsatisfactory. It is also reflected by the ELLI Index: with almost 41 %, Estonia is at the third lowest place among the 8 countries

from the Baltic Sea Region participating in the ELLI study.

Indicator for Work-Life-Balance	Estonia	Europe (EU27)
Working hours fit well or very well with Family or social obligations (2005)	75.8	79.4
Working hours fit well or very well with Family or social obligations (2010)	80.6	no data

European Foundation for the improvement of living and working conditions, Fourth European Working Conditions Survey (EWCS), Dublin 2008; First Findings2010: <http://www.eurofound.europa.eu/surveys/smt/ewcs/results.htm>

The compatibility of working hours with the family and social obligations in the case of Estonians, at the level of almost 76 % compared to EU27, is below the average. In 2005, least compatible with the family and social obligations were the working hours of Polish (70.6 %) and Latvian (75.9 %) workers.

General Overview

Estonia is the smallest of the three Baltic States. A half of the Estonia's area is covered with forests, out of over 1,500 Estonian islands of the Baltic Sea, which is called the Western Sea in Estonia, only 19 are inhabited.

The infrastructure of the information and communication technology is very well developed in Estonia. The official Estonia presents itself eagerly as "E-Estonia." In 1997, the government developed the computer programme "Tiigrihüpe" (Tiger Leap), which was intended to enable all Estonians to deal with the Internet. All Estonians have a statutorily guaranteed access to the Internet.

Nowadays, Estonia is still self-sufficient up to 90 % in terms of energy, owing to its oil shale deposits. The food and wood processing industries are the most important branches of production. Owing to the expansion of the service sector, which currently makes up more than two-thirds of the gross domestic product, Estonia has been enjoying very high priority for several years.

Economic competition instead of "Scandinavian prosperity"

Estonia, which is heavily oriented towards the Scandinavian countries, proposed after 1991 a laissez-faire economy course with the recognition of an independent nation. Through the rapid economic growth, Estonia, with the temporary growth rate of over 11 % in 2007, ranked 27th among the world's most competitive countries. It should not be overlooked that this economic growth resulted from a very low base: the purchasing power-adjusted gross domestic product per capita in 2007 was under the EU27 average by about 35% with EUR 14,000.

The Demographic Future of Estonia – How the Regions Change, 2008; pp. 212

World Economic Forum (2007): Global Competitiveness Index Rankings. www.webforum.org

Eurostat Press Release 17.12.2007, <http://europa.eu>; 04.08.2011

The focus of the economic activity is concentrated on the region around the Capital of Tallinn, in which about 40 % of the population of Estonia lives and works. In 2006, about 60 % of the gross domestic product was generated here, in the trade sector even more than 70 %.

The centres of agriculture are the central and south-eastern regions, where 63 % of the Estonia's agricultural production is generated by 35 % of the Estonian population (including forestry). In north-eastern Estonia the dominating sector is the energy industry owing to the processing of the local oil shale deposits (30 % of the national product of this industry with a population share of 13 %).

The regular working week is 40 hours; employees have an entitlement of 28 days of holiday a year.

Germany is the second most important export market after Finland. The main import goods are manufactured goods from the areas of motor vehicles, machinery, chemicals and food.

The unemployment rate is currently below 5 %. However, the share of youth unemployment at the level of over 20 % is very high. This affects mainly the Russian minority in the north-eastern Estonia, where the average unemployment rate is 17 %. In the urban regions it plays almost no role at the level of 2 %. Since 1991 about 10 % of the population have emigrated to other European countries, preferably to Finland. With increasing employment rates, there is a growing shortage of skilled labour force. The gaps are currently being filled with workers from Russia, Belarus and Ukraine. However, it would make sense to qualify the country's own minority and open up the labour market.

Embassy of the Federal republic of Germany in Tallinn; 04.08.2011

In Estonia there are two trade union confederations, EAKL with 19 individual unions (about 200,000 members) and the Employees' Union TALO with 12 individual unions (about 75,000 members). The level of organisation is low, with about 13 %. The Employers' Federation, ETTK, has the organisation level of about 25 %.

The government and the social partners agreed to conduct a tripartite concentrated action. All the relevant socio-political plans will be discussed within the Economic and Social Policy Committee. Bilateral collective agreements usually have the operational validity and apply to the total of 30% of the Estonian workers.

<http://www.tallinn.diplo.de/Vertretung/tallinn/de/> ; 04.08.2011

The Estonian **educational system** consists of four levels: preschool education, primary education, secondary education, higher education. The Estonian educational

institutions offer the following forms of education: day, evening, with partial and full scope, as well as long-distance, external, home and individual lessons.

The compulsory education is for every child being 7 years old as of 1 October of a given year. Education is compulsory until the completion of primary school education or until the age of 17. In Estonia it is allowed to complete compulsory education also within the framework of home schooling.

In most primary schools and secondary schools in Estonia classes are held in Estonian; after the independence, Russian was replaced with English as a foreign language. Partially, teaching English begins already in the kindergarten. At the universities, colleges and vocational training institutions the language of instruction in general is English. In Estonia there are so far twelve recognised Universities (seven public and five private ones) as well as 26 further colleges.

The education level of 20 to 24-year-olds is relatively low. This could lead to a growing number of low-skilled workers and affect the competitiveness and productivity of the Estonian industry in a negative way. Given the expected decline in the population of young people (from 27% in 2006 to approximately 16% in the year 2013), the future economic development in Estonia depends also on the level of the comprehensive and diverse education offered to children and young people, as well as training opportunities and concepts of lifelong learning.

Results of the Negotiations Concerning the Cohesion Policy Strategies and Programs for the Programming Period 2007-2013

The **Estonian social security system** includes health insurance, unemployment insurance, family benefits, disability benefits, pension insurance, state unemployment benefits and death allowance.

In Estonia a 33 % of social tax is charged on all wage and salary payments (including the remunerations of the Executive and Supervisory Board as well as the income from sole proprietorship), (13 % for the health insurance and 20 % for the pension insurance).

The state benefits such as health insurance and pensions are funded from the social tax which is paid solely by the employer. Entrepreneurial proprietors have to pay the social tax on their income.

The pension system was reformed in 2002 and consists of three pillars:

1. general state pension (PAYG, defined benefits)
2. contribution pension funds (6% of the salary) and
3. voluntary tax-favoured private pension funds.

The retirement allowance is increased in accordance with the duration and amount of deposits. Pensions are generally taxable, unless they are below the subsistence level of € 278. The statutory retirement age of men and women is 63 years.

In case of a temporary incapacity to work, the loss of income is compensated with disability compensation. From the 4th to the 8th day, the compensation is paid by the employer, from the 9th day by the health insurance company. In general, the health insurance company pays a disability compensation of up to 182 days, where the amount of compensation depends on the base of the pay-out, 70-100% of the salary.

European Service of the Federal Employment Agency, Friedrich Ebert Foundation, European Commission
<http://ec.europa.eu/>; 04.08.2011

Measures in Estonia

On 1 May 2004, Estonia joined the European Union, together with Latvia and Lithuania. Since December 2007, the **cohesion policy** is applicable in Estonia: Estonia, which is as a so-called convergence region, is classified as an economically weak country, and is especially favoured by the EU in the allocation of the budget.

In Estonia, there are significant regional differences and they are increasing, whereby a high level of activity is recorded in and around Tallinn, and the peripheral regions are less active. The combination of low labour mobility, a weak transport infrastructure, limiting the accessibility, and significant rural-urban disparities creates the need to address the territorial dimension of the cohesion policy.

The planning of the structural support in Estonia includes the objectives and priorities of the Lisbon Strategy. The four priority themes of the Lisbon Strategy are:

- Investing more in knowledge and innovation
- Unlocking the business potential (especially of SMEs)
- Improving the enjoy ability through Flexicurity, a social model in which flexibility and job security are linked together (for a detailed description see the summary for Denmark)
- Optimal management of energy resources

However, high investments in the **environmental and transport infrastructure** were required in Estonia, which were not foreseen in the allocation under the Lisbon process. Estonia will spend a fifth of its budget on the transport infrastructure, as well as on the improvement of accessibility, within which the public means of transport, as well as the connectivity and security are improved. The objective of the investments is to shorten the journey times and to increase the number of the public transport users and their satisfaction.

The Estonian authorities still believe that such areas as entrepreneurship, research and development, as well as employment receive the maximum support when the national capacity is considered in terms of efficient use of the resources within these areas. 5.7 % of the total budget of the structural funds is used for the support of enterprises, especially SMEs. The aim of this investment is to increase the number of exporting companies by almost 2000 and at least double the productivity in the supported companies.

Since Estonia directs its rapidly growing economy towards high-tech and knowledge-based industries, the cohesion policy funds are used to qualify employees for the new needs of the company. Additionally, further development of an integrated career guidance system as well as specific vocational training and in-house training were made accessible. It is also planned to develop a competence-based qualification system which corresponds to the relevant systems in other European countries.

In the **Development of Human Resources** and job creation, the main focus is on the knowledge transfer and the promotion of entrepreneurship. The planned activities include

- Training for business managers
- Dissemination of strategic management and new management concepts
- Support for new entrepreneurs with financial resources and knowledge enhancement
- Promoting the use of external consultancy
- Development and provision of diagnostic instruments as well as
- Promotion of inter-company cooperation to develop know-how and skills.

There is also a new approach to mitigate the negative effects of globalisation and increased competition (such as layoffs). This approach includes counselling at an early stage and retraining measures for dismissed workers.

Other planned activities include the support and new services for job seekers and employers. In addition, Estonia should become more attractive for the migrating workers and support should be offered for the integration of immigrants and non-Estonians in the labour market and the society.

Equal opportunities, non-discrimination and an improved access for people with disabilities are the topics which are taken into consideration and supported in the implementation of the cohesion policy strategies and programmes 2007-2013.

In the period of 2007-2013, the Structural Funds for Estonia will help to open up local workers using training concepts and new opportunities by means of training concepts and new opportunities for lifelong learning, bring the marginalised groups of population into the labour market and adapt the education of young people to the needs of a growing economy.

The most important change from the period of 2000-2006 is that now more importance is attached to the improvement of the educational system and the competences of workers. The focus will be increasingly directed towards flexible learning paths (better access to education) and special training programmes for non-Estonians (better integration).

The **Occupational Health and Safety Strategy 2009-2013** defines the development objectives of the Estonian working environment. Other action plans were taken into consideration in the preparation of this strategy, i. a.

- European Commission's community strategy 2007-2012 on health and safety at work
- Development of Estonian National Health 2008-2020, Growth and Jobs 2008-2011 (for the implementation of the Lisbon Strategy)

The development areas are:

1. Legal framework of occupational health and safety:

The coherence of the existing legislation must be improved to avoid excessive regulations. This requires the analysis of the existing legal framework in the field of occupational safety and health, and update it in accordance with the international best-practice cases. For the new health-promoting forms of work organisation, it will be necessary to implement new support measures in the form of trainings, advice and good practice examples.

2. Awareness of the value of a health-preserving working environment

The awareness of the impact of work on health and productivity, as well as the importance of a healthy working environment for the society as a whole should be increased. Networks within different areas or levels of employment are an efficient way to support best practices in the creation of healthier workplaces.

3. Training in work and health protection

Specialists for the working environment, occupational health, safety officers and members of the Occupational Health and Safety Council are to be trained as specialists for health and safety at work.

4. Occupational health services are an integral part of universal healthcare

Occupational health services, occupational physicians, nurses, occupational psychologists, ergonomists and occupational psychologists constitute an important part of the general health care. Causal relationships between a disease and the work must be considered both by the occupational physicians and in the general healthcare system in order to develop effective preventive measures and prevent work-related illnesses at an early stage, through the analysis of the available data concerning on occupational injuries and illnesses.

5. Emerging risks in the workplace

Developments in the occupational environment are on the one hand in the changing working conditions (e.g. telework, temporary work) but also caused by the demographic change and ageing workforce. Increasing attention is necessary in dealing with occupational risk factors for diseases of the musculoskeletal system, handling of hazardous substances and psychosocial risks. Governmental institution, academic institutions, and international organisations must cooperate systematically in order to raise awareness on the new risk factors, identify the emerging hazards in the workplace early and compile prevention guidelines.

6. Knowledge-based approach and administrative capacities in policy design and implementation

Statistics for the health and safety based on a variety of sources is essential for an excellent analysis. The reliability of statistics on occupational accidents, occupational diseases and work-related illnesses must be improved, linking of operational data from different operational registers (Estonian Health Insurance Fund, the Estonian Tax and Customs Office, etc.) would allow further analysis of the consequences of the diseases. The Estonian Labour Inspectorate must have and adequate overview of the Estonian working environment.

7. Scientific knowledge generation in occupational health and safety

It is necessary to establish a competence centre for applied research in the field of labour protection in order to ensure scientific research, development and maintenance of networks. Taking into consideration the size and the limited potential of Estonia, it is important to promote cooperation with the other EU countries. Applied and scientific research on occupational health and safety must be considered as a priority and supported by various funds and programmes.

8. National and international cooperation

The social partners must be involved in the policy formulation and monitoring. The issues of occupational health and safety must be integrated in the activities of various ministries, universities and Institutes. The international cooperation contributes to the prompt import of the latest information and best practices from other EU Member States.

Within the framework of the European Survey of Enterprises on New and Emerging Risks (ESENER) of the EU-OSHA both employers and employee representatives who are responsible for safety and health were asked about the management of risks in the area of safety and health in the workplace.

In the classification of countries, the enterprises in Denmark and Norway consult their employees most often and encourage them to actively participate in the implementation of the measures. Estonia is one of the countries with the lowest proportion.

Occupational Health & Safety Strategy 2009-2013: towards health-sustaining working environment
http://osha.europa.eu/de/publications/reports/de_esener1-summary.pdf, 04.08.2011