MONOGRAPHS
CANDIDATE COUNTRIES
VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN ESTONIA
THE EUROPEAN TRAINING FOUNDATION IS THE EUROPEAN UNION’S CENTRE OF EXPERTISE SUPPORTING VOCATIONAL EDUCATION AND TRAINING REFORM IN THIRD COUNTRIES IN THE CONTEXT OF THE EU EXTERNAL RELATIONS PROGRAMMES

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For any additional information please contact:

External Communication Unit
European Training Foundation
Villa Gualino
Viale Settimio Severo 65
I – 10133 Torino
T +39 011 630 2222
F +39 011 630 2200
E info@etf.eu.int
Prepared by Helmut Zeloth, country manager for Poland, Estonia and Latvia, ETF
With contributions by:
Haralabos Fragoulis, ETF
Tiina Annus, VET expert, Estonia
Martin Dodd, FAS, Ireland
Raul Eamets, Euro-College, Tartu University, Estonia
Katrin Jogi, Estonian Education Observatory
Special thanks to:
Maris Kask, Estonian Education Observatory
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the representatives of the Estonian National Labour Market Board
the School Network Administration Office
December 2002
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EXECUTIVE SUMMARY

The country monograph on vocational education and training (VET) and employment services provides baseline information and analysis to help assess the progress made in implementing the priorities identified in the Joint Assessment Paper (JAP) on employment policy agreed between the Government of the Republic of Estonia (Ministry of Social Affairs) and the European Commission. Current EU policies based on the Lisbon conclusions, such as the Lifelong Learning Initiative, and the European Employment Strategy set the framework for the analysis.

THE CONTEXT

Economic development

Estonia experienced unstable and fluctuating growth rates in the last decade, suffering a deep fall in GDP up to the mid 1990s (-6.5% in 1990, -14.2% in 1992, -9.0% in 1993), as a result of several shocks and radical liberalisation of the economy. Between 1995 and 1998, GDP growth was 4 to 5%, with an exceptional peak of 10.6% in 1997. After the Asian and Russian crises a negative growth rate appeared again (-1.1% in 1999). However, the economy has been recovering since 2000, with high growth rates in 2000 (7.1%) and 2001 (5.0%) resulting in optimistic forecasts.

According to the Joint Assessment Paper (JAP) on economic policy priorities, the target is to achieve sustainable medium-term economic growth of about 5.2%. It is assumed that economic growth will result primarily from the growth of exports.

GDP per capita increased from 5,600 (in PPS euro) in 1995 (32% of the EU average) to 9,200 (40%) in 2001, compared to the EU average of 23,200.

The shares of different sectors in GDP changed between 1995 and 2001 in favour of services and at the expense of industry, agriculture, and construction. Employment in agriculture decreased from 10% of GDP (1997) to 7% (2001), compared to 4% (2001) in the EU.

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1 As part of the methodology, three field visits took place in Estonia (Tallinn, Tartu and South Estonia, Ida-Virumaa) in June and August 2001 and February 2002. The analysis is based on information available in 2002.


4 Eurostat, Statistics in focus, Theme 2, 8/2003, Luxembourg, 2003; Eurostat, Quarterly accounts – the GDP of the candidate countries.


Table 1: Structure of Estonia’s GDP (%) – 1995 and 2001

<table>
<thead>
<tr>
<th></th>
<th>1995</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>60.3</td>
<td>65.5</td>
</tr>
<tr>
<td>Industry</td>
<td>24.6</td>
<td>22.7</td>
</tr>
<tr>
<td>Construction</td>
<td>6.4</td>
<td>5.9</td>
</tr>
<tr>
<td>Agriculture and forestry</td>
<td>8.7</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Key employment and labour market developments

As a result of the restructuring of the economy, Estonia had two major rises in unemployment in the 1990s, from 2% (1991) to 10% (1995), remaining at this level until 1998. Because of the economic crisis, the unemployment rate grew to 12% (1999), reaching almost 14% in 2000 and since then slightly recovering to 13% in 2001 and around 11% in the first quarter of 2002, with a tendency to decrease.

A forecast by the government, based on the macroeconomic scenario developed in the Joint Assessment Paper on economic policy priorities in 2000, assumes that the unemployment rate will decrease only modestly in 2002 (10.7%) and 2003 (10.4%). This forecast has been revised in the Employment Action Plan 2002 to 13.4% (2002), 13.0% (2003), and 12.7% (2004), but recent trends indicate that the situation will be better than expected.

In absolute terms, unemployment increased by 24,000 between 1997 and 2000 (from 65,800 to 89,900 people, only about half of whom were registered) and decreased to 83,100 in 2001 and 72,600 in the first quarter of 2002. The share of long-term unemployed decreased after 1996 (55% of all those unemployed) to 46% in 1999 and 45% in 2000, but increased slightly again in 2001 to almost 47%.

Unemployment rates were consistently considerably higher for non-Estonians (by around 6 to 7%) than for Estonians between 1995 and 2001.

In the period 1998-2001, the youth unemployment rate grew most of all. Almost a quarter of the labour force aged 15 to 24 was unemployed in 2001 (20% Estonians, 31% non-Estonians). The unemployment rate of graduates (one year after completion of school) increased substantially from 12% (1994) and 17% (1998) to 29% in 2000.

The lower the level of educational attainment the higher the unemployment rate was in 2000, although an increase was noticed for all levels of education between 1997 and 2000, from 5.1% to 7.4% for those with tertiary education, from 10.6% to 14.6% for upper secondary education and from 15.9% to 24.1% for those with lower educational attainment.

---

7 Rein Voormann (ed.), Social trends in Estonia, Statistical Office of Estonia, April 2001; LFS data 1st quarter 2002; Eurostat’s Structural Indicators webpage data show figures around 1% lower, at 12.5% (2000), 11.8% (2001). The first Estonian LFS, with a sample of 10,000 people, was carried out in 1995; questions were asked retrospectively to 1989. From 1997 onwards LFS have been carried out annually and from 2000 onwards throughout the year, with results published quarterly and annually. The survey comprises 8,800 families; all family members aged 15 to 74 are questioned, i.e. about 4,000 people in a quarter. See Ülle Marksoo, Labour market statistics in Estonia: comparison of labour force surveys and administrative statistics, November 2002.

8 The forecast is based on an unemployment rate of 12% in 1999 and assuming 11.1% for 2001, which is also based on a macroeconomic framework concluded with the International Monetary Fund.

9 Data refer to the annual averages of unemployed people. The number of registered unemployed increased from 34,100 in 1997 to 46,300 (2000) and 54,400 (2001). The rate of registered unemployed was 5.3% in 2000 and is calculated as a proportion of the population between 16 and pension age, not of the labour force.

10 The non-Estonian population is concentrated in the north-eastern part of Estonia; non-Estonians are people who have determined themselves as any ethnic nationality other than Estonian (26% Russian minority, 4% others).

11 National Observatory, Key indicators, 2001. Data on unemployment rates of graduates (one year after completion of school) are based on LFS (small sample). The youth unemployment rate decreased in 1st quarter 2001 to 17%.
The educational attainment level of the unemployed is considerably lower than that of the employed. About one third of the employed (34%) have only basic or secondary general education (without professional skills or a speciality), as compared to almost half of the unemployed (47%).

The unemployment rate for **males** (14% in 2000) has been a few percent higher than that for females (12% in 2000) since the mid 1990s, except for 2001, when the rate for women was slightly higher than for men. However, in 2002 the female unemployment rate was again one to 2% below that for males.

There are no large regional **disparities** in unemployment, with the exception of the north-eastern part of the country (21% of population in 2000), which has a high concentration of Russian-speaking Estonians. Variations are more pronounced at county level (9.5% in Hiiu, 23% in Põlva) and local level\(^{12}\).

The difference in unemployment rates between **rural and urban areas** has decreased in recent years and now the unemployment rates are almost the same. However, the number of **discouraged job seekers** grew more rapidly in rural areas\(^{13}\).

---

### Table 2: Estonian labour market and employment performance indicators, benchmarks, and targets – 1997, 2001 and 2006\(^{14}\)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment rate population 15-64</td>
<td>64.7</td>
<td>61.3</td>
<td>64.1</td>
<td>70</td>
<td>Goal – 2010 (Lisbon)</td>
</tr>
<tr>
<td>Employment rate population 55-64</td>
<td>49.0</td>
<td>48.4</td>
<td>38.8</td>
<td>50</td>
<td>Goal – 2010 (Stockholm)</td>
</tr>
<tr>
<td>Employment rate females</td>
<td>60.3</td>
<td>57.3</td>
<td>55.0</td>
<td>60</td>
<td>Goal – 2010 (Lisbon)</td>
</tr>
<tr>
<td>GDP (real annual growth)</td>
<td>9.8</td>
<td>5.0</td>
<td>5.2</td>
<td>1.6</td>
<td>3.0 (Lisbon)</td>
</tr>
<tr>
<td>Unemployment rate labour force 15+</td>
<td>9.6</td>
<td>11.8</td>
<td>7.4</td>
<td>2.7</td>
<td>Average three best performing countries (LU, NL, AT)</td>
</tr>
<tr>
<td>Long-term unemployment rate</td>
<td>4.5</td>
<td>6.2</td>
<td>3.1</td>
<td>0.8</td>
<td>Average three best performing countries (LU, AT, NL/DK)</td>
</tr>
<tr>
<td>Youth unemployment rate labour force 15-24</td>
<td>19.0</td>
<td>24.5</td>
<td>14.9</td>
<td>6.0</td>
<td>Average three best performing countries (IRL, NL, AT)</td>
</tr>
<tr>
<td>Youth unemployment ratio population 15-24</td>
<td>8.3</td>
<td>8.8</td>
<td>7.1</td>
<td>3.1</td>
<td>Average three best performing countries (LU, IRL, AT)</td>
</tr>
<tr>
<td>Unemployment rate females</td>
<td>8.9</td>
<td>12.0</td>
<td>8.6</td>
<td>3.1</td>
<td>Average three best performing countries (LU, NL, IRL)</td>
</tr>
</tbody>
</table>

\(^{12}\) Estonia has 15 counties, 42 towns, and 205 municipalities but no regions. There are three ‘Phare regions’ and five statistical ones, representing the third level of statistical units. The latter are Northern, Central, North-East (Ida-Virumaa), West and South Estonia. Unemployment data according to ILO definition are not available/representative at municipality level.

\(^{13}\) The citizens of the 42 towns are considered as part of the urban population, those of the 205 municipalities as rural. The actual place of residence determines the distribution between rural and urban population. See Voormann, Social trends in Estonia.

\(^{14}\) Eurostat, Structural Indicators web page, 2003; European Commission, Employment in Europe, 2001 and 2002. There are no other strategic mid-term goals set by the government, apart from the annual GDP growth rate.
The overall employment rate decreased between 1997 (64.7%) and 2000 (60.7%) but increased slightly in 2001 to 61.3% (the EU average was 64.1% in 2001). In total 578,000 people were employed in 2001; the total size of the labour force was 661,000 and of the working-age population (aged 15 to 74) 1.05 million.

The employment rates of 55 to 64 year-olds (48.4%) and of women (57.3%) were higher than the respective EU averages (38.8% of older workers, 55.0% of women) in 2001.

Demographic development

In due course, the steadily declining birth rate over the past decade from 14.2 births per 1,000 inhabitants (1991) to 9.6 (2000, EU average 10.7) will affect all parts of the education system and issues such as numbers of schools and teachers. The number of basic school graduates will start to decrease considerably in 2004/05.

The forecast for 2000-10 shows a substantial decline of 27% in the size of the 0 to 14 age group and of 22% for the 15 to 19 age group. The Estonian population is ageing, but less so than in most other European countries. In 1998, the ratio of the population aged 65 years and above to the working age population (15 to 64) was about 1:5, whereas the projection for 2010 shows that the ratio of the elderly will increase to almost 1:4.

The overall population decreased by more than 10% from 1.57 million (1990) to 1.37 million in 2000. This was partly due to a continuing negative net migration, which has slowed down since 1998. Among the non-Estonians, the Russian minority forms the largest group, accounting for 26% of the total population.

 Foundations for Lifelong Learning

The concept of lifelong learning has become established in Estonian thinking in recent years and, since the mid 1990s, ambitious plans (the ‘Tiger Leap’ programme) have put Estonia on a fast track towards becoming a genuine information society. With a view to lifelong learning, an education strategy paper entitled Learning Estonia, prepared by the NGO Estonian Education Forum and the Ministry of Education (MoE) between 1998 and 2001, has been widely discussed and was close to adoption by parliament in 2002. The strategy paper presents a view on the design of a future education system, focusing on the quality of education, broadened access and the creation of an overall support structure. The Estonian consultation process on the European Commission Memorandum on lifelong learning in 2001 was comprehensive and included the main stakeholders in education at both national and local levels, social partners as well as civil society.

One major outcome was the development of a Lifelong Learning Strategy focusing on adult education, which is currently being discussed in Estonia.

One major challenge remains the area of initial vocational education and training (IVET) at secondary level, where participation is still low (a quarter of basic school graduates entering the VET pathway) and limits the potential future supply of well-trained skilled workers/technicians. Another challenge is the need for a comprehensive continuing training system that will improve the quality of the labour force.

---

16 The old-age dependency ratio (population aged 65 and over to population aged 15–64) was about 21% in 1998 and was forecast to be 24% in 2010. Voormann, Social trends in Estonia.
18 European Training Foundation, Cross-country report, Summary and analysis of the feedback from the candidate countries on the Commission’s memorandum on lifelong learning, November 2001.
Participation in education and educational attainment

A range of educational indicators suggest that Estonia has a more favourable situation compared to other future Member States. The educational attainment level of the labour force (15 to 74) was comparatively high in 2000 (88% with at least upper secondary education, 29% with tertiary education)\(^{19}\). This feature was true also for the population aged 25 to 64, of whom 86% had attained at least upper secondary education and 29% tertiary education.

Table 3: Educational attainment level of the population aged 25 to 64 (%) – 2000

<table>
<thead>
<tr>
<th>Education level</th>
<th>Estonia</th>
<th>EU 15</th>
<th>FMS-11*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>13.9</td>
<td>36.2</td>
<td>22.6</td>
</tr>
<tr>
<td>Medium</td>
<td>56.6</td>
<td>42.2</td>
<td>63.5</td>
</tr>
<tr>
<td>High</td>
<td>29.4</td>
<td>21.6</td>
<td>13.9</td>
</tr>
</tbody>
</table>


Notes:
* Excluding Malta and Turkey.
Low level refers to ISCED 0–2 (pre-primary, primary, and lower secondary education).
Medium level refers to ISCED 3–4 (upper secondary and postsecondary non-tertiary education).
High level refers to ISCED 5–6 (tertiary education).

During the second half of the 1990s there was a rapid increase in school life expectancy, from 12.7 years (1995) to 14.8 years (2000). People are staying more than two years longer in education than in 1995\(^{20}\).

Student numbers indicate growing trends for all levels of education (especially for higher education). In 2000 the proportion of 20 year-olds still in education (51%) exceeded 50% for the first time. The enrolment rate in education for 17 year-olds was 89%, for 18 year-olds 74%, and at 65% for 19 year-olds was still higher than in some other future Member States (Slovenia 62%, Hungary 56%, Czech Republic 41%) and the EU average of 59%. Compulsory education starts at the age of seven and continues until completion of basic education (nine years) or up to the age of 17 even if the student has not graduated from basic school. While more young people continue in higher education, the number of those who leave school before completing even basic education is increasing (growing educational stratification). Over the period 1996-2001 around 1,300 young people annually interrupted their studies in basic school, with a cumulative impact. It is estimated that more than 20,000 people in the 17 to 25 age group were without basic education in 2001. This problem was

Table 4: Participation rates in education of young people by age – 1999/2000

<table>
<thead>
<tr>
<th></th>
<th>15</th>
<th>16</th>
<th>17</th>
<th>18</th>
<th>19</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-15</td>
<td>98.3</td>
<td>92.2</td>
<td>84.2</td>
<td>74.6</td>
<td>59.3</td>
<td>48.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>100.0</td>
<td>87.7</td>
<td>86.8</td>
<td>69.2</td>
<td>54.2</td>
<td>47.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>100.0</td>
<td>92.6</td>
<td>82.3</td>
<td>72.7</td>
<td>51.2</td>
<td>42.3</td>
</tr>
<tr>
<td>Slovenia</td>
<td>99.5</td>
<td>96.3</td>
<td>92.1</td>
<td>77.7</td>
<td>62.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Estonia</td>
<td>98.0</td>
<td>97.3</td>
<td>89.0</td>
<td>73.8</td>
<td>65.1</td>
<td>50.8</td>
</tr>
</tbody>
</table>


\(^{19}\) Statistical Office of Estonia, data from LFS 2000; tertiary (ISCED 5A and 6: 18%) plus so-called postsecondary technical (ISCED 5B: 11%); data for the population aged 15–74 show stable proportions between 1997 and 2000: roughly one quarter below upper secondary, half with upper secondary, one quarter with tertiary education.

\(^{20}\) Pre-primary education is not taken into account, so the value of this indicator is higher for those countries where the school entrance age is lower. Statistical Office of Estonia, *Education 2000/2001*, 2001; Voormann, *Social trends in Estonia*. 

EXECUTIVE SUMMARY
especially serious for boys, leading to increasing gender differences at higher levels of education\textsuperscript{21}.

The dropout rate is disconcertingly high in secondary education (7% in general, 13% in vocational) and is one of the most unfavourable among all future Member States. This problem is going to be addressed by the VET Action Plan, which aims to decrease the dropout rates annually by one percentage point\textsuperscript{22}.

There is a strong dominance of general education at secondary level. On completion of basic education three quarters of pupils go on to upper secondary general (gymnasium) and only one quarter to vocational secondary. The proportion continuing in the general education stream rose from 56% (1991) to 74% (2000). Total enrolment at the secondary level (ISCED 3) shows approximately two thirds for general (68%), and one third for vocational education (32%)\textsuperscript{23}.

Estonia is experiencing an increased demand for higher education, related to the development of private universities and higher schools. In 1995/96 about two thirds (68%) of secondary general education graduates went on to higher education (mainly for bachelor courses), whereas in 1998/99 this figure had risen to 88%. Enrolment in tertiary education almost doubled from 27,000 to 51,000 between 1995 and 2000, whereas the OECD average increased between 1995 and 2000 by only 20%\textsuperscript{24}. There are rather more females (58%) than males (42%) in higher education.

The Estonian Labour Force Survey 2000 shows a participation rate in continuing training courses of 3.5% of the population aged 15 to 74 and 5.1% of employed persons in that age group. In both cases there are substantial gender differences with women being, on average, more than twice as likely to participate in continuing vocational training (CVT) than men. Almost the half of participants (45%) attended courses in training companies, training centres, 24% at a place of work and 12% at a school\textsuperscript{25}.

Comparable data with EU Member States show that 5.2% of the Estonian population aged 25 to 64 participated in education or training in 2001 and 2002, which was lower than the EU average (8.4%) but higher than participation in many other future Member States (Hungary 3.0%, Slovenia 3.7%) and EU Member States (Greece 1.4%, France 2.7%, Spain 4.9%) in 2001.

The share of adults (about 20,000 students in 2000/01) in the regular education system ranges from 0.7% in basic education up to 12.9% in VET, 27% in higher VET, and 16% in higher education\textsuperscript{26}.

According to the Eurostat CVTS2 survey, continuing training in enterprises plays a more important role than in other future Member States, but to a lesser extent than in most EU Member States. Estonia ranks second among nine future Member States (FMS) as regards the share of enterprises providing some kind of continuing training in 1999 (63%), lagging only slightly behind Czech Republic (69%) but far ahead of Slovenia (48%), Poland (39%), and


\textsuperscript{22} Key indicators, 2001, calculations of the Estonian National Observatory.

\textsuperscript{23} The number of students in VET has remained stable since 1995, but the reform of 1999 changed the structure of admittance, as some specialisms formerly belonging to secondary level were transferred to higher (diploma) level. Tiina Annus, Katrin Jogi, Lea Orro, and Reet Neudorf, Modernisation of VET in Estonia, National VET Report 2001, February 2000; OECD, Education at a glance, 2001; Eurydice, Summary sheet on education systems in Europe, 2001; Education 2000/2001.


\textsuperscript{25} Participation in courses during the last four weeks, LFS 2000.

\textsuperscript{26} As a result of legal amendments, enrolment in vocational higher education and diploma study was stopped in August 2002 and replaced by a combination of these, called applied higher education study. See Eurydice, Summary sheet on education systems in Europe, 2001. No accurate data are available on short training courses and continuing training expenditure.
Hungary (37%). EU Member States reported 70% or more of enterprises offering CVT, except Spain (36%) and Portugal (22%)\(^\text{27}\). However, the participation rate in enterprises providing courses\(^\text{28}\) was only 28% (27% males, 29% females) – lower than in Czech Republic (49%), Slovenia (46%), and Poland (33%) but better than most other FMS, although still behind all EU Member States.

The share of unemployed participants in active labour market measures decreased between 1995 and 2001 from 24% to 13%, and the number of participants from 16,100 to 11,000 in the same period. Participants in employment training made up about two thirds of total participants in active measures (averaging at 8,400 per year since 1995), but increased to 10,200 in 2001, although still at a low level, reaching only 12% of unemployed people, compared to 14% in 1995 and 1996\(^\text{29}\).

Financial resources

Public investment figures show the high value of education in Estonian society. Since the mid 1990s public expenditure on education has been around 7% of GDP, compared to 4 to 6% in most EU and OECD countries. In 1999, public expenditure on education was even as much as 7.5% of GDP (compared with only 6.0% of GDP on health and 1.4% military expenditure); however, the trend has been decreasing since then (6.9% in 2000, 6.3% in 2001, and 6.3% in the 2002 budget)\(^\text{30}\).

At the same time public financing of CVT and labour market training for the unemployed remains at a rather low level.

The share of public expenditure in education out of total public expenditure remained stable at a high level between 1996 (16.3%) and 2001 (15.1%; OECD 12.9% in 1999). About half of the public expenditure on education is allocated from the state budget and the other half from the local municipalities' budget\(^\text{31}\).

The state budget covers teachers' salaries and the maintenance costs of public schools, and in accordance with the number of pupils also covers teachers' salaries in both private and municipal schools. The law enables schools to receive private funds, but this remains at a low level.

In 2001-04, the system of VET schools financing through the ‘cost of a student learning place’ will be continued. Compared to 1999 (€730) the cost of a student learning place decreased in 2000 (€650) by 11% and is expected to increase slightly in the coming years, by 4% annually\(^\text{32}\).

The only financial target related to lifelong learning set so far concerns R&D expenditure, which is due to rise from 0.7% of GDP in 2000 to 1.5% in 2006 (with a share of 70% of public expenditure)\(^\text{33}\). Traditionally, universities have always placed high pressure on public funds, but the government is now starting to realise the needs of VET and other areas\(^\text{34}\).

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\(^{27}\) CVTS2 is based on a sample survey and included for the first time nine FMS. Eurostat, *Statistics in focus*, Theme 3, 2/2002, Luxembourg, 2002.

\(^{28}\) Participants as a proportion of total number of employed. The participation rate refers to only one type of continuing training, namely ‘courses’. The data do not refer to the total number of enterprises, but only to those which provide continuing training.

\(^{29}\) Calculation on the basis of the ILO definition of the unemployed. Labour Market Board data for 2001 show again a decrease of about 2,000 participants in active measures, but participants in community placements (amounting previously to about 4,000 annually) are not taken into account.

\(^{30}\) Information provided by the Estonian Ministry of Education. According to the MoE, even though Estonia spends a comparatively high share of GDP on education, this does not mean that the education sector is well off (UNDP, *Estonian human development report 2001*). The respective EU average was 4.9% in 2000.

\(^{31}\) Annus et al., *Modernisation of VET in Estonia*. Expenditure includes operational expenditure, capital investments, and some expenditure on science.


\(^{33}\) In February 2002 the Estonian Strategy for Research and Development 2002–2006 was adopted; in it Estonia is seen in the future as a knowledge-based society where R&D are highly valued.

\(^{34}\) UNDP, *Estonian human development report 2001*; state financial means tend to be invested in higher education.
Continuing training is financed by the state, currently mainly for civil servants and teachers in state and municipal schools (2 to 4% of the payroll), as well as for the unemployed. In addition, the state budget includes a small budget for supporting the activities of the Adult Education Council and ‘hobby education’ institutions.

According to Eurostat, Estonian enterprises invest 1.8% on average of their labour costs in continuing training courses, a much higher percentage than in all other FMS (Slovenia 1.3%, Latvia 0.8%) except Czech Republic (1.9%), and even higher than in some EU Member States (Belgium 1.6%, Austria 1.3%)\textsuperscript{35}. Estonia ranked close to the top of the scale (compared with most other FMS) regarding the total expenditure per employee on CVT courses in 1999, which amounted to 285 PPS, similar to Bulgaria at 294 PPS and Czech Republic (293 PPS), though lower than Hungary (305 PPS) and all EU Member States, of which Austria reported the lowest costs per employee\textsuperscript{36}.

Expenditure on active (0.08% of GDP) and passive (0.14%) labour market policies remain traditionally at an extremely low level, accounting for only 0.22% of GDP (0.34% including social taxes) in year 2000 (slightly less than in 1999, 0.24%).

Administration costs for PES made up 9.6% (6.2% if social taxes are included) of public expenditure on labour market policies in 2000 and have been decreasing since 1998 (16.5%)\textsuperscript{37}.

Although unemployment benefits in Estonia are very low (7% of the national average wage in 1998) compared to other FMS (Slovenia 44%, Czech Republic 21%), the share of active measures (36% in 2000) in total labour market expenditure has been steadily decreasing since 1995 (62%). Labour market training accounted for 18% of total labour market expenditure in 2000 (11% if social taxes are included) (Eamets, 2002 and UNDP, 2001).

INITIAL VOCATIONAL EDUCATION AND TRAINING

Since the early 1990s the Estonian VET system has faced many challenges, as modernisation of the education system had been delayed since the 1970s and the overall quality and image of VET had steadily worsened. The adaptation to a market economy and political pluralism, the implementation of modern curricular and education structures, the decline in VET participation and the social status of VET all had to be addressed together. In addition, preparations have recently been necessary for a completely new concept of education: lifelong learning\textsuperscript{38}.

Although progress in VET reform has been very fragmented, lacking critical mass and strategic development in its initial phase, Estonia has made important progress in VET reform in the last years, stimulated by the goal of EU accession and supported by foreign assistance (Phare, bilateral assistance from Nordic countries)\textsuperscript{39}, and further reform with ambitious goals has been being implemented since 2001 and is regarded as an urgent necessity.

Policy and legal framework

The main principles for future VET reorganisation and development, such as flexibility, efficiency, quality, cooperation, and integration, have been established in the ‘VET concept’ of 1998, which aims to improve access to VET, increase effectiveness and labour market relevance, and raise the social status of secondary VET.

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\textsuperscript{35} The costs in the CVTS2 survey refer only to ‘courses’ as one type of continuing training, and only to enterprises providing some kind of training (63% of total in Estonia).


\textsuperscript{37} Ministry of Social Affairs, Labour Market Department.


In addition, other national policy documents, such as the Estonian National Development Plan 2001-04 and the National Employment Action Plans 2001 and 2002, stress the need for a national system of continuing training and lifelong learning in order to improve the employability and quality of the labour force.

Consequently a new legal framework on vocational education institutions, applied higher education institutions, and private schools was created in 1998, introducing a higher vocational education level (ISCED 5B). The latter was finally merged and replaced by applied higher education (ISCED 5A) in 2002. Furthermore, vocational councils were established (in order to prepare a new qualification framework) involving social partners, and providing for more flexibility in VET provision, rationalisation, and privatisation of schools.

In order to speed up the reform process, further legal amendments were made in 2001 and more concrete targets and development directions have been set in the Action Plan for Developing the Estonian VET System 2001-04, which has defined a total of 23 tasks linked to concrete annual targets to be achieved in the years up to 2004. According to experts’ estimates, the reform would require a 40% increase in financial resources for VET between 2001 and 2004.

The major objectives are to increase VET participation by 8% annually, with the target of attracting 50% of the age group of basic school graduates and 50% of graduates from general secondary school; to decrease the dropout rate by 1% annually; and to reorganise the VET school network by privatisation and municipalisation of schools. In addition, a more rational and effective use of existing resources is envisaged.

The Ministry of Education (MoE) was reorganised in 2001 and relocated from the capital Tallinn to Tartu, resulting in high staff turnover. The VET and CVT department was abolished as such and subsumed under a new policy department and its secondary education division. VET capacities in the MoE became more limited than before. However, the task of implementing the VET reform has been outsourced to a newly created public body, the School Network Administration Office (SNAO).

Resources

Teachers

The average gross salary in education remains low, at approximately the same level (85% of the national average salary in 2000) since 1992, and considerably below the average for employees in public administration and defence (128% of the national average salary). The minimum annual gross salary (€2,030) of upper secondary teachers in 1997/98 relative to per capita GDP (64%), and the maximum salary (€4,230, 132%) show Estonia behind Cyprus, Slovenia, Poland, and Hungary, but in a better position than Slovakia, Czech Republic, Romania, Latvia, and Lithuania.

VET schools are considered to be overstaffed and equipped with overlarge and ineffective leadership structures. The VET student/teacher ratio is aimed to be changed from 12:1 (2000) to 16:1 in 2004. At the same time there is a need to increase salaries for teachers.

Many VET teachers do not have relevant pedagogical qualifications and will not be able to undergo three-year university courses. Therefore clear policy guidelines on the future provision of vocational teacher training are needed.

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40 Some education stakeholders mentioned during the field visits that the MoE has always been a ministry for general education rather than vocational education.
41 National Observatory, Key indicators, 2001.
42 Eurydice/Eurostat, Teachers in Europe, 1997/98. GDP data for Estonia are from 1998. The gross annual salary (minimum EKK 31,800, maximum EKK 66,200) has been divided by the per capita GDP at current prices in national currency (author’s own calculation). Average exchange rate for 1997: 1 € = EKK 15.64.
43 Annus et al., Modernisation of VET in Estonia.
44 Danish Institute for Educational Training of Vocational Teachers, Vocational teacher training in Estonia VOC-TTE, final documentation and evaluation, February 2002.
A Danish bilateral assistance project on VET teacher training was implemented successfully in 2001/02, developing a new national standard and curriculum and providing training for teacher educators. The results are expected to be an important driver for the necessary teacher training reform in VET.

The VET Action Plan envisages as a goal that all teachers will have acquired the International Computer Training Licence by 2004.

In education there are about 30,000 full-time teachers (1,900 in vocational education at ISCED 3 level), and teacher training was mainly offered in the form of a diploma course and bachelor's degree course with a duration of four to five years. By 2007, vocational schoolteachers and directors have to meet higher qualification requirements (longer work experience, complementary pedagogical training). However, the obligation to attend regular enterprise practice was abolished in 2002.

**Equipment**

A national programme ('Tiger Leap') for the computerisation of Estonian schools was launched in 1996, followed by Phare support (ISE programme) leading to the introduction of the European Computer Driving Licence (ECDL) and the development of a National ICT Development Plan for Schools 2001-05.

In 1999 there were on average 28 pupils per computer, and 25 pupils per computer in 2000 (15 in Hiiumaa, 48 in Tallinn). In 2000, computer classrooms were available in all basic, general secondary and VET schools, and 75% of all schools have online Internet connection (25% the dial-up option). Standards are being elaborated for the evaluation of ICT competencies, to be implemented in all schools in 2003.

Other indicators confirm that Estonia is on the fast track towards digital literacy and towards becoming a genuine information society. In 2000, Estonia had the highest number of Internet users per 100 inhabitants (25.4) in all FMS (average 5.5) and even higher than the EU average (24.2). The ambitious target is to increase the percentage of Internet users in Estonia to 90% by 2004.

About 20% of the resources of VET schools are spent annually on building administration, while a quarter of the total area of school buildings is not used directly for teaching. A Public Assets Administration Office was established in 2001 with the goal of rationalising the total space per student (target 14m²) and learning space per student (target 11m²) by 25 to 30% between 2001 and 2004.

**Structure and organisation**

In the last decade several changes have been instituted regarding the structure of education as well as the content of study programmes at all levels of education, in order to move towards Western systems and to reflect the Bologna Joint Declaration. The modernisation of initial VET was driven mainly by EU Phare and bilateral assistance.

Changes since 1997 have focused particularly on the levels beyond secondary education (e.g. introduction of a higher VET level (ISCED 5B) and its merger with applied higher education, transfer of some programmes from secondary to higher level).

In addition, the new concept of education is targeting a more integrated approach between general and vocational education.
education by increasing the vocational subjects/modules in gymnasiums (‘basic VET’) and, conversely, integrating additional general education subjects into specialism-related courses.

The current structure of the VET system has two levels: secondary VET, lasting a minimum of three years (ISCED 3B), and applied higher education, lasting three to four years (ISCED 5A), which replaced higher VET (ISCED 5B) in August 2002. The VET system is open both for basic school graduates and general secondary school graduates. VET after basic education aims to prepare skilled workers, VET after general secondary to prepare workers for higher levels of skilled work, and the objective of the former higher VET was to prepare specialists and middle-level managers.

A national curriculum is available only for general education. Currently the graduation certificate from VET schools confirms that a certain programme and level have been covered, but does not attribute vocational qualifications. However, both a National Employee Qualification System and national VET curricula have been under preparation since 1999 and are close to implementation in 2002/03.

Initial VET at secondary level is understood as more and broader education (50% VET-related subjects) which currently does not lead to formal vocational qualifications. Specialisation takes place at a later stage (75 to 85% VET-related subjects at the former higher VET level, now applied higher education), including 35% practical training, and during working life. A modular approach has been used since 2000 in all school programmes and about one-third of these meet the vocational standards requirements.

Horizontal mobility between general education and VET schools as well as between different VET schools and professions is provided by means of additional examinations, depending on the difference in the programmes. General secondary graduates can acquire VET in shorter cycles of one to two years (ISCED 4B). Graduation from secondary VET provides access to applied higher education, however, for continuing university studies (bachelor, master or doctorate studies) the national examination for secondary general education must be passed. In recent years about a third of VET graduates applied for this opportunity.

Estonia has been lacking in credible research and analytical capacities on education and VET since closing down former research institutes at the beginning of the transition period. The situation partly improved with the establishment of the National VET Observatory in 1997 and by merging the VET Observatory with the statistical unit of the MoE to create the Education Observatory in 2001, aiming to provide statistics and analysis for the whole education system in Estonia. The establishment of a VET innovation centre is still under discussion.

A process of merging VET schools is still ongoing. It aims to improve effectiveness by consolidating VET centres: the number of public VET schools decreased from 77 to 58 between 1994/95 and 2001/02, while the number of private VET schools increased from 4 to 23. In rural areas the merging of VET and general secondary schools is under consideration, in order to offer a wider range of opportunities for basic VET to upper secondary school students. It is widely acknowledged that VET schools also have to fulfil a social function in rural areas.

Delivery

The involvement of social partners in education and training has been increasing since the latest reform in 1998, and social partners have been playing a strong role via vocational councils in the development of the National Employee Qualification System. Progress was made in 1999 by the involvement of employers in the examination committees of VET school graduation examinations.

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52 Ministry of Education, information based on field visit to the Policy Department and its secondary school division.

53 Annus et al., Modernisation of VET in Estonia.
However, the commitment of private enterprises as regards dialogue with VET institutions at local level, as well as their role in curriculum development and the expansion of work placements still has to be enhanced. An important framework agreement was signed between social partners and the government in December 2000 and is addressing this issue, but implementation remains slow and difficult at local level.

**Responsiveness of initial VET to the needs of the labour market and the individual**

Although data on educational attainment might suggest a rather well-qualified labour force, research shows that nearly half of the population is employed non-effectively, and a trend of downward replacement of workers results in the exclusion for the lower-educated from the labour market. Furthermore, skills obtained under the soviet system are partly outdated and obsolete, mainly as a result of the restructuring of the economy.

Unemployment remains high, but at the same time ‘under-mobilisation of human resources’ and the lack of a qualified labour force hinder the establishment of new competitive enterprises and the expansion of existing ones. Employers and labour market research claim that there is high demand for skilled ICT workers, mostly for masters, skilled workers, and technicians, and to a lesser extent specialists with higher education.

**Information on skill needs** is partly being collected and different sector analyses and research in the context of a changing labour market have been under way since the end of the 1990s and already inform educational planning and programming to a certain extent.

The low participation rate in VET compared to EU and other FMS, limiting the future supply of qualified workers, is to a certain extent linked to the persisting poor image of VET and the low social status of skilled workers in Estonia, although many stakeholders admit that the situation has improved over the last three to four years.

The negative image of VET is partly inherited from the soviet period, partly a result of the trend in society towards general and higher education and partly due to the assumed lower quality of VET. Secondary VET still does not have equal status with secondary general education. This is also shown by the fact that the state examinations (the ‘maturity exam’, providing access to university) after three years of secondary schooling are not obligatory for VET school graduates, but only for general secondary education students.

Improvement in responsiveness to labour market needs is expected through the introduction of more VET programmes at higher VET level (now applied higher education), the National Employee Qualification System, the introduction of basic VET programmes in the gymnasium, the module-based curricula approach in VET, and also through a number of measures being implemented by the VET Action Plan 2001-04. However, VET schools will find it hard to attract and absorb the envisaged additional capacities and it will be difficult to reverse the current trend of pupils opting towards general education in the short term.

Great expectations have been placed on the concept of regional training centres (VET centres), which started gradual implementation, on the basis of existing VET schools, with Phare support in 2000;

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54 UNDP, *Estonian human development report 2001*; surveys conducted in Estonia on matching between educational level and jobs.


56 Ministry of Education, *VET Action Plan 2001–2004*. In fact Estonia needs both people with technical education and people with higher education. There are enough people with technical education, but they need to be retrained to meet the needs of a contemporary enterprise in a market economy.


58 In the view of the MoE, the primary objective of VET is to prepare students for the labour market, not for academic higher education. Access to professional higher education is addressed by the provision of applied higher education studies (higher VET until 2002), and dead-ends in this respect have been eliminated.
but these have not yet had a significant impact. These centres are expected to play a crucial role in the economic and social development of their respective regions, providing multifunctional services (initial VET, applied higher education, CVT, counselling, continuing training of teachers, labour market analysis, programme development, local networking).

The lack of a comprehensive system of vocational counselling and guidance will be partly addressed by the VET centres, but professionally trained counsellors working in VET schools are also envisaged.

An apprenticeship system does not exist in Estonia. There are some enterprises that train individuals or small groups on their own initiative and at their own cost59. A Phare 2001 programme seeks to pilot apprenticeship schemes in a few selected occupations, and under Phare 2002 work-linked training programmes will be developed for specific risk groups (dropouts, general secondary school leavers).

Business and entrepreneurship training has become increasingly important in the formal education system through the Junior Achievement Business Programmes and the Phare Business Education Programme60.

Progress concerning the National Employee Qualification System is expected by the Estonian Qualification Authority, which was established in September 2001 in order to complete the work on standards and to implement the National Employee Qualification System fully.

The creation of a legal framework supporting the development of new VET curricula based on vocational standards has opened up the possibility for gaining access to vocational certificates through the validation of related professional experience. The first certificates have been issued, mostly in the professions of real estate agent and real estate assessor61.

Until recently, dropouts from basic school were not a policy priority in the education system. Access to basic vocational education is now provided for young people (up to 25 years of age) who have not completed basic education, following an amendment of the Vocational Education Institutions Act in June 2001. These young people can now acquire basic education in parallel to basic work skills in vocational education.

Initiatives are planned to enhance the teaching of foreign languages in VET schools (currently six study weeks), with the target of doubling the volume by 2004. There is still a great need to provide non-Estonians with additional national language studies, as 30% of admissions to secondary VET are from the Russian-language group.

Since most VET schools are still state schools, contrary to the situation with general secondary education, the current principles of a centralised management of VET institutions do not allow for quick adaptation to local labour market needs and do not account for the increasing interest in VET from local authorities. The MoE is therefore contemplating further privatisation and municipalisation of VET schools62.

Stronger cooperation between the MoE and MoSA is needed, although considerable efforts have been made since 2000 through the signing of a framework agreement and by establishing inter-ministerial working groups.

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62 Annus et al., Modernisation of VET in Estonia.
CONTINUING VOCATIONAL EDUCATION AND TRAINING

The development of continuing vocational training (CVT) has been lagging behind the reform process in initial education and suffering from a clear lack of national strategies and actions. In 1999 the OECD recommended the establishment of a national strategy for adult and continuing training aiming to provide wider access to CVT. Since 2001, progress has been under way with the National Lifelong Learning Strategy, which is currently being discussed in an open consultation process with key stakeholders and other citizens. It was presented to the Adult Education Council for an opinion at the end of 2002. Most probably the Lifelong Learning Strategy will be finalised only after the elections to the parliament in March 2003.

Policy and legal framework

Current legal provisions fostering CVT and facilitating access to training are insufficient and will be addressed by an amendment of the Adult Education Act, aiming to enhance the motivation of employers, employees and training providers in CVT (by improved incentives) and to provide for quality assurance mechanisms (including licensing of training institutions).

A coherent strategic and policy framework on CVT is still not in place but is expected to be provided by the National Lifelong Learning Strategy, which will form the basis for legal amendments. Elements are included in the National Employment Action Plans and the National Development Plan for Estonia63.

A National Adult Education Council is proposing annual priorities for adult education, which have to be approved by the government.

Structure and organisation

Continuing training provided by enterprises is important (63% of all enterprises) compared to other FMS. LFS data show that employers financed 60% of the total courses (84% of work-related courses) in 2000. According to CVTS2 survey, payments to external providers made up the largest portion of direct costs of CVT courses in all countries and were highest in Hungary (80%), Estonia (73%) and the Netherlands (72%)64.

There is a range of about 440 private training providers whose main activity is continuing training, and 1,700 for whom continuing training was one of their ‘additional activities’ according to the business register (Annus, Dodd and Eamets, 2002). CVT courses are considered by participants to be costly in Estonia and the quality issue needs to be addressed.

Adult education is also provided by two main national NGO umbrella organisations, the Adult Education League (running some adult education centres) and ANDRAS, the Association of Estonian Adult Educators, both receiving state funding for projects.

Almost all VET institutions offer work-related training courses for adults, mainly in the areas that they teach and based on prepared curricula. Most public universities and applied higher education institutions offer further training as well, either in the formal (e.g. flexible ‘open universities’) or non-formal (in-service training) education system. The three regional training centres and the five future VET centres are expected to play a vital role in CVT provision to enterprises and employment offices at local level.

Labour market training is arranged by the National Labour Market Board and the local employment offices and is purchased from different training providers. It is of concern that the number of participants in

63 The timetable for the elaboration of the NDP-SPD (Single Programming Document) 2003–2006 expected comments on the draft version by the social partners and the European Commission in December 2002, and approval by the Estonian government in January 2003. The presentation of the SPD human resources development priorities at the Council of Adult Education was scheduled for October 2002.

64 Eurostat, Statistics in focus, Theme 3, 8/2002, Costs and funding of continuing vocational training in enterprises in Europe.
training was very low between 1997 and 2000. First data for 2001 show signs of improvement (plus 25% compared to 2000) since legal changes widened access (Eamets, 2002).

Responsiveness of CVT to the needs of the labour market and the individual

The current situation in CVT suggests that CVT provision has not been targeted towards acute labour market problems and risk groups. It has focused instead on short-term needs and competitiveness rather than on employability issues. The lack of official statistics on CVT (public and total spending, extent and quality of training provision) and the lack of standardisation of definition and methods for gathering statistical data need to be addressed. In order to improve VET and CVT planning at national and local level, the approach of sector studies and training needs analysis is being used, although not systematically. Sector analyses have been carried out in the wood processing and furniture industry (1999) and the engineering industry (2001), and an analysis is under way for the ICT sector in 2002.

National surveys show that those groups in most need of training (non-Estonians, less educated people, older people, lower-income groups, people living outside of Tallinn) participated less in CVT than others, paid more for the training themselves, and are more dependent on training offered by the employment office65. Non-Estonians, among whom there are significantly more unemployed, have participated in courses only half as frequently as Estonians66.

Surveys on training firms conclude that the demand for training is in strict correlation with the financial resources of the potential customer. The present training system favours younger people with higher education, who are well placed in the social hierarchy and whose financial circumstances are above average67.

A current unfavourable feature in enterprise-provided training is that trainees are usually those who have already had a training experience, being most often managers in the business, services, and construction sectors68.

CVT courses in VET schools are flexible and curriculum-based, involving the school council and more often the vocational council. In some professions individual training is offered in small groups of three to four students per trainer with a focus on practical training.

The National Employee Qualification System, based on present and future needs of the economy, is thought to apply to both graduates from the formal school system and employees undertaking CVT, as regards assessing and attributing qualifications. First certificates have been awarded in a few professions (real estate broker, forward operator).

There is a great need for vocational training for disabled people, and the transition from school to working life needs better organisation69.

In the framework of the Lifelong Learning Strategy the creation of additional capacities is envisaged through establishing the Estonian Institute for Adult Education.

A major achievement was the establishment and reinforcement of a National Adult Education Council, involving social partners, which defined priorities in adult education on an annual basis from 1999 onwards. The main priorities for the period 2000-03 have been defined as the systematic organisation of work-related training (including risk groups), training to

65 Annus et al., Capacity of CVT to support national employment policy objectives.
68 Annus et al., Modernisation of VET in Estonia.
SMEs, and training for multipliers (teachers, counsellors, trainers) on the social adaptation of risk groups. The National Employment Action Plans are closely linked to these priorities.

In general CVT is currently financed by the state only for civil servants (2 to 4% of annual salary fund) and teachers (minimum of 3% of annual salary fund) at state education institutions; however, it appears that this threshold is not fully used. In particular adult trainer training is not functioning well enough.

At the end of 2001 additional state support via a special fund with a budget of €400,000 for 2002, implemented by the Enterprise Estonia Foundation, was created for companies which can apply for co-financing (up to 70% of costs) regarding retraining and continuing training.

Programmes for adult education are supported from the state budget if they match the approved national priority areas, such as long-term courses (more than 56 hours) for specific target groups, or Estonian language courses for non-Estonians.

A former idea to establish a complementary Training Fund to finance continuous learning has been recalled and is currently under discussion. The Development Plan for the Estonian Economy 1998-2002 had foreseen such a fund, but no steps towards its realisation have so far been undertaken.

Currently the Estonian tax system (26% flat tax) allows for tax deductions of up to €6,400 per capita per year; however, this provision is mainly used by higher income groups. At the same time some private education institutions have increased their tuition/training fees by 26%70.

According to the Adult Education Act employees are entitled to study leave, its length depending on the type of education and training (from 42 days for higher education to 14 days for vocational training, seven days for informal adult education). An employee is entitled for the average salary for 10 days. Evaluation of the extent to which these measures are used, and by which groups, is lacking.

PUBLIC AND PRIVATE EMPLOYMENT SERVICES

The Estonian public employment services (PES) system faces several challenges in order to be fully prepared for implementing the European Employment Strategy. Apart from additional financial resources, the administrative capacity has still to be strengthened with a view to expanding the provision of active measures. In addition, an overall modernisation process and improvement in the quality, efficiency, and flexibility of services are needed. Initiatives are currently under way, and in that respect Estonia is still counting strongly on relevant EU Phare support.

Legal and policy framework

A new legal framework was created in 2000 (Employment Service Act, Social Protection of the Unemployed Act) and has widened the range of labour market services and redefined the definition of the unemployed.

Policy capacities were weakened in the 1990s through frequent changes in both the structure and human resources of the Ministry of Social Affairs (MoSA) and the National Labour Market Board (NLMB)71. However, the situation has improved since 2000: the NLMB was restructured and new capacities (including the position of vice-chancellor) were created in the MoSA.

The first two Employment Action Plans 2000/01 and 2002 are in line with the four pillars of the European Employment Strategy and European Employment

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70 Information provided by staff from Ministry of Finance. No official statistics are available on the use of this provision by different social groups. The upper ceiling for tax deductions in 2001 was EEK 100,000 (exchange rate €1 = EEK 15.64).

71 The NLMB was established in 1991, abolished in the mid 1990s, and re-established only in 1999. A review was carried out in Estonia in April 1999 (OECD, Education/training sector review, findings on the labour market and training situation, Paris, 1999).
Guidelines. Most attention is paid to risk groups whose competitiveness in the labour market is lowest (young people, long-term unemployed, and disabled).

Structure and organisation

The National Labour Market Board, working under the governance of the MoSA (Labour Market Department), has a network of 36 state local employment offices in 15 counties and the capital Tallinn. The main functions of the NLMB are to administer labour mediation services, organise unemployment registration, regulate the payment of benefits, and supervise the entire process. The NLMB will be one of two implementing agencies for the European Social Fund (ESF) in Estonia.

The range of tasks of employment offices includes the implementation of national employment policy, registration of unemployed people, payment of benefits and provision of employment services. Vocational counselling has been introduced as a new service as a result of the legal changes in 2000.

There is a great need to strengthen capacity and effectiveness in the operation of local PES offices and staff, and to improve cooperation with local stakeholders, in particular employers.

Private employment services are active on a small scale in employment mediation, vocational training, and guidance. According to the LFS the share of unemployed seeking a job through private agencies has averaged around 3% annually since 1997 (2.7% in 2000). In 2000 there were only four licensed agencies in Estonia, but 16 new agencies applied for an activity licence in 2001 and preliminary data for 2002 show a total of 38 licensed providers. In addition, several unlicensed firms are operating in this market.

Resources

The number of PES staff increased from 199 in 2000 to 207 in 2001, mainly through the hiring of additional counsellors on pilot projects focusing on individual approaches with the long-term unemployed. On the other hand the monthly workload of staff per registered unemployed increased from 233 in 2000 to 262 in 2001, as a result of legal changes encouraging the unemployed to register. There are wide regional differences, ranging from 88 (Hiiumaa) to 318 (Harjumaa) registered unemployed per PES staff member, indicating that PES offices are understaffed.

Although the structure of employment in local offices seems to be favourable for implementing active measures – about 80% of total staff were ‘counsellors’ in 2001 (Eamets, 2002) – the average time available for counselling per unemployed person is considered as insufficient.

Training provision for PES staff development is insufficient and has been lacking for some years in most offices, but was addressed more seriously by an annual training programme for 2001/02, focusing in particular on job mediation and how to cooperate with employers.

Although official data are not available, the income situation of PES staff seems to be of high concern. Salaries were not increased between 1998 and 2001 and accounted only for 60 to 70% of the average Estonian salary. Consequently staff turnover is high.

There has been a lack of systematic monitoring and evaluation on the impact and effectiveness of active labour market measures. Research was commissioned in 2002 by the NLMB in order to analyse the effectiveness of measures on the registered unemployed.

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72 The MoSA uses the ratio of registered job seekers to staff (608 in 2001) to demonstrate the annual workload. Calculations based on LFS data, where the number of unemployed in the week of questioning is used as a basis according to ILO methodology, show 485 unemployed per staff in 2000 and 436 unemployed per staff in 2001. As around half of the unemployed do not register, they are not part of the caseload of PES staff. Therefore this number shows only the possible ‘theoretical’ caseload.

73 The term ‘counsellor’ is a job title and does not necessarily imply that the holder is a full-time counsellor.

74 Information gained during ETF field visits and discussions with local employment office staff in 2001.
Access to training courses and other active measures has been widened as a result of the new legal framework of October 2000, although a substantial increase in participation is still limited by financial resources. Previously only those entitled to unemployment benefit had access to labour market services; now all registered unemployed are eligible.

Efforts have been undertaken since 2001 to prepare common standards for all services (this is being discussed also with selected unemployed and employers), to introduce internal audits for local offices, to pilot a self-service information system and to upgrade equipment and computer infrastructure. Most actions are supported by Phare funds and in addition a pre-accession advisor for employment services has been in place since 2002.

However, the overall ‘popularity’ of employment offices has not substantially increased since the mid 1990s, as registered unemployment continued to account for only half of actual unemployment (53% in 1996 and 60% in 2001, Voorman, 2001). According to LFS 2000, 44% of the unemployed (53% of men) did not contact the employment office even once throughout the period of unemployment. The main means of sourcing information were individual job search and job announcements (83%) and reference to relatives or friends (75%). Contact with employment offices (52%) was almost equal to direct contacts with employers (48%) in job search.

Specific issues

There is a clear need for strengthening the partnership approach, combining the priorities and resources of a range of institutions, including local governments and social partners. Tripartite employment councils were established in 2000 and were expected to be fully operational in all 15 counties at the end of 2002. The delay in implementation was due to difficulties in cooperation between PES and local employers.

Labour market training shows a very high success rate, as 76% (1997) and 57% (2000) found a job after training; however, this remains at a small scale75. According to the OECD, labour market training principally serves immediate needs and is only partially responsive to economic needs. Participants receive a training stipend paid up to six months, equal to 150% of unemployment benefit. The unit cost for training has increased more than the expenditure earmarked for this measure and financial shortages are limiting further expansion.

Concerning other active labour market measures, the interest in public works has decreased substantially since local municipalities have had to finance this measure themselves from 2001 onwards. Business start up subsidies have the potential to expand, but current grant levels are considered too low, and entrepreneurship training appears to be insufficient and too short to provide thorough preparation for self-employment. Wage subsidies to employers have been the least important measure. Consideration might be given to including a training element within several programmes, to better targeting of measures and to minimising bureaucracy in dealing with employers (Eamets, 2002).

For 2002 a state programme (‘Increasing employment, preventing long-term unemployment and counteracting exclusion of risk groups from the labour market’), amounting to €703,000, has been introduced, aiming to address the needs of the most vulnerable groups by expanding active measures76.

CONCLUSIONS

Despite the progress Estonia has made to date, in particular in general and higher education, the challenges in matching supply and demand in the labour force, in addressing the existing skills gap and improving the quality of the labour force, and in counteracting the risk of a growing

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75 It must be taken into account that in many cases a written letter from an employer confirming that the unemployed person will be hired is required (Eamets, 2002).

social divide remain high. Various measures need to be implemented, including the development of initial vocational training, CVT, and expansion of active labour market measures.

In the education system more resources will need to be directed towards vocational education in order to give the ongoing reform a ‘final boost’. Concerning initial VET, ambitious goals have been set in the National Action Plan for Developing the Estonian VET System 2001-04, prepared by the MoE:

- to increase the number of VET students by 8% per year, reaching 50% of the age group of basic school graduates and 50% of graduates from general secondary schools in 2004;
- to decrease the dropout rate from 13% (2000) to 8% in 2004;
- to privatise/municipalise 30% of VET schools by 2004;
- to rationalise the student/teacher ratio from 12:1 (2000) to 16:1 in 2004;
- to increase the share of teachers with higher education from 75% (2000) to 100% in 2004;
- to double the volume of foreign language teaching in all programmes;
- to increase the share of VET programmes meeting the requirements of vocational standards from 30% (2000) to 100% in 2004;
- to improve the efficiency of public assets by reducing the learning space per student from 14m² (2000) to 11m² in 2004.

Although it will be difficult to achieve these goals in a relatively short period, as VET is still unpopular in Estonia, they are leading Estonia on the right track.

While the educational attainment level of the labour force is generally high in Estonia, the adult population needs wider access to retraining and continuing training in order to gain the specific knowledge and skills necessary for the current and future economy. Adoption and successful implementation of the Lifelong Learning Strategy, including necessary amendments to the Adult Education Act, will be crucial. Early and regular monitoring of the impact of these changes are needed.

The current active labour policy measures have not yet yielded the anticipated results and substantial further efforts are needed to catch up with European standards. The structural mismatch in the form of high unemployment combined with a lack of qualified labour persists. The PES system has to become more proactive and to increase the quality and efficiency of the services it provides. Although considerable financial resources are needed to achieve these goals, no future targets have been set in that respect.

More attention needs to be paid to increasing the responsiveness of the education system to the special needs of disadvantaged groups (including non-Estonians) and counteracting the risk of a growing educational/social divide.

Concerning the Lisbon targets and conclusions, Estonia is quite advanced compared to other FMS, but still has to catch up with most EU averages and targets. However, the main issues (ICT development, increase in employment rate, access to education, strengthening research and development, foreign languages, lifelong learning) are already being addressed by national policies.
1. INTRODUCTION

1.1 ESTONIA’S EMPLOYMENT POLICY PRIORITIES

The main objectives and priorities of the Estonian employment policy, reflecting the country’s current stage of development and addressing a range of specific labour market issues, have been set out in the following major documents:

- the first Estonian Employment Action Plan (EAP) for 2000 (fourth quarter) and 2001, approved by the Estonian government on 3 October 2000;
- the Joint Assessment of employment priorities in Estonia, signed jointly by the European Commission/DG Employment and the Estonian Ministry of Social Affairs on 19 March 2001;
- the second EAP for 2002, approved by the Estonian Government on 24 July 2001;

In addition to these documents, reference to employment policy priorities is made in the relevant chapters of the Preliminary Estonian National Development Plan 2001-04 and the National Development Plan – Single Programming Document 2003-06, which was approved by the government in January 2003.

The Estonian EAPs were prepared in conformance with the European Employment Guidelines and are seen as essential instruments for participation in the European Employment Strategy. It is planned to continue the elaboration of Action Plans on an annual basis in future.

In order to ensure implementation of the EAPs, two special Employment Programmes have been prepared:

- The first Employment Programme, Increasing employment, preventing long-term unemployment and preventing the exclusion of disadvantaged groups from working life, was approved by the government on 28 February 2001. Funding of EEK 10.45 million (€668,000) was allocated for the implementation of the EAP 2000/01.

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77 The major part of this chapter was provided by Reelika Leetma, The country’s employment policy priorities, in Annus et al., Capacity of CVT to support national employment policy objectives.

78 Average exchange rate: €1 = EEK 15.64.
The second Employment Programme, relating to the EAP 2002, was approved by the government on 30 April 2002.

These strategic documents stress several priorities which, however, are not ranked according to their importance. Most of these activities are focused on the first pillar of the EES (improving employability). In general there are no quantitative targets set in these documents.

The main priorities elaborated in these three documents are highlighted below and some key results are summarised.

**Implementation of the reform of initial vocational education and training, with measures to increase completion rates in upper secondary education**

In order to understand better the skill requirements and training needs of employers, it is planned to carry out regular studies at the regional level and within national economic sectors. The results of these studies (which include quantified data on present and future manpower needs) should form the basis for planning vocational education and curriculum development provision. So far surveys in the wood processing/furniture sector and engineering sector have been completed and further surveys on information technology and the food-processing sector are being prepared.

The creation of a National Employee Qualification System with agreed national vocational standards is expected to ensure a better match between the needs of the labour market and education provision. It is also anticipated that the new qualifications structure with its clear routes of progression will encourage workers to upgrade their skills and qualifications.

The Estonian Qualification Authority was established in 2001 to coordinate the creation of the National Employee Qualification System. A total of 185 vocational standards (for 272 vocational qualifications) were prepared and approved by October 2002. Developing applied higher education is another important activity to be addressed during the forthcoming year.

**Expansion of continuing training provision, increasing retraining opportunities for adults in social and technical skills required by the economy, including information technology**

It is planned to amend the Adult Education Act in order to encourage both employers and employees to engage more actively in continuing education and training programmes through the availability of additional incentives. The Social Partnership Agreement 2001-04 also envisages measures to improve access to continuing training opportunities. Widening access to the labour market training provision offered by public employment services is also a priority in this area.

**Ensuring that tax and benefit systems are coordinated, provide adequate incentives for job creation, encourage the unemployed to take up employment and offer them adequate social protection**

At present the level of unemployment benefit in Estonia is very low by international standards. In response to this, a national Unemployment Insurance Act came into force from January 2002. The unemployed can start collecting benefits from the Unemployment Insurance Fund from January 2003 onwards. The impact of the new insurance system, as well as the other actions planned in the tax and benefit systems, will be monitored and analysed regularly. In 2002 two research projects (‘The impact of social benefits on labour supply’ and ‘Estonian tax system and employment’) initiated by the Ministry of

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79 The only short-term targets mentioned in the EAP 2000/01 were the employment rate (expected to rise from 59.9% in the 1st quarter of 2001 to 61.2% at the end of 2001) and the unemployment rate (to decrease from 14.8% to 14.0% in the same period). Although the EAP 2002 points out the great difference between EU Member States and Estonia regarding expenditure on employment policy (EU about 3–4% of GDP; Estonia 0.24% of GDP), no targets have been set towards improving the situation. The forecast of the Estonian Ministry of Economy on key macroeconomic indicators is pessimistic, predicting that the unemployment rate until 2005 will remain rather high (12.4%).
Social Affairs (MoSA) were carried out in order to evaluate the impact of the Estonian tax and benefit systems on employment.

**Expansion of active labour market programmes, while ensuring that these remain targeted on the most disadvantaged job seekers**

The Employment Service Act launched vocational counselling as a new employment service in 2000. As a first step, all employment offices have hired counsellors and a three-module training programme for counsellors was carried out in April 2001. The development of vocational counselling has an important place in the EAP 2002. In collaboration with the Danish Ministry of Labour a counsellor’s manual was prepared. It will be used as supplementary material in counsellors’ training programme.

The EAP for 2002 defines the ‘disadvantaged in the labour market’ as young people aged 16 to 24, disabled people, long-term unemployed, people who have dropped out from basic school, elderly workers, non-Estonian speakers, and people without any professional education or qualification. It is emphasised in this document that in order to integrate these groups effectively into the labour market, an individualised approach will be developed, taking account of the needs of the specific groups. Priority will be given to the young unemployed, the long-term unemployed, and disabled people. The EAP for 2003 has added the ‘ageing labour force’ (older than 45) as the fourth risk group.

In 2001/02 the following projects for risk groups have been carried out80.

**Young people.** Employment-related pilot projects for young people were implemented in nine counties. In total 291 young people participated and 210 obtained work placements after the project.

In the framework of Phare 2001 the pilot project ‘Supporting the employment of young unemployed’ will be launched under the supervision of the MoSA in 2002. It is planned to work out individual employment plans, subsidised work places, and motivation schemes for employers, targeted towards 600 unemployed in the age range 16 to 24. The project will be executed in Phare target regions – Ida-Virumaa, South-East Estonia, and Islands. As a result of the project, guidelines for integrating young unemployed with the help of combined active labour market measures will be developed.

**Disabled people.** A pilot project was prepared and implemented by the Hiiumaa County Council and the Danish Ministry of Labour to integrate disabled people into the ordinary work environment with the help of employment subsidies. The success of the project prompted its continuance and implementation in five other counties (Tallinn, Sillamäe, Jõgeva, Põlva, Valga). The project continued in 2002.

**Long-term unemployed people.** As a result of the pilot project ‘Supporting the placement of the long-term unemployed through labour market training and labour market support/subsidy for the employers’, 354 unemployed people obtained work placements. Individual action plans were prepared for 336 long-term unemployed people.

Research was carried out by the Estonian Economic Institute of Tallinn Technical University on ‘The long-term unemployed and possibilities for bringing them back into the labour market’.

**Providing the public employment service with the resources and structures needed to manage active programmes effectively and to engage more actively with unemployed people**

In December 2001 the Phare 2000 programme ‘Support to the balanced development of labour market services’ started. In the framework of the project the measures aimed at disadvantaged groups in the labour market will be developed further, the staff of the PES will be trained in the working principles of EU Structural

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80 Most of this information was provided by the MoSA, October 2002.
Funds, focusing on the ESF and the role of PES in the administration of ESF in Estonia, the self-service information system in PES will be worked out and executed, the preparations to join the EURES will continue, and the members of the tripartite employment councils will be trained.

A training programme for upgrading the skills of the employees of the PES was developed for 2001-02. It is anticipated that these combined actions will result in a more quality-driven and client-centred service. In addition, to improve job mediation services, a national web-based database on job vacancies, job seekers, and labour market services will be completed in 2002.

To provide basic information on the nature and provision of employment services, an unemployment benefits information bulletin was prepared.

**Improving entrepreneurship and creating a favourable environment for job creation, especially at local level**

According to the EAP 2002 it is planned to launch a new counselling and training measure and start-up grant schemes for entrepreneurs and those wishing to start their own businesses. Actions will also focus on strengthening the necessary support structures, such as a web-based information system for entrepreneurs, the network of business incubators and industrial parks, and simplifying administrative procedures and costs.

**Developing a tighter focus in relation to regional aspects of employment policy in order to concentrate more closely on the regions worst affected by unemployment**

The region facing the highest unemployment rate in Estonia is Ida-Virumaa. To tackle unemployment here, a special Employment Programme was prepared for 2001 with the cooperation of the ministries of Economy, Education, Social Affairs, and the Interior, representatives of employers and employees and representatives of the Ida-Virumaa county government.

The initiative of local stakeholders is seen as vital in solving employment problems and therefore local employment initiatives are also being encouraged in other regions. For this purpose an information bulletin on Territorial Employment Pacts and the possibilities of using them in Estonia was prepared and issued.

Certain resources have been earmarked for projects that focus on solving employment problems from an extrabudgetary privatisation fund. The Ministry of Social Affairs is responsible for selecting the projects. In 1999-2001, 93 project proposals were submitted and 47 approved, with a total value of EEK 22.13 million (€1.4 million).

Several smaller and more specific programmes are also available for regions facing high unemployment in the framework of general regional policy.

**Speedy progress in implementing measures to support an increased role for the social partners in the formulation and implementation of employment policies**

Establishing special permanent tripartite bodies is an important precondition for increasing the role of social partners. In 1999 the government established the tripartite Social Economic Council. Tripartite employment councils will be created in each of 16 employment office areas. Currently five tripartite employment councils are working actively in Ida-Virumaa, Valgamaa, Viljandimaa, Võrumaa, and Järvamaa. According to the tripartite agreement signed on 18 January 2002, the representatives of the central organisations of employers and employees made commitments to active involvement in setting up the employment councils and to appointing their representatives to all regional employment councils in 2002.
Within the framework of Phare project 2000, training is planned for all the members of the council to familiarise them with the principles and methods for evaluating the labour market and planning employment measures (see above).

Social partners are also involved in the ongoing reforms of the Estonian VET system via the special commission of the Ministry of Education.

**Continued implementation of measures to address gender differences in the labour market**

To adopt a gender mainstreaming approach a Gender Equality Act has been prepared and proposals for amendments to existing legislation in relation to gender equality have been developed. A list of indicators and the initial methodology to measure equality in the labour market and other fields have been developed. These are a prerequisite in the drafting of the implementation mechanism of the Gender Equality Act.

Several training sessions aimed at increasing the administrative capacity of civil servants have been held and will continue. To encourage women to set up their own businesses or to become self-employed, a More and Better Jobs for Women programme has been launched. In the framework of this initiative several training sessions and study visits have been organised to raise women’s awareness on entrepreneurship and to encourage them to start their own businesses.

**Continuing the work on establishing efficient institutional structures necessary to facilitate the smooth introduction of the European Social Fund co-financing arrangements**

Regular analyses of the trends in the labour market and annual planning of the employment policy are being utilised to support the preparations for implementing sustainable Structural Funds interventions in Estonia. The national framework for the implementation of EU Structural Funds is being prepared during the implementation of a Phare Consensus III Project, which started in August 2001. The objective of the project is to create awareness and understanding of the administrative and political requirements of the preparations for the ESF, prepare administrative structures for the implementation of the ESF in Estonia, and develop strategic outlines for participation in specific ESF programmes. More specifically, the schemes for project selection, project approval, monitoring, financing, and auditing will be worked out, as well as a supporting information system.

In April 2002 the government of Estonia approved the main principles for European Union Structural Funds and Cohesion Fund resources. According to the related document the MoSA will fulfil the function of the ESF paying authority and to a certain extent also of the implementing authority. At the same time the MoSA will become the implementing and paying authority of the European Community programme on gender equality, EQUAL. As part of the preparations for the European Social Fund, the ESF Accountancy and Payment Bureau and the ESF Programming and Coordination Bureau have been established.
2. VOCATIONAL EDUCATION AND TRAINING (VET) AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

2.1 OVERVIEW OF THE EDUCATION AND TRAINING SYSTEM

2.1.1 LEGAL FRAMEWORK AND INSTITUTIONAL SETTING

Legal acts governing the management, organisation and financing of VET and lifelong learning

The main laws related to education and training were created soon after Estonia regained its independence in 1991. The 1992 Constitution of the Republic of Estonia provides the right to education to everybody in Estonia. The overall framework and general principles of the Estonian education system were laid down in the Law on Education (March 1993, latest amendment June 2002), and more specific conditions for establishing, running and closing state and municipal primary schools, basic schools and gymnasiums were set out in the Basic and Upper Secondary Schools Act (September 1993, latest amendment March 2002). The latter also defined the principles governing basic and secondary general education schools. Higher education is regulated by the Law on Universities (January 1995, latest amendment December 2002).

81 A preliminary analysis of the legal systems of Estonia, Latvia, and Lithuania concludes that all three Baltic countries have already created fundamental legal documents for the regulation of their education and training systems. The legal systems are being developed using different approaches: whereas Estonia is concentrating on different types of institution, Lithuania is regulating different sectors of the education and training system, and both are present in the case of Latvia. See Reet Neudorf, Gunars Krusts, and Vincentas Dienys, Comparative analysis of VET systems of Estonia, Latvia and Lithuania, in Comparative analysis of VET systems and regulated professions in Baltic States, National Observatories of Estonia, Latvia, Lithuania, 2000.
latest amendment June 2002), and the legal conditions for education and training of adults, along with a first perspective for lifelong learning were created by the Adult Education Act (October 1993, amended June 1999) and the Law on Hobby Schools (June 1995, latest amendment June 2002).

A second phase of adopting new legislation took place in the period 1998-99, including vocational education. The legal basis for establishing and running private schools was created by the Private Education Institution Act (June 1998, latest amendment June 2002) and the foundations for preschool institutions in municipalities and also the whole preschool education system were laid with the Law on Preschool Childcare Institutions (February 1999, latest amendment June 2002).

Vocational education

Regarding vocational education, specific legislation was introduced only in the second half of the 1990s. The Vocational Education Institution Act (June 1998, amended in June 2001 and again in June 2002 in relation to the amendment of the Law on Universities and the Applied Higher Education Institutions Act) provides the basis for the establishment, reorganisation and closure of vocational education institutions, the establishment of vocational councils, the organisation of studies and principles of school management, school budgeting and financing, and the rights and obligations of schools and state supervision. At the same time, the Applied Higher Education Institutions Act (June 1998, also amended in June 2001 and June 2002) was created, aiming to regulate the operation of applied higher education institutions and defining the principles of vocational higher education provision. The Law on the Recognition of Foreign Professional Qualifications (covering requirements in order to be employed in a regulated profession, and taking into account European Union Directives) was adopted in March 2000 (latest amendment June 2002).

The Professions Act (December 2000, latest amendment June 2002) provides the basis for the development of vocational qualification requirements and the assessment and attribution of vocational qualifications.

Continuing vocational training (CVT)

Continuing training is mainly regulated by the Adult Education Act, which sets the overall framework for CVT, aiming to encourage the national level, local governments, and employers to guarantee possibilities for lifelong learning. This Act sets the principles for financing and organising the training of adults, and defines the responsibilities of the national level, local level, and employers.

Apart from the Professions Act, a number of Acts not directly related to education also have an impact on continuing vocational training. The Holidays Act (July 1992, latest amendment June 2002) regulates training leave for employees, the Wages Act (January 1994, latest amendment June 2002) regulates payments related to training, the Public Service Act (May 1995, latest amendment June 2002) confirms the right for training to civil servants, the Employment Contract Act (April 1992, latest amendment February 2002) introduced the obligation of employers to organise work-related training if vocational qualification needs are changing, and the Income Tax Act (December 1999, latest amendment June 2002) provides for income tax reduction on training expenses for employees.

The MoE envisages amending the Law on Adult Education in 2003 with a lifelong-learning perspective (widening access to CVT, motivating employers and individuals).

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82 The Law on Universities (1995) sets out the conditions for establishing, running, and closing public universities, along with the principles governing higher education in accordance with the curricula of diploma and bachelor studies, master and doctoral studies. This also includes the issue of the higher education standard.

83 This law is applicable to private vocational education institutions in so far as the Private Education Institution Act does not stipulate otherwise.

84 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
Labour market training

The provision of labour market training for the unemployed is mainly regulated by the *Social Protection of the Unemployed Act* (January 1994, June 2000, latest amendment June 2002) and the *Employment Service Act* (June 2000, latest amendment June 2002). With the new legislation adopted in 2000, access to training and other labour market services has been widened and, as noted above, vocational counselling has been introduced as a new service.

Overall assessment

The overall legal basis for a new education system was created in the early 1990s, whereas an appropriate legal framework for vocational education reform lagged behind and was delayed until the late 1990s. Updating of VET legislation and further revision of laws regulating the whole education system was still continuing in 2001 and even more intensively in 2002. Therefore consolidation of the reform will be very necessary in the coming years. The potential legal impact of the new education strategy, Learning Estonia, currently under preparation, is not known yet.

The legal framework concerning CVT, created in the first half of the 1990s, needs improvement in order to widen access and address lifelong learning more systematically. Policy makers are aware of this and an amendment is foreseen for 2003/04.

Overall, there is still a lack of coordination and inter-ministerial consultation on different laws regulating VET.

As regards PPES important legal amendments were introduced at the end of 2000 providing an improved legal basis for training and other services to the unemployed.

Institutional setting of VET and lifelong learning

Government of the Republic

The government of Estonia has the authority to adopt and ensure the implementation of state education development plans, to determine procedures for the establishment, reorganisation, and closure of public education institutions including tuition fees and payment procedures, and to determine principles for the remuneration of staff of public educational institutions and state universities.

Concerning CVT, the government approves the priorities of adult education, provides financing from the state budget for the training of adults and researchers in accordance with the defined priorities, and forms the Adult Education Council.

Ministry of Education

The MoE has the tasks of co-ordinating the implementation of education policy through local governments and other ministries involved in the organisation of education; establishing, reorganising, and closing state educational institutions (except universities and applied higher education); directing and organising the preparation of curricula, study programmes, textbooks, and teaching/study aids (except for universities); and administering public assets used by public education institutions and the education system as a whole. The MoE carries out procedures for the state supervision of education institutions and state education standards. In addition, the MoE participates in forecasting requirements for specialists and skilled workers and in preparing the government-planned training of staff in education. The MoE issues and revokes education (operating) licences for private institutions.

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85 Including the Procedure for Organising Employment Training and Grant and Payment of Stipends to Unemployed Persons (February 1995).
86 The government has the authority to open, reorganise, and close state universities and applied higher education institutions.
87 Supervision is the task of the MoE and its supervisory section (inspectorate), and of the education departments of the county governments.
education institutions, and has the right to appoint and dismiss heads of state education institutions (except universities).

As the vast majority of VET schools are state schools (unlike secondary general schools), the MoE plays the most important role in VET provision. All other ministries responsible for vocational education and training institutions (the MoSA and the National Police Board are each running one VET school) act independently of the MoE in the supervision and management of VET schools, but they have to follow national education policy as established by the MoE.

The Ministry of Social Affairs (MoSA) is responsible for the organisation and financing of training for the unemployed.

The Ministry of Agriculture had been responsible for 13 agricultural schools, which finally came under the administrative jurisdiction of the MoE as of September 2000, in accordance with the Vocational Education Institutions Act.

As of September 2002 the MoE had 54 VET schools in its jurisdiction out of a total of 88 VET schools (out of which 30 were private schools).

Due to a major reorganisation of the ministry, the former VET and CVT Department, which had existed since 1997, was abolished in June 2001, and responsibilities related to IVET have been moved to the Policy Department of the MoE and its Secondary Education Division and partly outsourced to the newly created public School Network Administration Office (SNAO). At the same time the MoE was relocated from Tallinn to Tartu, with the aim of supporting regional development, resulting in high staff turnover and a number of new and young staff.

In Estonia the MoE is also responsible for the coordination of continuing training, and is assisted mainly by

- the Council of Adult Education, which has an advisory role in setting priorities, funding and other issues related to adult education. The Adult Education Act specifies the Minister of Education as the head of the council, but it does not regulate its composition or size. At present, the council (15 members in total) includes representatives of social partners, different ministries and adult education providers. The council meets when considered necessary but at least twice a year.

In addition, the MoE is assisted in defining its policy by several other consultative bodies, such as

- the General Education Management Board, consisting of heads of education departments from county governments;

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88 A major requirement for a licence is that the curriculum should correspond to the educational standards fixed for the level of education concerned.
89 Neudorf et al., *Comparative analysis of VET systems*. The MoE also has to contribute to the implementation of state research policies and commission research on education. The procedures for teacher certification and upgrading of vocational qualifications, the organisation of training and in-service courses for educators, and the coordination of in-service training and retraining for specialists and skilled workers also fall under the responsibility of the MoE.
90 In the jurisdiction of the Ministry of Internal Affairs.
91 Viertel E., *Vocational education and training*.
92 The structures for the administration of education in Estonia have been repeatedly reorganised. In 1988 the MoE, the Ministry of Higher and Postsecondary Technical Education, and the Vocational Education Committee were combined into one Education Committee. In 1989 the MoE was restored, and in 1993 a new Ministry of Education and Culture was established, which was to deal with overall education policy and higher education, whereas a State Board of Education dealt with general and vocational education. In 1995/96 the MoE was re-established as a separate entity.
93 VET capacities within the MoE have been weakened, since only one senior expert was dealing with VET issues in 2002. The total number of people dealing with VET (including the SNAO) has remained the same.
94 Whereas in Lithuania this responsibility is delegated to the Ministry of Social Security and Labour, and in Latvia it is split between several ministries.
95 Annus et al., *Capacity of IVET and CVT to support national employment policy objectives*. 
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- the Education Forum, an NGO consisting of different interest groups, which discusses development issues in education (e.g. in the education strategy Learning Estonia, which was under preparation in 2002);
- the Student Advisory Chamber, consisting of secondary, vocational and university student representatives;
- bodies related to higher education (e.g. the Higher Education Advisory Chamber, the Research and Development Council)\(^{96}\).

**School Network Administration Office**

This central body (located in Tallinn), under the administrative jurisdiction of the MoE, was established in July 2001 and is responsible for the management of the state school network, including secondary general schools (four basic schools and gymnasiuums, six boarding schools, three special schools, 19 schools for children with special needs), VET schools (54 VET schools, three special VET schools in prisons), and five applied higher education institutions\(^{97}\).

**Public Assets Administration Office**

This public body, in the jurisdiction of the MoE, was also newly established in July 2001 to provide services to the MoE in the development and delivery of efficient public assets administration.

**National Examination and Qualification Centre**

The centre was established in January 1997, aiming to deal with programme development and requirements, curriculum service, qualifications and examinations. The centre was never able to develop its broad scope (curriculum service went back to the MoE, issue of qualifications to the vocational councils) and, as a consequence, has been focusing mainly on examination issues.

**National Qualification Authority**

This body was established in September 2001 to coordinate the work of the vocational councils and to facilitate implementation of the National Employee Qualification System.

**Foundations**

There are two important foundations in Estonia related to education and training, governed by a board consisting of different ministries and stakeholders.

- The **Foundation for Vocational Training and Education Reform in Estonia** (FVETRE) is the national agency for the EU Leonardo programme. It has been managing VET Phare programmes since the mid 1990s and more recently human resource development projects under the Phare Economic Social Cohesion programme. FVETRE also hosts the National Education Observatory, the National Resource Centre for Guidance and Counselling, and the Business Education Programme. In 2002 FVETRE was assigned as an implementing agency for the future ESF.

- The **Archimedes Foundation** is the national agency for the EU Socrates and Fifth Framework Research and Development Programmes and has also managed several Phare programmes in the past (Higher Education and Science Reform, Information Systems in Education).

**Local governments**

The role of county governments and their education departments is to prepare and implement education development plans for their administrative region (county), to provide supervision of pre-primary institutions and schools, and to organise vocational guidance and counselling of

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97 The SNAO has a staff of 15 people, divided into management, financial planning, and development departments. This includes an internal audit advisor and six regional directors, who assess and analyse the activities and administration of education institutions in their respective regions and make recommendations for improvement.
children and young people. Regarding CVT, local governments have to ensure learning opportunities for young people and adults and to support informal education, training for the unemployed, and training for people with disabilities and people with low income.

Local government authorities organise the maintenance of pre-primary institutions, basic and secondary schools, keep registers of children in the compulsory education age range, and monitor their attendance.

Management at school level

The director: The director is responsible for the management, administration and operation of the school, securing its efficient working, drafting of the school budget, and budget performance. The director serves as the employer of staff members and approves their job descriptions by an order. He reports to the school council as well as the body that has appointed him. As stipulated by a decree of the MoE, directors are recruited by an open competition, carried out by the school council. The director’s term of office may not exceed five years. The founder of the school appoints the director.

School councils: According to the law, vocational education institutions have to establish a school council (formed for a three-year term), consisting of representatives of founders of the school (administrating ministry), professional experts in the fields taught in the school, employers connected to those educational fields, representatives of the employers' and employees' associations, municipalities, NGOs at local level, and the students' organisation. The council is appointed by the founder of the school and its purpose is to direct the operations of the school. It approves the school development plans, submits an application for the school's budget to the founder of the school, confirms the budget report, and confirms enterprises and other institutions for the practical training of students.

Teachers’ board: The task of the teachers’ board is to resolve matters pertaining to the educational activities of the school (defining, analysing, and evaluating teaching activities, carrying out the necessary management decisions). The composition of the board includes teachers and other members of teaching staff, including the director.

Involvement of social partners and other stakeholders

The participation of social partners in VET is regulated by national legislation as well as by their own charters and action plans and by agreements with other stakeholders. In the last decade the involvement of the social partners in administrative and consultative bodies of the education system has evolved substantially. In particular employers have been assigned to play a more active and influential role, which is reflected in their participation in the vocational councils, which were established according to the Vocational Education Institutions Act and in the framework of the creation of the National Employee Qualification System. The vocational councils are developing qualification requirements and vocational standards which are used as a basic reference in programme development at educational institutions.

Vocational councils are also asked for an opinion in the preparation of the national training order.

98 Individual schools have to ensure study opportunities for every child of compulsory education age in the school district, as well as health care. See Eurydice/Cedefop, Structures of education, initial training and adult education Systems in Europe, Estonia 2000.

99 The employment contract with a director at a state school is concluded, amended, and terminated by the minister heading the ministry under whose administrative jurisdiction the state school falls. The employment contract with a director of a municipal school is concluded with the head of the township administration or the town mayor, according to the recommendation of the township or town administration. See Neudorf et al., Comparative analysis of VET systems.

100 The council comprises five to nine members, appointed by the founder of the institution.

101 European Training Foundation, Enhancing the role of social partner organisations in the area of vocational education and training in the candidate countries of Central and Eastern Europe, Turin, 1998.
The councils were hosted between 1998 and 2001 by the Chamber of Commerce and Industry and moved in September 2001 to the newly created National Qualification Authority.

Notwithstanding the commitment and participation of social partners in different fields at national level, the actual involvement of social partners is still rather limited at local level and needs to be strengthened.

Research institutes

Since the former research institutions were closed down at the beginning of the transition period, Estonia has lacked credible research and analytical capacities with respect both to education and VET and to labour market issues. In 1997 the National Observatory for vocational education and training was founded (with support from the European Community and the ETF, hosted by the FVETRE); it subsequently contributed to the monitoring of VET and labour market developments in Estonia. In 2001 the MoE decided to broaden the scope of the Observatory by merging it with the statistical unit of the MoE to cover the entire education system. This new Observatory aims at providing statistics and analysis for the whole education system in Estonia. Regarding vocational education, the need for a VET innovation centre with a focus on research has been expressed by different stakeholders, but this is still under discussion.

Overall assessment

Implementation of VET reform in the 1990s was delayed. Reasons for this include frequent changes in the structure of the MoE since the mid 1980s and uncertainty as to whether some VET institutions should become part of the public administration system or part of the social partnership framework. Since the latest reorganisation of the MoE in 2001, the institutional capacities for VET have become more limited and need to be strengthened within the MoE as well as in other existing institutions, in order to meet the challenge of the ongoing ambitious reform.

Capacity building is needed at local level, due to the ongoing approach favouring increased self-responsibility and self-initiative on the part of local actors. This includes change management capacities at school level, the development of curricula and new programmes, and new models of cooperation with employers.

The institutional framework for the involvement of social partners has been created but needs to achieve sustainability and critical mass, in particular at local level. There is still a need for enhanced research and development capacities related to both vocational education and labour market analysis in Estonia.

2.1.2 POLICY FRAMEWORK

Education policy in Estonia is framed by the parliament (approving laws regulating education) and the government (deciding on the national strategies for education). Policy in the field of education has been stable since the end of the 1990s, and although a new (transitional) government came into office in January 2001, no major changes in policy directions have been announced by the new Education Minister so far. The next national elections for the parliament and government will be held in March 2003.

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102 The Chamber of Commerce hosted an important part of the VET reform process (start-up, preparations, vocational councils) until 2001.

103 Apart from tripartite vocational councils, social partners are involved in tripartite employment councils (expected to be fully operational in 2002/early 2003), advisory councils to the MoE (e.g. the adult education advisory council, the commission of the vocational education and training specialists), and the Estonian Education Forum, and are participating in the supervisory boards of vocational schools. See Henn Paern, The views of businesses on human resources development, paper presented at the international conference on Achieved Balanced Economic and Social Growth, Policies and Innovations in the Area of Human Resources Development, Tallinn, March 2001.


105 This was due to the resignation of the previous government in January 2001. The transitional government is composed of the free-market-oriented Reform Party and the more socially oriented Centrist Party. A national referendum on accession to the EU will be held in September 2003.

106 The new education minister, who was 27 years old in 2001, indicated in her first months of office that the efforts on VET reform would continue.
Current education policy tends to follow the overall liberal economic and political approach which has been dominant in Estonian society over the last decade, paying much attention to issues such as privatisation and municipalisation of schools, rationalisation and the cost-efficiency of education. This is less the case for the policy regarding employment services, where state offices are still playing an almost monopolistic role and a policy towards private agencies is hardly developed.

The vocational education system in Estonia has been identified from the beginning of the transition period as the most difficult area in Estonian educational policy. Modernisation and structural change of the education system remained delayed since the 1970s and the overall quality and image of VET worsened steadily in the 1980s. Since the early 1990s the Estonian VET system has faced many challenges, such as the adaptation to a market economy and political pluralism, the implementation of modern curricular and education structures, the decline in VET participation and in the social status of VET, together with more recent preparations for a concept of lifelong learning.

Within overall education policy, priority was given to higher and general education in the 1990s. A shift towards more attention for VET has occurred only gradually in recent years and may be identified by the following.

1. An overall VET reform initiative was launched only in 1998. These actions focused mainly on the diversification, reorganisation and efficiency of the VET structure, the development of flexible funding mechanisms, and decentralised management with involvement of social partners. They are expected to contribute to raising the social status of secondary VET and consequently the participation rate in VET (in 2001 only about a quarter of pupils opted for VET after basic school). The main directions of VET policy and reform are laid down in the Concept of Vocational Education and Training, approved by the government in January 1998. The purpose of VET is seen as to enable the individual to develop and adapt to rapid changes in the society and to ensure broad-based occupational competencies, thus developing an individual who is competitive in the labour market. Key principles were set out on which the organisation of VET should be based, such as efficiency, flexibility, functionality, cooperation, quality, and availability. The VET concept has resulted in a new legal framework, providing for greater flexibility in VET provision, rationalisation and privatisation of schools, introduction of a higher VET level (ISCED 5B) – changed in 2002 to applied higher education – establishing vocational councils, and involvement of social partners.

2. As a follow-up and in order to speed up the process of VET reform, the government approved the Action Plan for Developing the Estonian VET System 2001-04 (focusing on initial

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107 Soren Nielsen, Report on the vocational education and training system in Estonia, SEL, Copenhagen, 1995. Estonia has opted early for a ‘skilled workers’ strategy’ by stressing the development of quality of human resources in production instead of becoming a low-paying producer in the international division of labour, which would also conflict with Estonia’s tradition of a high educational level.

108 Grootings, The reform of vocational education and training in Estonia. Estonia has a long and proud history in education, going back to the monastery and cathedral schools of the 13th century. Tartu University was founded in 1632 and a teachers’ seminary was established as early as in 1684. A national education system was developed from the beginning of the 19th century, including vocational education. Before the second world war, there were more than 170 vocational institutions in the country, with about 13,000 students. The illiteracy rate was extremely low.

109 Some educational stakeholders mentioned during the field visits for the Monograph in June and September 2001 that the MoE has always been a ministry for general education rather than vocational education.

110 In 1995 the FVETRE was created, and the reform process started on a pilot basis with a Phare VET programme in 13 schools in 1996.
VET) in June 2001. It is the latest policy paper for VET, highlighting the following objectives and development directions:

(a) guarantee learning opportunities for young people up to 18, in line with the opportunities for offering programmes meeting the interests and abilities of young people and enhancing their transition from school to working life;

(b) organise continuing education and training for adults, thus helping them to achieve recognised higher qualifications;

(c) modernise the learning environment in VET schools and update the curriculum of study programmes, in accordance with the requirements of the labour market;

(d) assess the efficiency of the existing VET school provision and develop a system of assessment and accreditation of VET schools;

(e) develop a teacher training system capable of meeting contemporary requirements for the initial and continuing training of teachers and trainers;

(f) create an innovation centre for VET, to undertake research-based activities related to the role of teachers, career counselling in the school system, and dissemination of new developments/information to trainers, vocational councils, employers, and professional unions.

The Action Plan contains a number of ambitious and concrete targets to be achieved between 2001 and 2004, which will be closely monitored by the MoE on an annual basis. Its coherent implementation has been defined as a high priority. In total 23 different areas and tasks have been defined, emphasising access to VET, quality and equal opportunities. The most important goals (including the identification of the strategic balance between provision of different schooling levels (general upper secondary, secondary VET) are listed below.

- **Increasing the number of students in the VET system** by 8% annually until school year 2004/05 (starting from the 2000 baseline of 26% of graduates of basic schools and 27% of graduates of secondary general schools following the VET stream). For the long term it is foreseen that the opportunity to acquire VET should be guaranteed for 50% of the age group of graduates from the basic school (including basic VET in gymnasiurns), and for 50% of the graduates from secondary general school/gymnasium; this target may be seen as too ambitious, in particular as immediate measures to promote VET have not yet been worked out.

- **Decreasing the dropout rate** from VET schools by one percentage point per year (the rate of dropouts was 13% in 2000).

- **Large-scale municipalisation/privatisation of VET schools** (a target of 30% of the currently public VET schools to be transferred into municipal or private ownership has been set). Current legislation provides the opportunity for private entities to establish a foundation and present an application for privatisation to the state; in the 2000/01 academic year, 17 VET schools (out of a total of 81) were privately owned, and privatisation is advancing, with 23 schools privately owned in 2001/02 and 30 in 2002/03. Municipalities show less interest in taking over VET schools:

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111 In July 2000, the Estonian government established an expert committee to develop national priorities for VET and the reorganisation plan for the VET system until 2004. The committee prepared a draft action plan in November 2000, which was formally adopted by the Estonian government in June 2001. It aimed to continue the implementation of ideas given in the 1998 Concept of Vocational Education and Training by describing the actions needed. This process is aimed at more rational and effective use of the existing resources in order to speed up improvement of the quality and efficiency of the education provided; improvement of teachers’ qualifications; support to curriculum development efforts; and modernisation of the study environment and teaching process. See European Training Foundation, *Annual review of progress in VET reform*, paper submitted to the European Commission, DG Enlargement, 2002.

112 Annus et al., *Capacity of IVET and CVT to support national employment policy objectives.*
there were two municipal schools (Tartu) in 2001/02, three in 2001/02, but only one in 2002/03.

- Addressing the absence of a modern integrated vocational teacher/trainer training system. By September 2003, all teachers must have a specialism or pedagogical higher education. The target was to increase the share of teachers with higher education from 75% (2000) to 100% in 2004. In addition, efficiency criteria will be included in the salary calculations for VET teachers, starting in September 2002.
- Increasing the share of VET programmes meeting the requirements of vocational standards from 30% (2000) to 100% in 2004.
- Improving the efficiency of public assets by reducing the learning space per student from 14m² (2000) to 11m² in 2004. As a first step, the Public Assets Administration Office was established in 2001.
- Addressing the lack of a comprehensive system of vocational counselling and guidance. This will be done partly by the VET regional centres, but professionally trained counsellors working in the VET schools are also envisaged.
- Continuing restructuring of the school network by merging further VET schools. Two VET schools were merged in 2001 (Lääne-Virumaa Kutsekõrgkool).

- Some of the merged vocational education institutions will start functioning as regional vocational education centres to offer more support to the development of regions with critical employment situation. In rural areas, the merging of vocational education institutions and secondary general schools is under consideration, to enable a wider range of opportunities for vocational retraining to be offered to secondary school students.
- Extending the concept for establishing regional training centres (on the basis of existing VET schools). This has been extended to eight centres and is being pilot-tested in three centres under the Phare programme. These centres are expected to contribute greatly to both quality provision of initial VET and the extension of CVT. However, they are still under development, operating on a small scale only, and have not yet produced significant outputs.
- Establishment of Accreditation Committees at national level by occupational sector. These will consist of representatives of employers, trade unions, and other organisations and will evaluate the quality of teaching and efficiency.

In order to implement some development directions outlined in the Action Plan and to strengthen the overall VET reform process, legal amendments were made to the Vocational Education Institutions Act and the Applied Higher Education Institutions Act in 2001 and 2002, providing for continued restructuring of the school network in order to achieve greater flexibility in the ownership of VET schools, clearer state supervision on the organisation and content of VET, improving the efficiency of public assets by reducing the learning space per student from 14m² (2000) to 11m² in 2004. As a first step, the Public Assets Administration Office was established in 2001.

113 The qualification requirements for teachers changed in August 2002. A VET teacher can carry out professional speciality or occupational training with post secondary education. At the same time the number of years of professional work experience required for VET teachers was extended from two to three and the duration of complementary training on vocational pedagogy extended from 160 to 320 hours.

114 A change in terminology seems to have occurred in the last few years; while the first three centres established with EU Phare support are called ‘regional training centres’ (RTCs, underpinning their ‘regional’ importance), the MoE is now speaking more of ‘VET centres’, covering the same range of (multifunctional) activities as RTCs; provision of both initial secondary VET and higher VET (including students from other schools), CVT, continuing training of teachers, counselling services, training for special needs, programme development, and labour market analysis.
and enhanced cooperation between VET schools and applied higher education institutions. In addition, a more concrete legal basis has been established for cooperation between VET schools and employers related to practical training agreements, and for the provision of basic VET for gymnasium pupils and for young people who have not acquired basic education\(^{115}\).

3. In March 2001, the Estonian government and the European Commission signed the Joint assessment of employment priorities in Estonia. The full implementation of the reform of initial VET, the expansion of the continuing training provision, and the promotion of active labour market measures are among the main priorities listed. A joint monitoring process was established in 2001 (including progress reports and an agreed list of indicators).

4. Several initiatives in the period 1997-2000 (Learning Estonia, Education Scenarios 2010, the Tiger Leap programme, the Education Forum) focused on strategic thinking regarding the overall education system but also in a broader context of a global, knowledge-based and IT-based economy\(^{116}\). As a result, an important policy document (Education Strategy ‘Learning Estonia’) was prepared by the MoE and the task force of the Education Forum in 1999/2000, involving social partners and NGOs. The Education Strategy, which was adopted by the government on 8 May 2002 but rejected by the parliament in the same month (28 May 2002), aims to design a future education system and creating an overall support structure. In its vision of the Estonian education system in 2010, education will have become the main precondition to national development in the country. It can be expected that this strategy paper will not be adopted before March 2003, when the next elections to the Estonian parliament will take place\(^{117}\).

5. Between February and July 2001 Estonia participated actively in the consultation process on the EC’s Memorandum on lifelong learning, which was organised by the NGO Association of Estonian Adult Educators (ANDRAS), and included the main educational stakeholders both at national and local level, social partners as well as civil society. As a result the National Lifelong Learning Strategy was developed, with a focus on adult education, and this was still being discussed in an open consultation process with key institutions and citizens in 2002/03. The planned amendment of the Adult Education Act, aiming to provide wider access to CVT, has been postponed until the Lifelong Learning Strategy is adopted\(^{118}\).

In general, the development of CVT policy has been lagging behind the reform process in initial education and is suffering from a clear gap in national strategies and actions. An Action Plan similar to the one related to initial VET is still awaited.

A major achievement was the establishment of the National Adult Education Council and the approval of its charter in November 1998. Since then national priorities for adult education and CVT have been proposed on an annual basis by the Adult Education Council and have to be approved by the government. The priorities (see more details in chapter 2.1.4. on CVT) form the basis for small scale programmes for adult education, supported from the state budget, and are also linked to the National Employment Action Plan.

\(^{115}\) Information provided by the SNAO in the framework of the ETF Review of progress in VET reform, 2002.

\(^{116}\) Although the contrast between the vision of Learning Estonia and the reality of the conditions in VET has been ‘stark’, according to the OECD review team in 1999.

\(^{117}\) The strategy paper contains 18 main thematic sections (including lifelong learning, learning to learn, special needs of learners, ‘teacher is the key’, ICT, innovation based on research, efficient counselling, etc.), including also ambitious goals and positions, such as ‘Secondary education for all, higher education for many’, ‘Estonian qualifications comparable to the EU’, ‘Applied higher education is a value’. To facilitate the development of the Estonian education system and to implement national education priorities, a special Education Endowment will be created and the parliament will evaluate at least once every three years the achievements in the implementation of the goals set.

\(^{118}\) ETF Review of Progress in VET Reform 2002.
Access to labour market training and other active LM measures have been widened as a result of the new legal framework of October 2000. However, a substantial increase in participation has remained limited by a lack of financial resources.

Overall assessment

In the early 1990s progress in VET reform was very fragmented, lacking critical mass and clearly needing further strategic development, and several serious issues remained to be addressed. Stimulated by the goal of EU accession and supported by continuing foreign assistance, remarkable efforts have been made in recent years as regards policy development in reforming the Estonian vocational education and training system, with a view to making VET provision more attractive and relevant to the needs of the labour market and thus improving the employment prospects of graduates.

At the same time VET reform has not yet reached its optimum and several reform bottlenecks remain. Currently the Estonian VET system faces the challenge of successful implementation of the major reforms laid down in VET legislation and in the policy framework established in 1998 and adjusted in 2001.

The MoE’s VET Action Plan 2001-04, Phare 2000-02 programmes (regional training centres, piloting apprenticeship schemes, work-linked training programmes), and the National Employment Action Plans 2002 and 2003 are supporting implementation of the main reform goals.

Overall progress in implementing the VET Action Plan has been slow in the initial phase (June 2001 to July 2002), partly due to a reorganisation and internal reform of the Ministry of Education which took place in the same period, partly because some targets may be considered as overambitious.

A breakthrough in major fields of initial VET reform (National Employee Qualification System, national VET curricula, increasing participation, decreasing the dropout rate, increasing the efficiency of VET, reorganisation of the VET school network, improving quality) is expected to take place at the earliest in year 2003, and further efforts will be needed to consolidate the reform.

The development of CVT policy has been lagging behind the reform process in initial education, and an action plan similar to the one related to initial VET is still awaited. However, important new policy documents, partly focusing also on CVT, are being prepared (Learning Estonia, the Lifelong Learning Strategy), which are aiming to prepare Estonia for the future as a knowledge-based information society.

2.1.3 RESOURCES

Overall investment in education

Public investment figures show the high value of education in Estonian society. Since the mid 1990s around 7% of GDP has been spent annually on education, compared to 4 to 6% in EU and OECD countries. In 1999 public expenditure on education was even as high as 7.5% of GDP (compared with only 6.0% of GDP on health and 1.4% on defence). Investment in education grew even faster than the indicator of economic growth between 1995 and 2000. However, this trend has been decreasing since then (6.9% in 2000, 6.3% in 2001 and 6.3% in the 2002 budget).

However, it will be difficult to achieve the goal of increased VET participation, since the participation rate has remained at the same low level in recent years, and since it will be difficult to steer 50% of graduates from basic schools to VET schools without administrative measures. This process can be only partly controlled by the MoE and VET system (comment from Krista Loogma, Estonian Institute for Future Studies).


The respective EU average was 4.9% in 2000. Some national experts and representatives of the MoE take the view that, even though a relatively high share of Estonia’s GDP is spent on education, this does not necessarily mean that the education sector is well off or has sufficient resources: GDP per capita is small and most of the expenditure is allocated to teacher salaries and maintenance (‘survival’), leaving barely any funds for development work. Information provided by the Estonian Ministry of Education during the consultation process on the final draft of the Monograph.
The share of public expenditure in education out of total public expenditure remained stable and at a very high level between 1996 (16.3%) and 1999 (16.4%; OECD average 12.9% in 1999), and decreased slightly in 2000 (15.9%) and 2001 (15.1%)\textsuperscript{122}. Until 2000, about half of public sector expenditure on education had been allocated from the state budget, and another half from the local municipalities' budget.

In 2001, a Local Municipalities Support Fund was created from the state budget and therefore the share of state budget contributions to overall public education expenditure increased.

Out of the total public expenditure on education in 2001 (EEK 6,000 million), about EEK 600 million were allocated from the overall budget of the MoE (1,800 million) on VET schools and applied higher education institutions.

The Preliminary National Development Plan (NDP) states that considering the size of innovations that need to be carried out in the field of education and VET, it would be necessary to earmark at least 7% of GDP for educational expenditure in the forthcoming years.

The new education strategy, Learning Estonia (adopted by the government in May 2002, but rejected by the parliament), envisages the creation of a special Education Endowment in 2003, aiming to renew the education system and to guarantee sustainable development in key areas\textsuperscript{123}.

Research and development

Estonia’s total research and development expenditure accounted for only 0.7% of GDP (EEK 600 million) in 2000. However, an ambitious strategy, Knowledge-based Estonia, sets the target of 1.5% by

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* Ministry of Finance forecast of GDP of October 2001
** Starting in 2001, support to the municipal schools (general education institutions, primarily) is allocated from the state budget ‘other expenses’ via the Local Municipalities Support Fund.
Source: Ministry of Education, October 2002

\textsuperscript{122} Annus et al., Modernisation of VET in Estonia; OECD, Education at a glance, 2000 and 2001.

\textsuperscript{123} The Education Endowment is expected to be a foundation in public law and contributions to it are guaranteed by law. Relevant single-purpose endowments will be created (e.g. education research endowment, young teacher endowment, rural schools endowment). The list of single-purpose endowments can be changed in accordance with the revision of education policy priorities. The Education Endowment will be administered by a council and the state grants distributed will be exempt from taxes. Projects will be financed on the basis of public tendering. See Ministry of Education /Education Forum Task Force, Education Strategy ‘Learning Estonia’, Tallinn, May 2002.
2006 (EEK 2,190 million), compared to the Lisbon target of 3.0% by 2010. At the same time the share of public-sector contributions in research and development is expected to increase from 74% (2000) to 80% in 2003, but then to decrease to 70% in 2006.\(^{124}\)

**Primary and secondary education**

The state covers teachers’ salaries and the school maintenance costs of public schools, including VET schools.\(^{125}\) State schools (only 5% of the total of primary and lower secondary schools) are financed directly by the central government, whereas municipal schools are financed both by block grants (for teaching staff, operational goods and services) from the state budget (distributed via the MoE) and local taxes (non-teaching staff, operational goods, equipment, maintenance, transport, dormitory).

Preschool teachers’ salaries are paid by local governments and municipal schools receive local government funding for school maintenance. The law provides for schools to receive private funding, but this remains at a low level. The resources for special needs (e.g. minorities integration) are provided by the MoE, either directly to schools or distributed via local government authorities.\(^{126}\) At present there are no tuition fees in public schools in place.

In 2001-04, the system of VET schools financing through the ‘cost of a student learning place’ will be continued.

Compared to 1999 (€730) the ‘cost of a student learning place’ decreased in 2000 (€650) by 11% but returned in 2002 to the 1999 level (€730, EKK 11,500). A further increase is expected in the forthcoming years (4% annually).\(^{127}\)

About 20% of the resources of VET schools are spent annually on buildings administration, while one-quarter of the total area of school buildings is not used directly in teaching.\(^{128}\) A Public Assets Administration Office was established in 2001 with the target to rationalise the total space per student (target 14m²) and learning space per student (target 11m²) by 25 to 30% between 2001 and 2004.\(^{129}\)

State financial means tend to be invested in higher education, and universities have always put high pressure on public funds but, according to officials of the MoE, the government is now starting to realise the needs of VET and other areas.

According to experts’ estimates, the reform actions outlined in the VET Action Plan would require a 40% increase in financial resources for VET between 2001 and 2004, which will be difficult to meet.

**Higher education**

Teachers’ salaries and maintenance costs for public universities and higher education institutions are financed from the state budget according to the number of students and calculated coefficient costs.\(^{130}\)

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125 The owners of private schools are eligible for financial support from the state budget (teachers’ salaries, instruction materials) in the same way as public schools, but have to bear their own administrative costs.

126 Capital resources (equipment, new technologies, maintenance, renovation, building) are provided for schools by the local government authority, which currently uses a budget comprising local taxes, or one allocated to it from the MoE for that specific purpose; Eurydice, *Financial flows in compulsory education in Europe*, October 2001.


128 Annus et al., *Modernisation of VET in Estonia*.


130 There is a state order regulating the number of students, and those not covered by it have to pay tuition fees as students at private institutions, where the state may also lay claim to some places.
In 1995 a system of student loans was introduced, with a ceiling of about €1,000 (EEK 15,000) per year. This is available for full-time students at higher education institutions and students at VET schools who are following programmes with a minimum duration of nine months after secondary general education (gymnasium). In addition, there are several social guarantees and benefits for students (e.g. use of public transport).

**Continuing training**

CVT is financed by the state mainly for civil servants and teachers in state and municipal schools and for the unemployed. In addition, a system of purpose-specific subsidies is in place for adult education initiatives, but on a small scale only. In general, no accurate data are available about expenditure on CVT.

The resources for work-related training of civil servants are allocated in the state budget at a level of 2 to 4% of the annual salary fund. For teachers whose salaries are covered from the state budget, resources are also allocated at a minimum of 3% of the annual salary fund. In 1999, the spending on CVT by VET schools amounted to EEK 15.4 million (about €1 million).

Retraining of the unemployed and job seekers is commissioned and paid through the MoSA, but also may be funded by local governments from their own budgets. State-financed labour market training is the most important active measure for the unemployed, in terms of both participants and expenditure. In 2000, expenditure on training accounted for 17.5% (11.2% if social tax is included) of the total budget for labour market policies, although this expenditure had been steadily declining since 1994, when it accounted for almost 30% (Eamets, 2002; UNDP, 2001).

The first signs of recovery regarding participation and allocation appeared in 2001.

The state budget also provides support for part-time study by adults (evening or distance learning courses) in upper secondary schools, VET institutions and higher education institutions, which are free of charge as long as the institution is not privately owned.

In addition, a system of project-based small grants encourages NGOs and other applicants to implement small pilot projects and training activities linked to national priorities in adult education. The approved list of priorities includes:

- Estonian language courses for non-Estonian speakers;
- development related to adult education;
- assistance to trade unions for training their employees in the field of law or management techniques;
- support to umbrella organisations in the field of adult education (e.g. ANDRAS, the Estonian non-formal adult education association) including ‘hobby education’ institutions;
- long-term courses (over 56 hours) in the national priority areas for target groups (including teachers’ salaries) approved by the National Adult Education Council.

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131 The following institutions may apply for state budget funding regarding in-service training of employees: ministries, the State Secretariat, the President’s Office, the Parliament Office, the Legal Chancellor’s Office, the State Audit Office, the National Court, state boards and county governments. The latter may also apply for allocation of resources regarding teacher training.

132 There is a lack of data on adult education and lifelong learning in Estonia. In 2000 the structure of the state budget changed (before then, there was a budget line for continuing education). The total budget for adult education (mainly training of civil servants and teacher training) in 2002 was estimated at about EEK 166.1 million (€10.6 million). Information provided by ANDRAS.

133 For the years 2002–03 the following national priorities were proposed: 1. Small enterprise training (enterprises with 1–3 people) in counties, aimed at preserving agriculture and the rural population, in line with regional development priorities; 2. Training for improving the communication skills and personal effectiveness of people/groups at risk in the labour market; 3. Multi-purpose training for adult education providers; 4. Continuation of the 1999 priority programmes, in particular in the areas of social democracy and civics. See Annus et al., *Capacity of IVET and CVT to support national employment policy objectives.*
Non-formal education is usually paid for by the individual or entity participating in it. In order to support non-formal education, resources may be allocated from the state or local government budget. Only the salaries of staff and management of those adult education institutions with a teaching permit are state-funded via the MoE.

Contributions from employers

Work-related training is generally financed by the employer, but resources can be provided by local governments or by the employee. The in-service training and retraining of an employee, paid by the employer, is not liable for income tax in the case of retrenchment.

The Adult Education Act defines the obligations of employers concerning study leave and holiday payments. Additional benefits for CVT can be established in the individual employment contract or collective agreement.

According to a Eurostat survey conducted in nine FMS in 2000, it is estimated that Estonian enterprises invest 1.8% on average of their labour costs in continuing training courses, which is much higher than in all other FMS (Slovenia 1.3%, Latvia 0.8%), except Czech Republic (1.9%) and even higher than in some EU Member States (Belgium 1.6%, Austria 1.3%)\textsuperscript{134}. Estonia ranked close to the top of the scale (compared with most other FMS) regarding the total expenditure per employee on CVT courses in 1999, which amounted to 285 PPS (similar to Bulgaria at 294 PPS and Czech Republic (293 PPS), though lower than Hungary (305 PPS) and all EU Member States, of which Austria reported the lowest costs per employee\textsuperscript{135}.

The Eurostat survey might suggest that employers invest significantly in staff training; however, it must be taken into account that costs for CVT courses are rather high in Estonia and that employers and management are frequently participating in continuing training themselves.

An earlier survey conducted by the Estonian Statistical Office in 1996/97 shows that employers paid for about 61% of training among different population groups. This share was even higher in the case of vocational training, where employers paid for 74% of training activities. According to a more recent survey (Lifelong Learning Needs Analysis) employers contributed to the costs of 52%

### Table 6: Duration and compensation of different kinds of study leave

<table>
<thead>
<tr>
<th>Type of education/study leave</th>
<th>Duration of study leave</th>
<th>Payment for study leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For session</td>
<td>30 days in a year</td>
<td>10 days average wage; rest of the time at least minimum wage</td>
</tr>
<tr>
<td>For completing basic education</td>
<td>28 days in a year</td>
<td></td>
</tr>
<tr>
<td>For completing higher education</td>
<td>35 days in a year</td>
<td></td>
</tr>
<tr>
<td>For completing higher education/bachelor’s degree</td>
<td>42 days in a year</td>
<td></td>
</tr>
<tr>
<td>For completing master’s degree/dottorate</td>
<td>49 days in a year</td>
<td></td>
</tr>
<tr>
<td>Vocational training</td>
<td>At least 14 days in a year</td>
<td>14 days average wage</td>
</tr>
<tr>
<td>Informal education</td>
<td>At least 7 days in a year</td>
<td>No payment required</td>
</tr>
</tbody>
</table>

Source: Adult Education Act, in Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

\textsuperscript{134} The costs in the CVTS2 survey refer only to ‘courses’ as one type of continuing training, and only to enterprises providing some kind of training (63% of total in Estonia).

\textsuperscript{135} Eurostat, Statistics in focus, Theme 3, 8/2002, Costs and funding of CVT in enterprises in Europe.
of training courses in 2001 (7% with partial contribution, 45% with full contribution by employers).

The most successful enterprises spend up to 10% of the salary fund on staff training. Statistical data regarding overall financial contributions by private enterprises or individuals are currently not available, according to national experts.

Estimates indicate that the level of investment of private sector employers in upgrading the skills of employees varies between 0 and 10% of the total salaries.

Training providers

Regarding private training providers, broad conclusions can be drawn from the turnover of institutions whose main activity is training (totalling EEK 292 million = €18.7 million). It should be noted, however, that training activities do not generate the entire turnover. At the same time there are many institutions which are involved in training provision only to a small extent and whose main activity is not training.

Individual contributions

CVT is to a certain extent also financed by individuals themselves. There are no reliable data which could demonstrate the real level; however, previous surveys indicate that about 23% of trainees (19% of these males, 25% females) paid for their own training in 1996/97. The share is lower regarding vocational training, where 14% of training (12% males, 14% females) was self-financed.

Non-Estonians paid more for their training than other groups (35% for all training, 17% for vocational training).

The results of the recent Lifelong Learning Needs Analysis show an even higher share of learners’ contributions, since 30% of participants covered the costs themselves in 2001.

Teachers’ education and training

Estonia has no separate VET teacher and trainer training system. Initial teacher training is financed by the state budget and provided by higher education institutions. The number of state-order student places allocated to institutions carrying out teacher training (about 45 to 75 places per year) is decided by the MoE. Continuing training of teachers can be financed by whoever makes the request; this might be the state, the education institution, local authorities, employers, or the teachers themselves. According to the Public Service Act, 3% of the salary fund in the public sector (including teachers) is allocated for the provision of CVT. Part of these funds are allocated by the MoE for centrally organised training, while another share is used for locally maintained training. Decisions on priorities and type of training and the selection of the provider are left to the discretion of the school director, in consultation with other management colleagues. Teachers are required to participate in at least 160 hours (320 hours by 2007) of continuing training within a period of five years.

Pre-service and in-service teacher training for VET teachers are offered by Tallinn Pedagogical University and jointly by Tartu University and Tallinn Technical University. Initial training mainly took the form of diploma or bachelor’s degree studies lasting four to five years. Since 1999 it has been compulsory for VET teachers to work for a practice period of...

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136 Information provided by Prof. Talvi Maerja, ANDRAS, in June 2001; an example is the Estonian Mobile Telephone company.

137 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

138 The study programme for vocational education teachers is from 120 to 160 credits, compared to primary education (140–160 credits) and secondary general education (200 credits). The curriculum must include practical training of no less than 10 credits (one credit point corresponds to one week of study). An obligatory ‘vocational year’ is included in the new regulation on teacher training. See Eurydice/Cedefop, Structures of education, initial training and adult education systems in Europe, Estonia 2000.

139 It appeared during the field visit for the Monograph that schools were not fully using this provision and that the budget allocation could be shifted in response to other urgent priorities at school level.
two months in an enterprise, to become more familiar with new technologies and labour market needs. In August 2002 teaching qualification requirements were changed and the obligation of practical enterprise training abolished. VET teachers need to have either (1) vocational-pedagogical or pedagogical higher education and three years’ professional work experience; or (2) higher education or post-secondary technical education in the field taught, at least three years' professional work experience, and 320 hours of complementary training in vocational pedagogy.

Most of the teachers in VET schools were trained in higher education institutions or post-secondary technical schools during the Soviet period. Many of them are usually subject specialists and do not have relevant pedagogical qualifications. A number of teachers are unfamiliar with contemporary technology and are neither prepared nor motivated to apply modern types of teaching methods.140

Higher education institutions offering pre-service teacher training are autonomous: they design the curricula of teacher training programmes, which then have to be approved by the MoE. Those institutions with national responsibility for pre-service and in-service teacher training have been considered as insufficiently innovative with regards to the substantive reforms related to modern teaching technologies and methodologies in their existing programmes. However, at the beginning of 2002 new curricula were submitted to the MoE from two universities. So far none of the programmes has been formally accredited.141

A Danish bilateral assistance project on VET teacher training was implemented successfully in year 2001/02, contributing to the development of a new national standard and curriculum and providing training for teacher educators. The results are expected to be an important driver for the necessary teacher training reform in VET.

Teachers’ salaries

The average gross salary in education remains low and has been at much the same level (85% of the national average salary in 2000) since 1992, considerably below the average for employees in public administration and defence (128% of the national average salary).142

According to the government’s Regulation on teachers’ remuneration, salary levels and salary rates mainly depend on educational background and rank.143 Additional benefits may be assigned for good performance and additional tasks. The school directors’ salary level also depends on the number of students. The average monthly salary of all staff in VET schools in 2001 was EEK 5,510, of VET teachers EEK 4,655, and of directors EEK 10,963.144

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140 This has raised the need for extensive in-service training, which, however, has often been too academic, not making use of practical and interactive approaches. New teaching methods are difficult to implement, as old habits continue to cause resistance at school level. Tallinn Pedagogical University is providing a 40-credit vocational pedagogy training programme for VET teachers who have higher education but do not have pedagogical education. In 2000/01 there were 25 graduates from this programme. See Hans-Kasper Kivilo, Information collection on the situation of VET teachers and trainers in Estonia, draft document, National Observatory of Estonia, Tallinn, July 2002.

141 Ibid.


143 There are four ranks of teachers plus teaching candidates who have just graduated. The director assigns the rank of a junior teacher, while the higher ranks are assigned by an attestation committee. The salary levels — junior teacher 20; teacher 21; senior teacher 23; teacher-methodologist 25 — are established for teachers with higher education. The salary level of a teacher with post-secondary technical education is two levels below that of a teacher with the same rank and higher education. The salary level of teachers with secondary education is 14.

144 Kivilo, Information collection on the situation of VET teachers and trainers.
A comparison of the statutory salaries of teachers in different FMS shows that the Estonian minimum annual gross salaries (€2,030) of upper secondary teachers in 1997/98 relative to per capita GDP (64%), as well as the maximum salaries (€4,230, 132%), are behind those of Cyprus, Slovenia, Poland, and Hungary, but better than those of Slovakia, Czech Republic, Romania, Latvia, and Lithuania.  

Staffing

In education there are about 30,000 full-time teachers (of whom 1,900 are VET teachers and 1,800 teachers of general subjects in VET schools at ISCED 3 level). Recruitment of teachers is organised by open competitions and it is up to the school management to decide upon recruitment. Human resource management (including tools for career development, performance appraisal) still needs to be developed and professionalised. Teaching is generally not considered an attractive profession in Estonia.

The MoE considers VET schools to be overstaffed and to have overlarge and ineffective leadership structures. The aim is to change the VET student/teacher ratio from 12:1 (2000) to 16:1 in 2004. This is expected to come about mainly through an increase in the number of VET pupils while the number of teacher positions is kept more or less at the current level.

Between 1996 and 2000 about a quarter of school managers were replaced and a number of the remaining ones underwent a leadership training course of 240 hours. In 2001, 34 headmasters underwent training (140 hours on average) and five are following master’s studies. Only nine did not participate in any kind of training.

The current ratio of the total number of teachers in VET schools (3,766 in 2000/01) to the number of management and other pedagogical staff (528) is 7:1. The category ‘other pedagogical staff’ makes up over 12% of total staff.

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145 Eurydice/Eurostat. Teachers in Europe 1997/98. GDP data for Estonia are from 1998. The gross annual salary (minimum EEK 31,800, maximum EEK 66,200) has been divided by the per capita GDP at current prices in national currency (author’s own calculation). Average exchange rate for 1997: €1 = EEK 15.64.

146 Annus et al., Modernisation of VET in Estonia.

147 This current ‘benchmark’, used by the MoE as part of its VET school rationalisation initiative, is also intended to raise (and fund) teacher salaries to acceptable levels.
The current distribution of the age and qualification structure of teachers is not favourable and during recent years, VET schools have not been able to attract younger personnel. More than 45% of VET teachers are over 49 years of age and about 400 are at the age of retirement. About 70% of VET teachers and other pedagogical staff, and 86% of teachers of general subjects had higher education. Originally it was envisaged that all VET teachers must have pedagogical or specialism-related higher education as of 1 September 2003. Since in mid-2002 about 30% of VET teachers did not meet these requirements, replacing or retraining them by 2003 appeared unrealistic. In August 2002 teacher qualification requirements were changed to take this situation into account.

There is still a lack of VET teacher trainer educators at the necessary master’s or PhD levels.\(^{148}\)

**ICT in education**

The overall background for ICT and e-learning is quite favourable in Estonia, since considerable efforts have been made in the telecommunications area during the last 10 years. Tiger Leap, a national programme for the computerisation of Estonian schools (initially only general education, at a later stage also VET schools) was launched as early as 1996, followed by Phare support (ISE programme) leading to the development of a National ICT Development Plan for Schools 2001-05. Although this programme aimed at general education schools first and foremost, it also involved basic and vocational education and had an impact on them.

Other indicators confirm that Estonia is on the fast track towards digital literacy and the information society. In 2000 Estonia had the highest number of Internet users per 100 inhabitants (25.4) of all FMS (average 5.5), even higher than the EU average (24.2)\(^{149}\). There is an ambitious target to increase the percentage of Internet users in Estonia to 90% by 2004\(^{150}\).

There were on average 28 pupils per computer in 1999\(^{151}\) and 25 pupils per computer in 2000.

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\(^{148}\) The framework requirements of teacher training, enforced in November 2000, state that 40% of educators carrying out teacher training courses must have a PhD.


\(^{150}\) Sill, *Estonia preparing for the information age*.

computer in 2000 (15 in Hiiumaa, 48 in Tallinn). In 2000 computer classrooms were available in all basic, general secondary and VET schools, and 75% of all schools had an Internet connection (25% via the dial-up option).

In 2001, the ratio of computers per student improved to 1:15 in VET schools, and practically all VET schools (83, both public and private) had Internet connections (a few schools had more than one); 11 smaller schools had a dial-up option152.

The VET Action Plan envisages that all VET teachers will have acquired the International Computer Driving Licence by 2004.

The use of computers in the actual teaching and learning process still has to be developed further. The ICT Development Plan for Schools includes the elaboration of standards for evaluation of ICT competencies, to be implemented in all schools in 2003153.

The school network

VET schools are quite evenly spread all over Estonia, and it is acknowledged by a large part of society that they also have to fulfil a social function in rural areas. The average size of VET schools has been increasing slightly over the last decade, from 353 pupils per school in 1992/93 (87 schools, 30,690 pupils) to 436 pupils in 2001/02 (84 schools, 36,610 pupils)154.

The process of restructuring the school network and merging VET schools into VET centres (regional training centres, supported by Phare) started in 1999/2000 with three pilot centres and is continuing.

RTCs are expected to contribute to the updating of the learning environment155.

It is intended that the reorganisation of the VET schools network will finally lead to two types of VET school: VET centres (at the moment eight are planned) and specialised VET schools, where training is organised in one or two fields.

Another aim is to change ownership gradually from state schools towards municipal and private ownership156.

### Overall assessment

Regarding overall resources for education, Estonia is in a more favourable position than other FMS, and most efforts are pointing in the direction of increasing efficiency and quality of outcomes. At the same time existing resources will need to be more directed towards vocational education in order to achieve a final boost for the ongoing VET reform.

Much still has to be done in vocational teacher and trainer training, since no significant actions were initiated in this crucial field in the 1990s (including addressing teachers’ status and qualifications), and modernisation and structural reform remain delayed. This is needed in both initial and in-service training, as well as for making the teaching profession more attractive. Clearer policy guidelines on the future provision of VET teacher training are needed. There is a lack of human resource management and professional development of teaching staff. Performance appraisals and other tools for career development of teachers need to be introduced more systematically and the system of work practice for teachers in enterprises is still underdeveloped.

At the same time there is a need to increase salaries for teachers and to make the profession more attractive.

As regards Research, Technology and Development (RTD), it will be important that the mechanisms for coordination between various national policies, affecting RTD and innovation, will be developed further in order to ensure the rise of expenditure and implementation of activities planned.

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152 Kivilo, Information collection on the situation of VET teachers and trainers in Estonia.
154 Numbers of VET schools and students refer to both secondary and higher VET level.
155 It is the view of the MoE that not every VET school must have expensive high technology and equipment in every field. Instead, VET schools in the region are supposed to organise interdisciplinary use of material bases and teachers/professors. In this respect the teaching/training work must be reorganised. Pupils should move between different locations, whereas most practical training should move to enterprises, to the real-life environment, where concepts such as teamwork can be learned effectively and where it is easier to build up proper attitudes towards work.
156 It is thought that with the changes in the ownership structure local municipalities as well as employers will be more involved in VET. This is expected to increase the number of funders as well as the responsibilities of different players and to make the decision-making process more democratic and open.
2.1.4 STRUCTURE AND ORGANISATION OF VET AND LIFELONG LEARNING

In Estonia, enrolment in schools starts at the age of seven\(^{157}\) and compulsory schooling lasts nine years until the end of basic school (grades 1 to 9) or until the age of 17 (even if the pupil has not graduated from basic school). The Estonian education system does not differentiate between primary and lower secondary education. After graduation from basic school, young people can go on either to upper secondary general education (gymnasium) or vocational secondary education, both lasting three years (grades 10 to 12). The great majority chooses the first option (as in other Baltic countries as well), and only about a quarter of pupils enter vocational schools. A new pathway ('basic VET') was opened in 2001 for those without basic education (providing both work-related skills and motivation for further studies) as well as for gymnasium pupils (enabling them to acquire secondary VET in a shorter time). Currently, after graduation from upper secondary general schools, most students enter higher education institutions (university academic and professional, or non-university applied higher education programmes) and post-secondary VET schools. Most young people graduating from VET schools enter the labour market and only a small part continues with higher education.

Student numbers indicate growing trends, especially for higher education. In 1993/94 the student body comprised 17.6% of the population, while by 1999/2000 the figure had increased to 22.3% (303,000 students enrolled). In 2000 the proportion of 20-year-olds still in education (51%) exceeded 50% for the first time. The enrolment rate in education for 17-year-olds was 89%, for 18-year-olds 74%, and for 19-year-olds 65%, higher than in some other FMS (Slovenia 62%, Czech Republic 35%) as well as the EU average (59%).

During the second half of the 1990s there was a rapid increase in school life expectancy, from 12.7 years (1995) to 14.8 years (2000). People are staying more than two years longer in education than in 1995\(^{158}\) and illiteracy is almost negligible and estimated at 0.2%.

Table 9: Number of pupils and students in the Estonian education system – 1995/96 and 1999/2000

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of</td>
<td>277,697</td>
<td>302,921</td>
</tr>
<tr>
<td>students in the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>formal education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>system</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary and basic</td>
<td>66.3</td>
<td>61.0</td>
</tr>
<tr>
<td>education (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General secondary</td>
<td>13.3</td>
<td>12.5</td>
</tr>
<tr>
<td>education (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VET (%)</td>
<td>10.6</td>
<td>10.3</td>
</tr>
<tr>
<td>Higher education (%)</td>
<td>9.8</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Source: Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

Although more young people are continuing in higher education, the number of those who leave school before completing even basic education is increasing (growing educational stratification). Over the last five years around 1,300 young people annually interrupted their studies in basic school, with a cumulative impact. It is estimated that in total more than 20,000 people (in the 17 to 25 age group) were still without basic education in 2001. This problem is especially serious for boys, leading to increasing gender differences at higher levels of education\(^{159}\).

Secondary education

At secondary education level there is a strong dominance of general education in Estonia. On completion of basic education, three-quarters of pupils go on to upper secondary general (gymnasium) and

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\(^{157}\) According to the Law on Education, a child is obliged to enrol at school when he/she has turned seven, or will have turned seven by 1 October of the current year. Providing opportunities for children to receive pre-school education is the legal responsibility of local governments and parents.

\(^{158}\) Pre-primary education is not taken into account, so the value of this indicator is higher for those countries where the school entrance age is lower. Statistical Office of Estonia, *Education 2000/2001*; Voormann, *Social trends in Estonia*. The respective indicator for other countries, e.g. Czech Republic (15.2 years), Hungary (16.2), Poland (16.4), is therefore often higher.

only one-quarter to vocational secondary. The proportion continuing in the general education stream rose from 56% (1991) to 74% (2000). Total enrolment at secondary level (ISCED 3) shows approximately two-thirds for general (68%) and one-third for vocational education (32%).

Regarding both access to VET from basic school and total enrolment in secondary VET compared to the secondary general education stream, Estonia has the lowest share of FMS.

The dropout rate is disconcertingly high in secondary education (7% in general education, 13% in vocational education in year 1999/2000) and one of the most unfavourable of all FMS. This problem has been recognised by the VET Action Plan, which has set the target of decreasing the dropout rates annually by 1% (to reach 8% in 2004).

Initial vocational education

Estonia’s VET system is a school-based system, oriented towards providing theoretical knowledge followed by primary practice in school workshops and later practice in companies. The current new concept aims to strengthen the practical part of VET and at the same time to target a more integrated approach to general and vocational education by increasing the vocational subjects/modules in gymnasiums (‘basic VET’) and, conversely, integrating additional general subjects with specialism-related ones.

The social status of VET is still low (only about a quarter of pupils opted for VET after basic school in 2001), and this limits the potential future supply of well-trained skilled workers and technicians.

Until 1998, students entering the VET pathway after basic education could

Graph 1: Distribution of students in upper secondary education in FMS – 2000


160 The number of students in VET remained stable since 1995, but the reform of 1999 changed the structure of admittance, as some specialisms formerly belonging to secondary level were transferred to higher (diploma) level. Annus et al., Modernisation of VET in Estonia; OECD, Education at a glance 2001; Eurydice 2001; Statistical Office of Estonia, Education 2000/2001.

161 Key indicators, 2001, calculations of the Estonian National Observatory.

162 This concept has two sides, aiming to minimise the borders and dead-ends in education: (1) in gymnasiums, ‘basic VET’ is provided in form of VET modules/subjects taught within the scope of elective subjects – languages have prevailed in the past; (2) the integrated approach in VET schools does not mean more general education subjects in VET programmes, but that, in addition to the compulsory minimum, additional general education subjects – specific and necessary for the specialism or occupation – must be integrated into the specialism-related subjects. Information provided by the National Observatory of Estonia, October 2002.
acquire a secondary-level qualification after two to four years of study (ISCED 3/3C) and post-secondary level qualification after four to five years of study (ISCED 5/3A). Gymnasium graduates could enter the same programmes but complete them more quickly (secondary-level qualification 1 to 2 years, ISCED 3/4B; post-secondary level 2.5 to 3 or more years, ISCED 5/5B).

In several fields, the students entering VET programmes after basic education had the opportunity to complete integrated VET – general education programmes usually lasting four years (ISCED 3/3A). After passing the state exams in general secondary education they received the same state examination certificate as the graduates from gymnasiums and therefore became eligible to apply to universities and institutions of applied higher education.

The Vocational Education Institutions Act (adopted in 1998) stipulated two levels of VET in Estonia: (1) vocational secondary education (ISCED 3B); and (2) vocational higher education (ISCED 5B). In addition, due to an amendment of this Act in June 2001, ‘basic (or preliminary) VET’ (ISCED 2) has been introduced for specific target groups.

**Basic VET (ISCED 2)**

- **(a) gymnasium (general secondary) students:** basic VET aims to provide more choices for continuing education pathways (in particular in rural areas) and at the same time to prepare students for independent life (as not all gymnasium graduates continue studies at higher education level). If a gymnasium student has covered basic VET in gymnasium, this enables him/her to acquire the VET programme after gymnasium in less time. In 2001, seven VET schools provided basic VET for 246 gymnasium students.
- **(b) young people** (up to 25 years of age) who have not completed basic education (annually more than 1,300 pupils, with a substantial cumulative effect). This risk group of early school leavers can now acquire basic education in parallel to basic work skills in vocational education.

In 2001, about 141 students were able to benefit from this new pathway, offered by seven VET schools (on average 20 students per school).

**Secondary VET (ISCED 3B)**

The entrance requirement is completed basic education or upper secondary general education, and the minimum age of enrolment is 15/16 years. The majority of secondary VET students are in the age range 16 to 20 years (those starting after basic education are mainly between 16 and 18, and those starting after graduation from gymnasium 18 to 20 years).

Programmes last at least three years in a single cycle and at the end of the curriculum, students have to pass school leaving examinations including national vocational examinations. Successful students receive the secondary vocational education certificate, which gives access to the labour market and higher vocational education (since October 2002 applied higher education). Students can also voluntarily take the national general examinations, which provide access to university-type higher education.

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163 The ‘post-secondary’ type of vocational education (for graduates from secondary general education, usually ISCED 4B) has been defined within the category of ‘secondary vocational education’. As a result of the latest legal amendments in June 2002, enrolment to vocational higher education and diploma studies stopped and was replaced by a combination of these, applied higher education studies.

164 Basic VET for gymnasium pupils is provided in the scope of the elective subjects, and teaching is organised in cycles and can take place in either the gymansium or the VET school. The length of study cycles is five study weeks.

165 It is optional, although highly recommended. Students can continue acquiring basic education, if they want, in evening studies at basic schools, covering all what they have to complete or taking only some subjects. Basic VET is a separate programme acquired at a VET school, designed for students without basic education.

166 Currently (October 2002) there are no national vocational examinations, only school graduation examinations. In spring 2002, the graduation examinations were combined for the first time with the qualification examinations in two VET schools and the first qualification certificates were issued to the graduates who had passed the examinations.
The objective of a VET programme after basic school (ISCED 3B) is to prepare skilled workers or to prepare students for studies at the higher vocational level. The objective of a VET programme after secondary general school (ISCED 3/4B) is to prepare students for more technically advanced work as service personnel and office administrators, as well as to prepare them for studies at higher vocational education (now applied higher education). Upper secondary school graduates can complete this level in less time (1 to 2.5 years), and in some fields (e.g. medicine, finance) entry to a VET programme is possible only for gymnasium graduates. Practical training is an integral part of all VET programmes.

In the school year 2001/02, there were 84 VET schools in Estonia (secondary and higher level), of which 58 were public (the MoE being responsible for 55, other Ministries and the National Police Board for three), three schools belonging to municipalities, and 23 private VET schools. Of the secondary VET schools, 60% used Estonian as the language of instruction, 20% used Russian, and the remaining 20% used both languages. In 2001/02, of 29,800 students at secondary VET level, around 35% used Russian as the language of instruction. This share oscillated between 30% and 36% in the period 1993-2002.

Most of the VET schools provide programmes after both basic and secondary general education (57 schools), while the rest (27 schools) provide only programmes after secondary general (some also offered higher vocational education, now applied higher education).

About 36,600 students were enrolled in 2001/02 in secondary and higher VET. Annual enrolment varied between 28,000 and 36,000 students between 1992 and 2001/02 (28,000 to 30,000 in secondary VET only, of whom 57% were acquiring VET after basic school and 43% after secondary general).

The size and number of classes in VET schools are regulated by the school programme and approved by the MoE. One academic year consists of 40 study weeks and the holiday period must last at least eight weeks. Daytime, evening and distance learning options are permitted in VET schools.

### Table 10: Numbers of VET schools and students in VET schools – 1993/94-2002/03

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public VET schools (MoE administration)</td>
<td>63</td>
<td>63</td>
<td>59</td>
<td>60</td>
<td>59</td>
<td>56</td>
<td>58</td>
<td>59</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Students</td>
<td>24,302</td>
<td>23,692</td>
<td>24,575</td>
<td>25,714</td>
<td>26,054</td>
<td>26,799</td>
<td>29,819</td>
<td>33,192</td>
<td>31,832</td>
<td></td>
</tr>
<tr>
<td>Public VET schools (other ministries' administration)</td>
<td>14</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>9</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Students</td>
<td>3,552</td>
<td>3,180</td>
<td>3,530</td>
<td>4,118</td>
<td>3,928</td>
<td>4,188</td>
<td>2,176</td>
<td>420</td>
<td>333</td>
<td></td>
</tr>
<tr>
<td>Municipal VET schools</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
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<tr>
<td>Students</td>
<td>354</td>
<td>374</td>
<td>405</td>
<td>444</td>
<td>357</td>
<td>239</td>
<td>49</td>
<td>2,289</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private VET schools</td>
<td>0</td>
<td>4</td>
<td>7</td>
<td>10</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>17</td>
<td>23</td>
<td>30</td>
</tr>
<tr>
<td>Students</td>
<td>560</td>
<td>1,059</td>
<td>2,001</td>
<td>2,185</td>
<td>1,751</td>
<td>1,837</td>
<td>2,223</td>
<td>2,158</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total schools</td>
<td>28,208</td>
<td>27,806</td>
<td>29,569</td>
<td>32,277</td>
<td>32,524</td>
<td>32,977</td>
<td>33,881</td>
<td>35,835</td>
<td>36,612</td>
<td></td>
</tr>
<tr>
<td>Students</td>
<td>80</td>
<td>84</td>
<td>82</td>
<td>88</td>
<td>89</td>
<td>86</td>
<td>85</td>
<td>81</td>
<td>84</td>
<td>88</td>
</tr>
</tbody>
</table>


167 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
Higher education (ISCED 6/5A)

In Estonia there are two types of higher education establishment: those offering university-level academic and professional programmes (universities and other university-level institutions), and those offering non-university professional (applied) programmes168.

- **Universities** offer higher education programmes at three levels: bachelor's studies (four years), master's studies (two years) – both types at ISCED 5A – and doctoral studies (four years, ISCED 6).

- **Applied higher education institutions** (part of the university structure, e.g. university college) also offered diploma programmes (three to four years of study, ISCED 5A) and higher vocational education (three to four years, ISCED 5B) until 2002. As a result of legal amendments to educational Acts, enrolment in these programmes was stopped in autumn 2002 and they were replaced by applied higher education studies (ISCED 5A). The entrance requirement for applied higher education is completed secondary education or the respective qualification. The studies (three to four years) finish with the graduation examination or presentation of a thesis. Graduates have the right to continue studies at the university in master’s studies, according to the conditions set by the education institution’s council.

- **Vocational education and training institutions** also offered higher vocational education (three to four years, ISCED 5B) until 2002169. Students who had completed secondary education, either vocational or general, were eligible to apply for vocational higher education. Graduates from vocational secondary schools who wish to continue their studies at a university must pass the national examinations for general secondary (gymnasium) graduation; these examinations are compulsory only for gymnasium students and not for VET students. Admission to public universities is controlled by the enrolment number fixed by the state and covered by the state allocation – although universities are allowed to take further students who are able to pay for their places. According to the ongoing higher education reform process, the system of allocating resources for the state-commissioned study places will focus on preparing the master’s level students.

In 2001/02 there were six state VET institutions providing this kind of education, and these institutions may also offer secondary VET170. Since enrolment in these programmes stopped in 2002, applied higher education studies can be provided in a VET school which is providing post-gymnasium programmes if the programme meets the higher education standard. In this case the Applied Higher Education Institutions Act must be applied to VET institutions.

The Higher Education Standard, adopted in June 2000, determines requirements for different levels of higher education and for studying and teaching171. There are two general requirements for access to higher education, a secondary school leaving certificate and a national examination certificate. Specific requirements (number of entrance examinations, average grade in a given subject, etc.) depend much on the institution itself and the study field.

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168 Estonia has signed and ratified the UNESCO and Council of Europe convention on the recognition of diplomas and qualifications concerning higher education in the European region (Lisbon, 1997).

169 Until 1998 VET institutions offered diploma-study programmes, which were generally replaced by vocational education programmes. See Eurydice/Cedefop, *Structures of education, initial training and adult education systems in Europe. Estonia 2000.*

170 Only secondary VET after gymnasium was allowed, but not secondary VET after basic education in this case.

171 At least three-quarters of the subjects for the master’s degree and at least half of the subjects for the bachelor’s degree are taught by academics with doctorates or equivalent qualifications. Those who teach applied subjects leading to a diploma normally have at least five years of specialist work experience, and at least half of the subjects are taught by graduates with a master’s degree. Eurydice/Cedefop, *Structures of education, initial training and adult education systems in Europe. Estonia 2000.*
Graduates from VET schools who would like to continue at university level must pass the national examination for general secondary schools (gymnasium).

Recognition of private higher education institutions (including their right to award degrees and diplomas) is dependent on accreditation. The Higher Education Evaluation Council is responsible for the accreditation of higher education institutions.

In the last decade Estonia has experienced an increased demand for higher education, as a result of the development of private universities and higher education institutions. In 1995/96, 68% of secondary general education graduates went on to higher education (mainly for bachelor’s courses); by 1998/99 this percentage had risen to 88%. Enrolment in tertiary education almost doubled from 27,000 to 51,000 between 1995 and 2000 (in the period 1995-99 the OECD average increased only by 20%)\(^\text{172}\). There are rather more females (58%) than males (42%) in higher education.

**Higher vocational education (ISCED 5B)**

In 1999/2000 a new higher education (postsecondary) VET level (5B) was introduced, aiming to fill the gap between vocational secondary education and professional education at the university level. This level was abolished in June 2002. Students who had completed secondary education, either vocational or general, were eligible for these programmes, which lasted three to four years and had to meet the higher education standard. For some courses the requirements were higher and the same as those for diploma or bachelor’s courses (national state examination).

The objective of higher vocational education was to prepare specialists and middle-level managers.

Some additional study fields at the higher (post-secondary) VET level were introduced in September 2000, in the field of information technology and telecommunication. Further development of vocational higher education and the implementation of new curricula conforming to new vocational higher education standards were envisaged in the forthcoming years.

In 2001, discussion began on merging the standards of applied higher education (provided by universities and applied higher education institutions) and vocational higher education (provided by vocational education institutions). Under the higher education reform plan unified regulations for all curricula in a non-university sector were envisaged, in order to improve the transparency of the higher education system.

As a result of legal amendments to the education-related Acts in June 2002, higher VET was abolished and replaced by applied higher education.

**Continuing vocational training (CVT)**

**Structure and provision**

According to the Estonian definition, continuing training is intended for people whose main activity is not studying on a full-time basis, and it can be divided into two broad categories.

- **Formal schooling**, providing adults with access to all levels of education from primary to university education (including master’s and doctoral degrees) as an external student; the programme has to be approved by the MoE and graduates receive a recognised leaving certificate or diploma.

- **Supplementary training and retraining**, including training for upgrading skills of the workforce, labour market training for the unemployed, training for special groups (disabled...
people, women on long-term maternity leave), and training undertaken on individual initiative; the programmes are usually designed and developed by trainers themselves and a certificate may be issued upon successful completion of the programme but is not recognised in the formal education system yet173.

According to the Adult Education Act, adult education institutions are defined as state or municipal institutions, public or private entities if training is listed in their statutes at least as one of their purposes, and private schools with a teaching licence.

CVT courses are mainly available through the following institutions:

- evening schools for adults (secondary level)
- vocational education institutions
- schools and departments of correspondence at universities
- cultural and folk universities
- language schools
- vocational education and training centres in enterprises
- private companies
- NGOs.

At the end of October 2000, there were 387 training companies and 51 self-employed experts in the market whose main activity was continuing training. For 1,605 companies and 94 self-employed experts training was one of their ‘additional activities’ apart from the core business174.

According to national research, two-thirds of training institutions are rather small, having only up to two full-time trainers (only 15% of institutions, in fact, have more than five full-time trainers). In private institutions on average there are 6.5 trainers hired from outside for every full-time trainer, while the informal education providers are even more reliant on temporary external trainers (9.4 lecturers from outside for one full-time trainer).

Table 11: Structure of training institutions in Estonia (percentage of survey respondents) – 2000175

<table>
<thead>
<tr>
<th>Turnover of training (EEK)</th>
<th>Businesses/sole proprietors (139 respondents)</th>
<th>Schools (51 respondents)</th>
<th>Informal education schools/institutions (43 respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000 or less</td>
<td>10</td>
<td>18</td>
<td>33</td>
</tr>
<tr>
<td>100,001 to 500,000</td>
<td>18</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>500,001 to 1,000,000</td>
<td>19</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>More than 1,000,000</td>
<td>20</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Did not answer</td>
<td>33</td>
<td>41</td>
<td>49</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Full time trainers</th>
<th>Businesses/sole proprietors (139 respondents)</th>
<th>Schools (51 respondents)</th>
<th>Informal education schools/institutions (43 respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>21</td>
<td></td>
<td>37</td>
</tr>
<tr>
<td>1 to 2</td>
<td>43</td>
<td>12</td>
<td>38</td>
</tr>
<tr>
<td>3 to 5</td>
<td>17</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>More than 5</td>
<td>15</td>
<td>61</td>
<td>9</td>
</tr>
<tr>
<td>Did not answer</td>
<td>4</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>

173 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
174 Other sources (e.g. OECD, Reviews of national policies for education – Estonia, Paris, 2001) indicate that there are about 900 providers (state, private, NGOs) in the continuing education and training sector. This figure does not take into account in-service training activity within enterprises or state institutions.
175 Data are based on research of training institutions/trainers conducted by the MoE in 2000. This covered all the larger institutions in the training market (38% of total registered institutions and coverage of 70% of turnover of all institutions whose main activity is training).
Many of the institutions surveyed did not answer the question related to financial turnover. Most of the private institutions are concentrated in Tallinn\(^\text{176}\) but, given the small size of the country, they could easily be operational all over the country.

In addition to private training institutions, almost all \textbf{VET institutions} offer courses and work-related training for adults, mostly in the areas that they are teaching and based on prepared curricula. On average about one to two persons deal with CVT in a VET school. Trainers are either teachers from the school, other schools, universities or single experts. The current and future \textbf{VET centres} (or regional training centres) are expected to strengthen the provision of CVT in the school system and in their respective regions.

Most public \textbf{universities} and state applied higher education institutions also offer continuing training (often in the form of evening, weekend, and distance learning studies).

Several NGOs are involved in the delivery of \textbf{adult education} and training, including hobby schools. The most important umbrella organisations are ANDRAS, the Estonian Association of People’s Education (running some adult education centres), the Estonian Society of Study Circles, and the Open Education Association. They operate partly on the basis of small-scale projects, research, and international cooperation financed by public means, and some play an important role in the training and methodological guidance of adult educators.

\(^{176}\) In the capital, senior business executives and specialists are willing and able to pay more for staff development programmes.
The main providers of EU-related training in Estonia are the Euro-College at Tartu University, Tallinn Pedagogical University, the Estonian Institute of Public Administration, the Estonian Law Centre in Tartu, and the Estonian School of Diplomacy.

Quality of provision

At present the licence issued by the MoE can be considered as the main ‘guarantee of quality’ of training providers. An institution has to apply for a licence if it wants to issue a certificate allowing the graduate to work within the field (or to perform specific tasks) that assumes implementation of the skills and knowledge acquired during the training. Data from a national survey on training institutions (October 2000 to January 2001) suggested that all schools and most other institutions had this licence. Of the firms offering continuing training, 75% considered the licence to be very essential and 14% considered it to be only a generally essential document. Potential students and participants place a high value on this licence when choosing where to apply for training.

There still remain several problems concerning the licensing process. It appeared difficult to determine whether the licence issued covered the course programme or the institution as such. A further problem experienced by training providers was the long waiting period for a decision after an application had been made and the level of bureaucracy involved.

Regarding the quality of trainers, those contracted on a permanent basis by training institutions are upgrading their skills under their own initiative as well as through encouragement of their employers. The main problem remains with lecturers contracted on a temporary basis and the difficulty of evaluating their competence and qualifications objectively. Responsibility for improving their technical and pedagogical skills remains with the individuals themselves.

Participation in CVT

Currently there are no clear data available showing the overall participation of Estonian adults in continuing training. However, there is a common understanding among most stakeholders that the present provision is insufficient, both for the employed and the unemployed.

National experts state that the overall demand for continuing training has been increasing in recent years and that clients are becoming more informed and have more specific expectations. Participants are usually those who have already had training experience (most often managers in the business, services and construction sectors). Research indicates that demand for training is in correlation with the financial resources of the potential customers.

Research between 1994 and 1997 suggests an increasing participation in continuing education and training courses, rising from 15 to 25%.

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177 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

178 Estonia has no standardised information system for collecting data on CVT. The availability and accuracy of official data on continuing education is poor, as no regular reviews have been carried out in the past. A few surveys on participation in continuing training were conducted by the Statistical Office of Estonia, the Institute of International and Social Research of Tallinn Pedagogical University, and the Department of Sociology of Tartu University. Specific target groups have been investigated by the MoE, and the NLMB for feedback and future planning purposes, but on a rather ad-hoc basis. Additionally, the Statistical Office displays some information on institutions offering continuing training. The Eurostat CVTS2 survey focuses only on the aspect of training in enterprises. Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

179 Annus et al., Modernisation of VET in Estonia.

According to a national survey conducted in 1996/97, 21% of the population (25% of the employed and 8% of the unemployed) participated in CVT. However, a more recent survey (Lifelong Learning Needs Analysis) indicates a lower participation rate of adults (13%) in training in 2001. On average more women (14%) than men (12%) and more Estonians (15%) than non-Estonians (9%) participate in different forms of training.

LFS 2000 data indicate that only about 3.5% of the population aged 15 to 74 and 5.1% of employed people (31,100 people) in that age group participated in continuing training courses. In both cases there are substantial gender differences, with women being, on average, more than twice as likely to participate in CVT than men. Almost half the participants (45%) attended courses in training companies or training centres, 24% at a place of work, and 12% at a school.

Comparable data with EU Member States show that 5.2% of the Estonian population aged 25–64 participated in education or training in 2001, which was lower than the EU average (8.4%) but higher than participation in many other FMS (Hungary 3.0%, Slovenia 3.7%) and some EU member states (Greece 1.4%, France 2.7%, Spain 4.9%).

A national survey on CVT in enterprises in 1998, although not fully comparable to Eurostat methodology, indicated that in 51% of companies CVT is carried out regularly and in 45% principal rules for CVT are defined.

According to the Eurostat CVTS2 survey, continuing training in enterprises appears to play a more important role in Estonia than in other FMS, but a lesser role than in most EU Member States. Estonia ranks second among nine FMS as regards the share of enterprises offering some kind of continuing training (not only courses) in 1999 (63%) – lagging only slightly behind Czech Republic (69%) but far ahead of Slovenia (48%), Poland (39%), and Hungary (37%). EU Member States reported 70% or more enterprises offering CVT, except Spain (36%) and Portugal (22%).

However, the participation rate in enterprises providing courses was only 28% (27% males, 29% females) – lower than in Czech Republic (49%), Slovenia (46%) and Poland (33%) but better than most other FMS, although still behind all EU Member States.

Participants in training for the unemployed make up about two-thirds of total participants in active measures.
VOCATIONAL EDUCATION AND TRAINING AND EMPLOYMENT SERVICES IN ESTONIA

(averaging 8,400 per year since 1995, increasing to 10,200 in 2001). However, training was still reaching only 11% of unemployed people in 2001, compared to 8% in 1999 and 2000).

The share of adults (about 20,000 students in 2000/01) in the regular education system ranges from 0.7% in basic education up to 13.4% in upper secondary general education, 12.9% in VET, and 16% in higher education.

The number of students older than 22 years in initial vocational training has increased considerably by more than 5,600 students between 1996 and 2001.

There are no data in official education statistics on short-term adult training courses provided in VET or higher education institutions. Reporting of VET schools indicates a rising trend; in 2001 about 12,800 people completed training in 46 schools (and 521 curricula) compared to 8,000 to 10,000 in the previous years.

A specific field of training in the most recent years, related to the goal of EU accession, has been ‘EU training’. The EU-related training demand over the three years 2000-02 has been estimated at over 35,000, with a high demand for training on general EU knowledge, the EU legal system, EU programmes and funds, the EU budget, and language.

The first EU Training Strategy for Estonian Civil Servants was approved by the Council of Senior Civil Servants in May 1997 and is updated constantly. It aims to define


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<tbody>
<tr>
<td>Vocational secondary and vocational courses</td>
<td>819</td>
<td>1,934</td>
<td>5,216</td>
<td>+4,397</td>
</tr>
<tr>
<td>● Full-time courses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Evening courses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Correspondence courses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postsecondary technical courses</td>
<td>2,421</td>
<td>3,338</td>
<td>968</td>
<td>–1,453</td>
</tr>
<tr>
<td>● Full-time courses</td>
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<tr>
<td>● Evening courses</td>
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<td></td>
</tr>
<tr>
<td>● Correspondence courses</td>
<td></td>
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<tr>
<td>Vocational higher education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Full-time courses</td>
<td></td>
<td></td>
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<tr>
<td>● Evening courses</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>● Correspondence courses</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,240</td>
<td>5,272</td>
<td>8,849</td>
<td>+5,609</td>
</tr>
</tbody>
</table>

Source: Annus et al., Modernisation of VET in Estonia.

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190 Calculation on the basis of the ILO definition of the unemployed. Labour Market Board data for 2001 show a decrease of about 2,000 participants in active measures; however, participants in community placements are not taken into account (amounting before 2001 to approximately 4,000 annually).

191 According to a survey conducted at the end of 1997, there appears to have been a decrease in the opportunities for continuing training in general education (up to secondary school) and in the vocational education system. Moreover, participants in the formal training sector are quite young (21% of those interviewed were in the 20–24 age group, 8% 25–29, 2% 30–34 and 1% 35–44). There were no individuals in the 45–60 age group participating in formal schooling. Annus et al., Capacity of IVET and CVT to support national employment policy objectives.


193 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.


195 Vocational higher education and diploma study were replaced by a combination of these (applied higher education study) in August 2002.
training priorities by different types and levels of the Estonian administration, with a view to enhancing the capacity to cooperate within the EU institutions and with Member States. The overall training of state and local government officials is under the responsibility of the State Chancellery, while the common and general parts of EU-related training are centrally coordinated by the Office of European Integration.

CVT reform

At present no comprehensive training system is in place for adults who face dismissal or changes in their job functions. In addition, the lack of an integrated and transparent vocational qualification system, which would define the vocational standards for obtaining a recognised qualification, is a major obstacle. However, the creation of a state-supported system of vocational qualifications is currently being finalised, and key stakeholders are aware of the economic and social value of CVT and also committed to designing a system which enables participants who have successfully completed units of learning as part of a continuing training programme to accumulate credits.

An appropriate and coherent policy framework for CVT is being developed at present through the National Lifelong Learning Strategy and, in part, through the education strategy, Learning Estonia (recognising work and study experience upon continuation in the formal education system). Social consensus must be found on the appropriate financing mix of the future CVT system and the involvement of different stakeholders.

Currently the efforts are directed towards finalising the Lifelong Learning Strategy, but the MoE is still planning the amendment of the Adult Education Act. The Act will regulate the provision of training for adults in public and private training institutions. It will provide for the licensing of training institutions and enhance motivation of employers and employees to undertake continuing training through improved incentives. As stated in the JAP, it will be important to ensure that the proposed amendment of the Adult Education Act succeeds in widening access to continuing education and training and also supports the consolidation of the regional training centres. The actual impact of the new legislation should therefore be subject to early and regular monitoring and review.

Counselling and guidance

In Estonia, the coordination of career guidance and counselling is divided between two ministries. The MoE is responsible for the provision of services to young people, whereas the MoSA deals mainly with the target group of unemployed people.

The old system, with career advisors in each school, was established in 1993, and individual schools and counties are responsible for deciding whether they consider this area important enough to warrant scarce resources.

The OECD review on education revealed in 1999 that counselling and guidance services are inadequate in Estonia, but also that there had already been recognition by both the MoE and MoSA on

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196 Office of European Integration, EU Training Strategy for Estonian civil servants, April 1999.
197 Certificates have been awarded in only four professions so far (real estate appraisal, real estate broker, real estate junior administrator, and forward operator).
198 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
199 The National Lifelong Learning Strategy was discussed in an open consultation process with key stakeholders and presented to the Adult Education Council for an opinion at the end of 2002. Most probably the Learning Strategy will be finalised only after the planned parliamentary elections in March 2003.
200 MoE signs annual contracts with the county government, which then provides information, guidance and counselling services for youth in the region.
201 Margit Rammo, Mari Saari, Katrin Makssoo, Mare Juske, Information collection on the policies for information, guidance and counselling services in Estonia (OECD questionnaire), Tallinn, July 2002.
the need for career advice, placement, and follow-up for young people and adults in all regions in Estonia.\textsuperscript{202}

Progress has been under way since 2000 with the establishment of \textit{youth information and counselling centres (YICC) in each county}, which are working under the supervision of the county governors. Currently 21 such centres are operational across Estonia, of which 18 have signed contracts.\textsuperscript{203}

As a result of the new \textit{Labour Market Services Act}, which came into force in October 2000, \textit{vocational guidance has been introduced as a new labour market service} in the PES system. Additional vocational counsellors were hired in 2001, and currently there are 18 working in 16 county employment offices. The lack of a comprehensive system of vocational counselling and guidance will be partly addressed by the VET centres/regional training centres and also by professionally trained counsellors working in VET schools.

\textbf{Several bottlenecks still remain.} At present it is not possible to facilitate access to services for all age groups and interest groups. Service standards are lacking and different regions make different choices. The lack of financial resources limits further development, as many local government budgets are scarcely sufficient to take care of the basic needs of their population. Cooperation between county government and local authorities does not function fluently. The average salary of career counsellors in Estonia is about EEK 4,000 (€256) monthly, about 20\% lower than the average salary in Estonia.\textsuperscript{204}

The key objectives, according to the Development Plan for Estonian Youth Work 2001-04, are to develop the national information and counselling system further and to create a strong network of vocational guidance specialists in the administrative capacity of local governments.

\textbf{Assessment and certification}

In order to graduate from a VET school, a pupil has to cover the full programme, take the necessary tests, and pass all required examinations, practical training, and the final paper. The requirements are fixed in the school programme. Successful graduates of VET schools obtain the \textit{school graduation certificate} (a diploma upon completion of higher education) after having passed the internal school examinations.

The current \textit{system of assessment in VET is unsatisfactory}, according to the OECD, and in addition there are at least two major shortcomings which affect the status and image of VET (including the perceived quality) compared to general education.

\textbf{The VET graduation certificate does not entitle the holder to automatic access to university-type higher education}, although the duration of schooling is the same as in secondary general education. However, it provides direct access to higher VET (now applied higher education). Since 1997 it is only compulsory for general secondary school students to pass the state examinations (leading to the National Examination Certificate, which gives access to higher education), as the primary objective set by the MoE for VET school graduates is not to prepare pupils for entering universities but rather into the labour market. However, it is estimated that about one-third of VET students succeed on a voluntary basis in the final state general education examinations.


\textsuperscript{203} It must be noted that in the Estonian context career guidance and counselling forms only an undefined part in the work of the YICC. Some confusion has been caused by the different aims of the current youth counselling system in the regions, as in some cases the centres focus on youth information in general and in some cases their emphasis is on counselling. Career-related information is also provided at general education schools, being integrated into the national curriculum. This is further supported by educational psychologists. At tertiary level, career services operate in five Estonian universities. See Saari, \textit{Information collection on policies for information, guidance and counselling services}.

\textsuperscript{204} Saari, \textit{Information collection on policies for information, guidance and counselling services}. 
In addition, since at present there is no recognised system of VET qualifications in place in Estonia, the graduation certificate does not attribute formal vocational qualifications, but confirms only that a certain programme has been covered at a certain level in a certain VET school205.

However, the development of the National Employee Qualification System is already being implemented and in the school year 2002/03 graduates from VET schools can take, as well as school graduation examinations, national qualification examinations awarding a vocational qualification and corresponding certificate206.

The concept of the new Estonian VET standard (agreed with stakeholders and social partners) is based on three distinct and interrelated elements:

1. national vocational qualification standard, prepared by working groups of the vocational councils and approved by the councils and the MoSA;
2. national curricula, based on the approved vocational standard, prepared by educational experts and approved by the MoE;
3. national assessment standard, based on the vocational standard and approved by the newly created Estonian Qualifications Authority207.

Important progress was also made by adopting a new Law on Recognition of Foreign Professional Qualifications in May 2000, which entered into force on 1 January 2001. This Act established the bases and procedures for the recognition of professional qualifications acquired in a foreign state in order to be employed in a regulated profession. An inter-ministerial commission is dealing with the implementation of the Act in cooperation with the different professional unions.

The number of regulated professions is rather low in Estonia (96), compared to other countries and in particular the Baltics (Lithuania 118, Latvia 259) and mostly in the field of economy, transport and social/welfare services. Access for foreigners seeking a job in Estonia is easy, except in the civil service and some seafaring and other activities. In the immediate future the trend seems to be towards one harmonised system with EU countries and also between the Baltic countries themselves208.

Overall assessment
There is no doubt that education and learning are held in high esteem in Estonian society. There is awareness among policy makers in Estonia of the need to strengthen the entire education system, from primary education up to continuing training, to ensure successful participation in the global knowledge society. Although some educational indicators (attainment level of population, development of higher education) are favourable compared to other countries, major issues remain to be resolved, in particular in the field of vocational education and the issue of dropouts and early school leavers.

The fact that the participation rate in IVET is still low is to a certain extent linked to the persisting negative image and low social status of VET (partly inherited from the Soviet period, partly because of the low status of workers and the trend in society towards higher education, and partly because of the assumed lower quality of VET), although many stakeholders admit that the situation in VET has been improving over the last three to four years.

205 Assessment of students at VET institutions is carried out according to the same five-point scale as in other schools, where 5 is ‘very good’, 4 ‘good’, 3 ‘satisfactory’, 2 ‘unsatisfactory’, and 1 ‘poor’. To complete VET schooling, students have to pass five school leaving examinations, one of which is in the mother tongue. Two others then have to be chosen by students from the list of national examination subjects.

206 Qualification examinations took place in two VET schools for the first time in June 2002, at the Tallinn Construction School and in the forestry field. In 2002 about 300 vocational qualification certificates were issued, mostly in the real estate and construction sectors.

207 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

2.2 RESPONSIVENESS OF THE EDUCATION AND TRAINING SYSTEM TO THE NEEDS OF THE LABOUR MARKET AND THE INDIVIDUAL

A range of educational indicators suggest that Estonia is in a favourable situation compared to other FMS. The educational attainment level of the labour force (age group 15 to 74) was high in 2000 (87.7% with at least upper secondary education, 58.5% with upper secondary education and 29.1% with tertiary education)\(^\text{209}\). The share of those with less than upper secondary education (12.3%) is about two times lower than the average level of the EU.

Data on the educational attainment of the employed (15 to 69) show as many as 31.2% with higher education (ISCED 5-7) and 89.3% with at least upper secondary education (only 10.7% with ISCED 0-2) in year 2000\(^\text{210}\). Although the educational attainment level was traditionally high in Estonia, these indicators improved further in the last decade (26.3% with higher education, 79.5% with at least upper secondary education and 20.5% with less than upper secondary education in 1990).

At the same time this development does not necessarily mean that the qualification structure meets labour market demands properly. Sustainable development depends on how and to what extent the overall educational potential is applied in society. National research results are showing that nearly half of the population is employed non-effectively, and that because of the fast expansion of higher education a trend of downward replacement of workers has already started, resulting in the exclusion of the lower-skilled from the labour market\(^\text{211}\).

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\(^\text{209}\) Statistical Office of Estonia, data from LFS 2000; tertiary (ISCED 5A and 6: 18%) plus so-called postsecondary technical (ISCED 5B: 11%). Data for the population aged 15–74 show stable proportions between 1997 and 2000: roughly one-quarter below upper secondary, half with upper secondary, and one-quarter with tertiary education.

\(^\text{210}\) Females show even better indicators in 2000, constituting only 8.4% of the employed with education below upper secondary level and 38.6% with higher education.

Table 13: Employment by educational attainment and gender (thousands) – 1990 and 2000

<table>
<thead>
<tr>
<th>ISCED level</th>
<th>1990</th>
<th></th>
<th></th>
<th>2000</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Males</td>
<td>Females</td>
<td>Total</td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>Total</td>
<td>826.4</td>
<td>426.7</td>
<td>399.7</td>
<td>604.5</td>
<td>311.9</td>
<td>292.6</td>
</tr>
<tr>
<td>ISCED 5-7</td>
<td>217.2</td>
<td>26.3%</td>
<td>93.6</td>
<td>123.6</td>
<td>31.2%</td>
<td>75.4</td>
</tr>
<tr>
<td>ISCED 4</td>
<td>33.8</td>
<td>4.1%</td>
<td>16.4</td>
<td>17.4</td>
<td>7.5%</td>
<td>18.1</td>
</tr>
<tr>
<td>ISCED 3 (general)</td>
<td>214.5</td>
<td>25.9%</td>
<td>135.2</td>
<td>79.3</td>
<td>27.6%</td>
<td>110.2</td>
</tr>
<tr>
<td>ISCED 3 (vocational)</td>
<td>191.6</td>
<td>23.2%</td>
<td>89.8</td>
<td>101.8</td>
<td>23.0%</td>
<td>67.9</td>
</tr>
<tr>
<td>ISCED 0-2</td>
<td>169.4</td>
<td>20.5%</td>
<td>91.8</td>
<td>77.6</td>
<td>10.7%</td>
<td>40.3</td>
</tr>
</tbody>
</table>

Source: National Observatory, Key indicators, 2000/01.

Employers and labour market research claim there is high demand for skilled ICT workers, masters, and technicians and less demand for specialists with higher education\(^\text{213}\).

The overall employment prospects of graduates dropped substantially as the unemployment rate of graduates after one year of completion of school increased from 17.1% in 1998 to 29% in 2000\(^\text{214}\).

While in general unemployment remains high, at the same time 'under-mobilisation of human resources'\(^\text{215}\) and the lack of a qualified labour force in certain occupations hinder the establishment of new competitive enterprises and the expansion of existing ones. For people aged 35 and over, skills obtained under the soviet system are partly outdated. Furthermore the low participation rate in VET in Estonia compared to EU and other FMS\(^\text{216}\) limits the future supply of qualified workers.

2.2.1 PLANNING AND PROGRAMMING AND RESPONSIVENESS TO THE LABOUR MARKET

In the 1990s, not enough qualitative labour market information was available to enable a responsive and relevant provision of the initial and continuing vocational training offer. In addition, the current principles of centralised management of VET institutions do not allow for a quick adaptation to local labour market needs and do not account for the increasing interest towards VET from local authorities. Other major weaknesses of the Estonian VET system have been weak cooperation with social partners and the fact that, to date, vocational schools have not provided for vocational qualifications upon completion of VET schooling\(^\text{217}\).

In the last years several efforts have been undertaken to improve the situation, and in some fields initiatives are currently being implemented or are close to implementation.

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\(^{214}\) Statistical Office of Estonia, LFS data, based on a small sample.

\(^{215}\) *Uniting Europe* No 97/2000.

\(^{216}\) Masson, *Candidate countries’ involvement in EU policies*, European Training Foundation.

\(^{217}\) The graduation certificate confirms only that a certain programme and level have been covered.
Although many initiatives are promising, it is far too soon to assess whether implementation will be successful or not.

Labour market information

In the area of identifying labour market and skills needs, various research-related mechanisms (industry surveys, manpower forecasting, placement monitoring) are being used, although not systematically, and inform education planning and programming to a certain extent\(^\text{218}\). The approach of sector analyses\(^\text{219}\) has been applied from Irish experience in the wood processing and furniture sector and further surveys are being prepared on information technology and the food sector. A major difficulty in Estonia is the number of small companies which are hardly able to forecast their needs because of uncertainty as to whether the company will still exist in four or five years' time. One main planning and programming action required, particularly at national level, is how to convert the findings and recommendations of various research projects on skill needs into concrete actions by the key ministries involved. At present there is too long a delay between identifying the needs and responding to them quickly and effectively. Experts are proposing the establishment of a senior inter-ministerial group charged with the responsibility of critically examining these findings and recommendations in the light of the government's national economic and social planning priorities\(^\text{220}\).

Involvement of social partners

Great expectations are attached to increased cooperation with social partners, at least at national level and the level of cooperation agreements, which still to a large extent have to be put into practice. In December 2000 an ambitious Agreement on Common Action\(^\text{221}\) was signed by the ministers of Education, Economy, and Social Affairs, the Association of Employers, the Estonian Chamber of Commerce and Industry, and the Confederation of Estonian Trade Unions, in order to speed up the process of matching the labour force qualifications to the needs of the labour market. The first experience showed teething problems and obstacles as regards the commitment of employers at local level to implementing the Agreement on Common Action concluded at national level.

The main goals of the agreement are the implementation of the national employee qualification system, the creation of a sufficient number of study places in initial training, the creation of a more youth-friendly labour market, and the enhancement of work-related complementary training and retraining.

National Employee Qualification System

Formal mechanisms are in place to facilitate social partners having a direct input on the national qualification system.

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\(^{218}\) The main research organisations engaged in this activity are the Statistical Department (LFS), universities, the Estonian National Observatory, the newly established regional training centres (delivery of enterprise surveys as part of the development of strategic plans) and, to a certain extent, the vocational councils. The lack of a credible VET research base is being addressed by the discussion on the establishment of a VET innovation centre, which will ensure the necessary research, programme-related development work, and dissemination of the related information to the education system, vocational councils, employers, and trade unions.

\(^{219}\) Terry Corcoran, *Labour market information in Estonia. Recommendations for national measures to improve the information flow in the labour market, with particular reference to the identification of skill needs as a basis for the planning of vocational education and training*, December 1997. In general, the aim of a sectoral study is to set out the probable or desirable future development of specific industry sectors over a five-year timescale and recommend the manpower and training interventions required to support this development.

\(^{220}\) Annus et al., *Capacity of IVET and CVT to support national employment policy objectives*.

\(^{221}\) The main goal of the agreement is to raise the competitiveness and qualification of the Estonian labour force in open labour market conditions. It states several obligations for the state (Ministry of Education, Ministry of Social Affairs and Ministry of Economic Affairs) and employers' and employees' organisations. Regarding CVT the MoE is obliged among other things to organise training for trainers and to establish training places for adults in VET schools. The MoSA is responsible for labour market analysis, organising business training, and business start-up support. Employers’ and employees’ organisation representatives have to take care of planning and ordering CVT.
The work on setting up a national employee qualification system started in 1998, with the Chamber of Commerce and Industry and employers playing an active role in the 12 vocational councils (tripartite trade committees involved mainly in the development of qualification standards). In May 2002, 163 vocational standards were approved, covering 223 different vocational qualifications and establishing the knowledge, skill, and attitude requirements for different levels in specific vocational fields.

Important progress was made in June 2001 with the establishment of a foundation, the Estonian Qualification Authority (operational since September 2001), to coordinate and organise the work on the National Employee Qualification System.

The creation of a legal framework supporting the development of new VET curricula based on vocational standards has opened up the possibility of access to vocational certificates through the validation of related professional experience. The first certificates have been delivered, mostly in the professions of real estate agent and real estate assessor.

Other measures to improve responsiveness

Great expectations have been attached to the concept of regional training centres (VET centres), which started gradual implementation with Phare support in 2000, but has not yet reached optimal output. These centres are expected to have a crucial role in the economic and social development of a region, providing multifunctional services, including initial VET, higher VET (now applied higher education), CVT, labour market analysis, programme development, local networking, counselling, and teacher training.

In cooperation with employers and employment offices, the first RTCs are being developed with EU Phare support in Ida-Viru county at the Kohtla-Jaerve Polytechnic, in Võru county at the Võrumaa Vocational Education Centre and in Saare county at the Kuressaare vocational school.

Further improvement in responsiveness to labour market needs is expected through complex measures being implemented by the VET Action Plan 2001-04, in particular: further privatisation and municipalisation of state schools, the diversification and introduction of more VET programmes at higher VET (applied higher education) level, the introduction of basic VET programmes in the gymnasium, the continuation of the modular-based curriculum approach in VET, and implementation of basic modules on entrepreneurship and work relations in curricula.

2.2.2 CURRICULUM DESIGN AND DEVELOPMENT

Much of the progress in VET has been achieved in the area of modernisation of curricula, which in Estonia was the main vehicle of reform. Modular-based curricula in VET were developed and implemented in a number of pilot schools with Phare support between 1994 and 1998, and compared to other transition countries the spin-off of the pilot school approach has been remarkable.

By 2001 all school programmes were already modular.

The VET curriculum reform approach applied in Estonia might be called the 'labour market training model', as it is a modular and competence-based system (modelled on the Irish experience), designed to be flexible and adaptable and able to embrace initial training for young...
people as well as continuing training for adults and unemployed.225

However, because of fragile and weak institutional structures at national level (including lack of procedures, rules, and clear responsibilities) in the 1990s, national curricula for VET have been lacking so far, although stipulated as a prerequisite by the Vocational Education Institutions Act of 1998. In 1999, the OECD recommended the establishment of a national resource centre which would coordinate module design and review the process in order to avoid excessive diversification, but this idea was not taken up. Schools have been facing difficulties and working so far on the basis of their own developed school curricula, which have to be registered and approved by the MoE. However, it should be mentioned that in 2001 about 30% of all school programmes already met the requirements of the respective national vocational standard, approved by the MoSA. The work on the National Curricula (44 vocational areas are envisaged in total) was initially delayed (because of changing approaches), but has been progressively continuing since 2001.227 Fourteen new VET programmes were developed in 2000/01 in the fields of business, construction, health, forestry, catering, and other services, but none of them has been adopted yet as a national curriculum. The first National Curricula (at least four) were expected to be implemented in VET schools as of September 2002 and are further delayed since discussions on the approach re-emerged.

The national VET programmes are based on modules (measured by weeks, with one study week being 40 hours) that provide pupils with a variety of choices in terms of specialisation and organisation of education and training.

The VET programme after basic school (ISCED 3B) has a minimum period of three years (120 study weeks), of which the VET-related dimension (including practical training) must account for at least 50%. At the same time, at least 50 study weeks must be devoted to general education subjects, of which 32 are compulsory, and 18 weeks are recommended to best complement and support VET subjects. An amendment to the national programme of basic schools and gymnasiums planned for 2002 will have an impact on the national VET programmes as regards the scope of the compulsory volume of general education.229

The VET programme after gymnasium (ISCED 4B) lasts 1 to 2.5 years (40 to 100 study weeks); VET-related training must account for at least 85% of this, and general education subjects for six study weeks. In some sectors (healthcare, police), vocational secondary education is not offered for basic school graduates, as it requires maturity and a general education background from the entrants.

The higher VET (since August 2002 applied higher education) programme must meet the higher education standard, and lasts 120 to 160 weeks, with VET-related training (including 35% practical training) accounting for 75% of the total volume of the programme.

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225 Grootings, Peter, David Parkes, Søren Nielsen, and Detlef Gronwald, A cross-country analysis of curricular reform in VET in Central and Eastern Europe. ETF, 1999. The introduction of modules has advantages, but also drawbacks. A risk of the system of short and detailed modules is that it can lead to competencies relevant to a taylorised organisation of production instead of broadly skilled competencies. It can also result in relative isolation of modules as well as confusing employers and individuals. In addition, a great deal of educational planning is required to maintain and establish a modular system with a large number of modules.


227 National curricula are being developed under the responsibility of the MoE by education expert groups (involving vocational councils) so as to take full account of the integration of core skills, structured in-company placement, and the idea of progression in various educational levels. The main focus is on addressing how the educational content can satisfy the occupational standard in terms of minimum skill, knowledge, and attitudinal requirements for the occupation in question.

228 At the end of 2001, 12 programmes were delivered to the Estonian Examination and Qualification Centre, to be finalised according to the principles and format agreed for national VET curricula.

229 Annus et al., Modernisation of VET in Estonia.
In principle, a VET school must have a programme for each profession or specialism it is offering. In Estonia, VET programmes are divided into the 44 categories (‘study fields’) mentioned, with more than 300 specialisms. The overall number of opportunities for specialisation in VET has increased by almost 100 between 1993/94 and 2000/01 (see table 14). Most in demand are services/catering, tourism, hotel services, commerce, logistics/transport, communications, information technology, electronics/automation, and telecommunications (see annex 1, table 7).

Table 14: Specialisation opportunities in VET schools (number of programmes) – 1993/94, 1996/97, 1999/2000 and 2000/01

<table>
<thead>
<tr>
<th></th>
<th>1993/94</th>
<th>1996/97</th>
<th>1999/00</th>
<th>2000/01</th>
</tr>
</thead>
<tbody>
<tr>
<td>VET after basic education</td>
<td>103</td>
<td>91</td>
<td>99</td>
<td>121</td>
</tr>
<tr>
<td>VET after general secondary education</td>
<td>54</td>
<td>63</td>
<td>112</td>
<td>108</td>
</tr>
<tr>
<td>VET programmes which can be acquired both after basic and general secondary education</td>
<td>55</td>
<td>65</td>
<td>64</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>212</td>
<td>219</td>
<td>275</td>
<td>307</td>
</tr>
</tbody>
</table>

Source: Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

The new changes in the national curricula for basic and general secondary education were adopted in January 2002 (amended June 2002) and will become obligatory for schools in 2004/05. Preparations for the new national curricula have been made by the Centre of Curriculum Development at Tartu University.

Regarding foreign language teaching, in 1997/98 Estonia already had the highest share of pupils in general secondary education (ISCED 2 and 3) studying English as their first foreign language, compared to all other FMS (85% in Estonia, 81% in Slovenia, 58% in Czech Republic, Bulgaria 59%). Russian was the second foreign language in Estonia, studied by 55% of pupils at that educational level. The first foreign language is introduced as a compulsory subject at the age of nine, and 53% of pupils at primary (ISCED 1) level in 1998/99 studied English as a first foreign language. At ISCED 2 level Estonia still had one of the highest shares (84%) among FMS, but behind Malta and Cyprus, each 100%, Czech Republic 95%, Slovak Republic 94%, and Latvia 88%.

230 The centre was established in 2000 with responsibility for developing national curricula on basic and general secondary education; its objective is to ensure consistent development of programmes, based on thorough research.

231 Eurostat, *Statistics in focus*, Theme 3, 14/2000, Educating young Europeans. Similarities and differences between the EU and Member States and the Phare countries, Luxembourg, September 2000. Most member states reported above 90% studying English as a first foreign language, some (Sweden, Finland, Austria) close to 100%.

Regarding vocational education, the VET Action Plan has set the target of doubling the volume of national and speciality-related foreign language teaching by 2004.

The MoE's VET policy aims to attract private investors in VET and envisages further privatisation of VET schools in the forthcoming years.

**Practical education and training**

A very important challenge and future development direction is the necessary expansion of work placements and practical training tied to the school programme. No national system for organising practical training in enterprises has been developed to date and practical training facilities are not offered any substantial support.

So far individual VET institutions have established either formal or informal agreements with local employers on the provision of practical training opportunities both for students and teachers. Despite successful single initiatives, most VET institutions have ongoing difficulties to find good-quality placement training opportunities, where the content of practical training matches the off-the-job inputs.

**Apprenticeship**

A national apprenticeship system, which could increase the supply of highly skilled (crafts) people with a comprehensive knowledge and understanding of industrial and other processes, does not exist in Estonia. Only a few enterprises train individuals or small groups on their own initiative and at their own expense. A Phare 2001 programme aims to pilot apprenticeship schemes in a few selected occupations, and under Phare 2002 work-linked training programmes will be developed for specific risk groups (dropouts, secondary general school leavers without vocational skills).

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233 A director of a VET school mentioned during the field visit for the Monograph in September 2001 that, for the next school year, he would propose to the MoE a changed composition of his school board, replacing the existing majority of civil servants with employers and professional specialists.

234 Companies perceive the current system as not favourable for offering practical training, for financial and tax reasons. See Toomas Noorem, Activities of AS TARKON in human resource development and cooperation with the VET system, paper at the international conference on Achieving Balanced Economic and Social Growth, Policies and Innovations in the Area of Human Resources Development, Tallinn, March 2001.

235 FVETRE, Education, labour market and career guidance in Estonia.
2. VOCATIONAL EDUCATION AND TRAINING (VET) AND LIFELONG LEARNING IN THE CONTEXT OF THE NATIONAL EMPLOYMENT POLICY

Teachers

One of the weakest areas in Estonian vocational education is the issue of teacher training and teaching and learning methodologies. There is still a shortage of teachers with modern skills (particularly in subjects of an innovative nature) and a shortage of training manuals and aids in Estonian; for several subjects (e.g. mechatronics) there are none at all236.

The strategic importance of teachers and trainers in the delivery of quality education and training provision has already been well recognised and repeatedly stated in all major national documents, including the NDP, the JAP, and VET concept documents. Since the early 1990s, international donors have been active in providing technical assistance to the MoE in this area. The assistance has been aimed at supporting the Ministry to achieve an overall improvement in teaching standards so as to address changing economic and social demands in Estonian society. Analysis shows that any modern learning technologies being implemented in the classroom have in the main been introduced through international initiatives237.

In the framework of the VET Action Plan 2001-04, the MoE has set the target of gradually decreasing the volume of student ‘auditory work’ by 15 to 25% by 2004 (starting point 35 hours per week in 2000, target of 30 hours per week for VET after basic education, and 25 hours per week for VET after secondary general). The first results showed a substantial decrease of 14% in 2001238.

At present no national mechanisms have been developed for monitoring or objectively measuring the impact of present investment in in-service teacher training (on student results, overall quality of teaching, penetration of state-of-the-art learning methodologies). This information deficit needs to be addressed239.

It is recommended that the MoE formulate clear policy guidelines on the future provision of vocational teacher training, taking into account the fact that a large share of VET teachers do not have relevant pedagogical qualifications240.

Equipment

The level of investment in new training equipment and facilities to support the delivery of new national curricula is rather low and not considered adequate to build a professional, responsive, and relevant education provision that meets the priorities set out in different policy documents. National experts express the need to prepare a capital plan, based on the existing and emerging new occupations required to support sustainable and balanced development241.


237 Most notable among these innovative actions have been the major teacher training project between Tallinn Technical University and Hammalainen Teacher Training University in Finland; the two EU Phare VET Reform projects including teacher training components; and the most recent teacher training project between Tallinn Technical University and the Danish Ministry of Education, involving the introduction of new didactic modules. In addition to these international donor-aided and EU-funded actions, the MoE has itself taken an active part in the EU VET innovations-based Leonardo da Vinci Programme, as a full member in Leonardo 2 and as an associate member in Leonardo 1. Analysis of the projects completed to date indicates that VET school teachers have been one of the main beneficiaries of these projects, which have provided them with the competence and confidence to introduce teaching innovations to the classroom. See Annus et al., Capacity of IVET and CVT to support national employment policy objectives.


239 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.

240 Danish Institute for the Educational Training of Vocational Teachers, Vocational teacher training in Estonia.

241 Since the early 1990s, the main source of funding new equipment has been through the two EU Phare VET Reform projects. Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
Overall assessment

The involvement of social partners has evolved in the last years, and the perception and commitment of employers regarding the importance of VET is slowly improving. However, there is still a high need for increased cooperation between schools and enterprises, as well as a clear national policy and related support to address the twin issues of the low number and quality of practical placements in enterprises. The organisation of work placements requires agreement with companies and the creation of incentives for organising placements in cooperation with education institutions. Accreditation of companies offering work-linked training would be important for ensuring the necessary conditions and the required quality of work placements.

Support for updating the learning environment of VET schools is also needed. Despite a variety of support measures in the past little or nothing substantial has changed in terms of teacher training, teacher status and requirements. There is a great need to reorganise teaching and learning in VET schools, including providing work-related training for teachers, and to introduce new evaluation requirements for teachers. It is recommended that the MoE formulates clear policy guidelines on the future provision of vocational teacher training.

The professional level of school leaders must also be improved, and some key actors even underline the need for a new generation of school leaders. If all these issues are not addressed thoroughly, the future capacity of the initial VET system to support national employment policy aims could be substantially affected.

The present education system (and VET institutions) has demonstrated willingness and capacity to respond to different client needs and to deliver training interventions to a wide variety of target groups. This includes the delivery of evening courses for the general public, training courses for employees and employers, and regionally based specific skills training courses for the unemployed. Analysis of feedback from the beneficiaries of these courses has in the main been positive.

In educational reality a shift from the former, more collective approach towards an individual-centred one has gradually been taking place. The transition to a more pupil-oriented education system began via the curriculum design process in 1997 (e.g. emphasising critical and independent thinking, greater self-responsibility and activity in the learning process). Pupils are allowed to choose a school on the basis of their interests and abilities, select subjects from the optional courses, form representative bodies, and organise activities at school.

The introduction of the so-called 'gymnasium without classes' has allowed pupils to have their own individual curricula. 'Open universities' initiated by higher education institutions in the late 1990s have made higher education more flexible and made it easier to obtain higher education (essentially through self-managed study and distance learning) while being employed full-time. In higher education in general, changes since the mid 1990s have made it possible to fulfil the obligatory curriculum flexibly and provide some freedom in the selection of study programmes.

The Phare Multi-country Programme for Distance Education has been an important catalyst for open/distance learning developments in Estonia.

What is still lacking is a systematic analysis of individual needs of participants both in the initial and the

2.2.4 MEETING INDIVIDUAL NEEDS

There is little doubt that a learning process has been successfully initiated in the last decade, in particular through EU Phare support, among education policy makers, individual teachers, and social partners, with respect to both the nature of the required VET reforms and increased responsiveness to different target groups.

242 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.  
Continuing education systems (including the specific needs of the unemployed), and the subsequent development of a related policy and actions addressing individual needs. The education strategy, Learning Estonia, takes the current deficit into account and aims to develop further forms of study and curricula that consider the individuality and special needs of students.

2.3 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING SOCIAL AND LABOUR MARKET INCLUSION

The 1992 Constitution of the Republic of Estonia gives everybody in Estonia an equal right to education. In addition, the Estonian education system shows a number of educational factors with an integrative effect, which would suggest that all the prerequisites are in place to promote social and labour market inclusion: the high esteem (historical, political, and motivational) in which education and learning are held in Estonian society, including amongst non-Estonians; the relatively high level of educational attainment of the Estonian population; high motivation to study in the formal education system; the emergence of active third-sector educational associations (e.g. Education Forum); the aforementioned positive role of international education programmes and assistance; and so on.

In reality, however, the situation is very different and is somewhat difficult for several groups in Estonian society, which seems increasingly to be facing a ‘growing social divide’.

The Estonian education system also shows quite a number of educational factors with a selective and disintegrative effect, and according to some authors it appears that those seminal factors of education which differentiate society are gaining impetus. Economic disparities are becoming more and more important both in using education in order to succeed and in access to education. There are clear signs that educational stratification is broadening. While there is an increasing demand for higher education, there has also been an increase in the number of those leaving the educational system before completing even basic education.

Education policy addresses several problems (integration of non-Estonians, early school leavers and dropouts, disabled people, regional disparities, gender inequality, access to preschool education, socioeconomic barriers), but these are far from being solved.

2.3.1 NON-ESTONIANS

Special provisions are in place for schools whose language of instruction (mainly Russian) differs from the national language. The Law on Basic and Upper Secondary Schools provides for a transition to the use of Estonian as a teaching language in upper secondary schools by the school year 2007/08 at the latest.

Although there are positive shifts in the integration of Russian-language schools into the Estonian education system, structural problems persist. Insufficient mastery of the Estonian language at

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245 The new prime minister, Siim Kallas, spoke in 2002 of a ‘growing social divide’ in Estonian society and the need to address the current huge social disparities as a top priority.


249 During this period, ways must be found to offer language acquisition opportunities and models to the different age groups while intensifying the recruitment of language teachers and providing them with in-service training. See Eurydice/Cedefop, Structures of education, initial training and adult education systems in Europe, Estonia 2000.
preceeding levels of education is restricting graduates’ opportunities to continue their studies in higher education\textsuperscript{250}.

Regarding VET, there is still a great need to provide additional language studies to non-Estonians, as 30% of admissions to secondary VET comprise the Russian-language group. The problem is most intense in North-East Estonia (Ida-Virumaa county), where a larger share of pupils are enrolled in schools with instruction in Russian (83% compared to about 30% average for the entire country). This is coupled with the problem of the high concentration of VET schools in this area, many still producing graduates for professions that are no longer in demand in the labour market\textsuperscript{251}.

In continuing training, non-ethnic Estonians, among whom there are significantly more unemployed, have taken part in training courses only half as frequently as Estonians\textsuperscript{252}. Previous surveys show that non-Estonians paid more for their training in individual contributions than other groups.

The unemployment rate among non-ethnic Estonians was consistently considerably higher (by around 6-7\%) than for Estonians between 1995 and 2000. Most vulnerable were the younger non-ethnic Estonians (20 to 29 age group) with general secondary or vocational education. Their unemployment risk is over twice as high as that of Estonians in the same age group.

There is still insufficient awareness at the level of education management of the existence of a multicultural society in Estonia\textsuperscript{253}. Some authors assume that probably the biggest waste of human resources in Estonia is connected to the ethnic factor, because the effects related to stratification and labour market and educational opportunities have been especially negative for non-ethnic Estonians\textsuperscript{254}.

\subsection{2.3.2 EARLY SCHOOL LEAVERS AND DROPOUTS}

There is a significant risk group of children (mainly boys, grades 5 to 8) who either ignore compulsory school attendance or leave the system early (estimated up to 3\% of the total number of compulsory school attendants). Their prospects for obtaining a stable job are minimal and often other social problems such as crime or drug addiction follow\textsuperscript{255}. This is partly linked to the problem of registration for school attendance (mainly in Tallinn), which has not yet been fully resolved.

In June 2001, through the amendment to the Vocational Education Institutions Act, access to basic (preliminary) vocational education has been opened to young people (up to 25 years of age) who have not completed basic education (annually more than 1,300 pupils, with a substantial cumulative effect). This risk group can now acquire basic education in parallel to vocational education. In 2001 about 140 young people (in seven VET schools, on average 20 students per school) without basic education had the opportunity to receive this form of basic vocational training.

\textsuperscript{250} In addition, owing to the decrease in the number of post-secondary institutions in Estonia offering education in Russian, there are also fewer possibilities for the youth of Narva to acquire higher education. At the same time, it is relatively easy for residents of Narva with Russian citizenship to obtain higher education at some education institution in Russia. Alina Allaste, Opportunities in Estonian society for the Russian-speaking young people in Ida-Virumaa, in UNDP, \textit{Estonian human development report 2001}.


\textsuperscript{252} Marge Unt and Kadri Taeht, Outsiders in the Estonian labour market: A challenge for the individual or for society?, in UNDP, \textit{Estonian human development report 2001}.

\textsuperscript{253} Loogma, \textit{Is the education system integrating or disintegrating society}?

\textsuperscript{254} Raivo Vetik, \textit{Is Estonia socially sustainable?} Introduction to UNDP, \textit{Estonian human development report 2001}.

\textsuperscript{255} Loogma, \textit{Is the education system integrating or disintegrating society}? Available research data in Estonia depict a vicious circle in which young people with no qualifications spend longer looking for their first job, which tends to be of poor quality. They become unemployed again and establish a labour market record that exacerbates their lack of qualification and in turn becomes in itself a barrier to recruitment and employment. See also Annu et al., \textit{Capacity of IVET and CVT to support national employment policy objectives}.
training, but this is probably not enough, since the age group 17 to 25 currently includes more than 20,000 people without basic education.

The dropout rate in the Estonian education system is rather high, ranging from 7% in secondary general education to 13% in VET (1999/2000).

A new Phare 2002 economic and social cohesion programme will be implemented in 2003, aiming to develop and introduce work-linked training programmes and networks in three target regions (North-East Estonia, South Estonia, and Islands), mainly to address the problems of early-school leavers and dropouts from the education system by offering them specific training directly targeted to the needs of local industry. The curricula will be implemented by the regional training centres (RTCs) under the supervision of the VET Foundation (FVETRE) and in cooperation with selected enterprises256.

2.3.3 SPECIAL NEEDS

Children with special needs (e.g. disabled children) must be provided with opportunities for learning in special schools created for that purpose. Attempts are made to place children with only minor disabilities into mainstream schools, reserving special schools for those with more serious problems257. In reality, the integration of children with special needs into ordinary schools and their further integration into society is still largely an unresolved problem.

A special government decree on vocational education and training of the disabled guarantees opportunities for people with special needs to participate in initial VET. The newly established regional training centres also have the target group of disabled on their agenda.

The VET Action Plan includes the goal of ensuring learning opportunities for pupils with special needs and has set the target of increasing the study places from 250 in year 2000 to all eligible applicants. The target for 2001 (at least 350 study places) was not achieved, as only 222 pupils with special needs enrolled (however, all applicants were covered)258.

Recently a Phare 2002 programme, Enhancing Employment Opportunities for People with Disabilities, was adopted. It aims to facilitate the integration of disabled people into the labour market by strengthening the institutional network of rehabilitation teams and public institutions, and by raising employers’ awareness about the recruitment of disabled people259.

2.3.4 ACCESS OF DISADVANTAGED GROUPS TO CONTINUING TRAINING

The extent of adult training is limited and there is a risk that it could deepen the inequality originating in formal education and society (the ‘elitist effect’). Surveys showed the most important restriction amongst Estonian adults for not participating in training to be shortage of personal resources (money to pay for the training, lack of time due to work or personal problems, distance from home). In addition, the learning motivation of middle-aged and older groups is very low (because of outdated stereotypes, leading

256 Phare funds will be used to develop a concept for work-linked off-the-job and on-the-job training programmes; to develop criteria and a methodology for accrediting work-linked enterprises; to draw up cooperation agreements between employers’ organisations, MoE, enterprises, and training institutions for the implementation of training schemes; to assist the RTCs; and to provide relevant equipment in the training institutions.


258 Update Results 2001 to the VET Action Plan 2001–2004, information provided by the National Observatory, April 2002.

259 The Phare project will be used to carry out an analysis of the existing support framework services for people with disabilities (provided by rehabilitation teams, regional social insurance departments, public employment services, and regional training centres), to provide recommendations on possible changes required in the legal framework, and to set up an information campaign targeted at both disabled people and potential employers.
people to consider themselves too old to study.260

Other surveys conclude that those groups most in need of retraining participated less in training activities than others, paid more for the training themselves and depended more on the training offered by the employment office. If this situation is allowed to continue, it will be more likely to widen the level of social and economic disparity within the country than to alleviate it.261

Under the current legislation no special training programmes for disadvantaged groups are organised by the PES, but training courses are available for all registered unemployed, including risk groups. According to law, there are groups defined as being ‘less competitive’ in the labour market, namely disabled people, pregnant women and women raising children under six years of age, young people, people who will be retiring within five years, and people released from prison. Employers who recruit among those groups are eligible for ‘employment subsidies’, which include an obligatory training component.

2.3.5 OTHER ISSUES

There is a risk of growing regional differences between schools (also in different suburbs of major towns) and there are educational crisis districts, where the overall economic backwardness of the region is combined with school closures, low-quality training, and lower grades achieved by pupils.262 A clear link has been found in many households between poor achievement in school and a poor economic situation,263 which is confirmed by the fact that in rural areas the number of grade repeaters in basic education is about twice as high as in towns.264

Many households consider the fees for kindergarten much too high. In 2000, some kindergartens were closed down for the first time in larger towns as a result of the declining birth rate.

Overall assessment

More attention needs to be paid to increasing the responsiveness of the education system to the special needs of disadvantaged groups and to countering the risk of a growing educational/social divide. Although there is a growing interest in getting access to education and in improving educational levels, the degree to which these needs are met is uneven across social groups and regions.

Several critical issues remain to be addressed and high priority should be given to non-Estonian speaking groups and socially disadvantaged people, and to reducing the number of dropouts and early school leavers. Measures already started need to be strengthened and stepped up.

The effectiveness of the VET system and various instruments in promoting inclusion in the labour market for young disadvantaged groups need to be regularly reviewed and improved.

2.4 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING ENTREPRENEURSHIP

The formal education system has increasingly recognised the importance of the need for business and entrepreneurship training, and several initiatives were implemented in the last decade.

Business-related training started in 1992 with the Estonian Junior Achievement

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260 Loogma, Is the education system integrating or disintegrating society?
261 Annus et al., Capacity of IVET and CVT to support national employment policy objectives.
262 Loogma, Is the education system integrating or disintegrating society?
263 The income gap between urban and rural households widened in the 1990s. There has been a rapid growth in the proportion of households whose income per capita remains below the minimum wage level – from 8% in 1994 to 25% in 1999. In nearly 50% of households, the disposable income per capita remained between one to two minimum wages. Mari Kreitzberg, Anneli Kukk and Mare Viies, Household income and consumption, in Voormann, Social trends in Estonia.
Development Fund. The main programmes offered are the business education programmes in basic and secondary schools and the Fundamentals of Market Economics programme, which was first provided to middle-level managers (about 120 participants) of large enterprises privatised in 1997 in order to facilitate restructuring and prevent unemployment and adjustment difficulties. In 1999/2000 the Junior Achievement business programmes were provided in 432 Estonian schools to 24,000 pupils.

The Estonian Business Education Programme, initiated through bilateral assistance from the Danish government, continued with Phare funding between 1995 and 1999, and finally taken over by the national government, made considerable contributions to both programme and institutional development (development of a four-year and a two to three-year business education cycle and, in addition, development of adult education programmes in selected subjects). In 2000, the new basic business administration curriculum was delivered to about 1,000 students. Other schools are asking to join the programme. The national vocational qualification for a business manager’s assistant and a junior business manager have been developed and the basis for adult and distance learning has been established in a number of schools.

The most recent initiative, launched by the VET Action Plan 2001-04, aims to include modules on ‘work relations, entrepreneurship, community cooperation initiatives’ (including the necessary teacher training) in all secondary VET programmes by 2004. In 2001 preparation of the respective modules was started by the Estonian Business Education Programme, in order to be ready in September 2002.

2.5 CONTRIBUTION OF THE EDUCATION AND TRAINING SYSTEM TO PROMOTING EQUAL OPPORTUNITIES BETWEEN MEN AND WOMEN

The tendency in Estonia towards an increasing gender inequality in education in favour of females deepened in the 1990s. The dropout rates are disconcertingly high at the upper level of basic education, especially for boys. This leads to a gender gap which increases with higher levels of education. Among grade repeaters, boys also outnumber girls by more than two to one.

Gender gaps also appear in secondary general education, where 60% of pupils are female. In vocational education there was a predominance of male students in the early 1990s (100 female to 116 male in 1992), but by 1999 women also prevailed in VET (100 to 98 males).

In the academic year 1999 the female-to-male ratio in higher education was 140:100. Even disregarding study fields traditionally regarded as ‘female’ (teacher training, nursing, etc.), developments over the past years clearly indicate an increasing gender gap (e.g. at bachelor’s degree level in 1993/94 the ratio was 113 women to 100 men, in 1999/2000 the female/male ratio was 122 to 100). Men still predominate in mathematics and computer sciences, engineering and technology, and agriculture. All other fields of study are dominated by women.

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265 The Junior Achievement Development Fund was nominated in 1997 as the Foundation of the Year by the network of Estonian non-profit associations.
267 The principal outputs were national curricula, teaching materials, criteria for business teachers’ qualifications, training of teachers and students, training of SME staff.
However, this educational advantage cannot be fully translated into labour market success, as the monetary remuneration and social rewards received by women with higher education for work of equal value are substantially lower than those drawn by men with the same education\textsuperscript{271}.

The unemployment rate for females (13\% in 2000) has been a few percentage points lower than that for males (15\% in 2000) since the mid 1990s. The employment rate for women (57.1\% in 2000) is lower than for males (64.3\%) but higher than the respective EU average (54.0\%)\textsuperscript{272}.

The MoSA is responsible for the promotion of gender equality issues and the preparation of related legislation. In December 1996 the Bureau of Equality in the MoSA began activities, with the aim of promoting the new mainstreaming approach in the Estonian society. Estonia has ratified almost all international acts prohibiting discrimination by gender.

Although there is tangible progress in planning and co-ordinating activities in this field, the actual measures to promote equal opportunities have been restricted to date. Most of the projects initiated have been supported by international donors (e.g. the ILO programme ‘More and Better Jobs for Women’) or bilateral assistance\textsuperscript{273}.

According to the Strategic Action Plan 2000-10 of the MoSA, adopted in April 2000, the integration of the principle of gender equality into all national policies has been set as an important long-term objective (including short-term goals)\textsuperscript{274}. Within this framework the Gender Equality Act was prepared in 2001/02, in order to prohibit both direct and indirect discrimination with special attention to labour relations, placing an obligation on both private and public employers (and other institutions) to advance gender mainstreaming. It defines and clarifies terminology but does not define or create specific norms. The Act is currently under governmental procedure and is planned to come into effect in 2002\textsuperscript{275}.

The Bureau of Equality has started to collect gender-sensitive data and the preparation of gender-sensitive indicators. The Statistical Office of Estonia collects gender-disaggregated data on the labour market and education\textsuperscript{276}. Information is available on employment (including sectors, occupations), educational background, including continuing training, wages of female and male workers, etc. The Labour Force Surveys from 1998 up to present are of great importance in this respect.

One of the main challenges ahead will be the development and maintenance of a network of gender researchers, including the updating of databases necessary for monitoring, decision-making, and implementing gender equality policy.

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\textsuperscript{271} Loogma, \textit{Is the education system integrating or disintegrating society?}  
\textsuperscript{272} Employment in Europe 2001.  
\textsuperscript{273} For information about this ILO programme see below, section 3.4. An Estonian–Finnish twinning project on occupational health in 2000–02 aims to raise the awareness of labour inspectors, authorities, and administrative personnel about changing gender roles and stereotypes and to build capacity in creating a healthy work culture free from harassment. Cooperation programmes with Nordic and Baltic countries aim to promote women’s entrepreneurship. In 2002, the establishment of a Business Advisory Centre for female entrepreneurs in marketing and business is planned. With the support of the Nordic Investment Bank and Estonian Open Society Institute, a survey of female entrepreneurs is planned, to identify the main barriers and problems they encounter.  
\textsuperscript{274} A mid-term plan (until 2003) of the MoSA envisages (but is not limited to) the following: implementation of the Gender Equality Act and legal acts related to it (formation of Gender Equality Commission; coordination of collection of gender sensitive-data, etc.); training specialists to handle complaints concerned with gender mainstreaming; reducing vertical and horizontal segregation in the labour market; reconciling working and family life (including design of indicators to measure and evaluate the division of time resources and the paid and unpaid tasks of men and women); establishing structures for supporting women’s entrepreneurship. See Annus et al., \textit{Capacity of IVET and CVT to support national employment policy objectives}.  
\textsuperscript{275} In addition, the Holidays Act has been amended to introduce parental leave as a new right also for fathers. This Act came into effect on 1 January 2002.  
\textsuperscript{276} The Statistical Office of Estonia has prepared a first comprehensive statistical overview on the social status of women and men (\textit{Women and Men in Estonia 2001}).
Overall assessment

The increasing gender inequality in education is not being addressed sufficiently. More attention needs to be paid to increasing the successful participation of males in the education system and decreasing the disadvantages faced by women in the labour market.

The gender mainstreaming approach could be considered a new issue in Estonian society. Consequently, clear policy tools, practical measures, and adequate statistics are missing. The principles of equal opportunities must be extensively promoted in order to increase overall interest in the subject and change stereotypical attitudes.

While the Gender Equality Act serves as a basic legislative framework, stricter and more detailed regulations are definitely needed for practical purposes.

There is a need for qualified specialists in gender studies, as the current shortage of experts restricts the implementation of the gender mainstreaming policy.
3. CAPACITY OF THE PUBLIC AND PRIVATE EMPLOYMENT SERVICES TO SUPPORT THE AIMS OF NATIONAL EMPLOYMENT POLICIES

3.1 ORGANISATIONAL STRUCTURE

3.1.1 LEGAL FRAMEWORK

The Ministry of Social Affairs (MoSA) is responsible for the legal framework concerning employment services (including private agencies), the social protection of the unemployed, and the implementation of national labour market policy.

From the 1940s to 1990 the Estonian social protection system had been part of the general Soviet system and, upon regaining its independence, Estonia faced the challenge of introducing new social protection systems.

Until the end of 1994 Estonia regulated the social protection of the unemployed by a governmental decree. In January 1995 the Social Protection of the Unemployed Act came into effect, aiming to provide the legal basis of labour market services for the unemployed and to administer the

277 Funding sources for the system were social insurance payments, the rates of which (4–9% of the wage-fund) were distributed among unions. Monika Salu, Social Protection in Estonia, extended abstract of Doctor in Business Administration thesis, Tallinn, 2001.

278 Social protection of the unemployed is financed from the state budget, constituting part of the overall social protection system. Currently Estonia’s safety net includes cash benefits and in-kind assistance. Cash benefits include pensions, child benefits, sickness, maternity and other leave-related benefits, unemployment compensation, and income or housing support for lower-income families. In-kind support includes employment services, institutional care, and material assistance administered by social welfare offices. The great majority of benefits are paid on the basis of eligibility criteria. See Annus et al., Modernisation of VET in Estonia; OECD, Education at a glance, 2001; Eurydice 2001; Statistical Office of Estonia, Education 2000/2001.
payment of unemployment benefits, with state employment offices as intermediaries. The key legislation adopted in the last decade concerning employment policy and PES includes the following:

- Decree on Unemployment and Unemployment Benefits (March 1991);
- Employment Contract Law (April 1992);
- Labour Protection Law (July 1993);
- Law on Social Protection of the Unemployed (January 1995);
- List of Documents to be Submitted for Registration as Unemployed (February 1995);
- Procedure for Organising Employment Training and Grant and Payment of Stipends to Unemployed Persons (February 1995);
- Procedure for Granting Employment Subsidies to Unemployed (January 1995);
- Procedure for Granting Employment Subsidies to Employers (February 1995);
- Procedure for Organising Community Placements (February 1995);
- Procedure for Payment of Single Benefits to Unemployed Persons (February 1995);
- Social Protection of the Unemployed Act (entered into force in October 2000);
- Employment Service Act (entered into force in October 2000);

With the new legislation adopted in 2000, the access to labour market services has been widened, resulting in new responsibilities and tasks for employment services (e.g. vocational counselling has been introduced as a new service). Previously only those who received unemployment benefit were entitled to labour market services; now all registered unemployed have access to employment services. In 2000, a debate started about the introduction of an unemployment insurance system and on whether this new system should be obligatory or optional. The legal basis for a new unemployment benefit system was finally created in June 2001 (see below, 3.4, and annex 5), and is expected to be fully implemented as of January 2003.

### 3.1.2 INSTITUTIONAL SETTING

Estonia has no separate ministry of labour. In 1993 three ministries (Labour, Health and Social Security) were merged into the new Ministry of Social Affairs, which is responsible for employment and social policy, health care and social security. The MoSA became also the governing labour market institution.

Within the MoSA, the deputy secretary general for labour policy (a new position created in April 1999 with a view to increasing administrative capacity for employment issues) is responsible for labour market issues and PES. The Estonian labour market policy is elaborated by the Labour Market Department (newly created in January 2000) and the Labour Department. The Labour Department was created in January 2002 by uniting the former Labour Environment and Labour Relations departments.

The National Labour Market Board (NLMB) was established in May 1990 and has had a chequered history: it was abolished in 1996 and finally re-established in 1999 as a quasi-independent institution with a total

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280 On the basis of governmental decree No 110, ‘On establishing the Public Labour Market Board of the Republic’.
281 Debates over the division of tasks between the MoSA and NLMB between 1993 and 1995 led to the official dissolution of the NLMB in 1996. The Board continued to operate, however. Because of its official liquidation, budgetary funds were allocated to the NLMB in 1997 and 1998 only to cover maintenance costs in state employment offices and to provide employment services to the unemployed. In 1999 the NLMB was restored as an institution, and the statutes of the NLMB and state employment offices, together with the new structure and composition of the Board, were approved by a Regulation of the MoSA in May 1998.
staffing of 23 people in 2001. It is an operational body reporting to the MoSA (Labour Market Department), whose main functions are the administration of labour market services, organisation of unemployment registration, regulation of payment of benefits to the unemployed, and supervision of the entire process.

The structure of the Labour Market Board was changed slightly in August 2001: in addition to the existing departments of Informatics and Administration, Labour Market Services, and Social Protection of the Unemployed, a new International Relations and Public Relations Department was established. The role of this department is to coordinate international relations and international job mediation, to prepare labour market institutions for accession to the EU (ESF and EURES issues), to coordinate public relations within labour market institutions, to coordinate work of the tripartite employment councils, and to administer personnel issues in the Labour Market Board.

The aim of the Labour Market Services and Social Protection of Unemployed Department is to create policies and conditions to provide client-oriented, professional, high-quality labour market services and to offer social protection to the unemployed through local employment offices.

By government decision, the NLMB was appointed at the beginning of 2002 as one of the Estonian implementing agencies for the European Social Fund.

The NLMB operates with a network of local state employment offices distributed all over Estonia. Each of the 15 counties and the capital Tallinn has at least one employment office, but in many counties there are more (in total 36 local offices, total staffing of 207 people in 2001). Their main tasks are to implement national employment policy, to register the unemployed, to pay unemployment benefits, and to provide employment services in their respective area (Eamets, 2002).

3.1.3 ROLE AND INVOLVEMENT OF SOCIAL PARTNERS

In August 1999, the government of Estonia, the Estonian Confederation of Employers and Industry and the Confederation of Estonian Trade Unions signed an agreement on setting up tripartite employment councils. These councils aim to increase the efficiency of employment offices in finding integrated solutions to regional socioeconomic problems. The setting up of these councils in practice has turned out to be complicated, mainly because of the lack of interest and cooperation of employers at the local level. By the end of 2001 only five tripartite councils were fully operational (Iida-Virumaa, Valgamaa, Viljandimaa, Võrumaa, and Järvamaa).

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282 The network of public employment offices was established in the light of the provisions of ILO Convention No 88 and on the basis of decree No 125 of the Government of the Republic (May 1994), ‘Establishing of network of public employment offices’. On the basis of this decree the employment offices subject to county and city governments were transferred to the administrative area of the MoSA. See Urve Vool, Labour market in Estonia and Tartu, draft paper, Tallinn 2001.

283 The employers’ central organisation is the Estonian Confederation of Employers and Industry (ETTK), representing 32 branch unions and 28 big enterprises. Members of the ETTK currently employ about 25% of employees in the private sector.

284 In Estonia tripartite social dialogue is well developed at the highest, national level, whereas the development of bipartite social dialogue at the branch and enterprise level is still weak.
Overall assessment
The legal framework for the PPES seems to be well developed, in particular since the October 2000 adjustments aiming to widen access to labour market services. The weak administrative capacity to identify national employment priorities and to prepare an employment strategy was a major bottleneck in the 1990s. This is attributable partly to the fact that employment issues were not considered a priority issue at national level, partly due to the frequent changes in the structure and human resources of the MoSA and the NLMB. Since 1999/2000 the government has begun to pay more attention to employment problems and there are optimistic signs that the situation will improve. Nevertheless, further PES capacity building and immediate actions to promote the stronger involvement of social partners are needed.

3.2 RESOURCE ALLOCATION TO THE PUBLIC EMPLOYMENT SERVICES

For the implementation of objectives and tasks of PES three major types of resources are required: (1) financial resources; (2) human resources; and (3) infrastructure investment (including computerisation).

3.2.1 FINANCIAL RESOURCES

In Estonia expenditure on labour market policy and on the administration of employment services are both financed from the state budget.

Traditionally the overall expenditure on labour market policy (both active and passive LMP in year 2000 amounted to EEK 185.54 million, i.e. about €12 million) has been relatively stable but at a very low level compared to international standards, varying between 0.16% of GDP and 0.24% of GDP in the period between 1994 and 2000.285

According to the planned expenditure in the state budget an increase of 12% in total expenditure has been envisaged for 2001 (EEK 208.54 million, i.e. €13.3 million). In order to reach a level of at least 1% of GDP, expenditure would have to be increased by approximately EEK 88

285 The overall share of GDP devoted to LM expenditure in 2000 increases slightly to 0.34% of GDP (EEK 289.57 million) if social taxes paid for the unemployed are taken into account.
600 million (€38 million)\textsuperscript{286}. However, so far no quantitative targets have been set in that respect.

Expenditure on active labour market measures accounted for only 0.08% of GDP in the years 1998–2000, far from the corresponding expenditure in other FMS as well as the average level in EU Member States. As unemployment benefits in Estonia are very low, active labour market measures comprised over 50% of the total labour market expenditure between 1994 and 1998. Because of the rise in unemployment, however, the share of active measures in total expenditure decreased rapidly, to 23% in 2000 (or 36% if social tax is not included in overall expenditure). The forecast from the state budget for 2001 indicated a share of 38% of total expenditure\textsuperscript{287}.

Although the rise in unemployment also caused expenditure for passive labour market policy to increase from 0.08% of GDP (1997) to 0.14% (2000), the level remained extremely low.

Expenditure on PES administration amounted to EEK 17.86 million (€1.14 million) in 2000, representing 0.02% of GDP and 9.6% of total expenditure on labour market policies in 2000 (6.2% if social tax is included in overall expenditure on LM policies)\textsuperscript{288}.

The most important active measure in terms both of participants and expenditure is labour market training. In 2000, expenditure on training accounted for 17.5% (11.2% if social tax is included) of the total budget for labour market policy, although this was a decline since 1994, when it accounted for almost 30%.

One of the main constraints on the operations of local employment offices, apart from the low level of financing, is the rigidity of budget allocations. Funding for programmes is defined in the state budget and local offices have no discretion in reallocating these funds, so their ability to respond to the needs of the local labour market is constrained. The World Bank has suggested changing this system by distributing funds to local offices as block grants\textsuperscript{289}.

Table 15: Labour policy measures (%) – 1994-2000

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure (million EEK)</td>
<td>71.76</td>
<td>71.35</td>
<td>89.94</td>
<td>105.87</td>
<td>114.56</td>
<td>184.4</td>
<td>185.55</td>
</tr>
<tr>
<td>% of GDP</td>
<td>0.24</td>
<td>0.17</td>
<td>0.17</td>
<td>0.16</td>
<td>0.16</td>
<td>0.24</td>
<td>0.22</td>
</tr>
<tr>
<td>Passive employment policy</td>
<td>45.2</td>
<td>38.4</td>
<td>43.7</td>
<td>47.3</td>
<td>49.9</td>
<td>65.6</td>
<td>63.8</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>45.2</td>
<td>38.4</td>
<td>43.7</td>
<td>47.3</td>
<td>49.9</td>
<td>65.6</td>
<td>63.8</td>
</tr>
<tr>
<td>Active employment policy</td>
<td>54.8</td>
<td>61.6</td>
<td>56.3</td>
<td>52.7</td>
<td>50.1</td>
<td>34.4</td>
<td>36.2</td>
</tr>
<tr>
<td>PES administration</td>
<td>14.5</td>
<td>17.9</td>
<td>15.1</td>
<td>14.5</td>
<td>16.5</td>
<td>8.6</td>
<td>9.6</td>
</tr>
<tr>
<td>Labour market training</td>
<td>29.4</td>
<td>24.6</td>
<td>25.6</td>
<td>26.4</td>
<td>24.2</td>
<td>17.4</td>
<td>17.5</td>
</tr>
<tr>
<td>Training allowances</td>
<td>4.1</td>
<td>6.6</td>
<td>5.5</td>
<td>5.1</td>
<td>3.6</td>
<td>3.3</td>
<td>3.5</td>
</tr>
<tr>
<td>Subsidy to employer</td>
<td>0.3</td>
<td>0.5</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Subsidy to start a business</td>
<td>2.5</td>
<td>5.1</td>
<td>4.2</td>
<td>3.7</td>
<td>3.2</td>
<td>2.3</td>
<td>2.6</td>
</tr>
<tr>
<td>Community placement</td>
<td>2.8</td>
<td>1.5</td>
<td>2.5</td>
<td>2.2</td>
<td>1.6</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Other costs</td>
<td>1.3</td>
<td>5.4</td>
<td>2.6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Estonian Labour Market Board, in Eamets, Capacity of public and private employment services.


\textsuperscript{287} Social tax not included.

\textsuperscript{288} According to preliminary information provided by the NLMB, the total amount for PES administration increased in 2001 by 12% (up to EEK 20.93 million) compared to 2000.

\textsuperscript{289} World Bank, Estonia Northeast Regional Development Programme, Opportunities and Constraints.
The budgets of PES offices are determined by taking into account in a given county the number of registered unemployed, the number of vacancies, and the number of trained people who have managed to get back into gainful employment. Budgets for the current year are calculated on the basis of the previous budgets, and employment offices are allowed to spend only one-twelfth of their annual budget each month, which severely limits their capacity to respond flexibly to demands arising.

3.2.2 HUMAN RESOURCES

The number of PES staff increased in the last years from 199 (2000) to 207 (2001), mainly through the employment of 16 additional counsellors working on pilot projects to develop individual approaches for the long-term unemployed. The understaffing of PES is a chronic problem and a major bottleneck of labour market policy in Estonia, because the government in the late 1990s did not assign enough funding to the employment and training of PES staff or to preparing local authorities to cope with rising unemployment (Eamets, 2002).

Current indicators show that the average monthly caseload of registered unemployed per staff member (233 in 2000 and 262 in 2001) is still rather high. In addition, there are wide regional differences, ranging from 88 (Hiiumaa) to 318 (Harjumaa) registered unemployed per PES staff member.

The ratio of unemployed people to counsellors showed 326 registered unemployed per counsellor in 2001.

Furthermore, the overall workload of PES staff can be expected to increase rather than decrease as new tasks are assigned and a more client-oriented approach is taken, as well as in the case of rising unemployment.

In terms of formal job titles, about 80% of total staff were called ‘counsellors’ in 2001, which might indicate that the structure of employment in local offices seems to be favourable for implementing active measures (Eamets, 2002). However, PES staff considers the average time available for counselling per unemployed person insufficient.

The educational level of PES staff shows about 37% of staff with higher education, 33% with postsecondary education and 30% with only secondary education.

Although staff training has been an issue in several foreign aid and Phare programmes since the mid 1990s, training provision for PES staff development is considered inadequate by staff and has been lacking for many years in most offices, owing to the

---

290 OECD, Education/training sector review. This procedure tends to ‘punish’ those counties where labour market prospects are bleak and which would actually need more resources to be able to carry out a wider variety of labour market measures. According to the Law on Public Finances, no carryover of unspent funds to the next household year (a common practice in EU countries) is allowed.

291 This has been the case also for the NLMB, which had a staff of only about 20 people; this limited its capacity to carry out comprehensive labour market analysis and provide policy advice and support to the county and local offices. See OECD, Education/training sector review.

292 The MoSA uses the ratio of registered job seekers to staff (608 job seekers per staff member in 2001) to demonstrate the annual caseload; calculations (based on LFS data, where the number of unemployed in the week of survey participation is used as a basis, according to ILO methodology) show 485 unemployed per staff in 2000, and 436 unemployed per staff in 2001. As around half of the unemployed do not register they are not part of the caseload of PES staff. Therefore this number shows only the possible ‘theoretical’ caseload.

293 The term ‘counsellor’ is a job title and does not necessarily imply that the job holder is a full-time counsellor.

294 Information gained in ETF field visits and discussions with local employment office staff in 2001. Apart from the first contact with the unemployed, the average time per client contact is estimated as only about 10–15 minutes.

295 Information provided by the NLMB on the basis of 2002 data, including staff of NLMB: 85 people with higher education, 77 with post-secondary education, and 70 with general secondary education, July 2002.
absence of a conceptual framework as well as corresponding funds. Since 2001 this issue has been addressed more seriously by the introduction of an annual training programme, focusing in particular on job mediation and how to cooperate with employers.

NLMB data show that participation in training courses almost tripled between 1999 and 2001, most of it being in-service training. Modular training courses have been introduced for the newly hired vocational counsellors, and project leaders dealing with youth unemployment are being trained. In addition, important training measures aiming at upgrading the skills of PES staff (information technology and language training) are provided by a Phare 2000 project which is currently being implemented.

As regards the wages of PES staff no official data are available, but discussions with PES staff made it evident that their income is a matter of high concern. Salaries were not raised significantly between 1998 and 2001 and appear equivalent to only 60 to 70% of the Estonian average salary. Consequently staff turnover is rather high.

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Table 16: Indicators of PES case load by county – 2001

<table>
<thead>
<tr>
<th>County</th>
<th>Average registered unemployment 2001 (per month)</th>
<th>No of administrative staff</th>
<th>Registered unemployed per staff member</th>
<th>No of counsellors</th>
<th>Registered unemployed per counsellor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harjumaa</td>
<td>18,123</td>
<td>57</td>
<td>318</td>
<td>45</td>
<td>403</td>
</tr>
<tr>
<td>Hiiumaa</td>
<td>351</td>
<td>4</td>
<td>88</td>
<td>3</td>
<td>117</td>
</tr>
<tr>
<td>Ida-Virumaa</td>
<td>12,638</td>
<td>43</td>
<td>294</td>
<td>36</td>
<td>351</td>
</tr>
<tr>
<td>Jõgevamaa</td>
<td>2,459</td>
<td>8</td>
<td>307</td>
<td>6</td>
<td>410</td>
</tr>
<tr>
<td>Järvamaa</td>
<td>1,534</td>
<td>8</td>
<td>192</td>
<td>6</td>
<td>256</td>
</tr>
<tr>
<td>Läänemaa</td>
<td>1,363</td>
<td>8</td>
<td>170</td>
<td>7</td>
<td>195</td>
</tr>
<tr>
<td>Lääne-Virumaa</td>
<td>2,440</td>
<td>8</td>
<td>305</td>
<td>6</td>
<td>407</td>
</tr>
<tr>
<td>Põlvamaa</td>
<td>1,301</td>
<td>8</td>
<td>163</td>
<td>6</td>
<td>217</td>
</tr>
<tr>
<td>Pärnumaa</td>
<td>1,764</td>
<td>8</td>
<td>220</td>
<td>6</td>
<td>294</td>
</tr>
<tr>
<td>Raplamaa</td>
<td>1,358</td>
<td>6</td>
<td>226</td>
<td>5</td>
<td>272</td>
</tr>
<tr>
<td>Saaremaa</td>
<td>1,212</td>
<td>9</td>
<td>135</td>
<td>7</td>
<td>173</td>
</tr>
<tr>
<td>Tartumaa</td>
<td>3,358</td>
<td>12</td>
<td>280</td>
<td>10</td>
<td>336</td>
</tr>
<tr>
<td>Valgamaa</td>
<td>1,893</td>
<td>8</td>
<td>237</td>
<td>7</td>
<td>270</td>
</tr>
<tr>
<td>Viljandimaa</td>
<td>2,546</td>
<td>11</td>
<td>231</td>
<td>9</td>
<td>283</td>
</tr>
<tr>
<td>Võrumaa</td>
<td>1,788</td>
<td>9</td>
<td>199</td>
<td>7</td>
<td>255</td>
</tr>
<tr>
<td>Total</td>
<td>54,126</td>
<td>207</td>
<td>261</td>
<td>166</td>
<td>326</td>
</tr>
</tbody>
</table>

Source: National Labour Market Board, in Eamets, Capacity of public and private employment services.
3.2.3 INFRASTRUCTURE

Since the mid 1990s continuing EU and foreign assistance support has included components aiming at improving the infrastructure and the PES information system, in order to organise the work in employment offices better. However, it seems that no major investments have followed the initial EU support to improve the overall infrastructure and some of what was done did not prove to be entirely effective.

Only in October 2000 did the NLMB start to redevelop the labour market services information system and Estonia still relies heavily in this process on further EU support from pre-accession funds. In the framework of a Phare 2000 programme, Support to the Balanced Development of the Labour Market Services, an infrastructure component is aiming at a fully functioning information system, including purchase of a central database and hardware and software, telecommunications equipment, local area network computers, and software for the new PES information system. In this context a new online self-service information system, which should enable PES staff to improve the client-orientation of services, is in preparation. The new system is expected to be operational by the end of 2002. To date there has been no self-service system available for job seekers, except the vacancy bank on the NLMB website, developed in 2001.

Overall assessment

Given the traditionally low level of investment, there is a great need to increase the overall financial resources for labour market policy in Estonia, in particular for active measures. The system of budgetary allocations must also be improved. High priority should be given to the strengthening of human resources and administrative capacities in PES offices, in order to raise the extent and quality of active job broking, placement services, and employment counselling. This includes further increase of staffing levels in local employment offices, and measures to improve the remuneration and evaluation system for PES staff. Efforts are being made to introduce a system of standards for the services provided and to upgrade and modernise the technical infrastructure.

3.3 COVERAGE OF PUBLIC EMPLOYMENT SERVICES

The overall popularity and reputation of employment offices has not increased substantially since the mid 1990s. In addition, registered unemployment continued to account for only about half of actual unemployment (53% in 1996, 60% in 2001) (Voorman, 2001).

The Estonian Labour Force Surveys in 1998-2000 indicated that job seekers have only modest information on the activities of state employment offices. In 1998 on average only 61% of job seekers contacted state employment offices during their whole period of unemployment. The respective share among the urban population was 64%, among the rural population 54%, among Estonians 58% and among non-Estonians 64%. The older the job seeker, the more actively state employment offices were being contacted. The lack of interest in consulting PES was explained by an ability to cope independently (28%), lack of suitable vacancies in state employment office (24%), and refusal in principle to contact a state employment office (21%).

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300 Of course, this kind of difference is due to several factors, among them low unemployment benefit, the poor reputation of the PES, the limited willingness of employers to cooperate with the public job mediation system, and also different job-seeking scenarios.
This situation did not improve in more recent years: according to LFS 2000, almost half of the unemployed (44% in total, 53% of men) did not contact the employment office even once throughout their period of unemployment.

The main means of sourcing information on jobs were, in 2000:

- individual job search and job announcements (83%);
- reference to relatives or acquaintances (74.8%);
- state employment offices (52.3%);
- direct contact with employers (47.6%) (Eamets, 2002).

The number of vacancies reported to employment offices remains at a low level; there was an 18% increase from 1999 (12,700) to 2000 (14,900), returning for the first time to the 1995 level, and reporting stabilised in 2001 (15,000).

Although about 14% more people found employment in 2000 than in 1999 – 18,700 people were placed in 1999 and 21,500 in 2000 (Republic of Estonia, 2001) – the tendency of employers not to report most vacancies persists. The main reason for this is the assumption that people with higher qualifications do not use employment services as a tool for finding a job. In 1999, less than 20% of reported vacancies were for white-collar workers. The great majority of vacancies reported (40%) were for craft and related trade workers, service workers and sales workers (22%) (Eamets, Philips and Annus, 1999).

This situation has given rise to a common view that the national job mediation system mediates jobs mainly for poorly qualified and older job seekers and that employers tend to use other options to recruit staff. Such attitudes point to a need to raise the awareness of both job seekers and employers on the range and quality of services provided by employment offices (Eamets, update April 2002; Ministry of Finance, 2001).

### Overall assessment

Efforts will need to be continued to make the PES system more attractive and efficient. The main objective should be to improve services to employers so that they know better what qualifications are needed in enterprises (so as to adapt the training offer better to labour market demands) and to increase the number of reported vacancies (thus increasing the capacity to offer the unemployed more and interesting jobs).

To achieve these goals, employment services need to improve their image and staff competencies related to personnel issues and how to deal with employers. This will have to go hand in hand with improved standards of services and monitoring clients’ satisfaction.

#### 3.4 RANGE AND QUALITY OF SERVICES

The services provided by Estonian PES are similar in type to those of EU Member States. There are passive and active labour market measures and PES is responsible for implementation.

With the change of the legal framework in October 2000, employment services have been assigned additional tasks and the scope of their work has increased as the range of people entitled to services has been enlarged. Whereas previously only those entitled to the unemployment benefit were entitled to labour market services (in 1999 and 2000 about 60 to 65% of the registered unemployed received unemployment benefit, at the end of 2001 about half of the 54,000 registered), all registered unemployed now have access to all services (except benefits).

### Table 17: Vacancies reported to employment offices (average per month) – 1993-2001

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,150</td>
<td>1,700</td>
<td>1,230</td>
<td>1,230</td>
<td>1,130</td>
<td>1,210</td>
<td>1,050</td>
<td>1,240</td>
<td>1,250</td>
</tr>
</tbody>
</table>
This is due to the Social Protection of the Unemployed Act, which introduced a redefinition of the unemployed, abolishing the requirement of previous employment (which continues to apply for the unemployment benefit only) and the time limit for being registered. As a consequence more people can register as unemployed and become eligible for labour market services, and the rate of registered unemployment is increasingly approaching the ILO figures. The share of registered unemployment (50 to 55% in 1999 and 2000) increased to 65% in year 2000 and over 70% in the first quarter of 2002 (Eamets, 2002).

3.4.1 PASSIVE LABOUR MARKET MEASURES

The payment of unemployment benefits is the main passive labour market measure used in Estonia. Estonian labour market policy has been mostly passive so far, but, since the unemployment benefit is very low, the share of passive labour market policy expenditure out of the total expenditure has been comparatively small. Unemployment benefit is flat-rate and the replacement rate as a percentage of gross average wage has fallen from 33% in 1992 to 7% in 2001.
Unemployment benefit was originally pegged to the minimum wage: in October 1992 the rate was fixed at EEK 180, which at that time was 60% of the minimum wage. The rate was not changed until July 1996, when it was raised to EEK 240. In March 1998 the unemployment benefit increased to EEK 300 per month and from January 1999 it was EEK 400 (= only about €25).301

Graph 5 shows that unemployment benefits in Estonia are very low compared with other FMS.

Table 18: Unemployment benefit and replacement ratios – 1992-2001

<table>
<thead>
<tr>
<th>Year</th>
<th>Max. duration (months)</th>
<th>% of minimum wage</th>
<th>Gross replacement rates (% of average wage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>6</td>
<td>60.0</td>
<td>32.8</td>
</tr>
<tr>
<td>1993</td>
<td>6</td>
<td>60.0</td>
<td>16.9</td>
</tr>
<tr>
<td>1994</td>
<td>6</td>
<td>60.0</td>
<td>10.4</td>
</tr>
<tr>
<td>1995</td>
<td>6</td>
<td>40.0</td>
<td>7.6</td>
</tr>
<tr>
<td>1996</td>
<td>6</td>
<td>35.3</td>
<td>8.0</td>
</tr>
<tr>
<td>1997</td>
<td>6</td>
<td>28.4</td>
<td>6.7</td>
</tr>
<tr>
<td>1998</td>
<td>6</td>
<td>27.3</td>
<td>7.2</td>
</tr>
<tr>
<td>1999</td>
<td>6</td>
<td>29.6</td>
<td>9.0</td>
</tr>
<tr>
<td>2000</td>
<td>9</td>
<td>28.6</td>
<td>8.1</td>
</tr>
<tr>
<td>2001</td>
<td>9</td>
<td>25.0</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Graph 5: Average unemployment benefit as a percentage of the national average wage – 1998


301 According to the European Code of Social Security, the level of unemployment benefit should be 45% of the previous earnings of the beneficiary or to the wage of an adult male worker. In Estonia the respective indicator is less than 10%. It is hoped that the integration of Estonia into the EU will change the situation, regarding both the replacement ratio and the benefit duration (Eamets, 2002).

302 Data for Hungary from 1996.

303 Unemployment benefit is paid every 15th calendar day for every day of unemployment until the individual is no longer unemployed, but not for more than 270 continuous calendar days. The maximum duration has changed since October 2000 from six to nine months. If the employment office is unable to send a job seeker to employment training, the job seeker may apply for unemployment benefits three times during the subsequent 180 calendar days, but for no more than 30 days at a time (Eamets, 2002).
At the end of 2000 the Estonian government approved a new concept of unemployment compensation and in June 2001 the respective law (Unemployment Insurance Act) was passed by the Estonian parliament, introducing an unemployment insurance system.

The law became effective from January 2002, and the first payments will be made from January 2003 onwards. Contributions to the Unemployment Insurance Fund will be made by two parties: employees have to pay 1% of their salary and employers 0.5% from the total payroll. The period of benefit payment depends on insurance tenure and the size of the payment depends on the previous average salary.

There was no early retirement system operating in Estonia until 2000. The new State Pension Insurance Act now provides the option of retiring two years before statutory retirement age since 2000 and three years before statutory retirement age since 2001. If a person chooses the option of early retirement, the amount of the pension will be reduced by 0.4% for each month of retirement taken before statutory retirement age. Early and regular monitoring of this new arrangement and its effect will be important.

3.4.2 ACTIVE LABOUR MARKET MEASURES

According to the Law on Social Protection of the Unemployed and the Employment Service Act there are seven basic types of active employment service in Estonia:

- information on the situation in the labour market and the possibilities of employment;
- employment mediation;
- vocational training;
- employment subsidy to start a business (business subsidy);
- employment subsidy to employers to employ less competitive unemployed people (wage subsidy);
- community placements;
- vocational guidance.

Of these the main active measures are: training, community placement, business subsidy, and wage subsidy. Although access to labour market services has been widened in principle since October 2000, this has not been reflected in a substantial increase in the total participants in labour market programmes, mainly because of limited financial resources. Estimations indicate that as a result of these legal changes the number of people qualifying for labour market services could double.

The number of participants decreased steadily between 1996 (14,200) and 1999 (11,400) and, although slightly increasing in 2000 (12,900) in absolute figures, it remained at a lower level than in 1997. The data of 2001 are not comparable, as participants in community placement were not included because of the transfer of this measure to local governments.

The ratio of the number of participants in active labour market measures to the number of unemployed shows that the scale of provision is not favourable. Among all registered unemployed, the share of ALMP participants decreased from 46% (1995) to 29% (2000) and 20% (2001).

In comparison, in the ILO unemployment data the share of participants in active measures has been steadily decreasing, from 23% of unemployed (1995) to 13% of unemployed (2001).

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304 In order to receive insurance payments, a person must have been working for 12 of the previous 24 months. If a person has insurance for less than five years, the payment period is 180 days; with insurance tenure of 5 to 10 years it is 270 days; and with tenure of more than 10 years the maximum payment period is 360 days (Eamets, 2002).

305 For the first 100 days a person is entitled to 50% from his/her previous average daily salary, and for the rest of the period he/she gets 40%. The average daily salary is calculated from his/her average monthly salary over the previous 12 months. The upper limit of the monthly payment is 50% of three times national average wage. If the national average before-tax salary is EEK 5,500, then the maximum unemployment benefit is 50% of (3 x 5,500) = EEK 8,250. During the period when a person is entitled to unemployment insurance payment, he/she has no right to state unemployment benefit (Eamets, 2002).

Of the active measures, **labour market training** is the most important in terms both of expenditure and participants. Employment training may be carried out in the form of vocational training or training in order to adapt to the requirements of the labour market. In 2000, 86% of all participants belonged to the first group of trainees. The second type of training includes providing information on requirements and opportunities in the labour market and confidence building in order to compete in the labour market. State employment offices contract training services from education and training institutions and legal persons under certain conditions. The duration of the employment training is up to six months and it can be organised in the form of courses and individual training. The average duration of training was 29 days in 1999 and 25 days in 2000. Unemployed people participating in training courses receive a retraining allowance which is 1.5 times the unemployment benefit and is paid for up to six months.

**Participation in labour market training** decreased steadily between 1996 (9,800 participants) and 1999 (7,000), but has been increasing since 2000, reaching its highest absolute figure since 1995 in 2001 (10,200). It must also be taken into account that the unemployment rate is now much higher than in the mid 1990s. Whereas in 1995 about 28% of registered unemployed people received training, in 2000 only 17% and in 2001 19% had a chance for labour market training. In comparison, following the ILO method of calculation, this indicator is even lower, declining from 14% (1995) to 9% (2000) and 12% (2001) of the unemployed.

The main reason for the negative trend until 2000 is that the unit cost of training courses increased more than the expenditure earmarked for training measures.

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### Table 19: Participants in active labour market programmes – 1995-2001

<table>
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</thead>
<tbody>
<tr>
<td>Participants in employment training</td>
<td>14.40</td>
<td>13.79</td>
<td>12.52</td>
<td>12.03</td>
<td>8.72</td>
<td>9.06</td>
<td>12.31</td>
</tr>
<tr>
<td>Employed with subsidies to employer</td>
<td>0.18</td>
<td>0.36</td>
<td>0.33</td>
<td>0.21</td>
<td>0.33</td>
<td>0.21</td>
<td>0.43</td>
</tr>
<tr>
<td>Received business start-up subsidy</td>
<td>0.67</td>
<td>0.67</td>
<td>0.66</td>
<td>0.57</td>
<td>0.54</td>
<td>0.46</td>
<td>0.51</td>
</tr>
<tr>
<td>Participants in community placement</td>
<td>8.43</td>
<td>5.98</td>
<td>7.08</td>
<td>5.70</td>
<td>4.55</td>
<td>4.65</td>
<td>-</td>
</tr>
<tr>
<td>Total participants in ALMPs</td>
<td>23.69</td>
<td>20.80</td>
<td>20.60</td>
<td>18.52</td>
<td>14.12</td>
<td>14.38</td>
<td>13.24</td>
</tr>
<tr>
<td>Total number ILO unemployed (thousands)</td>
<td>68,100</td>
<td>68,400</td>
<td>65,800</td>
<td>66,100</td>
<td>80,500</td>
<td>89,900</td>
<td>83,100</td>
</tr>
</tbody>
</table>

* Without participants in community placement

### Table 20: Share of ALMP participants in total ILO unemployment – 1995-2001

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</thead>
<tbody>
<tr>
<td>Participants in employment training</td>
<td>9,809</td>
<td>9,434</td>
<td>8,241</td>
<td>7,956</td>
<td>7,027</td>
<td>8,150</td>
<td>10,232</td>
</tr>
<tr>
<td>Found job after training (% of participants)</td>
<td>52.9</td>
<td>64</td>
<td>75.8</td>
<td>61.9</td>
<td>56.2</td>
<td>57.3</td>
<td>-</td>
</tr>
<tr>
<td>Employed with subsidies to employer</td>
<td>121</td>
<td>246</td>
<td>216</td>
<td>136</td>
<td>265</td>
<td>189</td>
<td>356</td>
</tr>
<tr>
<td>Received business start-up subsidy</td>
<td>459</td>
<td>456</td>
<td>434</td>
<td>380</td>
<td>433</td>
<td>413</td>
<td>421</td>
</tr>
<tr>
<td>Participants in community placement</td>
<td>5,741</td>
<td>4,089</td>
<td>4,661</td>
<td>3,771</td>
<td>3,667</td>
<td>4,177</td>
<td>-</td>
</tr>
<tr>
<td>Total participants in ALMPs</td>
<td>16,130</td>
<td>14,228</td>
<td>13,552</td>
<td>12,243</td>
<td>11,366</td>
<td>12,929</td>
<td>11,009*</td>
</tr>
</tbody>
</table>

Source: Estonian National Labour Market Board.

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308 It should be noted that the dropout rate is not very high; about 91% completed the courses in 2000 (Eamets, 2002).
The effectiveness of training appears to be high, since in the period 1995-2000 between 76% and 53% of unemployed people who underwent training found a job after the training course. A major shortcoming of Estonian labour market policy is the absence of a comprehensive state-financed system to support adult training and CVT. The skills of the workforce are often obsolete because of restructuring and as a consequence enterprises face difficulties in finding employees with appropriate skills. Supporting in-service training for employees and providing retraining opportunities for those being made redundant should be considered a key factor in fighting structural unemployment and raising the competitiveness of the economy (Eamets, 2002).

Until 2001, the second largest active measure in terms of participants was community placement (temporary public works) as a form of subsidised employment. Employment offices were assigned this task under a regulation of 26 April 1993 concerning the organisation, for job seekers and the unemployed, of temporary public works which do not require special preparation and where the Employment Contract Act is not valid. A person receiving unemployment benefit and at the same time participating in public works may be paid extra for this. Any person who received unemployment benefit was obliged to participate in public works for at least ten days or 80 hours during any calendar month. This obligation was abolished in 2000, when the Social Protection of the Unemployed Act and the Employment Service Act came into force.

Participation in such programmes declined between 1995 and 1999, as the hourly wage level for community placements remained unchanged from 1996 to January 1999. The wage rate was a constant EEK 2.6 per hour, while average hourly wages increased during this period from EEK 4 to EEK 7.35 per hour. Since 2001, community placement has had to be financed by local municipality budgets, while additional resources are no longer allocated from the state budget to the local level. As a result, the interest in organising public works has fallen considerably. Very few municipalities of more than 200 can afford to finance this measure. Most municipalities cannot cover their current costs and receive state subsidies. The community placement programme is explicitly for work that requires no special training or skills. By implication, it is for those with no marketable skills or those without the motivation to search for other employment. A key question is whether, as it stands, the programme adds real value to either the individual participant or to the local community. There may be scope to develop this programme further by combining:

- a training element – addressing both personal and vocational skills – to prepare participants to compete better in the labour market;
- work experience – carrying out a range of activities that do more than keep people occupied but genuinely add to community amenity.

The business start-up subsidy is the second largest measure in terms of expenditure; however, it reaches only a small number of participants, ranging from 380 to 460 unemployed annually since 1995. To apply for a start-up subsidy an unemployed person must be at least 18 years old and have undergone relevant training or show ‘sufficient’ experience. The upper ceiling of the subsidy is set at EEK 10,000 (since the beginning of 1998), i.e. only about €640. Surveys commissioned by the NLMB indicate that current grant levels are too low and should be at least EEK 20,000, twice

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309 In many cases a written letter from the employer confirming that the unemployed person will be hired after graduating is required as a precondition for participating in training, although the law does not specify this.

310 The only exceptions are the unemployed, civil servants, and teachers at state education institutions.

311 International experience suggests that such a combination is attractive to those with labour market problems, e.g. the long-term unemployed. It also confirms the value of establishing a ‘work’ environment that takes the clients seriously and pays a living wage; in this respect, the NLMB annual reports note that increases in the cost of living have reduced interest in the programme (Eamets, 2002).
the current level. In addition, it can be assumed that the average personal savings available to invest in a business venture are rather negligible.

The entrepreneurship training component included in this measure needs to be improved, both quantitatively (as it is rather short if it is to prepare participants for running a business) and qualitatively, in order to increase business management capabilities. The training should take more account of personal qualities – the confidence, motivation, and selling skills needed for business activities and, increasingly, for employment in a modern economy – and also focus more on skills and competencies specific to the business field.

Special attention needs to be paid to the phase of preparing for start-up and business support once the business is set up and running. In this respect there is a clear need for a partnership approach, combining the priorities and resources of a range of organisations, including donor agencies, government departments and municipalities. The current low level of programme take-up, together with the changes taking place in the local economies, suggest that there will be potential to expand this scheme.

- **Wage subsidy to the employer** for recruiting less competitive persons has been the least important active measure in terms both of expenditure and participants (only between 120 and 350 unemployed annually since 1995). The following people who are registered as unemployed are considered less competitive in the labour market: disabled people, pregnant women and women raising children under six years of age, young people, people who will be retiring within five years, and people released from prison. The level of the wage subsidy is 100% of the minimum wage during the first six months and 50% of the minimum wage during the next six months of the person’s employment period. Theoretically, the subsidised employment schemes could have significant deadweight and substitution effects, but at the same time they can be used effectively in combination with other measures.

The review of this scheme raises a number of issues for consideration:

- A wage subsidy scheme is designed to make disadvantaged people more attractive to employers. Given that long-term unemployment is an increasingly serious issue for Estonia, consideration might be given to paying **particular attention to the long-term unemployed** among those eligible for the programme; the new Employment Service Act has opened up this possibility and included the long-term unemployed in the definition of less competitive unemployed people.

- There is little evidence to suggest that this programme is actively marketed to employers. Operating a wage subsidy scheme **proactively** calls for close relationships with employers – especially private sector employers, the main source of new employment opportunities. This is particularly true when employers are being asked to recruit from a disadvantaged group rather than recruit on the open market.

- As it is understood, the programme simply provides a wage subsidy. For the eligible groups, in one way or another, skills are likely to be a critical issue. Consideration might be given to **including a training element** within the programme.

- In dealing with employers, **bureaucracy should be kept to a minimum.** Under the present procedures, employers perceive the amount of administrative work associated with the programme as a deterrent.

### 3.4.3 SPECIAL NEEDS AND TARGET GROUPS

**Activation centres**

To tackle long-term unemployment the MoSA initiated a pilot project entitled ‘Activation centres for making less competitive people more active in the labour market’ at the end of 1998. The target groups of the project are less competitive people in the labour market,
including applicants for subsistence benefit, job seekers whose term of being registered as unemployed has expired, young people aged 16 to 20, mothers of young children, people about to reach the official retirement age, and people released from prison. Activation centres were established in eight counties, with the following tasks:

- helping less competitive people to find a job using the job-club method;
- creating possibilities for work experience, with the purpose of providing the participants with training and work experience to rely on in the future when searching for work;
- cooperation with employers in order to find jobs for both work experience and client employment;
- counselling, informing, and motivating employers.  

Activation centres work in close cooperation with employment offices and social workers in local governments. Clients may apply to activation centres on referral by these services or on their own initiative.

The state and the municipalities jointly finance these centres. In 2000, EEK 2.43 million (€155,000) were allocated to the centres from the state budget, while local municipalities covered mainly in-kind costs.

It was intended to integrate the work of the activation centres with the public employment services, and according to the Employment Service Act (in force since October 2000), the PES started to provide these services. In relation to this, the MoSA stopped financing the activation centres; however, three centres remained operational, financed by local governments.

**Women returning to work**

Women participate in all active measures. For example, in 1998, 58.4% of all business subsidies were received by women, in 1999 and 2000 slightly less (54.7% and 54.5% respectively). However, the public employment offices offer no systematic approach (e.g. programmes or courses) for women returning to the labour force, although a number of fragmented initiatives by different actors are in place.

NGOs, such as the Estonian Association of Adult Educators (ANDRAS), have been providing several small-scale projects and courses for women, including some aimed at assisting women returning to the labour market.  

The ILO programme 'More and Better Jobs for Women' was implemented in Valga county, supported by the MoSA, in the period 1999-2001. Its purpose was to strengthen local and national capacities for formulating, implementing, and monitoring policies and programmes to promote gender equality. Several surveys and awareness-raising seminars (totalling about 900 participants) were carried out on the status and role of women on the labour market, and a local strategy on employment promotion has been prepared. As a result, four new women's organisations were created and registered and 12 new small businesses established. It is envisaged to extend the methodology and strategy used in the pilot county to other areas of Estonia experiencing high

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312 In addition to the main tasks, the centres may engage in other activities, such as organising working together with a support person; providing clients with vocational consultation and information, as well as testing them if necessary; introducing possibilities for refresher courses including employment training; in cooperation with employment offices, finding jobs for less competitive persons in the labour market, using the tool of employment subsidy paid to the employer (Eamets, 2002).

313 These include the following: ‘Back to working life: course for women’, held in Saare county in 1997 (organised by AHL Saaremaa Keskus) with 35 participants and a budget of EEK 11,890 (€780); ‘Course for young mothers’, delivered in Rapla county in 2000 (organised by Rapla Kunstiseltsi Õpikoda; Rapla Kunstiselts, Rapla county) with 60 participants and a budget of EEK 12,243 (€780); ‘School for infants’ mothers’ in Saare county in 2001 (organised by Saaremaa Õppekeskus) with 17 participants and a financial provision of EEK 15,000 (€960). See Eamets, 2002.
unemployment and under-employment among women\textsuperscript{314}.

Individual approach

The application of an individual approach in assisting the unemployed is a relatively new method in the Estonian PES, developed only since 2000/01. The employment office and the unemployed person draw up an individual job search plan (describing actions to be taken and the frequency of visits to the PES office), where the person’s unemployment period exceeds three months. In 2001 the NLMB started to work out instructions for drawing up the individual plans. Adoption of the individual approach presumes appropriate qualifications in the PES staff involved in counselling.

3.4.4 QUALITY OF SERVICES

The quality of services has often been criticised, but a number of initiatives are showing positive signs that the situation will soon improve.

The NLMB has introduced the role of an internal audit adviser in order to ensure the operation of the internal audit system both in employment offices and the NLMB, and to guarantee the reasonable use of human and financial resources, the delivery of good-quality services, and the correct implementation of the legislation. Since October 2000, four employment offices have been audited and recommendations for improvement of their work have been made.

The lack of a systematic approach to monitoring the effectiveness of labour market services and service standards is being addressed by the important Phare 2000 project, Support to the Balanced Development of Labour Market Services (€1.8 million), which was being implemented with some delay in 2002. Major components of this project (including twinning) focus on ex-ante and ex-post surveys and analysis of the existing services’ efficiency and client satisfaction, and the further elaboration and completion of standards for different services. It is also intended to train PES staff on these issues.

The NLMB continued to work on preparing standards for all the services provided in year 2001, followed by an implementation timetable which envisaged that all standards would have started implementation in 2002\textsuperscript{315}. A control mechanism in this respect will be worked out.

Overall assessment

There remains a great need to strengthen active labour market policy, as the current level of provision and participation in active labour market measures cannot be considered satisfactory as regards guaranteeing every unemployed person a new start, in particular in the early phase of unemployment. The changes made in the legal framework will need to be supported by sufficient financial resources in order to translate the goals into reality.

There is also scope for improving the effectiveness of different active measures, e.g. by including training components.

Regarding passive measures, the introduction of a new unemployment insurance system is promising; however, it should be subject to early monitoring.

\textsuperscript{314} MoSA, Report on 1999–2001 activities within the framework of the ILO programme ‘More and better jobs for women’, June 2001. The evaluation report revealed the need for a follow-up project to ensure that women are able to pursue real business opportunities. It also revealed two other important needs: first, in particular older women face problems related both to age discrimination and the need to assume greater responsibility for contributing to family income and welfare; second, the integration of ethnic Russian-speaking groups into the Estonian society continues to be a highly sensitive issue, as it was not possible to organise training courses in Russian or to reach out to unemployed and under-employed Russian-speaking women in the first phase of this project.

\textsuperscript{315} National Labour Market Board, Description of the standardised public services, draft paper, September 2001. Eleven services have been identified, among them (1) granting and payment of the unemployment benefit, (2) granting and payment of single unemployment benefits, (3) calculating and paying the social tax for the person receiving unemployment benefit, (4) registration of job seekers and the unemployed, (5) dissemination of information on the labour market situation and training possibilities, (6) labour mediation, (7) granting subsidies to employers for employing a less competitive person, (8) vocational counselling.
3.5 ROLE OF PRIVATE EMPLOYMENT SERVICES

The provision of private employment services (PRES) is regulated by the same laws that apply to the PES. According to the Employment Service Act of October 2000 private providers are allowed to offer the following services (Eamets, 2002):

1) information about the labour market situation and the possibilities of employment;
2) employment mediation;
3) vocational training;
4) vocational guidance.

The services must be free to the job seeker, while employers might be charged for them. As a prerequisite, private employment service providers must have an ‘activity licence’. In order to get an employment services activity licence, an application must be submitted to the MoSA, which establishes the format of the licence and issues the activity licences. The application must be approved or refused (with written reason) within one month of receipt.

Currently there is no separate policy in place for the promotion of private employment service providers.

In 2000 there were only four licensed PRES in Estonia, but 16 new agencies applied for the licence in 2001 and preliminary data for 2002 show in total 38 licensed providers. In addition, there are many unlicensed firms in the market and it is difficult to ascertain the exact total number of service providers (Eamets, 2002)\(^{316}\).

The clients of private employment services vary according to the target group defined by the supplier. Most licensed firms appear to be more orientated to specialists with higher qualifications. The employer usually covers the costs for the search for those categories of specialists. On the other hand, people with low qualifications are sometimes more willing to pay the job broker in the expectation of getting a job. The exact patterns, however, are hard to identify and usually both licensed and unlicensed firms serve both client groups.

The task of monitoring the PRES to control responsiveness of service provision to the legal framework is assigned to the MoSA. If discrepancies with the laws are discovered, the MoSA may take steps to eliminate these discrepancies or alternatively remove the activity licence. Monitoring is done by questioning the service provider and clients and by examining relevant documents.

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<tbody>
<tr>
<td>Share of unemployed (%)</td>
<td>1.0</td>
<td>1.0</td>
<td>2.9</td>
<td>3.2</td>
<td>3.2</td>
<td>2.7</td>
</tr>
</tbody>
</table>


Most job seekers used their personal contacts, state employment services, or direct contacts with the firm in which they wished to work.

Table 21: Share of unemployed people seeking a job through private employment agencies – 1995-2000

According to LFS data the share of the unemployed using private employment services has increased since 1995 from 1.0% to 3.2% (1998) and 2.7% (2000).

Overall assessment

A private employment service system is not developed in Estonia and the promotion of private services does not appear to be a priority issue. The information base on private providers and their activities needs to be improved, and potential cooperation and a partnership approach with PES should be more actively explored.

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\(^{316}\) Updated information obtained from the Ministry of Social Affairs, October 2002.
3.6 REFORM OF THE PUBLIC EMPLOYMENT SERVICES

Employment policy has not been considered a priority in Estonia and there were no relevant strategic documents and development plans related to PES reform until 2000. The main reform objectives for PES were set out in the Estonian Employment Action Plan (EAP) for 2000 (fourth quarter) and 2001, the second and third EAPs for 2002 and 2003, the Joint Assessment Paper (JAP) on National Employment Policy Priorities, the Preliminary Estonian National Development Plans 2000-02, 2001-04, and the National Development Plan 2003-06. The main goals are supported by EU Phare programmes.

All these plans aim to strengthen the administrative capacity of PES, increase the efficiency of PES (including addressing the quality of services provided and regional and local employment problems) and, at the same time, improve active labour market policy (including increasing the number of people involved).

There is a common understanding in policy papers that the development of standards and control mechanisms for service provision, the creation of a personnel development strategy, the full implementation of tripartite employment councils at local level, and improvement in the information provided for clients will be crucial in order to achieve these goals.

At the same time, all documents are rather cautious as regards the setting of clear quantitative targets (volume of appropriate funding of labour market policy, as share of GDP or state expenditure; share of active measures; appropriate staffing of PES).

Quite a number of priorities set out in the strategic documents are currently under preparation or are already being implemented and substantial progress could be expected in 2003.

Overall assessment

The PES system in Estonia is relatively stable and there are no indications that it will be changed or reorganised. All efforts are going towards optimising the existing structure and are pointing in the right direction. Support from the EU is still the main driver of this process, because of limited national resources or other national priorities.

3.7 SUPPORT FOR IMPLEMENTING THE EUROPEAN EMPLOYMENT STRATEGY

The first preparations for the implementation of the European Social Fund (ESF) started as early as 1999/2000 with the Special Preparatory Programme on ESF (SPP-ESF), which was managed by the ETF for all FMS, focusing on awareness-raising events. Officials from the MoSA, the MoE and other institutions in Estonia participated in several conferences, regional ESF seminars (Ida-Virumaa and South Estonia) with involvement of EU experts from national ESF administrations, and a number of study visits to EU Member States to learn about the EES and ESF implementation317.

In 2001, a specific component of the Phare Consensus III project, related to ESF preparation, was launched and is currently being implemented in coordination between different departments of the MoSA and other ministries. It focuses on the ESF administrative structure, guidelines for applicants and officials, proposals for the amendment of legislation, and the adaptation of information and audit systems. Working groups have been established and targeted training is provided for designing ESF implementation schemes.

The priority task for 2002 was to compile a single programming document, under the guidance of the Ministry of Finance, which will serve as a basis for applying for financial support from the EU Structural Funds. In the field of human resources, the MoSA and the MoE are the main responsible parties, with the MoSA as the managing and paying authority for ESF.

Two institutions were nominated as implementing agencies for the ESF, the Foundation for Vocational Training and Education Reform (FVTERE) on the education side and the NLMB on the labour market side.

In May 2002, the government action plan ‘Basic principles in the preparation for the use of the resources of EU Structural Funds and the Cohesion Fund’ was approved in order to ensure the development of human resources in building up the necessary structures. The Ministry of Finance has developed a SPP++ project ‘Completing preparations for the management of EU Structural Funds – Phase II’ to support all relevant partners in meeting the challenges.

In the context of Phare Economic and Social Cohesion (ESC) programmes 2000-02, ESF-type human resource development projects are being implemented under the coordination of the MoE and focusing on target regions (North-East Estonia, South-East Estonia, Islands). They include components such as strengthening the capacity of training institutions (including an accreditation system), the development of multifunctional regional training centres, and work-linked training programmes. Phare ESC projects linked to labour market issues are coordinated by the MoSA, strongly involving the PES system and in particular the NLMB. Two projects are about to be implemented in 2002/03, one aiming to support youth employment and the other focusing on increased cooperation of social partners.

The Phare 2000 institution-building project entitled ‘Support of the balanced development of labour market services’ started in December 2001. It aims to prepare the PES for implementation of the European Employment Strategy (EES) and to participate in the European Employment Services (EURES) system. It is expected that the capacity and competency of key institutions (PES) will be strengthened and the foundations for the operation of the EURES system, including technical infrastructure and software, will be laid.

**Overall assessment**

The main challenge will be to put greater emphasis on national employment policy and sustainable job creation. Without a substantial increase in financial resources for labour market policy, in particular ALMP, it will be difficult to achieve the objectives of the European Employment Strategy as well as the employment policy priorities established in the JAP.

It is of concern that concrete quantitative targets are missing in that respect (e.g. planned expenditure as a share of GDP, appropriate staffing numbers in line with the expected increase in workload, targeted share of active labour market measures).

There remains a clear need to improve the reputation of state employment offices, to increase the number of reported vacancies, to raise job seekers’ awareness of the range of services provided, and to motivate employers to cooperate more actively with PES.

Special attention needs to be paid to increasing the capacity and quality of PES staff resources in order to improve services to the unemployed and the overall effectiveness of services.

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318 Information provided by the FVTERE, Tallinn, June 2002.
4. OVERALL CONCLUSIONS

Estonia is in many respects relatively advanced in its progress towards the achievement of the Lisbon targets and conclusions compared to other future EU Member States, but it still has to catch up with a number of EU averages and targets. The government and ministries are well aware of the main issues and challenges, which are already being addressed by national policies (on VET reform, lifelong learning, ICT development, foreign languages, employment rate, and strengthening research).

At the same time, the implementation of VET reform still requires a lot of effort and a final financial boost in order to be successful. This also applies to the completion of the Lifelong Learning Strategy and its implementation in the coming years.

Active labour market measures have not yielded the anticipated results and substantial further efforts are needed to catch up with European standards. Unemployment (including long-term and youth) needs to be tackled more seriously and the PES system has to become more proactive.

Considerable financial resources are needed to achieve all these goals, but in most cases targets have not yet been set.

Specifically, the following three priority areas of need, with a view to future ESF funding and implementation, have been identified in the Country Monograph, based on analysis and information available in mid 2002.

4.1 STRENGTHENING THE QUALITY OF THE ENTIRE EDUCATION SYSTEM, WITH PARTICULAR ATTENTION TO THE IMPLEMENTATION, CONSOLIDATION (AND ENSURING SUSTAINABILITY) OF THE LATEST VET REFORM AND VET ACTION PLAN

The quality of the entire education system still needs improvement, with special emphasis on VET, since the reform has not yet reached its breakthrough moment. VET still has a poor image in Estonia and needs to be better integrated into the Estonian education system. At the
same time, a higher participation rate in VET at secondary level needs to be achieved. Resources for education will have to be increased and more of the existing resources could be directed towards VET. In order to make the implementation of the ongoing reform successful, support is needed in the following areas:

- improving the quality of teaching through enhanced teacher training;
- full implementation of the national qualification system;
- preparation of national VET curricula and innovative programmes, including support structures;
- sustainability and further development of multifunctional VET centres (regional training centres) and reorganisation of the school network;
- increasing cooperation between schools and enterprises (piloting/further development of apprenticeship schemes and work-linked training programmes);
- reducing the dropout rate in secondary education and VET;
- upgrading infrastructure in schools and career counselling centres.

Attention also needs to be paid to the following issues:

- increasing the responsiveness of the education system to the special needs of disadvantaged groups (non-Estonians, socially disadvantaged people);
- tackling the problem of early school leaving in compulsory education;
- addressing the increasing gender inequality in education (increasing participation of males in the education system).

4.2 FURTHER DEVELOPMENT OF ACTIVE LABOUR MARKET MEASURES AND PUBLIC EMPLOYMENT SERVICES’ CAPACITY BUILDING

Given the traditionally low level of investment in labour market policy, there is a great need to increase overall financial resources, in particular for active measures. However, the government has set no targets so far. Efforts need to be continued in order to make the PES system more attractive and efficient. High priority should be given to strengthening human resources and administrative capacities in PES offices, in order to raise the extent and quality of job-broking, placement services, and employment counselling. This includes:

- a substantial increase in financial resources for active labour market policies, with a view to guaranteeing every unemployed person a new start, in particular in the early phase of unemployment;
- elaborating and implementing new labour market measures;
- raising staffing levels in local employment offices and adapting staff competencies continually;
- measures to improve the remuneration and evaluation system for PES staff;
- full implementation of a system of standards for services, including monitoring;
- upgrading and modernising the technical infrastructure of PES offices.

4.3 PROMOTION OF CONTINUING VOCATIONAL TRAINING AND LIFELONG LEARNING

Although the educational attainment level of the population and labour force is generally high in Estonia, skills obtained under the soviet system are partly outdated or obsolete as a result of the restructuring of the economy. The adult population needs wider access to retraining and continuing training in order to gain the specific knowledge and skills required by the knowledge society. The challenges of improving the quality of the labour force and counteracting the risk of a growing social divide remain high. Support should therefore build upon the recently developed strategy papers (Learning Estonia, Lifelong Learning Strategy) and should focus on the following issues:

- development and implementation of an appropriate support framework for CVT
and lifelong learning (incentives for individuals, employers);
- widening access to CVT and lifelong learning (retraining and in-service training of staff in SMEs, training needs assessment, counselling of entrepreneurs, adult education);
- ensuring equal access to CVT and lifelong learning, in particular for disadvantaged groups and those who cannot afford training (socially disadvantaged, low income groups, non-Estonians);
- establishing an accreditation and quality assurance system in CVT.

4. OVERALL CONCLUSIONS
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Table 7   Salary levels and salary rates of basic school, gymnasium and VET school teachers (EEK) – 2001
Table 8   Number of teachers and other pedagogical staff in VET schools – 2000/01
Table 9   Number of pupils and students in the Estonian education system – 1995/96 and 1999/2000
Table 10  Numbers of VET schools and students in VET schools – 1992/93-2002/03
Table 11  Structure of training institutions in Estonia (percentage of survey respondents) – 2000
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Table 13  Employment by educational attainment and gender (thousands) – 1990 and 2000
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Table 19 Participants in active labour market programmes – 1995-2001
Table 20 Share of ALMP participants in total ILO unemployment – 1995-2001
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Graph 3 Unemployment benefit recipients and registered unemployed
Graph 4 Registered unemployment as a percentage of ILO unemployment
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Table 3 Education of VET school teachers – 2000/01
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Table 6 Average salary (EEK) of VET school teachers
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Figure 1: Population of Estonia by gender and age – 1 January 2001


Figure 2: Population (in thousands) – 1989-90 and 1994-2001 (beginning of the year)

ANNEX 2: FURTHER STUDIES OF GRADUATES OF BASIC SCHOOL, GYMNASIUM AND VOCATIONAL EDUCATION INSTITUTION

Figure 3: Ethnic composition of the population (in thousands) – 1989-90, 1995 and 1998-2000 (beginning of the year)


Figure 4: Further studies of graduates of daytime basic school, gymnasium and vocational education institution – 2001

* No admission to these programmes since 1999/2000 academic year.
ANNEX 3: VET SCHOOLS AND TEACHERS

Table 1: Number of teaching/training staff and directors – 1995/96-2000/01

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching staff in VET schools</td>
<td>3,141</td>
<td>3,290</td>
<td>3,232</td>
<td>3,545</td>
<td>3,716</td>
<td>3,766</td>
</tr>
<tr>
<td>Directors</td>
<td>70</td>
<td>65</td>
<td>72</td>
<td>73</td>
<td>44</td>
<td>67</td>
</tr>
</tbody>
</table>

### Table 2: Age and gender distribution of VET school teachers – 2000/01

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Females</th>
<th>Males</th>
<th>Under 30</th>
<th>Over 49</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. VET teachers</td>
<td>1,987</td>
<td>1,183</td>
<td>804</td>
<td>149</td>
<td>921</td>
</tr>
<tr>
<td>2. Teachers</td>
<td>1,779</td>
<td>1,280</td>
<td>499</td>
<td>231</td>
<td>738</td>
</tr>
<tr>
<td>3. Other pedagogical staff</td>
<td>528</td>
<td>328</td>
<td>200</td>
<td>13</td>
<td>339</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,294</td>
<td>2,791</td>
<td>1,503</td>
<td>410</td>
<td>1,998</td>
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</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Females</th>
<th>Males</th>
<th>Under 30</th>
<th>Over 49</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Directors</td>
<td>67</td>
<td>15</td>
<td>52</td>
<td>0</td>
<td>31</td>
</tr>
<tr>
<td>3.2 Deputy directors</td>
<td>107</td>
<td>49</td>
<td>58</td>
<td>5</td>
<td>51</td>
</tr>
<tr>
<td>3.3 Heads of department</td>
<td>177</td>
<td>105</td>
<td>72</td>
<td>13</td>
<td>75</td>
</tr>
</tbody>
</table>

### Table 3: Education of VET school teachers – 2000/01

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Higher education</th>
<th>Post secondary technical education</th>
<th>Secondary education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td>Specialism-related</td>
<td>Other</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pedagogical</td>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>1. VET teachers</td>
<td>1,987</td>
<td>1,386</td>
<td>930</td>
<td>420</td>
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<tr>
<td>2. Teachers</td>
<td>1,779</td>
<td>1,533</td>
<td>1,066</td>
<td>343</td>
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<tr>
<td>3. Other pedagogical staff</td>
<td>528</td>
<td>374</td>
<td>116</td>
<td>54</td>
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<tr>
<td>3.1 Directors</td>
<td>67</td>
<td>66</td>
<td>41</td>
<td>21</td>
</tr>
<tr>
<td>3.2 Deputy directors</td>
<td>107</td>
<td>84</td>
<td>55</td>
<td>28</td>
</tr>
<tr>
<td>3.3 Heads of department</td>
<td>177</td>
<td>134</td>
<td>8</td>
<td>2</td>
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</tbody>
</table>

### Table 4: Work tenure as a pedagogue of teachers in VET schools – 2000/01

<table>
<thead>
<tr>
<th>Work tenure in years</th>
<th>0-2</th>
<th>2-5</th>
<th>5-8</th>
<th>8-11</th>
<th>11-15</th>
<th>More than 15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of teachers</td>
<td>217</td>
<td>249</td>
<td>163</td>
<td>143</td>
<td>159</td>
<td>848</td>
<td>1,779</td>
</tr>
<tr>
<td>% of all teachers</td>
<td>12.2</td>
<td>14.0</td>
<td>9.2</td>
<td>8.0</td>
<td>8.9</td>
<td>47.7</td>
<td>100</td>
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### Table 5: Distribution of teachers in VET schools by rank – 2000/01

<table>
<thead>
<tr>
<th>Teacher candidate</th>
<th>Teacher candidate</th>
<th>Teacher candidate</th>
<th>Teacher candidate</th>
<th>Teacher candidate</th>
<th>Teacher candidate</th>
<th>National language teacher</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teacher candidate</td>
<td>68</td>
<td>441</td>
<td>1,665</td>
<td>538</td>
<td>142</td>
<td>2</td>
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</tbody>
</table>
## Table 6: Average salary (EEK) of VET school teachers

<table>
<thead>
<tr>
<th>Category</th>
<th>Average salary (EEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teachers</td>
<td>4,585</td>
</tr>
<tr>
<td>• VET teachers</td>
<td>4,655</td>
</tr>
<tr>
<td>• Teachers</td>
<td>4,445</td>
</tr>
<tr>
<td>Management</td>
<td>7,676</td>
</tr>
<tr>
<td>• Directors</td>
<td>10,963</td>
</tr>
<tr>
<td>• Deputy directors</td>
<td>7,132</td>
</tr>
<tr>
<td>• Heads of department</td>
<td>6,627</td>
</tr>
<tr>
<td>All pedagogical staff</td>
<td>4,772</td>
</tr>
</tbody>
</table>

*Note: Average salary in 2001 was EEK 5,510.*

## Table 7: Specialisation opportunities in VET schools by field of study – 2000/01

<table>
<thead>
<tr>
<th>Field of study</th>
<th>Sub-field of study</th>
<th>After basic school</th>
<th>After gymnasium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Programmes</td>
<td>Students</td>
</tr>
<tr>
<td>Education</td>
<td>Teacher training and education science</td>
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<td>1</td>
</tr>
<tr>
<td>Humanities and arts</td>
<td>Humanities</td>
<td>1</td>
<td>43</td>
</tr>
<tr>
<td></td>
<td>Arts</td>
<td>41</td>
<td>307</td>
</tr>
<tr>
<td>Science</td>
<td>Computing</td>
<td>8</td>
<td>289</td>
</tr>
<tr>
<td>Social sciences, business and law</td>
<td>Journalism and information</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Business and administration</td>
<td>26</td>
<td>1,107</td>
</tr>
<tr>
<td></td>
<td>Law</td>
<td>4</td>
<td>96</td>
</tr>
<tr>
<td>Engineering, manufacturing and</td>
<td>Engineering and engineering trades</td>
<td>134</td>
<td>5,359</td>
</tr>
<tr>
<td>construction</td>
<td>Manufacturing and processing</td>
<td>89</td>
<td>2,878</td>
</tr>
<tr>
<td></td>
<td>Architecture and building</td>
<td>75</td>
<td>2,892</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Agriculture, forestry and fishery</td>
<td>39</td>
<td>1,011</td>
</tr>
<tr>
<td>Health and welfare</td>
<td>Health</td>
<td>7</td>
<td>207</td>
</tr>
<tr>
<td></td>
<td>Social services</td>
<td>1</td>
<td>49</td>
</tr>
<tr>
<td>Services</td>
<td>Other services</td>
<td>76</td>
<td>3,344</td>
</tr>
<tr>
<td></td>
<td>Transport services</td>
<td>11</td>
<td>428</td>
</tr>
<tr>
<td></td>
<td>Environmental protection</td>
<td>1</td>
<td>58</td>
</tr>
<tr>
<td></td>
<td>Security services</td>
<td>4</td>
<td>348</td>
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<tr>
<td>Total</td>
<td></td>
<td>501</td>
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<td>Subject</td>
<td>Estonian as instruction language</td>
<td>Russian as instruction language</td>
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<tr>
<td>-------</td>
<td>--------------------------</td>
<td>----------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>I</td>
<td>Mother tongue</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Estonian</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Foreign language</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>II</td>
<td>Mathematics</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Physics</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Chemistry</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>III</td>
<td>Biology</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Geography</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>IV</td>
<td>History</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Civics</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Philosophy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>Arts</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Music</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Physical education</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>50</td>
<td>51</td>
</tr>
</tbody>
</table>

* Chosen from the list of compulsory subjects.

ANNEX 5: EMPLOYMENT AND UNEMPLOYMENT

Table 9: Requirements for unemployment benefits

According to the Estonian legislation only those who are registered as unemployed are entitled to public employment services. An unemployed person is a person with total or partial capacity for work, who is at least 16 years of age and is under retiring age, who is not employed, is ready to commence work immediately, and is seeking employment. A person seeks employment if he or she reports to an employment office at least once within 30 days, is willing to commence work immediately and is ready to participate in employment training.

Not all registered unemployed people are eligible for unemployment benefit. Only people who have been employed or engaged in an activity equal to work for at least 180 days during the twelve months prior to registration as unemployed have the right to receive state unemployment benefit.

Employment and activity equal to work is:

- activity performed in Estonia on the basis of an employment contract, contract of service, or civil law contract, or as an employee sent abroad;
- employment in a state or local government agency pursuant to the Public Service Act or legislation regulating public service;
- operating as a sole trader in Estonia;
- enrolment in daytime or full-time study at an education institution;
- service in the armed forces or alternative service.

Previous employment or engagement in an activity equal to work is not required of people who, for at least 180 days during the twelve months prior to registration as unemployed:

- raised, as a parent or guardian, a child of up to 18 years of age with a moderate, severe, or profound disability, a child under 8 years of age or a child of 8 years of age until the child has completed year 1 at school;
- underwent hospital treatment;
- cared for a sick person, a person who is permanently incapacitated for work, or an elderly person on the basis of a foster-care contract entered into in writing pursuant to subsection 15(2) of the Social Welfare Act;
- were not employed due to disability or declaration as permanently incapacitated for work;
- were held in custody or served a sentence in prison.

By way of exception, a 60-day waiting period precedes the awarding of unemployment benefits in Estonia to people who:

- were enrolled in daytime or full-time study at an education institution before being registered as unemployed;
- left their previous work or service on the initiative of the employer for a breach of duties, loss of confidence or indecent act.

The new Social Protection of the Unemployed Act (October 2000) redefines the definition of the unemployed and is abolishing the requirement of previous employment. This requirement applies only in the case of unemployment benefits. According to the new Act there are two types of registered unemployed people: those who receive benefit and those who not. Therefore, more people, including long-term unemployed people, can register as unemployed and become eligible for labour market services.
Another important change is that the time limit for being registered as unemployed (currently 180 days) has been abolished. Only the payment of an unemployment benefit will, in general, be limited to 270 days, which is an extension compared to the current situation (in general unemployment benefit is currently paid up to 180 days). An additional important change is that now all people who are registered have the right to participate in training, or can apply for other labour policy actions (except benefit). Before the passing of the new Act, only benefit recipients had this right.

Figure 6: Changes in registered unemployment – January 1996-April 2002


Figure 7: Changes in GDP, unemployment and employment – 1996 (2nd quarter)-2002 (1st quarter)

Source: Estonian National Labour Market Board, in Eamets, Capacity of public and private employment services, updated.
Table 10: Key Estonian labour market statistics – 1989-2002 (1st quarter)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total labour force ('000)</th>
<th>Employed ('000)</th>
<th>Unemployed ('000)</th>
<th>Inactive persons ('000)</th>
<th>Total persons aged 15-69 ('000)</th>
<th>Labour force participation rate (%)</th>
<th>Employment rate (%)</th>
<th>Unemployment rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q-89</td>
<td>841.4</td>
<td>835.9</td>
<td>5.5</td>
<td>254.9</td>
<td>1,096.4</td>
<td>76.7</td>
<td>76.2</td>
<td>0.7</td>
</tr>
<tr>
<td>2Q-89</td>
<td>842.6</td>
<td>838.2</td>
<td>4.4</td>
<td>253.8</td>
<td>1,096.4</td>
<td>76.9</td>
<td>76.5</td>
<td>0.5</td>
</tr>
<tr>
<td>3Q-89</td>
<td>844.9</td>
<td>839.1</td>
<td>4.9</td>
<td>252.4</td>
<td>1,096.4</td>
<td>77</td>
<td>76.5</td>
<td>0.6</td>
</tr>
<tr>
<td>4Q-89</td>
<td>842.4</td>
<td>838.4</td>
<td>4</td>
<td>253.9</td>
<td>1,096.4</td>
<td>76.8</td>
<td>76.5</td>
<td>0.5</td>
</tr>
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<td>1Q-90</td>
<td>831.2</td>
<td>826.6</td>
<td>4.7</td>
<td>270.3</td>
<td>1,101.5</td>
<td>75.5</td>
<td>75</td>
<td>0.6</td>
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<td>824</td>
<td>4.7</td>
<td>272.9</td>
<td>1,101.5</td>
<td>75.2</td>
<td>74.8</td>
<td>0.6</td>
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<tr>
<td>3Q-90</td>
<td>832.1</td>
<td>826.7</td>
<td>5.4</td>
<td>269.5</td>
<td>1,101.5</td>
<td>75.5</td>
<td>75</td>
<td>0.6</td>
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<tr>
<td>4Q-90</td>
<td>832.7</td>
<td>826.1</td>
<td>6.6</td>
<td>268.8</td>
<td>1,101.5</td>
<td>75.6</td>
<td>75</td>
<td>0.8</td>
</tr>
<tr>
<td>1Q-91</td>
<td>819.3</td>
<td>811.6</td>
<td>7.7</td>
<td>282.8</td>
<td>1,102.1</td>
<td>74.3</td>
<td>73.6</td>
<td>0.9</td>
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<tr>
<td>2Q-91</td>
<td>816.4</td>
<td>805</td>
<td>11.4</td>
<td>285.7</td>
<td>1,102.1</td>
<td>74.1</td>
<td>73</td>
<td>1.4</td>
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<tr>
<td>3Q-91</td>
<td>818.1</td>
<td>804</td>
<td>14.1</td>
<td>284</td>
<td>1,102.1</td>
<td>74.2</td>
<td>73</td>
<td>1.7</td>
</tr>
<tr>
<td>4Q-91</td>
<td>820.9</td>
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<td>15.2</td>
<td>281.2</td>
<td>1,102.1</td>
<td>74.5</td>
<td>73.1</td>
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<tr>
<td>1Q-92</td>
<td>801.4</td>
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<td>71.7</td>
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<td>4Q-92</td>
<td>784.2</td>
<td>744.4</td>
<td>39.7</td>
<td>311.2</td>
<td>1,095.3</td>
<td>71.6</td>
<td>68</td>
<td>5.1</td>
</tr>
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<td>1Q-93</td>
<td>748.8</td>
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<td>44.4</td>
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<td>1,067</td>
<td>70.2</td>
<td>66</td>
<td>5.9</td>
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<td>2Q-93</td>
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<td>48.6</td>
<td>319.6</td>
<td>1,067</td>
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<td>CCs</td>
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