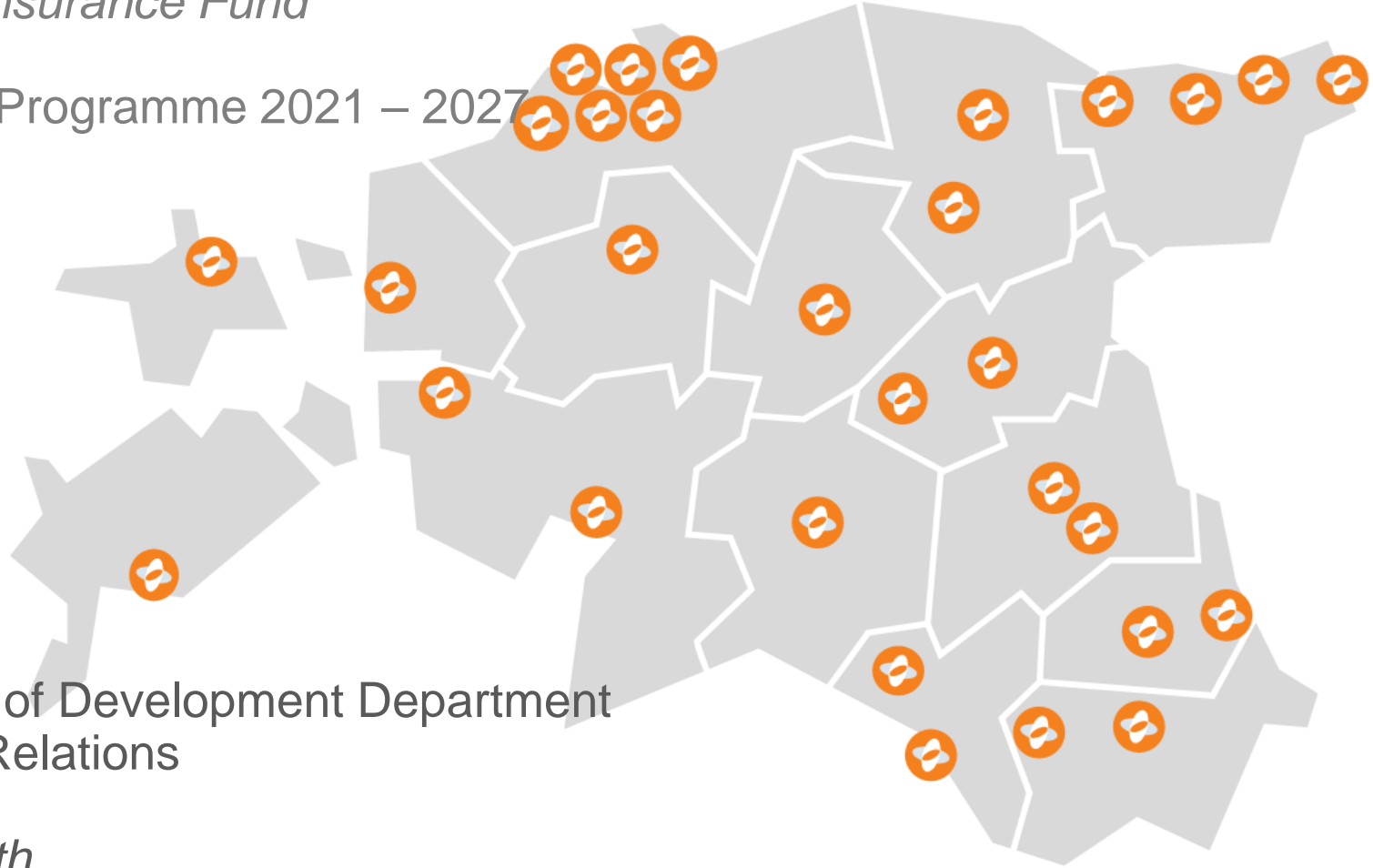


LABOUR MARKET DEVELOPMENTS IN ESTONIA

overview by Estonian Unemployment Insurance Fund

Thematic seminar of the Central Baltic Programme 2021 – 2027

3. September 2020, Tallinn



Facilitators

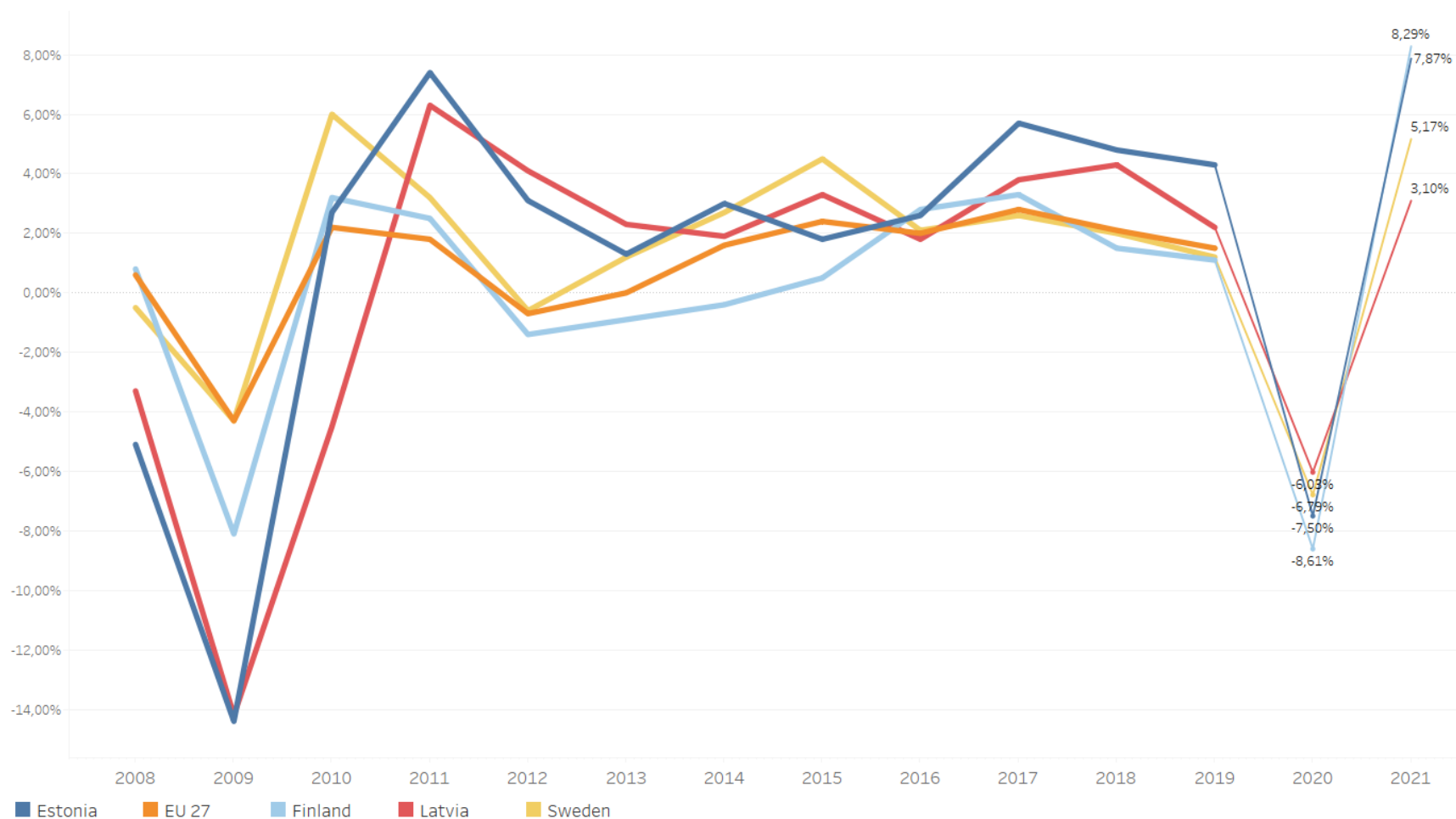
Gerli Aas, Strategy Manager and Head of Development Department

Kerstin Holland, Head of International Relations

Labour Market overview is prepared with
Margit Paulus, Head of Analysis Department
Tuule Tamme, Senior Analyst

In 2019, GDP slightly decreased, due to crisis GDP is predicted to decrease rapidly in 2020

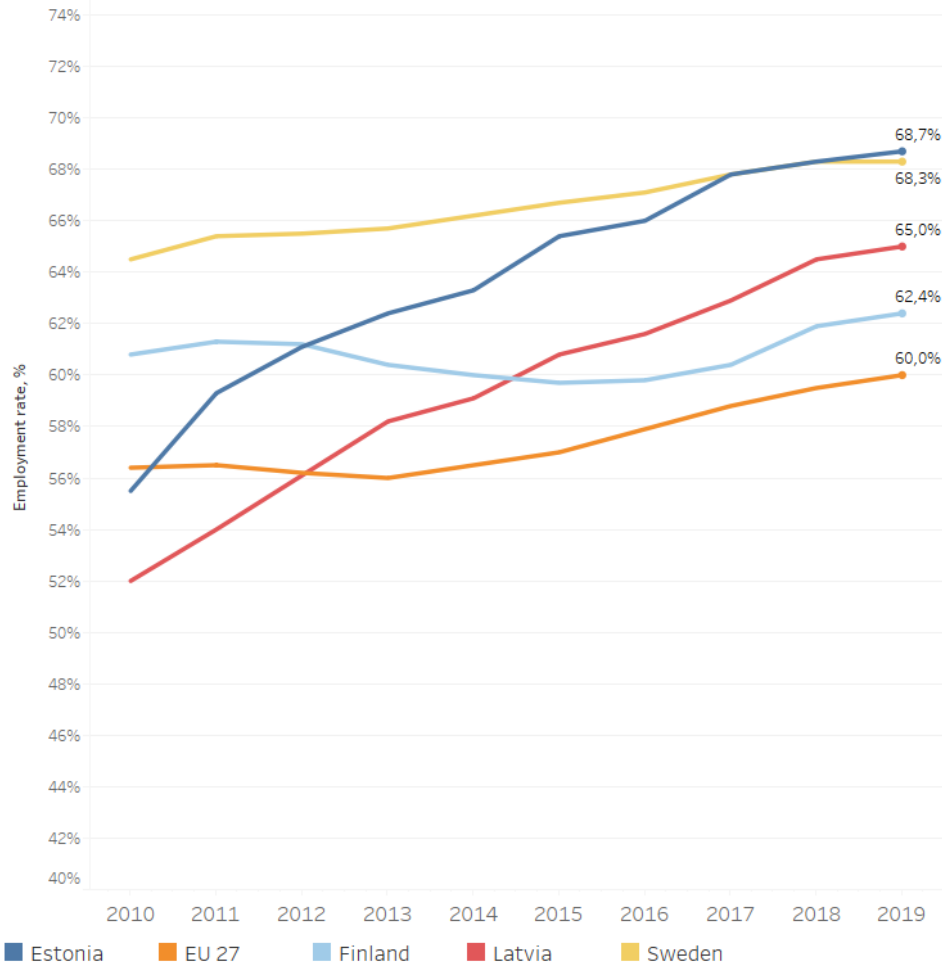
GDP real growth with projections for future



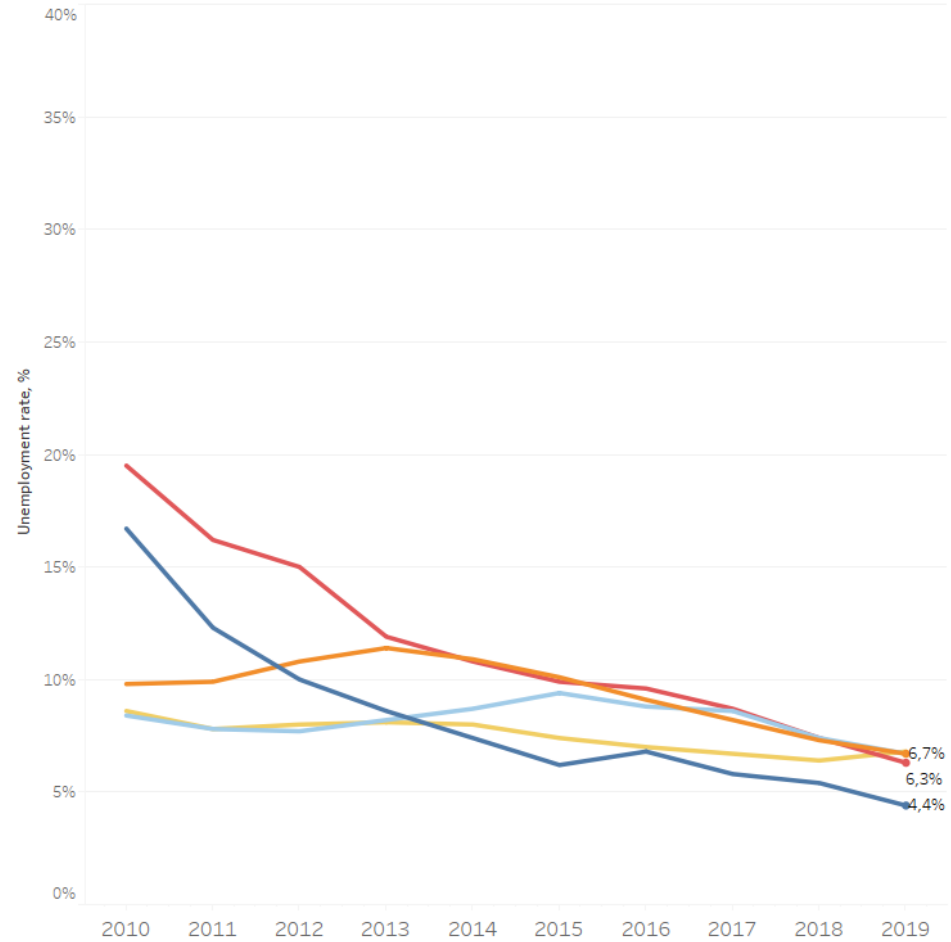
Predictions are based on IMF prognosis published in April, 2020

Estonian labour market situation is better than in most other EU countries

Employment rate (15-74)



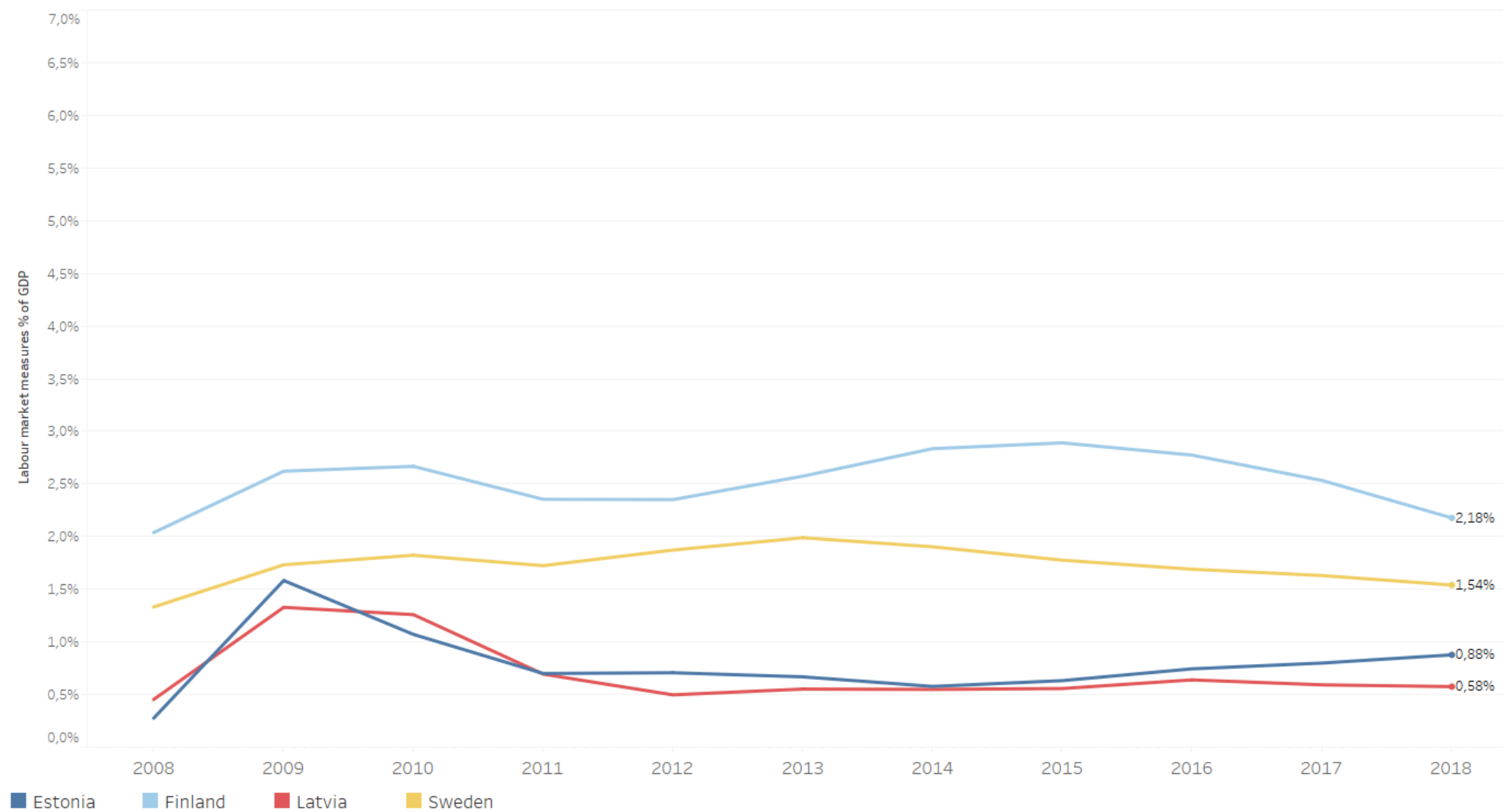
Unemployment rate (15-74)



Source: Eurostat

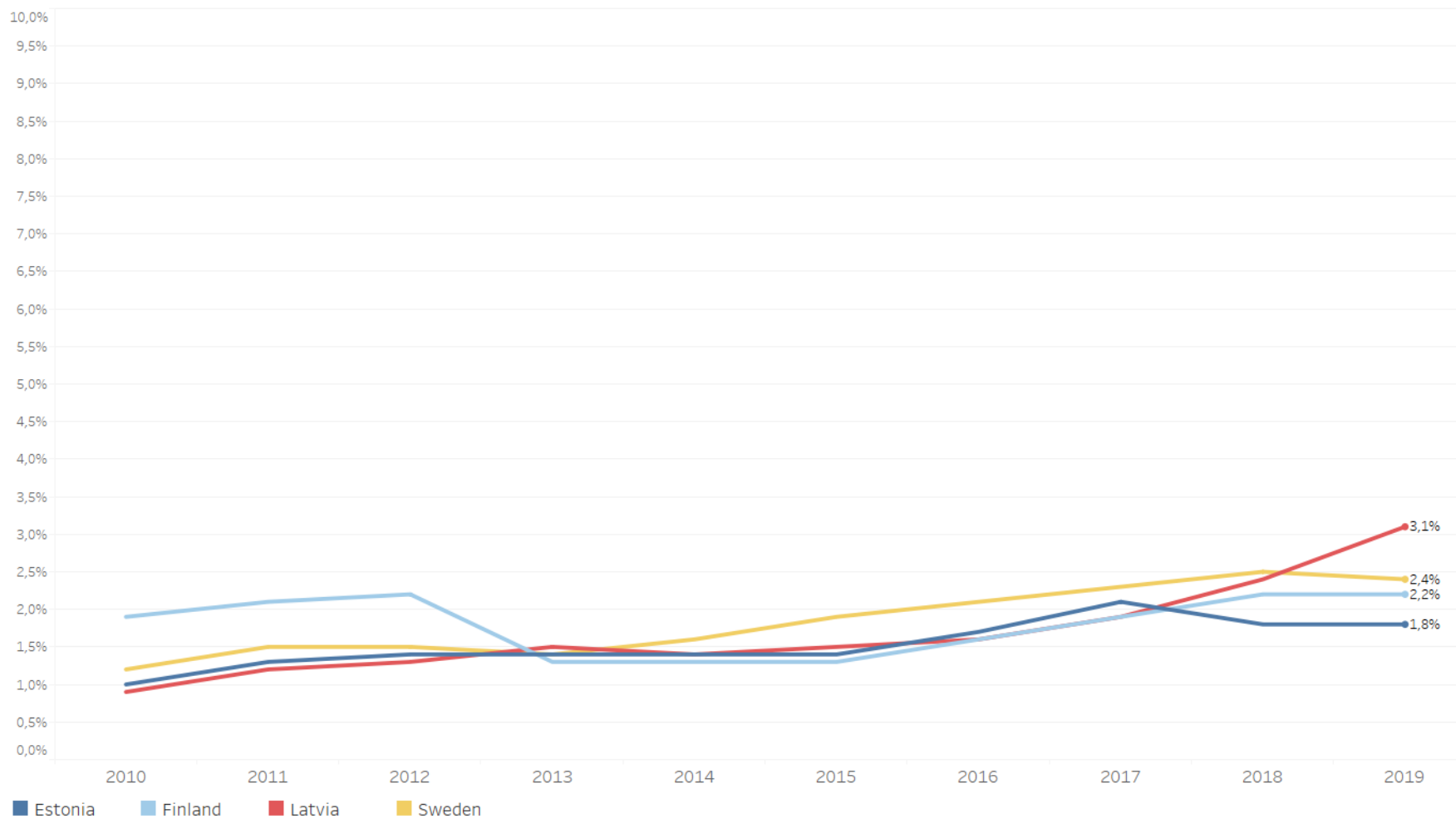
Expenditure on labour market policy

Labour market measures % of GDP



Rate of job vacancies in Estonia has hit plateau

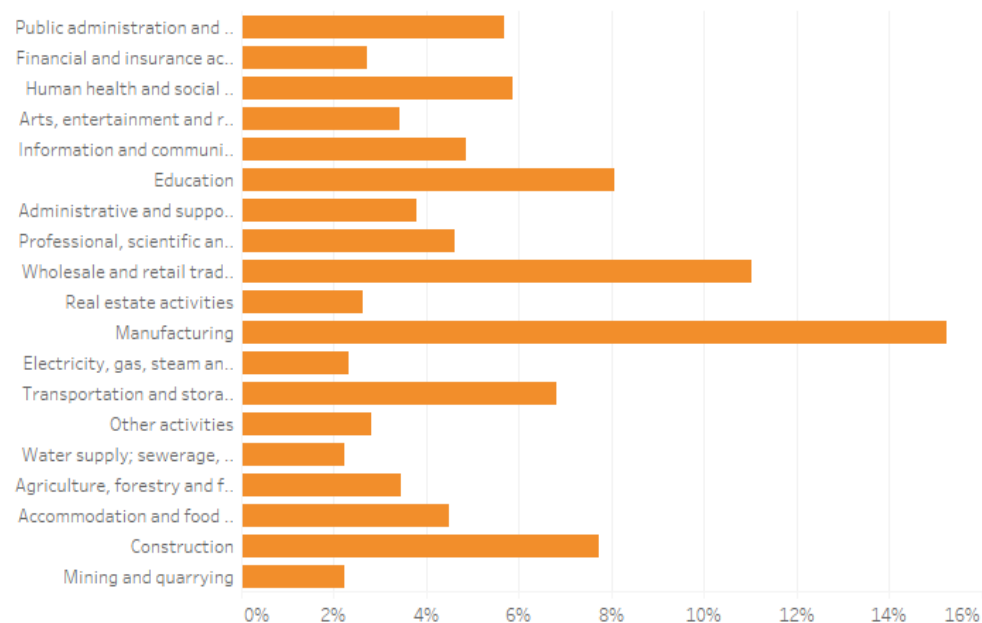
Rate of job vacancies



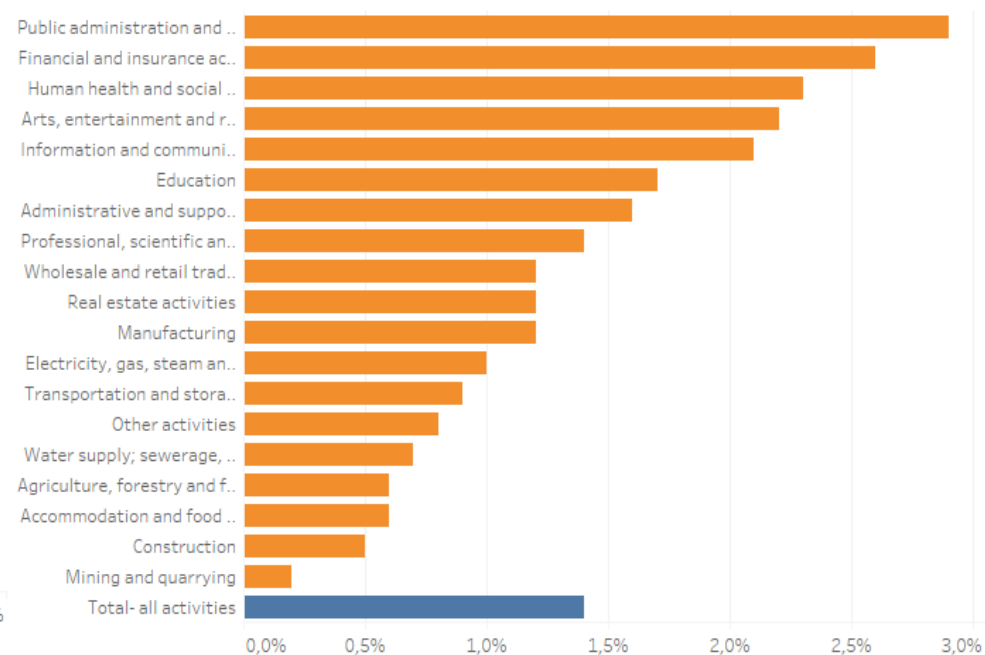
Source: Eurostat

The rate of job vacancies remained high

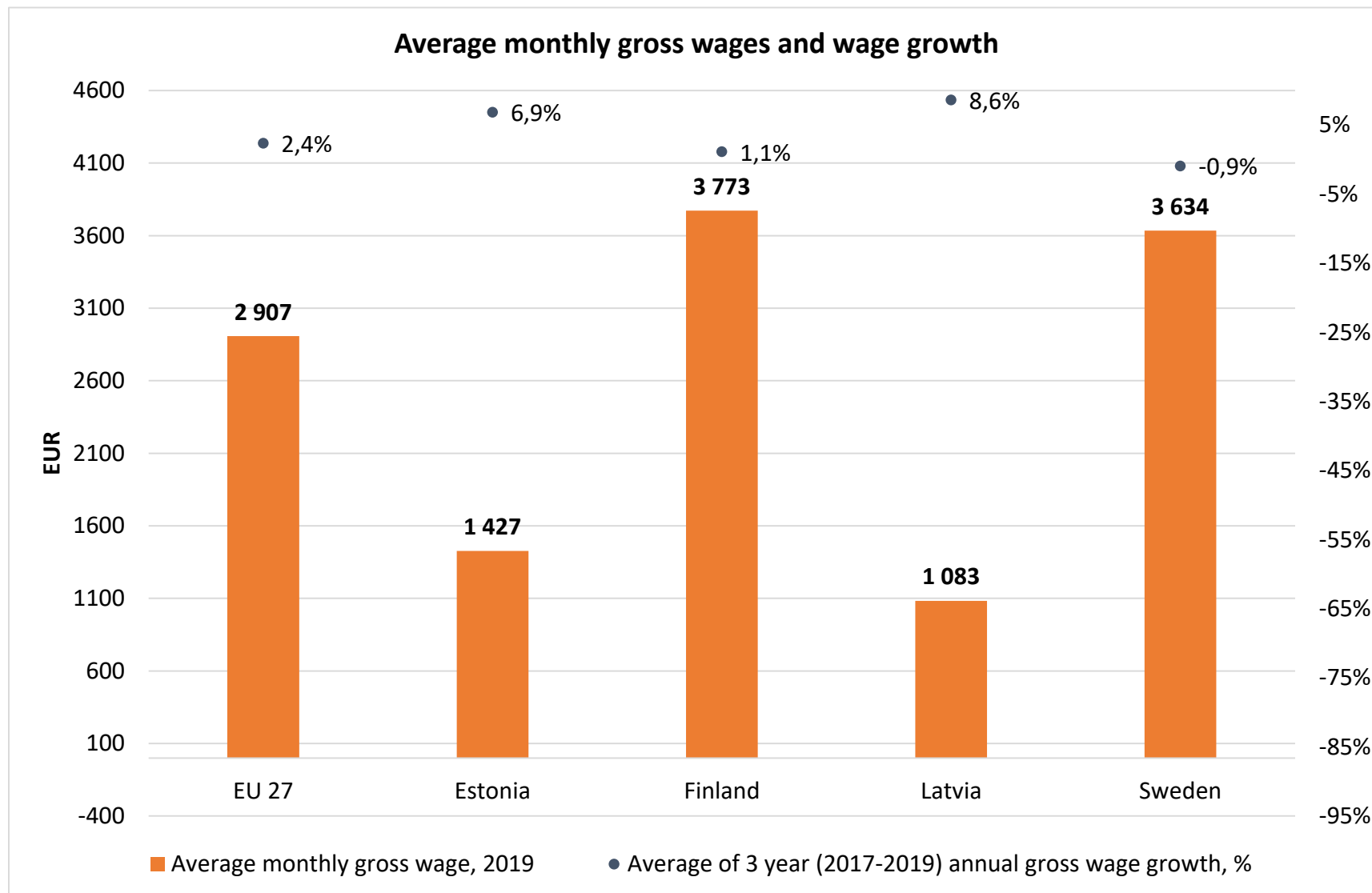
Ratio of employed persons in 2019 by economic activity, %



Rate of job vacancies by economic activity in 2020 1st quarter, %



Estonia and Latvia have lower average wages, but wage growth is faster

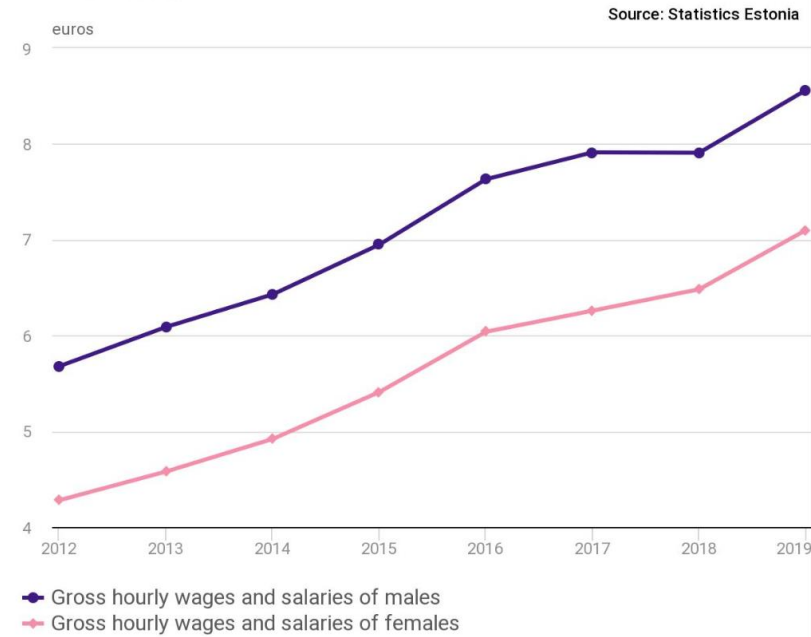


Estonian wage trends 2019/2020:

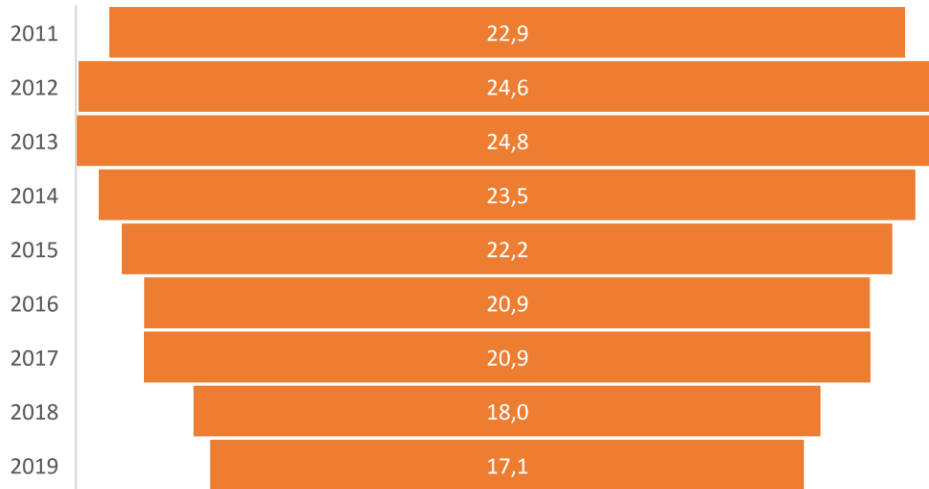
- wage growth in the **1st quarter 4,8%** and in the **2nd quarter only 1%**
- the **average wage fell** the most in **trade and accommodation and food service activities**, but also in **manufacturing**

Gender pay gap in Estonia is the highest in EU

Gender pay gap | 2012 - 2019

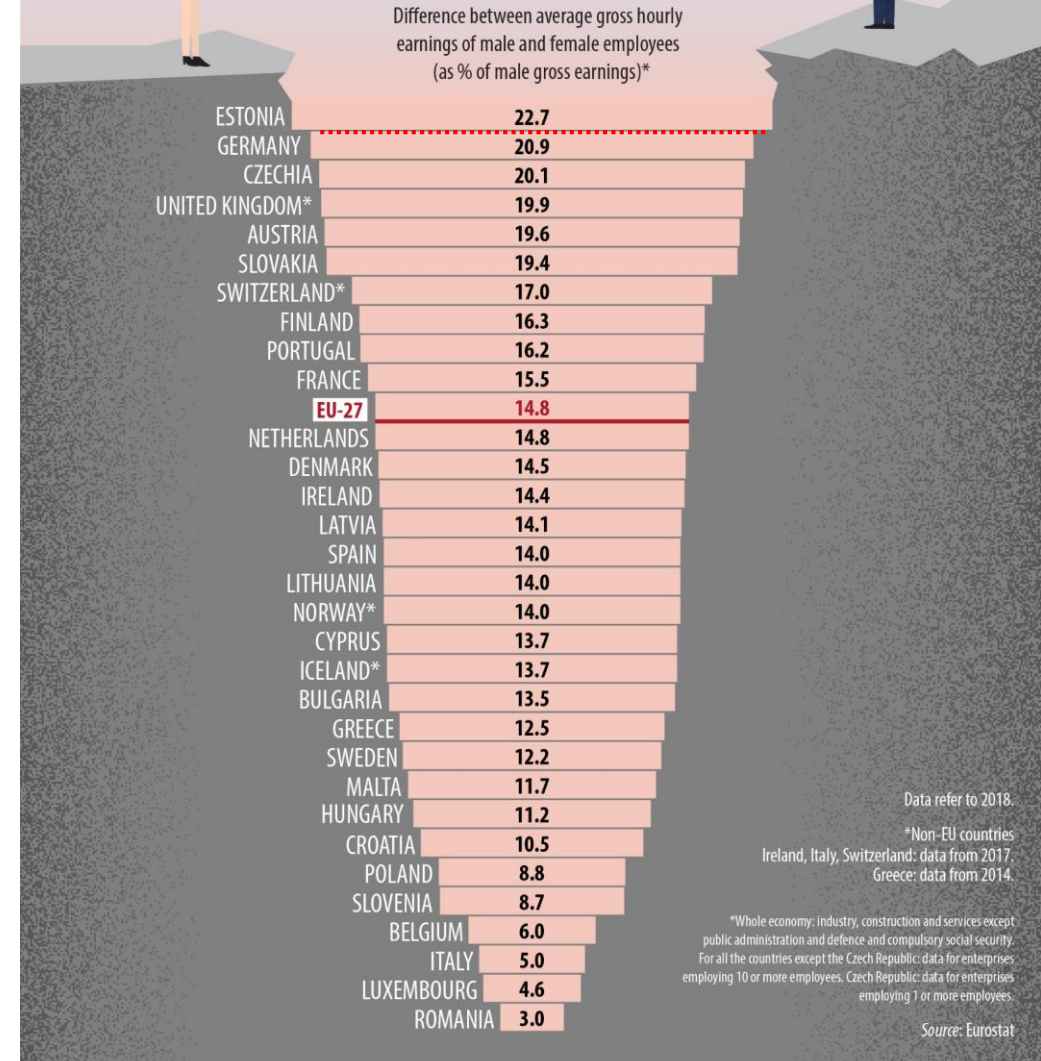


Wages and salaries gap, %



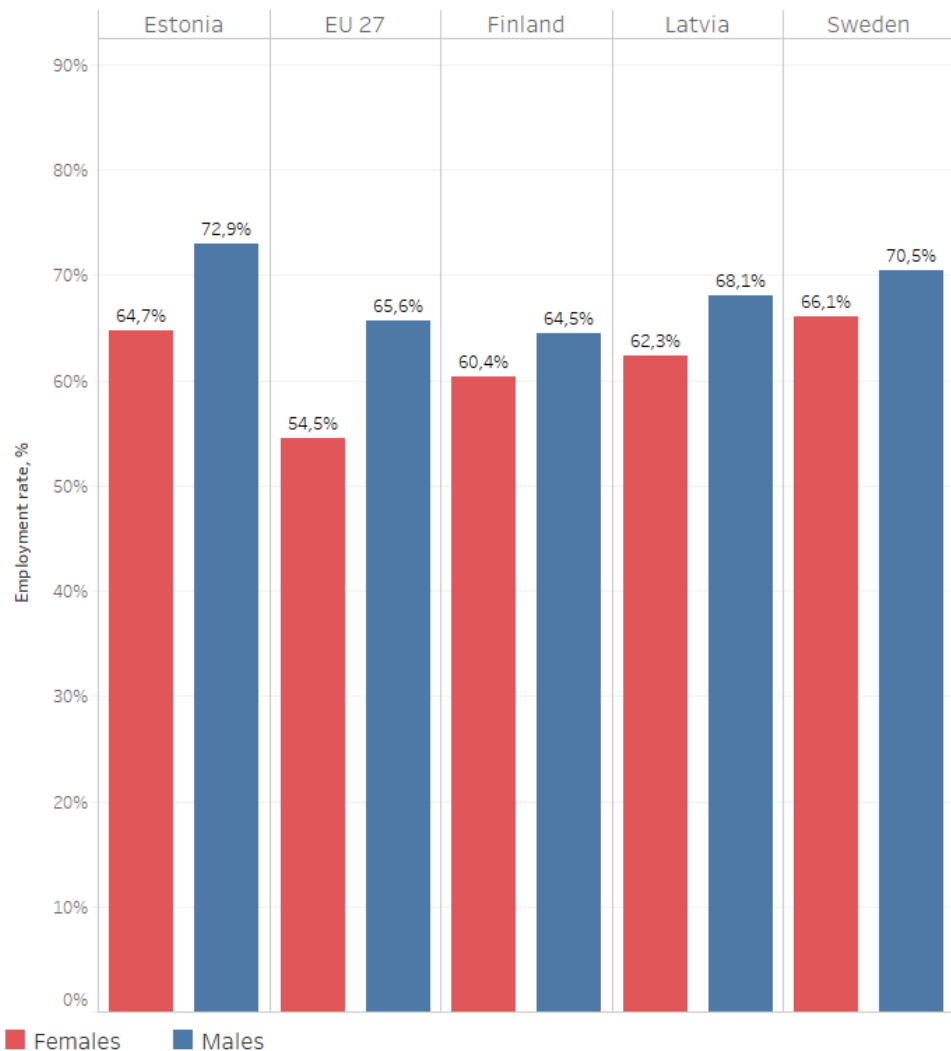
Source: Statistics Estonia

Gender pay gap: How much less do women earn than men?

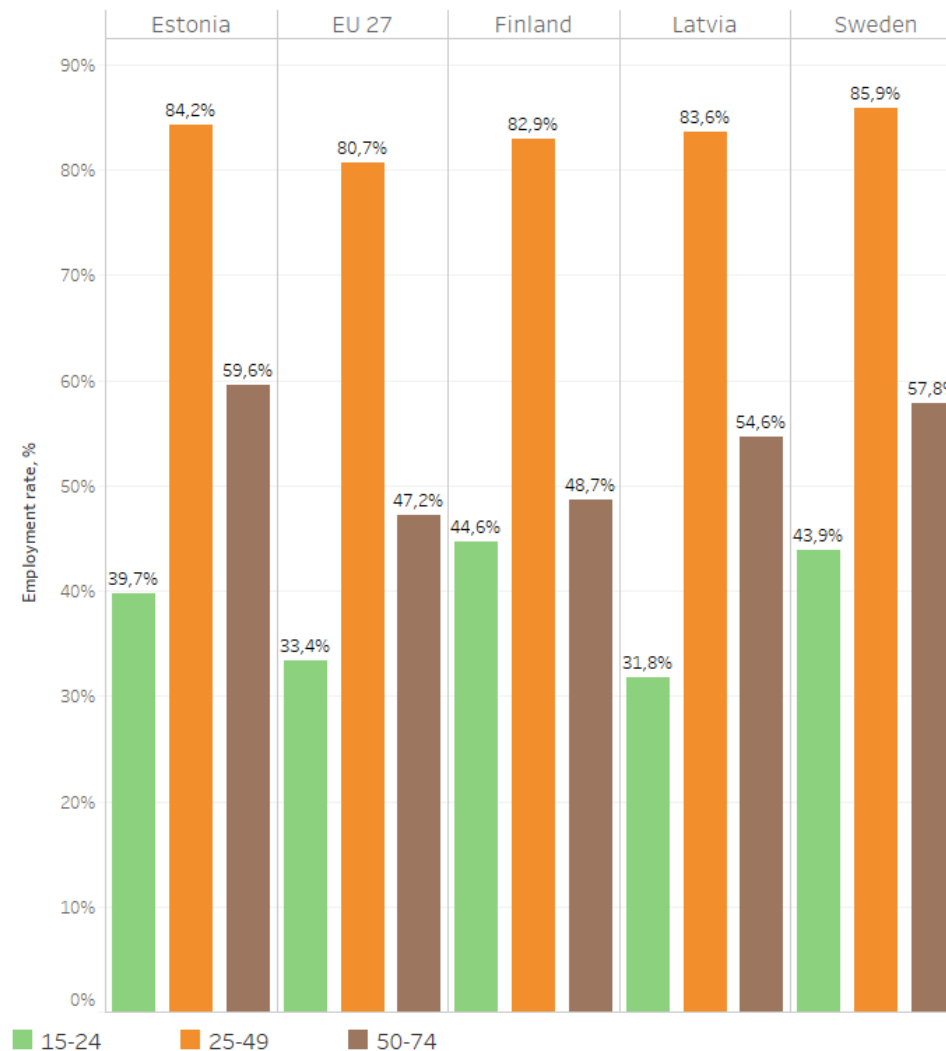


Employment in Estonia is higher than EU average in all groups

Employment rate by sex (15-74), 2019



Employment rate by age groups, 2019

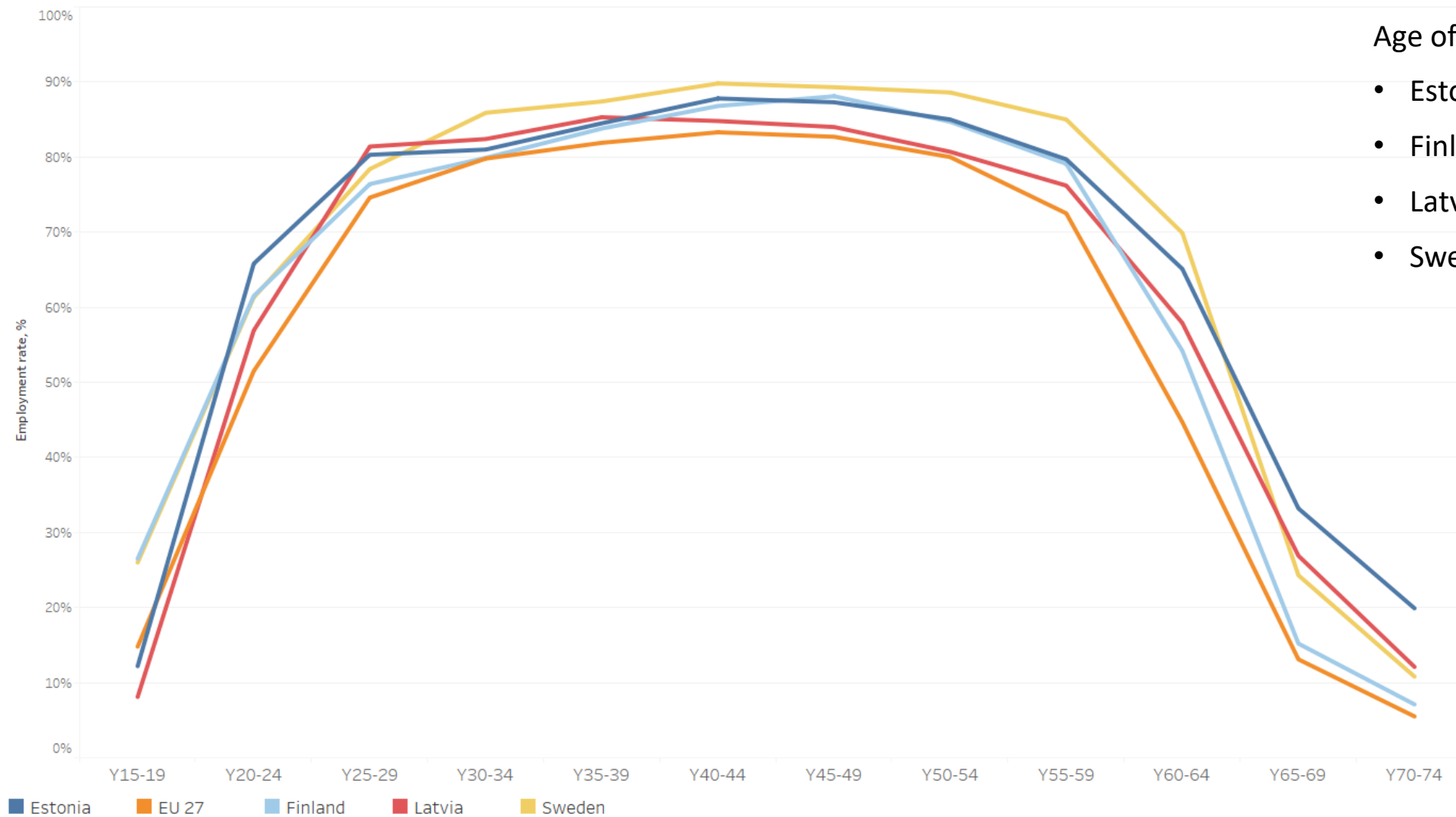


In Estonia, each year:

- **25 000 women cite having and raising children as the reason for their inactivity**
- **51 000-55 000 women and 33 000-39 000 men retire**
- **~12 000 women and ~3000 men are inactive due to the caring responsibilities of family members**

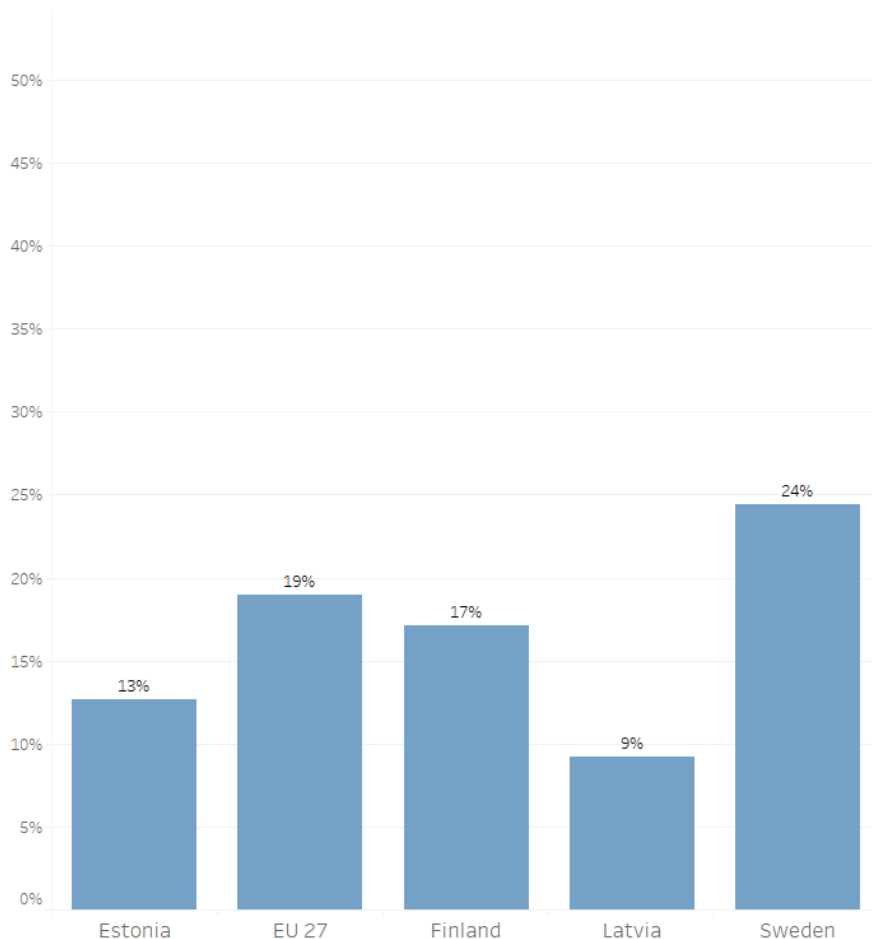
Employment of older age-groups in Estonia is higher than average

Employment rate by age groups, 2019

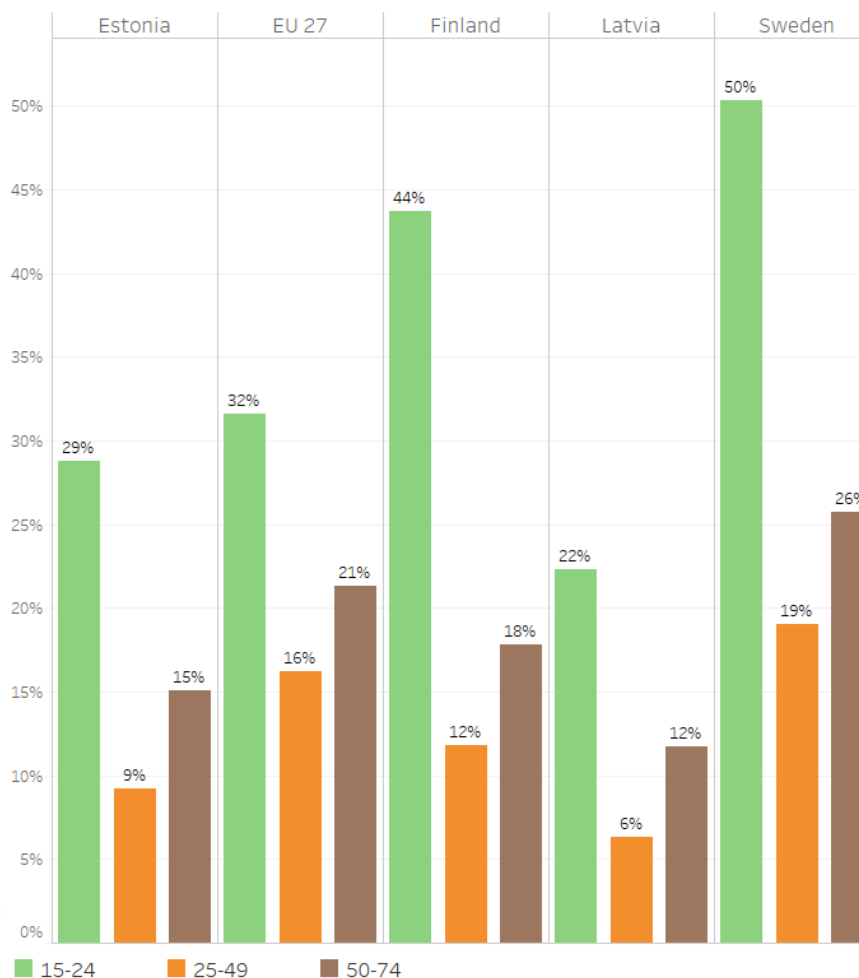


Part-time working differs significantly

Share of part-time employees (15-74), 2019



Share of part-time employees by age groups (15-74), 2019

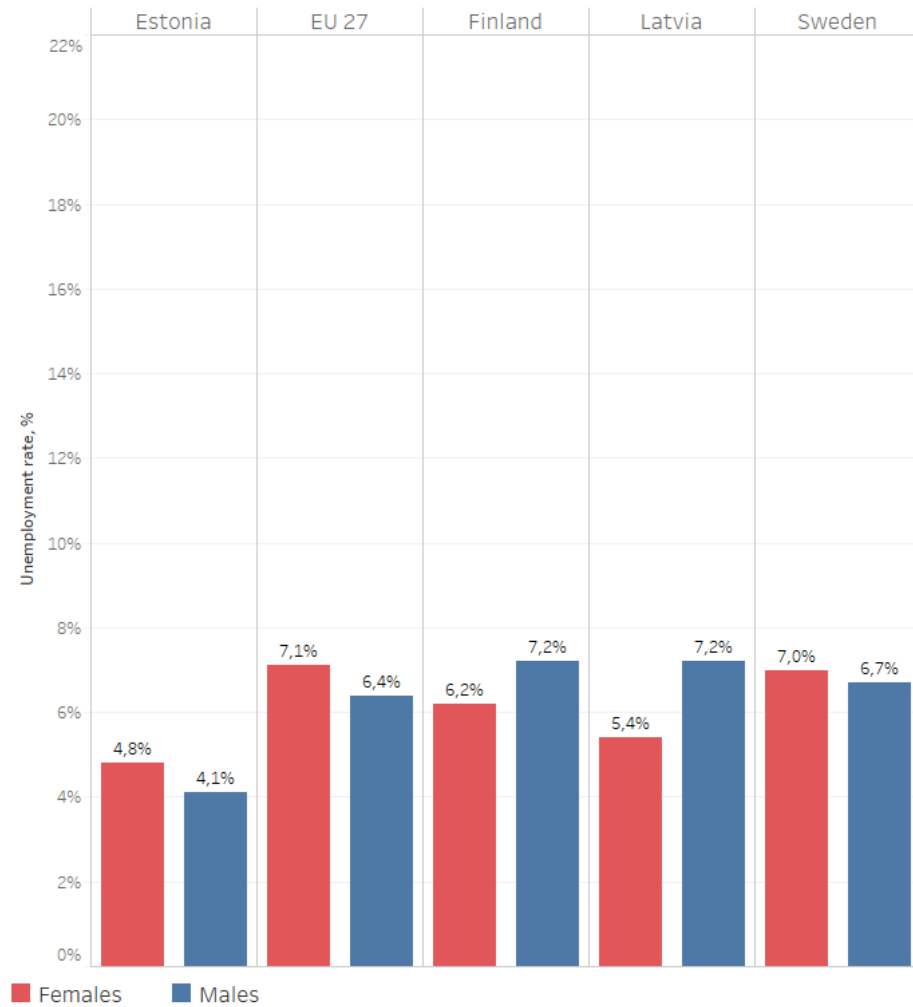


Some explanations and reasons why part-time work is not common in Estonia:

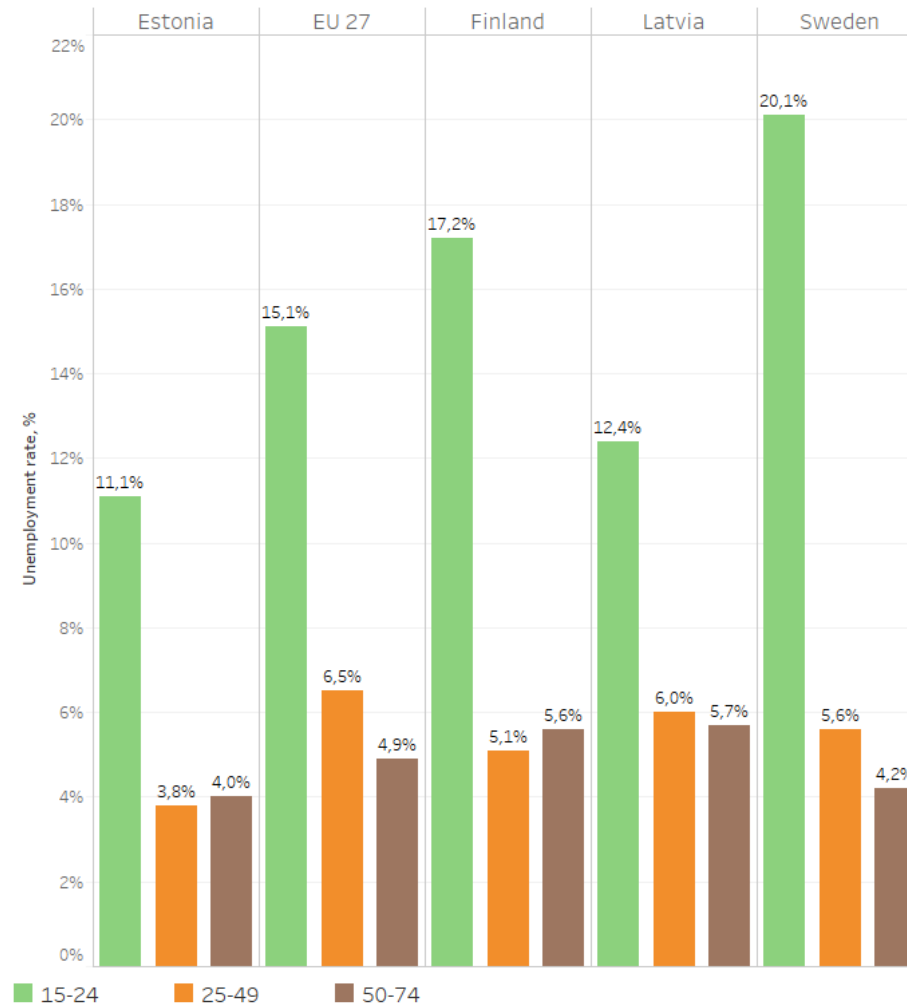
- **flexible forms of work are not yet widespread**
- **the generally low level of wages does not favor part-time work**
- **employers are not motivated to hire part-time workers (minimum social tax obligation)**

Unemployment in Estonia is lower than EU average

Unemployment rate by sex (15-74), 2019



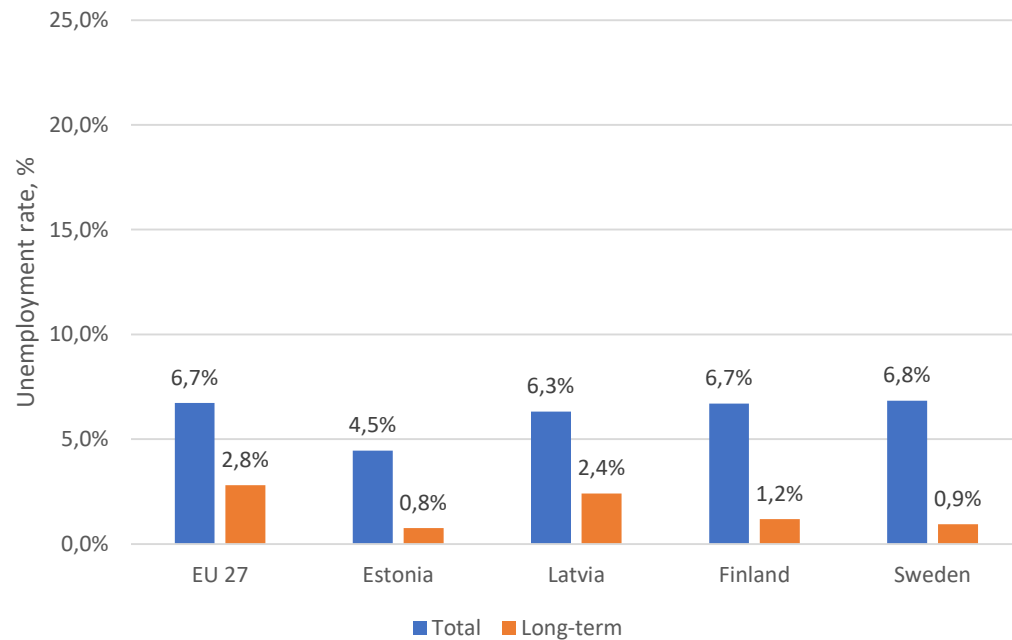
Unemployment rate by age groups, 2019



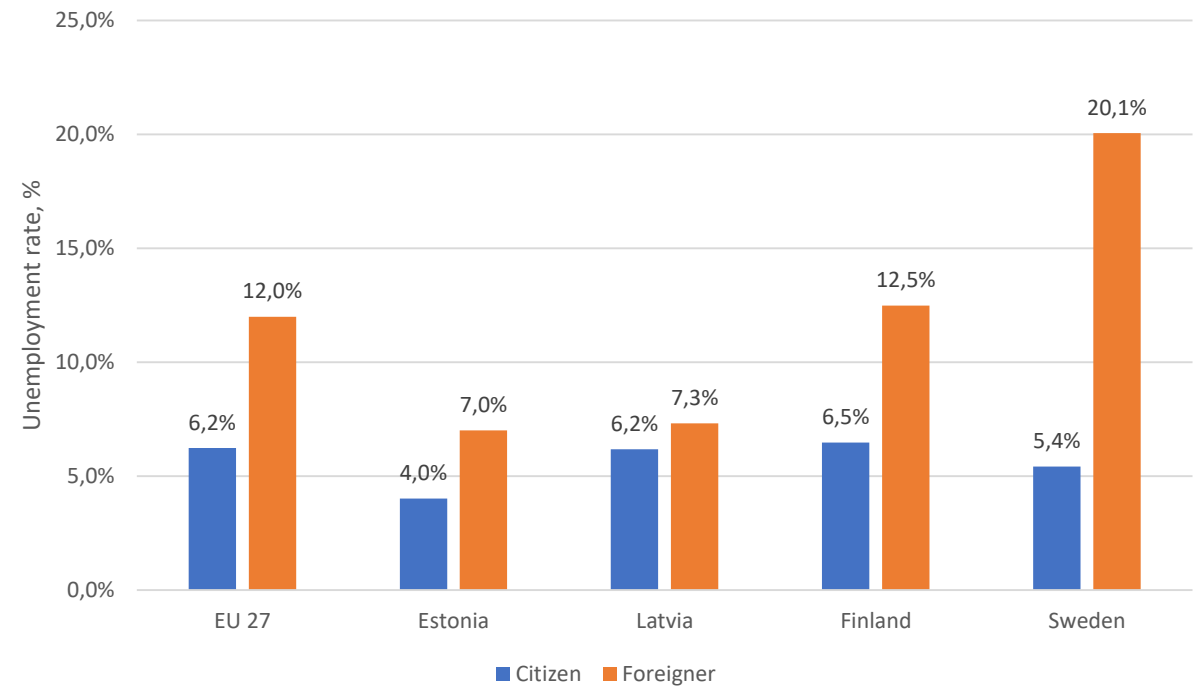
Source: Eurostat

Number of long-term unemployed decreased, foreigners facing higher unemployment than national citizens

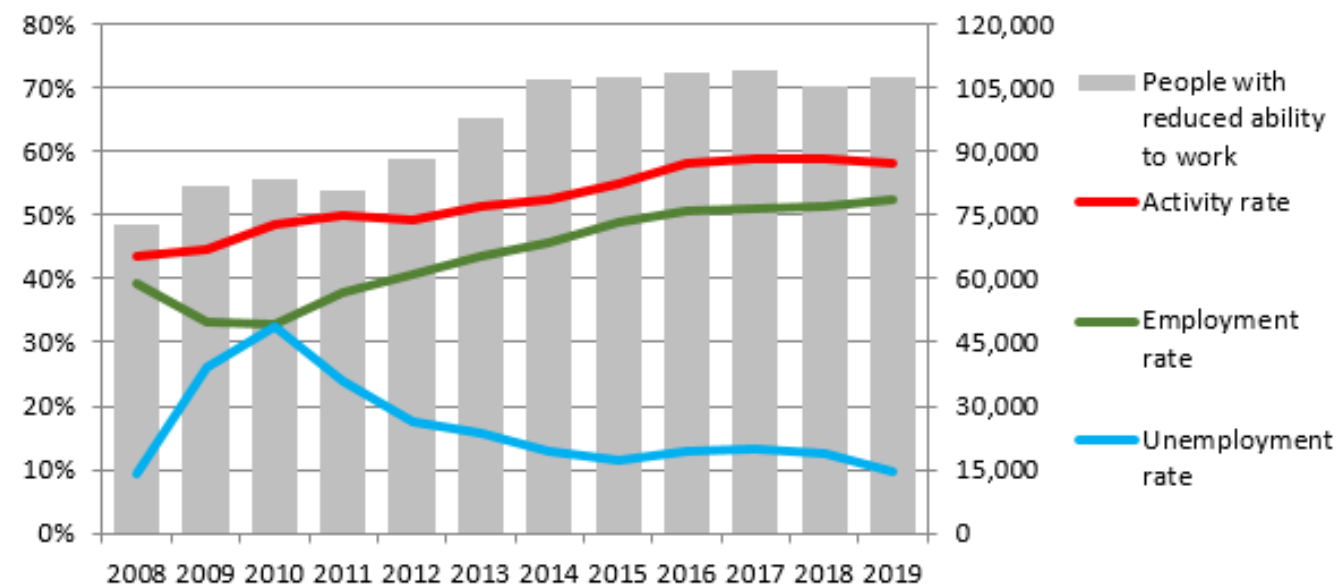
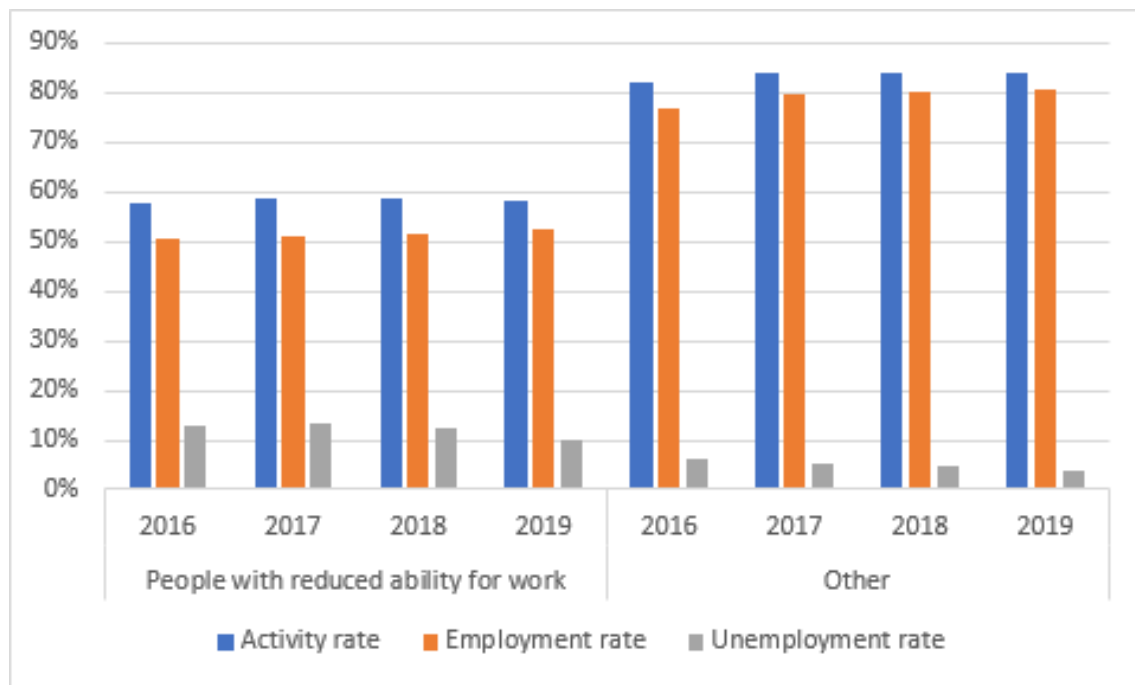
Unemployment and long-term unemployment rate, 2019



Unemployment rate by nationality, 2019

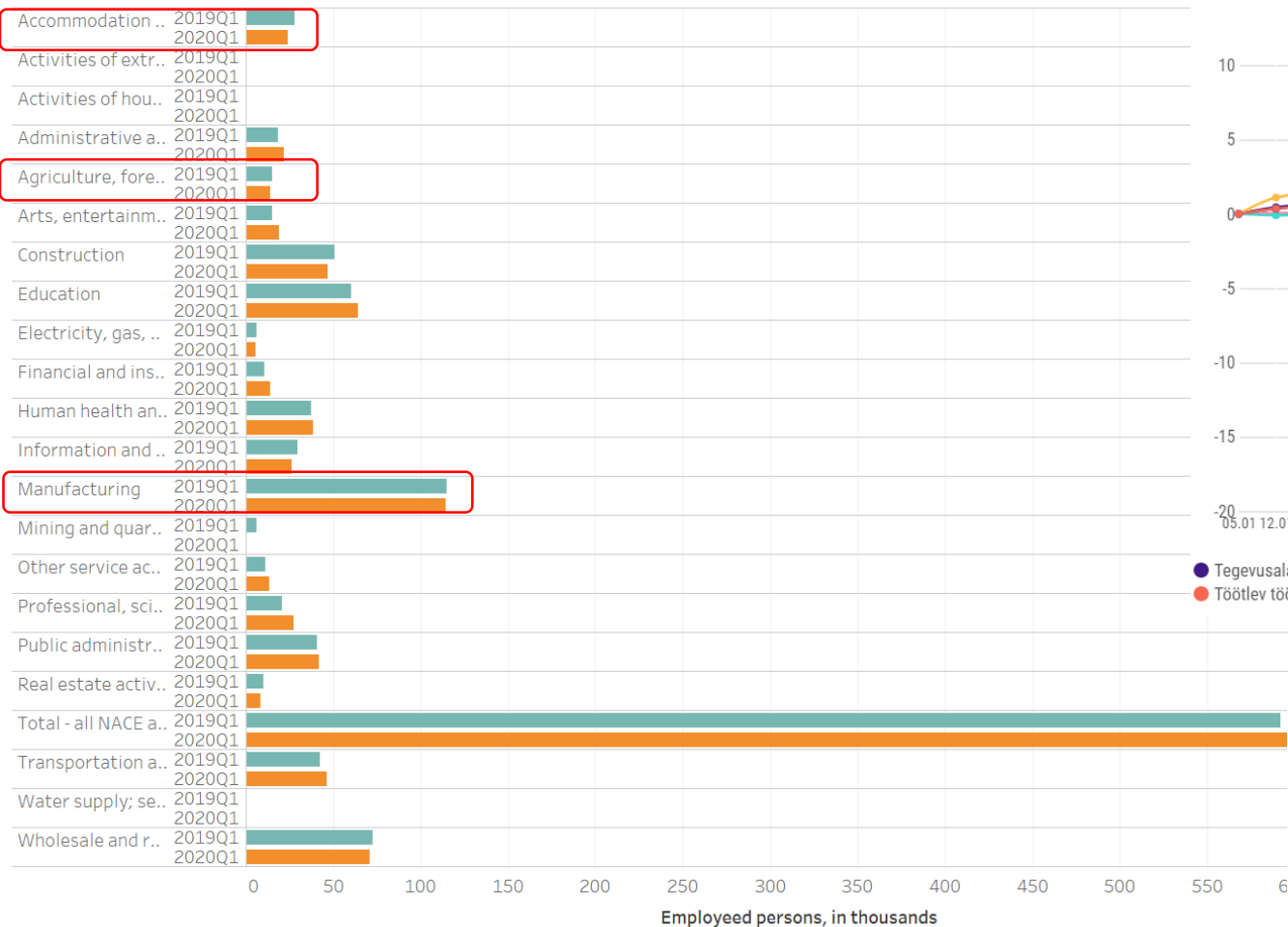


More people with reduced work ability can be integrated into the labour market



Changes in employment by industry, 2019/2020

Employed by economic activity in 2019 1st quarter and 2020 1st quarter in Estonia

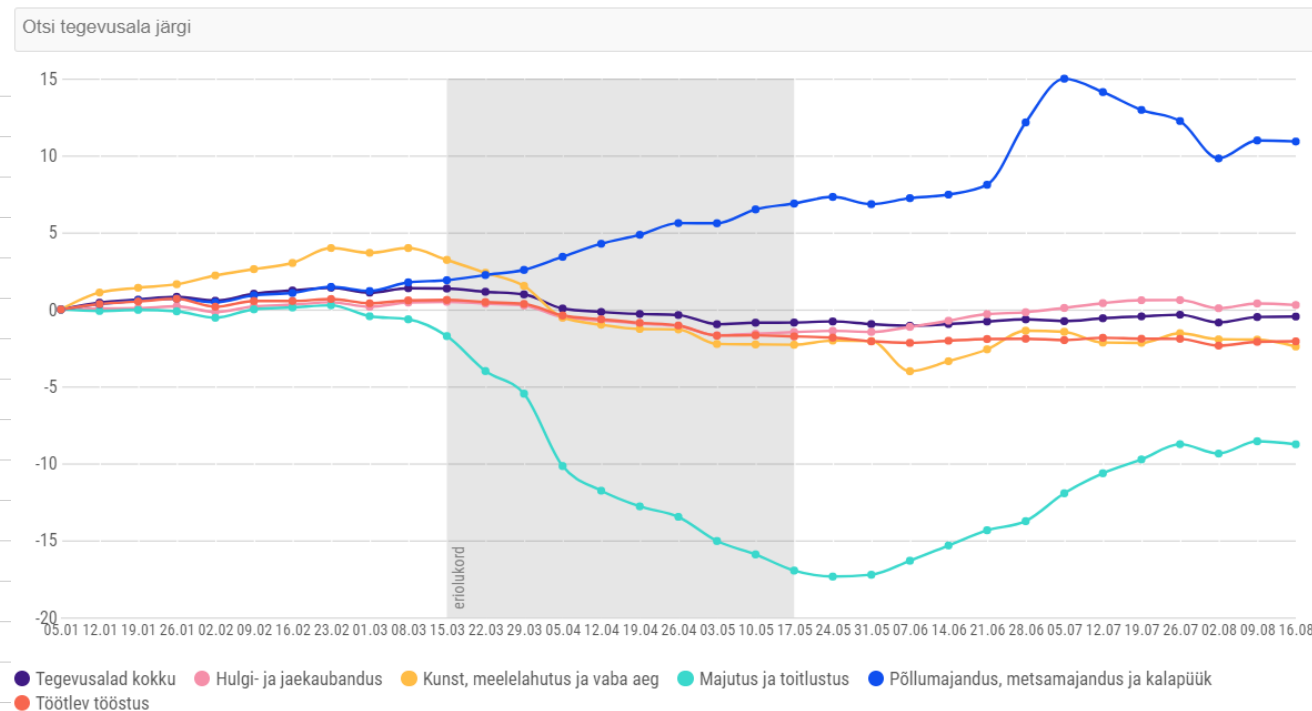


Source: Eurostat

Töösuhete arvu muutus tegevusala järgi 2020

Suhteline muutus võrreldes 05.01.2020 töösuhete arvuga (%)

EESTI STATISTIKA



Legend: Tegevusalad kokku (Total), Hulgi- ja jaekaubandus (Wholesale and retail trade), Kunst, meelelahutus ja vaba aeg (Arts, culture and recreation), Majutus ja toitlustus (Accommodation and food service), Põllumajandus, metsamajandus ja kalapüük (Agriculture, forestry and fishing), Töötlev tööstus (Manufacturing)

**TEMPORARY WAGE
SUBSIDY TO
PRESERVE JOBS
March – June:
137 thousand people
257 mln euros**

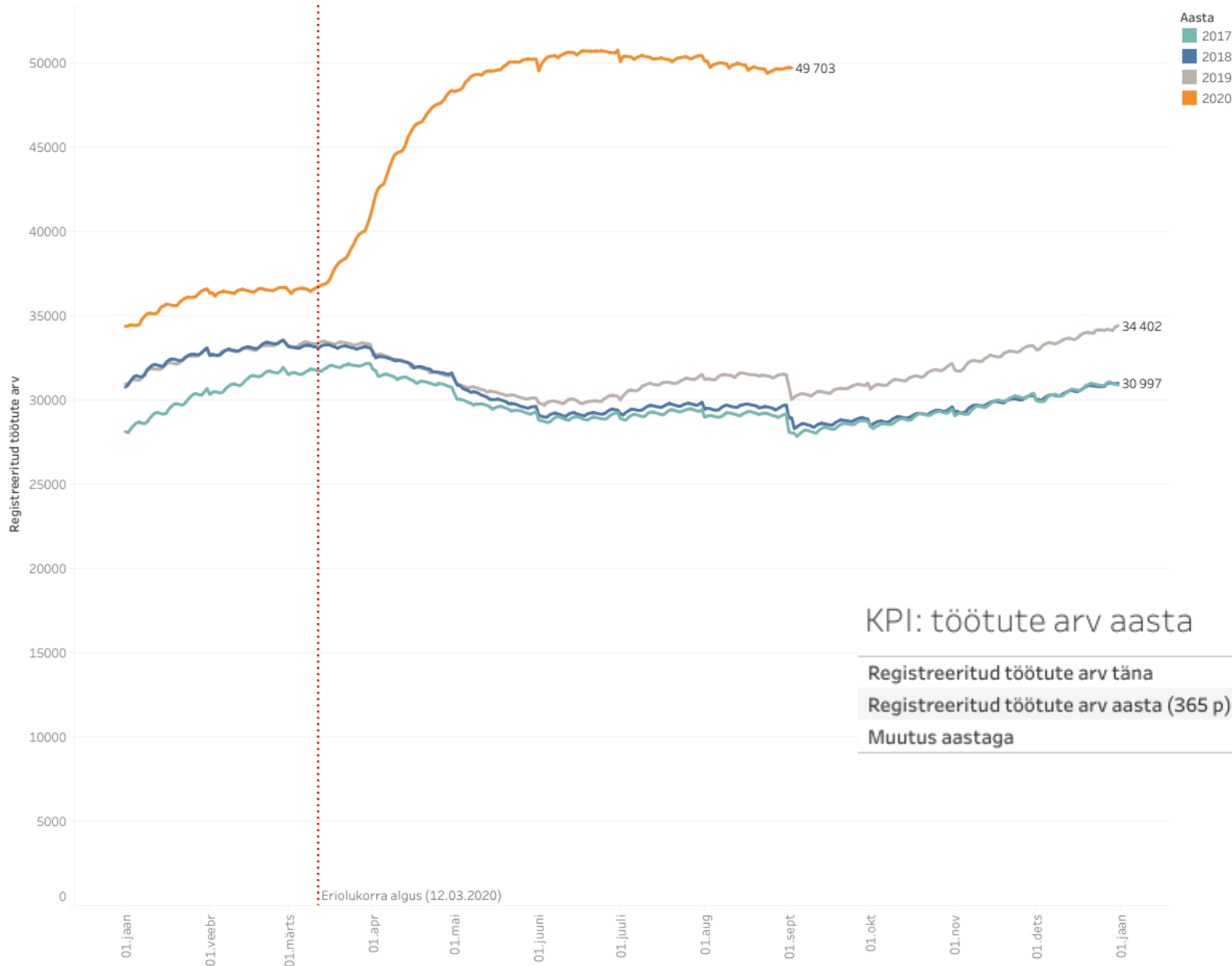
Source: EUIF

Asutuse tegevusala (+/-)

	Inimeste arv	Inimeste osakaal	Asutuste arv
TÖÖTLEV TÖÖSTUS	34 132	24,8%	2 072
HULGI- JA JAEKAUBANDUS; MO..	27 965	20,3%	3 603
MAJUTUS JA TOITLUSTUS	18 019	13,1%	1 721
EHITUS	10 256	7,4%	1 907
HALDUS- JA ABITEGEVUSED	8 392	6,1%	833
VEONDUS JA LAONDUS	7 951	5,8%	982
KUNST, MEELELAHUTUS JA VAB..	6 231	4,5%	922
KUTSE-, TEADUS- JA TEHNIKAA..	5 377	3,9%	1 498
TERVISHOID JA SOTSIAALHOOL..	5 063	3,7%	640

The number of registered unemployed increased rapidly

Registreeritud töötute arv päeva seisuga



KPI: töötute arv aasta

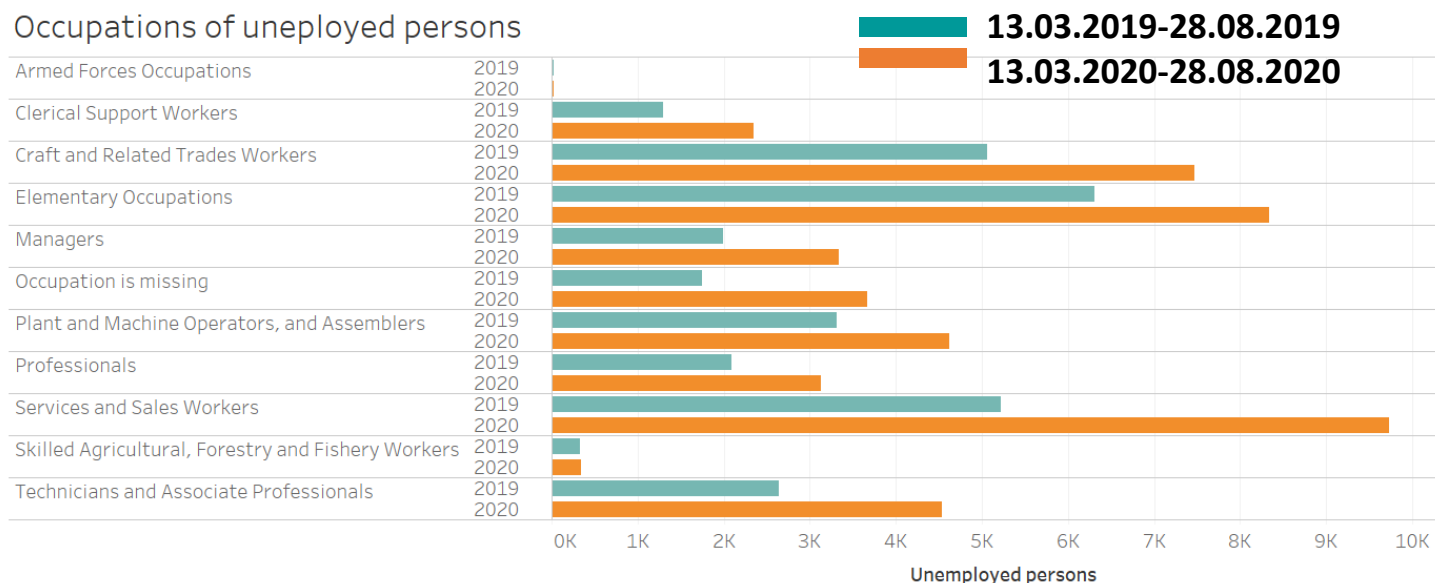
Registreeritud töötute arv täna	49 703
Registreeritud töötute arv aasta (365 p) tagasi	30 167
Muutus aastaga	64,8%

Tegevusala	juuni 2019	juuni 2020
Põllumajandus, metsamajandus ja kalapüük	111 (2,5%)	792 (17,9%)
Mäetööstus	6 (0,1%)	0 (0,0%)
Töötlev tööstus	993 (22,7%)	534 (12,0%)
Elektrienergia, gaasi, auru ja konditsioneeritud õhuga varustamine	16 (0,4%)	30 (0,7%)
Veevarustus; kanalisatsioon; jäätme- ja saastekäitlus	12 (0,3%)	36 (0,8%)
Ehitus	455 (10,4%)	379 (8,5%)
Hulgi- ja jaekaubandus; mootorsõidukite ja mootorrataste remont	704 (16,1%)	478 (10,8%)
Veondus ja laondus	353 (8,1%)	118 (2,7%)
Majutus ja toitlustus	335 (7,7%)	284 (6,4%)
Info ja side	37 (0,8%)	13 (0,3%)
Finants- ja kindlustustegevus	5 (0,1%)	6 (0,1%)
Kinnisvaraalne tegevus	36 (0,8%)	76 (1,7%)
Kutse-, teadus- ja tehnikaalane tegevus	46 (1,1%)	93 (2,1%)
Haldus- ja abitegevused	580 (13,3%)	982 (22,1%)
Avalik haldus ja riigikaitse; kohustuslik sotsiaalkindlustus	177 (4,1%)	136 (3,1%)
Haridus	170 (3,9%)	163 (3,7%)
Tervishoid ja sotsiaalhoolekanne	172 (3,9%)	163 (3,7%)
Kunst, meelelahutus ja vaba aeg	28 (0,6%)	21 (0,5%)
Muud teenindavad tegevused	122 (2,8%)	123 (2,8%)
Tegevusala teadmata	11 (0,3%)	8 (0,2%)

Kuupäev
■ juuni 2019
■ juuni 2020

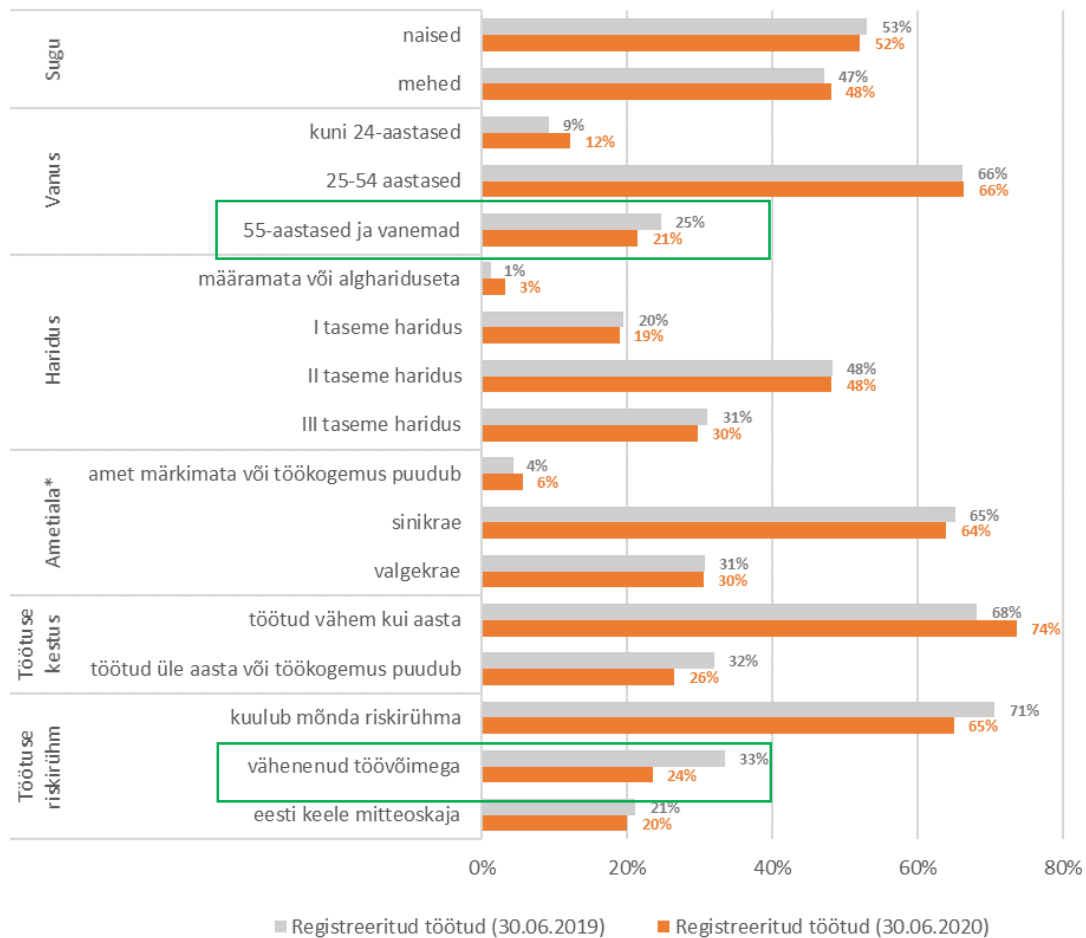
Changes in employment by occupation of the unemployed and vacancies mediated by the Estonian Unemployment Insurance Fund in 2019/2020

Occupations of unemployed persons



Source: EUIF

Profile of registered unemployed and its changes in 2019/2020



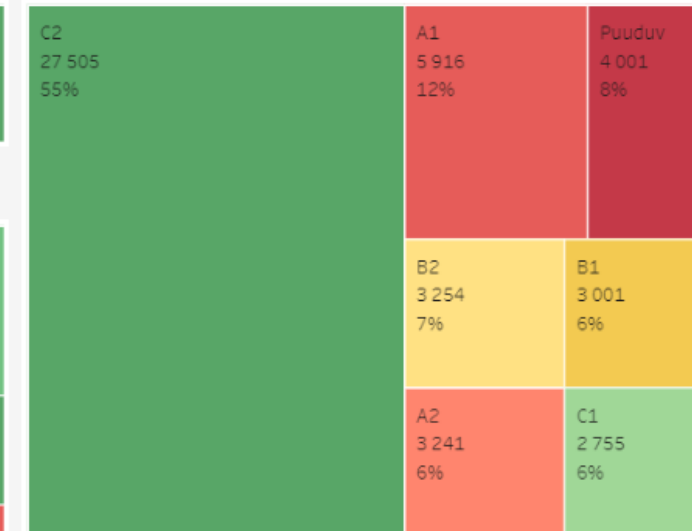
People with reduced work ability and jobseekers aged 55+ move significantly slower to the labour market. Is it possible to provide more support?

Source: EUIF

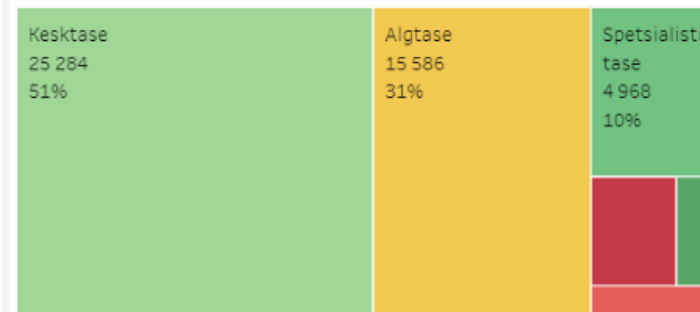
Oskused



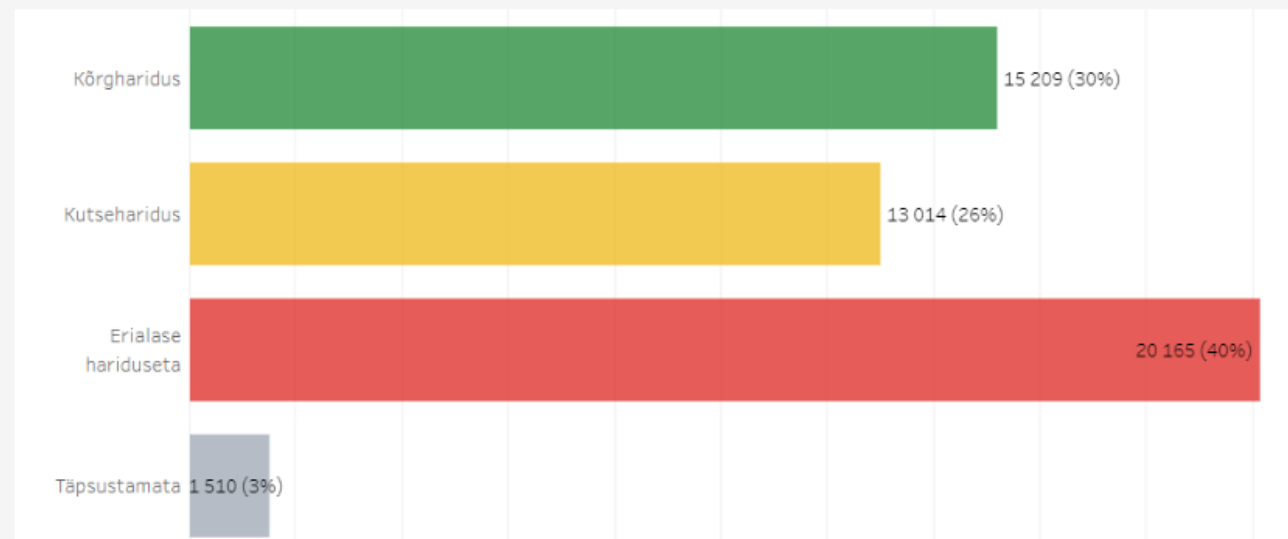
Eesti keele oskuse tase



Arvutioskuse tase



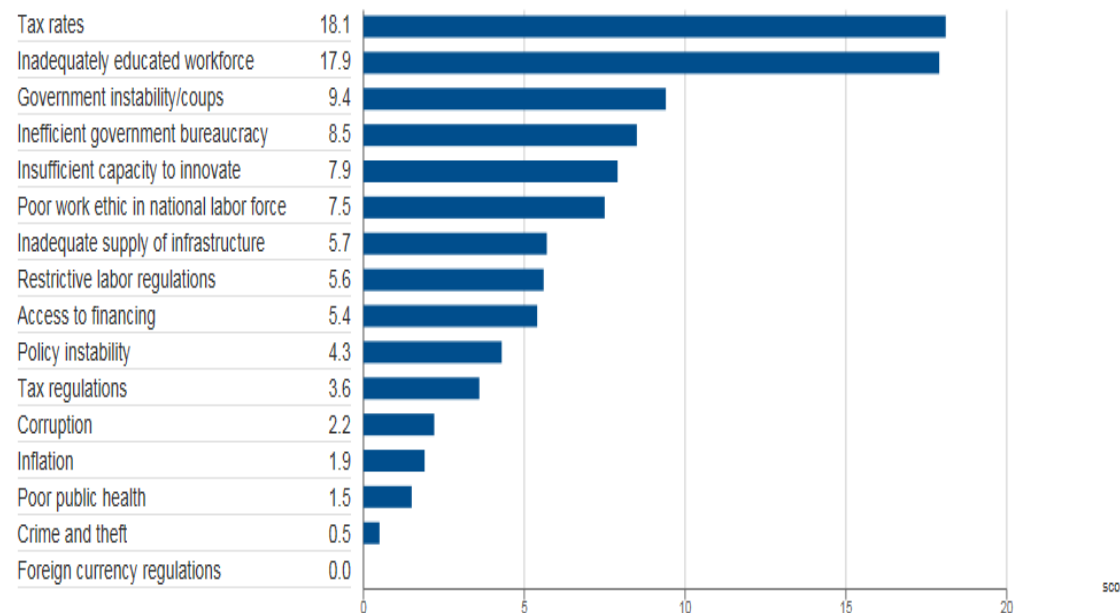
Haridustase (+/-)



Source: EUIF, 2.09.2020

Skills mismatch

Most problematic factors for doing business

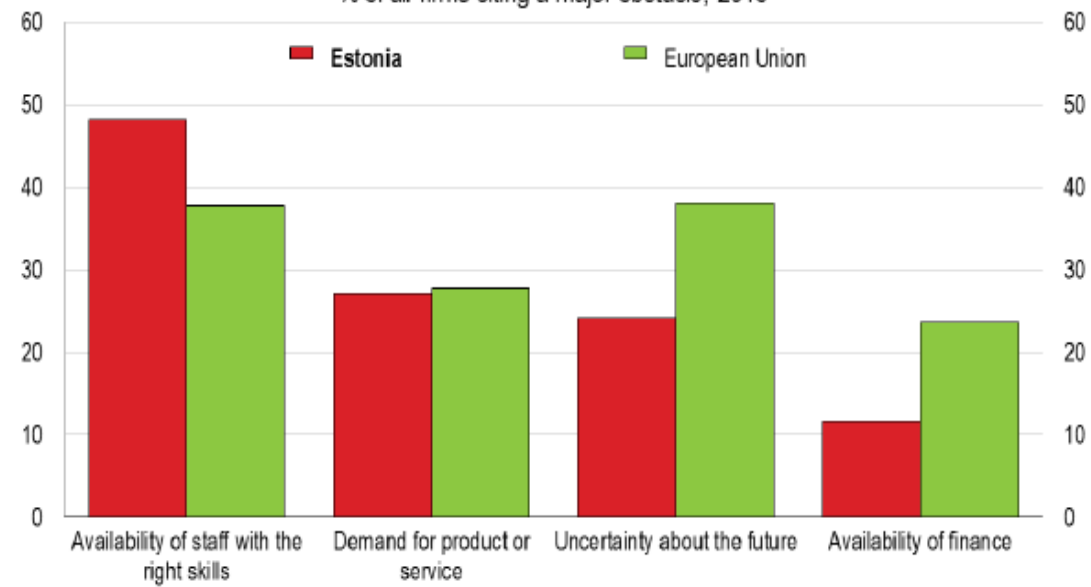


Note: From the list of factors, respondents to the World Economic Forum's Executive Opinion Survey were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5. The score corresponds to the responses weighted according to their rankings.

Source: World Economic Forum, The Global Competitiveness Report 2017–2018

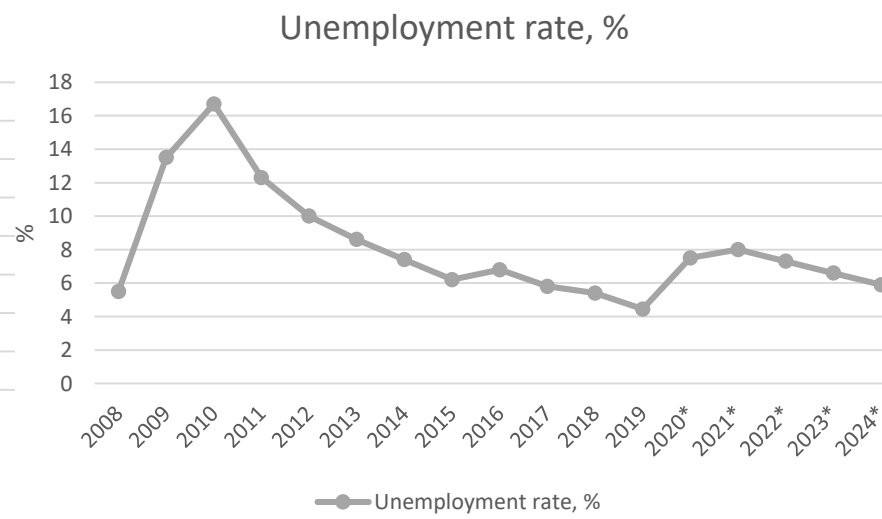
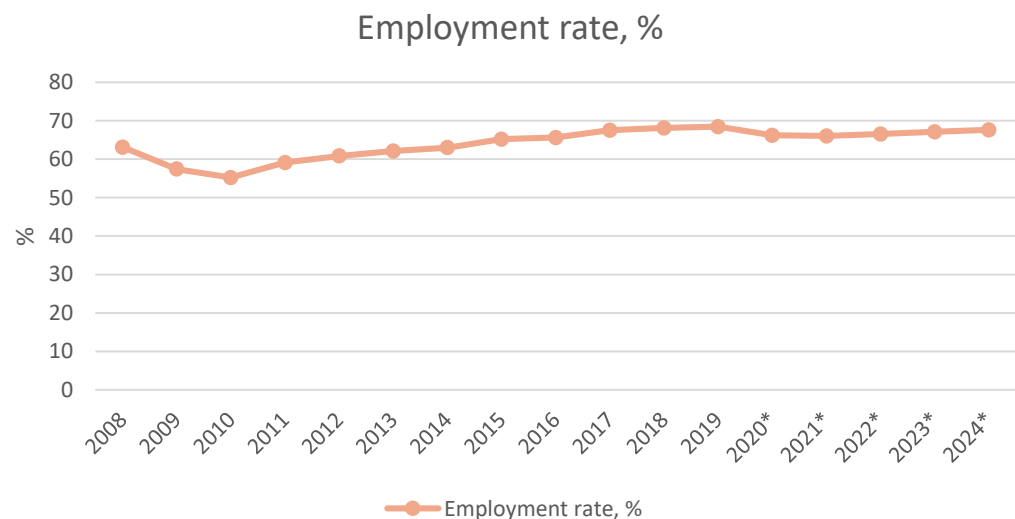
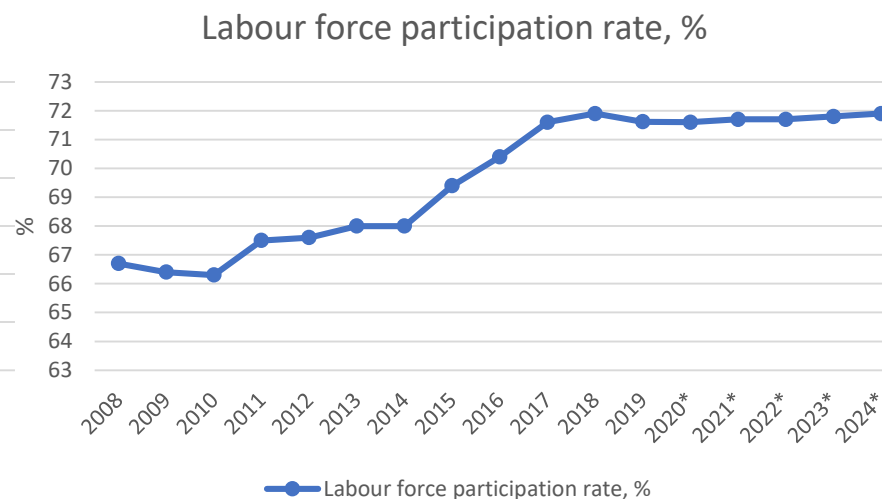
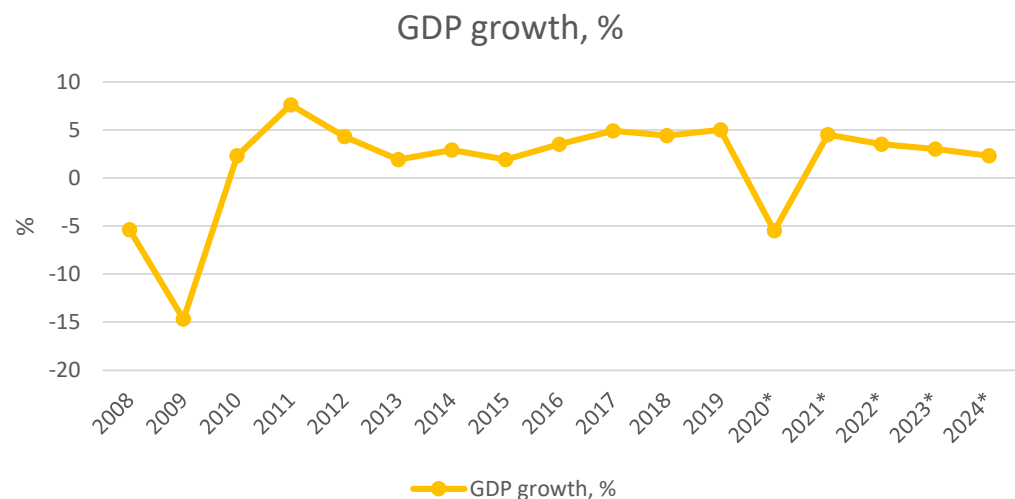
Major obstacles to investment

% of all firms citing a major obstacle, 2015



Source: European Investment Bank - EIBIS, EIB Investment Survey.

GDP growth decreases significantly, unemployment increases heavily



Summary

In 2019 and at the beginning of 2020, the Estonian economy was cooling, but the situation was still very good:

- The **employment rate** was **high**
- The **unemployment rate** was **low**
- The **wage growth** was **fast**

Due to the spread of Covid-19, the situation in the labour market has deteriorated and the future outlook is currently uncertain:

- The **tourism-related service sector** was **most hardly hit**
- The **size of the labour force** was **affected**
 - **Closure of borders** (decrease in the number of short-term employees in Estonia)
 - **People in greater risk** of the virus will **leave the labour market**
- For companies less affected by the crisis, **the amount of free labour increases**
 - **Mismatch** in the profile (jobseekers *versus* vacancies)
- Apart from previous crisis, the corona-crisis is likely to have an **impact on female unemployment**
- The crisis situation is leading to a **slowdown in wage growth**

What are the main challenges?

Demographic changes:

- **Aging** population
- Population **decline**

Significant differences in labour market indicators:

- **Uneven employment rates:** higher in areas of better job opportunities (Tallinn, Harjumaa), lower in areas with fewer job opportunities (South-East Estonia, Ida-Virumaa)
- The **employment rate of non-Estonians is lower** (unemployment rate is higher)
- **For years male unemployment rate has been higher, but it changed in 2019 and this might even deepen**

Skills mismatch:

- **Employers cannot find suitable labour** (with the right skills)
- More than half of **unemployed people have insufficient skills**
- **Need for labour** will increase in the fields of **ICT, timber** and **social and health care**
- **Number of jobs for specialists with higher education will increase** and the number of occupations requiring more routine work will decrease

Greater inclusion of **people with reduced work ability into the labour market**

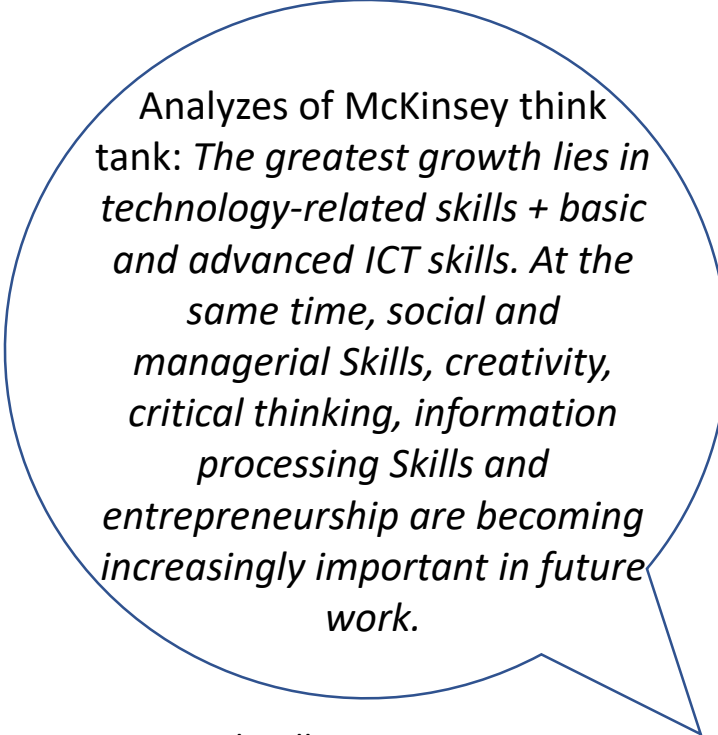
Supporting young people in their transition to employment

Supporting older unemployed people in their transition to employment (supporting long-term employment)

Care responsibilities hinder access to the labour market

Flexible forms of work are not widely used in Estonia

Technological development and automatisaton - continuous lifelong learning



Analyzes of McKinsey think tank: *The greatest growth lies in technology-related skills + basic and advanced ICT skills. At the same time, social and managerial Skills, creativity, critical thinking, information processing Skills and entrepreneurship are becoming increasingly important in future work.*

Thank you!

- **USALDUS**
- **KOOSTÖÖ**
- **UUENDUSLIKKUS**

