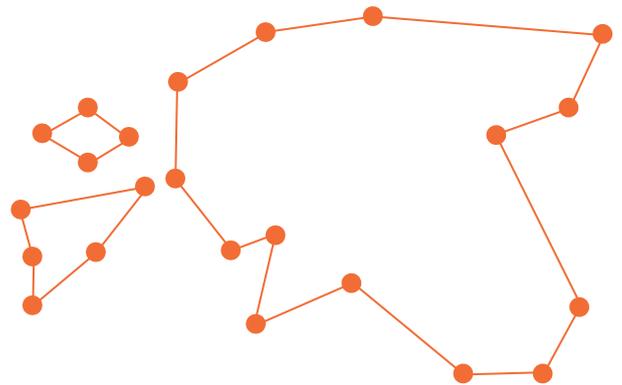




# COUNTRY MONITOR



## ESTONIA

# Social Rights Monitor 2019

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Estonia struggles with a higher than average share of people at risk of poverty and social exclusion. In-work-poverty is also a growing problem. The situation is especially dire for the elderly and for women, whose risk of poverty is up to twice as high as that of the general population. Social spending is low and the social transfer system is not able to effectively protect people from falling into poverty. The quality and accessibility of social services furthermore varies significantly between regions. At 25.6%, the gender pay gap is the highest of the EU and is largely unexplainable by objective causes. Especially childcare and long-term care responsibilities cause women to leave the formal labour market. Increased wage transparency is hoped to contribute to closing the pay gap more quickly. Workers in Estonia are amongst the highest risk groups for precarious work in the forms of (bogus) self-employment, short-time contracts, zero-hours contracts and undeclared work. Young people are particularly vulnerable to this. The education system furthermore struggles to provide them with the relevant skills they will need in the labour market. Finally, due to the costs, distance and waiting times for healthcare, 16.8% of Estonians have unmet medical needs. Spending on healthcare is among the lowest of the EU. A more central role for primary care intends to improve the accessibility and effectiveness of the healthcare system.



**Gini Index:** 30.6

**Unemployment:** 5.4%

**Gender equality index:** 59.8

**Youth unemployment:** 11.9%

**AROPE:** 24.4%

**Social welfare spending (as % of GDP):** 13%

**Tax on labour as share of total taxes:** 50.6%

**In work poverty:** 9.3%

**CIVICUS civic space monitor:** Open

## Equal opportunities and fair working conditions

Estonia's tax system is characterised by high indirect taxes (over 41%), including on consumption, use of natural resources and pollution, which are known to have regressive effects.<sup>1</sup> The income tax is based on a flat tax of 20%, with a decreasing share of the income exempted as the total income gets higher.<sup>2</sup> The National Strategy Group reports that although this system is progressive, it is difficult to adjust and improve the progressiveness.

Over the past five years, Estonia has seen a 25% increase in (reported) occupational incidents. A number of amendments to the occupational health and safety law is intended to promote a culture of safety amongst employers and employees.<sup>3</sup> Despite the prevalence of standard work, workers in Estonia are amongst the highest risk groups for precarious work.<sup>4</sup> Self-employed workers, working under 'service contracts', do not enjoy the same working conditions as traditional employees. They have no rights to holidays or unemployment insurance and face a significantly higher risk of poverty; 23.5% of self-employed are at risk of poverty compared to 7.8% of wage employees.<sup>5</sup> Besides, (bogus) self-employment, short-time contracts (less than 3 months), zero-hours contracts and undeclared work are the main contributing factors to the insecure working conditions in the Estonian labour market.<sup>6</sup>

## Youth

Especially young people are prone to precarious work as it takes them a while to find a job with an indefinite contract. They furthermore often rely on recommendations from relatives or other acquaintances for their first job, the National Strategy Group reports. Although young people in Estonia enjoy high quality education that provides them with a solid set of basic and digital skills, the National Strategy Group has found the especially those with basic or general secondary education feel like their professional skills are not sufficient to find employment after graduating. The number of early school leavers is close to the EU average, but has increased from 10.9% in 2016 to 11.3% in 2018.<sup>7</sup> For the future, there is a looming shortage of qualified teachers, as close to 50% of teachers are currently aged 50 years or more.<sup>8</sup>

### Good practice 'My first job'

In order to promote youth employment, the unemployment insurance fund has started the 'My first job' programme, aimed at helping young people gain work experience. The fund pays an employer who hires an unemployed 16-29 year old with little professional experience up to 50% of their wages for a maximum duration of one year. The employer must offer the young worker with an indefinite contract or a fixed-term contract of at least a year and is encouraged to also provide them with training.<sup>9</sup> There is a similar programme named 'My first job in Estonia', that besides wage subsidies also offers employers who hire refugees compensation of the cost of obtaining qualifications, Estonian language training and work-related translation services.<sup>10</sup>



## Gender equality

Although there have been positive developments, women in Estonia still earn on average 25.6% less than men. This is the highest gender pay gap in the EU.<sup>11</sup> Only a small part of this gap can be explained because women tend to be overrepresented in sectors where wages are lower and are more likely to work part-time. Parenthood has an exceptionally high effect on women's employment in Estonia; only 16.2 % of women with a child under the age of one are employed, versus 92.6 % of men.<sup>12</sup> The National Strategy Group indicates that there is a strong need for more and also more flexible childcare. Better long-term care provisions would also alleviate the burden on women who care for sick and/or elderly family members. At 20%, inactivity due to care responsibilities is relatively high in Estonia compared to the EU average of 16.5 %.<sup>13</sup>

### Good practice

#### Wage transparency

The previous government made plans to introduce transparency requirements to reduce the gender pay gap in the public sector.<sup>14</sup> This would involve gender-based analyses performed by the labour inspection to determine whether there were unexplained differences between the wages of men and women. Its purpose was to identify the causes of the pay gap and, if necessary, to draw up an action plan to close it. Failure to do so could result in a penalty payment of up to €9600. The law would furthermore have mandated the employer to inform employees of the equal treatment of men and women in the organisation and about the measures taken to promote equality at least once every two years. It is still uncertain whether the new government will continue these efforts. The effects of the measures will also be limited because they only apply to the public sector.<sup>15</sup>

## Social protection and inclusion

Although overall Estonia scores well on the Social Scoreboard, at 24.4% the share of people at risk of poverty and social exclusion is above the EU average. The number of people at risk has increased since before the economic crisis.<sup>16</sup> Some groups, such as women and the elderly, face especially high risks. In 2017, 42% of people aged 65 or older were at risk of poverty and elderly women were almost twice as vulnerable to poverty as the general population (48.7 %).<sup>17</sup> In-work-poverty, though fluctuating, has also seen an overall increase over the past decade.<sup>18</sup>

### Social protection

Estonia's social safety net has improved in terms of adequacy and coverage, however social transfers remain relatively ineffective at preventing people from falling into poverty.<sup>19</sup> Unemployment benefits are contribution based and thus exclude those who are not part of an unemployment insurance scheme. The National Strategy Group warns that self-employed persons, members of the boards of directors and councils of companies, elected representatives such as judges are not insured against unemployment and are not allowed to make voluntary contributions, leaving them unprotected. The replacement rate of unemployment benefits is 50% of the previously earned income for the first 100 days and is then lowered to 40%, which leaves many vulnerable in the face of poverty.<sup>20</sup>

The 2018 amendment of the State Pension Insurance Act intends to improve the sustainability and adequacy of pensions by introducing a supplement for people who live alone or have raised children. However, these changes are not expected to significantly improve the living conditions of pensioners. Recent reforms have led to greater regional



disparities in terms of the quality, availability and accessibility of social services, including housing, homecare and childcare.<sup>21</sup> Estonia's working age population has been in decline since 2005.<sup>22</sup> This has put pressure both on the labour market and on the financing of social security and healthcare.

### Healthcare

Estonia has the highest share of self-reported unmet medical care needs of the EU. In 2018, 16.8% of the population did not get the medical attention they needed due to financial reasons, waiting times or distance.<sup>23</sup> As a result, Estonians are expected to only enjoy 57.2 healthy life years; 7 years less than the European average.<sup>24</sup> Government spending on healthcare per inhabitant is amongst the lowest of the EU.<sup>25</sup> A combination of an ageing population and increasingly expensive new treatments are threatening the financial sustainability of the healthcare system.

In order to strengthen the primary care system and alleviate the pressure on specialist care, in 2019, an agreement was signed between the Ministry of Health and Labour, the Estonian Society of Family Physicians, the Health Board and the Estonian Health Insurance Fund. This agreement aims to ensure that every person in Estonia has the opportunity to register with a GP. In order to achieve this, a mentoring programme for underperforming GP practices is introduced and an extra €19 million a year are pledged inter alia to boost doctors' wages.<sup>26</sup>

### Civic space

Civic Space in Estonia is classified by CIVICUS as 'open'.<sup>27</sup> This is corroborated by the National Strategy Group who report that the freedom of association and assembly are generally well protected. Volunteering is gaining in popularity, with an increase in the proportion of volunteers from 31% to 49%

between 2014 and 2019.<sup>28</sup> However, the Strategy Group also notes that civil society is not actively involved in the decision making process of the government, as they are usually only consulted after a decision has already been made. In addition, trade union membership and collective bargaining coverage are both low.<sup>29</sup> Reporters without Borders finds that although the freedom of press is guaranteed, ownership of the press is increasingly becoming concentrated. The small number and low popularity of Estonian Russian-language media outlets furthermore mean that the Russian minority in Estonia (roughly one fourth of the population) relies mainly on the powerful media outlets from Russia.<sup>30</sup>

### Comparison Country Specific Recommendations

The Country Specific Recommendations for Estonia cover many of the points also brought forward by the National Strategy Group, such as the challenges of demographic ageing, the large gender pay gap and the ineffectiveness of social transfers. However, it also neglects some important issues including the regressive aspects of the taxation system, the increasingly precarious working conditions and the growing problem of in-work-poverty.



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