
EU Enlargement: Impact On The Social Policy and Labour Markets of Accession and Non- accession Countries

BACKGROUND FOR ESTONIA

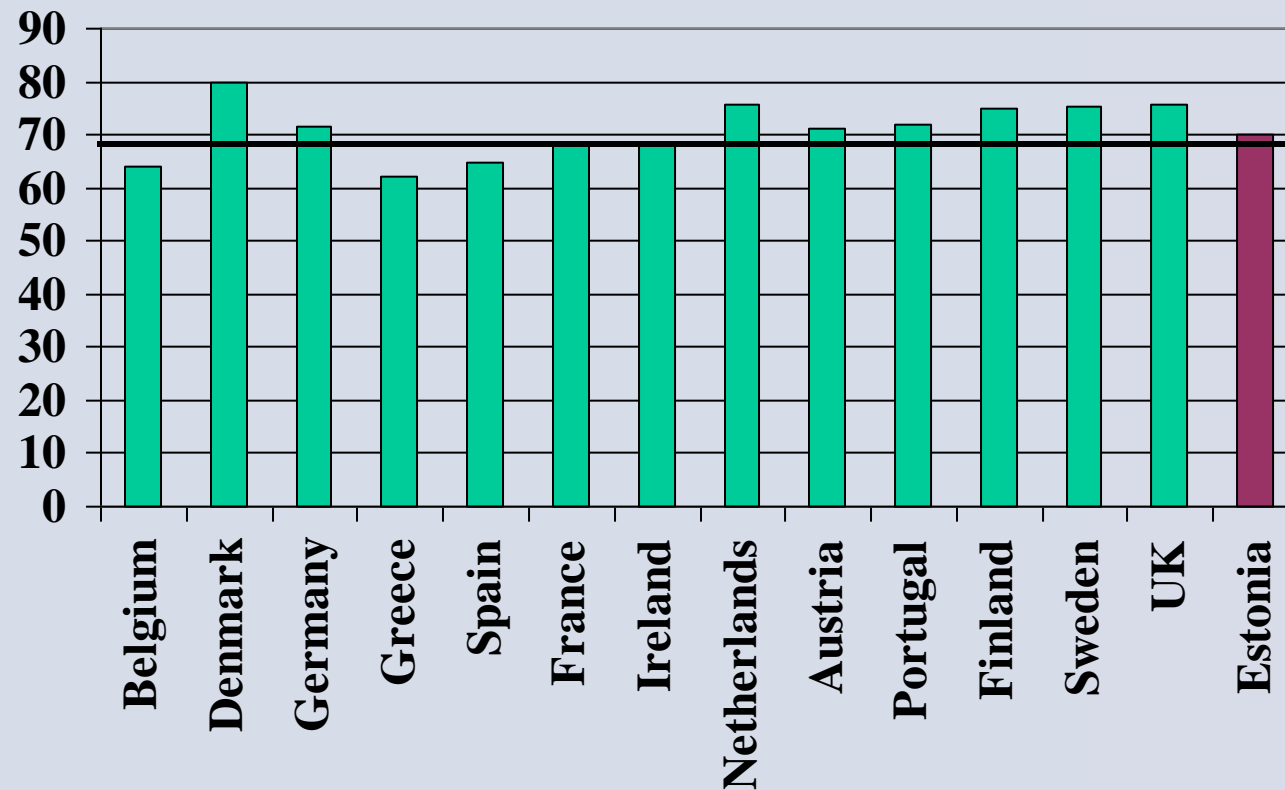
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Structure

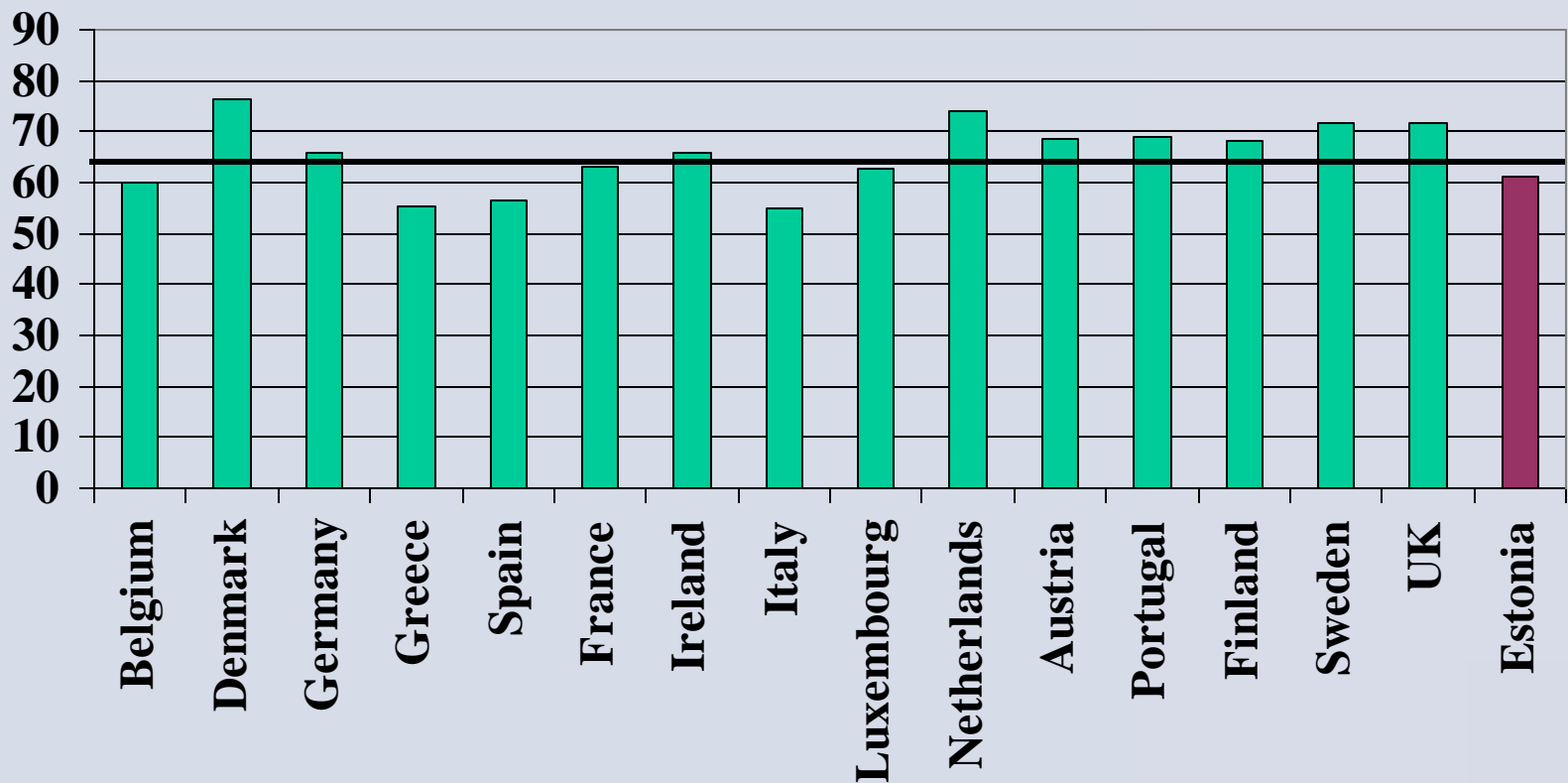
- Labour market
- Social protection & social policy
- Migration

Labour force participation rates 2001 (age 15-64)



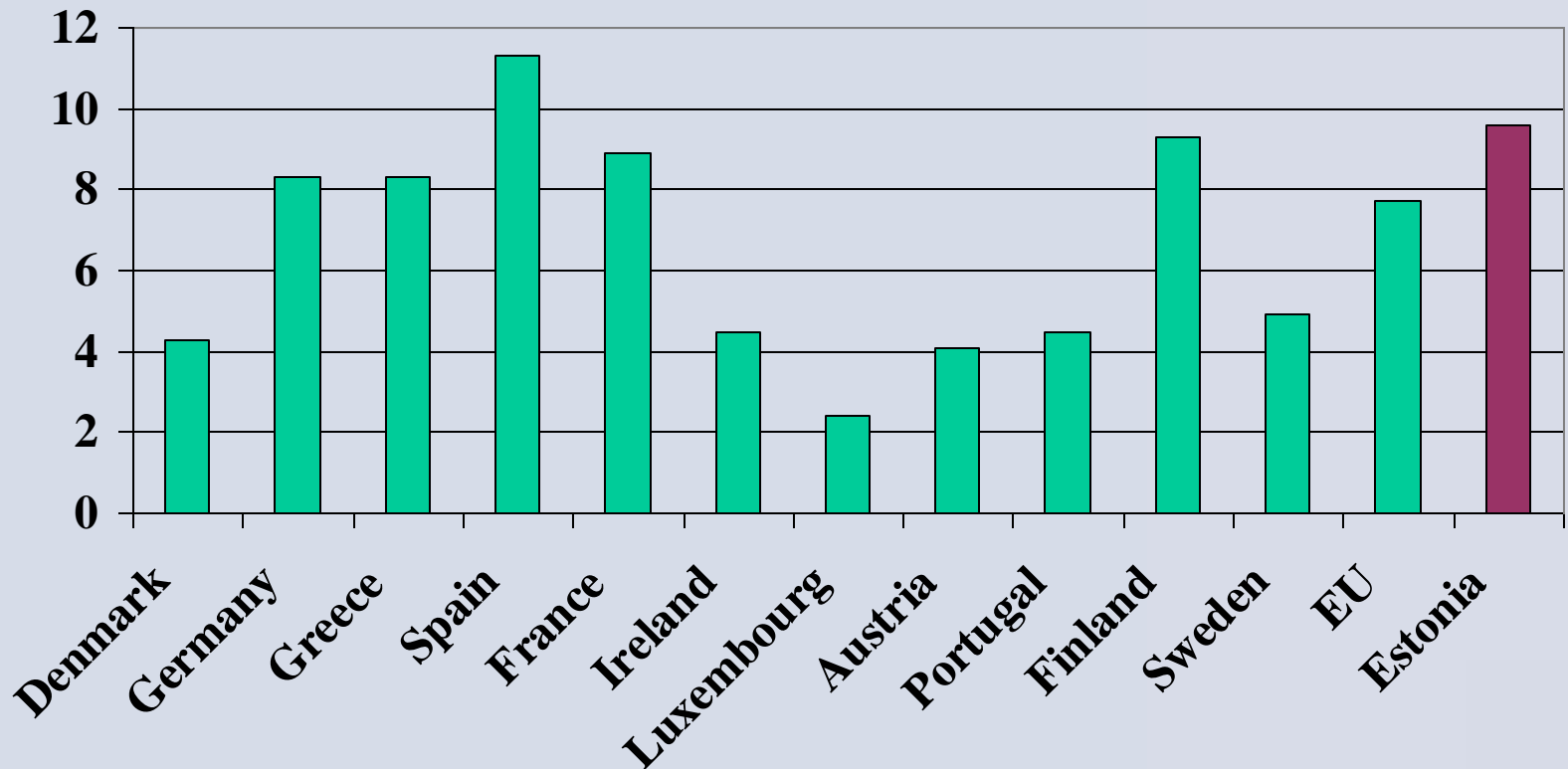
Source: Employment in Europe 2002; Statistical Office of Estonia

Employment rate in 2001 (age 15-64)



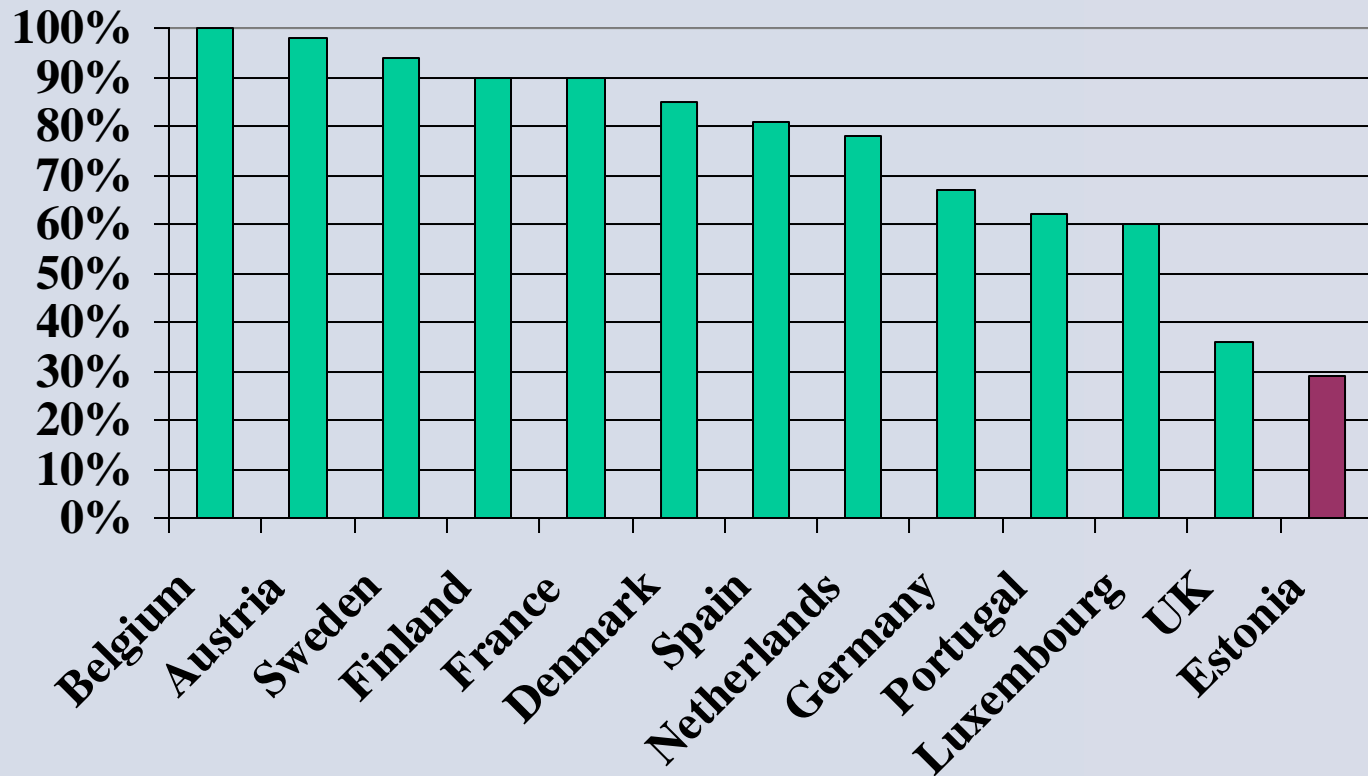
Source: Employment in Europe 2002; Statistical Office of Estonia

Unemployment rate July 2002 (age 15-64)



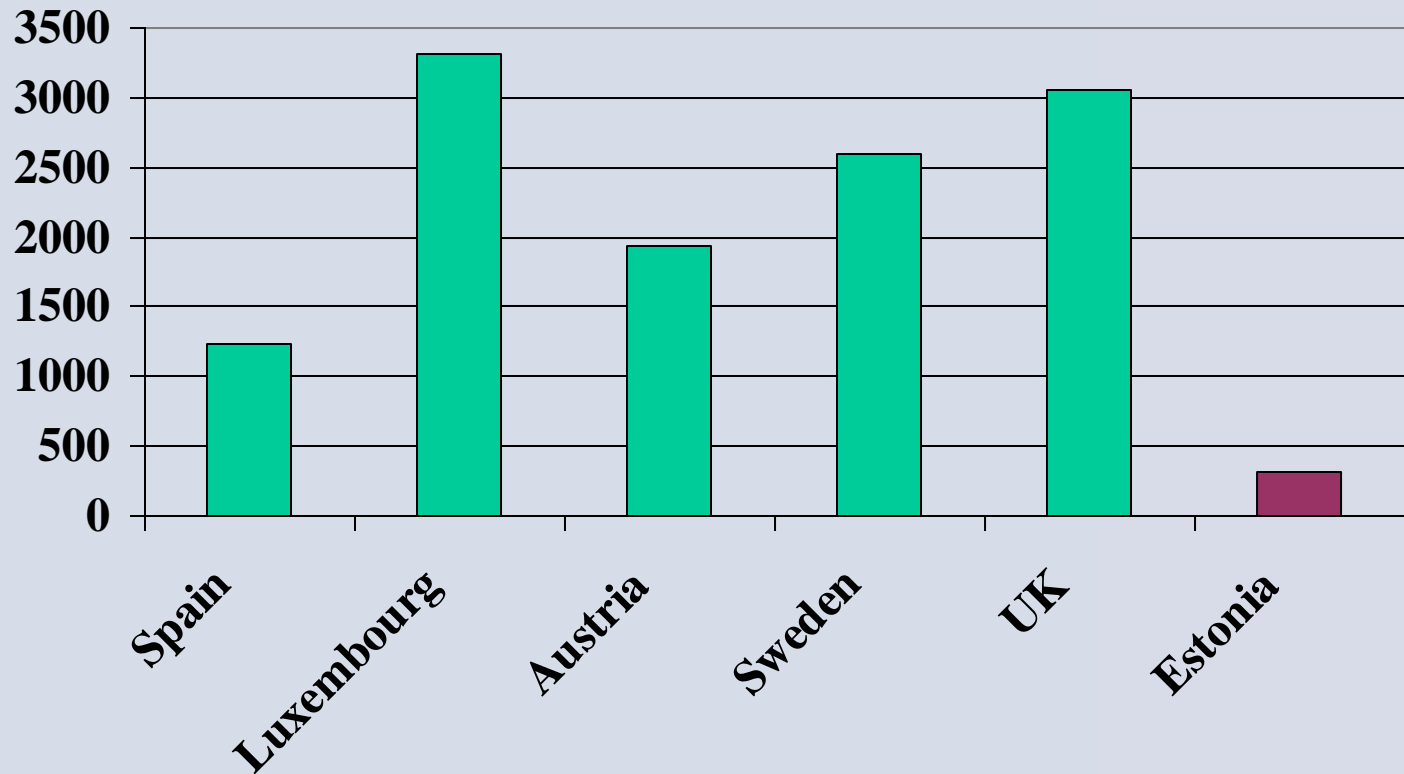
Source: Eurostat; Statistical Office of Estonia

Collective agreements coverage



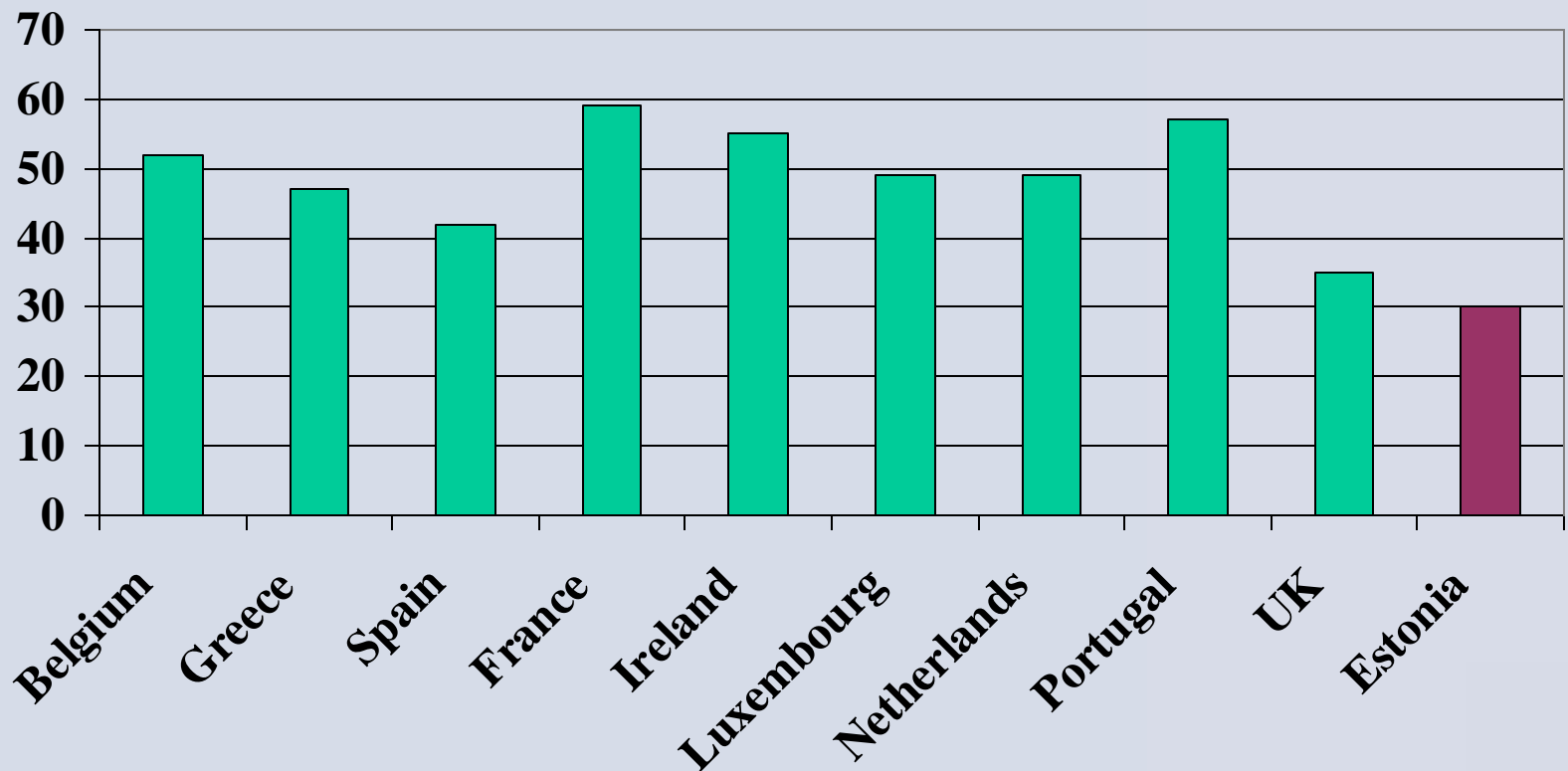
Source: EIRO, Industrial relations in the EU and Candidate Countries 2002

Average wage in manufacturing and services 2000 (EUR)



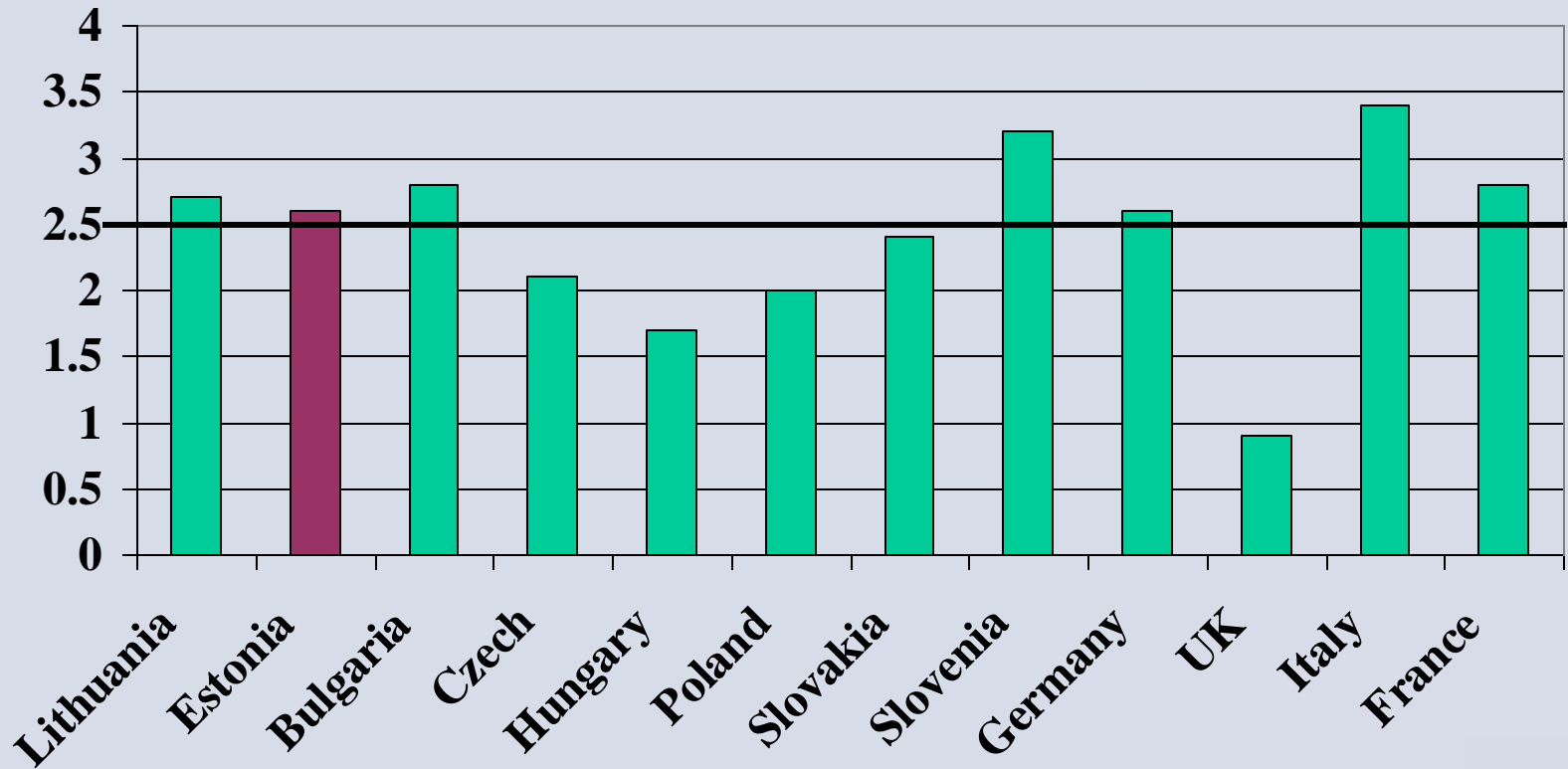
Source: Eurostat Yearbook 2002

Minimum wage relative to average wage in manufacturing 1999



Source: Eurostat Yearbook 2002; Statistical Office of Estonia

Employment Protection Legislation



Source: Eamets, Masso, Kallaste, Rõõm, How flexible are labour markets in CEE countries 2002

Labour market problems

- Low labour force participation (70%) and employment rates (60%);
- High unemployment rate (12.8%)
- Large share of long-term unemployed (48% of unemployment)
- High unemployment of young people (22.2%)
- High regional disparities in labour market (highest unemployment 18%, lowest 7.8%)

Main causes of labour market problems

- Rapid changes in economic environment
- Disparities between labour market needs and vocational education system
- Under-financing of active labour market measures
- Relatively strong EPL
- Low regional mobility of labour force

Social insurance and benefits

- Insurance based schemes
 - Pensions (old-age, work-incapacity, survivorship)
 - Unemployment insurance
 - Health insurance
- Flat-rate schemes
 - Family benefits
 - Disability benefits
 - Unemployment allowance
 - Subsistence allowance
 - National pensions

Overview of social protection system

- Universal or nearly universal coverage
- Substantial role of flat rate benefits with relatively low replacement rates
- Relatively few earnings related benefits (the role is increasing)
- Public administration of schemes with modest role of social partners
- Great reliance on contribution based financing

Main problems of social protection

- Too low value for protecting against poverty risk
- Declining real values
- Negative impact on work incentives (liberal eligibility criteria and low wages)
- Ageing population's pressure on financing of social protection

Replacement rates

Unemployment allowance*	7.3%
Subsistence allowance*	9.1%
Average old-age pension*	28.7%
Benefit to parent for the first child first three years*	13.6%
Unemployment insurance**	50% (40%)

*In respect to average gross wage in 2001

** In respect to person's previous wage

Emigration current state

- In the EU states around 15 000 Estonian citizens (there were 5300 people receiving income from abroad)
- Main destination countries Finland, Germany and Sweden
- Surveys show that permanently will emigrate very few
- Surveys show that people who want to go to work abroad are inclined to work temporarily (couple of month)

Immigration current state

- Quotas (668 persons per year 0.05% of population)
- Actual immigration is higher (exceptions in quotas)
- EU citizens are not subject to quota

Current and possible problems due to migration

- Small quota makes immigration sophisticated
- Emigration of better qualified and flexible labour force
- Cross-border working
- Emigration's pressure on population ageing and even more on financing social protection
- Threat of social migration (problem to target countries of migration)

Transition period for free movement of workers

- Generally transition period for 3+2+2 years
- Without transition period:
 - Sweden
 - Ireland
 - Denmark
 - Netherlands
 - UK

The contents of the EU negotiations

- Free movement of people (ch 2)
 - Mutual recognition of qualifications
 - Citizen rights
 - Free movement of workers
 - Coordination of social security schemes
- Social policy and employment (ch 13)
 - Safety of work and occupational health
 - Equal opportunities of men and women
 - Public health
 - Promotion of social dialogue
 - Social protection
 - Coordination of social security and employment legislation acts

Proposals/questions for future work????

- How the states will be compared in the joint report: Each state takes one subject and studies it; or we will take country reports as bases and compare those with the EU states
- Concentrate on push and pull factors of migration, their descriptions and comparisons (the list of factors studied should be unified)
- Estonia is interested in: Finland, Sweden, Germany, Netherlands, UK and Ireland
- In which stage and what input is expected from case studies and focus group interviews?