

Estonian National Observatory

Financing: investment in human resources

Estonia

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General information

Background Information

29% of the population of the Republic of Estonia lives in the capital city Tallinn. Estonia is administratively divided into 15 counties, 42 towns and 205 rural municipalities. The territory of the republic is 45,227 sq. km; the population was 1,361,000 people at the beginning of 2002, and the population density is 30 people per sq. km. To the north, Estonia is bordered by Finland, to the east by Russia, and Estonia's neighbour to the south is Latvia.¹

The volume of the economy of Estonia is very small compared to the EU. By the development of economy, Estonia is in a middle position among the countries of Central and Eastern Europe. However, the Estonian GDP per inhabitant forms only 42% of the EU average (the average for the 10 candidate countries is 45%).

The competitiveness of the Estonian economy is considered to be rather high. The World Competitiveness Yearbook 2002, prepared by IMD, and The Global Competitiveness Report 2002, prepared by the World Economic Forum, ranked Estonia respectively the 21st and 26th among the assessed countries. The competitiveness is favourably influenced by a liberal economic environment and relatively low level of corruption. The Index of Economic Freedom of 2003, published by the Heritage Foundation, ranked Estonia on the 6th to 8th place in the world. According to The Transparency International Corruption Perception Index, Estonia is on the 29th place among the countries of the world.

The UNDP Human Development Report 2002, which measures social and economic development on the basis of the human development index, placed Estonia among the countries with high human development level, mainly due to the rapid growth of GDP in the late 1990-ies and the good level of formal education. At the same time, the average life expectancy in Estonia, which illustrates the living conditions of the population, is one of the lowest in Europe – 7 to 10 years less than in the EU. Unemployment, poverty and social rejection are major issues.

In 1995, Estonian economy came out of the phase of decline and the average growth of GDP in 1995–2001 has been 5% (See: Table 1 and Graph 1 in annex), which is noticeably higher than the economic growth in the EU (an average of 2.5% in the same period). According to purchasing power, Estonian GDP per inhabitant has grown in 1995–2001 by 10 percent points compared to the same EU indicator – from 32% to 42%. In 1999, the Estonian economy was in decline again, mainly owing to the decreased external demand resulting from an economic depression in Russia and on the other hand due to the consumption and investment decisions which were based on unjustifiably optimistic expectations. The recovery of the economic growth in 2000 was supported by the restructuring and more effective use of existing resources. Rapid growth continued in 2001, despite the cooling of the global economy and the slowdown in the economic growth of the trading partners.²

Employment

The decrease in the population growth in Estonia started in 1991 and is continuing – the population has decreased by 13% as the result of the cumulative effect of negative birth rate and emigration. At the same time, the employment rate has dropped more quickly owing to the changes in the sectorial structure of economy and overall rationalisation. The number of persons in employment plummeted from 800,000 in the late 1990-ies to 570,000 in 2000. In 2001, the employment rate started to grow and the number of persons in employment reached 585,000 in 2002 (55.9% of the active population).

The unemployment rate, which in the middle of the 1990-ies remained around 10%, increased rapidly after the Russian economic depression of 1999 (See: Table 2 in annex). The

¹ Statistical Office, "Eesti Statistika aastaraamat 2002 *Statistical Yearbook of Estonia*", Tallinn 2002

² "The Estonian National Development Plan - Single Programming Document 2004–2007"

labour market adjusted itself quickly to the changing economic climate, as the slowdown in economy forced enterprises to change their employment policies. Employees were made redundant in order to cut back on costs, several enterprises went bankrupt and the number of unemployed persons increased in 1998–2000 almost one and half times. Since 2001, after the recovery of economic growth, the number of the unemployed has decreased fast and has dropped to 67,000 in 2002 (10.3% of the active population).

One of the major issues in the Estonian labour market is the nonconformity of supply and demand, high unemployment rates and the shortage of qualified labour force, that all exist at the same time. The level of unemployment among young people and the long-term unemployment rate remain high and show tendency to grow. The steadily favourable investment and economic climate is expected to gradually reduce unemployment and, in longer perspective, to lead to more extensive use of labour resource.

Political background: national policies and targets related to financing

In 1996–2000, during the first years of the ongoing reform of the Estonian vocational education system, a public agreement was reached concerning the ways of the reorganisation of vocational education. Education system representatives and social partners started a constructive dialogue; a legislative base and conditions were created for the developing of the system in agreement with the changes that had occurred in Estonia and with the aim to use the existing resources more effectively, to develop new programmes and to improve the competence of the teaching staff of vocational education institutions.

The general framework of the modernisation of vocational education in Estonia is regulated by the following documents:

- “Vocational Education Concept” (approved by the Government of the Republic on January 13, 1998). The VET Concept is an education policy agreement to develop vocational education, which resulted in the amendment of the Vocational Education Institutions Act and the Applied Higher Education Institutions Act.
 - “Action Plan for Developing Estonian VET System in 2001–2004” (approved by the Government of the Republic on June 12, 2001). The action plan defines the main developments of the vocational education system for the coming years – to inform the public, educators, trainers and social partners.

The objectives of the coming years in developing vocational education are (Activity Plan...p. 10):

To ensure learning opportunities

- ...for the young people up to age 18, providing programmes which meet the interests and abilities of the young, in order to facilitate transfer from school to working life;
- ...for adults by organising continuous/complementary training, enabling them to acquire higher qualification levels;

To ensure quality of education

- ...by developing contemporary initial and complementary VET teacher/trainer training system;
- ...by modernizing learning environment and updating the content of programmes so that the teaching quality shall be in accordance with the requirements of the labour market;
- ...by implementing vocational higher education programmes;
 - ...by developing and implementing VET schools’ monitoring system – efficiency evaluation, accreditation, self-assessment;
 - ...by increasing effectiveness of the VET system leadership;
 - ...by updating legislation.

On December 18, 2000, **an agreement for joint activities** was signed by the Ministries of Education, Economic Affairs, and Social Affairs; the Estonian Employer’s Confederation, the

Estonian Chamber of Commerce and Industry and the Confederation of Estonian Trade Unions in order to prepare qualified labour force.

On March 18, 2003, the Government of the Republic approved “**The Estonian National Development Plan – Single Programming Document 2004–2007**”, which outlines the main developments of education and labour market under Priority 1 “Development of Human Resource”. Bringing the content and purpose of vocational and higher education into compliance with the requirements of modern work life is in the focus of the priority. Through the modernisation of education and the development of in-service training, the prerequisites and conditions for following the principles of life-long learning are created, the purpose of which is to ensure the adaptability and flexibility of work force. The prevailing objective is to improve the educating and training of vocational teachers. In-service training of employees at their working places and the creating of opportunities for improving employees’ qualification are important from the perspective of ensuring life-long learning. Means are being allocated for improving business knowledge and skills in order to make the Estonian labour market more active and to boost entrepreneurship.

The Ministry of Education and Research has started to develop a strategy for the systems of life-long learning and adult education. In 2002, a draft of the strategy was sent to more than 40 different organisations (ministries, organisations of employers and employees, training institutions, etc.) for discussions and suggestions. In the second half of 2002, the amending of the strategy began on the basis of the received suggestions and comments. By the end of the first half of 2003, it is planned to present the finalised draft to the Minister of Education and Research for deciding on further activity concerning the document. The strategy is also to be approved by the Government of the Republic.

At the moment, there is no strategic document dealing specifically with employment training. However, among other subjects concerning employment, training is briefly dealt with in the Employment Action Plan of the Republic of Estonia 2003 and the Labour Market Board Action Plan for Q3 2002–2004. By the end of 2003, a concept of employment services, in which employment training should form a significant part, will be prepared by the Ministry of Social Affairs.

Legislative Bases for the Financing of Vocational Education

The main legislative acts regulating vocational education, adult re-training and in-service training, and employment training, are:

- 1) Vocational Education Institutions Act (17 June 1998); regulates vocational secondary education provided on the bases of basic and secondary education in state and municipal vocational education institutions;
- 2) Applied Higher Education Institutions Act (10 June 1998); regulates the activity of applied higher education institutions, and also the provision of applied higher education in vocational education institutions;
- 3) Adult Education Act (10 November 1993); regulates the formal education acquired with the adult education system in the form of evening courses, distance learning or external study; the professional training of adults; informal education;
- 4) Private Schools Act (3 June 1998); regulates the training of more than 120 hours long provided by sole traders and legal persons in private law;
- 5) Employment Service Act (14 June 2000); regulates the employment service (including employment training) provided to job seekers and employers ;
- 6) Social Protection of the Unemployed Act (14 June 2000); regulates the registration of persons as unemployed and the payment of state unemployment benefits, single benefits and stipends through employment offices;
- 7) Professions Act (19 December 2000).

The Ministry of Education and Research (up to 2003, the Ministry of Education) is responsible for the whole domain of education, including initial vocational education.

Students are subject to the obligation to attend school – compulsory education – until they acquire basic education or attain 17 years of age. Attendance of public and municipal general education institutions is free of charge. The state and local government must guarantee the existence and financing of the required number of student places. The Estonian general education system is decentralised, general education institutions belong mostly to local governments.

The Estonian vocational education system is, on the contrary, strongly centralised. The majority of vocational education institutions are state-owned. The provision of initial vocational education is financed from the state budget. Students have the right for free education up to the level of secondary education and thus, the state and local governments must guarantee student places either in a gymnasium or a vocational education institution for all persons interested therein.

Funding of initial vocational education and training

Structure and Organisation of Vocational Education

The Estonian vocational education system is strongly centralised. The majority of vocational education institutions are state-owned (See: Table 3 in annex). The provision of initial vocational education is financed from the state budget. The organisation of vocational education is based on the assumption that only general objectives and basic principles of vocational education, and economic and legal means ensuring the development of vocational education, as well as the organisation of vocational education are to be determined at the state level.

The term “vocational education” includes vocational, special and professional education in all forms. The types of vocational education within formal education system are the following: basic vocational training, secondary vocational education, applied higher education. Various training sessions and courses are organised outside the formal education system.

Students acquiring basic education, including those who are beyond the minimum school-leaving age and acquire basic education in the form of evening courses or distance learning, may receive basic vocational training at a vocational education institution. Gymnasium students (general secondary education) may acquire basic vocational training in the volume of elective courses – also in cooperation with vocational education institutions.

Vocational education may be acquired both after finishing basic school and after finishing gymnasium. Duration of study for acquiring vocational secondary education on the basis of basic education is at least 3 years. Duration of study for acquiring vocational secondary education after gymnasium is 1–2.5 years.

Students who have finished the vocational secondary education programme on the basis of basic education and wish to continue studies at the higher education level – bachelor studies at a university or applied higher education studies at an applied higher education institution or a vocational education institution – shall, as a rule, pass state examinations of general

secondary education, which are compulsory to the graduates of gymnasiums. All persons with secondary education or qualifications equal thereto have an equal right to compete to be admitted to an education institution providing higher education.

Forms of ownership and structure of vocational education institutions

The number of vocational education institutions has changed a lot. Based on strategic documents regulating vocational education³, the objective is to expand the set of owners of vocational education institutions – the share of the private sector has grown, also the ownership of municipal vocational education institutions has changed.

In order to bring the management of vocational education under the administration of one ministry, 12 vocational education institutions were transferred from the administrative jurisdiction of the Ministry of Agriculture into that of the Ministry of Education and Research in 1999 and 2000. During the years following the transfer, the vocational education institutions network in administrative jurisdiction of the Ministry of Education and Research has been restructured and several vocational schools of the same region have been merged into vocational education centres in order to save on costs and to improve the quality of teaching.

In 1997–1998, vocational schools were merged in Tallinn and Saaremaa County; in 1999, in Tallinn and Valga, Võru, and Viljandi Counties; in 2000, in Narva (4 institutions), Pärnu (2) and Tallinn (2); in 2001, in Lääne Viru County (2), and in Tartu, 3 vocational education institutions were municipalized and merged. In 2003, the vocational education institutions network will be restructured in Pärnu County, Tallinn and Ida-Viru County. In Pärnu County, Sindi Light Industry School, Tihemetsa Agricultural School and Pärnu Vocational Education Centre will be merged into Pärnu County Vocational Education Centre. In Tallinn, Tallinn Kristiine Service School will be merged with Tallinn Industrial Education Centre and Tallinn Kopli Construction School with Tallinn Construction School. In Ida-Viru County, Jõhvi Vocational Secondary School will be merged with the Estonian Mining Education Centre.

The negotiations over the municipalisation of vocational education institutions are continuing in 2003. It is planned to bring into the administrative jurisdiction of local municipalities Kose Service School in Harju County, Väike-Maarja Training Centre in Lääne-Viru County, Kallaste Secondary Vocational School in Tartu County and Kuremaa Agricultural School in Jõgeva County.

A decline in the number of students during the academic year 2002/03 (See: Table 4 in annex) was caused mainly by the fact that both the students who had been studying on the basis of a 4 year programme and those who had been studying on the basis of a 3 year programme finished their studies at the same time. This trend is illustrated by a graph below (See: Graph 2 in annex), on which the graduates from vocational education institutions are given in the breakdown of areas.

Administrative framework for funding

³ Vocational Education Concept; Action Plan for Developing Estonian VET System in 2001–2004

The Ministry of Education and Research has the Department of Vocational and Adult Education. The main responsibility of the department is to organise the ministry's activity in the field of education policy in the area of secondary vocational and adult education and to advise the management and other departments of the ministry on these areas. In addition, the department coordinates the work done in the Ministry of Education and Research in the area of the development, granting and certifying of professional qualifications. The ministry's planning department is responsible for the development of the principles of financing vocational education, analysis and planning of the financing, preparing draft budget directives and reports on financial economic activities.

The Ministry of Education and Research School Network Administration Office (www.hm.ee/kvb/) is a government agency that provides services to the Ministry of Education and Research in the field of the management of public basic schools, gymnasiums, vocational education institutions and applied higher education institutions. The office deals with implementing the ministry's education policy at the level of public education institutions and provides the ministry with analyses and assessment necessary for practicable and effective organisation of the education institutions network in order to make decisions concerning education policy. The office's responsibility is also to ensure support services to schools necessary for creating an optimal learning environment. The School Network Administration Office is responsible for making proposals to the Ministry of Education and Research for the financing of public schools; it is the office's duty to analyse the financing of public schools, make suggestions for preparing budgets and audit annual reports of public schools.

The Ministry of Education and Research Public Assets Administration Office is a government agency in the administration of the Ministry of Education and Research, providing services for the ministry in issues concerning the administration of public assets under administration of the Ministry of Education and Research. The objective of the office is to organise effective and sustainable administration and development of the Ministry of Education and Research and the assets which are under the administration of the ministry in order to guarantee the performance of the responsibilities of the ministry.

The National Examination and Qualification Centre (www.ekk.edu.ee) is a public agency with a mission to provide students, teachers, schools, education managers and the public with information about the level of learning and teaching in schools and to assist in implementing programmes and developing the teacher training system. The centre deals with the substantial side of education preparing programmes, advising schools on the issues concerning the programmes, assessing students' performance and developing the teacher training system.

The Foundation Vocational Education and Training Reform in Estonia (www.sekr.ee) is a non-profit organisation, whose objective is to coordinate and implement cooperation programmes of the European Union in the field of vocational education and employment in order to support the development of Estonian human resource and to prepare it for the integration in the European Union.

The National Qualification Authority (www.kutsekoda.ee) was established in August 2001 to continue developing the National Employee Qualification System launched by the Estonian Chamber of Commerce and Industry in 1997. The objectives of the institution are to facilitate the establishment and development of an integrated and organised professional qualifications

system and establish prerequisites for achieving comparability of the qualifications of Estonian employees as well as recognition of other countries.

Organisation of Financing

Initial vocational education is financed mainly from the state budget. The public sector expenditure on vocational education as share of GDP has been stable since 2000, forming an average of 0.57% of GDP. (See: Graph 4 and Table 5 in annex)

The public sector expenditure on vocational education given on the graph 3 and in the table 5 above include the expenditures from the state budget on initial vocational education. The expenditures on vocational education from the state budget include the expenditures of vocational education institutions in the administration of the Ministry of Education and Research and other ministries: study costs, benefits, investments; benefits to private vocational education institutions, which are allocated through the Ministry of Education and Research; benefits to municipal vocational education institutions, which are allocated through the Ministry of Education and Research; fees for the participation in the EU Leonardo da Vinci Programme and other administration costs related to vocational education.

The volume of GDP in current prices was 76.3 billion kroons in 1999; the forecast of the Ministry of Finance for 2003 is 115.6 billion kroons. Thus, the Estonian gross domestic product has increased 1.5 times over the last five years. The amount spent by the public sector on vocational education was 475.5 million kroons in 1999 and has grown 1.34 times by 2003. In 2003, the expected expenditures of the public sector on vocational education are 635.4 million kroons. The share of vocational education costs in the budget of the administration of the Ministry of Education and Research has been steady 24–25%. (see: Graph 5 in annex)

The decline in the share of vocational education expenditures in 2002 was caused by the increase of the share of higher education costs. Together with the implementation of the higher education reform, the expenditures on higher education increased about 20%, which in turn increased the share of higher education expenditures in the budget of the administration of the Ministry of Education and Research from 35% in 2001 to 38% in 2002.

The organisation of the financing of state and municipal vocational schools is regulated by the Vocational Education Institutions Act. Vocational education institutions are financed⁴:

- From the state budget and the budgets of local governments;
- From revenue from foundations;
- From fee-charging services related to the main activities of schools;
- From other sources.

The financing of vocational education from the state budget is based on a system of lump-sum benefits. The financing of a school depends on both the number of students and cost of professions, which are taught in the school. The cost of the teaching of different professions is different and this is taken into account in financing schools.

The study costs of a public school shall be covered from the state budget within the limits of the number of student places financed by the state during the nominal study period determined in the programme, on the basis of the cost of a student place⁵ and the coefficients for the programmes and forms of study⁶.

⁴ Vocational Education Institutions Act § 33,

⁵ Regulation No 29 of the Government of the Republic of 23 January 2003 “The cost of a student place in a vocational education institution for 2003”;

⁶ Regulation No 30 of the Government of the Republic of 23 January 2003 “The coefficient for the fields of study and the coefficient for the forms of study in vocational education institutions and the coefficient for the provision of instruction for students with special needs”

The minister who directs the ministry in whose administration a school is shall approve the student places of the public school which are financed by the state after having considered the opinion of the corresponding vocational council.

A rural municipality or city government shall approve the student places of the municipal school which are financed from the rural municipality or city budget after having considered the opinion of the corresponding vocational council.

The study costs related to the teaching of students studying in a municipal school on the basis of basic education shall be covered from the state budget on the same bases. The study costs related to the teaching of students studying in a municipal school on the basis of secondary education may be covered from the state budget upon agreement with the corresponding rural municipality or city government. In order to cover the study costs related to the teaching of students studying in a municipal school on the basis of secondary education from the state budget, a contract shall be entered into between the corresponding rural municipality or city government and the Ministry of Education and Research as the representative of the state.

The costs related to the organisation of basic vocational training for persons acquiring basic education shall be covered, in the case of public schools, from the state budget within the limits of the number of student places approved by the minister in whose administration the school is located and, in the case of municipal schools, from the corresponding rural municipality or city government budget within the limits of the number of student places approved by the rural municipality or city government. The study costs related to the organisation of basic vocational training for persons acquiring basic education in municipal schools may be covered from the state budget on the basis of a contract between the corresponding rural municipality or city government and the Ministry of Education and Research as the representative of the state.

The funds allocated from the state budget by study levels have been divided according to the number of students. The funds allocated to the public schools and private schools supported from the state budget have been taken into account. Division of the public sector expenditures on vocational education by different levels and types of vocational education and training are described with Graph 6 in annex.

The costs related to applied higher education include only the costs of applied higher education in the vocational education institutions, which are in the administration of the Ministry of Education and Research (up to 2002, admission to these institutions was carried out at the level of vocational higher education). The costs related to applied higher education institutions are not included in the Graph 6 in annex.

Direct, indirect and capital costs from the public sector vocational education budget are described with the Graph 7 in annex.

Investments include the costs of the renovation of buildings and the acquisition of teaching aids.

Study costs include the expenses incurred by the education institution in order to finance studies: remuneration (of teaching staff, management and administrative staff), administration and management costs (including the costs of maintaining the buildings) and the cost of teaching aids.

Education allowances include the expenses on scholarships, catering and the compensation for travel fare concessions.

All funds allocated to public vocational education institutions and the state support to private schools (salaries and teaching aids) have been taken into account.

Financing of the public vocational education institutions

Public vocational schools receive funds from the state budget to cover the following expenses:

- Study costs;
- Education allowances;
- Expenses made of the revenue from economic activity;
- Investments.

Formation of the budgets of study costs

The budgets of study costs are distributed to schools on the basis of a performance-based financing scheme, which, however, includes some standard elements, such as the division of maintenance expenses related to buildings. A student-based financing scheme was taken into use in 1996 to prepare budgets for vocational schools. Up to 2001, the state budget set forth separate expenses on wages and salaries, social tax, administration and teaching aids. The collection of the above mentioned items of expenditure under one item – study costs – provides the heads of schools with broader opportunities to prepare a budget for an institution according to the needs of the institution as the budget of study costs is allocated to a school as a lump sum and the division of the funds between different items of expenditure is decided by the head of the school. (See Table 6 in annex)

The Ministry of Education and Research covers the study costs of vocational schools on the basis of student places to the extent of nominal study time. A budget of a school is formed according to the following equation:

$$\text{School budget} = \text{the number of student places commissioned by the state in a year} \times \text{the cost of a student place} \times \text{the coefficient for the field of study} \times \text{the coefficient for the form of study} + \text{the number of square meters used for study} \times \text{maintenance costs}$$

Thus, the main basis for the formation of a school's budget is the number of students.

Number of students

Up to year 2000, schools were financed on the bases of the average number of students in a year. In such case, the budget division of a current academic year was based on the average number of students in the previous year. Schools with rapidly growing number of students (the number of students grew significantly) were facing the problem of having more students than the estimated number which was based on the average of the previous year.

Since 2000, the number of students to be financed is calculated as follows:

$$\text{Number of students continuing studies to the extent of the number of student places approved by a directive of the minister in previous years} + \frac{2}{3} \text{ of the number of graduates} + \frac{1}{3} \text{ of the number of new enrolled students.}$$

The minister who directs the ministry in whose administration a school is located shall approve the student places of the public school which are financed by the state after having considered the opinion of the corresponding vocational council.

A rural municipality or city government shall approve the student places of the municipal school which are financed from the rural municipality or city budget after having considered the opinion of the corresponding vocational council.

The cost of a student place

The cost of a student place includes the funds to cover the remuneration of teaching staff, the cost of teaching aids and administrative and management costs (the cost of maintenance and the cost of the remuneration of non-

teaching staff) – (see: Graph 8 in annex). An increase in the cost of a student place has been caused mainly by the 15% increase in the salaries of teachers. The cost of a student place is similar in all vocational schools. Different cost of different study areas is expressed in the coefficients for the field of study. The cost of a student place for each budgetary year shall be established by the Government of the Republic⁷.

At the applied higher education level, student places are financed similarly to the level of vocational secondary education. Since 2002, the financing at the applied higher education level was changed on the basis of the Universities Act and Associated Acts Amendment Act, according to which the financing of new admission to vocational schools at the applied higher education level is based on the procedure for the financing of applied higher education studies (the basic cost of a student place in 2002 was 12,600 kroons and since 2003, 14,000 kroons, the coefficients of field of study applied to higher education).

The major part of study costs is used for the remuneration of teachers. The teacher salary fund forms about 50% of the study costs of a school. On Graph 9 in annex, the average yearly gross salary is based on the data of the Statistical Office. The average salary of 2002 is the average salary of the 3rd quarter of 2002. A teaching staff includes the director, study directors and teachers of an institution. The calculation of the average monthly gross salary of the teaching staff is based on the data of the public vocational schools which are in the administration of the Ministry of Education and Research. The annual expenditure on gross salaries is calculated for filled positions of one year.

The graph implies that during the recent years, the wage level of the teaching staff of vocational schools has been at the level of the Estonian average. In 2002, the average wages of the teaching staff of vocational schools were even 11% higher than the average gross salary in Estonia.

Since 1999, the teachers of special subjects are qualified as vocational teachers according to the regulation No 35 of the Minister of Education of 21 December 1999 “Teachers Qualification Requirements”. Therefore, the number of teachers of general education subjects and special subjects has decreased. (See Graph 10 in annex)

The share of teachers who have higher education has increased over the last few years. The main reason is that Regulation No 35 of the Minister of Education of 21 December 1999 “Teachers Qualification Requirements” prescribes that a teacher who teaches a vocational, special or professional subject must have:

- 1) higher education in pedagogy or at least two years of professional experience in the relevant vocational, special or professional area, or
- 2) higher education in the field which he/she is teaching, at least two years of professional experience in the relevant vocational, special or professional area and the teacher must have finished or he/she is going to finish during a year from starting to work as a teacher a 1,600 hours training in the field of vocational teaching.

The deadline for fulfilling the above requirements was 1 September 2003.

As it was unrealistic that the above qualification requirements would be met in full by the said date, the regulation was amended on 1 September 2003 and the requirements for the qualification of a vocational teacher are the following:

- 1) A teacher must have higher education in vocational or other type of pedagogy and at least three years of professional experience in the relevant vocational, special or professional area, or
- 2) higher or post-secondary technical education in the area which he/she is teaching, at least three years of professional experience in the relevant vocational, special or professional area and the teacher must have finished a 320 hours training in the field of vocational teaching.

The term for fulfilling the requirements was extended to 1 September 2007.

The ratio between the number of teachers and the number of students is on the average 1:12.7 in the academic year 2002/2003. According to the objectives of the Action Plan for Developing Estonian VET System in 2001–2004, the ratio between the number of teacher positions and the number of students is 1:16. Thus, it is realistic

⁷ Regulation No 29 of the Government of the Republic of 23 January 2003 “The cost of a student place in a vocational education institution for 2003”

to achieve the objective set in the action plan. In order to use resources more efficiently, the share of teacher's work in classroom should be decreased and the volume of students' independent work should be increased.⁸

Coefficient for the field of study

As it was mentioned above, a coefficient for the field of study express the relative cost of different groups of studies. In 2003, the system of coefficients was adjusted. Up to 2003, the lower limit of the coefficients started from 0.8. Since 2003, the lower limit was raised to 1.0, as the system of coefficients needed to be unified. As the ratio between coefficients was not changed, all coefficients were increased by 1.25 times. At the same time, a division of subjects according to ISCED as taken into use. (see: Table 7 in annex)

Coefficients for the forms of study

A coefficient for the form of study describes a student's workload and differentiates the volume of study costs according to whether a student is studying in full-time form of study, in evening courses or in the form of distance learning. The coefficients for the form of study in vocational schools are:

- 1) Full-time study 1.0;
- 2) Evening courses 0.8;
- 3) Distance learning 0.3.

Coefficients for the provision of instructions for students with special needs

The coefficients for the provision of instruction for students with special needs are:

- 1) students with physical disabilities, speech impairments, sensory or learning disabilities, or mental disorders and students who need special support 2.0;
- 2) basic education students acquiring basic vocational training 0.5;
- 3) general secondary education students acquiring basic vocational training 0.3.

The coefficients for the fields of study and forms of study and the coefficients for the provision of instruction for students with special needs shall be established by the Government of the Republic⁹.

The budget for a square meter of study rooms

Vocational education institutions have the total area of 660,000 m². Only the area directly related to studies (schoolhouses, gyms, training workshops, etc.) are taken into account in the division of budgets for schools. In 2002, the area of the study rooms was 488,415 m² or 68% of the total area. Since 1999, the calculated value of one square meter of premises used for studies was 140 kroons. The sum is formed of expenses related to the maintenance of a building (heating, electricity, water supply and sewage, maintenance of premises and the territory of the school, routine repairs, security).

Since 2002, the calculated value of one square meter of the area of studies has been 110 kroons, which is formed of expenses related to the maintenance of a building (heating, electricity, water supply, and sewage). The budget allocated on the bases of the area of studies forms 12% of all study costs.

Development costs

In order to modernise the learning environment in vocational schools, to improve professional qualification of teachers and to develop programmes, funds have been allocated for the development activity. In 2002, the amount allocated to the development activity was 41,989,000 kroons, which is approximately 10% of the budget of study costs. Funds for the development are distributed on the bases of the following principle: projects related to the development of vocational schools, the co-financing of regional vocational education centres participating in projects Phare 2001 and Phare 2002 and the supporting of the merge of vocational schools.

⁸ Action Plan for Developing Estonian VET System in 2001–2004, p.15

⁹ Regulation No 30 of the Government of the Republic of 28 January 2003“ The coefficients for the fields of study and forms of study and the coefficients for the provision of instruction for students with special needs”

Education allowances, benefits in vocational education institutions

For scholarship, funds are allocated from the state budget to public vocational schools and on the basis of agreement with the corresponding rural municipality or city government to municipal vocational schools.

For travel fare concessions, funds are allocated from the state budget to public vocational schools, private schools and on the basis of agreement with the corresponding rural municipality or city government also to municipal vocational schools. According to general procedure, travel fare concessions for the students of municipal schools are covered from a local government budget.

Scholarships for students studying full-time in public and municipal vocational schools are calculated for a 10 months study period by applying the rate of vocational schools, which is 0.02. The calculated amount of a scholarship is 750 kroons.

In addition to a scholarship, a student studying on the basis of secondary education in a public or municipal vocational school or in a private vocational school, which is acting on the basis of the Private Schools Act, full time or in a diurnal form of study has the right to receive a study loan¹⁰. To receive a study loan, a student must be an Estonian citizen or to stay in Estonia on the basis of a permanent residence permit and the nominal duration of studies must be 9 months or more. A study loan may be received to the extent of the nominal duration of studies according to the programme of a relevant field of study.

The state guarantees a study loan to the extent of the maximum amount established by the Government of the Republic and the interests to be paid on the amount of the study loan to a credit institution by the recipient of the loan (state guarantee). Since 1999, the maximum amount of a study loan guaranteed by the state has been 15,000 kroons per year per applicant. Study loans are granted by credit institutions selected on the basis of public competitions. A lender grants a loan out of his credit resource.

Investments

So far, investments from the state budget have been allocated only to public vocational schools. However, it is just to allocate investments from the state budget also to municipal and private vocational schools. Over the last few years, investments have been planned on the basis of the principles and policies of the VET action plan:

- the system of leading vocational education institutions (vocational education centres) provides for all students of vocational schools the opportunity to use modern study base;
- all vocational education institutions have the necessary study base and internet connection and the opportunities to study using the Internet.

The second initial basis has been the rearrangements, which have been planned to be carried out in the vocational education institutions network.

The Ministry of Education and Research has based the planning of investments on the principle that the objects, which are under construction should be completed as soon as possible before any new constructions are started. As the amount planned for investments does not cover even essential investments, it is extremely difficult to follow the above

¹⁰ The Education Act

mentioned principle and also, when the works performed on an object are delayed, the cost of such works increases.

The situation of the infrastructure of vocational schools is different. Study and production buildings were built mainly during the period 1970 to 1990. No entirely new school buildings have been erected during the last 10 years, though about 5% of school buildings have been renovated. 64.8 million kroons were spent on the renovation of school buildings in 1996–2000.

The volume of investments (renovation and acquisitions) allocated to the vocational education institutions in the administration of the Ministry of Education and Research is best illustrated by Table 8 in annex. The volume of investments allocated to vocational schools differs significantly by years. For example in 2001, the average of 1000 kroons per student was invested, at the same time, study costs did not grow that year.

Own revenue of vocational education institutions

Since 2001, the budgets for expenditures from the revenue from economic activity of vocational schools are prepared according to the forecasts submitted by schools. Own revenue is the income from organising training sessions, production, use of dormitory, activity of the canteen, use of sports facilities, and other different services provided to the public. Received funds are used to support the main activity of an institution, i.e. to improve the quality of teaching and to develop learning activities. The share of funds from economic activity in a school's budget depends to a large extent from the efficiency of the financial and economic activity of the head of the school. (See: Table 9 in annex)

As Table 9 indicates, the economic activity of schools is mainly directed to production, the turnover of which formed 39% of the own revenue of vocational schools in 2002. Training activity was on the second place, bringing about one fourth of the revenue. As the main activity of vocational schools is teaching, then teaching activity should form at least one third of the economic activity of vocational schools.

Financing of the municipal vocational education institutions

In order to provide state commissioned education and to receive funds from the state budget, a municipal vocational school must have an education license. Education licenses are issued by the Ministry of Education and Research for the duration of the nominal period of study determined in the programme.

The financing of municipal vocational schools is regulated by the Vocational Education Institutions Act, which prescribes that the study costs related to the teaching of students studying in a municipal school on the basis of basic education shall be covered from the state budget funds on the bases similar to the financing of public schools. The study costs related to the teaching of students studying in a municipal school on the basis of secondary education may be covered from the state budget upon agreement with the corresponding rural municipality or city government. In order to cover the study costs related to the teaching of students studying in a municipal school on the basis of secondary education from the state budget funds, a contract shall be entered into between the corresponding rural municipality or city government and the Ministry of Education and Research as the representative of the

state. Thus, municipal vocational schools receive funds from the state budget to cover the following expenses:

- study costs;
- scholarships;
- investments (according to an agreement).

Vocational schools, which were municipalised by the city of Tartu in 2001 (Tartu Service School, Tartu School of Industry, Tartu School of Construction and Light Industry) received the surplus of the budget allocated to them as public schools. In 2002, contracts for commissioning and financing education were entered into in the value of 32,107,000 kroons (study costs, maintenance costs of study premises, scholarships, travel fare concession, social securities for prison officer candidates, investments). The study costs of 1,893 students studying on the bases of basic education and 1,324 students studying on the basis of secondary education were covered.

Study cost

The study costs of municipal vocational schools are financed on the same bases as the financing of study costs of public vocational schools pursuant to the Vocational Education Institutions Act. The covering of study costs from the state budget is based on a contract, which is entered into between the corresponding rural municipality or city government and the Ministry of Education and Research as the representative of the state. The state has the obligation to cover the study costs of all students studying in a municipal school on the basis of basic education. The professions taught on the basis of secondary education are commissioned by the Ministry of Education and Research by broad groups of study and financed according to the number of commissioned student places. Local government as the owner has the obligation to cover all other costs.

Scholarships and travel fare concessions

In addition, also the scholarships of students studying in a municipal vocational school are covered from the state budget¹¹. A scholarship is granted to a student studying full time in a vocational school for the 10 months study period with the rate of vocational education institutions 0.02 and calculated sum of 750 kroons. According to general procedure, travel fare concessions for the students of municipal schools are covered from a local government budget. Travel fare concessions may also be covered from the state budget on the basis of an agreement.

Investments

A municipal school may apply for an investment benefit in order to develop the municipal school according to the same principles with public schools.

Financing of special vocational education institutions

A special vocational school is a school dealing with the education of prisoners in a penal institution. A special vocational school provides both general and vocational education.

Three special vocational schools which are in the administration of the Ministry of Education and Research (Tallinn Vocational School No 5, Rummu Special Vocational School and Viljandi Special Vocational School) are financed from the state budget.

¹¹ Regulation No 19 of the Government of the Republic of 17 January 2001 "Establishing calculated basis for the scholarship fund allocated by the state"

Funds are allocated for the remuneration of teachers and for taxes related to wages and salaries. The funds are based on the composition of a school. Study aids and administration costs (except maintenance costs, which are covered by the prison in which the school is located) are allocated on the basis of draft budgets (applications) taking into account budgetary possibilities.

Since 2004, special vocational schools will be financed analogously to other vocational schools – based on the number of students. The change is required by a plan for reorganising special vocational schools and the changes planned in educating prisoners (a working group has been formed in order to prepare a development plan for prison education, the deadline for finishing the plan was 29 November 2002). Since September 2002, Pärnu Vocational Education Centre started to provide vocational training for the prisoners of Pärnu Prison (in 2003, vocational education for prisoners will also be provided by Tartu Vocational Education Centre). In the future, the provision of education for prisoners will be organised by other vocational schools.

Financing of private vocational education institutions

The financing of private vocational schools is established by the Private Schools Act¹² and the Vocational Education Institutions Act. A private vocational school must have an education license. An education license grants a private school the right to provide instruction, the duration of which is established by programmes and is more than 120 hours. An education license shall be granted and revoked by a directive of the Minister of Education and Research.

Private vocational schools are financed from the state budget similarly to public vocational schools, and the same coefficients apply, but the cost of a student place is financed from the state budget only to the extent of the cost of the salaries of teachers and study aids. Other costs are covered by the owner of the school.

The salaries of teachers working on the basis of a secondary vocational education programme on the basis of secondary education and the cost of study aids are covered from the state budget to the extent of the number of admitted students, which is approved by the Ministry of Education and Research pursuant to the procedure provided by law.

The salaries of teachers working on the basis of a secondary vocational education programme on the basis of basic education and the cost of study aids are covered from the state budget through the budget of the Ministry of education and Research pursuant to the procedure provided by law.

In addition, a private school may receive ad-hoc aid from the budgets of the state and local government. (See Table 10 in annex). As there are no data concerning other financing sources of private vocational schools, the above table includes only funds allocated from the state budget.

Organisation of practical training

The organisation of practical training is regulated by the Vocational Education Institutions Act¹³. The relations between a school, a student or his or her legal representative and a state

¹² Private Schools Act

¹³ Vocational Education Institutions Act

agency or local government agency, a legal person in public law, legal person in private law or a sole proprietor are regulated by a contract entered into by them.

A relevant contract is entered into at least ten days before the practical training begins.

The mandatory terms and conditions for a contract are:

- 1) the time of commencement and completion of the practical training;
- 2) the duration of the practical training;
- 3) the place and address where the practical training is conducted;
- 4) the description of the function of the practical training on the basis of the school programme;
- 5) the rights and obligations of students during the practical training;
- 6) the rights and obligations of the organiser of the practical training;
- 7) the rights and obligations of the school;
- 8) information on the organiser of the practical training and the practical training instructor of the school;
- 9) the bases and procedure for amendment and termination of the contract;
- 10) the procedure for the resolution of disputes.

Positions created for conducting practical training, including positions in the school workshop and the school farm, shall allow compliance with the requirements established by the programme. Legislation related to occupational health and safety applies to students during practical training.

The legal acts in force do not regulate directly the financing of practical training, but schools are covering the costs of practical training from study costs. On the basis of agreements, the work of students may be remunerated during practical training. However, this is decided by each enterprise.

Basic vocational education and training

The necessity to provide basic vocational education has become important during the last few years. The financing of basic vocational education is regulated by the Vocational Education Institutions Act. The costs related to the organisation of basic vocational training for persons acquiring basic education are covered, in the case of public schools, from the state budget within the limits of the number of student places approved by the minister in whose administration the school is located and, in the case of municipal schools, from the corresponding rural municipality or city budget within the limits of the number of student places approved by the rural municipality or city government. The study costs related to the organisation of basic vocational training for persons acquiring basic education in municipal schools may be covered from the state budget funds on the basis of a contract between the corresponding rural municipality or city government and the Ministry of Education and Research as the representative of the state.

Pursuant to the Vocational Education Institutions Act, a vocational school shall provide basic vocational training according to the programme of basic vocational training also for those students acquiring basic education who are beyond the minimum school-leaving age and acquire basic education in the form of evening courses or distance learning in a gymnasium for adults. The acquisition of general education is financed pursuant to the Basic Schools and

Upper Secondary schools Act. Therefore, studying in a vocational school is cheaper. The same applies to students under 17 years of age acquiring basic education.

Pursuant to the Vocational Education Institutions Act, a student who has completed basic vocational training has acquired the primary vocational, professional and occupational knowledge and skills prescribed by the programme may continue studies in the vocational school under the conditions and pursuant to the procedure established by the Vocational Education Institutions Act. Upon completion of the school programme, the knowledge and skills acquired during completion of the programmes for basic vocational training shall be taken into account. Basic vocational education may be acquired in a gymnasium and the volume of study of one year prescribed in the programme of vocational education is completed in three years (the volume of costs in a year is 1/3 of the study costs of vocational education). Based on this, the coefficient for financing basic vocational education applied concerning the students acquiring general secondary education in a vocational school is 0.3. The acquisition of general education is financed pursuant to the Basic Schools and Upper Secondary Schools Act through the budget of a general education school.

The funds for basic vocational education are allocated as follows:

To public and municipal vocational schools:

Number of student places x cost of a student place x coefficient for field of studies x coefficient for the provision of instruction for students with special needs

To private schools

Number of student places x (costs related to the salaries of teachers + costs of study aids) x coefficient for the field of studies x coefficient for the provision of instruction for students with special needs

Coefficients for basic vocational education established by a regulation of the Government of the Republic.

The financing of basic vocational education started from the autumn of 2002. Funds were allocated as follows: to 59 students in Põltsamaa School of Household Management and Agriculture 105,800 kroons in 2002 and 265,000 in 2003. In addition, German Technology School (a private school) has applied for 41,500 kroons for providing basic vocational education for 63 students. Persons desiring to acquire basic vocational education may acquire general education in evening schools or by distance learning.

Vocational education and training for the children with special needs

Since 2001, students with special needs are financed in public vocational schools which are in the administration of the Ministry of Education and Research with coefficient 2 – double as compared to ordinary students. Instruction is provided at the vocational secondary education level on the basis of basic education. In order to provide education for students with special needs, special groups for up to 8 students have been opened in vocational schools. Students with special needs may also study in ordinary study groups.

In addition to vocational schools in the administration of the Ministry of Education and Research, education for young people with special needs is provided by Astangu Vocational Rehabilitation Centre. The centre is an institution in the administration of the Ministry of Social Affairs; the budget of the centre was 11,339,300 kroons in 1999, and 14,055,000 kroons in 2003.

International cooperation

Aid received through international projects has been provided mainly by Phare projects and the Leonardo da Vinci programme.

Financing through Phare projects

The development of vocational education is supported through the following projects:

- Phare 2000 “Project Enhancing Human Resources Development in Ida-Viru and Region”, total value of the project is 20.7 million kroons, including 5 million kroons of Estonian co-financing;
- Phare 2000 “Project Enhancing Human Resources Development in South-Estonia”, total value of the project is 41.5 million kroons, including 10.1 million kroons of Estonian co-financing;
- Phare 2001 “Project Enhancing Human Resources Development in Saaremaa nad Hiiumaa”, total value of the project is 19.6 million kroons, including 3.9 million kroons of Estonian co-financing.

Vocational education schools have been financed within the projects from the funds of foreign aid as follows (excluding Estonian co-financing):

Year	Sum (thousand kroons)
1999	2,010.5
2000	11,108.8
2001	2,491.4
2002	39,563.9

Financing through the Leonardo da Vinci programme.

The projects financed through the Leonardo da Vinci programme are, as a rule, two-year projects. The projects have been financed as follows:

Period	Number of projects	Sum (in thousand kroons)
1999-2001	16	1,869.6 (119,492.14 EUR)
2000-2002	12	1,758.7 (112,399.12 EUR)
2001-2003	12	2,412.4* (154,179.68 EUR)
2002-2004	20	2,625.2* (167,779 EUR)

*The sum is specified upon the approval of the final reports of the projects.

In-service training and retraining and adult education

Adult education financed by the state

Adult education is regulated by the Adult Education Act, which covers formal education acquired within adult education system in the form of evening courses, distance learning or

external study, professional training of adults, and informal education acquired within adult education system.

General organisation of adult education is coordinated by the Ministry of Education and Research.

Adult education in formal education system is provided in:

- adult gymnasiums;
- vocational education institutions;
- open universities.

Adult gymnasiums in Estonia are the 32 institutions of general education, in which it is possible to acquire basic education or general secondary education in the form of evening courses, distance learning or external study.

Persons who have passed the minimum permitted school-leaving age (17 years) and have not acquired basic education may acquire basic education in the form of evening courses or distance learning, and graduate from school as external students. Persons who have acquired basic education may acquire general secondary education in the form of evening courses or distance learning, and graduate from school as external students.

Acquiring of basic and secondary education in public and municipal schools is for adults free of charge.

For students studying in the form of evening courses and distance learning, the sums allocated from the state budget to local governments for education costs are the following:

2000	22,8 million kroons
2001	28 million kroons
2002	31,5 million kroons
2003	43,2 million kroons

In 2002, the average spending per student in a general education school was 12,000 kroons; in distance learning 9,600 kroons (coefficient 0.8). The number of persons acquiring general education in evening courses and in the form of distance learning is presented in Table 12 in annex.

Vocational education institutions offer besides initial education also professional training for adults. Adult learners may also acquire in vocational education institutions secondary vocational education and applied higher education on the basis of both basic and secondary education. The number of adult learners acquiring special secondary and vocational secondary education is presented in Table 13 in annex.

Open universities provide, besides conventional instruction, also instruction in the form of virtual learning, distance learning and open university. Both in-service education and formal education acquired with the adult education system may be acquired in the form of open study. Education in an open university is provided for a charge.

In addition to the formal education system, adults may study in various courses. According to the Labour Force Survey carried out by the Estonian Statistical Office in 2001, questions were asked concerning the participation in various courses during the previous four weeks. Only 2.7% of the population of 15 to 74 years of age (1,047) had participated in courses. 3.9% of persons in employment (total number of persons in employment 577,700 people) and 4% of salaried employees had participated in courses.

Advantages, benefits and tax incentives related to adult in-service training and retraining

As a rule, the costs of in-service training and retraining are covered by the person/organisation commissioning the service. The service may be commissioned by the state, a learner or an employer. The rest of the costs related to in-service training and retraining are covered by a learner or an employer.

Pursuant to the Adult Education Act, the professional in-service training for the following groups is financed from the state budget:

- teachers (3% of annual salary fund)
- public servants (2–4% of annual salary fund)

As a rule, the costs of in-service training and retraining are covered by an employer.

If the person who is acquiring education is covering his/her study costs, the study costs may be deducted from the personal income of the relevant year. Pursuant to the Income Tax Act¹⁴, a resident natural person has the right to deduct the expenses incurred by him or her during a period of taxation on the training of himself or herself or a child, grandchild or a sibling who is maintained by him/her of less than 26 years of age, or if no such training expenses are incurred, the training expenses of one permanent resident of Estonia of less than 26 years of age.

Training expenses are certified expenses incurred for studying at a state or local government education establishment, public-legal university, private school with a training license, or foreign education establishment of equal status with the aforementioned, or for studying on fee-charging courses organised by such education establishments. Training expenses are also the interests established by the Republic of Estonia Education Act on study loan.

If an employer covers the expenses relating to formal or informal education acquired in the adult education system his employees, he has the obligation to pay income tax on fringe benefits 26/74 of the paid amount pursuant to the Income Tax Act¹⁵ (income tax on fringe benefits on training expenses was established in 2000 by the Income Tax Act).

Study leave

Pursuant to the Adult Education Act, persons acquiring basic, secondary or higher education in the form of evening courses, distance learning or external studies and persons participating in professional training may apply for a study leave with pay¹⁶. A study leave is granted for a public servant or a person working under employment contract.

To participate in a professional training, an employee or a public servant is granted a study leave of at least 30 calendar days upon his/ her application and on the basis of an information note issued by an education institution for the period of study sessions.

In case of formal education acquired in the adult education system, additional study leave is granted for completing the studies:

- 1) in case of the acquiring of basic education 28 calendar days;
- 2) in case of the acquiring of secondary education 35 calendar days;
- 3) in case of the acquiring of higher education or the defending of a bachelor's degree 42 calendar days;
- 4) in case of the acquiring of the defending of a master's or doctoral thesis 49 calendar days.

¹⁴ Income Tax Act §26

¹⁵ Income Tax Act § 48

¹⁶ Adult Education Act

The average salary is paid by an employer to an employee or a public servant during the first 10 days of his/her study leave. During the rest of the study leave, the salary of an employee or a public servant is paid by an employer at least to the extent of the minimum salary.

To participate in a work-related training, an employee or a public servant is granted a study leave of at least 14 calendar days upon his/ her application and on the basis of an information note issued by an education institution and he/she shall continue to receive his/her average wages

To participate in informal education acquired in the adult education system an employee or a public servant is granted an unpaid study leave of at least 7 calendar days in a year upon his/her application and on the basis of an information note issued by an education institution.

Vocational education financed by enterprises and social partners

To characterise the system of vocational education and adult in-service training and retraining financed by enterprises, results of a study are used, which was carried out by the Statistical Office of Estonia in 2000 concerning the aspects related to in-service training of employees carried out in enterprises in 1999.

Courses organised and financed by enterprises are divided into two by the type of organiser and planner:

- In-service training courses planned and organised by enterprises themselves (internal courses). Internal courses may be held outside an enterprise.
- In-service courses planned and organised by external organisations (external courses). External courses may be held in the premises of an enterprise.

Internal courses are organised mainly by large enterprises (with more than 500 employees). Smaller companies prefer to buy courses from external providers.

In 1999, the majority of external courses were organised by private training institutions (63% of all organisers of training).

According to the findings of the Labour Force Survey of 1999, in 78% of cases professional training courses were paid by an employer, in other cases an employee was paying him/her or the courses were financed from another source.

According to the findings of surveys concerning adult education, the expenses on in-service courses alone were 279 million kroons in 1999. The payment of salaries for the hours spent in training in the amount of 120 million kroons is added to this sum. Thus, in 1999, the employers paid 7,007 kroons as the average cost of a course per participant, whereas 70% of the amount was the payment for courses and 30% was the payment of salary for hours spent in courses.

Informal education acquired in the adult education system

Informal education acquired in the adult education system enables the development of personality, creativeness, talents, initiative and social responsibility of a person and the improvement of knowledge, skills and abilities necessary in life. Training is provided in the form of courses, study circles or in any other appropriate form.

An umbrella organisation of the providers of informal education acquired in the adult education system is the Estonian Non-formal Adult Education Association. The distribution of funds allocated from the budget of the Ministry of Education and Research for the support of informal adult education is organised through the Association.

Since 1995, the aid from the state budget has been allocated to support the remuneration of teachers and head of training centres. The schools which are granted an aid are selected on the basis of competitions.

In 2002, the amount of the aid was 3,575,000 kroons, 47 training centres with the total of 34,717 learners were supported.

Retraining and in-service training of the unemployed

The Ministry of Social Affairs is responsible for the retraining and in-service training of the unemployed.

Employment training for the job-seekers and the unemployed persons is organised by the employment offices located in different regions and subordinate to the Labour Market Board. The job-seekers and persons who have received a notice concerning termination of the employment contract have the right to apply for employment training upon registration as unemployed with the employment office of his/her residence. The employment office shall cover the expenses of training that lasts up to six months. In addition to the payment for the employment training, an unemployed person who has participated in employment training for at least 80 hours is granted a stipend.

Employment training as one of employment services is regulated by the **Employment Service Act**. The payment of a stipend to a participant in employment training is regulated by the **Social Protection of the Unemployed Act**.

Employment training courses are commissioned from training institutions that provide similar services to all, not only the unemployed. While in general employment training is divided into primary training, retraining and in-service training and adjustment training, then training on the basis of special programmes is organised only in the last case. Adjustment training means that the unemployed are introduced with the requirements and opportunities of the labour market, skills necessary for integration into the society, their knowledge of the official language is improved and job-seeking skills and activity are improved; the unemployed are also supported psychologically. The duration of an adjustment training is maximum 30 days. A shorter version of adjustment training is job-seeking training (maximum 5 days), which includes mainly the teaching of job-seeking skills (how to write a CV, what is a job interview, etc.).

In-service training and retraining of the unemployed

Pursuant to subsection 17 (3) of the Employment Service Act, employment service providers shall order employment training from education institutions or natural or legal persons who hold education licenses. Employment offices are located in all 15 counties of Estonia and in addition in Tallinn. In addition to employment offices, employment services may be provided by natural or legal persons who hold education licenses issued by the Ministry of Social

Affairs. Pursuant to subsection 17 (2) of the Employment Service Act, legal persons in private law and sole proprietors entered in the commercial register shall provide employment services to persons seeking work without charge. Employment offices provide all employment services free of charge both to job-seekers and employers.

The unemployed have the right to participate in-service training and retraining

- If a person refuses an employment training for the first time, the payment of unemployment benefit is suspended for 10 calendar days (except in the case the person will attain the pensionable age in less than five years or the vocation or occupation for which the person is to be trained does not suit the unemployed person due to his or her state of health)¹⁷;
- If a person refuses offered employment training for the second time, the registration of the person as unemployed shall be terminated¹⁸
- A stipend of unemployed person shall be paid to a person who through an employment office participates in employment training the length of which is at least eighty hours. The rate of the stipends shall not be less than one and half times the rate of the state unemployment benefit. At the moment, the rate of the state unemployment benefit is 400 kroons per month and the rate of the stipend is 600 kroons per month¹⁹;
- An unemployed has the right to apply for an additional stipend to compensate for the cost of transport if his/her place of residence is at least 30 kilometres away from the place where the training is carried out. The monthly rate of an additional stipend is 200 kroons²⁰;
- An unemployed person has the right to receive unemployment benefit during the period he/she participates in employment training²¹.

The volume of employment training provided by the employment offices is presented in Table 14 in annex. By fields of activity, the biggest numbers of specialists trained are in the field of service (salespersons, customer service staff, etc.). The field of service is followed by entrepreneurship, construction and transport (drivers). Other subjects taught are computer studies and languages. Adjustment skills courses are also very popular.

Approximately one tenth of persons, who have lost their jobs during a year, participate in employment training. This is not sufficient. At the same time, the experience has shown that despite the total number of people who have participated in unemployment training, the number of people who have found a job is rather stable, i.e. the effectiveness of the training decreases when the volume of training increases. The system of employment training is not able to prepare high level specialists who would create in the labour market a demand for their skills. Training should be based on employers' demand, which has not changed much over years. Thus, based on the effectiveness of training, increasing the volume of training may not give required results. However, if we are talking about integration into society and the decreased number of discouraged people among the unemployed, the increasing of the

¹⁷ Unemployed Persons Social Protection Act § 4, lg 2;

¹⁸ Unemployed Persons Social Protection Act § 4, lg 3;

¹⁹ Unemployed Persons Social Protection Act § 5, Regulation No 365 of the Government of the Republic 15 November 2000, The Unemployment Benefit Rate Regulation No 363 of the Government of the Republic 15 November 2000;

²⁰ The Unemployment Benefit Rate and the procedure for payment Regulation No 365 of the Government of the Republic 15 November 2000;

²¹ Unemployed Persons Social Protection Act § 10, lg 3

volume of training is definitely effective, though it is not the main function of employment training.

Sources of financing

Employment training is financed from the state budget, through the budget of the Labour Market Board. Projects aimed at various specific target groups (e.g. less competitive unemployed persons) are financed directly by the Ministry of Social Affairs who is also coordinating the projects. In general, the duration of an employment training is 6 months, longer trainings may be commissioned if a job is guaranteed for the unemployed person and the future employer has signed an agreement for paying for the part of training exceeding the six months period.

Other unemployment benefits

Benefits aimed directly at the unemployed are state unemployment benefit and unemployment insurance benefit.

The types of employment service aimed at the unemployed are:

- 1) informing of the situation in the labour market and of the possibilities of employment training;
- 2) employment mediation;
- 3) vocational training;
- 4) vocational guidance;
- 5) employment subsidy to start a business;
- 6) community placements.

The types of employment service aimed at the employers are:

- 1) employment mediation;
- 2) employment subsidy to employers to employ less competitive unemployed persons.

Trends and prospects of financing

Initial vocational education

Initial vocational education in Estonia is financed mainly from the state budget. The majority of vocational schools are state owned and therefore, the administration of vocational education is centralised. Although the municipalisation of vocational schools has started, the municipalized schools still receive funds from the state budget and it is too early to speak about a multi-level financing scheme having been implemented in Estonia.

The level of expenditures made by the public sector on vocational education has been stable over the last few years – about 0.56%. As it is obvious that the level of expenditures is not likely to increase much, it is important how effectively the funds received from the state budget are used and whether the budget distribution system motivates education institutions to use the funds effectively.

In order to increase the effectiveness of vocational education institutions and to achieve better results a completely student-based principle of financing should be adopted. This means that vocational schools would receive funds on the basis of the number of students and they should ensure the effective use of the funds.

The cost of a student place would include all expenditures on staff and maintenance (including the maintenance of buildings) and the cost of teaching aids. In such case the cost of a student place would cover all direct and indirect expenses necessary to educate a student.

As the funds allocated from the state budget to finance vocational education are not likely to increase over the nearest years, it is important to include both the private sector and upon the accession to the EU the means from the structural funds of the EU into the financing of vocational schools.

After the accession to the EU (presumably on 1 May 2004), Estonia will have the opportunity to use financial means from the EU structural funds and to focus more on the fields which are important from the perspective of the development of our country. A prerequisite for receiving aid from the funds is the National Development Plan – Single Programming Document that defines the fields of development which are of high priority and will guide Estonia in the future. The measures outlined in the programme are the means for implementing the priorities during the period of the programme. During the first periods, in 2004–2006, the Ministry of Education and Research is responsible for the planning, implementing and supervision of two measures. One of them concerns the development of human resource (Measure 1) and the other concerns infrastructure and regional development (Measure 25).

Priority 1 – Human Resource Development

Measure No 1

Education System Supporting the Flexibility and Employability of the Labour Force and Providing Opportunities of Lifelong Learning for All (**co-financed from the European Social Fund – ESF**)

Priority 4 – Infrastructure and regional development

Measure No 28

Modernisation of Infrastructure for Vocational and Higher Education (**co-financed from the European Regional Development Fund – ERDF**)

The Foundation for Vocational Education and Training Reform in Estonia as the implementing agency for the two measures under Ministry of Education and Research is in 2003 preparing the implementation of the measures, and starting from 2004 implementing the measures or administrating at the level of projects. The task of both the Foundation for Vocational Education and Training Reform in Estonia and the Ministry of Education and Research is to provide information to partners and beneficiaries in order to use the opportunities offered by the funds as effectively as possible.

Volumes of the measures

As at 12 February 2003, the volumes of the measures under the Ministry of Education and Research were the following:

Measure No 1 - Education System Supporting the Flexibility and Employability of the Labour Force and Providing Opportunities of Lifelong Learning for All

EU co-financing in the prices of 2004 (75%):	504.67 million EEK
Estonian co-financing (25%):	168.23 million EEK
Total:	672.9 million. EEK

Bigger changes are expected from May 2004 when Estonia will have the opportunity to use the funds of the European Social Fund. To increase the efficiency of employment education it is necessary to improve the ways of approaching specific target groups. This is done best by using project-based activities. It will also create a better opportunity to involve the third sector and local governments in the provision of employment services. A new structural unit that will coordinate and assess projects applying for funds from ESF will be established at the Labour Market Board.

The priority of the development of human resource will be financed from the European Social Fund and implemented by using 5 measures:

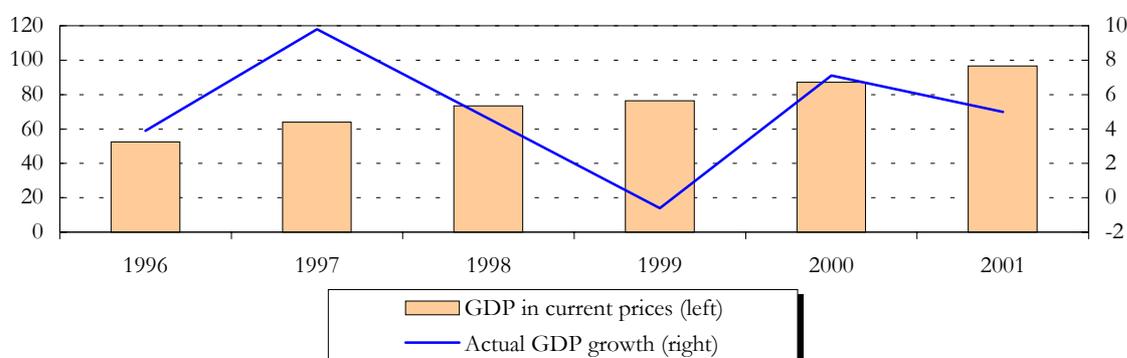
1. Education system supporting the flexibility and employability of the labour force and providing opportunities of lifelong learning for all.
2. Development of human resource to increase the economic competitiveness of undertakings
3. Implementing of active employment measures
4. Improvement of administrative ability
5. Increasing of social involvement

Employment training will be financed under the third measure that will get financial support from the EU in the amount of 336.06 million kroons in 2004–2006.

Table 1. Gross Domestic Product 1996–2001

	1996	1997	1998	1999	2000	2001
GDP actual growth	3.9%	9.8%	4.6%	-0.6%	7.1%	5.0%
GDP in current prices (million kroons)	52,422.8	64,044.7	73,537.9	76,327.1	87,235.5	96,570.7
Average population	1,415,594	1,399,535	1,386,156	1,375,654	1,369,515	1,364,101
GDP per inhabitant, kroons	37,032.4	45,761.4	53,051.7	55,484.2	63,698.1	70,794.4
GDP per inhabitant PPS, % of the EU average	34%	38%	39%	39%	40%	42%

Source: Estonian Statistical Office, Eurostat

Graph 1. Gross Domestic Product
(Billion kroons; change in percents)

Source: Estonian Statistical Office, Eurostat

Table 2. Labour market 1997–2001¹ (thousand persons)

	1997	1998	1999	2000	2001
Active population	1,055.8	1,051.1	1,046.8	1,046.5	1,047.2
Labour force	683.0	672.6	659.8	662.4	660.8
Employed	617.2	606.5	579.3	572.5	577.7
Unemployed	65.8	66.1	80.5	89.9	83.1
Inactive	372.8	378.5	387.0	384.1	386.4
Unemployment rate, % of the active population	9.6%	9.8%	12.2%	13.6%	12.6%
Gross monthly wages, kroons	3,573	4,125 (4,021 ²)	4,440 ²	4,907 ²	5,510 ²
Real growth in wages	7.7%	6.7%	6.9%	6.3%	6.2%
Real productivity growth	10.2%	6.5%	4%	8.4%	4.1%

¹ 15–74-years old

² Average gross wage without health insurance benefits

Source: Estonian Statistical Office

Table 3. Number of vocational education institutions by owner, academic year 1998/99–2002/03

	1998/99	1999/00	2000/01	2001/02	2002/03
Public vocational education institutions (administrative jurisdiction of the Ministry of Education and Research)	56	58	59	55	54
State vocational education institutions (administrative jurisdiction of other ministries)	14	9	3	3	3
Municipal vocational education institutions	3	2	2	3	1
Private vocational education institutions	13	16	17	23	23
TOTAL	86	85	81	84	81

Source: Estonian National Observatory, 2003

Table 4. Number of students in vocational education institutions by the owner of institution in the academic year 1998/99–2001/02, including diploma study, vocational higher education and applied higher education

	1998/99 ¹	1999/00 ²	2000/01 ²	2001/02 ²	2002/03 ³
Public vocational education institutions (administrative jurisdiction of the Ministry of Education and Research)	26,799	29,819	33,192	31,832	30,825
State vocational education institutions (administrative jurisdiction of other ministries)	4,188	2,176	420	333	3,67
Municipal vocational education institutions	239	49		2,289	2,139
Private vocational education institutions	1,751	1,837	2,223	2,158	1,936
TOTAL	32,977	33,881	35,835	36,612	35,267

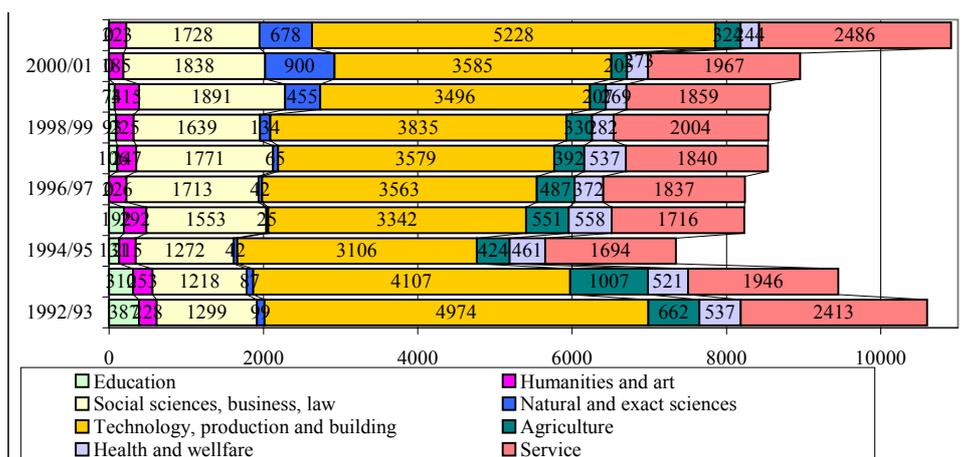
¹ 1995/96–1998/99 – incl. number of students in diploma study in vocational education institutions

² 1999/00–2001/02 – incl. number of students in vocational higher education in vocational education institutions

³ 2002/03 – incl. number of students in applied higher education in vocational education institutions

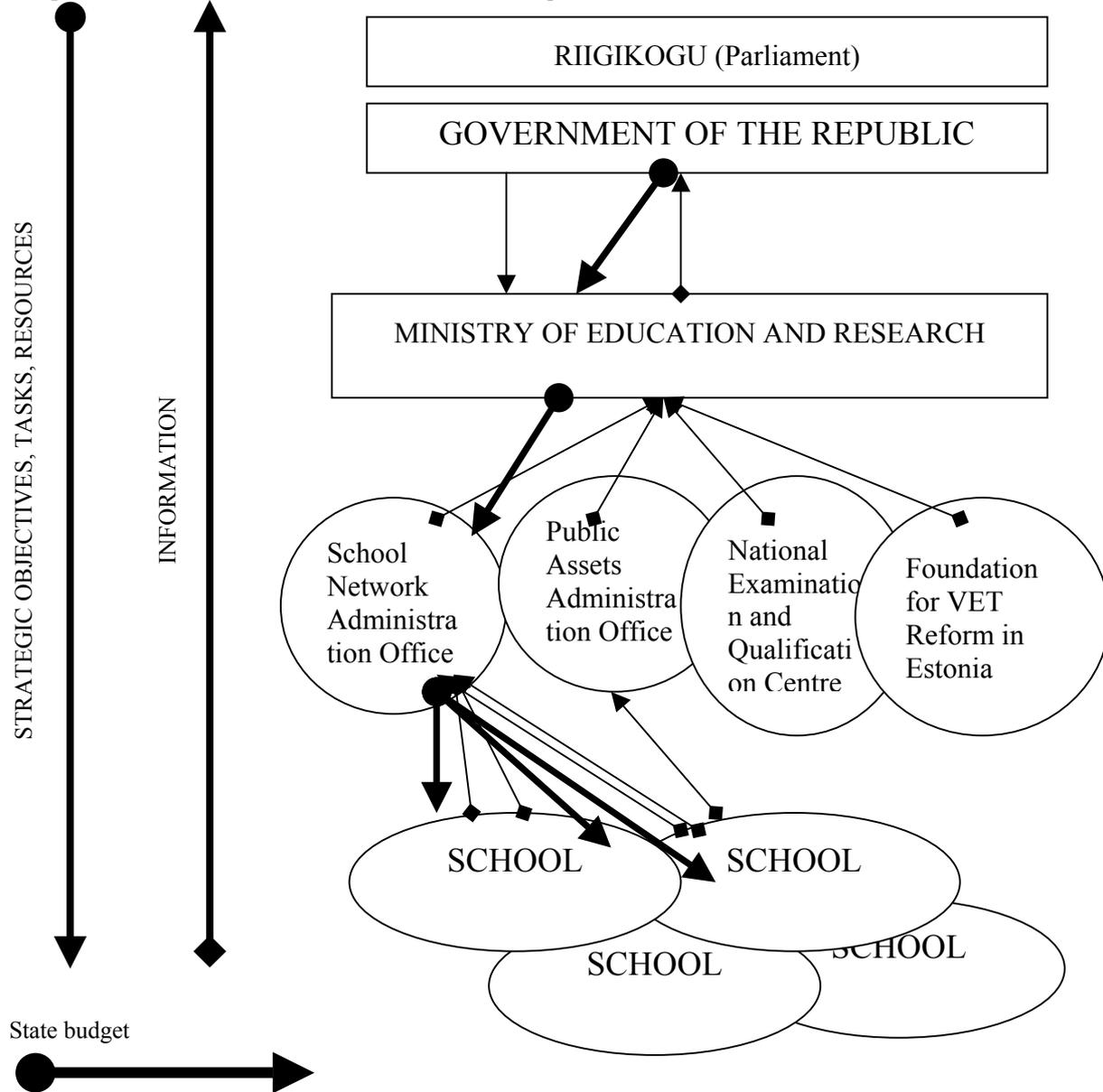
Source Estonian National Observatory, 2003

Graph 2. Number of graduates at the secondary vocational education by fields of training in the academic year 1992/93 – 2001/02

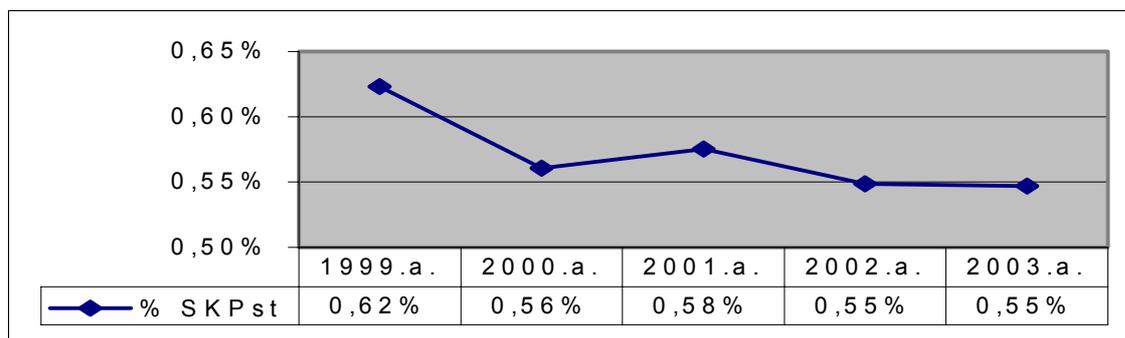


Source: Estonian National Observatory, 2003

Graph 3. The Administrative framework for funding



Graph 4. The share of vocational education costs in the public sector, % of GDP



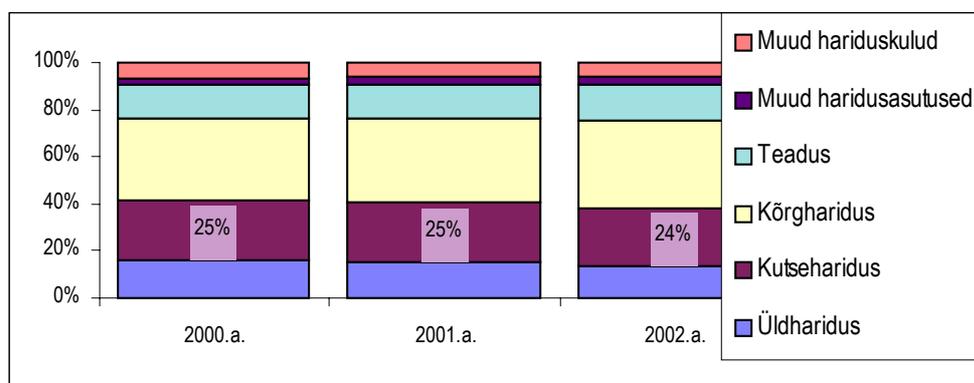
Source: Ministry of Education and Research, Planning Department, 2003

Table 5 Public sector expenditure on vocational education and GDP in current prices in 1999–2003 (thousand kroons)

	1999	2000	2001	2002	2003*
Expenditures on vocational education in the public sector	475,535	488,979	555,617	580,413	635,411
GDP in current prices	76,327,100	87,235,500	96,570,700	106,200,000	115,600,000

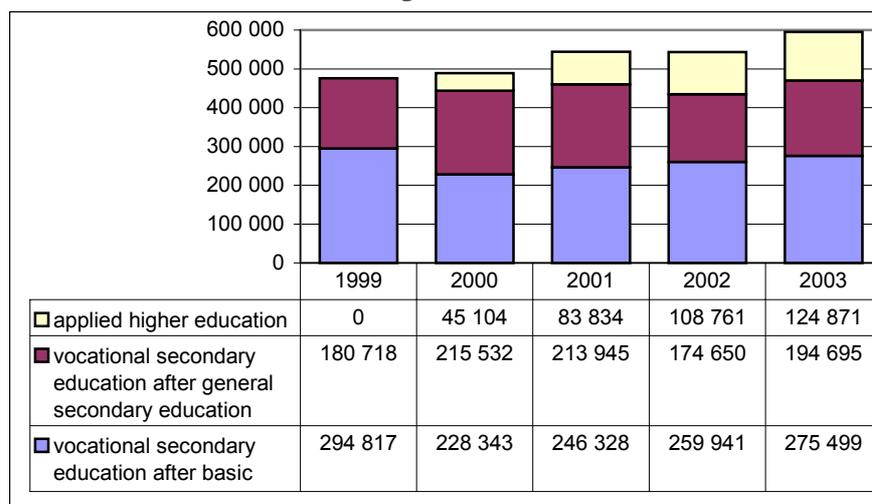
* Forecasts of the Ministry of Finances as of March 2003

Graph 5 Expenditures on education and research from the Ministry of Education and Research budget in 2000–2002



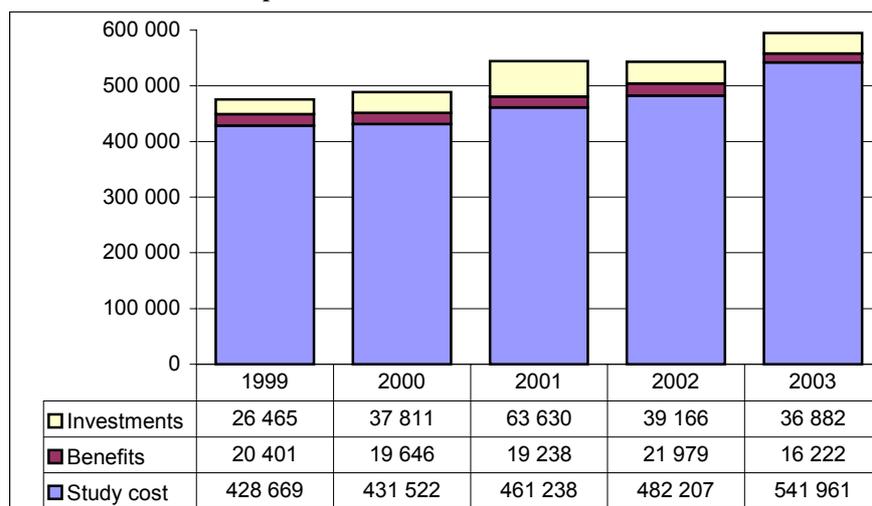
Source: Ministry of Education and Research, Budget Division, 2002

Graph 6. Division of the public sector expenditures on vocational education by different levels and types of vocational education and training



Source: Ministry of Education and Research, School Network Bureau, 2003

Graph 7. Direct, indirect and capital costs from the public sector vocational education budget are described with the Graph 7 in annex



Source. Ministry of Education and Research, Planning Department, 2003

Table 6. Budget of study costs in public and municipal vocational schools, under the administration of the Ministry of Education and Research 1999–2003

(Except vocational schools in prisons)

Year	Study costs thousand kroons	Growth	Number of students financed from the state budget	Growth	Average spending per student, kroons	Change
1999 ¹	358,308	16%	25,012	1%	14,300	15%
2000 ¹	417,894	17%	30,974	24%	13,500	-6%
2001	417,890	0%	33,372	8%	12,500	-7%
2002	460,304 ²	10%	31,518	-6%	14,600	17%
2003	504,074	10%	31,298 ³	-1%	16,100	10%

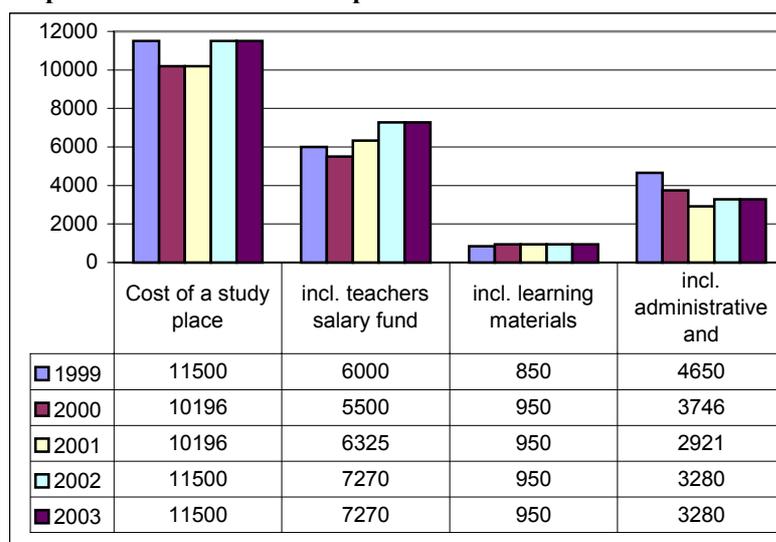
¹ The budgets of agricultural schools (12) which were transferred from the administration of the Ministry of Agriculture to the administration of the Ministry of Education and Research were included in the budgets of study costs of 1999 and 2000;

² Since 2000, the figures include the number of students and budgets of the municipal schools of Tartu;

³ The number of students of 2003 is a forecast

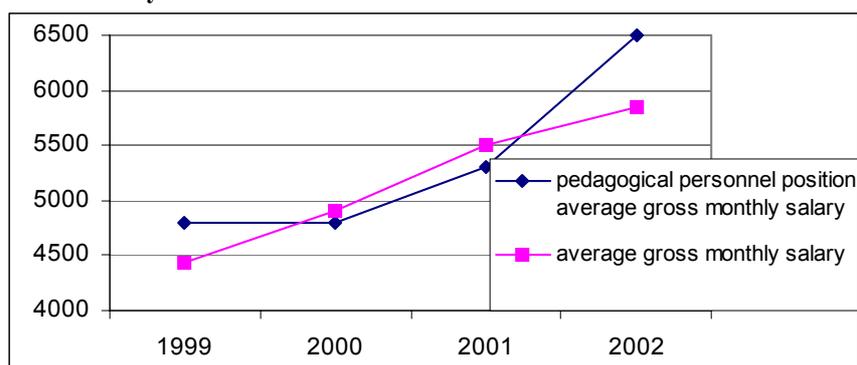
Source: The Ministry of Education and Research

Graph 8. The cost of a student place in vocational schools in 1999–2003



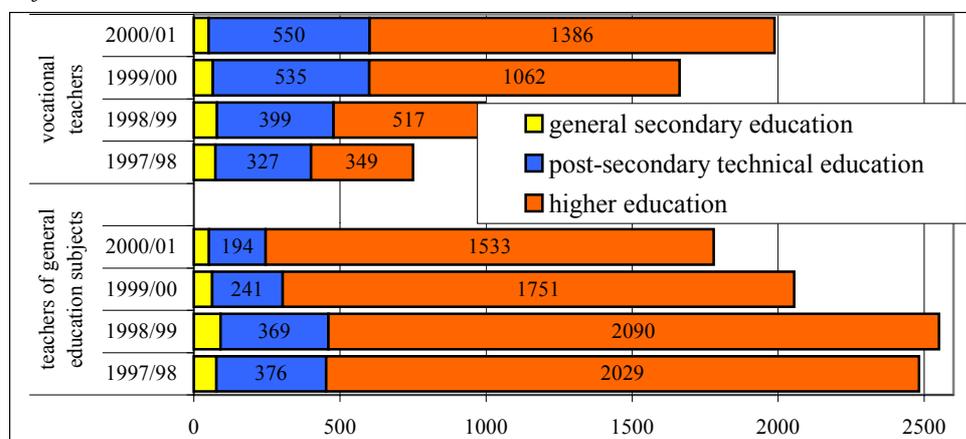
Source: Ministry of Education and Research, budget division, 2003

Graph 9. The average salary of the teaching staff of a vocational school as compared to the average salary of the country in 1999–2003



Source: Annual accounts of state vocational schools, the Statistical Office

Graph 10. The number of vocational teachers and general subjects teachers by the acquired education in vocational schools during academic years 1997/98–2000/01 1997/1998 teachers of general and special subjects



Source: Estonian National Observatory, 2003

Table 7 Coefficients for the field of study in vocational schools²²

Broad group of study	Field of study	Programme	Coefficient
Education			1,4
Humanities and art			2,6
Humanities and art	Arts	Music and performing arts	3,6
Social sciences, business and law			1,0
Natural and exact sciences			1,0
Technology, production and building			1,0
Technology, production and building	Technical fields	Mechanics and metal work	1,0
		Electrotechnics and energetics	1,1
		Electronics and automation	1,1
		Chemistry and process technology	1,3
Technology, production and building	Production and processing	Textile, making of clothes and footwear, processing of leather	1,1
Technology, production and building	Architecture and building	Architecture and city planning	1,3
Agriculture			1,5
Health and welfare			1,4
Service			1,0
Service	Services in the field of transport		1,1
Service	Environmental protection		1,4

Table 8. Investments into vocational education institutions in 1999–2003, thousand kroons

Year	Investments	Growth	Number of students	Investments per student	Growth
1999	13,750	-38%	25,012	0.55	-38%
2000	28,034	104%	30,974	0.91	65%
2001	33,610	20%	33,372	1.01	11%
2002	17,444	-48%	31,518	0.55	-45%
2003*	24,502	40%	31,298*	0.78	41%

* The number of students in 2003 is estimated

Source: Ministry of Education and Research, Planning Department

Table 9 Budget for revenue from economic activity of vocational schools in 2001–2002.

Activity	2001 thousand kroons	Share	2002 thousand kroons	Share
Training	30,239	28%	19,680	24%
Production	33,470	31%	32,347	39%
Dormitory service	9,999	9%	9,392	11%
Catering service	15,035	14%	17,250	21%
Communal services	2,225	2%	2,178	3%
Other activities/services	17,772	16%	2,571	3%
TOTAL	108,740	100%	83,418	100%

Source: Ministry of Education and Service, Planning Department, Budget Division 2002

²² The coefficients for the fields of study and forms of study and the coefficients for the provision of instruction for students with special needs shall be established by the Government of the Republic. Regulation No 30 of the Government of the Republic of 28 January 2003. The regulation is established on the basis of subsection 33 (5) of the Vocational Education Institutions Act

Table 10. Financing of private vocational schools from the state budget in 1999–2002, thousand kroons

Year	Sum	Number of students
1999	419	85
2000	844	195
2001	2,139	332
2002	1,898	347
2003	2,619	358*

* based on the draft budget of 2003

Table 11. Allocation of funds from the state budget for the instruction of children with special needs in vocational schools in the administration of the Ministry of Education and Research

Year	Number of students with special needs	Cost of a student place, kroons	Coefficient	Study costs financed from the state budget, thousand kroons
2001	421	10,196	2	8,585
2002	520	11,500	2	11,960
2003	603	11,500	2	13,861

Source Ministry of Education and Research, 2003

Table 12. Persons acquiring general education in evening courses and in the form of distance learning

Academic year	Up to 20 years of age	21 to 25 years of age	26 years of age and older
1998/1999	4804	1133	146
1999/2000	4824	1447	88
2000/2001	4530	1463	378
2001/2002	4133	1547	482

Sources: Statistical Office of Estonia "Education 1998/1999"; Statistical Office of Estonia "Education 1999/2000"; Statistical Office of Estonia "Education 2000/2001"; Statistical Office of Estonia "Education 2001/2002"

Table 13. Adult learners acquiring special secondary and vocational secondary education

academic year	26 to 29 years of age	Older than 29 years of age
1998/1999	1240	1508
1999/2000	1229	1674
2000/2001	1366	2163
2001/2002	1733	2118

Sources: Statistical Office of Estonia "Education 1998/1999"; Statistical Office of Estonia "Education 1999/2000"; Statistical Office of Estonia "Education 2000/2001"; Statistical Office of Estonia "Education 2001/2002".

Table 14. Employment training in employment offices in 1999–2002

Year	Participants	Sum (million kroons)
1999	7095	32,0
2000	8156	32,2
2001	10233	42,3
2002	9544	46,7

Source: Labour Market Board, 2003