# Country Monograph on Vocational Education and Training System and Structure and Public and Private Employment Services in Estonia

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## List of acronyms

| | |
|---|---|
| ALMP | Active Labour Market Programmes |
| ANDRAS | Association of Estonian Adult Educators |
| CCs | Candidate countries |
| CVT | Continuing Vocational Training |
| EAP | Employment Action Plan |
| EEK | Estonian Currency (Kroon) |
| EES | European Employment Strategy |
| ESF | European Social Fund |
| ETF | European Training Foundation |
| EC | European Commission |
| EU | European Union |
| FMSs | Future Member States |
| FVETRE | Foundation for Vocational Training and Education Reform |
| GDP | Gross Domestic Product |
| HRD | Human Resources Development |
| ISCED | International Standard Classification of Education |
| IVET | Initial Vocational Education and Training |
| JAP | Joint Assessment Paper |
| LFS | Labour Force Survey |
| LLL | Lifelong Learning |
| LM | Labour Market |
| MoSA | Ministry of Social Affairs |
| MoE | Ministry of Education |
| NLMB | National Labour Market Board |
| NOB | National Observatory |
| NVQ | National Vocational Qualification |
| PES | Public Employment Services |
| PPES | Public and Private Employment Services |
| PRES | Private Employment Services |
| RTC | Regional Training Centre |
| SNAO | School Network Administration Office |
| TT | Teacher training |
| TTT | Teacher and trainer training |
| UB | Unemployment Benefit |
| VET | Vocational Education and Training |

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# Executive Summary

The country monograph on vocational education and training and employment services provides baseline information and analysis aiming to identify the progress in implementing the priorities identified in the Joint Assessment Paper on Employment Policy (JAP) agreed between the Government of the Republic of Estonia and the European Commission. Current EU policies based on the Lisbon conclusions, such as the lifelong learning initiative, and the European Employment Strategy set the framework for the analysis.[1]

## A. The context

### a) Economic development

- Estonia experienced unstable and fluctuating **growth rates** in the last decade, suffering a deep fall in GDP up to the mid-1990s (-6.5% in 1990, -14.2 in 1992, -9.0% in 1993) due to several shocks and radical liberalisation of the economy. Between 1995 and 1998 GDP growth was 4-5%, with an exceptional peak of 10.6% in 1997. After the Asian and Russian crisis a negative growth rate appeared again (-1.1% in 1999), however, the economy has been recovering with high growth rates since 2000 (7.1%) and 2001 (5.0%) resulting in optimistic forecasts.[2]

- According to the Joint Assessment of Economic Policy Priorities, the **target** is to achieve a sustainable medium term economic growth rate of about 5.2%. It is assumed that economic growth will result primarily from the growth of exports.[3]

- **GDP per capita** increased from 5,600 (in PPS Euro) in 1995 (32% of EU average) to 9,200 (40%) in 2001, compared to the EU average of 23,200.[4]

- The shares of different **sectors in GDP** changed between 1995 and 2001 in favour of services and at the expense of industry, agriculture and construction.[5] Employment in agriculture decreased from 10% (1997) to 7% (2001), compared to 4% (2001) in the EU.[6]

**Table 1 Structure of GDP in 1995 and 2001**

| Structure of GDP in 1995 (in %) | | Structure of GDP in 2001 (in %) | |
|---|---|---|---|
| Services | 60.3 | Services | 65.5 |
| Industry | 24.6 | Industry | 22.7 |
| Construction | 6.4 | Construction | 5.9 |
| Agriculture and forestry | 8.7 | Agriculture and forestry | 5.8 |

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

[2] Key Indicators 2001, National Observatory Estonia; Forecasts in the Employment Action Plan 2002 show 5.7% for 2002 and 6.0% for 2003; Eurostat forecast data show 5.0% for 2002 and 2003

[3] Joint Assessment of the Economic Policy Priorities of the Republic of Estonia. Concluded in March 2000 between the Government of Estonia and the European Commission, DG for Economic and Financial Affairs

[4] Eurostat, Statistics in focus Theme 2, 8/2003; Quarterly Accounts – the GDP of the CCs

[5] Measured as share in Gross Value Added; Eurostat Statistics in focus Theme 2, 41/2002; Eurostat, Statistical Yearbook on Candidate Countries 2001

[6] Employment in Europe 2001 and 2002; Eurostat, Statistics in Focus, Theme 3-10/2001

### b) Key employment and labour market developments

- Estonia had **two major rises in unemployment** in the 1990s, due to the restructuring of the economy from 2% (1991) to 10% (1995), remaining at this level up to 1998. Due to the economic crisis the unemployment rate grew to 12% (1999), reaching almost 14% in 2000 and since then slightly recovering to 13% in 2001 and around 11% in 1st quarter 2002 with a tendency to a further decrease.[7]

- **A forecast** by the government based on the macroeconomic scenario developed in the Joint Assessment on Economic Policy in 2000 assumes that the unemployment rate will decrease only modestly in 2002 (10.7%) and 2003 (10.4%).[8] This forecast has been revised in the Employment Action Plan 2002 to 13.4% (2002), 13.0% (2003) and 12.7% (2004), but recent trends indicate that the situation will be better than expected.

- In absolute terms **unemployment increased by 24,000** between 1997 and 2000 (from 65,800 to 89,900 people, only about half of whom were registered) and **decreased** to 83,100 in 2001 and 72,600 in the 1st quarter of 2002.[9] The share of long-term unemployed decreased since 1996 (55% of all those unemployed) to 46% (1999) and 45% in 2000, but increased slightly again in 2001 to almost 47%.

- Unemployment rates have always been considerably **higher for non-Estonians**[10] (at around 6 to 7 percentage points) than for Estonians between 1995 and 2001.

- In the period 1998-2001 the **youth unemployment rate** grew most of all. Almost one quarter of the labour force aged 15-24 was unemployed in 2001 (20% among Estonians, 31% among non-Estonians). The unemployment rate of **graduates** (one year after completion of school) increased substantially from 12% (1994) and 17% (1998) to 29% in 2000.[11]

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

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[7] Rein Voormann (editor), Social trends in Estonia. Statistical Office of Estonia, April 2001; LFS data 1st quarter 2002; Eurostat Structural Indicators Webpage data show figures around one percentage point lower (12.5% (2000), 11.8% (2001); The first Estonian LFS with a sample of 10,000 people was carried out in 1995, questions were asked also retrospectively until 1989. From 1997 LFS have been carried out annually and from 2000 onwards throughout the year with results published quarterly and annually. The survey comprises 8,800 families, while all family members aged 15-74 are questioned, which means about 4,000 people in a quarter. In: Ülle Marksoo, Labour Market statistics in Estonia

[8] The forecast is based on unemployment rate of 12% in 1999 and assuming 11.1% for 2001 which is as well based on a macroeconomic framework concluded with the International Monetary Fund

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

[10] The "Non-Estonian" population is concentrated in the North-East part of Estonia; "Non-Estonians" are people who have determined themselves as any other ethnic nationality than Estonian (26% Russian minority, 4% others)

[11] Key indicators 2001, National Observatory. Data on unemployment rates of graduates based on LFS (20-39 persons of the sample, 1 year after completion of school). The youth unemployment rate decreased in the 1st quarter 2001 to 17%

- The educational attainment level of the unemployed is considerably lower than that of the employed. About one third of the employed (34%) have only basic or secondary general education (without professional skills or speciality), as compared to almost half of the unemployed (47%).

- The unemployment rate for **males** (14% in 2000) has been a few percentage points higher than that for females (12% in 2000) since the mid-1990s, except for 2001 when the rate for women was slightly higher than for men. However, in 2002 the female unemployment rate was again 1-2 percentage points below that for males.

- There are no large **disparities** in unemployment between regions, with the exception of the Northeastern population (21% in 2000), the region with high concentration of Russian speaking Estonians. Variations are more pronounced at county level (9.5% in Hiiu, 23% in Polva) and local level.[12]

- The difference in unemployment rates between **rural and urban areas** decreased in recent years and now the unemployment rates are almost the same. However, the number of **discouraged job seekers** grew more rapidly in rural areas.[13]

**Table 2 Estonian labour market and employment performance indicators, benchmarks and targets**[14]

| **Indicators** | **Estonia** | | **Strategic goal** | **EU-15** | **EU – bench mark** | |
|---|---|---|---|---|---|---|
| | 1997 | **2001** | 2006 | **2001** | | |
| Employment rate (of population 15-64) | 64.7 | **61.3** | | **64.1** | 70 | Goal – 2010 (Lisbon) |
| Employment rate (55-64 years old) | 49.0 | **48.4** | | **38.8** | 50 | Goal – 2010 (Stockholm summit) |
| Employment rate – women | 60.3 | **57.3** | | **55.0** | 60 | Goal – 2010 (Lisbon) |
| GDP (annual real growth) | 9.8 | **5.0** | 5.2 | **1.6** | 3.0 | (Lisbon) |
| Unemployment rate (% labour force 15+) | 9.6 | **11.8** | | **7.4** | 2.7 | Average 3 best performance countries (LU, NL, AT) |
| Long-term unemployment rate | 4.5 | **6.2** | | **3.1** | 0.8 | Average 3 best performance countries (LU, AT, NL/DK) |
| Youth unemployment rate (% labour force 15-24) | 19.0 | **24.5** | | **14.9** | 6.0 | Average 3 best performance countries (IRL, NL, AT) |
| Youth unemployment ratio (% population 15-24) | 8.3 | **8.8** | | **7.1** | 3.1 | Average 3 best performance countries (LU, IRL, AT) |
| Unemployment rate – women | 8.9 | **12.0** | | **8.6** | 3.1 | Average 3 best performance countries (LU, NL, IRL) |

[12] Estonia has 15 counties, 42 towns and 205 municipalities but no regions. There are 3 "Phare regions" and 5 statistical ones, representing the 3rd level of statistical units. The latter are Northern, Central, NE- (Ida-Virumaa), W- and S-Estonia. Unemployment data according to ILO definition are not available/representative at municipality level

[13] The citizens of towns (42) are considered as urban population, those of municipalities (205) as rural. The actual place of residence determines the distribution between rural and urban population. Social Trends in Estonia 2001

[14] Eurostat Structural Indicators Webpage, 2003; Employment in Europe 2001 and 2002; There are no other strategic mid-term goals set by the Government apart from the annual GDP growth rate

- The overall **employment rate has decreased** between 1997 (64.7%) and 2000 (60.7%) but slightly increased in 2001 to 61.3% (EU average 64.1% in 2001). In total 578,000 people were employed in 2001; the total number of the labour force was 661,000 and of the working age population (15-74 years) 1.047 million.

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

### c) Demographic development

- The steadily **declining birth rate** over the past decade from 14.2 births per 1000 inhabitants (1991) to 9.6 (2000, EU mean 10.7) will affect in due course all parts of the education system and issues like number of schools and teachers. The number of basic school graduates will start to decrease considerably in 2004/05.

- The forecast for 2000 to 2010 shows a substantial decline of 27% in the size of the age group 0-14 years and of 22% for the age group 15-19.[15] The Estonian **population is ageing**, but less so than in most other European countries. In 1998, the ratio of the population aged 65-years and above to the working-age population (15-64) was about 1:5, whereas the projection for 2010 shows that the ratio of the elderly will increase to almost 1 to 4.[16]

- The **overall population** decreased by more than 10% from 1.57 million (1990) to 1.37 million in 2000, partly due also to a continuing negative net migration, which however, has slowed down since 1998. Among the "non-Estonians", the Russian minority forms the largest group accounting for 26% of the total population.[17]

## B. Foundations for lifelong learning (LLL)

The concept of LLL has become established in Estonian thinking in recent years and, since the mid-1990s, ambitious plans (the "Tiger Leap" programme) have put Estonia on a fast track towards becoming a genuine information society. With a view to LLL an education strategy paper "Learning Estonia", prepared by the NGO "Estonian Education Forum" and MoE between 1998 and 2001, has been widely discussed and was close to adoption by the Parliament in 2002. The strategy paper presents a view on the design of a future education system, focusing on quality of education, broadened access and the creation of an overall support structure. The Estonian consultation process on the EC's Memorandum on LLL in 2001 was comprehensive and included the main stakeholders in education both at national and local level, social partners as well as civil society.[18] One major outcome was the development of a "LLL Strategy" focusing on adult education, which is currently being discussed in Estonia.

[15] Key Indicators, National Observatory; Statistical Office of Estonia 2001
[16] The old age dependency ratio (population aged 65 and over to population aged 15-64) was about 21% in 1998 and forecast to be 24% in 2010. Social Trends in Estonia 2001
[17] According to the Population Census in 2000. Key Indicators, National Observatory; Social Trends in Estonia 2001
[18] Cross-country report "Summary and analysis of the feedback from the candidate countries on the Commission's memorandum on lifelong learning", ETF November 2001

One major challenge remains the area of initial VET at secondary level, where participation is still low (1/4 of basic school graduates entering the VET pathway) and is limiting the potential future supply of well-trained skilled workers/technicians. Another challenge is the need for a comprehensive continuing training system that will improve the quality of the labour force.

### a) Participation in education and educational attainment

- A range of educational indicators suggest that Estonia has a more **favourable** situation compared to other candidate countries. The **educational attainment level** of the labour force (15-74) is comparatively high in 2000 (88% with at least upper secondary education, 29% with tertiary education).[19] This feature is true also for the population aged 25-64, out of which 86% have attained at least upper secondary education and 29% tertiary education.

**Table 3 Educational attainment level of the population aged 25-64 (2000)**

| Education level | Estonia % | EU 15 | CC-11[1] | OECD countries |
|---|---|---|---|---|
| Low | 13.9 | 36.2 | 22.6 | 44.0 |
| Medium | 56.6 | 42.2 | 63.5 | 47.0 |
| High | 29.4 | 21.6 | 13.9 | 23.0 |

Source: Eurostat Statistics in focus, Theme 3, Nr. 19-20/2002, LFS Principal Results 2002; Key Data on Education in Europe 2002
[1] Excluding Malta and Turkey
Lowest level refers to ISCED 0-2 (pre-primary, primary and lower secondary education)
Medium level refers to ISCED 3-4 (upper secondary and post-secondary non-tertiary education)
Highest level refers to ISCED 5-6 (tertiary education)

- During the 2nd half of the 1990s there has been a rapid increase in **school-life expectancy**, from 12.7 years (1995) to 14.8 years (2000). People are staying more than 2 years longer in education than in 1995.[20]

- Student numbers indicate **growing trends** for all levels of education (especially for higher education). In 2000 the proportion of 20-year-olds still in education (51%) exceeded for the first time 50%. The **enrolment rate** in education for 17 year-olds was 89%, for 18 year-olds 74%, and at 65% for 19 year-olds was still higher than in some other candidate countries (Slovenia 62%, Hungary 56%, Czech Republic 41%) and the EU average of 59%. Compulsory education starts at the age of 7 and continues until completion of basic education (9 years) or up to the age of 17, even if not graduated from basic school.

**Table 4 Participation rates in education of young people by age (1999/2000)**

| | 15 | 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|---|---|
| EUR 15 | 98.3 | 92.2 | 84.2 | 74.6 | 59.3 | 48.9 |
| Portugal | 100.0 | 87.7 | 86.8 | 69.2 | 54.2 | 47.0 |
| Ireland | 100.0 | 92.6 | 82.3 | 72.7 | 51.2 | 42.3 |

[19] Statistical Office of Estonia, data from LFS 2000; Tertiary (ISCED 5A and 6: 18%) plus so-called post-secondary technical (ISCED 5B: 11%); Data for the population (15-74) show stable proportions between 1997 and 2000: roughly 1/4 below upper secondary, ½ with upper secondary ¼ tertiary education
[20] Pre-primary education is not taken into account, therefore, the value of this indicator is higher for those countries where the school-entrance age is lower. Education 2000/2001, Statistical Office of Estonia 2001; Social Trends 2001

| | | | | | | |
|---|---|---|---|---|---|---|
| Slovenia | 99.5 | 96.3 | 92.1 | 77.7 | 62.4 | 44.7 |
| **Estonia** | **98.0** | **97.3** | **89.0** | **73.8** | **65.1** | **50.8** |

*Source: Employment in Europe 2002*

- While more young people continue in higher education, the number of those who leave school before completing even basic education, is increasing (growing **educational stratification**). Over the last 5 years around 1,300 young people interrupted annually their studies in basic school, with a cumulative impact. It is estimated that more than 20,000 (17-25 age group) people are without basic education in 2001. This problem is especially serious for boys, which leads to increasing gender differences at higher levels of education.[21]

- The **drop-out rate** is disconcertingly high in secondary education (7% in general, 13% in vocational) and one of the most unfavourable of all candidate countries. This problem is going to be addressed by the VET action plan, aiming to decrease the drop-out rates annually by one percentage point.[22]

- There is a strong **dominance of general education at secondary level**. On completion of basic education ¾ of pupils go on to upper secondary general (gymnasium) and only ¼ to vocational secondary. The proportion continuing in the general education stream rose from 56% (1991) to 74% (2000). Total enrolment at the secondary level (ISCED 3) shows approximately 2/3 for general (68%) and 1/3 for vocational education (32%).[23]

- Estonia is experiencing an increased **demand for higher education**, in relation to the development of private universities and higher schools. In 1995/96 about 2/3 (68%) of secondary general education graduates went on to higher education (mainly for bachelor courses), whereas in 1998/99 this figure had risen to 88%. Enrolment in tertiary education almost doubled from 27 to 51 thousand between 1995 and 2000, in the period 1995-1999 the OECD average increased only by 20%.[24] There are rather more females (58%) than males (42%) in higher education.

- The Estonian Labour Force Survey 2000 shows a **participation rate in continuing training courses** of 3.5% of the population aged 15-74 and 5.1% of employed persons in that age group. In both cases there are substantial gender differences with women being, on average, more than twice as likely to participate in CVT than men. Almost the half of participants (45%) attended courses in training companies, training centres, ¼ at a place of work (24%) and 12% at a school.[25]

- Comparable data with EU Member States show that 5.2% of the Estonian population aged 25-64 participated in education or training in 2001 and 2002,

[21] Social Trends in Estonia 2001; Estonian Human Development Report 2001

[22] Key indicators 2001, calculations of the Estonian National Observatory

[23] The number of students in VET remained stable since 1995, but the reform of 1999 changed the structure of admittance, as some specialities belonging earlier to secondary level were transferred to higher (diploma) level. In: Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001; OECD education at a glance 2001; Eurydice 2001; Education 2000/2001

[24] Education 2000/2001, Statistical Office of Estonia; OECD Education at a glance 2001; OECD Education Policy Review in Estonia, 2001. The share of general secondary school graduates who went on to higher education is encompassing the full range of vocational and academic programmes. 40% went on to diploma and bachelor studies in 1995/96 and 64% in 1998/99

[25] Participation in courses during the last four weeks, LFS 2000

which was **lower than the EU average** (8.4%) but higher than participation in many other CCs (Hungary 3.0%, Slovenia 3.7%) and some EM Member States (Greece 1.4%, France 2.7%, Spain 4.9%) in 2001.

- The share of **adults** (about 20 thousand students in 2000/2001) in the regular education system is ranging from 0.7% in basic education up to 12.9% in VET, 27% in higher VET and 16% in higher education.[26]

- According to the Eurostat CVTS2 survey **continuing training in enterprises** plays a more important role than in other candidate countries, but to a lesser extent than in most EU Member States. Estonia ranks 2nd among 9 candidate countries as regards the share of enterprises providing some kind of continuing training in 1999 (63%) – lagging only slightly behind Czech Republic (69%) but far ahead of Slovenia (48%), Poland (39%) and Hungary (37%). EU member states reported 70% or more enterprises offering CVT except Spain (36%) and Portugal (22%).[27] However, the participation rate in enterprises providing courses[28] was only 28% (27% males, 29% females) – lower than in Czech Republic (49%), Slovenia (46%) and Poland (33%) but better than most other candidate countries although still behind all EU member states.

- The share of unemployed participants in **active labour market measures** decreased between 1995 and 2001 from 24% to 13%, and the number of participants from 16,100 to 11,000 in the same period. Participants in employment training made up about 2/3 of total participants in active measures (averaging at 8,400 per year since 1995), but increased to 10,200 in 2001, however still being at a low level and reaching only 12% of unemployed, compared to 14% in 1995 and 1996).[29]

### b) Financial resources

- Public investment figures show the **high value of education** in the Estonian society. Since the mid 1990s public expenditure on education has been around 7% of GDP, compared to 4-6% in most EU and OECD countries. In 1999 public expenditure on education was even as much as 7.5% of GDP (compared with only 6.0% of GDP on health and 1.4% on military), however, the trend has been decreasing since then (6.9% in 2000, 6.3% in 2001 and 6.3% in the 2002 budget).[30] At the same time public financing of **CVT and labour market training** for the unemployed remains at a rather low level.

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[26] Due to legal amendments, enrolment in vocational higher education and diploma study was stopped in August 2002 and replaced by a combination of these – applied higher education study. Eurydice 2001; No accurate data is available on short training courses and CVT expenditures

[27] CVT2 is based on a sample survey and included for the first time 9 CCs; Eurostat Statistic in Focus 3 –2/2002

[28] Participants as a proportion of total number of employed. The participation rate is referring only to one type of continuing training, namely "courses". The data are not referring to the total number of enterprises, but only to those which are providing continuing training

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

[30] Information provided by the Estonian Ministry of Education. According to the MoE even though Estonia has a comparatively high share of GDP spent on education, it does not mean that the education sector is well off; Estonian Human Development Report 2001. Tallinn Pedagogical University, 2001; The respective EU average was 4.9% in 2000

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

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

- In 2001-2004, the system of **VET schools financing** through the "cost of a student learning place" will be continued. Compared to 1999 (730 Euro) the cost of a student learning place decreased in 2000 (650 Euro) by 11% and is expected to increase slightly in the forthcoming years (4% annually).[32]

- The only **financial target** related to LLL set so far concerns R&D expenditure which is due to rise from 0.7% (2000) to 1.5% of GDP in 2006 (with a share of 70% public expenditure).[33] Universities have always traditionally placed high pressure on public funds, but the government is starting now to perceive more the needs of VET and other areas.[34]

- **Continuing training** is financed by the state currently mainly for civil servants and teachers in state and municipal schools (2-4% of the payroll), as well as for the unemployed. In addition, the state budget includes a small budget for supporting the activities of the Adult Education Council as well as of "hobby education" institutions.

- According to Eurostat Estonian **enterprises invest 1.8**% on average of their labour costs in continuing training courses, which is much higher than in all other candidate countries (Slovenia 1.3%, Latvia 0.8%), except Czech Republic (1.9%) and even higher than in some member states (Belgium 1.6%, Austria 1.3%).[35] Estonia ranked rather in the top of the scale (compared with most other candidate countries) regarding the total expenditure per employee on CVT courses in 1999, which amounted to 285 PPS, (similar to Bulgaria at 294 PPS and Czech Republic 293 PPS though lower than Hungary (305 PPS) and all EU member states of which Austria reported the lowest costs per employee.[36]

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

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[31] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001; Expenditure include operational expenditure, capital investments and some expenditure on science

[32] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001; cost of a learning place was 11,500 EEK in 1999 and 10,200 EEK in 2000. Average exchange rate: 1 Euro = 15.64 EEK

[33] In February 2020 the Estonian Strategy for Research and Development 2002-2006 has been adopted and a future Estonia is there seen as a knowledge-based society where R&D are highly valued

[34] Estonian Human Development Report 2001; state financial means tend to be invested in higher education

[35] The costs in the CVTS2 survey refer only to "courses" as one type of continuing training, and only to enterprises providing some kind of training (63% of total in Estonia)

[36] Eurostat, Statistics in Focus, Theme 3- 8/2002. Costs and funding of CVT in enterprises in Europe

- **Administration** costs made up 9.6% (6.2% if social taxes are included) of public expenditure on labour market policies in 2000 and are decreasing since 1998 (16.5%).[37]

- Although **unemployment benefits** in Estonia are very low (7% of the national average wage in 1998), compared to other candidate countries (Slovenia 44%, Czech Republic 21%), the share of active measures (36% in 2000) in total labour market expenditure is steadily decreasing since 1995 (62%). Labour market training accounted for 18% of total labour market expenditure in 2000 (11% if social taxes are included).[38]

## C. Initial vocational education and training (IVET)

Since the early 1990s the Estonian vocational education and training (VET) system has faced many challenges, as modernisation of the educational system was delayed since the 1970s and the overall quality and image of VET had steadily worsened. The adaptation to a market economy and political pluralism, the implementation of modern curricular and education structures, the decline in VET participation and social status of VET all had to be addressed together. In addition, recent preparations have been necessary for a completely new concept of education: lifelong-learning.[39]

Although progress in VET reform has been very fragmented, lacking critical mass and strategic development in its initial phase, Estonia has made important progress in VET reform in the last years – stimulated by the goal of EU accession and supported by foreign assistance (Phare, bilateral assistance from Nordic countries)[40] – and further reform with ambitious goals is being implemented since 2001 and regarded as an urgent necessity.

### a) Policy and legal framework

- The main principles for **future VET reorganisation** and development, such as flexibility, efficiency, quality, co-operation and integration have been established in the "VET concept" of 1998, which aims to improve access to VET, to increase effectiveness and labour market relevance, and to raising the social status of secondary VET.

- In addition, other **national policy documents**, like the "Estonian National Development Plan 2001-2004" and the "National Employment Action Plans 2001 and 2002" stress the need for a national continuing training and lifelong-learning system in order to improve the employability and quality of the labour force.

- Consequently a **new legal framework** on vocational education institutions, applied higher education institutions and private schools was created in 1998, introducing a higher vocational education level (ISCED 5B) – which finally was merged and replaced by applied higher education (ISCED 5A) in 2002,

[37] Ministry of Social Affairs, Labour Market Department
[38] Raul Eamets, Capacity of public and private employment services, draft paper February 2002; Human Development Report 2001
[39] Grootings Peter, The Reform of Vocational Education and Training in Estonia, August 1998
[40] Viertel Evelyn, VET. In: OECD Review of National Policies for Education in Estonia, 2001

establishing vocational councils (in order to prepare a new qualification framework) involving social partners, and providing for more flexibility in VET provision, rationalisation and privatisation of schools.

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

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

- The Ministry of Education (MoE) **was reorganised** in 2001 and moved geographically from the capital Tallinn to Tartu, resulting in a high staff turnover. The VET and CVT department was abolished and subordinated under a new Policy department and its secondary education division. VET capacities within the MoE became more limited than before[41], however, the task of implementing the VET reform has been outsourced to a newly created public body, the School Network Administration Office (SNAO).

### b) Resources

**Teachers**

- The **average gross salary** in education **remains low** at approximately the same level (85% of the national average salary in 2000) since 1992, and considerably below the average for employees in public administration and defence (128% of the national average salary).[42] The minimum **annual gross salaries** (2,030 Euro) of **upper secondary teachers** in 1997/1998 relative to per capita GDP (64%), as well as the maximum salaries (4,230 Euro, 132%) show Estonia behind Cyprus, Slovenia, Poland and Hungary, but in a better position than Slovakia, Czech Republic, Romania, Latvia and Lithuania.[43]

- VET schools are considered to be overstaffed and equipped with too big and ineffective leadership structures.[44] The VET **student/teacher ratio** is aimed to be changed from 12:1 (2000) to 16:1 in 2004. At the same time there is a need to increase salaries for teachers.

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[41] Some educational stakeholders mentioned during the field visits that the MoE has always been a ministry rather for general education and not for vocational education

[42] National Observatory Estonia, Key indicators 2001

[43] Eurydice/Eurostat. Teachers in Europe 1997/98. GDP data for Estonia are from 1998. The gross annual salary (minimum 31800 EEK, maximum 66200 EEK) has been divided by the per capita GDP at current prices in national currency. Average exchange rate for 1997: 1 Euro = 15.64. Own calculation

44 Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001

- A high number of VET teachers do not have relevant **pedagogical qualifications** and will not be able to undergo three-year-long university courses. Therefore clear policy guidelines on future provision of VET teacher training are needed.[45]

- A Danish bilateral assistance project on VET **teacher training** was implemented successfully in year 2001/2002, developing a new national standard and curriculum and providing training for teacher educators. The results are expected to be an important driver for the necessary teacher training reform in VET.

- The VET Action Plan foresees the goal that all teachers will have acquired the **International Computer Training Licence** by 2004.

- In education there are about 30,000 full-time teachers (1,900 in vocational education at ISCED 3 level) and teacher training was mainly offered in the form of a diploma-study and bachelor-study with duration of 4-5 years. By 2007 VET school teachers and directors have to meet **higher qualification requirements** (longer work experience, complementary pedagogical training). However, the obligation to attend regular enterprise practice has been abolished in 2002.

**Equipment**

- A national programme ("Tiger Leap") for computerisation of Estonian schools was launched in 1996, followed by Phare support (ISE programme) leading to the introduction of the "European Computer Driving Licence (ECDL) and the development of a "National ICT Development Plan for schools 2001-2005".

- In 1999 there were on average 28 **pupils per computer**,[46] and 25 pupils per computer in 2000 (15 in Hiiuma, 48 in Tallinn). In 2000, computer classrooms were available in all basic, general secondary and VET schools, and 75% of all schools have got online Internet connection (25% the dial-up option). Standards are being elaborated for evaluation of ICT competencies, to be implemented in all schools in 2003.[47]

- Other indicators confirm that Estonia is on the **fast track** towards digital literacy and to becoming a genuine information society. In 2000 Estonia had the highest number of Internet users per 100 inhabitants (25.4) in all candidate countries (average 5.5) and even higher than the EU average (24.2).[48] The ambitious target is to increase the percentage of Internet users in Estonia up to 90% by 2004.[49]

- About 20% of the resources of VET schools are spent annually on buildings administration, while ¼ of the total area of school buildings is not used directly in teaching.[50] A Public Assets Administration Office was established in 2001 with the target to rationalise the total space per student (target 14m$^2$) and learning space per student (target 11m$^2$) by 25-30% between 2001-2004.[51]

[45] Danish Institute for Educational Training of VET Teachers, VET Teacher Training in Estonia, February 2002
[46] UNDP study in OECD Review 2001
[47] Tiger Leap Foundation, ICT Development Plan in Estonian Schools 2001-2005
[48] Eurostat Statistics in Focus, Theme 4-37/2001, Information Society Statistics
[49] Siil Imre, Estonia Preparing for the Information Age, ICA – International Council for IT in Government Administration, June 2001
[50] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001
[51] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001

### c) Structure and organisation

- In the last decade several **changes** have been instituted regarding the structure of education as well as the content of study programmes at all levels of education, to move towards Western systems and to reflect the Bologna Joint Declaration.[52] Modernisation of initial VET was driven mainly by EU Phare and bilateral assistance.

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

- In addition, the new concept of education is targeting a more **integrated approach** between general and vocational education by increasing the vocational subjects/modules in gymnasiums ("basic VET") and vice versa to integrate additional general education subjects to speciality related ones.[53]

- The current **structure of the VET system** has two levels (secondary VET - minimum 3 years (ISCED 3B), and applied higher education lasting 3-4 years (ISCED 5A), which replaced higher VET (ISCED 5B) in August 2002. It is open both for basic school graduates and general secondary school graduates. VET after basic education is aiming to prepare skilled workers, VET after general secondary to prepare workers for higher level of skilled work, and the objective of the former higher VET was to prepare specialists and middle-level managers.

- A **national curriculum** is only available for general education. Currently the graduation certificate from VET schools confirms that a certain programme and level has been covered, but does not attribute vocational qualifications. However, a National Employee Qualification System as well as national VET curricula have been under preparation since 1999 and are close to implementation in 2002/2003.

- **Initial VET** at secondary level is understood as more broader education (50% VET related subjects), which currently is not leading to formal vocational qualifications. Specialisation is taking place at a later stage (75-85% VET related subjects at the former higher VET level (now applied higher education), incl. 35% practical training) and during working life. A modular approach has been used since 2000 in all school programmes and about 1/3 is meeting the requirements of vocational standards.[54]

- Horizontal **mobility** between general education and VET schools as well as between different VET schools and professions is provided upon additional examinations, depending on the difference of the programmes. General secondary graduates can acquire VET in shorter cycles 1-2 years, ISCED 4B). Graduation from secondary VET provides access to applied higher education, however, for continuing university (bachelor, master or doctorate studies) the

[52] OECD Review 2001; VET Foundation Estonia: Education, Labour Market and Careers Guidance in Estonia, 2001
[53] Ministry of Education, information based on field visit at the Policy Department and its secondary school division
54 Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001

national examination for secondary general education has to be passed. In recent years about 1/3 of VET graduates applied for this opportunity.

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

- A **merging process** of VET schools is still ongoing aiming to create better effectiveness by consolidated VET centres (the number of public VET schools decreased from 77 to 58 between 1994/1995 and 2001/2002, while the number of private VET schools increased from 4 to 23). In rural areas a merging of VET and general secondary schools is under consideration with the scope of offering a wider range of opportunities for basic VET for upper-secondary school students. It is acknowledged by a large part of society that VET schools also have to fulfil a social function in rural areas.

### d) Delivery

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

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

### e) Responsiveness of IVET to the needs of the labour market and the individual

- Although data on educational attainment might suggest a rather qualified **labour force**, research shows that nearly half of the population is **employed non-effectively**, and a trend of downwards replacement of workers results in the exclusion for the lower educated from the labour market.[55] Furthermore skills obtained under the soviet system are partly outdated and obsolete, mainly due to restructuring of the economy.

[55] Estonian Human Development Report 2001; Surveys conducted in Estonia on matching between educational level and jobs

- While unemployment remains high, there are at the same time the phenomena of «under-mobilisation of human resources»[56] and **lack of a qualified labour force** which hinders the establishment of new competitive enterprises and the expansion of existing ones. Employers and labour market research claim demand for a high number of skilled ICT workers, mostly for masters, skilled workers and technicians, and less for specialists with higher education.[57]

- **Information on skill needs** is partly being collected and different sector analyses and research in the context of a changing labour market are being carried out since the end 1990s and do already inform educational planning and programming to a certain extent.

- The **low participation rate** in VET compared to EU and other candidate countries[58], which is limiting the future supply of qualified workers, is to a certain extent linked to the still persisting image problem of VET and low social status of skilled workers in Estonia, although many stakeholders admit that the situation has improved over the last 3-4 years.

- The **negative image of VET** is partly inherited from the soviet period, partly because of the trend in society towards general and higher education and partly because of the assumed lower quality of VET. Secondary VET still has no equal status compared to secondary general education. This is also shown by the fact that the state examinations ("maturity exam", providing access to university) after 3 years of secondary schooling is not obligatory for VET school graduates, but for general secondary education students.[59]

- Improvement towards **responsiveness** to labour market needs is expected through the introduction of more VET programmes at higher VET level (now applied higher education), the National Employee Qualification System, the introduction of basic VET programmes in the gymnasium, the modular based curricula approach in VET and through a number of measures being implemented by the VET Action Plan 2001-2004. However, VET schools will hardly be able to attract and absorb the envisaged additional capacities and it will be difficult to reverse the current trend of pupils opting towards general education in the short term.

- Great expectations have been set in the concept of **Regional Training Centres** (VET Centres), which started gradual implementation, on the basis of existing VET schools, with Phare support in 2000, but these have not yet had a significant impact. These Centres are expected to have a crucial role in the economic and social development of a region, providing multifunctional services (initial VET, applied higher education, CVT, counselling, continuing training of teachers, labour market analysis, programme development, local networking).

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[56] Uniting Europe No. 97/2000

[57] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001; In fact Estonia needs both people with technical education and higher education. There are enough people with technical education, but they need to be retrained according to the needs of a contemporary enterprise in a market economy

[58] Masson Jean-Raymond, Candidate countries' involvement in EU policies in lifelong-learning, education and training, draft paper ETF, April 2002

[59] In the view of the MoE the primary objective of VET is to prepare students for the labour market and not for academic higher education. Access to professional higher education is provided with the provision of applied higher education studies (higher VET until 2002) and dead-ends in this respect have been eliminated

- The lack of a comprehensive system of **vocational counselling** and guidance will be partly addressed by the VET Centres but also professionally trained counsellors working in VET schools are foreseen.

- An **apprenticeship** system does not exist in Estonia. There are some enterprises that train persons or small groups on their own initiative and cost.[60] A Phare 2001 programme seeks to pilot apprenticeship schemes in a few selected occupations, and under Phare 2002 work-linked training programmes will be developed for specific risk groups (drop-outs, general secondary school leavers).

- Business and **entrepreneurship** training has become increasingly more important in the formal education system through the "Junior Achievement Business Programmes" and the Phare"Business Education Programme".[61]

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

- The creation of a legal framework supporting the development of new VET curricula based on vocational standards has opened up the possibility for getting access to vocational certificates through **validation of related professional experience**. The delivery of the first certificates has concerned mostly the professions of real estate agents and real estate assessors.[62]

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

- Initiatives are planned to enhance the teaching of **foreign languages** in VET schools (currently 6 study weeks), with the target to double the volume by 2004. There is still a high need to provide additional national language studies to non-Estonians, as 30% of admission on secondary VET comprises the Russian language group.

- The current principles of a **centralised management** of VET institutions (as most VET schools are still state schools, contrary to secondary general education) do not allow for a quick adaptation to local labour market needs and do not account for the increasing interest towards VET from local authorities. The MoE therefore is approaching further privatisation and municipalisation of VET schools.[63]

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[60] VET Foundation: Education, Labour Market and Careers Guidance in Estonia, Tallinn 2001
[61] Estonian Ministry of Economic Affairs, BEST Report Estonia to the EC, DG Enterprise, July 2001
[62] Fragoulis Haralabos, Validation of non-formal and informal learning. An analysis of the first responses by the candidate countries. Conference paper, Oslo May 2002
[63] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001

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

## D. Continuing vocational education and training (CVT)

The development of CVT has been lagging behind the reform process in initial education and suffering from a clear gap in national strategies and actions. The OECD recommended in 1999 the establishment of a national strategy for adult and continuing training aiming to provide wider access to CVT. Since 2001 progress is underway with the "National LLL Strategy", which is currently discussed in an open consultation process with key stakeholders as well as citizens and will be presented to the Adult Education Council for an opinion at the end of 2002. Most likely, the LLL strategy will be finalised only after the elections to the Parliament in March 2003.

### a) Policy and legal framework

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

- A coherent **strategic and policy framework** on CVT is still not in place but is expected to be provided by the "National LLL Strategy", which will form the basis for legal amendments. Elements are included in the National Employment Action Plans and the National Development Plan for Estonia.[64]

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

### b) Structure and organisation

- Continuing training **provided by enterprises** is important (63% of all enterprises, see chapter 2a+b on Eurostat data) compared to other candidate countries. LFS data show that employers financed 60% of total courses (84% of work-related courses) in 2000. According to CVT2 survey payments to external providers made up the largest portion of direct costs of CVT courses in all countries, and were highest in Hungary (80%), Estonia (73%) and the Netherlands (72%).[65]

- There is a range of **private training providers** - about 440 providers whose main activity is continuing training, and 1,700 for which it was one of their "additional

[64] The timetable for the elaboration of the NDP-SPD (Single Programming Document) 2003-2006 foresees the commenting on the draft version by the social partners and the European Commission in December 2002, and the approval by the Estonian Government in January 2003. The presentation of the SPD human resources development priorities at the Council of Adult Education is scheduled for October 2002

[65] Eurostat, Statistics in focus, Theme 3- 8/2002. Costs and funding of continuing vocational training in enterprises in Europe

activities" according to the business register.[66] CVT courses are considered by participants to be costly in Estonia and the quality issue needs to be addressed.

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

- Almost all **VET institutions** offer work related training courses for adults, mainly in the areas that they teach and based on prepared curricula. Most public universities and applied higher education institutions offer further training as well, either in formal (e.g. flexible "open universities") or non-formal (in-service training) education system. The 3 Regional Training Centres and future 5 **VET Centres** are expected to play a vital role in CVT provision to enterprises and employment offices at local level.

- **Labour market training** is arranged by the National Labour Market Board and the local employment offices, and purchased from different training providers. It is of concern that the number of participants in training has been very low between 1997 and 2000. First data for 2001 show signs of improvement (plus 25% compared to 2000) since legal changes have widened access.[67]

### c) Responsiveness of CVT to the needs of the labour market and the individual

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

- National surveys show that those **groups in most need of training** (non-Estonians, less educated, older people, lower income groups, out of Tallinn) participated less in CVT than others, paid more for the training themselves and are more dependent on training offered by the employment office.[68] Non-Estonians, among whom there are significantly more unemployed, have participated in courses twice less frequently than Estonians.[69]

- Surveys on training firms conclude that the **demand for training** is in strict correlation with financial resources of the potential customer. The present

[66] Annus Tiina, Capacity of CVT to support National Employment Policy Objectives, working document, Tallinn February 2002
[67] Raul Eamets, Capacity of public and private employment services, draft paper, March 2002
[68] Annus Tiina, Capacity of CVT to support National Employment Policy Objectives, working document, Tallinn February 2002
[69] Estonian Human Development Report 2001

training system is more favourable to younger people with higher education, who are well placed in the social hierarchy and whose financial circumstances are above average.[70]

- A current **unfavourable feature** in enterprise provided training is that trainees are usually those who already had a training experience, most often managers of the business, services and construction sector.[71]

- **CVT courses in VET schools** are flexible and curricula based, involving the school council and more often the vocational council. In some professions individual training is offered in small groups of 3-4 students per trainer with a focus on practical training.

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

- There is a great need for vocational training of **disabled** people, and the transition from school to working life needs better organisation.[72]

- In the framework of the LLL strategy it is envisaged to create **additional capacities** through establishing the «Estonian Institute for Adult Education».

- A major achievement was the establishment and reinforcement of a National Adult Education Council, involving social partners, which had defined **priorities** in adult education on an annual basis since 1999. The main priorities for the period 2000-2003 have been defined as the systematic organisation of work related training (including **risk groups**), training to SMEs and multiplicators (teachers, counsellors, trainers) on social adaptation of risk groups. The National Employment Action Plans are closely linked to these priorities.

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

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

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

[70] Eurydice/Cedefop, Estonia 2000. Structures of Education, Initial Training and Adult Education Systems in Europe
[71] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001
[72] VET Foundation, Labour market and training needs analysis in South-Estonia, Ida-Virumaa and the Islands, 2000

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

- Currently the Estonian **tax system** (26% flat tax) allows for tax deductions up to 6,400 Euro per year, however, this provision is mainly used by higher income groups. At the same time some private educational institutions have increased their tuition/training fees by 26%.[73]

- According to the Adult Education Act employees are entitled to the **study leave**, its length depending on the type of education and training (from 42 days for higher education to 14 days for vocational training, 7 days for informal adult education). An employee is entitled for the average salary for 10 days. Evaluation to what extent and by which groups these measures are used is lacking.

## E. Public and private employment services

The Estonian PES system is facing several challenges in order to be fully prepared for implementing the European Employment Strategy. Apart from additional financial resources, the administrative capacity has still to be strengthened with a view to expand provision of active measures. In addition, an overall modernisation process and improvement in the quality, efficiency and flexibility of services is needed. Initiatives are underway or being implemented currently, and Estonia is still counting in that respect strongly on related EU Phare support.

### a) Legal and policy framework

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

- **Policy capacities** have been weakened in the 1990s through frequent changes both in the structure and human resources of the Ministry of Social Affairs (MoSA) and the National Labour Market Board (NLMB),[74] however, the situation has improved since 2000. The NLMB was restructured and new capacities (including the position of a vice-chancellor) were created in the MoSA.

- The first two **Employment Action Plans** 2000/2001 and 2002 are in line with the four pillars of the European Employment Strategy and European Employment Guidelines. Most attention is paid to risk groups whose competitiveness in the labour market is lowest (youth, long-term unemployed and disabled).

[73] Information provided by staff from Ministry of Finance. There are no official statistics available on the use by social groups. Upper ceiling for tax deductions in 2001 was 100,000 EEK (exchange rate 1 Euro = 15.64 EEK)

[74] The NLMB was established in 1991, abolished in the mid-1990s and re-established only in 1999. OECD Education/Training Sector Review carried out in Estonia in April 1999, findings on the labour market and training situation.

### b) Structure and organisation

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

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

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

- **Private employment services** are active on a small scale in employment mediation, vocational training and guidance. According to LFS the share of unemployed seeking a job through private agencies averaged around 3% annually since 1997 (2.7% in 2000). In 2000 there were only 4 licenced agencies in Estonia, however, 16 new agencies were applying for an activity licence in 2001 and preliminary data for 2002 show in total 38 licenced providers. In addition, a number of unlicenced firms are operating in this market.

### c) Resources

- The **number of PES staff** increased from 199 (2000) to 207 (2001), mainly due to hiring additional counsellors on pilot projects focusing on individual approaches with the long-term unemployed. On the other hand the monthly workload of staff per registered unemployed (233 in 2000) increased (262 in 2001), due to legal changes encouraging the unemployed to register. There are wide regional differences, ranging from 88 (Hiiumaa) to 318 (Harjumaa) registered unemployed per PES staff, indicating the understaffing of PES offices.[75]

- Although the **structure of employment** in local offices seems to be favourable for implementing active measures (about 80% of total staff were so called "counsellors" in 2001),[76] the average time available for counselling per unemployed is considered as insufficient.[77]

- Training provision for **PES staff development** is insufficient and has been lacking for some years in most offices, but is now being addressed more seriously

[75] The MoSA is using the ratio on the registered jobseekers (608 jobseekers per staff) in 2001, demonstrating the annual workload; calculations based on LFS data, where the number of unemployed in the week of questioning is used as basis according to ILO methodology, show 485 unemployed per staff in 2000, and 436 unemployed per staff in 2001. As around half of the unemployed do not register they are not part of the workload of PES staff. Therefore this number shows only the possible "theoretical" workload

[76] Raul Eamets, Capacity of public and private employment services, draft paper February 2002; the term "counsellor" is referring to a job-title and does not necessarily imply full-time counsellors

[77] Information gained at ETF field visits and discussions with local employment office staff in 2001

by an annual training programme for 2001/2002, focusing in particular on job-mediation and how to co-operate with employers.

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

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

- **Access** to training courses and other **active measures** has been widened due to the new legal framework of October 2000, although a substantial increase in participation is still limited by financial resources. Previously only those entitled to unemployment benefit have had access to labour market services; now all registered unemployed are eligible.

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

- However, the overall **«popularity» of employment offices** has not substantially increased since the mid-1990s, as registered unemployment continued to account for only half of actual unemployment (53% in 1996, 60% in 2001)[78]. According to LFS 2000, 44% of the unemployed (53% of men) did not contact the employment office on even a single occasion throughout the period of unemployment. The main means of sourcing information were individual job search and job announcements (83%) and reference to relatives or friends (75%). Contact to employment offices (52%) was almost equal to direct contacts with employers (48%) in job search.

### d) Specific issues

- There is a clear need for strengthening the **partnership approach**, combining the priorities and resources of a range of institutions, including local governments and social partners. **Tripartite Employment Councils** have been established in 2000, expected to be fully operational in all 15 counties at the end of 2002. Delay in implementation was due to difficulties in co-operation between PES and local employers.

[78] Social Trends in Estonia 2001

- **Labour market training**, shows a rather high success rate, as 76% (1997) and 57% (2000) found a job after training, however, remains at a small scale.[79] According to the OECD it serves rather immediate needs and is only partially responsive to economic needs. Participants receive a training stipend paid up to 6 months equal to 150% of unemployment benefit. The unit cost for training has increased more than the expenditure earmarked for this measure and financial shortages are limiting further expansion.

- Concerning other active labour market measures the interest in **public works** has decreased substantially since, from 2001 local municipalities have had to finance this measure themselves. **Business start up subsidies** have potential to expand, however current grant levels are considered as too low, and entrepreneurship training appears to be insufficient and too short for thorough preparation for self-employment. **Wage subsidies to employers** have been the least important measure. Considerations might be given to including a **training element** within several programmes, to better targeting of measures and to keep bureaucracy to a minimum in dealing with employers.[80]

- For 2002 a **state programme** (amounting to 703,000 Euro) has been introduced aiming to address the needs of most vulnerable groups by expanding active measures ("Increasing employment, preventing long-term unemployment and counteracting exclusion of risk groups the from labour market").[81]

## F. Conclusions

- Despite the progress Estonia has achieved to-date, in particular in general and higher education, the **challenges** in matching the supply and demand of labour force, in addressing the existing skills gap and improving the quality of the labour force as well as in counteracting the risk of a growing social divide **remain high**. The implementation of various measures is needed, including the development of initial vocational training, CVT and expansion of active labour market measures.

- Within the education system resources will need to be more directed towards vocational education in order to achieve a "final boost" of the ongoing reform. Concerning initial VET **ambitious goals have been set** out in the "National Action Plan for Developing the Estonian VET System 2001-2004", prepared by the MoE:

✓ to increase the number of VET students by 8% per year, reaching in 2004 50% of the age group of basic school graduates and 50% of graduates from general secondary schools
✓ to decrease the drop-out rate from 13% (2000) to 8% in 2004
✓ to privatise/municipalise 30% of VET schools by 2004
✓ to rationalise the student/teacher ratio from 12:1 (2000) to 16:1 in 2004

[79] It must be taken into account that in many cases the written letter of an employer confirming that the unemployed person will be hired is required. Raul Eamets, Capacity of PPES, draft paper February 2002

[80] Raul Eamets, Capacity of PPES, draft paper February 2002

[81] Republic of Estonia, National Employment Action Plan 2002, Tallinn 2001

- ✓ to increase the share of teachers with higher education from 75% (2000) to 100% in 2004
- ✓ to double the volume of foreign language teaching in all programmes
- ✓ to increase the share of VET programmes meeting the requirements of vocational standards from 30% (2000) to 100% in 2004
- ✓ to improve efficiency of public assets by reducing the learning space per student from 14m2 (2000) to 11m2 in 2004.

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

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

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

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

- Concerning the **Lisbon targets and conclusions**, Estonia is rather advanced compared to other candidate countries, but still has to catch up to most EU averages and future targets. However, main issues are already being addressed by national policies (ICT development, increase in employment rate, access to education, strengthening research and development, foreign languages, LLL).

# 1 Introduction

**Estonia's employment policy priorities**

The main objectives and priorities of the Estonian employment policy, reflecting the country's current stage of development and addressing a range of specific labour market issues, have been set out in the following major documents:[82]

- The first ***Estonian Employment Action Plan (EAP) for 2000 (4th quarter) and 2001***, approved by the Estonian Government on the 3rd of October 2000;
- The ***Joint Assessment Paper (JAP) on National Employment Policy Priorities***, signed jointly by the European Commission/DG Employment and the Estonian Ministry of Social Affairs on the 19th of March 2001;
- The second ***EAP for 2002***, approved by the Estonian Government on the 24th of July 2001;
- The third ***EAP for 2003***, approved by the Estonian Government on the 17th of July 2002.

In addition to the above mentioned documents reference to employment policy priorities is made in the relevant chapters of the ***Preliminary Estonian National Development Plan 2001-2004*** and the ***National Development Plan – Single Programming Document 2003-2006***, which is expected to be approved by the Government in January 2003.

The Estonian EAPs have been prepared in conformance with the European Employment Guidelines and are seen as essential instruments for participation in the European Employment Strategy. It is planned to continue the future elaboration of Action Plans on an annual basis.
In order to ensure implementation of the EAPs two special Employment Programmes have been prepared.

- The first Employment Program ***"Increasing employment, preventing long-term unemployment and preventing the exclusion of disadvantaged groups from working life"*** was approved by the Government on 28th of February 2001. Funding of 10.45 million EEK (668,000 Euro)[83] was allocated for implementation of the EAP 2000/2001.
- The second Employment Programme relating to the EAP 2002 was approved by the Government on 30 April 2002.

The above mentioned strategic documents stress several priorities which, however, are not ranked according to their importance. Most of these activities are focused on the first pillar of the EES (improving employability).
In general there are **no quantitative targets** set in these documents.[84]

[82] The major part of this chapter was provided by Reelika Leetma, The country's employment policy priorities. In: Annus Tiina/Martin Dodd, Capacity of IVET and CVT to support National Employment Policy Objectives, working document, Tallinn, March 2002

[83] Average exchange rate: 1 Euro = 15.64 EEK

[84] The only short-term targets mentioned in the EAP 2000/2001 were the employment rate (expected to rise fro 59.9% in the 1st quarter of 2001 to 61.2% at the end of 2001) and the unemployment rate (from 14.8% to 14.0% in the same period). Although in the EAP 2002 the great difference between EU Member States and Estonia is pointed out regarding the expenditures on employment policy (EU about 3-4% of GDP and Estonia only 0.24% of GDP), no

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

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

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

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

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

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

It is planned to amend the Adult Education Act in order to encourage both employers and employees to engage more actively in continuing education and training programmes through the availability of additional incentives. The Social Partnership Agreement 2001-2004 also envisages measures to improve the access to continuing training opportunities. Widening access to labour market-training provision offered by Public Employment Services is also a priority in this area.

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

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

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targets have been set towards improvement of the situation. The forecast of the Estonian Ministry of Economy on key macroeconomic indicators shows a pessimistic forecast that the unemployment rate until 2005 would remain at a rather high level (12.4%)

initiated by the Ministry of Social Affairs (MoSA) were carried out in order to evaluate the impact of Estonian tax and benefit systems on employment.

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

The Employment Service Act launched vocational counselling as a new employment service in 2000. As a first step, all employment offices have hired counsellors and a 3-module training programme for counsellors was carried out in April 2001. Development of vocational counselling has an important place in EAP 2002. In collaboration with the Danish Ministry of Labour a Counsellor's Manual was prepared. It will be used as supplementary material in counsellors' training program.

The EAP for 2002 defines the "disadvantaged in the labour market" as young people aged 16-24, disabled persons, long-term unemployed, persons who have dropped out from basic school, elderly workers, non-Estonian speakers and persons without any professional education or qualification. It is emphasised in this document that in order to effectively integrate these groups into the labour market, an individualised approach will be developed taking account the needs of the specific groups. Priority will be given to young unemployed, long-term unemployed and disabled persons. The EAP for 2003 has added the "aging labour force" (older than 45 years) as the 4th risk group.

In 2001/2002 the following projects for risk groups have been carried out:[85]

**Young people**

Employment related pilot projects for young people were implemented in 9 counties. In total 291 young people participated and 210 got work placements after the project.

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

**Disabled persons**

A pilot project was prepared and implemented by the Hiiumaa County Council and the Danish Ministry of Labour to integrate the disabled in the ordinary work environment with the help of employment subsidies. The success of the project prompted its continuance and implementation in 5 other counties (Tallinn, Sillamäe, Jõgeva, Põlva, Valga). The project continued also in 2002.

**Long-term unemployed**

As a result of the pilot project "Supporting the placement of the long-term unemployed through labour market training and labour market support/subsidy for

[85] Most of this information was provided by the MoSA, October 2002

the employers", 354 unemployed got work placements. Individual Action Plans were prepared for 336 long-term unemployed people.
A research was carried out by the Estonian Economic Institute of Tallinn Technical University on "Long-term unemployed and possibilities to bring them back to the labour market".

**Providing the Public Employment Service with the resources and structures needed to manage active programs effectively and to engage more actively with the unemployed.**

In December 2001 the Phare 2000 program "Support to the balanced development of labour market services" started. In the framework of the project the measures aimed at disadvantaged groups in the labour market will be developed further, the staff of Public Employment Services will be trained on the working principles of the EU structural funds with the focus of ESF and the role of PES in the administration of ESF in Estonia, the self-service information system in PES will be worked out and executed, the preparations to join the EURES will continue and the members of the tripartite employment councils will be trained.

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

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

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

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

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

The region facing the highest unemployment rate in Estonia is Ida-Virumaa. To tackle unemployment here, a special Employment Program was prepared for 2001 with the co-operation of the Ministry of Economy, Ministry of Education, Ministry of Social Affairs and local stakeholders. Currently the detailed action plans for executing the program are being worked out. The implementation of the program is monitored by a Steering Committee, which is composed of the representatives of the Ministry of Economic Affairs, Ministry of Education, Ministry of Social Affairs, Ministry of Interior and representatives of employers and employees and of the Ida-Virumaa County Government.

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

A certain amount of resources are earmarked for projects focusing on solving employment problems from out-of-budget Privatisation Fund. The Ministry of Social Affairs is responsible for selecting the projects. In 1999-2001 93 project proposals have been submitted and 47 have been approved with the total value of 22.13 million EEK (1.4 million Euro).

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

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

Establishing special permanent tripartite bodies is an important precondition for increasing the role of social partners. In 1999 the government established the tripartite Social Economic Council. Trilateral Employment Councils will be created in each of 16 Employment Office areas. Currently 5 tripartite employment councils are working actively in Ida-Virumaa, Valgamaa, Viljandimaa, Võrumaa and Järvamaa. According to the tripartite agreement signed on the 18th of January 2002 the representatives of the central organisations of the employers and employees made commitments to be actively involved in setting up the employment councils and to appoint their representatives to all regional employment councils in 2002.

Within the framework of Phare project 2000, training is planned for all the members of the council to familiarise them with the principles and methods for evaluating the labour market and planning employment measures (see above).

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

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

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

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

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

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

In April 2002 the Government of Estonia approved the main principles for European Union Structural Funds and Cohesion Fund resources. According to the related document the MoSA will fulfil the function of the ESF paying authority and to a certain extent also of the implementing authority. At the same time the MoSA will become the implementing and paying authority of the Community Programme EQUAL. As part of the preparations for the European Social Fund, the ESF Accountancy and Payment Bureaus and the ESF Programming and Co-ordination Bureau have been established.

# 2 Vocational Education and Training (VET) and Lifelong Learning (LLL) in the context of the national employment policy

## 2.1 Overview of the education and training system

### 2.1.1 Legal framework and institutional setting

**Legal Acts governing the management, organisation and financing of VET/LLL86**

The main laws related to education and training were created in an early phase after Estonia regained its independence in 1991. The 1992 ***"Constitution of the Republic of Estonia"*** provides the right to education to everybody in Estonia. The overall framework and general principles of the Estonian education system were laid down in the "***Law on Education***" (March 1993, last amendment in June 2002), and more specific conditions for establishing, running and closing state and municipal primary schools, basic schools and gymnasiums were set out in the ***"Law on Basic and Upper Secondary Schools"*** (September 1993, last amendment in March 2002). The latter also defined the principles governing basic and secondary general education schools. Higher education is regulated by the ***"Law on Universities"*** (January 1995, last amendment in June 2002),[87] and the legal conditions for education and training of adults, along with a first perspective for life-long learning were created by the ***"Adult Education Act"*** (October 1993, amended in June 1999) and the ***"Law on Hobby Schools"*** (June 1995, last amendment in June 2002).

A second phase of adopting new legislation took place in the period 1998-1999, including vocational education. The legal basis for establishing and running private schools was created by the ***"Private Education Institution Act"*** (June 1998, last amendment in June 2002) and the foundations for pre-school institutions in municipalities as well as the whole pre-school education system have been laid with the ***"Law on Pre-School Childcare Institutions"*** (February 1999, last amendment in June 2002).

**Vocational education**

Regarding vocational education, specific legislation has been introduced only in the second half of the 1990s. The ***"Vocational Education Institution Act"*** (June 1998, amended in June 2001 and again in June 2002 in relation to the amendment of the Law on Universities and the Applied Higher Education Institutions Act) provides the basis for the establishment, reorganisation and closure of vocational education institutions, for the establishment of vocational councils, for the organisation of

86 A preliminary analysis of the legal systems of Estonia, Latvia and Lithuania concludes that all three Baltic countries have already created fundamental legal documents for the regulation of education and training systems. The legal systems are developed using different approaches: Whereas Estonia is concentrating on different types of institutions, Lithuania is regulating different sectors of the education and training system and both are present in the case of Latvia; Neudorf Reet/Krusts Gunars/Dienys Vincentas, Comparative Analysis of VET Systems of Estonia, Latvia and Lithuania, In: Comparative Analysis of VET Systems and Regulated Professions in Baltic States, National Observatories of Estonia, Latvia, Lithuania, 2000

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

studies and principles of school management, school budgeting and financing, as well as the rights and obligations of schools and state supervision.[88] At the same time, the ***"Law on Applied Higher Education Institutions"*** (June 1998, amended as well in June 2001 and June 2002) was created, aiming to regulate the operation of applied higher education institutions and previously defining the principles of vocational higher education provision. The ***"Law on the recognition of foreign professional qualifications"*** (in order to be employed in a regulated profession and taking into account European Union Directives), was adopted in March 2000 (last amendment in June 2002).

The ***"Professions Act"*** (December 2000, last amendment in June 2002) has provided the basis for the development of vocational qualification requirements and assessment and attribution of vocational qualifications.

**Continuing vocational training (CVT)**

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

Apart from the before mentioned Professions Act, a number of Acts not directly related to education also have an impact on continuing vocational training. The ***"Holidays Act"*** (July 1992, last amendment June 2002) regulates training leave of employees, the ***"Wages Act"*** (January 1994, last amendment June 2002) regulates payments related to training, the ***"Public Service Act"*** (May 1995, last amendment June 2002) confirms the right for training to civil servants, the ***"Employment Contract Act"*** (April 1992, last amendment February 2002) introduced the obligation of employers to organise work-related training if vocational qualification needs are changing, and the ***"Income Tax Act"*** (December 1999, last amendment June 2002) provides for income tax reduction on training expenses for employees.[89]

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

**Labour market training**

The provision of labour market training for the unemployed is mainly regulated by the ***"Social Protection of the Unemployed Act"*** (January 1994,[90] June 2000, last amendment June 2002) and the ***"Employment Service Act"*** (June 2000, last amendment June 2002). With the new legislation adopted in 2000, access to training and other labour market services have been widened and, as noted above, vocational counselling has been introduced as a new service.

[88] This Law is applicable to private vocational education institutions as far as the Private Education Institution Act does not stipulate otherwise

[89] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[90] Including the "Procedure for Organising Employment Training and Grant and Payment of Stipends to Unemployed Persons" (February 1995)

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

*The **legal framework concerning CVT**, created in the first half of the 1990s, **needs improvement** in order to widen access and address lifelong-learning more systematically. Policy makers are aware and an amendment is foreseen for 2003/2004.*
*Overall, there is still a lack of co-ordination and inter-ministerial consultation on different laws regulating VET.*

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

## Institutional setting of VET and LLL

### Government of the Republic

The Government of Estonia has the authority to adopt and ensure implementation of state education development plans, to determine procedures for the establishment, reorganisation and closure of public educational institutions[91] (including tuition fees, payment procedures) and to determine remuneration principles for staff of public educational institutions and state universities.

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

### Ministry of Education

The MoE has the task to co-ordinate the implementation of education policy through local governments and other Ministries involved in the organisation of education, to establish (reorganise and close) state educational institutions (except universities and applied higher education), to direct and organise the preparation of curricula, study programmes, textbooks and teaching/study aids (except for universities) and to administer the public assets used by public educational institutions and the education system as a whole. The MoE performs procedures for state supervision[92] of educational institutions and state educational standards. In addition, the MoE participates in forecasting the requirement for specialists and skilled workers, as well as to prepare the Government-planned training of staff in education. The MoE issues and revokes education (operating) licences for private educational institutions,[93] and

[91] The Government has the authority of opening, reorganisation and closure of state universities and applied higher education institutions
[92] Supervision is the task of the MoE and its supervisory section (inspectorate) as well as the education departments of the county governments
[93] A major requirement for a licence is that the curriculum should correspond to the educational standards fixed for the level of education concerned

has the right to appoint and dismiss heads of state educational institutions (except universities).[94]

As the vast majority of VET schools are state schools (contrary to secondary general schools), the MoE plays the most important role in VET provision. All other Ministries responsible for vocational education and training institutions (the MoSA as well as the National Police Board[95] are each running one VET school) act independently of the MoE in supervision and management of VET schools, but they have to follow national education policy as established by the MoE.[96]
The Ministry of Social Affairs (MoSA) is responsible for the organisation and financing of training for the unemployed.

The Ministry of Agriculture had been responsible for 13 agricultural schools, which according to the Law on Vocational Education Institutions finally came under the administrative jurisdiction of the MoE as of September 2000.
As of September 2002 the MoE had 54 VET schools in its jurisdiction out of a total of 88 VET schools (out of which 30 were private schools).

Due to a major reorganisation of the Ministry,[97] the previously (since 1997) existing VET and CVT Department was abolished in June 2001, and responsibilities related to IVET have been moved to the Policy Department of the MoE and its Secondary Education Division as well as partly outsourced to the newly created public "School Network Administration Office".[98] At the same time the MoE moved geographically from the capital Tallinn to Tartu with the aim to support regional development, resulting in a high staff turnover and a number of new and young staff.

In Estonia the MoE is also responsible for the co-ordination of continuing training,[99] and is assisted mainly by

- The ***Council of Adult Education***, which has an advisory role in setting priorities, funding and other issues related to adult education. The Adult Education Act specifies the Minister of Education as the Head of the council, but it does not regulate the composition or number of council members. At present, the council includes representative of social partners, different Ministries and adult

[94] Neudorf Reet/Krusts Gunars/Dienys Vincentas, Comparative Analysis of VET Systems of Estonia, Latvia and Lithuania, 2000; The MoE also has to contribute to the implementation of state research policies and commission research on education. Furthermore the procedures for teacher certification and upgrading of vocational qualifications, the organisation of training and in-service courses for educators, co-ordination of in-service training and retraining for specialists and skilled workers are the responsibility of the MoE
[95] In the jurisdiction of the Ministry of Internal Affairs
[96] Viertel Evelyn, Vocational Education and Training. In: OECD Reviews of National Policies for Education – Estonia, October 2001
[97] The structures of the administration of education in Estonia have been repeatedly reorganised. In 1988 the MoE, the Ministry of Higher- and Post-secondary technical education and the Vocational Education Committee were combined into one Education Committee. In 1989 the MoE was newly created again, in 1993 a new Ministry of Education and Culture was established which had to deal with overall education policy and higher education, whereas a "State Board of Education" had to deal with general and vocational education. In 1995/96 the MoE was re-established as a separate entity
[98] VET capacities within the MoE have been weakened, since only one senior expert is dealing with VET issues. The total number of people dealing with VET (including the Office of School Network) has remained the same
[99] Whereas in Lithuania this responsibility is delegated to the Ministry of Social Security and Labour, and in Latvia this responsibility is split between several Ministries

education providers (15 members in total). The council meets when it is considered necessary but at least twice a year;[100]

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

- The ***General Education Management Board*** of Heads of education departments from county governments;
- The ***Education Forum***, an NGO of different interest groups discussing development issues in education (e.g. Education Strategy "Learning Estonia" which has been under preparation in 2002);
- The ***Student Advisory Chamber***, consisting of secondary, vocational and university student representatives;
- Bodies related to higher education (e.g. like the ***Higher Education Advisory Chamber,*** the ***Research and Development Council***).[101]

**School Network Administration Office**

This central body (located in Tallinn) under the administrative jurisdiction of the MoE was established in July 2001 and is responsible for the management of the state school network, including secondary general schools (4 basic school and gymnasia, 6 boarding schools, 3 special schools, 19 schools for children with special needs), VET schools (54 VET schools, 3 special VET schools in prisons) and 5 applied higher education institutions.[102]

**Public Assets Administration Office**

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

**National Examination and Qualification Centre**

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

**National Qualification Authority**

This body was established in September 2001, aiming to co-ordinate the work of the vocational councils and to facilitate implementation of the National Employee Qualification System.

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[100] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[101] Eurydice/Cedefop, Structures of Education, Initial Training and Adult Education Systems in Europe, Estonia 2000

[102] The Office of School Network has a staffing of 15 people, divided into management, financial planning and development department. This includes an internal audit advisor and 6 regional directors, who assess and analyse activities and administration of educational institutions in the respective region, presenting recommendations for improvement

**Foundations**

There are two important Foundations in Estonia related to education and training, governed by a board consisting of different Ministries and stakeholders: the ***Foundation for Vocational Training and Education Reform in Estonia*** (FVETRE) is the National Agency for the EU Leonardo programme. This has been managing VET Phare programmes since the mid-1990s and more recently Human Resource Development projects under the Phare Economic Social Cohesion programme. FVETRE is also hosting the National Education Observatory, National Resource Centre for Guidance and Counselling and the Business Education Programme. In 2002 the VET Foundation was assigned as an implementing agency for the future ESF.

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

**Local governments**

The role of county governments and their education departments is to prepare and implement education development plans for their administrative region (county), to provide supervision of pre-primary institutions and schools, and to organise vocational guidance and counselling of children and young people. Regarding CVT, local governments have to ensure learning opportunities for youth and adults and to support informal education, training for the unemployed, people with disabilities and people with low income.
Local government authorities organise maintenance of pre-primary institutions, basic and secondary schools, keep registers of children in the compulsory education age and monitor their attendance.

**Management at school level[103]**

The director: Is responsible for the management, administration and operation of the school, securing efficient work of the school, drafting of the school budget and budget performance. The director serves as the employer of staff members and approves their job descriptions by an order. He reports to the school council as well as the body that has appointed him. As stipulated by a decree of the MoE, recruitment of directors is organised by an open competition, carried out by the school council. The term of office shall not exceed five years. The founder of the school appoints the director.[104]

School councils: According to the law, vocational education institutions have to establish a school council (formed for the term of three years), consisting of representatives of founders of the school (administrating Ministry), professional experts in the fields taught in the school, employers connected to those educational

[103] Individual schools have to ensure study opportunities for every child of compulsory education age in the school district, as well as health care; In: Eurydice/Cedefop, Structures of Education, Initial Training and Adult Education Systems in Europe, Estonia 2000

[104] The employment contract with a director at a state school is concluded, amended and terminated by the Minister heading the Ministry under which administrative jurisdiction the state school falls. The employment contract with a director of a municipal school is linked to the head of the township administration or the town mayor, according to the recommendation of the township or town administration; In: Neudorf Reet/Krusts Gunars/Dienys Vincentas, Comparative Analysis of VET Systems of Estonia, Latvia and Lithuania, 2000;

fields, representatives of the employers and employees associations, local municipalities, NGOs at local level and the students organisation. The council is appointed by the founder of the school and has the purpose to direct the operations of the school. It approves the school development plans, submits an application for the budget of the school to the founder of the school, confirms the budget report and confirms enterprises and other institutions for practical training of students.[105]

Teachers board: The task of the teachers board is to resolve matters pertaining to educational activities of the school (to define, analyse and evaluate teaching activities, to carry out the necessary management decisions). The composition of the board includes teachers and other members of teaching staff (including the director).

*Involvement of social partners and other stakeholders*

The participation of social partners in VET is regulated by national legislation as well as by their own charters, action plans and agreements with other stakeholders. In the last decade the involvement of the social partners in administrative and consultative bodies of the education system has evolved substantially.[106] In particular employers have been assigned to play a more active and influential role, which is reflected in their participation in the **Vocational Councils**, which have been established according to the Law on Vocational Education Institutions and in the framework of the creation of the "National Employee Qualification System". The Vocational Councils are developing qualification requirements and vocational standards which are used as a basic reference in programme development at educational institutions.
Vocational Councils are also asked for an opinion in the preparation of the national training order.
The councils were hosted between 1998 and 2001 by the Chamber of Commerce[107] and Industry and moved in September 2001 to the newly created "National Qualification Authority".

Notwithstanding the commitment and participation of social partners in different fields at national level,[108] the **actual involvement of social partners** is still rather limited at local level and needs to be strengthened.

**Research institutes**

Since the former research institutions were closed down at the beginning of the transition period, Estonia has been lacking credible research and analytical capacities on education and VET as well as on labour market issues. In 1997 the National Observatory for vocational education and training was founded (with support from the EC and ETF, hosted by the FVETRE), which subsequently contributed to the monitoring of VET and labour market developments in Estonia. In 2001 the MoE

[105] The council comprises five to nine members, appointed by the founder of the institution
[106] European Training Foundation, Enhancing the role of social partner organisations in the area of vocational education and training in the candidate countries of Central and Eastern Europe, Turin, 1998
[107] The Chamber of Commerce was hosting an important part of the VET reform process (starting up, preparations, Vocational Councils) until 2001
[108] Social partners are involved apart from tripartite vocational councils in tripartite employment councils (expected to be fully operational in 2002), advisory councils to the MoE (e.g. the adult education advisory council, the commission of the vocational education and training specialists), the Estonian Education Forum, and are participating in the supervisory boards of vocational schools. In: Paern Henn, The Views of Businesses on Human Resources Development, Paper at the international conference on "Achieved Balanced Economic and Social Growth", Policies and Innovations in the area of Human Resources Development, Tallinn, March 2001

took the decision to broaden the scope of the Observatory by merging with the statistical unit of the MoE to cover the entire education system. This new Observatory aims at providing statistics and analysis for the whole education system in Estonia. Regarding vocational education, the need for a VET Innovation Centre (with a focus on research) has been expressed by different stakeholders, but is still under discussion.

***Implementation of VET reform*** *in the 1990s has been delayed. Reasons for this include frequent changes in the structure of the MoE in the last 15 years and uncertainty on whether some VET institutions should become part of the public administration system or part of the social partnership framework.*[109] *Since the latest reorganisation of the MoE in 2001, institutional capacities for VET became more limited and need to be strengthened within the MoE as well as in other existing institutions in order to meet the challenge of the ongoing ambitious reform.*

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

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

### 2.1.2 Policy framework

Education policy in Estonia is framed by the Parliament (approving laws regulating education) and the Government (deciding on the national strategies for education). Policy in the field of education has been stable since the end of the 1990s, and although a new (transitional) Government[110] started in January 2001, no major changes in policy directions have been announced by the new Education Minister so far.[111] The next national elections for the Parliament and Government will be held in March 2003.

Current education policy tends to follow the overall liberal economic and political approach which has been dominant in Estonian society over the last decade, paying much attention on issues such as privatisation and municipalisation of schools, rationalisation and cost-efficiency of education. This is less the case for the policy regarding employment services, where state offices still are playing an almost monopolistic role and a policy towards private agencies is hardly developed.

[109] Grootings Peter, The Reform of Vocational Education and Training in Estonia. An independent review of recent developments, August 1998

[110] Due to the resignation of the previous Government in January 2001. The new (transitional) Government is composed of the free market oriented "Reform Party" and the more socially oriented "Centrist Party". Concerning accession to the EU a national referendum will be held in 2003

[111] The new Education Minister (27 years old) has indicated in her first months of office that the efforts on VET reform will continue

The **vocational education** system in Estonia has been identified from the beginning of the transition period as the most difficult area within Estonian educational policy.[112] Modernisation and structural change of the education system remained delayed since the 1970s and the overall quality and image of VET had steadily worsened in the 1980s. Since the early 1990s the Estonian VET system has faced many challenges, such as the adaptation to a market economy and political pluralism, the implementation of modern curricular and education structures, the decline in VET participation and social status of VET, together with more recent preparations for a concept of lifelong-learning.[113]

Within overall education policy, priority was given to higher and general education in the 1990s. A shift towards more attention for VET has occurred only gradually in recent years and may be identified by the following:[114]

1. An overall **VET reform initiative was launched only in 1998**.[115] These actions were focusing mainly on the diversification, reorganisation and efficiency of the VET structure, the development of flexible funding mechanisms and decentralised management with involvement of social partners. They are expected to contribute to raising the social status of secondary VET and consequently the participation rate in VET (only about ¼ of pupils after basic school opted for VET in 2001). The **main directions of VET policy and reform** are laid down in the "Concept of Vocational Education and Training", approved by the Government in January 1998. The purpose of VET is seen as to enable the individual to develop and adapt to rapid changes in the society and to ensure broad-based occupational competencies, thus developing an individual who is competitive in the labour market. Key principles were set out on which the organisation of VET should be based, such as efficiency, flexibility, functionality, co-operation, quality and availability.

   The VET concept has resulted in a new legal framework, which provided for more flexibility in VET provision, rationalisation and privatisation of schools, introduction of a higher VET level (ISCED 5B) - in 2002 changed to applied higher education - establishing vocational councils and involvement of social partners.

2. As a follow-up and in order to speed up the process of VET reform, the "**Action Plan for developing the Estonian VET system 2001-2004**" (focusing on initial

[112] Nielsen Soren, Report on the Vocational Education and Training System in Estonia, SEL Copenhagen, 1995; Estonia has opted early for a "skilled workers' strategy" by stressing the development of quality of human resources in production instead of becoming a low-pay producer in the international division of labour, which would also conflict with the tradition of a high educational level in Estonia

[113] Grootings Peter, The Reform of Vocational Education and Training in Estonia. An independent review of recent developments, August 1998; Estonia has a long and proud history in education, going back to the monastery and cathedral schools of the 13th century. Tartu University was founded in 1632 and a Teacher Seminary was established already in 1684. A national education system was developed from the beginning of the 19th century, including vocational education. Before the Second World War, there were more than 170 vocational institutions with about 13,000 students. The illiteracy rate was extremely low

[114] Some educational stakeholders mentioned during the field visits for the Monograph in June and September 2001, that the MoE has always been a Ministry rather for general education and not for vocational education

[115] In 1995 the FVETRE was created and on a pilot base the reform process started with a PHARE VET Programme in 13 pilot schools in 1996

VET)[116] has been approved by the Government in June 2001. It is the latest policy paper for VET, highlighting the following objectives and development directions:

(a) Guarantee learning opportunities for young people up to 18 years, in line with the opportunities for offering programmes meeting the interests and abilities of young people and enhancing their transition from school to working life;
(b) Organise continuing education and training for adults, thus assisting them to achieve recognised higher qualifications;
(c) Modernise the learning environment in the VET schools, update the curriculum of the study programmes, in accordance with the requirements of the labour market;
(d) Assess the efficiency of the existing VET school provision, develop a system of assessment and accreditation of VET schools;
(e) Develop a teacher training system capable of meeting contemporary requirements, for initial and continuing training of teachers and trainers;
(f) Create an Innovation Centre for VET, which undertakes research-based activities related to the role of teachers, career counselling in the school system, and dissemination of new developments/information to trainers, vocational councils, employers and professional unions.[117]

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

- **Increasing the number of students in the VET system** by 8% annually until school year 2004/2005 (starting from the state of play in 2000 of 26% of graduates of basic schools, and 27% of graduates of secondary general schools following the VET stream). For the long-term it is foreseen that the opportunity to acquire VET should be guaranteed for 50 % of the age group of the graduates from the basic school (incl. basic VET in gymnasiums), and for 50 % of the graduates from general secondary school-gymnasium; this target may be seen as too ambitious, in particular as immediate measures to promote VET are not worked out yet;

- **Decreasing the drop-out rate** from VET schools by one percentage point per year (the rate of drop-outs was 13 % in year 2000);

[116] In July 2000, the Estonian government established an Expert Committee to develop national priorities for VET and the reorganisation plan for the VET system until year 2004. The committee prepared a draft "Action plan" in November 2000 which was formally adopted by the Estonian government in June 2001 - aiming to continue the implementation of ideas given in the "Vocational Education Concept" of 1998 by describing needed actions. This process is aimed at more rational and effective use of the existing resources in order to speed up improvement of the quality and efficiency of the education provided, at improvement of the teachers' qualifications, at supporting the curricula development efforts and at modernisation of the study environment and teaching process. In: ETF Review of Progress in VET Reform 2002
[117] Anus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

- A large scale **municipalisation/privatisation of VET schools** is planned (the target of 30 % of the currently public VET schools to be transferred into municipal or private ownership has been set); current legislation provides the opportunity for private entities to establish a foundation and present an application for privatisation to the state; in 2000/2001 academic year there were 17 VET schools (out of total 81 VET schools) privately owned and further privatisation is progressing – 23 schools in 2001/02 and 30 schools in 2002/03. Municipalities show less interest to take over VET schools, there were two municipal schools (Tartu) in 2001/02, 3 schools in 2001/02 and only 1 school in 2002/03.

- Addressing the absence of a modern **integrated vocational teacher/trainer training system**. By September 2003, all teachers must have a specialism or pedagogical higher education. The target was to increase the share of teachers with higher education from 75% (2000) to 100% in 2004.[118] In addition, efficiency criteria will be included in salary calculations for VET teachers, starting in September 2002;

- To **increase the student/teacher ratio** from 12:1 (2000) to 16:1 in 2004;

- To **double the volume of foreign language teaching** in all programmes (6 study weeks in 2000) by 2004;

- To increase the share of VET programmes meeting the requirements of **vocational standards** from 30% (2000) to 100% in 2004;

- To improve **efficiency of public assets** by reducing the learning space per student from 14m2 (2000) to 11m2 in 2004; as a first step, the Public Assets Administration Office was established in 2001;

- The lack of a comprehensive system of **vocational counselling and guidance** will be partly addressed by the VET regional centres but also professionally trained counsellors working in the VET schools are foreseen;

- **Continuing restructuring of the school network** by merging further VET schools. Two VET schools were merged in 2001 (Lääne-Virumaa Kutsekorgkool).

- Some of the **merged vocational educational institutions** will start functioning as regional vocational education centres to offer more support to the development of regions with critical employment situation. In rural areas a merging of vocational educational institutions and general upper secondary schools is under consideration with the scope of offering a wider range of opportunities for vocational pre-training for upper-secondary school students.

[118] The teacher qualification requirements changed in August 2002. A VET teacher can carry out professional speciality or occupational training also with post-secondary education At the same time the number of years of professional workexperience required for VET teachers was extended from 2 to 3 years and the duration of complementary training on vocational pedagogy extended from 160 to 320 hours

- The concept for establishing **regional training centres**[119] (on the basis of existing VET schools) has been extended to 8 centres and is being pilot-tested in three centres under the Phare programme. These centres are expected to greatly contribute to both quality provision of initial VET and the extension of CVT. However, they are still under development, operating on a small scale only and have not yet produced significant outputs.

- Establishment of **Accreditation Committees** at national level by occupational sectors. They will consist of representatives of employers, trade unions and other organisations and will evaluate the quality of teaching and efficiency.

In order to implement some development directions outlined in the Action Plan and to strengthen the overall VET reform process, **legal amendments** were made to the Vocational Education Institutions Act and Applied Higher Education Institutions Act in 2001 and 2002, providing for continued restructuring of the school network in order to achieve greater flexibility in the ownership of VET schools, more clear state supervision on the organisation and content of VET and for enhanced co-operation between VET schools and applied higher education institutions. In addition, a more concrete legal basis has been established for co-operation between VET schools and employers related to practical training agreements, and for the provision of basic VET for gymnasium pupils and for young people who have not acquired basic education.[120]

3. In March 2001, the Estonian Government and the European Commission signed the **Joint Assessment of Employment Priorities (JAP)** in Estonia. The full implementation of the reform of the initial VET, the expansion of the continuing training provision as well as the promotion of active labour market measures are listed among the main priorities. A joint monitoring process has been established in 2001 (including progress reports and agreed list of indicators).

4. Several initiatives in the period 1997-2000 ("Learning Estonia", "Education Scenarios 2010", "Tiger Leap Programme", "Education Forum") focused on strategic thinking regarding the overall education system but also in a broader context of a global, knowledge- and IT-based economy.[121] As a result, an important **policy document** (**Education Strategy "Learning Estonia")** has been prepared by the MoE and the task force of the "Education Forum" in 1999 and 2000 (involving social partners and NGOs). The Education Strategy, which was adopted by the Government on 8 May 2002 but rejected by the Parliament in the same month (28 May 2002), is aiming to design a future education system and creating the overall support structure. In its vision of the "Estonian Education System in 2010" education has become by 2010 the main precondition to national development in the country. It can be expected that this strategy paper will not

[119] It appears that a change in terminology occurred in the last two years; while the first 3 centres established with EU Phare support are called "Regional Training Centre" (underpinning the "regional" importance), the MoE is now speaking more of "VET Centres", covering the same range of (multifunctional) activities like RTCs: provision of both initial secondary VET and higher VET (including students from other schools), CVT, continuing training of teachers, counselling services, training for special needs, programme development, labour market analysis

[120] Information provided by the School Network Administration Office in the framework of the ETF Review of Progress in VET Reform 2002

[121] Although the contrast between the vision of « Learning Estonia » and the reality of the conditions in VET has been « stark » according to the OECD review team in 1999

be adopted before March 2003, when the next elections to the Estonian Parliament will take place.[122]

5. Between February and July 2001 Estonia has participated actively in the **consultation process** on the EC's Memorandum on LLL, which was organised by the NGO "Association of Estonian Adult Educators" (ANDRAS), and has included the main educational stakeholders both at national and local level, social partners as well as the civil society. As a result the National **Lifelong-Learning (LLL) Strategy** has been developed, with a focus on Adult Education, which is currently being discussed in an open consultation process with key institutions and citizens. The planned amendment of the Adult Education Act, aiming to provide wider access to CVT, has been postponed until adoption of the LLL Strategy.[123]

In general the development of continuing vocational training (**CVT**) policy has been **lagging behind** the reform process in initial education and suffering from a clear gap in national strategies and actions. An Action Plan similar to the one related to initial VET is still awaited.
A major achievement was the establishment of the National Adult Education Council and the approval of its charter in November 1998. Since then national priorities for adult education and CVT are proposed on an annual basis by the Council of Adult Education and have to be approved by the Government. The priorities (see more details in chapter 2.1.4. on CVT) form the basis for small scale programmes for adult education, supported from the state budget, and are also linked to the National Employment Action Plan.

**Access to labour market training** and other active LM measures have been **widened** due to the new legal framework of October 2000, however a substantial increase in participation has remained limited by a lack of financial resources.

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

*At the same time the VET* ***reform has not yet reached its optimum*** *and several* ***reform bottlenecks*** *remain. Currently the Estonian vocational education and training system faces the challenge of successful implementation of major reforms laid down in VET legislation and in the policy framework established in 1998 and adjusted in 2001.*
*The "VET Action Plan 2001-2004" of the MoE, Phare 2000-2002 programmes (regional training centres, piloting apprenticeship schemes, work-linked training programmes) as well*

[122] It contains 18 main sections (eg LLL, learning to learn, special needs of learners, teacher is the key, ICT, innovation based on research, efficient counselling etc.), including also ambitious goals and standpoints, such as "secondary education for all, higher education for many", "Estonian qualifications comparable to the EU", "Applied higher education is a value". To facilitate the development of the Estonian education system and to implement national education priorities a special "Education Endowment" will be created and the Parliament will evaluate at least once every three years the achievements in the implementation of the goals set
[123] ETF Review of Progress in VET Reform 2002

*as the National Employment Action Plans 2002 and 2003 are supporting implementation of the main reform goals.*

***Overall progress in implementing the VET Action Plan has been slow** in the initial phase (June 2001 to July 2002), partly due to a reorganisation and internal reform of the Ministry of Education which took place in the same period, partly due to the fact that some targets may be considered as overambitious.*
*A breakthrough in major fields of initial VET reform (National Employee Qualification System, national VET curricula, increasing participation, decreasing drop-out rate, increasing efficiency of VET, reorganisation of the VET school network, improving quality) **is expected to take place** the earliest in the 2nd half of 2002 and in year 2003[124] and further efforts will be needed to consolidate the reform.*

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

### 2.1.3 Resources

**Overall investment in education**

Public investment figures show the high value of education in Estonian society. Since the mid 1990s around 7% of GDP has been spent annually on education, compared to 4-6% of EU and OECD countries. In 1999 public expenditure on education was even as much as 7.5% of GDP (compared with only 6.0% of GDP on health and 1.4% on military).[125] Investment in education even grew faster than the indicator of economic growth between 1995 and 2000. However, the trend has been decreasing since then (6.9% in 2000, 6.3% in 2001 and 6.3% in the 2002 budget).[126]

The share of public expenditure in education out of total public expenditure remained stable at a rather high level between 1996 (16.3%) and 1999 (16.4%), OECD average 12.9% in 1999), and was slightly decreasing in 2000 (15.9%) and 2001 (15.1%).[127] Until 2000, about half of public sector expenditure on education had been allocated from the state budget, and another half from the local municipalities' budget.

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

[125] UNDP, Estonian Human Development Report 2001, Tallinn Pedagogical University, 2001

[126] The respective EU average was 4.9% in 2000. Some national experts as well as representatives of the MoE take the view that even though Estonia has a relatively high share of GDP spent on education, this does not necessarily mean that the education sector is well off and has sufficient resources; GDP per capita is small and most of the expenditure is allocated on teacher salaries and maintenance ("survival"), while barely any funds are left for development work. Information provided by the Estonian Ministry of Education within the consultation process on the final draft Monograph

[127] Annus Tiina/Jogi Katrin/Orro Lea/Neudorf Reet, Modernisation of VET in Estonia. National Observatory Report 2001; OECD education at a glance 2000 and 2001

**Table 5 Public sector expenditure on education, % of GDP**

| | 1995 | 1997 | 1999 | 2001 budget | 2002 budget |
|---|---|---|---|---|---|
| National Budget, billion kroons | 1.4 | 2.1 | 2.9 | 3.3 | 3.8 |
| National Budget, % | 3.3% | 3.3% | 3.8% | 3.5% | 3.7% |
| incl. Ministry of Education, billion kroons,* | 1.2 | 1.9 | 2.7 | 1.8 | 1.9 |
| % of GDP | 3.1% | 3.0% | 3.6% | 1.9% | 1.9% |
| Local Municipalities Support Fund, billion kroons | | | | 1.4 | 1.6 |
| % of GDP | | | | 1.5% | 1.6% |
| Local Municipality Budget, billion kroons | 1.5 | 2.2 | 2.8 | 2.7 | 2.8 |
| % of GDP | 3.8% | 3.4% | 3.7% | 2.8% | 2.7% |
| Total public sector expenditure on education, billion kroons | 2.9 | 4.3 | 5.7 | 6.0 | 6.5 |
| % of GDP | 7.1% | 6.7% | 7.5% | 6.3% | 6.3% |

*Ministry of Finance forecast of GDP of October 2001*
** starting from 2001, the support to the municipal schools (general education institutions primarily) is allocated from the state budget "other expenses" – Local Municipalities Support Fund*
*Source: Ministry of Education, October 2002*

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

Out of the total public expenditure on education in 2001 (6.0 billion EEK), about 0.6 billion EEK were allocated from the overall budget of the MoE (1.8 billion) on VET schools and applied higher education institutions.

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

The new Education Strategy "Learning Estonia" (adopted by the Government in May 2002, but rejected by the Parliament) envisages to create a special "Education Endowment" in 2003, aiming to renew the education system and to guarantee sustainable development in key areas.[128]

**Research and development**

Estonia's total research and development expenditure accounted for only 0.7% of GDP in 2000 (600 million EEK), however, an ambitious strategy "Knowledge-based Estonia" sets out the target of 1.5% by 2006 (2,190 million), compared to the Lisbon target of 3.0% by 2010. At the same time the share of the public sector contributions

[128] The "Education Endowment" is expected to be a foundation in public law and contributions to it are guaranteed by law. Relevant single purpose endowments will be created (eg education research endowment, young teacher endowment, rural schools endowment etc.). The list of single purpose endowments can be changed in accordance with the revision of education policy priorities. The Education Endowment will be administered by a council and the state grants distributed will be exempt from taxes. Projects will be financed on the basis of public tendering In: MoE/Education Forum Task Force, Education Strategy "Learning Estonia", Tallinn, May 2002

in research and development is expected to increase from 74% (2000) to 80% in 2003, but then to decrease to 70% in 2006.[129]

**Primary and secondary education**

The state covers teachers' salaries and school maintenance costs of public schools, including VET schools.[130] State schools (only 5% of the total of primary and lower secondary schools) are financed directly by the central government, whereas municipal schools are financed both by block grants (for teaching staff, operational goods and services) from the state budget (distributed via the MoE) and local taxes (non-teaching staff, operational goods, equipment, maintenance, transport, dormitory).

Pre-school teachers' salaries are paid by local governments, municipal schools receive local government funding for school maintenance. The law provides for schools to receive private funding, but this remains at a low level. The resources for special needs (eg minorities integration) are provided by the MoE, either directly to schools or distributed via local government authorities.[131] At present there are **no tuition fees in public schools** in place.

In 2001-2004, the system of **VET schools financing** through the "cost of a student learning place" will be continued. Compared to 1999 (730 Euro) the "cost of a student learning place" decreased in 2000 (650 Euro) by 11% but increased again in 2002 to the level of 1999 (730 Euro, 11,500 EEK). A further increase is expected in the forthcoming years (4% annually).[132]

About 20% of the resources of VET schools are spent annually on buildings administration, while ¼ of the total area of school buildings is not used directly in teaching.[133] A Public Assets Administration Office was established in 2001 with the target to rationalise the total space per student (target 14m2) and learning space per student (target 11m2) by 25-30% between 2001-2004.[134]

State financial means tend to be invested in higher education, and universities have always been putting high pressure on public funds, but according to officials of the MoE, the Government is starting now to perceive more the needs of VET and other areas.
According to experts estimates, the reform actions outlined in the VET Action Plan reform would require a 40% **increase in financial resources for VET** between 2001 and 2004, which will be difficult to meet.

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[129] Ministry of Education/Ministry of Economic Affairs, Knowledge-based Estonia. Estonian Strategy for Research and Development 2002-2006, Tallinn 2001; Research and Development Council, Research and Development in Estonia 2000-20001, Tallinn 2001; Estonia ranked 27th in the Global Competitiveness Report 2001 for its economic competitiveness among countries of the world. The report points out the stable economic environment, but also the fact that the present level of research and development does not allow Estonia to remain competitive in the long run.
[130] The owners of private schools are eligible for financial support from the state budget (teacher salaries, instruction materials) in the same way as public schools, but have to bear their administrative costs themselves
[131] Capital resources (equipment, new technologies, maintenance, renovation, building) are provided for schools by the local government authority, which is using a budget comprising local taxes, or one allocated to it from the MoE for that specific purpose; In: Eurydice Focus, Financial flows in compulsory education in Europe, October 2001
[132] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001; cost of a learning place was 11,500 EEK in 1999 and 10,200 EEK in 2000. Average exchange rate: 1 Euro = 15.64 EEK
[133] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001
[134] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001

**Higher education**

Teachers' salaries and maintenance costs for public universities and higher education institutions are financed from the state budget according to the number of students and calculated coefficient costs.[135]

In 1995 a system of **student loans** was introduced (ceiling of about 1,000 Euro / 15,000 EEK per year), which is available for full-time students at higher education institutions and students at VET schools who are following programmes (minimum duration of 9 months) after secondary general education (gymnasium). In addition, there are several social guarantees and benefits for students (e.g. use of public transport).

**Continuing training**

CVT is financed by the state mainly for civil servants and teachers in state and municipal schools[136] and for the unemployed. In addition, a system of purpose specific subsidies is in place for adult education initiatives, however, on a small scale only. In general, there are no accurate data available about expenditures on CVT.[137]

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

Retraining of **unemployed and jobseekers** is commissioned and paid through the MoSA, but also may be funded by local governments from their own budget. State financed labour market training is the most important active measure for the unemployed, both in terms of participants and expenditure. In 2000, expenditure on training accounted for 17.5% (11.2 % if social tax included) of the total budget for labour market policies, although at a steadily declining rate since 1994, when it accounted for almost 30%.[138]
In 2001 were the first signs of recovery regarding participation and allocation.

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

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[135] There is a state order for the number of students, and those not covered by it have to pay tuition fees, as students at private institutions, where the state may also lay claim to some places.

[136] The following institutions may apply for state budget funding regarding in-service training of employees: Ministries, State Secretariat, President's Office, Parliament Office, Legal Chancellor's Office, State Audit Office, National Court, State Boards and County Governments. The latter may also apply for allocation of resources regarding teacher training.

[137] There is a lack of data on adult education and LLL in Estonia. In year 2000 the structure of the state budget has changed (before there was a budget line for continuing education). The total budget for adult education in 2002 (mainly training of civil servants and teacher training) is estimated at about 166.1 million EEK (10.6 million Euro). Information provided by ANDRAS

[138] Raul Eamets, Capacity of public and private employment services, draft paper February 2002; Human Development Report 2001

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

- Estonian language courses for non-Estonian speakers;
- Adult education research related development;
- Assistance to trade unions for training their employees in the field of law or management techniques;
- Support to umbrella organisations in the field of adult education (e.g. ANDRAS, Estonian non-formal Adult Education Association) including "hobby education" institutions;
- Long-term (over 56 hours) courses in the national priority areas for target groups (including teachers' salaries) approved by the National Adult Education Council.[139]

**Non-formal education** is usually paid by the individual or entity participating in it. In order to support non-formal education, resources may be allocated from the state or local government budget. Only the salaries of staff and management of those adult education institutions with a teaching permit are state funded via the MoE.

**Contributions from employers**

Work-related training is generally financed by the employer, but resources can be provided by local governments or by the employee. The in-service training and retraining of an employee, paid by the employer, is not liable for **income tax** in the case of retrenchment.
The Adult Education Act defines obligations of employers concerning **study leave** and **holiday payments**. Additional benefits for CVT can be established in the individual employment contract or collective agreement.

**Table 6 Dration and compensation of different kinds of study leave**

| Type of education/study leave | | Duration of study leave | Payments for study leave |
|---|---|---|---|
| Formal education | For session | 30 days in a year | 10 days average wage, rest of the time at least minimum wage |
| | For completing basic education | 28 days in a year | |
| | For completing higher education | 35 days in a year | |
| | For completing higher education/ bachelors' degree | 42 days in a year | |
| | For completing masters'/ doctors' degree | 49 days in a year | |
| Vocational training | | At least 14 days in a year | 14 days average wage |
| Informal education | | At least 7 days in a year | No payment required |

[139] As priorities for the years 2002-2003 the following national priorities were proposed: 1. Small enterprise training (enterprises with 1-3 people) in counties aimed at preserving agriculture and rural population, in conformance with regional development priorities; 2. Training for improving communication skills and personal effectiveness of people/groups at risk within the labour market; 3. Multi-purpose training for adult education providers; 4. Continuation of the 1999 priority programmes, in particular in the area of social democracy and civics. In: Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

*Source: Adult Education Act. In:* Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

According to a Eurostat survey conducted in 9 candidate countries in 2000, it is estimated that Estonian **enterprises invest 1.8**% on average of their labour costs in continuing training courses, which is much higher than in all other candidate countries (Slovenia 1.3%, Latvia 0.8%), except Czech Republic (1.9%) and even higher than in some member states (Belgium 1.6%, Austria 1.3%).[140] Estonia ranked rather in the top of the scale (compared with most other candidate countries) regarding the total expenditure per employee on CVT courses in 1999, which amounted to 285 PPS, (similar to Bulgaria at 294 PPS and Czech Republic 293 PPS though lower than Hungary (305 PPS) and all EU member states of which Austria reported the lowest costs per employee.[141]

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

An earlier survey conducted by the Estonian Statistical Office in 1996/97 shows that employers paid for about 61% of training among different population groups. This share was even higher related to vocational training, where employers paid for 74% of training activities (see table in annex). According to a more recent survey ("LLL Needs Analysis") employers contributed to the costs of 52% of trainings in 2001 (7% with partly contribution, 45% with full contribution by employers).

The most successful enterprises are spending up to 10% of the salary fund on staff training.[142] Statistical data regarding overall financial contributions by private enterprises or individuals are currently not available according to national experts. Estimations indicate that the level of investment of private sector employers in upgrading the skills of employees varies between 0 and 10% of the total salaries.[143]

**Training providers**

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

**Individual contributions**

CVT is to a certain extent also financed by individuals themselves. There are no reliable data which could demonstrate the real level, however, previous surveys indicate that about 23% (19% males, 25% females) paid themselves for training in

[140] The costs in the CVTS2 survey refer only to "courses" as one type of continuing training, and only to enterprises providing some kind of training (63% of total in Estonia)

[141] Eurostat, Statistics in Focus, Theme 3- 8/2002. Costs and funding of CVT in enterprises in Europe

[142] Information provided by Talvi Maerja, ANDRAS in June 2001; An example is the Estonian Mobile Telephone (EMT) company

[143] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

1996/1997. The share is lower regarding vocational training, where 14% of training (12% males, 14% females) was self-financed.
Non-Estonians paid more for their training compared to other groups (35% for all training, 17% for vocational training).
The results of the recent "LLL Needs Analysis" show even a higher share of learners' contributions, since 30% of participants covered the costs themselves in 2001.

**Teachers education and training**

In Estonia there is no separate VET teacher and trainer training system. Initial teacher training is financed by the state budget and provided by higher education institutions.[144] The number of state order student places allocated to institutions carrying out TT is decided by the MoE (about 45-75 places per year). Continuing training of teachers can be financed by whoever makes the request; this might be the state, the educational institution, local authorities, employers or the teachers themselves. According to the Law on Public Services, 3% of the "salary fund" in the public sector (including teachers) is allocated for the provision of CVT. Part of these funds are allocated by the MoE for centrally organised training, while another share is used for locally maintained training.[145] The decision on priorities and type of training as well as the selection of the provider is left to the discretion of the school director, in consultation with other management colleagues teachers are required to participate at least in 160 hours (new requirement 320 hours by 2007) continuing training within a period of 5 years.

**Pre-service and in-service teacher training** for VET teachers are offered by Tallinn Pedagogical University and jointly by Tartu University and Tallinn Technical University. Initial training mainly had the form of a diploma study or bachelor study with duration of 4-5 years. Since 1999 it has been compulsory for VET teachers to work for a practice period of two months in an enterprise, to become more familiar with new technologies and labour market needs. In August 2002 teachers qualification requirements were changed and the obligation of practical enterprise training abolished. VET teachers need to have either 1) vocational-pedagogical or pedagogical higher higher education (and 3 years professional work experience), or 2) higher education or post-secondary technical education in the field taught, at least 3 years professional work experience and 320-hour complementary training on vocational pedagogy.

Most of the teachers in VET schools have been trained in higher education institutions or post-secondary technical schools during the soviet period. Many of them are usually subject specialists and do not have relevant **pedagogical qualifications**. A number of teachers are unfamiliar with contemporary technology and they are neither prepared nor motivated to apply modern types of teaching methods.[146]

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[144] The study programme in the field of vocational education teachers is from 120 to 160 credits, compared to primary education from 140 to 160 credits and secondary general education of 200 credits. The curriculum shall include practical training of no less than 10 credits (one credit point corresponds to one week of study). An obligation of the so-called "Vocation Year" is included in the new regulation on teacher training; In: Eurydice 2000

[145] It appeared during the field visit for the Monograph that schools are not fully using this provision and that the budget can be shifted due to other urgent priorities at school level

[146] This has called for the need of extensive in-service training, which, however, often have been too academic not utilising more practical and interactive approaches. New teaching methods are difficult to implement, as old habits continue to resist at the school level. Tallinn Pedagogical University is providing a 40 credit vocational-pedagogy training programme for VET teachers who have higher education but do not have pedagogical education. In

Higher education institutions offering pre-service teacher training are autonomous, they design the curricula of teacher training programmes, which have to be approved by the MoE. Those institutions with national responsibility for pre-service and in-service teacher training have been considered as insufficiently innovative regarding substantive reforms related to modern teaching technologies /methodologies in their existing programmes. However, at the beginning of 2002 new curricula were submitted to the MoE from two universities. So far none of the programmes has been formally accredited.[147]
A Danish bilateral assistance project on VET teacher training was implemented successfully in year 2001/2002, contributing to the development of a new national standard and curriculum and providing training for teacher educators. The results are expected to be an important driver for the necessary teacher training reform in VET.

**Teachers' salaries**

The **average gross salary** in education **remains low** at the rather same level (85% of the national average salary in 2000) since 1992, and considerably below the average for employees in public administration and defence (128% of the national average salary).[148]
According to the Regulation of the Government on teachers' remuneration, salary levels and salary rates mainly depend on educational background and rank.[149] Additional benefits may be assigned for good performance and additional tasks. School directors' salary level depends also on the number of students. The **average monthly salary** of all staff in VET schools in 2001 was 5,510 EEK (400 Euro), of VET teachers 4,655 (338 Euro) and directors 10,963 EEK (700 Euro).[150]

**Table 7 The salary levels and salary rates of basic school, gymnasium and VET school teachers (in EEK)**

| Level (L) | Rate | L | Rate | L | Rate | L | Rate | L | Rate | L | Rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 14 | 2654 | 18 | 3490 | 22 | 4549 | 26 | 5830 | 30 | 7425 | 34 | 13268 |
| 15 | 2850 | 19 | 3739 | 23 | 4850 | 27 | 6183 | 31 | 7960 | | |
| 16 | 3060 | 20 | 4000 | 24 | 5163 | 28 | 6535 | 32 | 9294 | | |
| 17 | 3268 | 21 | 4274 | 25 | 5516 | 29 | 6980 | 33 | 11137 | | |

*Source: Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document,National Observatory Estonia, Tallinn, July 2002*

A comparison of the statutory salaries of teachers in different candidate countries shows that the minimum **annual gross salaries** (2,030 Euro) of **upper secondary teachers** in 1997/1998 relative to per capita GDP (64%), as well as the maximum salaries (4,230 Euro, 132%) are in Estonia behind Cyprus, Slovenia, Poland and

2000/2001 there were 25 graduates from this programme; In: Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document, National Observatory Estonia, Tallinn, July 2002
147 Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document, National Observatory Estonia, Tallinn, July 2002
148 National Observatory Estonia, Key indicators 2001
149 There are four ranks of teachers plus teacher candidates who have just graduated. The director assigns the rank of a junior teacher, whereas the higher ranks are assigned by an attestation committee. The salary levels – junior teacher 20; teacher 21; senior teacher 23; teacher-methodologist 25 – are established for teachers with higher education. The salary level of teachers with post-secondary technical education is two levels lower than the salary level of the teacher who have the same rank and higher education. The salary level of teachers with secondary education is 14
150 Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document, National Observatory Estonia, Tallinn, July 2002

Hungary, but in a better position than Slovakia, Czech Republic, Romania, Latvia and Lithuania.[151]

## Staffing

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

VET schools are considered to be **overstaffed** by the MoE and equipped with **too big and ineffective leadership structures**.[152] The VET **student/teacher ratio** is aimed to change from 12:1 (2000) to 16:1 in 2004.[153] This is expected mainly through an increase in the number of VET pupils, while the number of teachers' positions is thought to be more or less kept at the current level.
Between 1996 and 2000 about ¼ of school managers has been replaced and a number of the remaining ones have undergone a leadership training course of 240 hours. In 2001, 34 headmasters underwent training (140 hours on average) and 5 are following master studies. Only 9 did not participate in any kind of training.

The current ratio between the total number of teachers in VET schools (3,766 in 2000/2001) to the number of management and other pedagogical staff (528) is 7:1. The category "other pedagogical staff" makes up over 12% out of total staff.

**Table 8 Number of teachers and other pedagogical staff in VET schools (2000/01)**

| | Category | Total |
|---|---|---|
| 1. | VET teachers | 1987 |
| 2. | Teachers | 1779 |
| *2.1* | *General subject teachers* | *735* |
| *2.2* | *Special subject teachers* | *544* |
| *2.3* | *Part-time teachers* | *500* |
| 3. | Other pedagogical staff | 528 |
| *3.1* | *Directors (Headmaster)* | *67* |
| *3.2* | *Deputy Directors* | *107* |
| *3.3* | *Heads of Department* | *177* |
| *3.4* | *Psychologists (counsellors)* | *5* |
| *3.5* | *Mentors (methodologist)* | *16* |
| *3.6* | *Librarians* | *69* |
| *3.7* | *Others* | *87* |
| | **Total** | **4294** |

*Source: Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document,National Observatory Estonia, Tallinn, July 2002*

[151] Eurydice/Eurostat. Teachers in Europe 1997/98. GDP data for Estonia are from 1998. The gross annual salary (minimum 31800 EEK, maximum 66200 EEK) has been divided by the per capita GDP at current prices in national currency. Average exchange rate for 1997: 1 Euro = 15.64. Own calculation
[152] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001
[153] This current "benchmark" used by the MoE as part of its VET school rationalisation initiative, is also thought to raise (and fund) teacher salaries to acceptable levels

The current distribution of the age and qualification structure of teachers is not favourable and during recent years, VET schools have **not been able to attract younger personnel**. More than 45% of VET teachers are over 49 years of age and about 400 are at the age of retirement. About 70% of VET teachers and other pedagogical staff, and 86% of teachers of general subjects had higher education. Originally it was foreseen that all VET teachers must have pedagogical or speciality related higher education as of 1st September 2003.
Since about 30% of VET teachers are at present not meeting these requirements, replacement or retraining of those by 2003 is quite unrealistic. In August 2002 teacher qualification requirements were changed accordingly taking into account this situation.
There is still a lack of VET teacher trainer educators on necessary Master or PhD levels.[154]

**ICT in education**

The overall background for ICT and e-learning is quite favourable in Estonia, due to considerable efforts made in the telecommunications area during the last 10 years. A national programme ("Tiger Leap") for computerisation of Estonian schools (initially only general education, at a later stage also VET schools) was launched already in 1996, followed by Phare support (ISE programme) leading to the development of a "National ICT Development Plan for schools 2001-2005". Although this programme first and foremost aimed at general education schools, it involved and had an impact also on basic and vocational education.

Other indicators confirm that Estonia is on the **fast track** towards digital literacy and information society. In 2000 Estonia had the highest number of Internet users per 100 inhabitants (25.4) in all candidate countries (average 5.5) and even higher than the EU average (24.2).[155] There is the ambitious target to increase the percentage of Internet users in Estonia up to 90% by 2004.[156]

In Estonia there were on average 28 **pupils per computer** in 1999[157] and 25 pupils per computer in 2000 (15 in Hiiuma, 48 in Tallinn). In 2000 computer classrooms were available in all basic, general secondary and VET schools, and 75% of all schools have got online Internet connection (25% the dial-up option).
In 2001, the ratio of computers per student improved to 1:15 in VET schools, and practically all VET schools (83, both public and private) had online internet connections (a few schools had more than one) and 11 smaller schools had a dial-up option.[158]

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

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[154] The framework requirements of TT, enforced in November 2000, state that 40% of educators carrying out TT courses have to have a PhD
[155] Eurostat Statistics in Focus, Theme 4-37/2001, Information Society Statistics
[156] Siil Imre, Estonia Preparing for the Information Age, ICA – International Council for IT in Government Administration, June 2001
[157] UNDP study in OECD Review 2001
[158] Kivilo Hans-Kasper, Information Collection on the Situation of VET Teachers and Trainers in Estonia, draft document,National Observatory Estonia, Tallinn, July 2002

Using computers in the actual teaching and learning process still has to be developed further. The ICT development plan for schools foresees to elaborate standards for evaluation of ICT competencies, to be implemented in all schools in 2003.[159]

**School network**

VET schools are quite evenly spread all over Estonia, and it is acknowledged from a large part of society that they do have to fulfil also a social function in rural areas.
The average size of VET schools has been slightly increasing from 353 pupils per school in 1992/93 (87 schools, 30,690 pupils) to 436 pupils in 2001/2002 (84 schools, 36,610 pupils).[160]
The process of restructuring the school network and merging of VET schools into "VET Centres" ("Regional Training Centres", supported by Phare) started in 1999/2000 with 3 pilot centres and is continuing. RTCs are expected to contribute to the updating of the learning environment.[161] It is intended that the reorganisation of the VET schools network will finally lead to two types of VET schools: VET centres (at the moment 8 are planned) and specialised VET schools (where training is organised in one or two fields).
Another aim is to gradually change ownership from state schools towards municipal and private ownership.[162]

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

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

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

*As regards RTD, it will be important that the mechanisms for co-ordination between various national policies, affecting RTD and innovation, will be developed further in order to ensure the rise of expenditures and implementation of activities planned.*

[159] Tiger Leap Foundation, ICT Development Plan in Estonian Schools 2001-2005
[160] Number of VET schools and students refer to both secondary and higher VET level
[161] It is the view of the MoE that not every VET school must have expensive high-technology and equipment in every field. VET schools in the region are rather supposed to organise interdisciplinary use of material bases, teachers/professors. In this respect the teaching/training work must be reorganised. Pupils shall move between different locations, whereas most of the practical training should move to enterprises, to the real-life environment, where concepts such as team-work can be learned effectively and where it is easier to build up proper attitudes of work
[162] It is thought that with the changes in the ownership structure local municipalities as well as employers will be more involved in VET. This is expected to increase the number of funders as well as responsibilities of different players and to make the decision making process more democratic and open

### 2.1.4 Structure and organisation of VET and LLL

In Estonia, enrolment in schools starts at the age of 7 years[163] and compulsory schooling lasts 9 years until the end of basic school (grades 1 – 9) or until the age of 17 (even if not graduated from basic school). The Estonian educational system does not differentiate between primary and lower secondary education. After graduation from basic school, young people can go on either to upper secondary general education (gymnasium) or vocational secondary education, both lasting 3 years (grades 10-12). The great majority is choosing the first option (as in other Baltic countries as well), and only about ¼ of pupils are entering vocational schools. A new pathway ("basic VET") has been opened in 2001 for those without basic education (providing both work related skills and to motivate for further studies) as well as for gymnasium pupils (in order to acquire secondary VET in a shorter time). After graduation of upper secondary general schools, the majority of students are entering higher education institutions (university academic and professional, or non-university applied higher education programmes) and post-secondary VET schools. After graduation from VET schools the majority of young people are entering the labour market and only a small part is continuing with higher education.

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

During the 2nd half of the 1990s there has been a rapid increase in **school-life expectancy**, from 12.7 years (1995) to 14.8 years (2000). People are staying more than 2 years longer in education than in 1995[164] and illiteracy is almost negligible and estimated at 0.2%.

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

| | **1995/96** | **1999/00** |
|---|---|---|
| Total number of students in the formal education system | 277,697 | 302,921 |
| Primary and basic education | 66.3% | 61% |
| General secondary education | 13.3% | 12.45 |
| VET | 10.6% | 10.3% |
| Higher education | 9.8% | 16.4% |

*Source: Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002*

[163] According to the Law on Education, a child is obliged to enrol at school when turned seven, or will turn by October 1st, of the current year. Providing opportunities for children to receive pre-education is the legal responsibility of local governments and parents

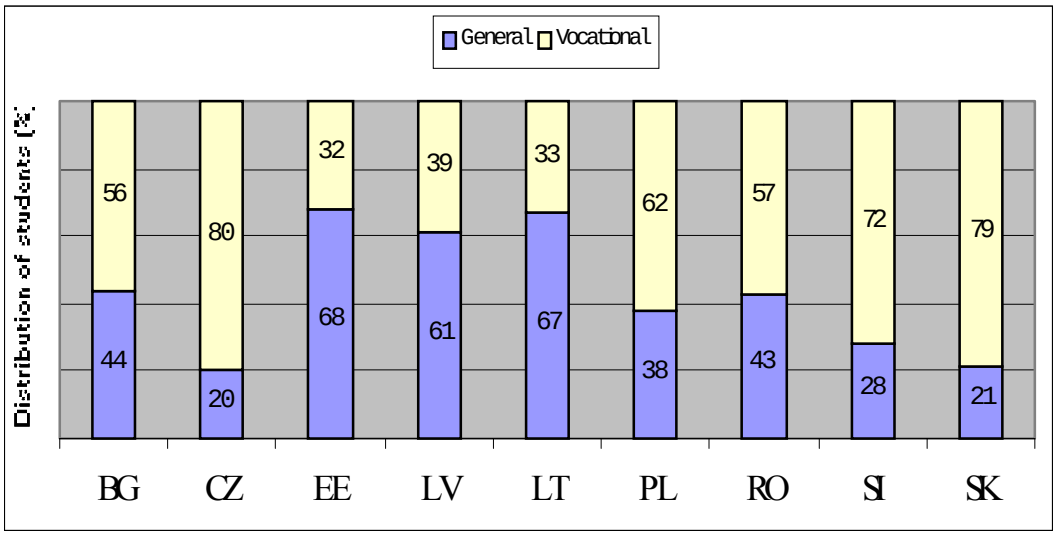
[164] Pre-primary education is not taken into account, therefore, the value of this indicator is higher for those countries where the school-entrance age is lower. Education 2000/2001, Statistical Office of Estonia 2001; Social Trends 2001. The respective indicator for other countries therefore is often higher, eg Czech Republic (15.2 years), Hungary (16.2), Poland (16.4)

While more young people continue in higher education, the number of those who leave school before completing even basic education, is increasing (growing **educational stratification**). Over the last 5 years around 1,300 young people interrupted annually their studies in basic school, with a cumulative impact. It is estimated that in total more than 20,000 people (in the 17-25 age group) are still without basic education in 2001. This problem is especially serious for boys, which leads to increasing gender differences at higher levels of education.[165]

## Secondary education

At secondary education level there is a strong **dominance of general education** in Estonia. On completion of basic education ¾ of pupils go on to upper secondary general (gymnasium) and only ¼ to vocational secondary. The proportion continuing in the general education stream rose from 56% (1991) to 74% (2000). Total enrolment at the secondary level (ISCED 3) shows approximately 2/3 for general (68%) and 1/3 for vocational education (32%).[166]
Both regarding access to VET from basic school as well as total enrolment in secondary VET compared to the secondary general education stream shows Estonia with the lowest share of candidate countries.

**Graph 1 Distribution of students in upper secondary education in CCs (2000)**




*Source: Masson Jean-Raymond, Candidate Countries' Preparation for Involvement in EU Policies in LLL: Achievements, Gaps and Challenges. Presentation at the EC DG Enlargement/DG Employment, Bruxelles, June 2002*

The **drop-out rate** is disconcertingly high in secondary education (7% in general, 13% in vocational in year 1999/2000) and one of the most unfavourable of all candidate countries. This problem has been recognised by the VET Action Plan, setting the target to decrease the drop-out rates annually by one percentage point (reaching 8% in 2004).[167]

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[165] Social Trends in Estonia 2001; Estonian Human Development Report 2001

[166] The number of students in VET remained stable since 1995, but the reform of 1999 changed the structure of admittance, as some specialities belonging earlier to secondary level were transferred to higher (diploma) level. In: Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001; OECD education at a glance 2001; Eurydice 2001; Education 2000/2001

[167] Key indicators 2001, calculations of the Estonian National Observatory

**Initial vocational education**

Estonia's VET system is a **school-based system**, oriented at providing theoretical knowledge followed by primary practice in school workshops and later practice in companies. The current new concept is aiming to strengthen the practical part of VET and at the same time targeting on a more **integrated approach** between general and vocational education by increasing the vocational subjects/modules in gymnasiums ("basic VET") and vice versa to integrate additional general subjects with speciality related ones.[168]

The **social status of VET** still remains at a low level (only about ¼ of pupils after basic school opted for VET in 2001) and is consequently limiting the potential future supply of well-trained skilled workers and technicians.

**Until 1998**, students entering the VET pathway after basic education could acquire secondary level qualification after 2-4 years of study (ISCED 3/3C) and post-secondary level qualification after 4-5 years of study (ISCED 5/3A). Gymnasium graduates could enter the same programmes but complete it quicker (secondary level qualification 1-2 years, ISCED 3/4B – and post-secondary level 2.5-3 or more years, ISCED 5/5B. In several fields, the students entering VET programmes after basic education had the opportunity to complete integrated VET – general education programmes lasting usually 4 years (ISCED 3/3A). After passing the state exams on general secondary education they received the same state exam certificate as the graduates from gymnasiums and therefore became eligible for applying for universities and institutions of applied higher education.

The Vocational Education Institutions Act (adopted in 1998) stipulated two levels of VET in Estonia: 1) **vocational secondary** education (ISCED 3B); and 2) **vocational higher** education (ISCED 5B).
In addition, due to an amendment of this Act in June 2001, **"basic (or preliminary) VET"** (ISCED 2) **has been introduced** for specific target groups.[169]

- *Basic VET (ISCED 2)*

The main target groups for "basic VET" are:

a) for gymnasium (general secondary) students, to provide more choices for continuing education pathways (in particular for rural areas) and at the same time to prepare students for independent life (as not all gymnasium graduates continue studies at higher education level). If a gymnasium student has covered basic VET in gymnasium, it enables him/her to acquire the VET programme after gymnasium in less time;[170]
   In 2001, 7 VET schools provided basic VET for 246 gymnasium students.

[168] This concept has two sides, aiming to minimise the borders and dead-ends in education. 1) In gymnasiums, "basic VET" is provided in form of VET modules/subjects taught within the scope of elective subjects – languages have prevailed in the past; 2) The integrated approach in VET schools does not mean more general education subjects in VET programmes, but that in addition to the compulsory minimum, additional general education subjects – specific and necessary for the speciality/occupation – must be integrated into the speciality-related subjects. Information provided by the National Observatory Estonia, October 2002

[169] "Post-secondary" type of vocational education (for graduates from secondary general education, usually ISCED 4B) has been defined within the category of "secondary vocational education". Due to the latest legal amendments in June 2002, enrolment to vocational higher education and diploma studies stopped and was replaced by a combination of these, applied higher education studies

[170] Basic VET for gymnasium pupils is provided in the scope of the elective subjects, and teaching is organised in cycles and can take place both in the gymansium or VET school. The length of study cycles is 5 study weeks

b) access to VET has been opened for young people (up to 25 years of age) who have not completed basic education (annually more than 1,300 pupils, with a substantial cumulative effect). This risk group of early school leavers can now acquire basic education in parallel to basic work skills in vocational education.[171] In 2001 about 141 students could benefit from this new pathway, offered by 7 VET schools (on average 20 students per school).

- *Secondary VET (ISCED 3B)*

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

Programmes last at least **3 years in a single cycle** and at the end of the curriculum, students have to pass school-leaving examinations including national vocational examinations.[172] Successful students receive the secondary vocational education certificate, which gives access to the labour market and higher vocational education (since October 2002 applied higher education). Students can also pass voluntarily the national general examinations, which provide access to university type of higher education.

The objective of a VET programme after basic school (ISCED 3B) is **to prepare skilled workers** or to prepare for studies at the higher vocational level. The objective of a VET programme after secondary general school (ISCED 3/4B) is to prepare students for more **technically advanced work**, service personnel and office administrators, as well as to prepare for studies at higher vocational education (now applied higher education). Upper secondary school graduates can complete this level in less time (1-2.5 years) and in some fields entry to a VET programme is possible only for gymnasium graduates (eg medicine, finance).

Practical training is an integral part of all VET programmes.

In the school year 2001/2002, there were **84 VET schools in Estonia** (secondary and higher level), out of which 58 public (the MoE being responsible for 55, other Ministries and the National Police Board for 3), three schools belonging to municipalities and 23 private VET schools. Of the secondary VET schools, 60% used Estonian as the language of instruction, 20% used Russian, and the remaining 20% used both languages. In 2001/2002, out of 29,800 students at secondary VET level, around 35% students used Russian as the language of instruction. This share oscillated between 30-36% in the period 1993-2002.
Most of the VET schools provide programmes both after basic and secondary general education (57 schools), the rest of 27 schools provide only programmes after

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

[172] Currently (October 2002) there are no national vocational examinations. There are only school graduation examinations. In spring 2002, for the first time the graduation examinations were combined with the qualification examinations in 2 VET schools and the first qualification certificates were issued for the graduates who had passed the examinations

secondary general (some also offered higher vocational education, now applied higher education).

About **36,600 students were enrolled in 2001/2002** in secondary and higher VET. Annual enrolment varied between 28,000 and 36,000 students between 1992 and 2001/02 (and between 28,000 and 30,000 in secondary VET only - out of which 57% acquiring VET after basic school and 43% after secondary general).
The size and number of classes in VET schools are regulated by the school programme and approved by the MoE. One academic year consists of 40 study weeks and the holiday period must last at least 8 weeks. Daytime, evening and distance learning options are permitted in VET schools.[173]

**Table 10 Number of VET schools and students (secondary and higher VET level) from 1993/94 – 2002/03**

| | 1993/94 | 1994/95 | 1995/96 | 1996/97 | 1997/98 | 1998/99 | 1999/00 | 2000/01 | 2001/02 | 2002/03 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public VET schools (MoE administration) | 63 | 63 | 59 | 60 | 59 | 56 | 58 | 59 | 55 | 54 |
| *students* | 24302 | 23692 | 24575 | 25714 | 26054 | 26799 | 29819 | 33192 | 31832 | |
| Public VET schools (other ministries administration) | 14 | 14 | 13 | 13 | 14 | 14 | 9 | 3 | 3 | 3 |
| *students* | 3552 | 3180 | 3530 | 4118 | 3928 | 4188 | 2176 | 420 | 333 | |
| Municipal VET schools | 3 | 3 | 3 | 5 | 4 | 3 | 2 | 2 | 3 | 1 |
| *students* | 354 | 374 | 405 | 444 | 357 | 239 | 49 | | 2289 | |
| Private VET schools | 0 | 4 | 7 | 10 | 12 | 13 | 16 | 17 | 23 | 30 |
| *students* | | 560 | 1059 | 2001 | 2185 | 1751 | 1837 | 2223 | 2158 | |
| **TOTAL** | **80** | **84** | **82** | **88** | **89** | **86** | **85** | **81** | **84** | **88** |
| ***STUDENTS*** | **28208** | **27806** | **29569** | **32277** | **32524** | **32977** | **33881** | **35835** | **36612** | |

*Source: Ministry of Education, National Observatory Estonia, October 2002*

**Higher education (ISCED 6/5A)**

In Estonia there are two types of higher education establishments: those offering university level academic and professional programmes (universities and other university-level institutions), and those offering non-university professional (applied) programmes.[174]

- **Universities** are offering higher education programmes at three levels: bachelor studies (4 years), master studies (2 years) – all two types at ISCED 5A - and doctoral studies (4 years, ISCED 6).

- **Applied higher education** institutions (part of the University structure, eg University College) offered also diploma programmes (3-4 years of study, ISCED 5A) and higher vocational education (3-4 years, ISCED 5B) until 2002. Due to legal amendments of educational Acts, enrolment in these programmes was

[173] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, working document, Tallinn, March 2002
[174] Estonia has signed and ratified the UNESCO and Council of Europe convention on the recognition of diplomas and qualifications concerning Higher Education in the European Region (Lisbon, 1997)

stopped in autumn 2002 and replaced by applied higher education studies (ISCED 5A).

The entrance requirement for applied higher education is completed secondary education or the respective qualification. The studies (3-4 years) finish with the graduation examination or defending of a thesis. Graduates have the right to continue studies at the University in master's studies according to the conditions set by the education institution council.

- **Vocational education and training institutions** also offered higher vocational education (3-4 years, ISCED 5B) until 2002.[175] Students who had completed secondary education, either vocational or general, were eligible for applying to vocational higher education.
  In 2001/2002 there were 6 state VET institutions providing this kind of education and these institutions may also offer secondary VET.[176] Since enrolment in these programmes stopped in 2002, applied higher education studies can be provided in a VET school (which is providing programmes after gymnasium) if the programme meets the higher education standard. In this case the Applied Higher Education Institutions Act must be applied to VET institutions.

  Graduates from vocational secondary schools who wish to continue their studies at a University must pass the national examinations for general secondary (gymnasium) graduation (these examinations are compulsory only for gymnasium students and not for VET students).

The basis for admission to public universities is given by the enrolment control number fixed by the state and covered by the state allocation – although universities are allowed to take further students who are able to pay for their places. According to the ongoing higher education reform process, the system of allocating resources for the state commissioned study places will focus on preparing the master level students.

The "Higher Education Standard", adopted in June 2000, determines requirements for different levels of higher education and for studying and teaching.[177] There are two general **requirements for access** to higher education, a secondary school leaving certificate and a certificate of a national examination. Specific requirements (number of entrance examinations, average grade in a given subject etc.) depend much on the institution itself and the study field. Graduates from VET schools who would like to continue at university level must pass the national examination for secondary general schools (gymnasium).

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

[175] Until 1998 VET institutions offered diploma-study programmes, which generally were replaced by vocational education programmes. In: Eurydice 2000
[176] Only secondary VET after gymnasium was allowed, but not secondary VET after basic education in this case
[177] No less than ¾ (of the subjects for Master's degree) and no less than ½ of subjects for the Bachelor's degree are taught by academics with doctorates or equivalent qualifications. Those who teach applied subjects leading to a diploma normally have at least 5 years of specialist work experience, and no less than ½ of subjects are taught by graduates with a Master's degree. In: Eurydice 2000

Evaluation Council is responsible for the accreditation of higher education institutions.

In the last decade Estonia has experienced an increased **demand for higher education**, as a result of the development of private universities and higher education institutions. In 1995/96 about 2/3 (68%) of secondary general education graduates went on to higher education (mainly for bachelor courses), whereas in 1998/99 this figure had risen to 88%. Enrolment in tertiary education almost doubled from 27 to 51 thousand between 1995 and 2000 (in the period 1995-1999 the OECD average increased only by 20%).[178] There are rather more females (58%) than males (42%) in higher education.

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

In 1999/2000 a new **higher education (post secondary) VET** level (5B) has been introduced (and was abolished in June 2002), aiming to fill the gap between vocational secondary education and professional education at the university level.
Students who have completed secondary education, either vocational or general, were eligible for these programmes, which lasted 3-4 years and had to meet the higher education standard. For some courses the requirements were higher and the same as those for diploma or bachelor's courses (national state exam).
The objective of higher vocational education was to prepare specialists and middle-level managers.

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

In 2001, a discussion started on merging the standards of applied higher education (provided by universities, applied higher education institutions) and vocational higher education (provided by vocational education institutions). Under the higher education reform plan unified regulations for all curricula in a non-university sector were envisaged, in order to improve the transparency of the higher education system.
As a result of legal amendments to the educational Acts in June 2002, enrolment in higher VET was abolished and replaced by applied higher education.

**Continuing vocational training (CVT)**

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

- ***Formal schooling,*** providing adults access to all levels of education from primary to university education (including master and doctoral degrees) as an external

[178] Education 2000/2001, Statistical Office of Estonia; OECD Education at a glance 2001; OECD Education Policy Review in Estonia, 2001. The share of general secondary school graduates who went on to higher education is encompassing the full range of vocational and academic programmes. 40% went on to diploma and bachelor studies in 1995/96 and 64% in 1998/99

student; the programme has to be approved by the MoE and graduates receive a recognised leaving-certificate or diploma;
- ***Supplementary training and retraining***, including training for upgrading skills of the workforce, labour market training for the unemployed, and training for special groups (handicapped, women on long-term maternity leave) as well as training undertaken on individual initiative; the programmes are usually designed and developed by trainers themselves and a certificate may be issues upon successful completion of the programme but is not recognised in the formal education system yet.[179]

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

CVT courses are mainly available through the following institutions:

- Evening schools for adults (secondary level)
- Vocational education institutions
- Schools, departments of correspondence at universities
- Cultural and folk universities
- Language schools
- Vocational education and training centres in enterprises
- Private companies
- NGOs.

At the end of October 2000, there were 387 training companies and 51 self-employed experts in the market whose main activity was continuing training. For 1,605 companies and 94 self-employed experts training was one of their "additional activities" apart from the core business.[180]

According to national research, 2/3 of training institutions are rather small, having only up to 2 full-time trainers (only 15% of institutions do have more than 5 full-time trainers). In private institutions on average there are 6.5 trainers hired from outside for one full-time trainer, the informal education providers are even more reliant on temporary external trainers (9.4 lecturers from outside for one full-time trainer).

**Table 11 Structure of training institutions in Estonia (% of answers, 2000)[181]**

| | Businesses/Sole proprietors (#139) | Schools (#51) | Informal education schools/ institutions (#43) |
|---|---|---|---|
| **The turnover of training (EEK)** | | | |
| Less than 100 000 | 10 | 18 | 33 |
| 100 001-500 000 | 18 | 20 | 12 |
| 500 001-1000 000 | 19 | 10 | 2 |

[179] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[180] Other sources (eg OECD 2001) indicate that there are about 900 providers (state, private, NGOs) in the continuing education and training sector. This figure does not take into account the of the in-service training activity within enterprises or state institutions

[181] Data are based on research of training institutions/trainers conducted by the MoE in 2000. It has covered all larger institutions in the training market (38% of total registered institutions and coverage of 70% of turnover of all institutions whose main activity is training)

| | | | |
|---|---|---|---|
| More than 1000 000 | 20 | 12 | 5 |
| Did not answer | 33 | 41 | 49 |
| **Full time trainers** | | | |
| None | 21 | | 37 |
| 1-2 | 43 | 12 | 38 |
| 3-5 | 17 | 22 | 12 |
| More than 5 | 15 | 61 | 9 |
| Did not answer | 4 | 6 | 5 |
| **Trainers hired outside** | | | |
| None | 8 | 16 | 5 |
| 1-5 | 27 | 14 | 30 |
| 6-10 | 17 | 20 | 23 |
| 11-20 | 11 | 10 | 14 |
| More than 20 | 23 | 18 | 28 |
| **The training region** | | | |
| Over Estonia | 42 | 29 | 19 |
| Tallinn | 45 | 27 | 16 |
| Harjumaa | 3 | 2 | 5 |
| Hiiumaa | | 4 | 5 |
| Ida-Virumaa | 7 | 6 | 2 |
| Jõgevamaa | 1 | 2 | |
| Järvamaa | 1 | 8 | 7 |
| Läänemaa | 1 | 2 | |
| Lääne-Virumaa | 2 | 2 | 2 |
| Põlvamaa | 1 | 2 | 9 |
| Pärnumaa | 6 | 4 | 2 |
| Raplamaa | 1 | 2 | 9 |
| Saaremaa | | 2 | 9 |
| Tartumaa | 10 | 10 | 7 |
| Valgamaa | 1 | 4 | 7 |
| Viljandimaa | 3 | 6 | 5 |
| Võrumaa | 1 | 4 | 12 |
| Outside Estonia | 14 | 4 | 5 |

*In: Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002*

A high share of institutions did not answer the question related to the financial turnover. Most of the private institutions are concentrated in Tallinn[182], but given the small size of the country, they could be easily operational all over the country.

In addition to private training institutions, almost all **VET institutions** offer courses and work-related training for adults, mostly in the areas that they are teaching and based on prepared curricula. On average about 1-2 persons are dealing with CVT within a VET school. Trainers are either teachers from the school, other schools, universities or single experts. The current and future VET Centres (or Regional Training Centres) are expected to strengthen the provision of CVT in the school system and their respective region.

Most public **universities** and state applied higher education institutions offer continuing training as well (often in the form of evening, weekend and distance learning studies).

[182] Where senior business executives and specialists are willing and able to pay more for staff development programmes

There are several NGOs involved in the delivery of **adult education** and training, including hobby schools. The most important umbrella organisations are ANDRAS (Association of Estonian Adult Educators), the Estonian Association of People's Education (running some Adult Education Centres), the Estonian Society of Study Circles and the Open Education Association. They are partly operating on the basis of small scale projects, research and international co-operation financed by public means and some play an important role regarding the training and methodological guidance of adult educators.

The main providers of **EU related training** in Estonia are the Euro-College at Tartu University, Tallinn Pedagogical University, the Estonian Institute of Public Administration, the Estonian Law Centre in Tartu, the Estonian School of Diplomacy.

**Quality of provision**

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

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

Regarding the quality of trainers, those contracted on a permanent basis by training institutions are upgrading their skills under their own initiative as well as through encouragement of their employers. The main problem remains with lecturers contracted on a temporary basis, and the difficulty to objectively evaluate their competence and qualifications. Responsibility for improving their technical and pedagogical skills remains with the individuals themselves.[183]

**Participation in CVT**

Currently there are no clear data available showing the overall participation of Estonian adults in continuing training[184], however, there is a common understanding

[183] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[184] Estonia is lacking a standardised information system collecting data on CVT. The availability and accuracy of official data on continuing education is poor, as no regular reviews have been carried out in the past. A few surveys on participation in continuing training were conducted by the Statistical Office of Estonia, the Institute of International and Social Research of Tallinn Pedagogical University and the Department of Sociology of Tartu University. Specific target groups have been investigated by the MoE, the NLMBL for feedback and future planning purposes more on an ad hoc basis. Additionally, Statistical Office displays some information on institutions offering continuing training. The Eurostat CVT2 survey is focusing only on the aspect of training in enterprises. In: Annus

among most stakeholders that the present provision is insufficient, both for the employed and unemployed.

National experts state that the **overall demand for continuing training** has been increasing in recent years and that clients are becoming more informed and have more specific expectations. Participants are usually those who have already had a training experience (most often managers of the business, services and construction sectors). Research indicates that demand for training is in correlation with financial resources of the potential customers.[185]

Research between 1994 and 1997 suggests an increasing participation in **continuing education and training courses**, rising from 15% to 25%.[186] According to a national survey conducted in 1996/1997, 21% of the population, 25% of the employed and 8% of the unemployed participated in CVT[187]. However, a recent survey at the end of 2001 ("LLL Needs Analysis") indicates a lower participation rate of adults (13%) in training in 2001.[188] In average more women (14%) than men (12%) and more Estonians (15%) than non-Estonians (9%) participate in different forms of training.[189]

LFS 2000 data indicate that only about 3.5% of the population aged 15-74 and 5.1% of employed persons (31,100 people) in that age group participated in continuing training courses. In both cases there are **substantial gender differences** with women being, on average, more than twice as likely to participate in CVT than men. Almost half of participants (45%) attended courses in training companies, training centres, ¼ at a place of work (24%) and 12% at a school.[190]

Comparable data with EU Member States show that 5.2% of the Estonian population aged 25-64 participated in education or training in 2001, which was **lower than the EU average** (8.4%) but higher than participation in many other CCs (Hungary 3.0%, Slovenia 3.7%) and some EM Member States (Greece 1.4%, France 2.7%, Spain 4.9%).[191]

A national survey on CVT in enterprises in 1998 (although not fully comparable to Eurostat methodology) indicated that in 51% of companies CVT is carried out regularly and in 45% principle rules for CVT are defined.[192]

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Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[185] Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. National Observatory Report 2001

[186] Eurydice 2001

[187] The proportion of women was higher at all levels: 24% of all people (compared to 18% males), 30% of the employed (21% males) and 10% unemployed (3% males); In: Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[188] Information provided by ANDRAS, Prof. Talvi Maerja. The MoE and ANDRAS commissioned a barometer survey, carried out by the research company Saar Poll in November 2001 with a sample of around 1,000 people in the age group 15-74 years. According to this survey 13% of the population in this age group participated in different training forms in 2001 (including distance learning)

[189] Most active in training was the age group 20-29 years (22% participation rate); public funded institutions train their personnel more frequent (41%) than public enterprises (18%) and private enterprises (less than 10%); although training takes place mostly in Tallinn, the number of participants is spread almost evenly (13% of Tallinn population, 12% of other towns, 14% from rural areas); a difference in the regional spread was noted (23% in West-Estonia and less than 8% in Northeast Estonia)

[190] Participation in courses during the last four weeks, LFS 2000

[191] Eurostat's Structural Indicators Webpage 2002, based on Labour Force Surveys. A person is regarded as participating in education and training if they participated in some form of education or training in the four weeks prior to being surveyed in the LFS

[192] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

According to the Eurostat CVTS2 survey **continuing training in enterprises** appears to play a more important role than in other candidate countries, but a lesser than in most EU member states. Estonia ranks 2nd among 9 candidate countries as regards the share of enterprises providing some kind (not only courses) of continuing training in 1999 (63%) – lagging only slightly behind Czech Republic (69%) but far ahead of Slovenia (48%), Poland (39%) and Hungary (37%). EU member states reported 70% or more enterprises offering CVT except Spain (36%) and Portugal (22%).[193]

However, the **participation rate** in enterprises providing courses[194] was only 28% (27% males, 29% females)[195]– lower than in Czech Republic (49%), Slovenia (46%) and Poland (33%) but better than most other candidate countries although still behind all EU member states.

Participants in **training for the unemployed** make up about 2/3 of total participants in active measures (averaging at 8,400 per year since 1995, increasing to 10,200 in 2001), however this is still reaching only 11% of unemployed, compared to 8% in 1999 and 2000).[196]

The share of **adults** (about 20 thousand students in 2000/2001) in the regular education system[197] is ranging from 0.7% in basic education up to 13.4% in upper secondary general education, 12.9% in VET, and 16% in higher education.[198]
The number of students older than 22 years in initial vocational training has increased considerably by more than 5,600 students between 1996 and 2001.

**Table 12 Participation of students older than 22 years in IVET (1995/96, 1998/99, 2000/2001)**

| | 1995/96 | 1998/99 | 2000/2001 | change 1995/96 vs 2000/2001 |
|---|---|---|---|---|
| Vocational secondary and vocational courses | 819 | 1934 | 5216 | 4397 |
| *Full-time courses* | | 1253 | 3033 | |
| *Evening courses* | | 49 | 1021 | |
| *Correspondence courses* | | 632 | 1162 | |
| | | | | |
| Post-secondary technical courses | 2421 | 3338 | 968 | -1453 |
| *Full-time courses* | | 1057 | 465 | |
| *Evening courses* | | 1053 | 261 | |

[193] CVT2 is based on a sample survey and included for the first time 9 CCs; Eurostat Statistic in Focus 3 –2/2002
[194] Participants as a proportion of total number of employed. The participation rate is referring only to one type of continuing training, namely "courses". The data are not referring to the total number of enterprises, but only to those which are providing continuing training
[195] The participation rate was 27% in enterprises from 10-49 employees, 25% in those between 50-249 employees and 30% in large enterprises over 250 employees
[196] Calculation on the basis of ILO definition of unemployed. Labour Market Board data for 2001 show again a decrease of about 2,000 participants in active measures, however, participants in community placements are not taken into account (amounting before to approximately 4,000 annually)
[197] According to a survey conducted at the end of 1997, it appeared that there has been a decrease in the opportunities to aquire continuing training in general education (up to secondary school) and in the vocational education system. Moreover, participants in the formal training sector are quite young (21% of those interviewed in the age group 20-24, 8% in the age group 25-29, 2% in the group 30-34 and 1% in the 35-44 years category. There were no individuals in the age group 45-60 years participating in formal schooling; In: Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002
[198] Eurydice 2001

| | | | | |
|---|---|---|---|---|
| *Correspondence courses* | | 1228 | 242 | |
| | | | | |
| Vocational higher education[199] | | | 2665 | 2665 |
| **TOTAL** | **3240** | **5272** | **8849** | **5609** |

*Source: Annus/Jogi/Orro/Neudorf, Modernisation of VET in Estonia. Draft National Observatory Report 2001, working document, March 2001*

There have been no data in official educational statistics on short-term adult training courses provided in **VET or higher education institutions**. Reporting of VET schools indicate a rising trend as in 2001 about 12,800 people completed training in 46 schools (and 521 curricula)[200] compared to 8-10,000 in the previous years.

A specific field of training – related to the goal of EU accession – has been "EU training" in the last years. The **EU related training demand** over three years (2000-2002) has been estimated at over 35,000 persons, with a high demand for general EU knowledge, the EU legal system, EU programmes and funds, EU budget and language training.[201] The first "EU Training Strategy for Estonian Civil Servants" was approved by the Council of Senior Civil Servants in May 1997 (updated constantly), aiming at defining training priorities by different types and levels of the **Estonian administration**, with a view to an enhanced capacity to co-operate within the EU institutions and with Member States. The overall training of state and local government officials is under the responsibility of the State Chancellery, the common and general parts of EU related training are centrally co-ordinated by the Office of European Integration.[202]

**CVT reform**

At present there is no comprehensive training system in place for adults who are facing changes in their job functions or dismissal. In addition, a major obstacle is the lack of an integrated and transparent vocational qualification system, which would define the vocational standards for obtaining a recognised qualification. However, the creation of a state-supported system of vocational qualifications is currently being finalised[203] and there is awareness among key stakeholders of the economic and social value of CVT, as well as commitment to design a system which enables participants who successfully completed units of learning as part of a continuing training programme, to accumulate credits.[204]

An appropriate and coherent policy framework for CVT is being developed at present through the **National LLL strategy**, as well as partly through the **Education Strategy "Learning Estonia"** (recognising work and study experience upon continuation in the formal education system). Social consensus has to be found on

[199] Enrolment in vocational higher education and diploma study was replaced by a combination of these (applied higher education study) in August 2002

[200] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[201] European Institute of Public Administration, Implementation of the EI Training Strategy in Estonia 2000-2002, February 2000. Phare support to the EU Integration process in Estonia provided additional funding for training activities

[202] Office of European Integration, EU Training Strategy for Estonian Civil Servants, April 1999

[203] Certificates have been awarded only in four professions so far (real estate appraisal, real estate broker, real estate junior administrator, and forward operators)

[204] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

the appropriate financing mix of the future CVT system and involvement of different stakeholders.

Currently the efforts are directed towards finalising the Lifelong Learning Strategy,[205] but the MoE is still planning the **amendment of the Act on Adult Education**. The Act will regulate the provision of training for adults in public and private training institutions. It will provide for licensing of training institutions and enhance motivation of employers and employees to undertake continuing training through improved incentives. As stated in the JAP, it will be important to ensure that the proposed amendment of the Act on Adult Education succeeds in widening access to continuing education and training and is supporting also the consolidation of the regional training centres. The actual impact of the new legislation should therefore be subject to early and regular monitoring and review.

**Counselling and guidance**

In Estonia, the co-ordination of career guidance and counselling is divided between two Ministries. The MoE is responsible for the provision of services to young people,[206] whereas the MoSA is dealing mainly with the target group of unemployed.[207]
The old system with career advisors in each school was established in 1993, and the responsibility lies with individual schools and counties whether they consider this area sufficiently important to warrant scarce resources.
The OECD review on education revealed in 1999 that **counselling and guidance services are inadequate in Estonia**, but also that there has already been recognition by both the MoE and MoSA on the need for career advice, placement and follow-up for youth and adults in all regions in Estonia.[208]

Progress has been underway since 2000 with the establishment of youth **information and counselling services (YICC) in each county**, which are working under the supervision of the county governors. Currently there are 21 centres operational across Estonia, of which 18 have signed contracts.[209]
Due to the new Labour Market Services Act, which came into force in October 2000, **vocational guidance has been introduced as a new labour market service** within the PES system. Additional vocational counsellors were hired in 2001, and currently there are 18 working in 16 county employment offices. The lack of a comprehensive system of vocational counselling and guidance will be partly addressed also by the VET Centres/Regional Training Centres and also by professionally trained counsellors working in VET schools.

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[205] The "National LLL Strategy" is currently discussed in an open consultation process with key stakeholders and will be presented to the Adult Education Council for an opinion at the end of 2002. Most likely, the LLL Strategy will be finalised only after the planned elections to the Parliament in March 2003

[206] MoE signs annual contracts with the county government which then provide information, guidance and counselling service for youth in the region

[207] Saari Mari, Information Collection on the Policies for Information, Guidance and Counselling Services in Estonia, OECD Questionnaire, Tallinn, July 2002

[208] OECD Review on Education Policies in Estonia, Paris, October 2001

[209] It has to be noted that in the Estonian context career guidance and counselling forms only an undefined part in the work of the YICC. Some confusion has been caused by the different aims of the current youth counselling system in the regions, as in some cases the centres focus on youth information in general, in some cases their emphasis is on counselling. Career related information is also provided at general education schools by being integrated into the national curriculum. This is further supported by school psychologists. At tertiary level, career services operate in 5 Estonian universities. In: Saari Mari, Information Collection on the Policies for Information, Guidance and Counselling Services in Estonia, OECD Questionnaire, Tallinn, July 2002

Still **several bottlenecks remain** to be solved: at present it is not possible to facilitate access to services for all age groups and interest groups. Service standards are missing and different regions make different choices. Lack of financial resources is limiting further development, as many local government budgets are scarcely sufficient to take care of basic needs of their population. Co-operation between county government and local authorities does not function fluently. The average salary of career counsellors in Estonia is about 4,000 EEK (256 Euro) monthly and approximately 20% lower than the average salary in Estonia.[210]

The key objectives according to the "Development Plan for Estonian Youth Work 2001-2004" are to further develop the national information and counselling system, and to create a strong network of vocational guidance specialists within the administrative capacity of local governments.

**Assessment and certification**

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

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

- The **VET graduation certificate does not entitle automatic access to** university type **higher education**, although the duration of schooling is the same as in secondary general education. However, it provides direct access to higher VET (now applied higher education). Since 1997 it is only compulsory for secondary general school students to pass the state examinations (leading to the Certificate of the National Exam which gives access to higher education) as the primary objective set by the MoE for VET school graduates is not to prepare pupils for entering universities but rather into the labour market. However, it is estimated that about 1/3 of VET students succeed on a voluntary basis in the final state general education examinations.

- In addition, as at present there is **no recognised system of VET qualifications in place** in Estonia, the graduation certificate does not attribute formal vocational qualifications, but confirms only that a certain programme has been covered at a certain level in a certain VET school.[211]

However, the development of the National Employee Qualification System is already being implemented and in school year 2002/2003 graduates from VET schools can

[210] Mari, Information Collection on the Policies for Information, Guidance and Counselling Services in Estonia, OECD Questionnaire, Tallinn, July 2002

[211] Assessment of students at VET institutions is on the same five-point scale like other schools, where 5 is "very good", 4 is "good", 3 means "satisfactory", 2 says "unsatisfactory" and 1 indicates "poor" results. To complete VET schooling, students have to pass five school-leaving examinations, one of themes is in the mother tongue. Two others then have to be chosen by students from the list of national examination subjects

take - apart from school graduation examinations - also national qualification examinations, awarding a vocational qualification and respective certificate.[212]
The concept of the new Estonian VET standard (agreed with stakeholders and social partners) is based on three distinct and interrelated elements:

1. ***National vocational qualification standard***, prepared by working groups of the Vocational Councils and approved by the councils and the MoSA;
2. ***National curricula***, based on the approved vocational standard, prepared by educational experts and approved by the MoE;
3. ***National assessment standard***, based on the vocational standard and approved by the newly created Estonian Qualifications Authority.[213]

Important progress was also made by adopting a new law on **recognition of foreign professional qualifications** in May 2000, which entered into force on January 1st, 2001. This Act established the bases and procedures for the recognition of professional qualifications acquired in a foreign state in order to be employed in a regulated profession. An interministerial commission is dealing with the implementation of the Act in co-operation with the different professional unions.

The number of regulated professions is rather low in Estonia (96), compared to other countries and the Baltics (Lithuania 118, Latvia 259) and mostly in the field of economy, transport and social/welfare. Access for foreigners is easy when seeking a job in Estonia, except in the civil service and some seafaring and other activities. In the next future the trend seems to be towards one harmonised system with EU countries, and between the Baltic countries themselves as well.[214]

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

*The still* ***low participation rate in IVET*** *is to a certain extent linked to the* ***persisting negative image and low social status of VET*** *(partly inherited from the soviet period, partly because of the low status of workers and trend in society towards higher education and partly because of the assumed lower quality of VET) although many stakeholders admit that the situation in VET has been improving over the last 3-4 years.*
*Secondary VET still has in the image of pupils, parents and the society in general no equal status to secondary general education, which will be difficult to change in a short time. The higher VET offer (recently changed to applied higher education) was rather new on the "market" and not yet fully established as regards the range of study fields as well as its reputation.*

[212] For the first time qualification examinations took place in 2 VET schools in June 2002 - at the Tallinn Construction School and in the forestry field. In 2002 about 300 vocational qualification certificates were issued, mostly in the real estate and construction sectors
[213] Annus Tiina/Dodd Martin, March 2002
[214] Ots Loone/Raudma Tiia/Annus Tiina/Bruzguls Janis/Zimina Natalija /Tamulevicius Algirdas, Regulated Professions in the Baltic States, In: Neudorf Reet/Krusts Gunars/Dienys Vincentas, Comparative Analysis of VET Systems and Regulated Professions in Baltic States, National Observatories of Estonia, Latvia, Lithuania, 2000

*In general it will be **difficult to attract and absorb the envisaged additional enrolment capacities for IVET** and to revert the current trend of opting more in favour of general education in the short term.*

*The new **National Employee Qualification System** recognised by employers, attributing vocational qualifications for VET graduates and improving the system of examinations, will undoubtedly contribute to – if successfully implemented - raising the status of VET.*

*Particular attention should be attached to establishing an efficient and flexible system of **information, counselling and guidance**, in order to provide relevant and updated information for the young as well as for older people, facilitating access and motivation to learning.*

***Reform in CVT has been delayed** and a lack of strategic concepts, action plans and systematic and comprehensive data collection in this field is hampering further progress. It is assumed that the implementation of the LLL Strategy, which is currently being discussed in Estonia, in combination with the delayed amendment of the Adult Education Act will be an important driver for necessary progress in CVT and a future oriented -system.*

## 2.2 Responsiveness of the education and training system to the needs of the labour market and the individual

A range of educational indicators suggest that Estonia has a more **favourable** situation compared to other candidate countries. The **educational attainment level** of the labour force (15-74) was rather high in 2000 (87.7% with at least upper secondary education, 58.5% with upper secondary education and 29.1% with tertiary education).[215] The share of those with below upper secondary (12.3%) is about two times lower and much more favourable than the average level of the EU.

The educational attainment of the employed (15-69) showed even 31.2% with higher education (ISCED 5-7) and 89.3% with at least upper secondary education (only 10.7% with ISCED 0-2) in year 2000.[216] Although the educational attainment level already had been traditionally high in Estonia, these indicators improved further in the last decade (26.3% with higher education, 79.5% with at least upper secondary education and 20.5% with below upper secondary education in 1990).

**Table 13 Employed by educational attainment and gender in 1990 and 2000 (in thousands)**[217]

| ISCED level | 1990 Total | 1990 M | 1990 F | 2000 Total | 2000 M | 2000 F |
|---|---|---|---|---|---|---|
| TOTAL | **826.4** | 426.7 | 399.7 | **604.5** | 311.9 | 292.6 |
| ISCED 5-7 | **217.2** (26.3%) | 93.6 | 123.6 | **188.4** (31.2%) | 75.4 | 113.0 |

[215] Statistical Office of Estonia, data from LFS 2000; Tertiary (ISCED 5A and 6: 18%) plus so-called post-secondary technical (ISCED 5B: 11%); Data for the population (15-74) show stable proportions between 1997 and 2000: roughly ¼ below upper secondary, ½ with upper secondary and ¼ with tertiary education

[216] Females show even better indicators in 2000: only 8.4% of the employed with below upper secondary education and 38.6% with higher education

[217] Data based on population aged 15-69 for 1990, 2000: annual average; In: National Observatory Estonia, Key Indicators 2000/2001

| | | | | | | |
|---|---|---|---|---|---|---|
| ISCED 4 | **33.8** (4.1%) | 16.4 | 17.4 | **45.2** (7.5%) | 18.1 | 27.1 |
| ISCED 3 (general) | **214.5** (25.9%) | 135.2 | 79.3 | **166.9** (27.6%) | 110.2 | 56.7 |
| ISCED 3 (vocational) | **191.6** (23.2%) | 89.8 | 101.8 | **139.0** (23.0%) | 67.9 | 71.0 |
| ISCED 0-2 | **169.4** (20.5%) | 91.8 | 77.6 | **65.0** (10.7%) | 40.3 | 24.7 |

*Source: National Observatory Estonia, Key Indicators 2000/2001*

At the same time this development does not necessarily mean that the qualification structure is meeting properly labour market demands. Sustainable development depends on how and to what extent the overall educational potential is applied in society. National research results are showing that nearly half of the population is **employed non-effectively**, and that due to the fast expansion of higher education already a trend of downward replacement of workers has started, resulting in the exclusion of the lower skilled from the labour market.[218] Employers and labour market research claim demand for a high number of skilled ICT workers, masters, and technicians, and less for specialists with higher education.[219]

The overall employment prospects of graduates dropped substantially in the last years, as the unemployment rate of graduates after one year of completion of school increased from 17.1% in 1998 to 29% in 2000.[220]
While in general unemployment remains high, there are at the same time the phenomena of «under-mobilisation of human resources»[221] and **lack of a qualified labour force** in certain occupations which hinders the establishment of new competitive enterprises and the expansion of existing ones. For the age groups of 35 years and above skills obtained under the Soviet system are partly outdated. Furthermore the **low participation rate** in VET compared to EU and other candidate countries[222], is limiting the future supply of qualified workers.

### 2.2.1 Planning / programming and responsiveness to the labour market

In the 1990s there has been insufficient qualitative labour market information available in order to enable a responsive and relevant provision of the initial and continuing vocational training offer. In addition, the current principles of a centralised management of VET institutions do not allow for a quick adaptation to local labour market needs and do not account for the increasing interest towards VET from local authorities. Another major weakness of the Estonian VET system has been the weak co-operation with social partners and that up to now vocational schools did not provide for vocational qualifications upon completion of a VET school.[223]

[218] Estonian Human Development Report 2001
[219] Estonian Ministry of Education, VET Action Plan 2001-2004, Tallinn June 2001
[220] Statistical Office of Estonia, LFS data based on a small sample
[221] Uniting Europe No. 97/2000
[222] Masson Jean-Raymond, Candidate countries' involvement in EU policies in lifelong-learning, education and training, draft paper ETF, April 2002
[223] The graduation certificate confirms only that a certain programme and level has been covered

In the last years several efforts have been undertaken to improve the situation, and in some fields initiatives are currently being implemented or are close to implementation. Although many initiatives are promising, it is far too soon to assess whether implementation will be successful or not.

**Labour market information**

In the area of identifying **labour market and skills needs** various research-type mechanisms (industry surveys, manpower forecasting, placement monitoring) are being used (although not in a systematic way) and do inform educational planning and programming to a certain extent.[224] The approach of sector analyses[225] has been applied from Irish experience in the wood processing and furniture sector and further surveys are being prepared on information technology and the food sector. One main difficulty in Estonia is the number of small companies which are hardly able to forecast their needs due to uncertainty whether the company still will be existing in 4 or 5 years. One main action required under planning and programming, particularly at national level, is how to "convert" the findings and recommendations of various research projects on skill needs into concrete actions by the key ministries involved. At present there is too long a delay between identifying the needs and responding quickly and effectively to addressing them. Experts are proposing to establish a senior inter-ministerial group charged with responsibility to critically examine these findings and recommendations, with a view to the government's national economic and social planning priorities.[226]

**Involvement of social partners**

Great expectations are set in increased **co-operation with social partners**, at least at national level and the level of co-operation agreements, which still to a large extent have to be put in practice. An ambitious "**Agreement on Common Action**"[227] was signed by the Ministers of Education, Economy, and Social Affairs, the Association of Employers, Estonian Chamber of Commerce and Industry and the Confederation of Estonian Trade Unions in December 2000, in order to speed up the process of **matching the labour force qualifications to the needs of the labour market**. The first experience showed teething **problems and obstacles** with the commitment of employers at local level to implement the "Agreement on common action" concluded at national level.

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[224] The main research organisations engaged in this activity are the Statistical Department (LFS), universities, the Estonian National Observatory (established in 1997), the newly established Regional Training Centres (delivery of enterprise surveys as part of the development of strategic plans) and partly the vocational councils. The lack of a credible VET research base is being addressed by the discussion on the establishment of a VET innovation centre, which will ensure the necessary research, programme-related development work and dissemination of the related information to the education system, Vocational Councils, employers and trade unions

[225] Corcoran Terry, Labour Market Information in Estonia. Recommendations for national measures to improve the information flow in the labour market, with particular reference to the identification of skill needs as a basis for the planning of vocational education and training, December 1997. In general, the aim of a sectoral study is to set out the probable or desirable future development of specific industry sectors over a 5-year time-scale, and recommend the manpower and training interventions required to support this development

[226] Annus Tiina/Dodd Martin, Capacity of IVET and CVT to support National Employment Policy Objectives, draft working document, Tallinn, March 2002

[227] The main goal of the agreement is to raise the competitiveness and qualification of the Estonian labour force in open labour market conditions. It states several obligations for the State (Ministry of Education, Ministry of Social Affairs and Ministry of Economic Affairs), employers' and employees' organisations. Regarding the CVT the Ministry of Education is obliged among other things to organise training for trainers and to establish training places for adults in VET schools. MoSA is responsible for labour market analysis, organising business training and business start-up support. Employers' and employees' organisation representatives have to take care of planning and ordering CVT

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

**National Employee Qualification System**

There are formal mechanisms in place to facilitate social partners having a direct input on the national qualification system. The work on the setting up a **National Employee Qualification system**,[228] started in 1998, with the Chamber of Commerce and Industry and employers playing an active role within the 12 Vocational Councils (Tripartite Trade Committees involved mainly in the development of qualification standards). In May 2002, 163 **vocational standards** were approved (covering 223 different vocational qualifications), which establish the knowledge, skill and attitude requirements for the different levels in specific vocational fields.

Important progress was made in June 2001 by establishing a foundation, the **Estonian Qualification Authority** (operational since September 2001), in order to co-ordinate and organise the work on the National Employee Qualification System.

The creation of a legal framework supporting the development of new VET curricula based on vocational standards has opened up the possibility for getting access to vocational certificates through **validation of related professional experience**. The delivery of the first certificates has concerned mostly the professions of real estate agents and real estate assessors.[229]

**Other measures to improve responsiveness**

Great expectations have been set in the concept of **Regional Training Centres** (VET Centres), which started gradual implementation with Phare support in 2000, but has not yet reached optimal output. These Centres are expected to have a crucial role in the economic and social development of a region, providing multifunctional services (initial VET, higher VET (now applied higher education), CVT, labour market analysis, programme development, local networking, counselling, teacher training).
In co-operation with employers and employment offices, RTCs are being first developed with EU Phare support in Ida-Viru county at the Kohtla-Jaerve Polytechnic, in Voru county at the Vorumaa Vocational Education Centre and in Saare county at the Kuressaare Vocational school.

Further improvement towards responsiveness to labour market needs is expected through **complex measures** being implemented by the VET Action Plan 2001-2004, in particular such as: further privatisation and municipalisation of state schools, the diversification and introduction of more VET programmes at higher VET (applied higher education) level, the introduction of basic VET programmes in the gymnasium, the continuation of the modular based curricula approach in VET, implementation of basic modules on entrepreneurship and work relations in curricula.

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[228] The new Professions Act, which was pending since 1998, and which regulates the process of implementation of the National EmployeeQualification System, was finally adopted in December 2000

[229] Fragoulis Haralabos, Validation of non-formal and informal learning. An analysis of the first responses by the candidate countries, Conference Paper, Oslo, May 2002

### 2.2.2 Curriculum design / development

Much of the progress in VET has been achieved in the area of modernisation of curricula, which in Estonia was the main vehicle of reform. **Modular based curricula in VET** were developed and implemented in a number of pilot schools with Phare support between 1994 and 1998, and compared to other transition countries the spin-off of the pilot school approach has been remarkable.[230] In 2001, already all school programmes were modular.

The VET curriculum reform approach applied in Estonia might be called the "labour market training model", as it is a modular and competence-based system (modelled on the Irish experience), designed to be flexible and adaptable and can embrace initial training for young people as well as continuing training for adults and unemployed. [231]

However, due to fragile and weak institutional structures at national level (including lack of procedures, rules and clear responsibilities) in the 1990s, **national curricula for VET have been lacking** so far, although stipulated as a prerequisite by the Vocational Education Institutions Act in 1998. The OECD recommended in 1999 to establish a national resource centre which should co-ordinate module design and review the process in order to avoid excessive diversification,[232] however, this idea was not taken up. Schools have been facing difficulties and working so far on the basis of their own developed school curricula, which have to be registered and approved by the MoE. Although, it has to be mentioned, that in 2001 about 30 % of all school programmes already met the requirements of the respective national vocational standard, approved by the MoSA.

The work on the **National Curricula** (44 vocational areas are envisaged in total) was initially delayed (due to changing approaches), but is progressively continuing since last year,[233] and 14 new VET programmes were developed in 2000/2001[234] in the fields of business, construction, health, forestry, catering and personal service, but none of them adopted yet as National Curricula. The first National Curricula (at least 4) were expected to be implemented in VET schools as of September 2002 and are further delayed since discussions on the approach re-emerged.
The national VET programmes are based on modules (measured by weeks, one study week is 40 hours) providing pupils with a variety of choices in terms of specialisation and organisation of education and training.

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[230] Viertel Evelyn, Review and lessons learned of Phare Vocational Education and Training Reform Programmes 1993-1998, January 2001

[231] Grootings Peter/ Parkes David/Nielsen Soren/Gronwald Detlef, A cross country analysis of curricular reform in VET in Central and Eastern Europe. 1999, ETF. The introduction of modules has advantages, but also drawbacks. A system of short and detailed modules risks to lead to competencies relevant to a taylorised organisation of production instead of broadly skilled competencies. It can result in relative isolation of modules as well as in confusion to employers and individuals. In addition, a considerable educational planning is required to maintain and establish a modular system with a high number of modules

[232] OECD Review of National Policies for Education – Estonia, 2001

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

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

The **VET programme after basic school** (ISCED 3B) has a minimum period of 3 years (120 study weeks), of which the VET related dimension (including practical training) must account for at least 50%. At the same time, at least 50 study weeks must be devoted to general education subjects, of which 32 are compulsory, and 18 weeks are recommended to best complement and support VET subjects. An amendment to the national programme of basic schools and gymnasiums planned for 2002 will have an impact on the national VET programmes as regards the scope of compulsory volume of general education.[235]

The **VET programme after gymnasium** (ISCED 4B) lasts 1-2.5 years (40-100 study weeks), and VET related training must account for at least 85% and general education subjects for 6 study weeks. In some sectors (healthcare, police), vocational secondary education is not offered for basic school graduates, as it requires maturity and a general education background from the entrants.

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

In principle, a VET school must have a programme for each profession/speciality it is offering. In Estonia, VET programmes are divided into the 44 categories ("study fields") mentioned, with more than 300 specialisations. The overall number of specialisation opportunities in VET has increased by almost 100 between 1993/94 and 2000/01 (see table below). Mostly demanded are service/catering, tourism, hotel service, commerce, logistics/transport, communications, information technology, electronics/automation, telecommunication (see annex).

**Table 14 Specialisation opportunities in VET schools (number of programmes in 1993/94 – 2000/01)**

| | 1993/94 | 1996/97 | 1999/00 | 2000/01 |
|---|---|---|---|---|
| VET after basic education | 103 | 91 | 99 | 121 |
| VET after general secondary education | 54 | 63 | 112 | 108 |
| VET programmes, which can be acquired both after basic and general secondary education | 55 | 65 | 64 | 78 |
| TOTAL | 212 | 219 | 275 | 307 |

*In: Annus Tiina, Dodd Martin, March 2002*

The **National Curriculum for basic and secondary general education** (covering grades 1-12) was approved by the Government in September 1996, and amended in 2002. The overall aim was to increase local influence on decision-making within the school organisation, as well as on teaching methods (teacher's transformation from a reproducer of material to counsellor, activating students by problem-solving tasks, integration of different subjects) and financing, and to make schools more open. In compliance with the national curriculum the school curriculum is drafted as the basis for its teaching. It specifies the school objectives, lesson plans, content of subjects and elective courses. The content of the curriculum is open to proposals and, in some

[235] Annus Tiina/Jogi Katrin/Orro Lea/Neudorf Reet, Modernisation of VET in Estonia. draft working document, National Observatory, February 2002

cases, possible input not only from school staff, but pupils, parents, local authorities, enterprises and other stakeholders.
The new changes in the national curricula for basic and secondary general education were adopted in January 2002 (amended June 2002) and will become obligatory for schools in 2004/05. Preparations for the new national curricula have been made by the Centre of Curriculum Development at Tartu University.[236]

Regarding **foreign language teaching** Estonia had already in 1997/98 the highest share of pupils in general secondary education (ISCED 2 and 3) studying English as first foreign language, compared to all other candidate countries (85% in Estonia, 81 % in Slovenia, 58% in Czech Republic, Bulgaria 59%). Russian was the second foreign language in Estonia, studied by 55% of pupils at that educational level.[237] The first foreign language is introduced as a compulsory subject at the age of 9, and 53% of pupils at primary (ISCED 1) level in 1998/99 studied English as a first foreign language. At ISCED 2 level Estonia still had one of the highest shares (84%) among candidate countries, but behind Malta and Cyprus, each 100%, Czech Republic 95%, Slovak Republic 94%, and Latvia 88%.[238]
Regarding vocational education, the VET Action Plan has set the target to double the volume of national and speciality-related foreign language teaching by 2004.

*Much progress has been achieved in the field of curricula, as it was a focus of main educational foreign assistance programmes. A major weakness has been the* ***lack of*** *establishing and consolidation of* ***appropriate national support structures for curricula design*** *and development, as well as changing approaches to national curricula in VET.*
*A remaining challenge will be to successfully establish and implement the national curricula for VET and to further develop higher VET (applied higher education) programmes.*

*In addition, the* ***curricular, methodological and pedagogical skills of educational planners*** *at national level and among teachers and school leaders in VET schools still needs to be strengthened.*

### 2.2.3 Delivery

**Social partners in VET**

Apart from involvement in Vocational Councils, employers are participating in the examination committees of VET school examinations and are directly involved with the MoE in the annual Student Course Admissions planning process.

Social partners, as members of VET school boards, need to participate much more actively in leading the changes in schools,[239] and the commitment of employers and private enterprises needs to be enhanced in particular with regard to dialogue with VET institutions, as well as their role in curricula development and staff training.

[236] The Centre was established in 2000 with responsibility for development of national curricula on basic and general secondary education; its objective is to ensure consistent development of programmes, based on thorough research
[237] Eurostat, Statistics in focus Theme 3-14/2000, Educating young Europeans. Similarities and differences between the EU and Member States and the Phare countries, Luxembourg, September 2000. Member States reported most above 90%, some close to 100% (Sweden, Finland, Austria)
[238] Eurostat, Statistics in focus, Theme 3-4/2001, Foreign language teaching in schools in Europe, Luxembourg, April 2001
[239] A Director of a VET school mentioned during the field visit for the Monograph in September 2001, that he will propose to the MoE for the next school year a changed composition of his school board, by replacing the so far existing majority of civil servants by employers and professional specialists

The VET policy of the MoE is aiming to attract private investors in VET and envisages further privatisation of VET schools in the forthcoming years.

**Practical education and training**

A very important challenge and future development direction is the necessary expansion of work placements and practical training tied to the school programme. There has been no national system for organising **practical training in enterprises** developed so far and practical training facilities are not offered any substantial support.[240]
So far individual VET institutions have established either formal or informal agreements with local employers concerning the provision of practical training opportunities both for students and teachers. Despite successful single initiatives, most VET institutions experience ongoing difficulties in finding quality placement training opportunities, where the content of the practical training is matching the off-the-job inputs.

**Apprenticeship**

A **national apprenticeship system** does not exist in Estonia, which could increase the supply of highly skilled (crafts) people with a comprehensive knowledge and understanding of industrial and other processes. There are only some enterprises that train persons or small groups on their own initiative and cost.[241] A Phare 2001 programme is targeting to pilot apprenticeship schemes in a few selected occupations, and under Phare 2002 work-linked training programmes will be developed for specific risk groups (drop-outs, secondary general school leavers without vocational skills).

**Teachers**

**One of the weakest areas** in Estonian vocational education is the issue of teacher training and teaching/learning methodologies. There is still a shortage of teachers with modern level skills (particularly in subjects of an innovative nature) as well as the shortage of training manuals and aids in Estonian, in the case of a number of subjects (e.g. mechatronics), there are none at all.[242]

The strategic importance of teachers/trainers in the delivery of quality education and training provision has already been well recognised and repeatedly stated in all major national documents, including the NDP, the JAP and VET Concept documents. Since the early 1990's international donors have been active in providing technical assistance to the MoE in this area. The assistance has been aimed at supporting the Ministry achieve an overall improvement in teaching standards to address changing economic and social demands within Estonian society. Analysis shows that any

[240] Companies perceive the current system as not favourable for offering practical training, due to financial and tax reasons. In: Noorem Toomas, Activities of AS TARKON in Human Resource Development and Co-operation with the VET System, Paper at the international conference on "Achieved Balanced Economic and Social Growth", Policies and Innovations in the area of Human Resources Development, Tallinn, March 2001
[241] VET Foundation, Education, Labour Market and Careers Guidance in Estonia, Tallinn 2001
[242] Laugis Juhan, Innovative Co-operation between Educational Institutions of Different Levels, Tallinn Technical University; Paper at the international conference on "Achieved Balanced Economic and Social Growth", Policies and Innovations in the area of Human Resources Development, Tallinn, March 2001

modern learning technologies being implemented in the classrooms have in the main been introduced through international initiatives.[243]

Within the framework of the VET Action Plan 2001-2004, the MoE has set the target to decrease gradually the volume of the student "auditory work" by 15-25% until 2004 (starting point 35 hours per week in 2000, target of 30 hours per week for VET after basic education, and 25 hours per week for VET after secondary general). First monitoring results show a substantial decrease of 14% in 2001.[244]

At present there are no national mechanisms developed for **monitoring** or objectively measuring the impact of present investment in in-service teacher training (on student results, overall quality standard of teaching, penetration of state of the art learning methodologies). This information deficit needs to be addressed.[245]
It is recommended that the MoE formulates **clear policy guidelines** on the future provision of vocational teacher training, taking into account that a high share of VET teachers do not have relevant pedagogical qualifications.[246]

**Equipment**

The **level of investment** in new training equipment/facilities to support the delivery of new national curricula is **rather low** and considered to be insufficient to build a professional, responsive and relevant education provision, meeting the priorities set out in different policy documents. National experts express the need to prepare a **capital plan**, based on the existing and emerging new occupations required to support sustainable and balanced development.[247]

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

*Despite a variety of support in the past **little or nothing substantial has changed in terms of teacher training**, teacher status and requirements. There is a high need to*

[243] Most notable among these innovative actions have been the major teacher training project between the Tallinn Technical University and the Hammalainen Teacher Training University in Finland, the two EU Phare VET Reform projects that included teacher-training components and the most recent teacher-training project between the Tallinn Technical University and the Danish Ministry of Education involving the introduction of new didactic modules In addition to these international donor-aided and EU funded actions, the MoE has itself been an active participant in the EU VET innovations based Leonardo Da Vinci Programme, as a full member in Leonardo 2 and as an associated member in Leonardo 1. Analysis of projects completed to date indicates that VET school teachers have been one of the main beneficiaries of these projects, providing them with the competence and confidence to introduce teaching innovations to the classroom. In: Annus Tiina/Dodd Martin, March 2002
[244] Update ("Results 2001") of the VET Action Plan 2001-2004, Information provided by the National Observatory, April 2002
[245] Annus Tiina/Dodd Martin, March 2002
[246] Danish Institute for Educational Training of Vocational Teachers, Vocational Teacher Training in Estonia VOC-TTE, Final Documentation and Evaluation, February 2002
[247] Since the early 1990s, the main source of funding new equipment has been through the two EU Phare VET Reform projects. In: Annus Tiina/Dodd Martin, March 2002

*reorganise teaching and learning in VET schools, including continuing training for teachers and to introduce new evaluation requirements for teachers. It is recommended that the MoE formulates **clear policy guidelines** on the future provision of vocational teacher training.*

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

### 2.2.4 Individual needs

There is little doubt that a learning process has been successfully initiated in the last decade, in particular through EU Phare support, among educational policy makers, individual teachers and social partners with respect to both the nature of the required VET reforms and increased responsiveness to different target groups. The present education system (and VET institutions) has demonstrated the willingness and capacity in responding to different client needs and to deliver training interventions to a wide variety of target groups. This includes the delivery of evening courses for the general public, training courses for employees and employers and regional based specific skills training courses for the unemployed. Analysis of feedback from the beneficiaries of these courses has in the main been positive.[248]

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

The introduction of the so-called "**gymnasium without classes**"[249] has allowed pupils to have their own individual curricula. "**Open universities**" by higher education institutions in the late 1990's has made more flexible and facilitated to obtain higher education (essentially through self-study and distance-education) whilst being full-time employed. In higher education in general, since the mid 1990's changes allowed to fulfil the obligatory curriculum in a flexible way and providing some freedom in selection of the study programmes.[250]
The Phare Multi-country Programme for Distance Education has been an important catalyst for open/distance learning developments in Estonia.

What is still lacking is a **systematic analysis of individual needs** of participants both of the initial education and continuing education system (including specific needs of the unemployed), and subsequently the development of a related policy and actions addressing individual needs. The proposed Education Strategy "Learning Estonia",

[248] Annus Tiina/Dodd Martin, March 2002
[249] Eurydice 2000
[250] UNDP, Estonian Human Development Report 1998, Tallinn, November 1998

takes into account the current deficit and aims to further develop forms of study and curricula that consider the individuality and special needs of students.

## 2.3 Contribution of the education and training system to promoting social and labour market inclusion

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

In reality the situation is much different and somewhat difficult for several groups in Estonian society, which seem increasingly to be facing a "growing social divide".[251]
Thus the Estonian education system shows also quite a number of educational factors with a selective and disintegrative effect, and according to some authors it appears that those seminal factors of education which differentiate society are gaining impetus.[252] Economic disparities become increasingly more important both in using education in order to succeed and in access to education.[253] There are clear signs of the broadening of educational stratification. While there is an increasing demand for higher education, there has also been an increase in the number of those who leave the educational system before completing even basic education.[254]
Several problems are being addressed by educational policy, but are far from having been solved (integration of non-Estonians, early school leavers and drop-outs, disabled people, regional disparities, gender inequality, access to pre-school education, socio-economic barriers).

**"Non-Estonians"**

There are special provisions in place for schools whose **language of instruction** differs from the national language (mainly Russian language). The Law on Basic and Upper Secondary Schools provides for a transition towards the use of Estonian as a teaching language in upper secondary schools by the school year 2007/2008 at the latest.[255]

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

[251] The new Prime Minister, Siim Kallas, is speaking in 2002 of a "growing social divide" in the Estonian society, and the need to address the current huge social disparties as a top priority
[252] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998
[253] Saar Ellu, Utilizing educational potential on the Estonian labour market, Im: Estonian Human Development Report 2001, Tallinn, November 2001
[254] Heinlo Aavo, Education. In: Social Trends in Estonia, Statistical Office of Estonia, April 2001
[255] During this period ways have to be found of offering language acquisition opportunities and models to the different age-groups, while intensifying the recruitment of language teachers and providing them with in-service training; In: Eurydice/Cedefop, Structures of Education, Initial Training and Adult Education Systems in Europe, Estonia 2000

Estonian language at preceding levels of education is restricting graduates' opportunities in continuing their studies in higher education.[256]
Regarding VET there is still a high need to provide additional language studies to non-Estonians, as 30% of admission on secondary VET comprises the Russian language group. The problem is most intense in North-East Estonia (Ida-Virumaa county) where a larger share of pupils are enrolled in schools with instruction in Russian (83% compared to about 30% average for the entire country). This is coupled with the problem of high concentration of VET schools in this area, many still producing graduates for professions that are no longer in demand in the labour market.[257]

In continuing training non-ethnic Estonians, among whom there are significantly more unemployed, have participated in training courses twice less frequently than Estonians.[258] Previous surveys show that regarding individual contributions non-Estonians paid more for their training compared to other groups.

The unemployment rate among non-ethnic Estonians has always been considerably higher (at around 6 to 7 percentage points more) than for Estonians between 1995 and 2000. Most vulnerable are the younger non-ethnic Estonian age groups (20-29 years of age) with general secondary or vocational education. Their unemployment risk is over twice as high as that of Estonians in the same age group.

There is still insufficient awareness, on the level of education management, of the existence of a multicultural society in Estonia.[259] Some authors assume that probably the biggest waste of human resources in Estonia is related to the ethnic factor, because the effects related to stratification, labour market and educational opportunities have been especially negative for non-ethnic Estonians.[260]

**Early school leavers and drop-outs**

There is a significant risk group of children (mainly boys, grades 5-8) who either ignore compulsory school attendance or leave the system early (estimated up to 3% of the total number of compulsory school attendants). Their prospects for obtaining a stable job are minimal and often other social problems follow (crime, drug addiction).[261] This is partly linked to the problem of registration for school attendance (mainly in Tallinn) which has not yet been fully resolved.

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[256] In addition, due to the decrease in the number of post-secondary institutions in Estonia offering education in Russian there are also fewer possibilities for the youth of Narva to acquire higher education. At the same time, it is relatively easy for the residents of Narva with Russian citizenship to obtain higher education at some educational institution in Russia. In: Allaste Alina, Opportunities in Estonian Society for the Russian-Speaking Young People in Ida-Virumaa, In: Estonian Human Development Report 2001, Tallinn, November 2001

[257] World Bank Study, Estonia Northeast Regional Development Program. Opportunities and Constraints, Washington, May 2000

[258] Unt Marge/Taeht Kadri, Outsiders in the Estonian Labour Market: A Challenge for the Individual or for Society? In: Estonian Human Development Report 2001, Tallinn, November 2001

[259] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998

[260] Vetik Raivo, Is Estonia Socially Sustainable? Introduction to the Estonian Human Development Report 2001, Tallinn, November 2001

[261] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998. Within Estonia available research data depict a vicious circle in which young people with no qualifications spend longer looking for their first job, which tends to be of poor quality. They become unemployed again and establish a labour market record that exacerbates the lack of qualification and in turn becomes in itself a barrier to recruitment and employment. In: Annus Tiina/Dodd Martin, March 2002

In June 2001 through the amendment to the Vocational Education Institutions Act **access to basic (preliminary) vocational education** has been opened for young people (up to 25 years of age) who have not completed basic education (annually more than 1,300 pupils, with a substantial cumulative effect). This risk group can now acquire basic education in parallel to vocational education. In 2001 about 140 young people (in 7 VET schools, on average 20 students per school) without basic education had the opportunity to receive this form of basic vocational training, but this is probably not enough, since the age group 17-25 currently includes more than 20,000 people without basic education.

The drop-out rate in the Estonian education system is rather high, ranging from 7% in secondary general education, up to 13% in VET (1999/2000).
In addition, a new Phare 2002 economic and social cohesion programme will be implemented in 2003, aiming to develop and introduce work-linked training programmes and networks in three target regions (North-East Estonia, South-Estonia and Islands), mainly to address the problems of early-school leavers and drop-outs from the educational system by offering them specific training directly targeted to the needs of local industry. The curricula will be implemented by the Regional Training Centres (RTCs) under the supervision of the VET Foundation (FVETRE) and in co-operation with selected enterprises.[262]

**Special needs**

Children with special needs (e.g. disabled) must be provided with opportunities for learning in special schools created for that purpose. Attempts are made to place children with only minor disabilities into mainstream schools, reserving special schools for those with more serious problems.[263] In reality, the integration of children with special needs in ordinary schools and their integration into society, is still largely an unresolved problem.

A special government decree on vocational education and training of the disabled guarantees opportunities for people with special needs to participate in initial VET. The newly established Regional Training Centres also do have the target group of disabled on their agenda.
The VET Action Plan includes the goal of ensuring learning opportunities for pupils with special needs and has set the target to increase the study places from 250 in year 2000 to all eligible applicants. The target for 2001 (at least 350 study places) was not achieved, as only 222 pupils enrolled with special needs (however, all applicants were covered).[264]

Recently a Phare 2002 programme ("Enhancing employment opportunities for people with disabilities") has been adopted aiming to facilitate the integration of disabled people into the labour market by strengthening the institutional network of

[262] Phare funds will be used for developing a concept for work-linked off-the-job and on-the-job training programmes, developing criteria and methodology for accrediting work-linked enterprises, elaborating co-operation agreements between employers organisations, MoE, enterprises and training institutions for the implementation of the training schemes, assisting the RTCs and related equipment in the training institutions
[263] OECD, Reviews of National Policies for Education – Estonia, Paris, October 2001
[264] Update "Results 2001" to the VET Action Plan 2001-2004, Information provided by the National Observatory, April 2002

rehabilitation teams and public institutions, and by increasing the awareness of employers about recruitment of disabled people.[265]

**Access of disadvantaged groups to continuing training**

The extent of adult training is limited and there is the risk that it rather deepens the inequality originated in formal education and society ("elitist effect"). Surveys revealed as the most important restriction amongst Estonian adults for not participating in training the shortage of personal resources (money to pay for the training, lack of time due to work or personal problems, distance from home). In addition, the learning motivation of middle-aged and older groups is very low (due to outdated stereotypes, consider themselves too old to study).[266]
Other surveys conclude that those groups most in need of retraining participated less in training activities than others, paid more for the training themselves and depended more on the training offered by the employment office. If this situation is allowed to continue, it will more likely widen the level of social and economic disparity within the country rather than alleviating it.[267]
Under the current legislation there are no special training programmes for disadvantaged groups organised by the PES, but training courses are available for all registered unemployed, including risk groups. According to law, there are groups defined as being "less competitive" in the labour market, namely disabled people, pregnant women and women who are raising children under six years of age, young people, persons who will be retiring within 5 years and those who have been released from prison. Employers who recruit among those groups are eligible for "employment subsidies", which include an obligatory training component.

**Other issues**

There is a risk of growing regional differences between schools (also in different suburbs of major towns) and there are educational crisis districts, where the overall economical backwardness of the region is coupled with closing of schools, low quality of training and lower grades achieved by pupils.[268] A clear link has been found between poor achievements in school and the poor economic situation of a large number of households,[269] which is confirmed by the fact that in rural areas the number of grade repeaters in basic education is about twice as high as in towns.[270]
Many households consider the fees for kindergarten as much too high. In 2000, kindergartens were closed down for the first time in larger towns due to the declining birth rate.

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[265] The Phare project will be used to perform an analysis of the existing support framework services for people with disabilities (provided by rehabilitation teams, regional social insurance departments, public employment services, regional training centres), to provide recommendations on possible changes required in the legal framework, and to set up an information campaign targeted at both desabled people and potential employers

[266] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998

[267] Annus Tiina/Dodd Martin, March 2002

[268] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998

[269] The income gap between urban and rural households widened in the 1990s. There has been a rapid growth in the proportion of households where the income per capita remains below the minimum wage level – from 8% in 1994 to 25% in 1999. In nearly 50% of households, the disposable income per capita remained between one to two minimum wages. In: Kreitzberg Mari/Kukk Anneli/Viies Mare, Household Income and Consumtion, In: Social Trends, Statistical Office of Estonia, Tallinn, April 2001

[270] Heinlo Aavo, Education. In: Social Trends in Estonia, Statistical Office of Estonia, April 2001

*More attention needs to be paid* ***to increase the responsiveness of the education system to special needs of disadvantaged groups*** *and to counteract the risk of a growing educational/social divide. Although there is a growing interest in getting access to education and in improving the educational level, meeting these needs is unevenly distributed among groups and regions.*

*A* ***number of critical issues remains to be addressed*** *and high priority should be given to non-Estonian speaking groups, socially disadvantaged and to decrease the number of drop-outs and early school leavers. Measures already started need to be strengthened and stepped up.*

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

## 2.4 Contribution of the education and training system to promoting entrepreneurship

The need for business and **entrepreneurship** training has increasingly been recognised as important by the formal education system and several initiatives were implemented in the last decade.
Business related training started in 1992 with the Estonian Junior Achievement Development Fund" (JAAF)[271] The main programmes offered are the "Business education programmes" in basic and secondary schools and the "Fundamentals of Market Economics" programme, which was first provided to middle-level managers (about 120 participants) or large enterprises privatised in 1997 in order to facilitate restructuring and prevent unemployment and adjustment difficulties. In year 1999/2000 the Junior Achievement business programmes have been provided in 432 Estonian schools to 24,000 pupils.[272]

The "**Estonian Business Education Programme**",[273] initiated through bilateral assistance (Danish Government), continued by Phare funding between 1995 and 1999 (and finally taken over by the national government), made considerable contributions to both programme and institutional development (development of a four-year and 2-3 year business education cycle short-cycle, in addition, adult education programmes were developed in selected subjects). In 2000, the new basic business administration curriculum was delivered to about 1,000 students and other schools are asking to join the programme. The national vocational qualification for a Business Manager's Assistant and a Junior Business Manager have been developed and the basis for adult and distance-learning has been established in a number of schools.[274]

The most recent initiative has been launched by the VET Action Plan 2001-2004, aiming to include in all secondary VET programmes modules on "work relations,

[271] Nominated in 1997 as the "Foundation of the Year" by the network of Estonian non-profit associations
[272] Estonian Ministry of Economic Affairs, BEST Report Estonia to the EC, DG Enterprise, July 2001
[273] The principal outputs were national curricula, teaching materials, criteria for business teachers' qualifications, training of teachers and students, SME staff
[274] Papps Ivy / Birks Sinclair, Final Technical Evaluation of the Phare Business Education Reform Programme in Estonia, Durham, June 2000

entrepreneurship, community co-operation initiatives" (including necessary teacher training) by 2004. In 2001 preparation of the respective module was started by the Estonian Business Education Programme, in order to be ready in September 2002.[275]

## 2.5 Contribution of the education and training system to promoting equal opportunities between men and women

In Estonia there is an **increasing gender inequality in education** in favour of females and that tendency has been deepening in the 1990s. The drop-out rates are disconcertingly high at the upper level of basic education, especially for boys. This leads to gender differences, which increase at higher levels of education. Among grade repeaters, boys also outnumber girls by more than twice.

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

In the academic year 1999 the female to male ratio in higher education was 140 to 100. Even if study fields are left out of consideration which traditionally are regarded as «female» (teacher training, nursing etc.) the developments in the past years clearly indicate an increasing gender gap (eg at the bachelor level in 1993/1994 the ratio was 113 women to 100 men, in 1999/2000 the female/male ratio was 122 to 100. Men still prevail in mathematics and computer sciences, in engineering and technology and in agriculture. All the other fields of study are dominated by women.[276]
However, this educational advantage cannot be fully translated into labour market success, as the monetary remuneration and social rewards received by women with higher education for their efforts are substantially lower than those drawn by men with the same education.[277]

The unemployment rate for females (13% in 2000) has been a few percentage points lower than that for males (15% in 2000) since the mid-1990s. The employment rate for women (57.1% in 2000) is lower than for males (64.3%) but higher than the respective EU average (54.0%).[278]

The MoSA is responsible for the promotion of gender equality issues and preparation of related legislation. In December 1996 the Bureau of Equality (within the MoSA) commenced its activities with the aim of promoting the new mainstreaming approach in the Estonian society. Estonia has ratified almost all international acts prohibiting discrimination by gender.
Although there is tangible progress in planning and co-ordinating activities in this field, the actual measures to promote equal opportunities have been restricted thus

[275] MoE, Update "Results 2001" of the VET Action Plan 2001-2004, Information provided by the National Observatory Estonia, April 2002
[276] Heinlo Aavo, Education. In: Social Trends in Estonia, Statistical Office of Estonia, April 2001
[277] Loogma Krista, Is the Education System Integrating or Disintegrating Society? In: UNDP, Estonian Human Development Report 1998, Tallinn, November 1998
[278] Employment in Europe 2001

far. Most of the projects initiated have been supported by international donors (e.g. ILO programme "More and better jobs for women" or bilateral assistance.[279]

According to the Strategic Action Plan 2000-2010 of the MoSA, adopted in April 2000, the integration of the principle of gender equality into all national policies has been set as an important long-term objective (including short-term goals).[280] Within this framework the Gender Equality Act has been prepared in 2001/2002, in order to prohibit both direct and indirect discrimination with special attention to labour relations, placing an obligation on both private and public employers (besides other institutions) to advance gender mainstreaming. It defines and clarifies terminology but does not define or create specific norms. The Act is currently under governmental procedure and is planned to come into effect in 2002.[281]

The Bureau of Equality has started to collect gender sensitive data and the preparation of gender-sensitive indicators. The Statistical Office of Estonia collects data on gender breakdown in the labour market and education.[282] Information is available on employment (including sectors, occupations), educational background, including continuing training, wages of female and male workers, etc. The Labour Force Surveys from 1998 up to present are of great importance in this respect.

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

*The **increasing gender inequality in education** is not being addressed sufficiently. More attention needs to be paid to increase successful participation of males in the education system, and to decrease disadvantages of females in the labour market.*

*The **gender mainstreaming approach** could be considered as a new area in the Estonian society. Consequently, clear policy tools, practical measures and sufficient statistics are missing. It is necessary to promote extensively the principles of equal opportunities in order to increase the overall interest for the subject and to change stereotypical attitudes.*
*While the Gender Equality Act serves as a basic legislative framework, more detailed and strict regulations are definitely needed for practical purposes.*
*There is a need for qualified specialists in gender studies, as the current shortage of experts restricts the implementation of the gender mainstreaming policy.*

[279] Information about the ILO project see PES chapter (3.4) An Estonian-Finnish twinning project on occupational health 2000-2002 has the aim to raise awareness of labour inspectors, authorities and administrative personnel about changing gender roles and stereotypes, to build capacity in creating a healthy and harassment-free work culture. Co-operation programmes with Nordic and Baltic Countries are aiming to promote women's entrepreneurship. In 2002, it is planned to set up a Business Advisory Centre for women entrepreneurs in the field of marketing and business. With the support of the Nordic Investment Bank and Estonian Open Society Institute it is planned to carry out a survey among female entrepreneurs to identify the main barriers encountered and problems they face

[280] A mid-term plan (until 2003) of the MoSA foresees (but is not limited to) the following: implementation of the Gender Equality Act and legal acts related to it (formation of Gender Equality Commission, co-ordination of collection of gender sensitive data etc.); training specialists to handle complaints of gender mainstreaming; decreasing vertical and horizontal segregation on the labour market; reconciling working and family life (also to work out indicators to measure and evaluate the division of time resources, paid and unpaid tasks of men and women); establishing structures for supporting entrepreneurship of women. In: Annus, Tiina / Dodd, Martin/ Eamets, Raul, Capacity of IVET and CVT to support National Employment Policy, draft working document, March 2002

[281] In addition, the Holiday Act has been amended to introduce parental leave as a new right also for fathers. This Act came into effect on 1 January 2002

[282] The Statistical Office of Estonia has prepared a first comprehensive statistical overview on the social status of women and men ("Women and Men in Estonia 2001").

# 3 Capacity of Public (PES) and Private (PRES) Employment Services to support the aims of the national employment policy

## 3.1 The organisational structure

**Legal framework**

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

From the 1940s until 1990 the Estonian social protection system had been a part of the general soviet system[283] and upon regaining its independence, Estonia faced the challenge of introducing new social protection systems.[284]
Regarding the social protection of the unemployed Estonia regulated this issue by a governmental decree until the end of 1994. In January 1995 the Social Protection of the Unemployed Act came into effect, aiming to provide the legal basis of labour market services for the unemployed and to administer the payment of unemployment benefits, with state employment offices as intermediaries.[285]

The key legislation adopted in the last decade concerning employment policy and PES includes the following:

- Decree on Unemployment and Unemployment Benefits (March 1991)
- Employment Contract Law (July 1992)
- Labour Protection Law (July 1993)
- Law on Social Protection of the Unemployed (January 1995)
- List of Documents to be submitted for Registration as Unemployed (February 1995);
- Procedure for Organising Employment Training and Grant and Payment of Stipends to Unemployed Persons (February 1995);
- Procedure for Granting Employment Subsidies to Unemployed (January 1995);
- Procedure for Granting Employment Subsidies to Employers (February 1995);
- Procedure for Organising Community Placements (February 1995);
- Procedure for Payment of Single Benefits to Unemployed Persons (February 1995).
- Social Protection of the Unemployed Act (entered into force in October 2000)
- Employment Service Act (entered into force in October 2000)
- Unemployment Insurance Act (June 2001, entered into force in January 2002)

With the new legislation adopted in 2000 the access to labour market services has been widened resulting in new responsibilities and tasks for employment services

[283] Funding sources for the system were social insurance payments, the rates of which (4-9% of the wage-fund) were distributed among unions. In: Salu Monika, Social Protection in Estonia, Extended Abstract of the Doctor in Business Administration Thesis, Tallinn 2001

[284] Social protection of the unemployed is financed from the state budget, constituting part of the overall social protection system. Current Estonia's safety net includes cash benefits and in kind assistance. Cash benefits include pensions, child benefits, sickness-, maternity- and other leave-related benefits, unemployment compensation and income or housing support for lower income families. In-kind support includes employment services as well as institutional care and material assistance administered by social welfare offices. The great majority of benefits are paid on the basis of eligibility criteria. In: Annus Tiina/Jogi Katrin/Orro Lea/Neudorf Reet, Modernisation of VET in Estonia. National Observatory Report 2001; OECD education at a glance 2001; Eurydice 2001; Education 2000/2001

[285] Estonian Ministry of Finance, National Development Plan 2001-2004, Tallinn 2001

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

**Institutional setting**

In Estonia there is no separate "Ministry of Labour" in place, since in 1993 three Ministries (Ministry of Labour, Ministry of Health and Ministry of Social Security) were merged into the new **Ministry of Social Affairs**, being responsible consequently for employment and social policy, health care and social security. The MoSA became also the governing labour market institution.
Within the MoSA, the Deputy Secretary General for Labour Policy (a new position created in April 1999 with a view to increasing administrative capacity for employment issues) is responsible for labour market issues and PES. The Estonian labour market policy is elaborated by the Labour Market Department (newly created in January 2000) and the Labour Department. The Labour Department was created in January 2002 by uniting the former Labour Environment and Labour Relations departments.

The **National Labour Market Board** (NLMB) was established in May 1990[286] with a changing history: being abolished in 1996[287] by the MoSA and finally re-established in 1999 as a quasi-independent institution with a total staffing of 23 people in 2001. It is an operational body subordinated to the MoSA (Labour Market Department) whose main functions are the administration of labour market services, organisation of unemployment registration, regulation of payment of benefits to the unemployed and the supervision of the entire process.
The structure of the Labour Market Board (LMB) was changed slightly in August 2001, since in addition to the existing Departments of Informatics and Administration, Labour Market Services and Social Protection of the Unemployed a new *International Relations and Public Relations Department* has been established.
The role of this new department is to co-ordinate international relations and international job-mediation, to prepare labour market institutions for the accession to EU (ESF and EURES issues), to co-ordinate public relations within labour market institutions, to co-ordinate work of the tripartite employment councils and to administer personnel issues in the Labour Market Board.

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

[286] On the basis of the governmental decree No. 110 "On establishing the Public Labour Market Board of the Republic"
[287] Debates over the division of tasks between the MoSA and NLMB between 1993 and 1995 led to an official abolishment of the NLMB. The Board continued, however, to operate. As a result of the liquidation of the NLMB in 1996, funds were allocated from the budget to the NLMB in 1997 and 1998 only for covering maintenance costs in state employment offices and for the provision of employment services to the unemployed. In 1999 the NLMB was restored as an institution, and the statutes of the NLMB and state employment offices, together with the new structure and composition of the NLMB were approved by a Regulation of the MoSA in May 1998

According to a governmental decision, the NLMB has been appointed at the beginning of 2002 to be one of the Estonian implementing agencies for the European Social Fund.

The NLMB operates with a network of **local state employment offices** distributed all over Estonia.[288] Each of the 15 counties and the capital Tallinn has at least one employment office, but in many counties there are more (in total 36 local offices, total staffing of 207 people in 2001). Their main tasks are to implement national employment policy, to register the unemployed, to pay unemployment benefits and to provide employment services in their respective area.[289]

**Role and involvement of social partners**

In August 1999, the Government of Estonia, the Estonian Confederation of Employers and Industry and Confederation of Estonian Trade Unions[290] signed an agreement on setting up Tripartite Employment Councils. These councils are aimed at increasing the efficiency of employment offices in finding integrated solutions to regional socio-economic problems. Implementation in setting up these councils has turned out to be complicated, mainly due to the lack of interest and co-operation of employers at local level. At the end of 2001 only 5 Tripartite Councils have been fully operational (Ida-Virumaa, Valgamaa, Viljandimaa, Vorumaa and Järvamaa).[291]

**Graph 2 Location of employment offices in Estonia**[292]


[288] The network of public employment offices was established in view of the provisions of the ILO Convention no. 88 on the basis of decree no. 125 of the Government of the Republic of May 1994 "Establishing of network of public employment offices". On the basis of this decree the employment offices subjected to county and city governments were transferred to the administrative area of the MoSA. In: Urve Vool, Labour market in Estonia and Tartu, draft paper, Tallinn 2001

[289] Raul Eamets, Capacity of public and private employment services, draft working document February 2002

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

[291] In Estonia the tripartite social dialogue is well developed on the highest, national level, whereas the development of the bi-partite social dialogue on branch and enterprise level is still weak

[292] The bigger blue dots indicate the main offices in counties and the small ones indicate local branch offices. In: Raul Eamets, Capacity of public and private employment services, draft working document February 2002

*The legal framework for PPES seems to be well developed, in particular since the adjustments of October 2000, aiming to widen access to labour market services. The weak administrative capacity to identify national employment priorities and to prepare an employment strategy had been a major bottleneck* ***in the 1990s****. This is partly attributable to the fact that* ***employment issues have not been considered a priority issue at national level*** *as well as due to frequent changes in the structure and human resources of the MoSA and NLMB. Since 1999/2000 the Government has begun to pay more attention to employment problems and there are optimistic signs that the situation will improve.*

*Nevertheless* ***further PES capacity building is needed*** *as well as immediate actions to promote stronger involvement of social partners.*

## 3.2 Resource allocation to PES

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

**Financial resources**

In Estonia expenditure for labour market policy as well as for the administration of employment services are both financed from the state budget.
Traditionally the **overall expenditure on labour market policy** (both active and passive in year 2000 amounted to 185.54 million EEK = about 12 million Euro) has been rather stable at a very low level compared to international standards, varying between 0.16% of GDP and 0.24% of GDP in the period between 1994 and 2000.[293]
According to the planned expenditure in the state budget an increase of 12% in total expenditure has been envisaged for 2001 (208.54 million EEK=13,300 Euro). In order to reach a level of at least 1% of GDP, expenditures would have to be increased by approximately 600 million EEK (=38 million Euro).[294] However, so far **no quantitative targets have been set** into that direction

**Expenditure for active labour market measures** has been accounting for only 0.08 % of GDP in the last years (1998-2000), which is far away from other candidate countries as well as the average level of EU Member States. As unemployment benefits in Estonia are very low, active labour market measures comprised over 50 % of the total labour market expenditure between 1994 and 1998. Due to the rise in unemployment, the share of active measures in total expenditure however decreased rapidly, to 23 % in 2000 (or 36% if social tax not included in overall expenditure). The forecast from the state budget for 2001 indicates a share of 38% of total expenditure.[295]
Although due to the rise in unemployment expenditure for passive labour market policy also increased from 0.08% of GDP (1997) to 0.14% (2000), the level remains extremely low.

[293] The overall share of LM expenditures of GDP in 2000 increases slightly to 0.34% of GDP (289.57 million EEK) if social taxes paid for the unemployed are taken into account
[294] Republic of Estonia, Employment Action Plan 2002, Tallinn 2001
[295] Social tax not included

**Expenditure for PES administration** amounted to 17.86 million EEK (1.14 million Euro) in 2000, representing 0.02% of GDP and 9.6% of total expenditure on labour market policies in 2000 (6.2% if social tax included in overall expenditure on LM policies).[296]
The most important active measure both in terms of participants and expenditure is labour market training. In 2000, expenditure on training accounted for 17.5% (11.2 % if social tax included) of the total budget for labour market policy, although at a declining rate since 1994, when it accounted for almost 30%.

**Table 15 Labour policy measures (%)**

| | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** |
|---|---|---|---|---|---|---|---|
| Total expenditure (million EEK) | 71.76 | 71.35 | 89.94 | 105.87 | 114.56 | 184.4 | 185.55 |
| % of GDP | 0.24 | 0.17 | 0.17 | 0.16 | 0.16 | 0.24 | 0.22 |
| **1. Passive Employment Policy** | **45.2** | **38.4** | **43.7** | **47.3** | **49.9** | **65.6** | **63.8** |
| Unemployment benefits | 45.2 | 38.4 | 43.7 | 47.3 | 49.9 | 65.6 | 63.8 |
| **2. Active Employment Policy** | **54.8** | **61.6** | **56.3** | **52.7** | **50.1** | **34.4** | **36.2** |
| PES administration | 14.5 | 17.9 | 15.1 | 14.5 | 16.5 | 8.6 | 9.6 |
| Labour market training | 29.4 | 24.6 | 25.6 | 26.4 | 24.2 | 17.4 | 17.5 |
| Training allowances | 4.1 | 6.6 | 5.5 | 5.1 | 3.6 | 3.3 | 3.5 |
| Subsidy to employer | 0.3 | 0.5 | 0.9 | 0.9 | 0.9 | 1.0 | 1.2 |
| Subsidy to start a business | 2.5 | 5.1 | 4.2 | 3.7 | 3.2 | 2.3 | 2.6 |
| Community placement | 2.8 | 1.5 | 2.5 | 2.2 | 1.6 | 1.8 | 1.8 |
| Other costs | 1.3 | 5.4 | 2.6 | 0 | 0 | 0 | 0 |

*Source: Estonian Labour Market Board. In: Raul Eamets, February 2002*

One of the main constraints for the operations of local employment offices, apart from the low level of financing, is the rigidity of **budget allocations**. Funding for programmes are defined in the state budget and local offices have no discretion in reallocating these funds, constraining their ability to respond to the needs of the local labour market. The World Bank is suggesting to change this system by distributing funds to local offices as block grants.[297]

The budget of PES offices is determined by taking into account in a given county the number of registered unemployed, the number of vacancies and the number of trained people who managed to get back into gainful employment. Budgets of the current year are calculated on the basis of the previous budgets, and employment offices are allowed to spend each month only 1/12 of their annual budgets which highly limits their capacity to response flexibly to actual demands.[298]

**Human resources**

The number of PES staff increased in the last years from 199 (2000) to 207 (2001), mainly due to the employment of 16 additional counsellors working on pilot projects aimed to develop individual approaches for the long-term unemployed. The

[296] According to preliminary information provided by the NLMB, the total amount for PES administration increased in 2001 by 12% (up to 20.93 million EEK) compared to 2000

[297] World Bank Study, Estonia – Northeast Regional Development Program. Opportunities and Constraints, Washington, May 2000.

[298] OECD Education / Training Sector Review, findings on the Labour Market and Training Situation, April 1999. There is a tendency that this procedure "punishes" those counties where labour market prospects are bleak and which would actually be in need of more resources to be able to carry out a wider variety of labour market measures. According to the Law on Public Finances no carry over of unspent funds to the next household year is allowed (which is a common practice in EU countries)

understaffing of PES[299] has always been a chronic problem and major bottleneck of labour market policy in Estonia as the Government did not assign sufficient funding to employment and training of PES staff as well as to prepare local authorities to cope with increasing number of unemployed in the late 1990s.[300]

Current indicators show that the monthly workload of staff per registered unemployed (233 in 2000 and 262 in 2001) is still rather high. [301] In addition, there are wide regional differences, ranging from 88 (Hiiumaa) to 318 (Harjumaa) registered unemployed per one PES staff member.
The relation to counsellors shows 326 registered unemployed per counsellor in 2001.

Furthermore it can be expected that the overall workload of PES staff will more likely increase than decrease due to new tasks assigned, a more client oriented approach as well as in case of increasing unemployment.

**Table 16 Indicators of PES workload by counties (2001)**

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

*Source: National Labour Market Board. In: Raul Eamets, February 2002*

According to the definition of job-titles (not necessarily implying full-time counsellors) about 80% of total staff were so called "counsellors" in 2001 which might indicate that the **structure of employment** in local offices seems to be

[299] This has been the case also for the NLMB who had only a staffing of about 20 people, which limited the capacities to carry out comprehensive labour market analysis, providing policy advice and support to the county and local offices. In: OECD Education / Training Sector Review, findings on the Labour Market and Training Situation, April 1999

[300] Raul Eamets, Capacity of public and private employment services, draft working document February 2002

[301] The MoSA is using the ratio on the registered jobseekers (608 jobseekers per staff) in 2001, demonstrating the annual workload; calculations based on LFS data, where the number of unemployed in the week of questioning is used as basis according to ILO methodology, show 485 unemployed per staff in 2000, and 436 unemployed per staff in 2001. As around half of the unemployed do not register they are not part of the workload of PES staff. Therefore this number shows only the possible "theoretical" workload

favourable for implementing active measures.[302] However, the average time available for counselling per unemployed is being considered by PES staff as not sufficient.[303]

The **educational level of PES staff** shows about 37% of staff with higher education, 33% with post-secondary education and 30% with only secondary education.[304]
Although staff training has been an issue of several foreign aid and Phare programmes since the mid- 1990s, training provision for **PES staff development** is felt insufficient by staff and has been lacking for many years in most offices due to the absence of a concept as well as related funds. [305] Since 2001 this issue has been addressed more seriously by the introduction of an annual training programme, focusing in particular on job-mediation and how to co-operate with employers.[306]
NLMB data show that **participation in training courses** almost tripled between 1999 and 2001, most of it in-service training.[307] Modular training courses have been introduced for the newly hired vocational counsellors and project leaders dealing with youth unemployment are being trained. In addition, important training measures aiming at upgrading the skills of PES staff (information technology and language training) are provided by a Phare 2000 project which is currently being implemented.

As regards **wages of PES staff** no official data are available, however, discussions with PES staff made evident that the income situation seems to be of high concern. Salaries have not been increased significantly between 1998 and 2001 and appear to be accounting only for 60-70% of the Estonian average salary.[308] Consequently staff turnover is rather high.

**Infrastructure**

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

Only in October 2000 did the NLMB start to redevelop the labour market services information system and Estonia is still much relying in this process on further EU support from Pre-accession funds. Within the framework of a Phare 2000 programme «Support to the Balanced Development of the Labour Market Services» an infrastructure component is aiming at a fully functioning information system (purchase of a central database and application hard- and software,

[302] Raul Eamets, Capacity of public and private employment services, draft working document, February 2002; the term "counsellor" is referring to a job-title and does not necessarily imply full-time counsellors.
[303] Information gained at ETF field visits and discussions with local employment office staff in 2001. Apart from the first contact with the unemployed, the average time per client-contact is estimated as about 10-15 minutes only
[304] Information provided by the NLMB on the basis of 2002 data, including staff of NLMB: 85 people with higher education, 77 with post-secondary and 70 with general secondary education, July 2002
[305] Within the Baltic region sectoral programme the project "Train the trainer course in planning of special programs" was carried out from October till December 2000. The aim of this project was training of the staff of public employment services and the Labour Market Board in drawing up and implementation of special programs (targeted at long- term unemployed and other risk-groups). In: Raul Eamets, February 2002
[306] For the forthcoming years the priorities are: customer service training, communications, service standards, individual action plans, vocational guidance, co-operation with employers and computer training
[307] Information provided by the NLMB, July 2002; total number of staff participating in training developed from 88 (1999) to 107 (2000) and 207 (= almost all staff in 2001). The total participation in different kind of courses increased from 165 (1999) to 204 (2000) and 429 (2001, out of which 293 in in-service training)
[308] Salaries of management not included into this estimation, provided by PES staff during the field visits in 2001

telecommunications equipment, local area network computers, software for the new PES information system). In this context a new on-line based self-service information system is under preparation and should enable PES staff to improve the client-orientation of services. The new system is expected to be operational at the end of 2002. So far there has been no self-service system available for job-seekers, except the vacancy bank on the NLMB web-site developed in 2001.

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

## 3.3 Coverage of public employment services

The overall "popularity" and reputation of employment offices has not substantially increased since the mid-1990s. In addition, registered unemployment continued to account for only about a half of the actual unemployment (53% in 1996, 60% in 2001).[309]

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

The situation did not improve in the last years, as according to LFS 2000, almost half of the unemployed (44% in total, 53% of men) did not contact the employment office on even a single occasion throughout the period of unemployment.

The main means of sourcing information on jobs were in year 2000:
- through individual job search and job announcements (83%)
- reference to relatives or acquaintances (74.8%)
- through state employment offices (52.3%)
- direct contact with employers (47.6%)[310]

[309] Social Trends in Estonia 2001. Of course this kind of difference is due to several factors, among them low unemployment benefit, the poor reputation of PES, the limited willingness of employers to co-operate with the public job-mediation system, but also due to different job-seeking scenarios
[310] Raul Eamets, Capacity of public and private employment services, draft working document, February 2002

The number of vacancies reported to employment offices remains at a low level, although showing an increase by 18% from 1999 (12,700) to 2000 (14,900) - reaching for the first time the previous level of 1995 - but stagnating again in 2001 (15,000).

**Table 17 Newly reported vacancies to employment offices (average per month)**

| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|
| 2,150 | 1,700 | 1,230 | 1,230 | 1,130 | 1,210 | 1,050 | 1,240 | 1,250 |

Though from 1999 to 2000 about 14% more found employment in this period (placement of 18,700 people in 1999, 21,500 in 2000),[311] the tendency that employers do not report a major part of vacancies, still persists. The main reason behind this is the assumption that people with higher qualifications do not use employment services as a tool for job-finding. In 1999, less than 20% of reported vacancies were for white-collar workers. The great majority (40%) was reported for craft and related trade workers and service workers and sales workers (22%).[312]
This situation has given rise to a common view that the national job mediation system mediates jobs mainly to poorly qualified and older jobseekers and that employers tend to use other options to recruit staff. Such attitudes indicate that there is a need to raise the awareness of jobseekers and employers on the range and quality of services provided by employment offices. [313]

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

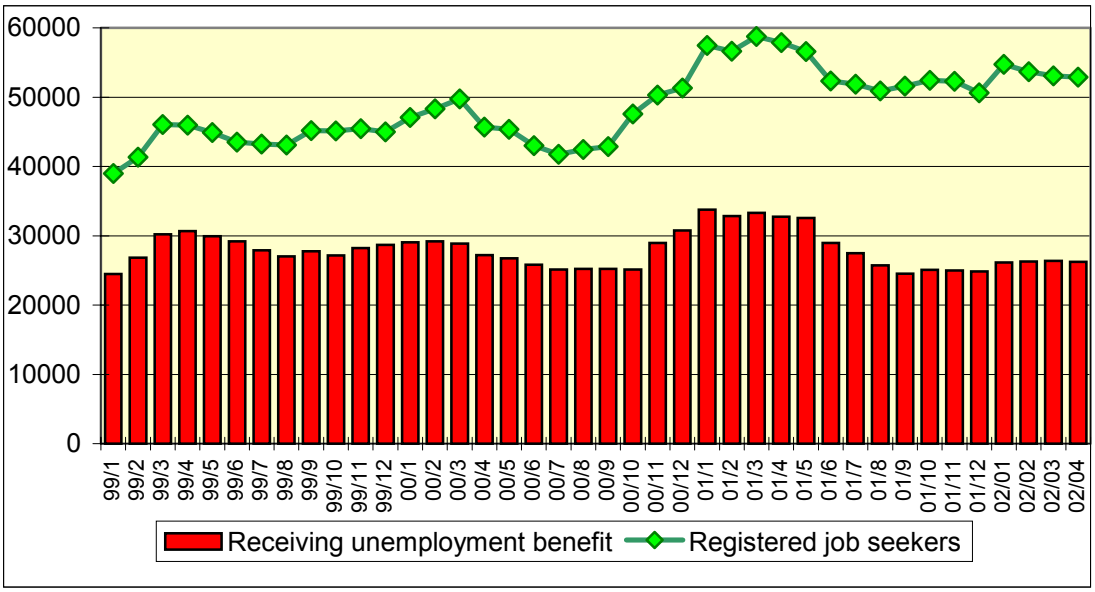
*To achieve these goals, employment services need to improve their image and staff competencies related to personnel issues and how to deal with employers. This will have to go hand in hand with improved standards of services and monitoring clients' satisfaction.*

## 3.4 Range and quality of services

The type of services provided by Estonian PES is similar to those of EU Member States. There are **passive and active labour market measures** and PES is responsible for implementation.
With the change of the legal framework in October 2000, employment services have been assigned with additional tasks, and the scope of work increased as the range of people entitled to services has been enlarged. Whereas previously only those entitled to the unemployment benefit were entitled to labour market services (in 1999 and 2000 about 60-65% of the registered unemployed received unemployment benefit, at the end of 2001 about half of the 54,000 registered), now all **registered unemployed do have access to all services** (except benefit).

[311] Republic of Estonia, Employment Action Plan 2002, Tallinn 2001, Annex
[312] Raul Eamets / Kaia Philips / Tiina Annus, Background study on employment and labour market in Estonia, ETF publication, August 1999
[313] Raul Eamets, February 2002, update April 2002. Ministry of Finance, National Development Plan 2001-2004

**Graph 3 Unemployment benefit recipients and registered unemployed**



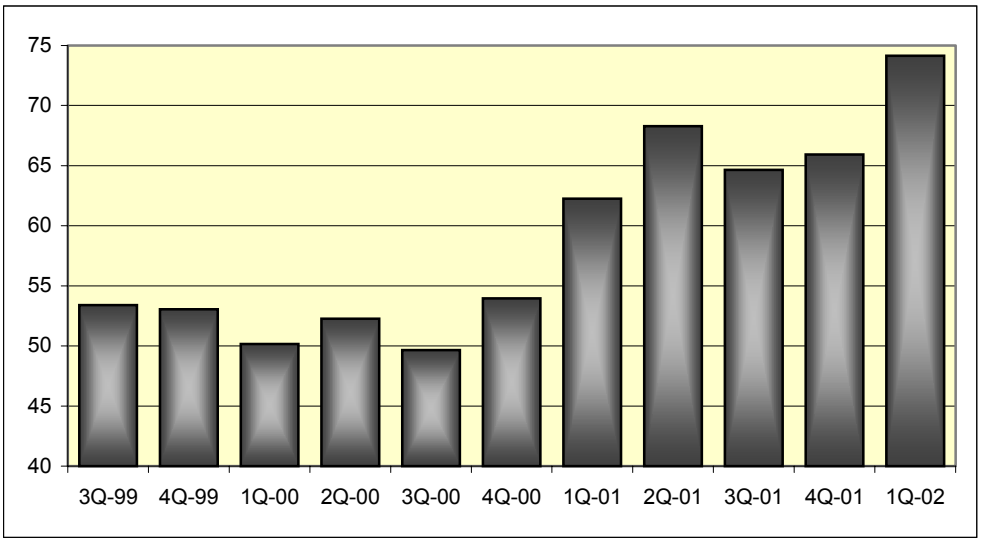

Source: Estonian Labour Market Board. In: Raul Eamets, February 2002

This is due to the new "Social Protection of the Unemployed Act" which introduced a redefinition of the unemployed, abolishing the requirement of previous employment (which continues to apply for the unemployment benefit only) as well as the time limit for being registered.

As a consequence more people can register as unemployed and became eligible for labour market services, and the rate of registered unemployed is increasingly approaching the ILO figures. The share of registered unemployment (between 50-55% in 1999 and 2000) did increase up to 65% in year 2000 and over 70% in the 1st quarter of 2002.[314]

[314] Raul Eamets, Capacity of public and private employment services, draft working document, February 2002

**Graph 4 Registered unemployed as the share of ILO unemployment (%)**




*Source: Estonian National Labour Market Board*

**Passive labour market measures**

The payment of unemployment benefits is the main passive labour market measure used in Estonia. Estonian labour market policy has been mostly passive so far, but since the unemployment benefit is very low, the share of passive labour market policy expenditures out of the total expenditures has been comparatively small. The unemployment benefit is flat rate and the replacement rate as a percentage of gross average wage has fallen from 33% in 1992 to 7% in 2001.

**Table 18 Unemployment benefit and replacement ratios in 1992-2001**[315]

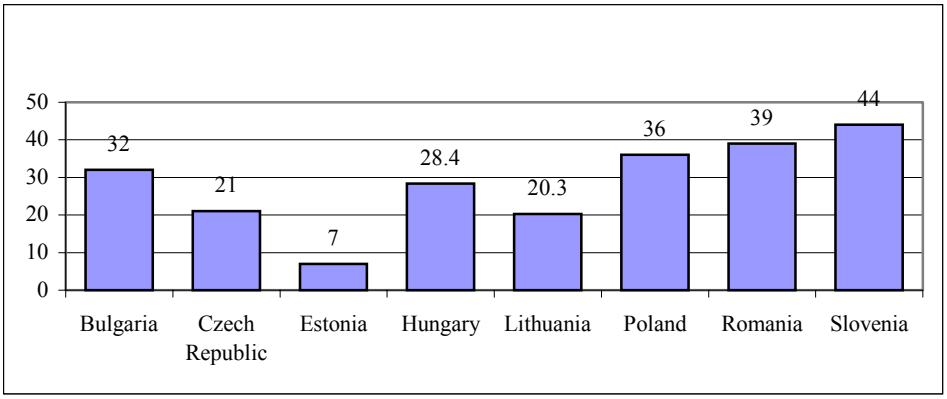
| Year | Max. Duration (months) | % of minimum wage | Gross replacement rates (% of average wage) |
|---|---|---|---|
| 1992 | 6 | 60.0 | 32.8 |
| 1993 | 6 | 60.0 | 16.9 |
| 1994 | 6 | 60.0 | 10.4 |
| 1995 | 6 | 40.0 | 7.6 |
| 1996 | 6 | 35.3 | 8.0 |
| 1997 | 6 | 28.4 | 6.7 |
| 1998 | 6 | 27.3 | 7.2 |
| 1999 | 6 | 29.6 | 9.0 |
| 2000 | 9 | 28.6 | 8.1 |
| 2001 | 9 | 25.0 | 7.4 |

The unemployment benefit was originally pegged to the minimum wage: in October 1992 the rate was fixed at 180 EEK, which at that time made up 60% of the minimum wage. The rate was not changed until July 1996 when it was raised to 240 EEK. In

[315] Unemployment benefit is paid every 15th-calendar day for every day of unemployment until the individual is no longer unemployed, but not for more than 270 continuous calendar days. The maximum duration has changed since October 2000 from 6 to 9 months. If the employment office is unable to send a job seeker to employment training, the job seeker may apply for unemployment benefits three times during the subsequent 180 calendar days, but for no more than 30 days at a time. In: Raul Eamets, Capacity of public and private employment services, draft working document, February 2002

March 1998 the unemployment benefit increased to 300 EEK per month and since January 1999 it has been 400 kroons (= only about 25 Euro).[316]
The graph below shows in addition, that unemployment benefits in Estonia are very low compared with other candidate countries.

**Graph 5 Average unemployment benefit as percentage of national average wage (1998)**[317]




*Source: Eamets, Raul, Arro, Reelika, Cross-Country Analysis of Employment Policies in Candidate Countries, European Training Foundation, Aarhus-Tallinn 2000*

At the end of 2000 the Estonian Government approved a new concept of unemployment compensation and in June 2001 the respective law was passed by the Estonian Parliament introducing an **unemployment insurance system**.
The law became effective from January 2002, and the first payments will be made from January 2003 onwards. Contributions to the Unemployment Insurance Fund will be made by two parties: employees have to pay 1% from their salary and employers 0.5% from the total payroll.[318] The payment period of benefit depends on insurance tenure, the size of the payment depends on the previous average salary.[319]
There was no **early retirement system** operating in Estonia until the year 2000. The new State Pension Insurance Act now provides the option of retiring 2 years before statutory retirement age since 2000 and 3 years before statutory retirement age since 2001. If a person chooses the option of early retirement, the amount of the pension will be reduced 0.4% each month, which he/she retired before statutory retirement age. Early and regular monitoring of this new arrangement and its effect will be important.

### *Active labour market measures*

[316] According to the European Code of Social Security the level of unemployment benefit should be 45% of the previous earnings of the beneficiary or to the wage of an adult male worker. In Estonia the respective indicator is less than 10%. It is hoped that the integration of Estonia into the EU will change the situation, both regarding the replacement ratio and benefit duration. In: Raul Eamets, Capacity of public and private employment services, draft working document, February 2002
[317] Data for Hungary from 1996. In: Eamets, Raul, Arro, Reelika, Cross-Country Analysis of Employment Policies in Candidate Countries, European Training Foundation, Aarhus-Tallinn 2000
[318] In order to get insurance payment person should be working 12 month during last 24 month. If a person has insurance less than 5 years, then the payment period is 180 days, with tenure 5-10 years it is 270 days and with insurance tenure more that 10 years maximum payment period is 360 days. In: Raul Eamets, February 2002
[319] For the first 100 days a person is entitled to get 50% from his/her previous average daily salary, and for the rest of the period he/she gets 40%. Average daily salary is calculated from his /her last 12 month average monthly salary. Upper limit of monthly payment is 50% from triple national average wage. If national average before tax salary is 5,500 EEK, then maximum unemployment benefit is 50% of (3x5,500) = 8,250 EEK. During the period when person is entitled to get unemployment insurance payment, he /she has no right to get state unemployment benefit. In: Eamets, February 2002

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

- Information on the situation in the labour market and the possibilities of employment;
- Employment mediation;
- Vocational training;
- Employment subsidy to start a business (business subsidy);
- Employment subsidy to employers to employ less competitive unemployed persons (wage subsidy);
- Community placements;
- Vocational guidance.

Out of these the following four are the main active measures: training, community placement, business subsidy and wage subsidy. Although access to labour market services has been widened in principle since October 2000, this has not been not reflected in a substantial increase of total participants in labour market programmes, mainly due to limited financial resources. Estimations indicate, that as a result of these legal changes the number of people qualifying for labour market services can potentially double.[320]

The number of participants has been steadily decreasing between 1996 (14,200) and 1999 (11,400) and although slightly increasing in 2000 (12,900) in absolute figures, it is still remaining at a lower level than in 1997. The data of 2001 are not comparable as participants in community placement have not been included due to transferring this measure to local governments.

**Table 19 Number of participants active labour market programmes (1995-2001)**

| **Programme** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** | **2001** |
|---|---|---|---|---|---|---|---|
| Participants in employment training | 9,809 | 9,434 | 8,241 | 7,956 | 7,027 | 8,150 | 10,232 |
| Found job after training (%) | 52.9 | 64 | 75.8 | 61.9 | 56.2 | 57.3 | - |
| Employed with subsidies to employer | 121 | 246 | 216 | 136 | 265 | 189 | 356 |
| Received business start-up subsidy | 459 | 456 | 434 | 380 | 433 | 413 | 421 |
| Participants in community placement | 5,741 | 4,089 | 4,661 | 3,771 | 3,667 | 4,177 | - |
| **Total number of participants in ALMPs** | **16,130** | **14,228** | **13,552** | **12,243** | **11,366** | **12,929** | **11,009 *** |

**Without participants in community placement*

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

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

**Table 20 The share of participants in ALMP from total ILO unemployment (1995-2001)**

| **Programme (share)** | **1995** | **1996** | **1997** | **1998** | **1999** | **2000** | **2001** |
|---|---|---|---|---|---|---|---|

[320] Ministry of Finance, Estonia – National Development Plan 2001-2004, Tallinn 2001

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

*Source: Estonian Labour Market Board*

- Out of the active measures **labour market training** is the most important both in terms of expenditure and in terms of participants. Employment training may be carried out in the form of vocational training or training in order to adapt to the requirements of the labour market. In year 2000, from all participants 86% belonged to the first group of trainees. The second type of training includes providing information on requirements and opportunities in the labour market and confidence-building in order to compete in the labour market. State employment offices contract training services from educational and training institutions and legal persons under certain conditions. The duration of the employment training is up to 6 months and it can be organised in the form of courses and individual training. The average duration of training was 29 days in 1999 and decreased to 25 days in 2000.[321] Unemployed persons participating in training courses receive a retraining allowance, which is a 1.5 times the unemployment benefit and is paid up to six months.

  **Participation in labour market training** decreased steadily between 1996 (9,800 participants) and 1999 (7,000 only), however, it is on an increasing trend since 2000, reaching the highest absolute figure since 1995 in year 2001 (10,200). It has also to be taken into account that the unemployment rate is much higher than in the mid-1990s.
  Whereas in 1995 about 28% of registered unemployed received training, in 2000 only 17% and in 2001 19% had a chance for labour market training. Compared to the ILO unemployment this indicator is even much lower, declining from 14% (1995) to 9% (2000) and 12% (2001) of the unemployed.
  The main reason for the negative trend up to year 2000 is that the unit cost of training courses increased more than the expenditures earmarked for training measures.[322]

  The effectiveness of training appears to be rather high, since in the period 1995 to 2000 between 76% and 53% of the unemployed who underwent training have found a job after the training course.[323]

[321] Bertil Oskarsson, Labour market training as an ALMP in candidate countries. A summary of a mini-survey, draft paper, Stockholm 2002
[322] It has to be mentioned that the drop out rate is not very high. About 91% completed the courses in 2000. In: Raul Eamets, February 2001
[323] It must be taken into account that in many cases the written letter from the employer confirming that the unemployed person will be hired after graduating is required as a precondition for participating in training, although the law does not foresee it

A major shortcoming within the Estonian labour market policy is the absence of a comprehensive state-financed system to support adult training and CVT.[324] The skills of the workforce are often obsolete due to restructuring and as a consequence enterprises face difficulties to find employees with appropriate skills. Supporting in-service training of employees and providing the opportunities for re-training for those who are being made redundant should be considered as one of the key factors in fighting structural unemployment and raising the competitiveness of the economy.[325]

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

  **Participation** in such programmes has been declining between 1995 and 1999, as the hourly wage level for community placement remained unchanged from 1996 till January 1999. The wage rate was a constant 2.6 EEK per hour, while average hourly wages increased during this period from 4 EEK to 7.35 EEK per hour.
  Since 2001, community placement has had to be financed by local municipality budgets, while no additional resources have been allocated from the state budget anymore to the local level. As a result the interest to organise public works has declined considerably. Very few municipalities out of more than 200 can afford to finance this measure. The majority of municipalities are not able to cover their current costs and get state subsidies.

  The Community Placement programme is explicitly for work that requires no special training or skills. By implication, it is for those with no marketable skills or those without the motivation to search for other employment. A key question is whether, as it stands, the programme adds real value to either the individual participant or to the local community. There may be the scope to develop this programme further by combining:[326]

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

[324] The only exception are the unemployed, civil servants and teachers at state educational institutions
[325] Raul Eamets, February 2002
[326] International experience suggests that such a combination is attractive to those with labour market problems - e.g. the long-term unemployed. It also confirms the value of establishing a "work" environment that takes the clients seriously and pays a living wage; in this respect, the NLMB Annual reports note that increases in the cost of living have reduced interest in the programme. In: Raul Eamets, February 2002

- The **"Business-start-up subsidy"** is the second largest measure in terms of expenditure, however, reaching only a small number of participants, ranging from 380 to 460 unemployed annually since 1995.
  To apply for a start-up subsidy the unemployed must be at least 18 years old and have undergone relevant training or showing "sufficient" experience. The upper ceiling of the subsidy amounts to 10,000 EEK (since the beginning of 1998), which is about 640 Euro only.

  Surveys commissioned by the NLMB indicate that current grant levels are too low and should be at least 20,000 EEK - twice the current level. In addition, it can be assumed, that the average personal savings available to invest in a business venture are rather negligible.

  The **entrepreneurship training** component included in this measure needs to be improved, both in quantitative (as it is rather short in order to prepare for a business) and qualitative terms, in order to increase business management capabilities. Training has to take more into account personal qualities (confidence, motivation and selling skills needed for business activities - and, increasingly, for employment in a modern economy) as well as to focus more on *s*kills and competencies in the specific business field.

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

- **Wage subsidy to the employer** for recruiting less competitive persons has been the least important active measure both in terms of expenditure and participants (only between 120 and 350 unemployed annually since 1995). The following persons who are registered as unemployed are considered to be less competitive in the labour market: disabled persons, pregnant women and women who are raising children under six years of age, young people, persons who will be retiring within 5 years and persons released from prison. The level of the wage subsidy is 100% of the minimum wage during the first 6 months and 50% of the minimum wage during the next 6 months of her/his employment period. Theoretically, the subsidised employment schemes could have significant dead-weight and substitution effects, but at the same time they can be rather effectively used in combination with other measures.

  The review of this scheme raises a number of issues for consideration:
  - A wage subsidy scheme is designed to make disadvantaged people more attractive to employers. Given that long-term unemployment is an increasingly serious issue for Estonia, consideration might be given to pay ***particular attention to the long-term unemployed*** within those eligible for the programme; the new Employment Service Act has opened up this possibility and included the long-term unemployed into the definition of less competitive unemployed persons;

- There is little evidence to suggest that this programme is actively marketed to employers. Operating a wage subsidy scheme ***pro-actively*** calls for ***close relationships with employers*** - especially with private sector employers, the main source of new employment opportunities. This is particularly so when employers are being asked to recruit from a disadvantaged group rather than recruit on the open market;
- As it is understood, the programme simply provides a wage subsidy. For the eligible groups, in one way or another, skills are likely to be a critical issue. Consideration might be given to ***including a training element*** within the programme;
- In dealing with employers, ***bureaucracy should be kept to a minimum.*** Under the present procedures, employers perceive the amount of administrative work associated with the programme as a deterrent.

**Special needs and target groups**

**Activation Centres:** to tackle long-term unemployment the pilot project of "Activation centres for making less competitive persons more active in the labour market" was initiated by the MoSA at the end of 1998. The target groups of the project are less competitive persons in the labour market including applicants for subsistence benefit, job seekers whose term of being registered as unemployed has expired and young people aged 16-20, mothers of little children, persons about to reach the official retirement age, persons released from prison. Activation centres in eight counties were established, with the following tasks:

- helping less competitive persons to find a job using the job-club method;
- creating possibilities for practising working, with the purpose to provide the participants with training and work experience to rely on in the future when searching for work;
- co-operation with employers in order to find jobs for both practising working and employing clients;
- counselling, informing and motivating employers.[327]

Activation centres work in close co-operation with employment offices and the social workers of local governments. Clients may apply to activation centres when sent by the above mentioned or on their own initiative.
The state and local municipalities were jointly financing these Centres. In the year 2000 2.43 million EEK (155,000 Euro) was allocated to the centres from the state budget while local municipalities covered mainly in-kind costs.

It has been aimed to integrate the activities of the Activation Centres with the public employment services, and according to the Employment Service Act (in force since October 2000) PES started to provide these services. In relation to this, the MoSA stopped financing the Activation Centres, however, 3 Centres remained operational financed by local governments.

[327] In addition to the main tasks, centres may engage themselves in other activities, such as organising working together with a support person; providing clients with vocational consultation and information, as well as testing them if necessary; introducing possibilities for refresher courses including employment training; in co-operation with employment offices finding jobs for less competitive persons in the labour market to employ them with the tool of employment subsidy paid to the employer. In: Raul Eamets, February 2002

**Women returning to work:** Women are participating in all active measures, for example, in 1998 58.4% of all business subsidies were received by women, in 1999 and 2000 slightly less with 54.7% and 54.5% respectively. However, there is no systematic approach (e.g. programmes or courses) for women returning to the labour force offered by public employment offices, although a number of fragmented initiatives are in place by different actors.

NGOs, such as the Estonian Association of Adult Educators (ANDRAS), has been providing several small scale projects as well as courses for women, including some aimed at assisting women returning to the labour market.[328]

An ILO programme "More and better jobs for women" has been implemented in Valga county supported by the MoSA in the period 1999-2001 aiming at strengthening local and national capacities for formulating, implementing and monitoring policies and programmes to promote gender equality. A number of surveys and awareness raising seminars (about 900 participants) was carried out on the status and role of women on the labour market, and a local strategy on employment promotion has been prepared. As a result 4 new women's organisations were created and registered and 12 new small businesses established. It is envisaged to extend the methodology and strategy used in the pilot county to other areas of Estonia experiencing high unemployment and under-employment of women. [329]

**Individual approach**: The application of an individual approach in assisting the unemployed is a rather new method used in the Estonian PES, which started its development only in 2000/2001. The employment office and the unemployed person draw up an individual job search plan (describing actions to be taken and the frequency of visits to the PES office) where the person's unemployment period exceeds three months. In 2001 the NLMB started to work out instructions for drawing up the individual plans. Adoption of the individual approach presumes appropriate qualifications of PES staff involved in counselling.

**Quality of services**

The quality of services has been often subject to criticism, however, a number of initiatives are showing positive signs that the situation will improve in the near future.

The NLMB has introduced the role of an Internal Audit Adviser in order to assure the operation of the internal audit system both in employment offices and the NLMB, and to guarantee the reasonable use of human and financial resources, the delivery of services in good quality and the correct implementation of the legal acts. Since

[328] "Back to working life: course for women", held in Saare county in 1997 (organised by AHL Saaremaa Keskus) with 35 participants and a budget of 11,890 EEK (=760 Euro). "Course for young mothers", delivered in Rapla county in 2000 (organised by Rapla Kunstiseltsi Õpikoda; Rapla Kunstiselts, Rapla county) with 60 participants and a budget of 12,243 EEK (780 Euro). "School for infants' mothers" in Saare county in 2001 (organised by Saaremaa Õppekeskus) with 17 participants and a provision of financing of 15,000 EEK (960 Euro). In Eamets, February 2002

[329] MoSA, Report on 1999-2001 activities within the framework of the ILO programme "More and better jobs for women", June 2001. The evaluation report revealed the need for a follow-up project as to ensure that women are able to pursue real business opportunities. It revealed also two other important needs: firstly, in particular older women face problems related both to age discrimination and the need to assume greater responsibilities for contributing to family income and welfare; secondly, the integration of ethnic Russian-speaking groups into the Estonian society continues to be a highly sensitive issue, as it was not possible to organise training courses in Russian language and to reach out to unemployed and under-employed Russian speaking women in the first phase of this project

October 2000 four employment offices have been audited and recommendations for improvement of their work have been made.

The lack of a systematic approach towards monitoring of effectiveness of labour market services and service standards is being addressed by the important Phare 2000 project "Support to the Balanced Development of Labour Market Services" (1.8 million Euro), which is being implemented with some delay in 2002. Major components of this project (including Twinning) are focusing on ex-ante and ex-post surveys and analysis of the existing services' efficiency and client satisfaction, and the further elaboration and completion of standards for different services. Furthermore it is envisaged to train PES staff on these issues.

The work on preparing standards for all services provided has continued by the NLMB in year 2001 followed by an implementation timetable which foresees that all standards will have started implementation in 2002.[330] A respective control mechanism will be worked out.

*There remains a **high need to strengthen active labour market policy** as the current level of provision and participation in active labour market measures cannot be considered as satisfactory with a view to guarantee every unemployed a new start, in particular in the early phase of unemployment. The changes made in the legal framework will have to be supported by sufficient financial resources in order to translate the goals into reality.*
*There is also scope for improving the effectiveness of different active measures, eg by including training components.*

*Regarding passive measure the introduction of a new unemployment insurance system is promising, however, it should be subject to early monitoring.*

## 3.5 Role of Private Employment Services (PRES)

The provision of private employment services is regulated by the same laws applying to PES. According to the Employment Service Act of October 2000 private providers are allowed to offer the following services:[331]

1) Information on the labour market situation and the possibilities of employment;
2) Employment mediation;
3) Vocational training;
4) Vocational guidance.

The services must be free to the job seeker while employers might be charged. As a prerequisite private employment services providers must have an "activity licence". In order to get an employment services activity licence, an application must be submitted to the MoSA which establishes the format of the licence and issues the

[330] National Labour Market Board, Description of the standardised public services, draft paper, September 2001. Eleven services have been identified, among them 1) granting and payment of the unemployment benefit, 2) granting and payment of single unemployment benefits, 3) calculating and paying of the social tax for the person receiving unemployment benefit, 4) registration of job-seekers and the unemployed, 5) dissemination about the labour market situation and training possibilities, 6) labour mediation, 7) granting subsidy to the employer for employing a less competitive person, 8) vocational counselling

[331] Raul Eamets, Capacity of public and private employment services, draft working document, February 2002

activity licences. The application must be approved or refused (with written reason) within one month of receipt.

Currently there is no separate policy for the promotion of private employment service providers in place.

In 2000 there were only four licensed PRES in Estonia, however, 16 new agencies applied for the licence in 2001 and preliminary data for 2002 show in total 38 licenced providers. In addition, there are many unlicensed firms in the market and it is difficult to ascertain the exact number of all service providers.[332]

The main service tool provided by PRES is supposed to be job mediation. No information about other employment services, e.g. training or subsidies is available.

According to LFS data the share of the unemployed using private employment services has increased since 1995 from 1.0% to 3.2% (1998) and 2.7% (2000). Most of the job seekers used their personal contacts, state employment services or direct contacts with the firm in which they wished to work.

**Table 21 Share of unemployed seeking a job through private employment agencies**

| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|
| Share of unemployed | 1% | 1% | 2.9% | 3.2% | 3.2% | 2.7% |

*Source: Labour Force Survey, Ministry of Social Affairs*

The clients of private employment services vary according to the target group defined by the supplier. Most licensed firms appear to be more orientated to specialists with higher qualifications. The employer usually covers the costs for the search for those categories of specialists. On the other hand, people with low qualifications are sometimes more willing to pay the job mediator in the expectation of getting a job. The exact patterns, however, are hard to identify and usually both licensed and unlicensed firms serve both client groups.

The task of monitoring the PRES is assigned to the MoSA, aiming to control responsiveness of service provision to the legal framework. If discrepancies with the laws are discovered, the MoSA may undertake steps to eliminate these discrepancies or alternatively remove the activity licence. Monitoring is done through questioning of the service provider and clients as by examining relevant documents.

*A private employment service system is not developed in Estonia and the promotion of private services does not appear to be a priority issue. The information base about private providers and their activities needs to be improved as well as potential co-operation and a partnership approach with PES better explored.*

## 3.6 Reform of the PES

[332] Raul Eamets, Capacity of public and private employment services, draft working document, February 2002; Updated information obtained from the Ministry of Social Affairs, October 2002

Employment policy has not been considered as a priority in Estonia and there have been no relevant strategic documents and development plans related to PES reform until year 2000. The main reform objectives for PES have been set out rather recently in the Estonian Employment Action Plan (EAP) for 2000 (4th quarter) and 2001, the second and third EAP for 2002 and 2003, the Joint Assessment Paper (JAP) on National Employment Policy Priorities, the Preliminary Estonian National Development Plans 2000-2002, 2001-2004 and the National Development Plan 2003-2006. The main goals are supported by EU Phare programmes.

All have in common the **aim to strengthen the administrative capacity of PES**, to **increase efficiency of PES** (including quality of services provided and solving regional and local employment problems) and at the same time to **improve active labour market policy** (including to increase the number of people involved).

There is a common understanding in policy papers that the development of standards and control mechanisms of the provision of services, the creation of a personnel development strategy, the full implementation of tripartite employment councils at local level as well as improvement of information provided for clients will be crucial in order to achieve these goals.

At the same time all documents are rather **cautious as regards the setting of clear quantitative targets** (volume of appropriate funding of labour market policy - as of GDP or state expenditures; share of active measures; appropriate staffing of PES)

Quite a number of priorities set out in the strategic documents are currently under preparation or already being implemented and substantial progress could be expected in 2003.

*The **PES system in Estonia is rather stable** and there are no indications that it will be changed or re-organised. All efforts are going towards optimising the existing structure and are pointing in the right direction. Support from the EU is still the main driver of this process due to limited national resources or other national priorities.*

## 3.7 Support for implementing the EES

First preparations for the implementation of the European Social Fund (ESF) started already in 1999/2000 with the Special Preparatory Programme on ESF (SPP-ESF), which was managed by the ETF for all candidate countries, focusing on **awareness raising events**. Officials from the MoSA, MoE and other institutions in Estonia participated in several conferences, regional ESF seminars (Ida-Virumaa and South-Estonia) with involvement of EU experts from national ESF-administrations and a number of study visits to EU Member States in order to learn about the EES and ESF implementation.[333]

In 2001, in co-ordination between different departments of the MoSA and other Ministries, a specific component of the Phare Consensus III project, related to ESF preparation, was launched and is currently being implemented. The areas on which

[333] ETF, Evaluation Report on the SPP-ESF for Candidate Countries, Turin 2001

it is focused cover the **ESF administrative structure**, guidelines for applicants and officials, proposals for amendment of legislation and adaptation of info and audit systems. Working groups have been established and targeted training is provided for designing ESF implementation schemes.

The priority task for 2002 has been to compile a Single Programming Document (under the guidance of the Ministry of Finance), which will serve as a basis for applying for financial means from the EU Structural funds and which is expected to be completed at the end of 2002. In the field of Human Resources, the MoSA and the MoE are the main responsible parties, with the MoSA as the managing and paying authority for ESF. Two institutions were nominated as **Implementing Agencies** for the ESF, the Foundation for Vocational Training and Education Reform (FVTERE) from the education side and the NLMB from the labour market side.

In May 2002 the governmental action plan "Basic principles in the preparation for the use of the resources of EU Structural Funds and the Cohesion Fund" was approved in order to ensure the **development of human resources** in building up the necessary structures. The Ministry of Finance has developed a SPP++ project "Completing preparations for the management of EU Structural Funds – Phase II" in order to support all relevant partners in meeting the challenges.[334]

In the context of Phare "**Economic and Social Cohesion**" programmes 2000-2002 ESF-type human resources development (HRD) projects are being implemented under the co-ordination of the MoE focusing on target regions (NE-Estonia, SE-Estonia, Islands). They include components such as strengthening the capacity of training institutions (including accreditation system), the development of multifunctional regional training centres, work-linked training programmes. Phare ESC projects linked to labour market issues are co-ordinated by the MoSA, involving strongly the PES system, in particular the NLMB. There are two projects about to be implemented, one aiming to support youth employment and the other focusing on increased co-operation of social partners.

The Phare 2000 institution building project "Support of the balanced development of labour market services" (started in December 2001) aims to prepare PES for **implementation of the European Employment Strategy** (EES) and to participate in the EURES system. It is expected that the capacity and competency of key institutions (PES) will be strengthened and the foundations for the operation of the EURES system (including technical infrastructure and software) will be laid.

*The main challenge will be **to put more emphasis on national employment policy** and sustainable job-creation. Without **substantial increase in financial resources** for labour market policy, in particular ALMP it would be difficult to achieve the objectives of the European Employment Strategy as well as the employment policy priorities established in the JAP.*

*It is of concern, that **concrete quantitative targets are missing** in that respect (e.g. planned expenditures as a share of GDP, number of appropriate staffing in line with expected increase of workload, targeted share of active labour market measures).*

[334] Information provided by the FVTERE, Tallinn, June 2002

*There remains a **clear need to improve the reputation of state employment offices**, to increase the number of reported vacancies, to raise awareness of jobseekers on the range of services provided as well as to motivate employers to co-operate more actively with PES.*

*Special attention needs to be paid to increase **PES capacity and quality of staff resources** in order to improve servicing the unemployed and overall effectiveness of services.*

# 4 Overall conclusions

Concerning the Lisbon targets and conclusions, Estonia is in many aspects rather advanced compared to other Acceding and Candidate Countries, but still has to catch up with a number of EU averages and future targets. The Government and Ministries are well aware about the main issues and **challenges**, which are already being addressed by national policies (VET reform, Lifelong learning, ICT development, foreign languages, employment rate, strengthening research).

At the same time the **implementation of the VET reform** still requires strong efforts and a final financial boost in order to be successful. This is due also for the completion of the **Lifelong Learning** Strategy and its implementation in the forthcoming years.
**Active labour market measures** have not yielded the anticipated results and substantial further efforts are needed to catch up with European standards. Unemployment (including long-term, youth) needs to be tackled more seriously and the PES system has to become more proactive.
Considerable financial resources are needed to achieve all these goals, however, in most cases no future targets have been set yet.

More specific, the following three **priority areas of needs** with a view to future ESF funding and implementation have been identified in the Country Monograph (based on analysis and information available in mid 2002):

1. **Strengthening the quality of the entire education system, with particular attention to implementation, consolidation (and ensuring sustainability) of the latest VET Reform and VET Action Plan**

There is still a need to improve **quality of the entire education system**, with special emphasis on VET since the reform did not yet reach its breakthrough moment. VET is still having a low image in Estonia and has to be better integrated into the Estonian Education system. At the same time a **higher participation rate in VET** at secondary level needs to be achieved. Resources for education will have to be increased and partly existing resources could be more directed towards VET. In order to make the implementation of the ongoing reform successful, support is needed in the following areas:

- Improving the quality of teaching through enhanced teacher training
- Full implementation of the national qualification system
- Preparation of national VET curricula and innovative programmes, including support structures
- Sustainability and further development of multifunctional VET Centres (Regional Training Centres), reorganisation of the school network
- To increase co-operation between schools and enterprises (piloting/further development of apprenticeship schemes and work-linked training programmes)
- Decreasing the drop-out rate in secondary education and VET
- Upgrade infrastructure in schools and Career Counselling Centres

Furthermore attention needs to be paid to the following issues:

- To increase the responsiveness of the education system to special needs of disadvantaged groups ("non-Estonians", socially disadvantaged)
- Tackling the problem of early school leaving in compulsory education
- To address the increasing gender inequality in education (to increase participation of males in the education system)

**2. Further development of active labour market measures and PES capacity building**

Given the traditionally low level of investment in labour market policy, there is a **high need to increase overall financial resources**, in particular for active measures. However, there have been no targets set by the Government so far. Efforts need to be continued in order to make the PES system more attractive and efficient. High priority should be given to the **strengthening of human resources and administrative capacities in PES** offices, in order to raise the dimension and quality of job-broking, placement services and employment counselling. This includes

- Substantial increase in financial resources for active labour market policy, with a view to guarantee every unemployed a new start, in particular in the early phase of unemployment
- Elaborating and implementing of new labour market measures
- Increase of staffing levels in local employment offices as well as to adapt staff competencies continuously
- Measures to be taken in order to improve the remuneration and evaluation system for PES staff
- Fully implement a system of standards for services, including monitoring
- Upgrade and modernise the technical infrastructure of PES offices

**3. Promotion of CVT and LLL**

Although the educational attainment level of the population and labour force is generally high in Estonia, skills obtained under the soviet system are partly outdated or obsolete due to the restructuring of the economy. The adult population needs **wider access to re-training and continuing training** in order to gain the specific knowledge and skills required by the knowledge society. The challenges to improve the quality of the labour force and to counteract the risk of a growing social divide remain high. Support therefore should be building upon the recently developed strategy papers (Learning Estonia, LLL Strategy) and be focused on the following issues:

- Development and implementation of an appropriate support framework for CVT and LLL (incentives for individuals, employers)
- Widening access to CVT and LLL (re-training and in-service training of staff in SMEs, training needs assessment, counselling of entrepreneurs, adult education)
- Ensuring equal access to CVT and LLL, in particular for disadvantaged groups and those who cannot afford training (socially disadvantaged, low income groups, "non-Estonians")
- Establishing an accreditation and quality assurance system in CVT.

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