

**FROM PASSIVE TO ACTIVE
EMPLOYMENT POLICY.
RULE OF SOCIAL WELFARE
SERVICES**

Jüri Kõre, PhD

**Assistant Professor University
of Tartu , Estonia**

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Juri.Kore@ut.ee

Building up a new social protection system

- ⌘ Social protection in Estonia has been radically changed in 1940 (from Bismarck type to the Soviet-type) and in 1991 (from Soviet-type to modern welfare state).
- ⌘ Active social insurance policy transfer from western countries in 1990-s took place (IMF/World Bank). In 2000-s *acquis communautaire* - adaptation of the national laws with EU regulations .
- ⌘ Today's Estonian social protection system - a mix of liberal, conservative and social-democratic elements.

Building up a new social protection system 2.



Social protection has developed in two "waves":

- ⌘ 1991-2000 - new principles of social security were formed and new insurance systems were created.
- ⌘ 2000 began the correction and further development of these systems (pension and health insurance, unemployment insurance, children- and family support systems).

Social problems in Estonia

- ⌘ Low birth rate & high death rate (due to the risk behaviour)
- ⌘ High long-term unemployment rate, and relative importance of inactive persons, regional poverty
- ⌘ Employers with low salary and people living on the social benefits and welfare transfers - have a high poverty risk
- ⌘ Low sustainability of insurance systems (financial crisis in health insurance in 1994/95 & 2004/05, deficit pension foundation 1999/2000 and risk of deficit 2005/2006)
- ⌘ The high difference in incomes (Index of Gini in 1988 0,23, in 2005 0,35)

The social security system of Estonia comprises of 7 insurance schemes +social welfare services

- ⌘ Pension insurance- insurance basis (social tax, ST)
- ⌘ Health insurance – insurance basis (ST)
- ⌘ Unemployment insurance – insurance basis, unemployment insurance tax
- ⌘ State unemployment allowances – general taxation (state budget, SB)
- ⌘ Family benefits – general taxation (SB)
- ⌘ Social benefits for disabled – general taxation (SB)
- ⌘ State funeral benefits – general taxation (SB)
- ⌘ Social welfare services (inc labour market services) and benefits - state and local budgets

From passive to active labour market policy

- ⌘ 1992-2002 – low unemployment benefits, politicians believe in market self regulations – passive labour market policy period
- ⌘ 2002 – the validation of unemployment insurance
- ⌘ 2003 – Social Inclusion Memorandum, 2004 – 1st NAP Social Inclusion
- ⌘ The accent changed in labour market policy to active policy.
- ⌘ Before 2004 the main aim –less unemployment.
After 2004 – the main aim – more employment.

From passive to active labour market policy 2



- ⌘ New social welfare conception in 2004 – better combination social welfare and labour market services
- ⌘ New Labour Market Services and Support Act in 2005
- ⌘ New (old for western countries) work method – case management

Classes of labour market services. Labour Market Services and Support

Act 2005

- 1) provision of information on the situation on the labour market;
- 2) employment mediation;
- 3) vocational training;
- 4) career counselling;
- 5) work practice;
- 6) public work;
- 7) work exercise
- 8) wage support;
- 9) setting-up aid;
- 10) adjustment of premises and equipment;
- 11) hiring out, free of charge, technical devices necessary for work;
- 12) assistance during job interviews;
- 13) work with support person.

The unemployment risk factors in Estonia

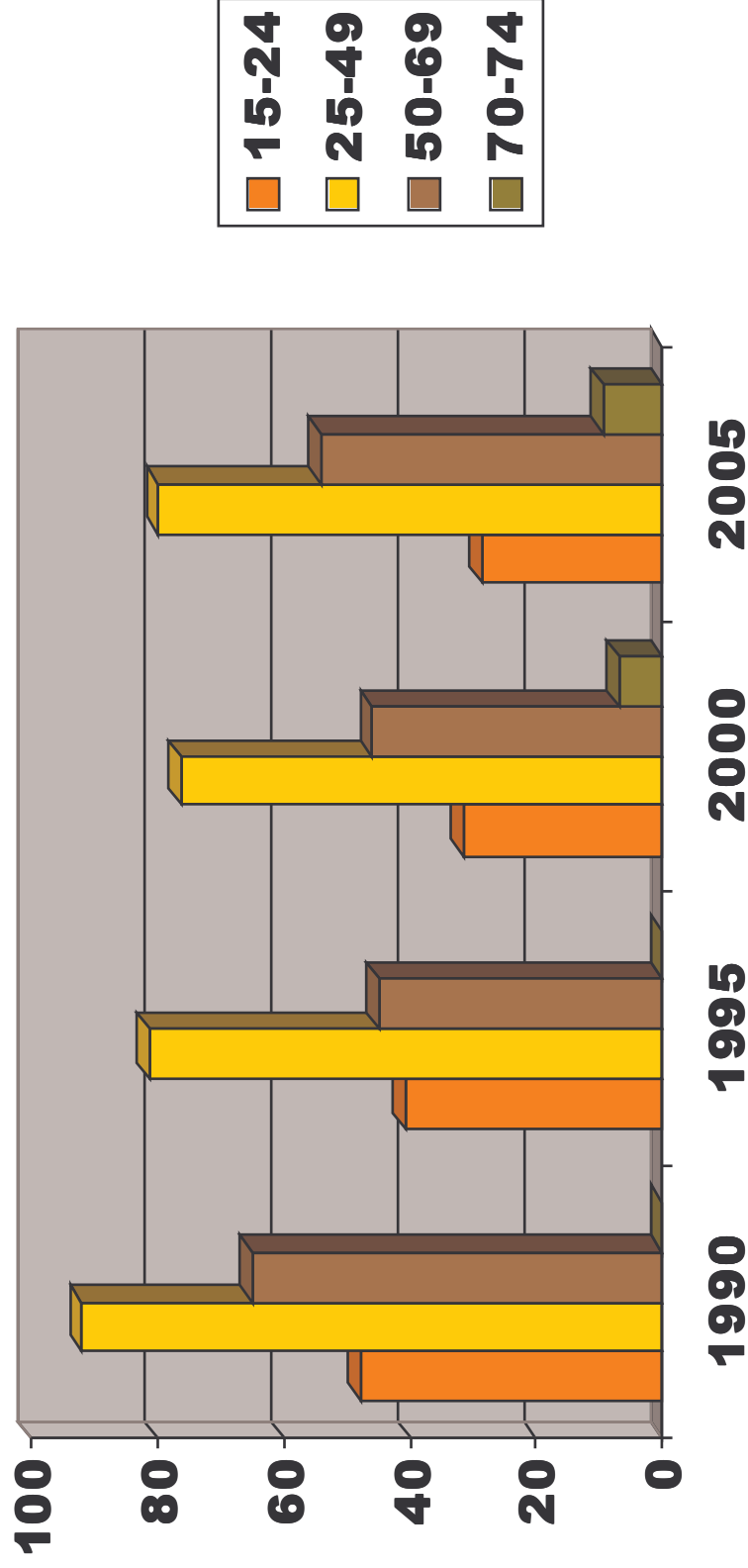


- ⌘ Age. Persons in 15-25 (new entrants to the labour market)
- ⌘ Little education (the higher the individual's level of education is, the lower are the risk of unemployment)
- ⌘ *Family situation/marital status* – being divorced or widowed is a risk factor for men
- ⌘ *Nationality*. A non-Estonian without estonian language knowledge have greater risk of unemployment (minority members are more likely to work in occupations with high unemployment risk)

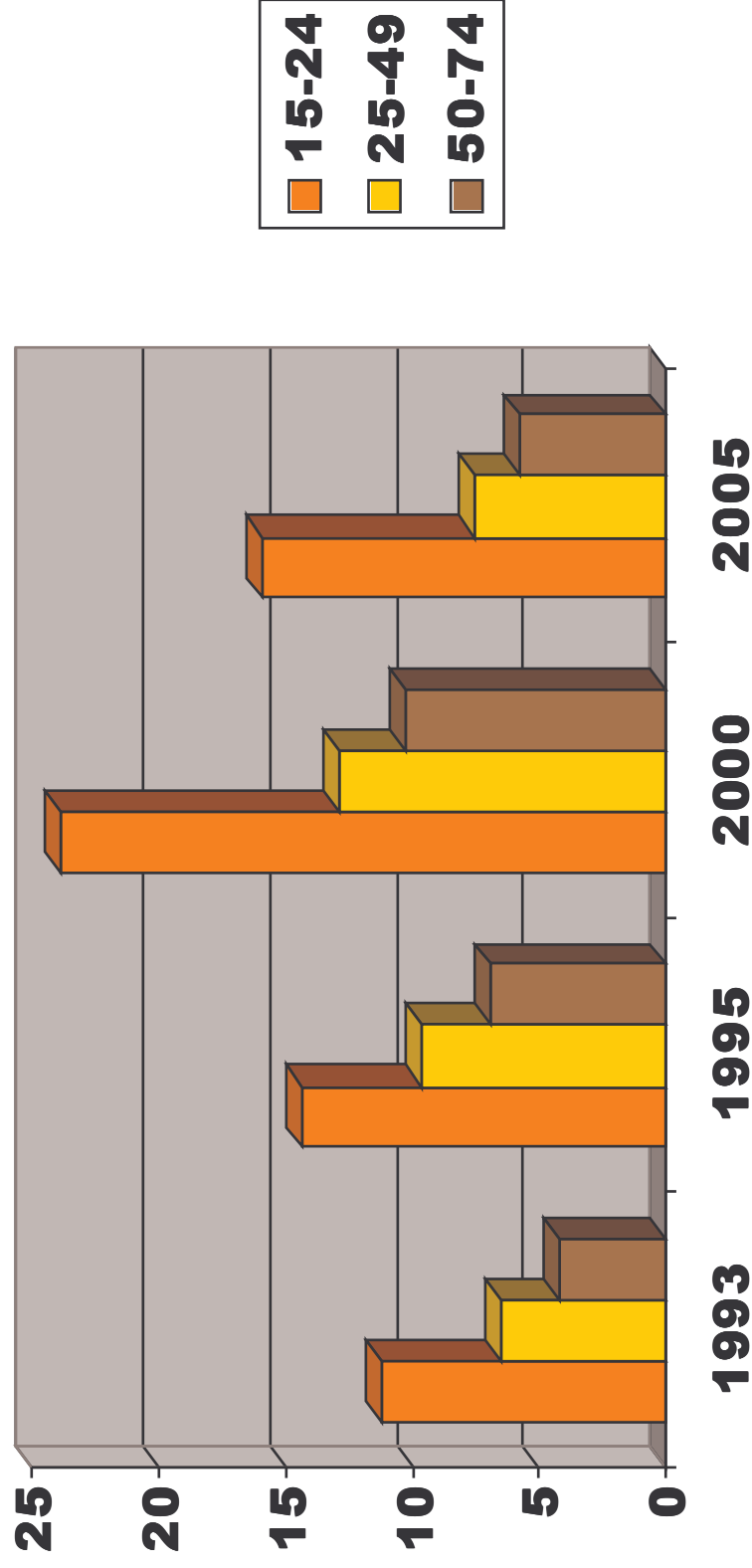
Different social environment for different weak groups. Young people

- ⌘ The main concept in 1990-s sociology – generation of winners,
- ⌘ Concept of 2000-s - human capital as the universal guarantee for coping - 16-24 year old learners is increased in 1997-2005-s 1,45 x
- ⌘ De facto – 16-24 – is the largest age group with unemployment rate
- ⌘ The great breach between school and labor market. The collaboration between schools, labour market institutions and employers is weak
- ⌘ The individual network of younger generation to get work is small.
- ⌘ High claims to salary (wage) etc. (low-paid can't pay tuition fee loans , can't get bank loans, dwelling loans etc.)

Employment rate 1990-2005 (%)



Unemployment rate 1993-2005, %



Different social environment for different weak groups. Elderly

- ⌘ No special measures, organizations to support employment of elderly people.
- ⌘ The Lisbon Declaration employment degree for elderly people (2010 50%) is attained already in Estonia. Low pensions motivate elderly people work.
- ⌘ Social insurance guarantees (full pension is paid to working elderly people), afford them choose less paid work. Such chance is missing for young people, they prefer joblessness

Different social environment for different weak groups. Long term unemployment

- ⌘ Indifferent attitude from society, preemptive attitude of employers.
- ⌘ Bad health, no sickness insurance, low guaranteed minimum income (social welfare benefits)
- ⌘ Sometimes income from temporary job is bigger from income in permanent work place. Grey labour market
- ⌘ Small supporting network, small number of activation centers, missing rehabilitation institutions for long term unemployed.
- ⌘ O lot of support from labour market institutions, but low effectiveness (next slide)

Training for long term unemployed.

Authors case studies (%)

	Jõgevamaa (rural population N=134)	Tartu (urban population N=52)
Retrainin	10	13
Continuing vocational training (CVT)	21	36
Special skills training (computer, languages)	34	44
Job searching training	19	19
Social skills training	33	8
Work exercise	25	8
10/31/2006		15

Different social environment for different weak groups People with disabilities

- ⌘ Complex treatment of problems, the best combination of benefits and services.
- ⌘ Supporting services (social services)
- ⌘ Specific labour market measures for disabled people
- ⌘ Organizations of disabled peoples' is supported by state, etc.
- ⌘ Employment degree of disabled people is arisen. In the beginning of 1990-s worked 30%, in the center of 1990-s worked 12% disabled pensioners. In 2002 the number of working age disabled people in labour market is 25% (the general degree of implementation is 62%)

Services for people with disabilities. EU 15 and Estonia. (Source EIM, 2002)

	Vocational rehabilitation	Subsidised empl	Supported empl	Sheltered empl	Starting enterprise	Counciling	Combined measures
A	x	x	x	x	x	x	x
B	x	x	x	x	x	x	
DK	x	x	x	x	x	x	
D	x	x	x	x		x	
EL	x	S1999	x		S 1999	x	x
F	x	x	x	x	x	x	x
FIN	x	x	x	x	x	x	x
IRL	x	x	x	x		x	x
I	x	x	x	x	S 2000	S 2000	x
L	x	x	x	x		S 2001	x
NL	x	x	x	x	x	x	x
P	x		x	x	x	x	
S	x	x	x	x	x		
UK	x	x	x	x		x	
10/31/2006 EE	x	x	x		x	x	x

Employment 1997-2005. Estonia

