

II Joint Project of the European Social Partner
Organisations

Study on restructuring in new Member States

ESTONIA – COUNTRY DOSSIER



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The present report represents an expert view and does not necessarily reflect the view of the European Social Partners

I. INTRODUCTION: THE DOSSIER – WHAT FOR?

The following dossier introduces the main challenges faced by the Estonian economy from the point of view of restructuring, both at the company and at macroeconomic levels.

It was discussed by the Estonian Social Partners in the presence of the European Social Partners at a common Seminar that took place on 30 March 2006.

The dossier does not aspire to build innovative insight about Estonia economic or social situation, and this neither on political nor on academic ground. It seeks to present the existing facts and data from the point of view of restructuring treated as a phenomenon, a process and an object of the public debate.

It presents different points of view, it seeks to stimulate the debate about the future of the Estonian economy, raise issues which can be treated in a constructive way, contribute to build trust and confidence among the stakeholders in view of mobilizing them for the future of Estonia and the Estonian social dialogue within the European Union.

In the first part, the dossier highlights the main economic drivers and trends, and the main concerns expressed by the stakeholders in terms of growth, employment and competitiveness. Then it focuses on restructuring as a process and object of the public debate nourished by concrete cases of restructuring in Estonia. It ends up presenting an overview of the social dialogue challenges and questions currently being discussed or that could possibly influence considerations on restructuring.

It is based upon interviews and the analysis of data and documentation. All the additional materials are presented in the Annexes.

II. ECONOMIC TRENDS AND CHALLENGES

This section:

-  **presents drivers of growth which contribute to pushing forward the Estonian economy,**
-  **enumerates economic challenges and macroeconomic issues which will have to be tackled with in order to preserve Estonia's competitiveness, and**
-  **identifies employment and labour market challenges.**

Estonia has made enormous economic progress since gaining independence. Sound macroeconomic policies and far-reaching structural reforms have fostered macroeconomic stability and promoted stable growth. Proximity to the Nordic markets, a competitive cost structure and a highly skilled labour force have been the main sources of Estonia's comparative advantage. As a result, the country is rapidly converging to EU levels, with purchasing power per capita income approaching half the EU15 level in 2004 from about one third in 1995. Estonia is also one of the leading new EU member states in meeting the Maastricht criteria¹.

2.1. DRIVERS OF GROWTH

Estonian economy is a dynamically expanding economy: between 1995 and 2000, average economic growth was 6.1%. Ireland is the only EU country that has grown faster.

a) Macroeconomic stability

¹ <http://www.imf.org/external/np/ms/2005/072205.htm>

Estonia has managed to achieve budgetary balance, a fixed exchange rate system, a tight fiscal policy, a currency board system, a conservative foreign borrowing policy and successful structural reforms. The Estonian Kroon is fixed to the euro - as a consequence Estonia does not face a problem of public deficit or excessive inflation. The Estonian government is strongly committed to fulfill the criteria of the Stability and Growth Pact and to join the Eurozone. It was announced recently that Estonia will be ready to adopt the euro at the beginning of 2007. The main cause for anxiety as regards compliance with the EU criteria for joining the Eurozone remains the inflation criterion. Moreover, Estonia is more vulnerable to oil price-induced inflation than other EU countries because the price of the gasoline has a bigger role to play in its inflation basket.²

In 2004 the World Economic Forum published a survey called "The Lisbon review" to assess the policies and reforms in Europe in light of the Lisbon process. In this survey Estonia ranked as the most competitive new member state, earning high scores in the categories of Financial Services, Enterprise development, International networks, Liberalization and Information Society development.³

b) Undisturbed growth of the economy

In recent years the Estonian economy has been on the rise. After overcoming a financial crisis in 1998 and 1999 - derived from the Russian crisis - Estonian GDP growth rapidly came back to the level of 7.1% in 2000, which was mainly driven by economic integration with the EU. Estonia's economic performance continued to show resilience in the face of the slowdown with its major EU trading partners in 2001 - GDP growth slowed moderately to 5% in 2001 and again increased to 5.8% in 2002. This was followed by rapid undisturbed growth up to 6.7% in 2003, and 7.8% in 2004. This outcome may be attributed to the strength of the Scandinavian growth cycle thus triggering increased exports of goods, as well as rising FDI rates and a general improvement of the global economic situation.⁴ For 2005 real GDP growth was projected to be approx. 7%, driven mainly by external demand together with domestic demand.⁵

Table 1, Graphs 1 – 3, and Diagram 1 at Annex 3, present data on economic growth, GDP growth and GDP composition by sector.

c) Liberal trade policy

² <http://www.euractiv.com/Article?tcaturi=tcm:29-143675-16&type=News>

³ *Miracle of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on "After fifteen years of market reforms in transition economies: new challenges and perspectives for the industrial sector", Trade, Industry and Enterprise Development Week UNECE, 24-25 May 2005.

⁴ <http://europa.eu.int/comm/enlargement/estonia/>; <http://www.fin.ee/?id=13318>

⁵ <http://strategis.ic.gc.ca/epic/internet/inimr-ri.nsf/en/gr117873e.html>

Foreign trade plays an important role in Estonia's economy and the country generally follows a trade-based development strategy. Estonia is a well recognized advocate for free trade – by 1992 Estonia had abolished all tariffs, subsidies and other trade distortive measures on both industrial and agricultural products⁶. Foreign trade is increasingly oriented towards Western markets while Russia continues to play an important though diminishing role. Estonia's major exports include food, textiles and clothing, wood and paper products, machinery and chemicals. In 2004, the share of EU countries (EU-25) in exports was 80% (82% in 2003). Exports to CIS countries accounted for 8% of total exports (6% in 2003). The value of exports to EU countries increased by 15% and to CIS countries by 54%. The majority of exports go to Finland, Russia, Sweden, Latvia and Germany.

Diagram 2 in Annex 3 presents Estonian exports by commodity groups in 2004.

In 2004 the share of total imports from EU countries was 78% (76% in 2003), while from CIS countries it was 12% (13% in 2003). The value of imports from EU countries increased by 20% and from CIS countries by 5%. Estonia's major import sources are Finland, Russia and Germany. Leading product categories imported by Estonia are machinery, food, textiles and clothing, chemical products and mineral fuels.⁷ In 2004 the value of Estonian foreign trade stood at 11.48 billion euro, of which exports constituted 4.75 billion euro (41%) and imports 6.73 billion euro (59%). Compared to 2003, the value of Estonia's foreign trade increased by 18% (exports 19% and imports 18%). In 2004 Estonia exported goods into 161 countries and imported goods from 118 countries. The trade balance was positive with 99 countries⁸. Diagram 2 at Annex 3 presents Estonian foreign trade 1995-2004.

d) Booming engineering and metal industry

The Estonian engineering and metalworking industry's history dates back to the second half of the 19th century. Today it is a growing modern industry with strong links to the Scandinavian and Western European engineering clusters. During recent years the importance of machine building, metalworking and electronics industry both in Estonian exports as well as imports has increased remarkably. The engineering and metalworking industry has shown an annual productivity rise of 15-18% over the last few years. Together with continuous investments into new technology and a lack of tariffs on imported materials and semi-finished products, it provides a solid base for further growth⁹.

⁶ *Miracle of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on "After fifteen years of market reforms in transition economies: new challenges and perspectives for the industrial sector", Trade, Industry and Enterprise Development Week UNECE, 24-25 May 2005.

⁷ <http://www.investinestonia.com/index.php?option=displaypage&Itemid=108&op=page&SubMenu=>

⁸ *ibidem*

⁹ *ibidem*

Most of the production is exported and its contribution as one of the major sources of export revenues is steadily rising. The main market for the Estonian engineering and metalworking industry is Western Europe, notably the Scandinavian countries.

Half of the 400 enterprises in the engineering industry are situated in Tallinn and its nearby regions while the main part of vacant production capacity is located outside Tallinn. Taking into account the relatively well-developed network of roads, railways and ports, all enterprises, independently of their location, are potentially suitable partners for foreign firms. 2/3 of nearly 20,000 people working in the engineering industry are employed in medium-sized companies (employing more than 100 employees). The Tallinn Technical University, Higher Technical School and high level vocational schools specializing in the field of engineering ensure qualified engineers and workforce for Estonian enterprises¹⁰.

e) Common use of new technologies

Within a short time, modern means of communication have become an inseparable part of the daily life of Estonians and the use of mobile telephones and the Internet is more widespread than in some other EU member states. EAKL notes that Estonians are relatively comfortable with ITCs, for example the electronic voting system functions well and it is possible to pay for parking or shopping by means of mobile phones. To date, an e-government system has been developed for the Government of Estonia. In banking the percentage of Internet bank users is 75% - home-banking is more popular than traditional methods. Several innovative technical solutions and applications have been developed locally (in Tallinn), for instance a car parking system of payment by mobile telephone, MPS (mobile positioning system) and e-tickets in public transport. The number of mobile phone users amounted for 1.4 million Estonians in 2004, which makes 96 customers per 100 inhabitants¹¹. Significant investments have been made into the telecommunications infrastructure. Fibre optic cables cover the whole country, direct undersea connections to Sweden and Finland and links to Russia and Latvia guarantee first-class international communications. The share of Internet users is already high in relation to the population of Estonia and in comparison to other EU countries. Estonia leads the way among the Baltic States in Internet usage and today an amazing 55% of the population is using the Internet. Like most other European countries, Estonia has digital signature legislation, yet unlike many of the others, it also has legislation covering digital certificates for identification cards¹².

EAKL believes that the present challenges are how to better market IT ideas and how to sell them. There still is a poor link between R&D initiatives, developing new ideas and transferring them into the end product that people would like to buy.

Tables 2 and 3 at Annex 3 present key points of IT& telecom developments in Estonia.

¹⁰ <http://www.investinestonia.com/index.php?option=displaypage&Itemid=116&op=page&SubMenu>

¹¹ *ibidem*

¹² *E-government in Central Europe – Rethinking Public Administration*, White Paper from The Economist Intelligence Unit, August 2004, p.9.

f) Growing SME sector

Since SMEs contribute highly to the Estonian GDP it is crucial to support the growth of enterprises and the value added in them in order to achieve fast sustainable economic growth. The number of active enterprises has been growing slowly but steadily, at a rate of about 6% per year mainly as a result of the flourishing micro enterprises sector (growth rate of approx 45% per year). At present 15% of Estonian firms export their goods or services¹³. The contribution of SMEs to total employment accounted for about 51% of total employment in 2000¹⁴.

Estonia has developed a good SME support system with a set of well-focused SME support measures. Estonia has a wide range of support services, some of which are oriented to all businesses – awareness raising, interactive information B2B gateway etc. and some of which are limited to only very few businesses – such as R&D development programmes and promotion of quality management. All of them take into consideration the changing conditions of enterprises' operation.

g) High quality transport and logistics sector

Due to its favourable economic and geographical position, Estonia has become an international transit gateway for east-west as well as north-south connections. Its location is ideal for creating efficient transportation links and distribution chains for goods and services for European and other international companies. The Estonian transportation and logistics sector consists of a combination of transportation services, transit trade, distribution centers, and value-added logistics. The majority of transportation income comes from international transit and port services¹⁵.

In 2004 Estonian transport enterprises carried over 95 million tons of goods, of which almost 69% by railway, 30% by road and 1.2% by sea. The Estonian road network is comparable to the Nordic countries in terms of its density and quality. The infrastructure along the main highways has been improving fast as modern gas stations and better roads have been built.

The biggest current road projects include the reconstruction of Tallinn-Narva, Tallinn-Tartu and Tallinn Pärnu highways. In the beginning of 2005 the total length of roads was 56,800 km. The volume of goods carried by Estonian road transport companies was 28.1 million tons in 2004 compared to 27.1 million in 2003 and 17.8 million in 2002.

¹³ *Miracle of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on "After fifteen years of market reforms in transition economies: new challenges and perspectives for the industrial sector", Trade, Industry and Enterprise Development Week UNECE, 24-25 May 2005.

¹⁴ *Estonia Country Assessment*, Forum For Enterprise Development, Baltic Regional Programme, OECD, May 2002.

¹⁵ *New Opportunities – Baltic Resources*, Export America, December 2002.

About 80% of the freight transit through Estonia is by rail. The shortest route from Russia to Western Europe and to North America is through the Baltic States. There are 60 ports along the coast of Estonia, 31 of them handle commercial shipping and are open to vessels from other countries. Tallinn International Airport, renovated in 1999, is open to international and domestic flights. International air links with most Scandinavian and European cities have been established.

h) Attractive destination for FDI

Sound and liberal economic policies and interesting business prospects have ensured a continuous growth of foreign direct investment (FDI) in Estonia. During recent years Estonia has been one of the leading countries in Central and Eastern Europe in terms of inward investment per capita. Companies partly or wholly owned by foreigners account for one-third of Estonian GDP and over 50 % of the country's exports.

The Wall Street Journal's Index of Economic Freedom for 2004 rated Estonia 6th in the world in terms of ease of doing business. The ranking is based on things like trade and monetary policy, government intervention in the economy, property rights, wages and prices, capital flows and foreign investment. Estonia is even ahead of countries like the United Kingdom and the United States. In the Global Competitiveness Report 2004-2005, a publication released by World Economic Forum, Estonia ranked 20th among over 100 other economies. According to this report Estonia outpaced some Western European countries like Spain, Portugal and France. Other Central and Eastern European countries were also ranked behind Estonia¹⁶.

By the end of the 2nd Quarter of 2005, the cumulative stock of FDI amounted to 10.14 billion euro. 47.4% of FDI has been invested in financial intermediation. This sector is followed by real estate, renting and business activities, and manufacturing, with 15.7 and 13.1%, respectively, of the total. Wholesale and retail trade has attracted 8.4% of the FDI stock.

The Scandinavian countries are the biggest source of FDI in Estonia. Sweden tops the list with 57.5% of the total, followed by Finland with 18.6% - especially small enterprises are registered in Estonia - and USA with 3.5%. The Netherlands have a 2.5 % share of the FDI stock.¹⁷

Characteristics of the FDI inflows to Estonia

- during 1995-1996 the majority of the FDI was privatization-related;
- there is an increase in terms of reinvested earnings since 1996 which was 76.6% of the total annual inflow of FDI in 2004;
- there is a trend towards increasing share of cross-border acquisitions;

¹⁶ *Investment in the Baltic States, a comparative guide*, KPMG in the Baltics, 2005.

¹⁷ <http://www.investinestonia.com/index.php?option=displaypage&Itemid=63&op=page&SubMenu=>

- the share of Greenfield investments has grown slowly as well¹⁸.

Diagram 3 and Graph 4 present FDI inflow into Estonia, and Diagram 4 FDI stock by activities and countries (all can be found at Annex 3).

Estonian social partners stress that important factor attracting FDI is **the influence of the Finnish culture**. This influence can be seen in:

- the way the business is conducted;
- rules and procedures;
- company culture and attitude;
- similarity of the languages helps to create and maintain the links.

i) Investor-friendly tax system

A special feature of Estonia's tax system is the fact that profit is not taxed until it is taken out of the company – so the re-invested earnings of enterprises are tax – free. The decision not to tax the reinvested profit initiates and stimulates foreign and local investments into the Estonian economy, and is one of the key success factors behind the fact that Estonia is among the top recipients of foreign direct investments in the Eastern Europe on a *per capita* basis. Additionally, this type of taxation policy stimulates enterprises to invest more in new technology as well as in upgrading the skills of their workers. It has to be noted that in the past 4 years, due to this taxation policy, the reinvestments from undistributed profits have increased almost tenfold¹⁹.

Other advantages are flat Personal Income Tax (PIT) and Corporate Income Tax (CIT) rates. PIT is 24% with the allowance free from tax, CIT is at the rate of 15%.

2.2. MACROECONOMIC CHALLENGES

The most important macroeconomic challenges currently faced by Estonia are the following:

a) To stimulate an “entrepreneurship spirit”

During recent years Estonia has made many efforts to support a growth- and stability- oriented macroeconomic environment. However, the biggest challenge remains increasing the number of start-ups as well as efforts aimed at businesses that are growing. At the end of 2004, a survey on entrepreneurship was conducted by telephone interviews on 1000 working age people, and this revealed a lack of entrepreneurial spirit among the Estonians. According to the

¹⁸ <http://www.investinestonia.com/index.php?option=displaypage&Itemid=112&op=page&SubMenu>

¹⁹ *Miracle of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on “After fifteen years of market reforms in transition economies: new challenges and perspectives for the industrial sector”, Trade, Industry and Enterprise Development Week UNECE, 24-25 May 2005.

results only 9% of the Estonian working age population has ever thought and/or tried to start their own businesses. Approx. 61% of the respondents have never thought about establishing their own business. In addition, 11% of population was starting or running a business, 16% had thought in the past about starting a business, but they had already given up the idea, and 3% did not have a clear opinion²⁰.

b) To boost productivity

The structure of the economy and its relatively low productivity is the heritage of the Soviet period: "In 2001, the productivity of the Estonian economy amounted to only 37% of the European Union's average, labour force productivity in the manufacturing industry amounted to only 26% of the EU average (...). A closer examination of the foundations of labour productivity in Estonia makes one feel that, compared to the European Union, nearly half of the blame for backwardness of labour productivity in Estonia can be put on the low productivity in the industrial and public sector, including education, health and social welfare services"²¹. Moreover, the productivity growth in the open sector of the economy has constantly outpaced productivity increases in the sheltered sector. It should be noted that in the years 1997-2003 the cumulative productivity growth in Estonia, relative to its main trading partners, has amounted to 25%²².

Average productivity in all fields of activity in Estonia increased in the first quarter of 2005 by 21,000 EEK (or 13 % from the same period in 2004) to 182,000 EEK (EUR 11,630) per capita and average hourly productivity reached 413 EEK. The corresponding figures in Q1 of 2004 were 161,000 and 364 EEK, as shown by data of the Statistical Office. In Q4 2004, however, productivity per capita was 188,000 EEK and hourly productivity 410 EEK. In Q1 2005 productivity was highest in the electricity, steam and hot water supply at 475,000 EEK (349,000 EEK in Q1 of 2004) and lowest in leatherworking at 50,000 EEK (47,000 EEK in Q1 2004) and the manufacture of clothing – 52,000 EEK (55,000 EEK in Q1 of 2004)²³.

Table 4 at Annex 3 presents the most influential sectors as a source of productivity gap in relation to the EU.

c) Expanding and declining sectors: how to anticipate change?

ETTK representatives stress that at present the textile industry is moving East. This is also true for other sectors that are based on a cheap labour force. In order to be prepared for the consequences of this change, anticipatory measures should be introduced. One of them could be moving into a sector of technologically advanced production, but the shortage of skills can

²⁰ <http://www.unece.org/ie/wp8/documents/mayfor/Signe%20Ratso.pdf>.

²¹ M. Tiits, R. Kattel, T. Kalvet, R. Kaarli, *Competitiveness and Future Outlooks of the Estonian Economy R&D and Innovation Policy Review*, Research and Development Council, Tallinn 2003.

²² http://www.eestipank.info/pub/en/dokumendid/publikatsioonid/seeriad/konverentsid/_20030526.htm.

²³ http://www.vm.ee/eng/kat_137/5777.html?arhiiv_kuup=kuup_2005

become a serious problem as at there are currently not enough students in the technical subjects who will later follow with R&D practice.

EVEA representatives observe that “*the scale of economy makes problems more visible*”.

According to their observations, rapidly developing sectors are:

- forestry (wood processing);
- food processing;
- tourism;
- textile industry (to a certain extent);
- light machinery: small engineering companies, minor metal works, agricultural appliances (growing at a rate of 20-25% per year); and
- Hi-tech industries.

The main declining sector is mining, except for the oil shale industry and central heating.

2.3. LABOUR MARKET & EMPLOYMENT CHALLENGES

Keywords describing the Estonian labour market during the transition period are decline in labour force as well as decline in labour force participation; rise in unemployment rate and labour reallocation due to the restructuring of economic activity. The labour market was strongly affected by the decline in growth in 1998 – 1999, with the unemployment rate jumping from 9.8% in 1998 to 13.6% in 2000. Since 2001, unemployment has started to decrease but was still quite high – 10.7% – in the second quarter of 2003. The decline in the employment rate has affected both men and women. At present the unemployment rate in Estonia is estimated at 8% and keeps on declining.

Graph 5 at Annex 3 presents unemployment rates between 1993-2003 (I quarter).

a) Unemployment characteristics

In Estonia, as in other East European economies, the labour force has been decreasing as a result of the transition process. The Labour force decreased due to the rise of the number of non-active people and migration. As a result the labour force decreased by about 130,000 during the past decade, while the number of non-active people has increased by only 70,000. The number of non-active persons increased mainly by the young and people qualified for pensions. Despite this decrease, in 2000 the labour force participation rate in Estonia was a little above the European Union average.

Changes in the production structure typical for the transition economies took place in Estonia already in the first half of the 1990s. The increase of short-term unemployment due to labour reallocation was lower than expected. Instead the proportion of long-term unemployment rose,

as well as the number of unemployed job searchers who stopped searching and moved to the inactive status. Unemployment problems are typically worse in peripheral areas and also in counties where there was a concentration of industry or agriculture in the pre-reform period. The highest unemployment (17%) is found in the South East – an area with an intensive agriculture production that went bankrupt – and North East Estonia – mainly where production oriented towards Russia that had to be readdressed towards Western clients. The lowest unemployment rate is found in Tartu and Saare²⁴. In Tallin the unemployment rate is close to 0%, while in the southern part of Estonia it reaches 8%.

It is interesting to note that unlike other transition economies Estonian unemployment growth was slower at the beginning of the transition period (with the exception of the Czech Republic). In Estonia the unemployment rate remained below 5% until 1993. The reason for low unemployment in Estonia has been the sharp decline in labour force participation (Eamets 2001). An important factor was also the decrease in real wages (Eamets 2001). In several papers it has been argued that the unemployment rate was lowered by high labour mobility (Haltiwanger, Vodopivec 1999, Jurajda, Terrell 2000, Eamets 2001). Eamets has also argued that the low unemployment rate was caused by low unemployment benefits (Eamets 2001)²⁵.

Characteristics of unemployment in Estonia

- unemployment rate is lower among Estonians compared to the whole group of other nationalities;
- from 1995 men have higher unemployment rates than women;
- the highest unemployment is in the age bracket of 15-24 years old;
- regionally, the highest unemployment rate is in North-Eastern Estonia (until 1997 Southern Estonia also had relatively high unemployment);
- ETTK representatives stress that the paradox of Estonia is structural unemployment and at the same time skills shortages;
- EAKL representatives believe that *“unemployment is not the biggest problem in Estonia, but it has to be remembered that unemployment is not a personal problem, but the problem of the whole society”*.

Table 5 at Annex 3 presents changes in employment in the manufacturing industry, total production and annual productivity growth for 1994-2000.

b) Labour market policy

²⁴ *Education, labour market and career guidance in Estonia*, Foundation Lifelong Learning Development Innove, National Resource Centre for Guidance, 2004.

²⁵ www.bankofestonia.info/pub/en/dokumendid/publikatsioonid/seeriad/uuringud/_7_2002; as quoted materials are in Estonian, we do not include their full bibliographic details.

Labour market policy in Estonia is generally viewed as somewhat liberal. The minimum wage level is low, as are unemployment benefits; only the notification period in cases of dismissal is longer in Estonia (2 months) compared to the EU average (12.3 days). In terms of labour market policy, the amount of active labour market measures is rather low. Unemployment benefits as a percentage of average wages are low compared to Western economies, and among the lowest in transition countries.

In Estonia unemployment benefits are lower than social assistance. An unemployed person is qualified to receive unemployment benefits for 6 months, however, as it is lower than the official minimum, in reality the unemployed also receives social assistance. So the unemployed person receives support after the end of unemployment benefits entitlement. Despite the fact that the level of both of these, the unemployment benefits and social assistance, is very low, in some regions of Estonia the benefits are still considered to decrease the motivation to move from unemployment into employment²⁶.

Graph 6 at Annex 3 presents changes in unemployment rates in comparison to GDP growth rates 1994-2001.

An interesting feature of the Estonian labour market is the fact that Estonia is above the Lisbon goals for employment of 55+ and women. ETTK representatives believe that *“the mobility of Estonians is OK, except for those living in the North-Eastern part of Estonia, where the Russia minority lives”*. Moreover, ETTK representatives also believe that knowledge of 2 foreign languages (English, Finnish) is a significant advantage to the Estonian workforce.

c) Migrations and skills shortage

Between 1995-2000, Estonia, as all the Baltic States, experienced significant migrations resulting from gaining independence (“nationality migrations”): many Russians returned to Russia, while many Estonians came back to Estonia.

At present Estonia is experiencing “professional migration”: nurses are leaving to work in Norway and England, doctors are choosing Finland, Switzerland, USA, while construction workers are heading mainly to Finland. Another “popular” migration destinations are the UK and Ireland. At the same time, labour is ‘imported’ from Russia, Ukraine and Bielarussia.

At present approx. 820,000 Estonians live in Estonia, the rest are Russians, Lithuanians, Ukrainians, and there is also the Polish community. Many Russians, mainly military people, left Estonia between 1990 and 1993. In Estonia there is a very strict migration policy: the Eastern border is now closed. EVEA representatives think that Estonia is slowly starting to face the problem of the lack of skilled workforce, therefore loosening a bit of migration rules would help to attract skilled people to come and live in Estonia.

²⁶ *Employment and labour mobility in Estonia*, Tallin 2002.

EVEA representatives believe that the shortage of skills mainly concerns middle level education as there is a lack of effective systems of vocational education. Other shortcomings are a lack of middle level management and a lack of relevant knowledge and skills, especially technical skills. EAKL agrees with this opinion and stress that the lack of technical skills is not only the problem of an inadequate education system, but also of the general attitude *“If you go to vocational education, you are a loser”*. Therefore a challenge would be to change attitudes towards technical professions as well as towards training, learning and professional development. Equally serious is the problem of workers leaving from the construction sector: *“We say that when the phone rings at the construction site it is the beginning of problems - people will leave, they are getting a better job at this very moment”*.

d) Human resources development

ETTK representatives stress that only 9.9% of adults participate in adult education (the number is slowly growing: in 2004 it was 6.7%). Despite the fact that the Lisbon indicator of 12,5% of adults in continuing vocational education can be reached by 2010, ETTK points out that the State does not invest money in adult education, only in general education, and there are not enough people undertaking in-service training. At the same time the education system is said to be too rigid to answer the labour market needs.

In Estonia enterprises investing in training can deduct training costs from CIT. ETTK representatives believe that free training for the unemployed has a relatively low efficiency of approx. 40%. ETTK also believes that the formal labour system does not meet the needs of the labour market: the education system should be more flexible and the state should support provisions of the continuing training/adult training.

Vocational education and labour market demand mismatch

Two of the interviewed social partner organizations pointed out that a lack of labour market analysis disenables profession forecasting and tailoring the education system, especially vocational, to the labour market needs. The result is continuing mismatching of the acquired skills and the labour market needs, and a lack of anticipatory measures.

EAKL believes that the government should help in creating favourable economic environment by encouraging skills development, lifelong learning, continuing vocational training and retraining, etc. In their opinion the main challenge linked to restructuring process and collective dismissals is to re-educate people, re-train, re-develop and re-employ them. According to EAKL at least 30,000 people can be re-employed in Estonia provided they have appropriate skills. Trade union representatives argue that continuing vocational training in the enterprises should be financed from the state budget and from employers' contributions – trade unions

believe that employers also profit from investment in the human capital development. Designed as such it could be a tool to prevent unemployment and would contribute to maintaining employability of workers. Trade unions also propose to use more funds from the ESF for the purpose of the employee training.

This section:

- describes privatization process in Estonia and evaluates its results;
- presents cases of restructuring in the chosen sectors;
- offers an overview of the social assistance programmes in the restructuring process.

III. RESTRUCTURING CHALLENGES

In his article "*Privatization in the former Soviet Union: the use of international tenders*" James J. Wolfe makes an observation: "Privatization is Estonia? Rather than "selling" enterprises, the managers of the Estonian privatization program have seen their mission as "buying" Western investment, management and markets"²⁷.

a) Privatization process in Estonia

As in other CEE countries the major changes in the Estonian economy were the result of the privatization process. The majority of industries and former state-owned enterprises were privatized from 1992-2002. Major power plants and telephone companies have all been privatized, along with scores of small and medium-sized enterprises²⁸. Smaller enterprises were sold by auction to the highest bidders for cash. During 1991-1995, a big part (approx. 1,200) of the small state owned enterprises were sold in auctions. As the process was relatively straightforward, sales of small enterprises proceeded quickly and nearly all such enterprises were sold by the end of 1994²⁹.

²⁷ <http://www.ibs.ee/ibs/economics/privatization.html>

²⁸ *Estonia rail sale agreed*, <http://archives.cnn.com/2001/WORLD/europe/05/09/estonia.railway/index.html>

²⁹ http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

The sale of medium to large enterprises, which had a greater impact on both employment and output, got off at a relatively late start. Reflecting political factors, the initial procedures were rather complicated, due to a rule requiring governmental approval on a case-by-case basis. As a result only seven such enterprises had been privatized through management & employee buy-outs by the end of 1992. Of 472 medium or large scale privatizations concluded by the end of 1997, only about 19 privatized enterprises have gone bankrupt³⁰.

Calendar of the privatisation process of large businesses

- 1993: privatization of the furniture manufacturer "Tallinna Vineeri ja Mööblikombinaat", chemical products company "RAS Flora", and bakeries "RE Tartu Leivakombinaat" and "RAS Leibur" – the one perceived as the most valuable of all, with a selling price of EEK 71 million;
- 1996: privatization of infrastructure companies, including the energy complex, railways, ports and telecommunications companies; of the 100 largest Estonian enterprises, these infrastructure companies accounted for 20 % of total sales volume in 1995³¹;
- 1996: privatization of Estonian Air;
- 1997: privatization of the state shipping company³²;
- 2001: one of the major restructuring successes – a 66% stake of Eesti Raudtee (Estonian Railways) was sold for EEK 1 billion³³;
- 2002: planned restructuring of the energy industry was halted when the Estonian Government decided to keep the power plants under state control.

A notable feature associated with the privatisation process in Estonia has been the relationship between the growth of the private sector and the process of privatisation of the state enterprise sector. The sale of state enterprises often resulted in a decrease of employment, largely reflecting the over-manning characteristic of enterprise operations in the Soviet times. Although many enterprises were sold with employment guarantees, these guarantees were usually for a lower number of jobs as compared to the pre-privatisation period. This allowed for an improvement in productivity and competitiveness, but opened the grounds for collective dismissals. However, the speed with which privatisation took place would likely have resulted in potentially serious political and social dislocations had it not been for the relatively dynamic private sector that started to develop in Estonia in 1992. Newly formed private enterprises were able to absorb a significant proportion of labour from privatized state enterprises, especially in the Tallinn region. Recently, an additional factor has

³⁰ More on the privatization process, legal aspects and outcomes of the process and the organizational framework of the process can be found at http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm.

³¹ http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

³² http://www.findarticles.com/p/articles/mi_m1052/is_n8_v118/ai_19689371

³³ http://www.balticdata.info/estonia/macro_economics/estonia_macro_economics_investments_basic_information.htm

been the rapid recovery of output and employment among many privatized state enterprises, particularly those, which were privatized to outsiders. Both factors contributed to relieving much of the social strain associated with the privatisation campaign and allowing it to be completed in an orderly fashion³⁴.

Evaluation of the privatization process

During the 10 years of major privatization in Estonia, practically all industrial and financial spheres passed into private hands. Only the power industry remained in the state's possession: the Narva Power Plants, Eesti Põlevikivi õil-shale mines and a majority of the electricity networks, as well as the Port of Tallinn³⁵. Besides this, the state has still not sold a substantial part of its real estate, which basically belongs to the state ministries and their departments, as well as municipalities.

The privatization of industrial sites turned into dead failure in North-East Estonia, where the majority of companies of high importance to the industry of the former Soviet Union were located. Neither the huge capacities, nor the products made by these companies located in Estonia were needed by anybody after the collapse of the Soviet Union. Many of the factories were closed, failing to even wait until privatization, others went bankrupt when already in private hands. There are a few successful exceptions – the urea producer, Nitrofert, was bought by Russia's Gazprom and the rare metals manufacturer Silmet now belongs to the former prime minister of Estonia, Tiit Vahi³⁶. In most cases no measures addressed to treat the problem of unemployment were designed and implemented.

Privatization in Estonia has been decisive. It is best illustrated by the fact that almost two thirds of the nation's GDP comes from the private sector. The central element contributing to this major progress has been a streamlined and centralised privatisation process, which has welcomed foreign investment. Initial emphasis on selling majority stakes to strategic investors has helped attract fresh capital and know-how, and raised productivity. Estonia's privatisation programme has been among the most ambitious of those adopted by the states in Eastern/Central Europe. Due to this, over 80% of formerly state owned enterprises have been privatized in Estonia³⁷.

Legal framework of the privatization process

The Privatization Act in Estonia was not adopted until 1993. However, the process of privatisation had started earlier. Until August 1993, there were two separate government bodies responsible for privatisation:

³⁴ http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

³⁵ For the case study describing restructuring process of the Eesti Põlevikivi see Appendix 1.

³⁶ http://www.baltkurs.com/english/archive/spring_2002/12privatization.htm

³⁷ More information on Estonian Privatisation Agency and (EPA) and its functions can be found at http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

- The State Property Department arranged auctions for the sale of smaller shops and service businesses;
- The Privatisation Enterprise, created in October 1992 with the help of German Treuhand consultants, to initiate the large-scale privatisation of industrial enterprises. The first international tender of state enterprises was announced in November 1992.

In the summer of 1993, after the adoption of the Privatisation Act, these two organisations were united into the Estonian Privatisation Agency (EPA), subordinated to the Ministry of Finance and funded by the state budget³⁸.

Voucher programme

Estonia began a voucher programme already in 1993, however, vouchers have only played a secondary role in the privatisation process. The EPA has generally encouraged the privatisation of enterprises for cash from buyers who are able to inject effective management and capital. Two types of privatisation vouchers were issued to the public; those to compensate owners of property prior to 1940 (restitution vouchers) and those based on the number of years of employment in Estonia (national capital vouchers). The two types of vouchers can be used interchangeably for the privatisation of housing and land, or for the purchase of shares of state enterprises or special funds³⁹.

Tables 6, 7 & 8 at Annex 3 present milestones of Estonian privatization and the list of main privatization transactions.

b) Social partners views on restructuring

ETTK believes that *“Restructuring is moving from the resource-based economy to knowledge-based economy”* and *“it mostly affects the labour market”*. Representatives of the organization are aware of the fact that production will move where labour is cheaper. They are also convinced that *“firing people is a natural feature of in a free-market economy. The most important thing is to make sure they have a place to move back”*. One of the strategies proposed by them is to support innovation and R&D, i.e. by stimulating cooperation with universities and research institutes.

For the EVEA representatives one of the reasons for restructuring was Estonia’s accession to the EU and complying with EU regulations, however there were cases when the Estonian regulation was more restrictive than the EU regulation.

For EAKL restructuring processes in the first part of the 1990s were mainly linked to the privatization phenomenon, now *“it is more reorganization of the company”*. EAKL observes that in the 1st phase companies usually sell additional/supporting activities, and in the 2nd

³⁸ http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

³⁹ http://www.einst.ee/factsheets/factsheets_uus_kuju/privatisation_in_estonia.htm

phase of the project they aim at improving the economic performance of the company and at this stage the biggest number of collective redundancies occurs. EAKL also agrees that *“restructuring means relocations: for example textile and match producing industry has been relocated to China and it is a case of business relocation. Sometimes it is not quite relocating, but opening a branch office, subsidiary (as in the case of a luxury pillows production) as it is a big market. The general purpose of these changes: profiting from lower labour costs”*.

One of the EAKL representatives observes that *“Relocation is a part of the general development, there is no use to fight against it. What we need is creation of more jobs of added value”*. And adds: *“If you relocate your operations, it is important to create new jobs of a high value added in the region you are relocating from. Jobs performed in good conditions in order to remain competitive”*. There are not any law regulations related to relocation/restructuring issues. EAKL believes that relevant legal environment should be created as trade unions and employers cannot do it on their own.

Estonian best practices in restructuring processes according to EAKL:

- Best practices can principally be found in the state-owned companies (Eesti Põlevikivi), or in those where the state is the majority stakeholder.
- There are not too many “best practices” in the private sector, however a good example of “best practice” can be an Estonian match-producing company that was taken over by a foreign investor.
- Trade unions play an important role in working out the solutions in the case of restructuring, for example sectors of oil shale industry or railways.
- Introducing early warning systems, which enables proactive policy, looking for another job before one loses their job, for example the case of textile industry in Narva.
- Involvement of the local authorities, for example organizing round-tables, discussions.
- Trade unions believe that broader analysis of business should be conducted, as it is not happening now. *“There is no sense to repeat the mistakes already made. We can avoid them”*.

c) Sectoral restructuring

Cases of restructuring in the railway sector, oil shale industry, telecommunication and energy sectors can be found in Annex 2.

d) Social assistance in the restructuring process

In 2002 Estonia was the only CEE country that introduced a complex unemployment insurance system. The characteristics of the system are as following:

- Unemployment insurance benefits are granted upon unemployment, collective redundancy and insolvency of employers.
- Benefits are financed from compulsory contributions paid by employees and employers. For 2002 the contribution rate set out by the Unemployment Insurance Act was 1% of earnings for employees and 0.5% on gross payroll for employers. For consecutive years the contribution rate can be set at the level of 0.5 – 2 % for employees and 0.25 – 1% for employers subject to changes in the labour market and employment situation. Increase or reduction in contribution levels is to be proposed to the Government by the Unemployment Insurance Board.
- It covers all employees, including civil servants who are obliged to pay contributions. Self-employed, members of the management or supervisory bodies of legal persons, also members of the parliament and government, the President, judges, etc. are excluded from the scheme.
- Employees' contributions must not be used to finance benefits paid in cases of collective redundancies and employer's insolvency.
- Benefits granted upon collective redundancy and insolvency of employers. In the case of collective redundancy the Unemployment Insurance Fund only covers part of the costs (as determined by law) resulting from redundancy payments that employees are entitled to; what remains is to be guaranteed by each employer. In the case of employer's insolvency, the Unemployment Insurance Fund takes over the employer's responsibility for unpaid remuneration up to the extent of employee's triple average monthly wage. Payments are, however, limited to triple average monthly wage in Estonia⁴⁰.
- In cases of collective dismissals the enterprise has to follow law on collective redundancies in order to assure that its employees are entitled to unemployment benefits paid from the Unemployment Insurance Fund.
- There no evidence to prove the effectiveness of the tool as the statistics are only available from 2003.

Unemployment benefit entitlement

- up to 100 days of unemployment: 50% of the insured wage;
- starting from the 101st day of unemployment: 40% of the insured wage and this is paid until the 180th day of unemployment.

Salary insurance

- less than 5 years: unemployment benefit paid until 180 days. It is interesting to note that all "unemployment cases" now are paid this way, up to the 180th day as the law was adopted in January

⁴⁰ <http://www.sm.ee/engtxt/pages/goproweb0441>

2002 and there are no people whose salaries were insured long enough to guarantee a longer payment of the unemployment benefits.

- starting from 2007: unemployment benefit will be paid until the 270th day.

- starting from 2012: unemployment benefit will be paid until the 360th day (1 year).

Redundancy notices

Approved in October 2005 the Action Plan of the Estonian Economic Growth and Employment for the years 2005-2007 is going to introduce a few significant changes to labour market flexibility. It will stipulate “a significant decrease in the terms of advance notices concerning the redundancies and also in redundancy benefits”.

According to plan “14 days term of advance notice concerning the redundancy and redundancy benefit for 14 days, as is the case in Finnish legislation, might be within the law, and higher rates might be established in collective agreements or in separate agreements”⁴¹.

Today a redundant person with up to 5 years service is paid two months salary, a person with up to 10 years service is paid three months salary and a person with even longer service at the company is paid four months salary, and the terms of advance notice concerning the redundancies are respectively two, three and four months.

In November 2005 Estonian Employers’ Confederation made known its opinion on redundancy payments and unemployment insurance premiums of 2006. It believes that the proposition of the Minister of Social Affairs – not to revise the current 0.5% employer’s unemployment premium – could be accepted only if the circle of benefit receivers is extended, the advance notice term for redundancy is shortened, and redundancy payments are reduced.

These changes will require amending the Employment Contract Act. According to the Council decision of the Estonian Employers’ Confederation, the unchanged 0.5% level of unemployment premium can be accepted only on the following conditions:

- Collective redundancy refunds provided for employers pursuant to the Unemployment Insurance Act are extended on the same grounds to cover single redundancies;
- Redundancy payment rates provided in the Employment Contract Act are cut by half;
- Employers’ term of advance notice in cases of employment contract termination is made equal to that of employees in the Employment Contract Act⁴².

Project “Responses to collective redundancies”

⁴¹ <http://www.ettk.ee/en/newseng/2005/10/item21838>

⁴² <http://www.ettk.ee/en/newseng/2005/11/item22011>

This project, signed in October 2005 by Estonian Unemployment Insurance Fund, Labour Market Board, Labour Inspectorate, the Confederation of Estonian Trade Unions and the Estonian Employers' Confederation, aims at testing the response services that were developed within the framework of the project. The aim of the response service is to reduce unemployment, offering the redundant employees active measures that support their chances to find work, not just financial benefits⁴³.

There are no special regulations in regards to relocations/restructuring processes.

IV. SOCIAL DIALOGUE

This section:

-  **describes the phenomenon of declining trade union membership;**
-  **presents the legal framework of social dialogue in Estonia; and**
-  **addresses the issue of the collective bargaining process.**

a) Decline of the trade union membership

The unionization level in Estonia is low, representing approx. 13-14% of the labour force, and has declined sharply over the period of Estonia's political and economic transition. According to EAKL's estimation trade unions are present only in approx. 2,000 enterprises (3.3% of enterprises) as there are approx. 60,000 enterprises in Estonia. As in other Central and Eastern European countries, there are many reasons for the decline of union density in Estonia. The most important factors appear to have been privatisation and a shift in the balance of the economy from manufacturing (where unions were relatively strong) to services (where they are relatively weak). There are also difficulties in gaining recognition in small and foreign-owned firms, and in the services and banking sector. Factors such as employers' attitudes and technological change have mostly had a negative influence on union membership. Enterprise size also plays a role: trade unions are virtually non-existent in the SMEs sector.

Table 9 at Annex 3 presents trade union membership and union density in Estonia 1992-2002.

Trade unions are said to lack strong support from employees for various reasons, which include:

⁴³ <http://www.ettk.ee/en/newseng/2005/10/item21837>

- high unemployment;
- a legacy of negative attitudes towards trade unions and collective bargaining that is a throwback to the Soviet system;
- the development of sectors, such as financial services, construction and small business activity, which are almost union free;
- bad financial state of trade unions;
- inadequacies of the legal framework with respect to co-determination, in a situation where industrial relations are often employer dominated and give little support to industrial democracy;
- trade unions lack the experience and skills that would allow them to be successful in bargaining with employers, and their overall negotiating power is thus not very high, while society is often not sufficiently informed about trade union activities⁴⁴;
- trade unions complain that relations with employers are sometimes hard: employers are not willing to disclaim the information on, i.e. turnover of the company or they provide trade unions with a fragmentary data, for example turnover for 1-2 months as they claim that the information for the whole year “is not relevant” and is a secret of the company); as a consequence it is hard to negotiate on the equal footing;
- trade unions feel that “*workers are not considered as the most valuable asset of the company, they are treated as problems*”;
- employers do not welcome trade unions in the enterprise, therefore people who are trying to establish trade union in their enterprise are very often fired even before they manage to do so;
- EAKL’s main concern is to “*create a favourable environment for the dialogue with the employers’ representatives*”. EAKL’s representatives add “*we are interested in the success of an employer as the success of the company guarantees that there will be jobs and salaries*”;

On the other hand, positive trends have been identified with respect to trade union activity in Estonia, as a result of the influence of Scandinavian neighbours; the success of trade unions in certain industries; their increasing visibility in society; the creation of a register of collective agreements; and the influence of international contacts, particularly through the EU, which has brought tangible benefits in fields, such as training⁴⁵.

b) Legal framework for the social dialogue in Estonia

⁴⁴ <http://www.eiro.eurofound.eu.int/2003/08/feature/ee0308101f.html>

⁴⁵ http://www.dti.gov.uk/ewt/social_dialogue_conference.pdf

Social partnership is not very well developed in Estonia. The weak development of social partnership is, primarily, the result of poorly developed social partner organisations, evident in their low level of representation and institutional and financial shortcomings. It is worth noting that social dialogue is better developed at national level than at other levels, where it is virtually missing⁴⁶.

There is no separate law regulating national or regional social dialogue. However, the main legal act that regulates both bipartite and tripartite collective negotiations in employment issues at all levels is the *Collective Agreements Act* (RT I 1993, 20, 353). The disputes arising of these negotiations or agreements are solved according to the *Collective Labour Dispute Resolution Act* (RT I 1993, 26, 442). This Collective Agreements Act regulates the negotiations and dialogue held over employment conditions and policy issues. At the same time there are several other acts stipulating the obligations for information and consultation: Trade Unions Act (RT I 2000, 57, 372) but also in the Employment Contract Act and in the Occupational Health and Safety Act (RT I 1990, 60, 616) are some issues of information and consultation listed. It is planned to develop a separate act on social dialogue, which would lay the ground for general principles of information and consultation⁴⁷.

EAKL observes that “*sometimes employers think that collective agreement automatically means strikes*”. At present there are only 2 collective agreements at branch level and the overall coverage of the collective agreement is approximately 30%. Collective agreements are valid for 1 year if not agreed otherwise (max. 2-3 years). In some collective agreements there is a clause stipulating that if there are no changes the agreement will be prolonged automatically as it stands. EAKL points out that situation may be a bit different in the case of restructuring: sometimes employers want to leave aside collective agreement in force.

c) Collective bargaining

Estonia has a relatively well-developed system of tripartite dialogue⁴⁸ and bargaining at national level, but bipartite collective bargaining at sector and company level is still quite limited. The overall rate of coverage by collective bargaining stands at 28% of the workforce, sectoral agreements are few and company agreements cover only a small proportion of enterprises.

Subjects for tripartite collective agreements:

- the minimum wage and the procedure for amending it based on increases in the cost of living;
- additional measures to ensure occupational health and safety;

⁴⁶ http://www.dti.gov.uk/ewt/social_dialogue_conference.pdf

⁴⁷ *National Social Dialogue on the Formulation, Implementation and Monitoring of Employment Policies. Country Study of Estonia*, Praxis Working Paper no 11, Praxis Center for Policy Studies, Estonia, September 2003

⁴⁸ The main actors of the tripartite collective bargaining process at the national level are the Ministry of Social Affairs, which represents the government; the national trade union organisations – EAKL and TALO and the Estonian Employers' Confederation ETTK.

- additional employment guarantees;
- other additional guarantees pertaining to employment which the parties consider necessary;
- procedures for monitoring the performance of the collective agreement and providing the necessary information.

Bipartite collective agreements include the conditions for:

- pay;
- working conditions;
- suspension, amendment and termination of employment contracts;
- lay-offs of employees;
- health and safety at work⁴⁹.

Collective agreements are usually concluded for one year, unless otherwise stated. During the validity of the agreement, a peace clause applies, preventing industrial action. The main outcomes of tripartite concertation have been 16 tripartite agreements signed since 1992. These have dealt with matters such as the national minimum wage, the level of tax-free income, unemployment compensation, social security, vocational training and employment.

Bipartite collective bargaining in Estonia is usually conducted at two levels:

- sector and branch level, where the agreements are concluded between representatives of the appropriate employers' and trade union organisations - most agreements are concluded for state-owned enterprises or formerly state-owned enterprises
- enterprise level, where collective agreements are concluded between local trade union organisations and the management of the enterprise⁵⁰.

Besides bilateral and tripartite negotiations, co-operation between social partners takes place also in tripartite councils and other consultative organisations. The main institutions concerning tripartite negotiations established by the government (the Ministry of Social Affairs is responsible also for labour relations) in Estonia are the Estonian ILO Council and Social-Economic Council. Both of them consist of the representatives of the government, employers and employees.

- The Social-Economic Council is the forum for social partners to consult the government in issues relating to social-economic processes and relations.
- The Estonian ILO Council is a consultative organ established to help improve legislation and to develop tripartite negotiations⁵¹.

Social partners views on restructuring

⁴⁹ <http://www.eiro.eurofound.eu.int/2003/09/feature/ee0309102f.html>

⁵⁰ <http://www.eiro.eurofound.eu.int/2003/09/feature/ee0309102f.html>.

⁵¹ <http://www.eurofound.eu.int/docs/areas/industrialrelations/EF0388ch3.pdf>

ETTK believes that *“social dialogue in case of restructuring is very important, but sometimes the contact between trade unions and the local employer is not possible. It is very important to inform workers on the planned process”*. According to them sometimes the biggest challenge in the negotiations process is working out a constructive solution and not the system of money redistribution.

EVEA believes that social dialogue is a new phenomenon in Estonia and that the government representatives lack basic knowledge concerning the process and how it should be run. As an organisation, EVEA thinks it lacks a capacity to act as a social partner, but perceives social dialogue as a developing activity where the interests of different social partner organisations become more and more visible. For EVEA the most important challenges are the following: to attract more members, to activate members, to convince people that it is easier and more effective to do things as a team, not individually, lobbying in favour of the interests of SMEs and becoming more active in the social dialogue process.

EAKL describes social dialogue as “rather weak” and calls for “starting the dialogue and not only talking about it and having 2 parallel monologues”. In October 2005 the subject of the social dialogue was minimum wage.

Annex 1

Restructuring case: EESTI PÕLEVKIVI LTD.

Organization	Eesti Põlevkivi Ltd.
Established	1920
Ownership	State-owned
Sector	Oil shale mining
Turnover	1,7 million EEK/year
Investment	300 million EEK/year
Employment	HQ: 127 employees Total: HQ + 4,169 mining employees as of October, 17, 2005
Unionisation	1 trade union

Reasons for restructuring

Company had to be restructured for several reasons:

- improving the effectiveness of operations;
- improving the quality of products,
- avoiding storage, “just in time mining”: mining as much as can be sold at the moment;
- improving competitiveness;
- rationalize the resources of the enterprises: the enterprise did not only have mining operations, but also leisure resort, railway, and technical support enterprises.

Restructuring process

Eesti Põlevkivi Ltd. was the biggest employer in Estonia as well as the most important for the region. Also it was the employer who has been offering salaries higher than the average in the

region⁵². The restructuring process started in 1999 and Eesti Põlevkivi Ltd. closed the mine of Ahtme in 2001. Work was also suspended at Sompa, Tammiku and Kohtla mines, that were eventually closed during 2002.

The 1st stage of the restructuring process was selling “non-core” operations: from 6 “non-core” enterprises only 2 were left - railway and technical support. The 2nd stage of the restructuring process was reducing employment from 7,054 employees (as of September 30, 1999) to 4,169 employees (as of October 17, 2005). There were different measures implemented to reduce the level of employment: pension scheme entitlement, early retirement and enterprise-financed pension schemes, internal transfers and training and retraining programmes.

Pension scheme entitlement

Many of the employed workers had already been entitled to pensions when the restructuring started. The specificity of the profession allows for a relatively early retirement, but people kept on working in order to earn some extra money that would complement their relatively low pension.

Approx. 1,135 employees affected.

Early retirement + enterprise-financed pension scheme

All employees aged 53 are entitled to an early pension scheme. The pension is very low, approx. 2,300-2,400 EEK monthly. Eesti Põlevkivi Ltd. decided to complement this pension with additional money so that people could live on these “combined” pensions. Enterprise support was approx. 1,450 EEK monthly. In cases when an employee finds a job, he/she is still entitled to this “enterprise extra funds” as Eesti Põlevkivi Ltd. wanted to support dismissed employees, but did not want to make them rely only on a pension and prevent from looking for a job. One of the biggest challenges while introducing this measure was to convince people that they will actually get the money and they will keep on getting it. The money to finance this measure came from budget reserves and the project ended on December 31, 2006.

Approx. 427 employees benefited from this scheme.

Transfers between different mining locations

Some of the employees who lost their jobs due to the mine closures were transferred to other sites of the mining entity. In January 2000 a special Commission, EPTAL, was created and was responsible for “vacancy search” as well as personnel auditing. Not only the skills of individual and his/her career path were taken into consideration, but also social and family situation, i.e. whether the spouse is working or not. These consultations were organized on

⁵² Now it is approx. 8000 EEK/month while the average salary in the region is approx. 6000 EEK/month and approx. 7600 EEK/month in Tallin.

one-to-one basis. One of the biggest challenges was overcoming very low mobility; sometimes even changing enterprise without the need to move out was a problematic in itself.

Approx. 458 employees affected.

Training and retraining for new job

This type of measure was addressed to all those who were not entitled to retirement schemes. Training and retraining programmes were designed with the help of the Labour Department of the Ministry of Social Affairs, and an agreement stipulating conditions of cooperation was signed. This measure started with individual counselling on career development (“what do you want to do in your professional life” reflection). Participants were entitled to receiving 36,000 EEK for the whole year of the programme (a kind of a “scholarship”). Training and retraining were lengthy programmes lasting 4-6 months. Programmes consisted of professional courses as well as social adaptation courses (interpersonal skills, coping with change, job search techniques, etc.). In total the costs of retraining of redundant workers was 1 million EEK (training programs cost) and 22 million EEK (scholarship costs). The total cost of the programmed was shared between the state and the Eesti Põlevkivi. The state refrained from taking the dividend out of the enterprise (approx. 14.3 million EEK) to finance the retraining programmes and the enterprise covered the remainder.

It is important to note that this particular measure was designed by the trade union representatives and accepted in the process of the social dialogue. The negotiated solutions were very effective, and later they were accepted in the railway and energy sectors.

Approx. 403 employees affected.

Compensation packages

Redundant workers were entitled to compensation. According to the Estonian law there are three brackets of compensation levels depending on the employment duration:

- up to 5 years: a 2 month-salary equivalent;
- 5-10 years: a 3-month-salary equivalent;
- more than 10 years: a 4-month salary equivalent.

In fact the redundant workers from Eesti Põlevkivi Ltd. were getting higher compensation than stipulated by the law (an 8-month salary equivalent on average).

Best practices

- Regional responsibility
 - o Being one of the biggest employers in the country and in the region requires the company to implement restructuring process in a socially responsible way even if it makes the process longer and more expensive;

- Restructuring process as a wider phenomenon than only collective dismissals, it has to be analysed in a wider social perspective;
- Relations with the employees, former employees and the inhabitants of the region are very important: appropriate PR campaigns, i.e. since 1999, marking the beginning of restructuring Eesti Põlevkivi Ltd.; and organizing every August a barbeque for the Miners Day.
- Dividends used as means to finance measures for dismissed workers.
- Internal labour market:
 - Internal outplacement: transfers to daughter-companies.
- Career counselling and long, complex retraining programmes.
- Assistance in the early retirement scheme:
 - Eesti Põlevkivi Ltd. compensated the “remainder” of the retirement entitlement
- Trade unions involvement:
 - Information on the planned actions was transmitted to trade unions;
 - Trade unions actively participated in designing the restructuring process and measures aimed to ease the process of collective redundancies.
- Lean Management:
 - Selling “non-core” operations of the company.

Annex 2

Sectoral restructuring case

Railway sector privatization and restructuring process

The state-owned company Eesti Raudtee was founded on 1 January 1992, its task was the management of Estonian railways. In August 1997 the state-owned company was transformed into the public limited company Eesti Raudtee. As Eesti Raudtee, it was further transformed pursuant to the privatisation scheme approved by the Government. In 1998 an international competition jointly with the investor selected by way of competition was organized for the foundation of an international public limited company engaged in the transport of passengers. In 1999 the Government introduced a significant change in the privatisation plans of Eesti Raudtee, namely, it was decided to surrender the signing of concession and instead sell 66% of majority shares. Resulting from this change, a task was imposed on the Estonian Privatisation Agency to sell the shares of AS Eesti Raudtee by way of international tender with preliminary negotiations. Pursuant to the decision of the Government, in April 2000 the Estonian Privatisation Agency announced the privatisation of 66% of the shares of AS Eesti Raudtee by way of two-round international competition. On March 2, 2001 the General Director of the Estonian Privatisation Agency invited Baltic Rail Service (BRS) to sign the agreement on the privatisation of 66% of AS Eesti Raudtee shares and the privatisation and shareholder agreement; the final coming into force of the privatisation and shareholder agreement was made dependent on the payment of purchasing price.”⁵³

Negative aspects of the AS Eesti Raudtee restructuring

“Railway privatization was surrounded with scandals. The most embarrassing one occurred when an administrative court in Tallinn concluded that the Estonian Privatization Agency had

⁵³ <http://www.evr.ee/?id=1313>

acted illegally in choosing an initial bidder which was unable to find cash backing for its offer. Another tricky moment was concerned with the winner of the tender - Rail Estonia. It turned out that a key official in this company was wanted for money laundering charges in the USA. The right of privatization was then given to the British-American-Estonian consortium BRS, the company which presented the second best plan of the privatization. The deal was complete after BRS paid EEK 1 billion to the Estonian government on August 30 2001⁵⁴. After-privatisation period: restructuring programme of Estonian Railways as well as proper investment policy has increased the capacity of the few-hundred kilometre transit chain to the level where the reception of large quantities of goods is not a problem anymore. Railway has one concrete owner who has a clear business plan. The new western management style, free from political inclinations, enables to react quickly to different changes resulting from fast developments in the sector. The core of the issue is flexibility because more modern management of customer relationships enables railway to also service minor customers. It is also possible to adopt quick resolutions on very price-sensitive commodities – for instance, Estonian Railways has had to render much cheaper transportation service of coal than in the past because it is important to maintain the level of commodity flows through which the owners of goods as well as all the parties of the transit chain in Estonia should benefit⁵⁵.

Restructuring of the oil shale industry

The oil-shale industry restructuring was one of the most vital tasks of the Estonian government. The main goals to be achieved were: to increase efficiency of production, to reduce environmental damage and to avoid adverse social problems⁵⁶. All of these objectives were parts of the “*Restructuring plan for the Estonian oil shale sector for the period 2001-2006*“, approved by the Government in March 2001. The Plan provided the restructuring measures, which are directed to:

- Creating a common value-chain between oil shale and power production and increasing the efficiency of oil shale based electricity and oil production;
- Decreasing the harmful impact of the oil shale sector on the environment;
- Easing the social problems accompanying the reduced number of employees.

In the framework of these measures an agreement with a Finnish enterprise Foster Wheeler Energia OY was signed on 25 May 2001 for the renovation of the two 200 MW energy blocks of the Eesti and Balti power plants. The purpose of this renovation is to make the production of electricity from oil-shale more efficient and environmentally friendly. The preparations for the

⁵⁴ [http://manila.djh.dk/discover/stories/storyReader\\$316](http://manila.djh.dk/discover/stories/storyReader$316)

⁵⁵ <http://www.evr.ee/?id=1381&langchange=1>

⁵⁶ [http://manila.djh.dk/discover/stories/storyReader\\$277](http://manila.djh.dk/discover/stories/storyReader$277)

renovation of the energy block of the Eesti power plant started after the agreement was signed. According to the investment programme, an agreement between *Narva Elektriijaamad Ltd.* and the Swedish enterprise Alstom Power was concluded in October 2001. As a result all operating energy blocks of the Eesti power plant were to be equipped with modern electric filters by the end of 2002⁵⁷..

Restructuring the energy sector

The restructuring process of the energy sector began in the spring of 1998. *“Restructuring in the energy sector takes longer than in other sectors. No matter what you do, the lights have to stay on,”* the Chairman of Eesti Energia Gunnar Okk says. *“There are no copy and paste solutions for restructuring. We’re the largest energy company here, but internationally we’re very small. What worked somewhere else will most likely not work here.”* Environmental and social concerns further complicated the process. Oil shale is not the cleanest method of power generation, and finding the balance between financial benefits and environmental tolls has been difficult. As the largest utility company in Estonia, Eesti Energia employs 10,000 people, some of whom will be unemployed when the restructuring is completed. *“We have to find a healthy balance between profit and environmental concerns,”* says Mr. Okk. *“Then there is the social aspect. We have too many people working in this sector, and the Estonian labour market is too small to absorb them. What do we do with the people left over?”* As part of its social programme, an investor - Minneapolis-based Company NRG Energy - has pledged 5 million dollars to compensate workers laid off as result of privatization. With the liberalization of the energy sector, energy production is open to private companies, while transmission and distribution are still controlled by the state⁵⁸. On June 27, 2000 the Estonian government approved the terms of a \$70.5 million deal with the NRG Energy under which Eesti Energia sold 49% percent of the shares in the Narva Power Plants to NRG⁵⁹.

Restructuring of telecommunication sector

The Estonian telecommunication sector was restructured in 1991 when the Ministry of Communications, at that time both the regulator and operator, was dissolved. The regulatory and operator functions were separated, the former being entrusted to the newly-established Ministry of Transport and Communications and the Telecommunication Inspectorate, and the latter to the newly-established State enterprises Estonian Telecom and Estonian Post.

⁵⁷ http://www.eib.ee/files/_11%20economic%20criteria.pdf

⁵⁸ http://www.internationalreports.com/europe/01/estonia/energy_mining/index.html

⁵⁹ <http://www.nigc.org/eia/estonia.asp>

The privatization of and foreign investment in Estonian telecommunications began in April 1991, when the joint venture Estonian Mobile Telephone Company was formed by Estonian Telecom (51 % stock), Finnish Tele (24.5 %) and Swedish Telia (24.5 %). The main goal of the joint venture was to develop, operate and administer a mobile communication network and systems, and to provide, market and distribute relevant services within Estonia. In the interests of modernizing and expanding Estonia's fixed telephone network and improving the quality of telephone services, the joint stock Estonian Telephone Company was in 1992 established by Estonian Telecom (51 % of shares) and Baltic Tele AB (49 %). After successful privatisation and restructuring of Estonian Telecom, the company's shares are listed on the London and Tallinn stock exchanges, and only 27.3 % of its shares belong to the Government⁶⁰.

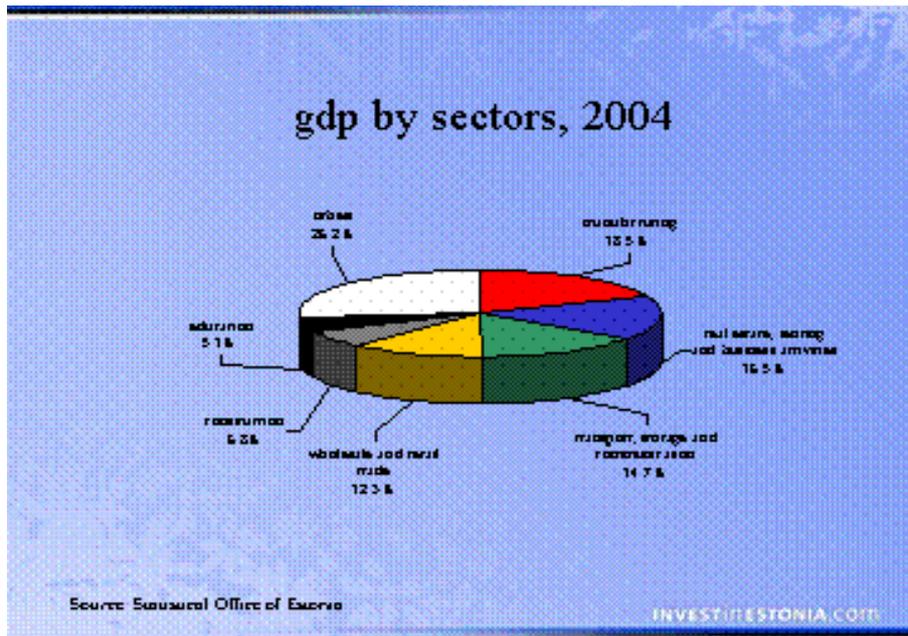
Annex 3

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Diagram 1.

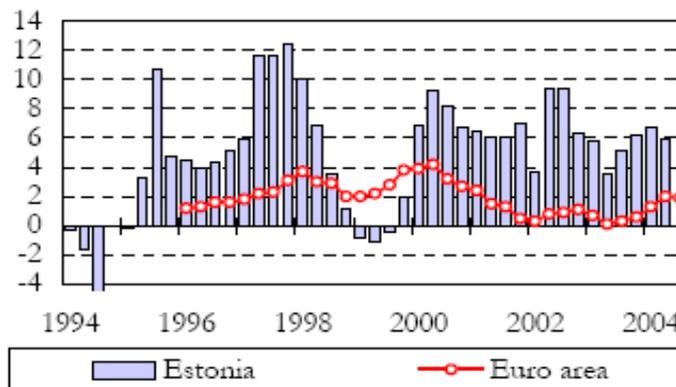
⁶⁰ <http://www.itu.int/ITU-D/eur/WTDC02/Documents/13e.pdf>



Source: *Estonia at glance*, www.investinestonia.com

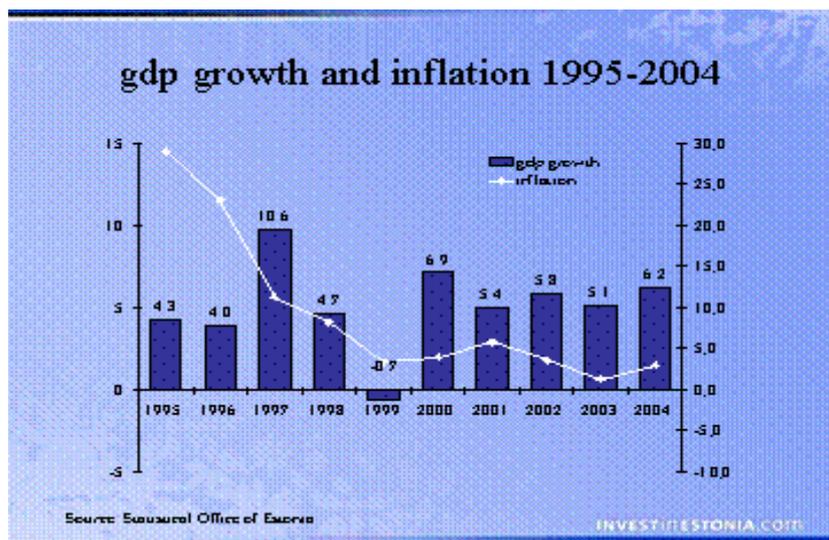
Graph 1.

A. Economic growth



Source: *Updated Convergence Programme 2004*, Tallinn, November 2004, p. 11

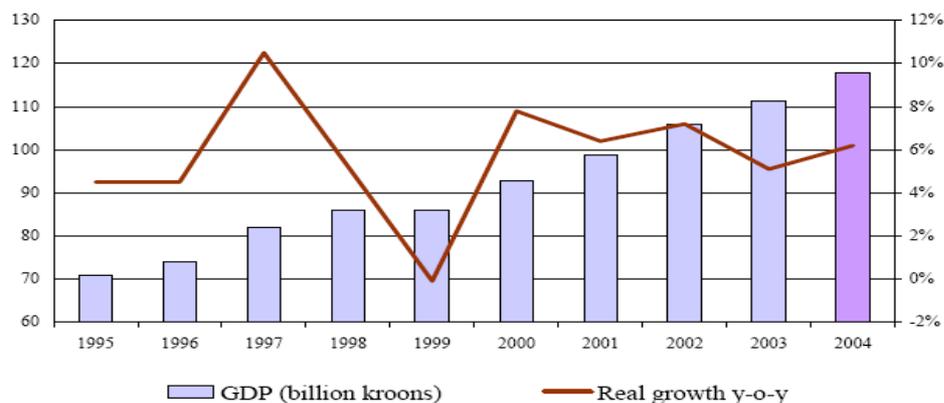
Graph 2.



Source: Estonia at glance, www.investinestonia.com

Graph 3.

Graph 2. Real growth of GDP in Estonia (1995-2004).



Source: *Miracle of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on "After fifteen years of market reforms in transition economies: new challenges and perspectives for the industrial sector", Trade, Industry and Enterprise Development Week UNECE, 24-25 May 2005.

Table 1. GDP by Main Fields of Economic Activity (as a % of total GDP)

Field of Activity	1999	2000	2001	2002	2003	2004
Manufacturing	15.1	16.7	17.0	17.4	17.9	18.4
Real estate, renting and business services	17.8	16.9	17.5	17.2	16.7	16.6
Transport, storage and communication	13.8	14.9	15.1	14.5	14.4	14.0
Wholesale and retail trade	13.2	12.8	12.9	13.0	13.0	12.7
Construction	5.5	5.7	5.7	6.4	6.4	6.7
Education	5.5	5.2	5.1	5.1	5.1	5.1
Financial intermediation	3.8	3.9	3.7	3.9	3.8	4.1
Agriculture and hunting	3.3	3.0	3.0	2.6	2.5	2.6

Source: Statistical Office of Estonia, www.stat.ee

Diagram 2. Estonian Exports 2004, and Foreign Trade 1995-2004

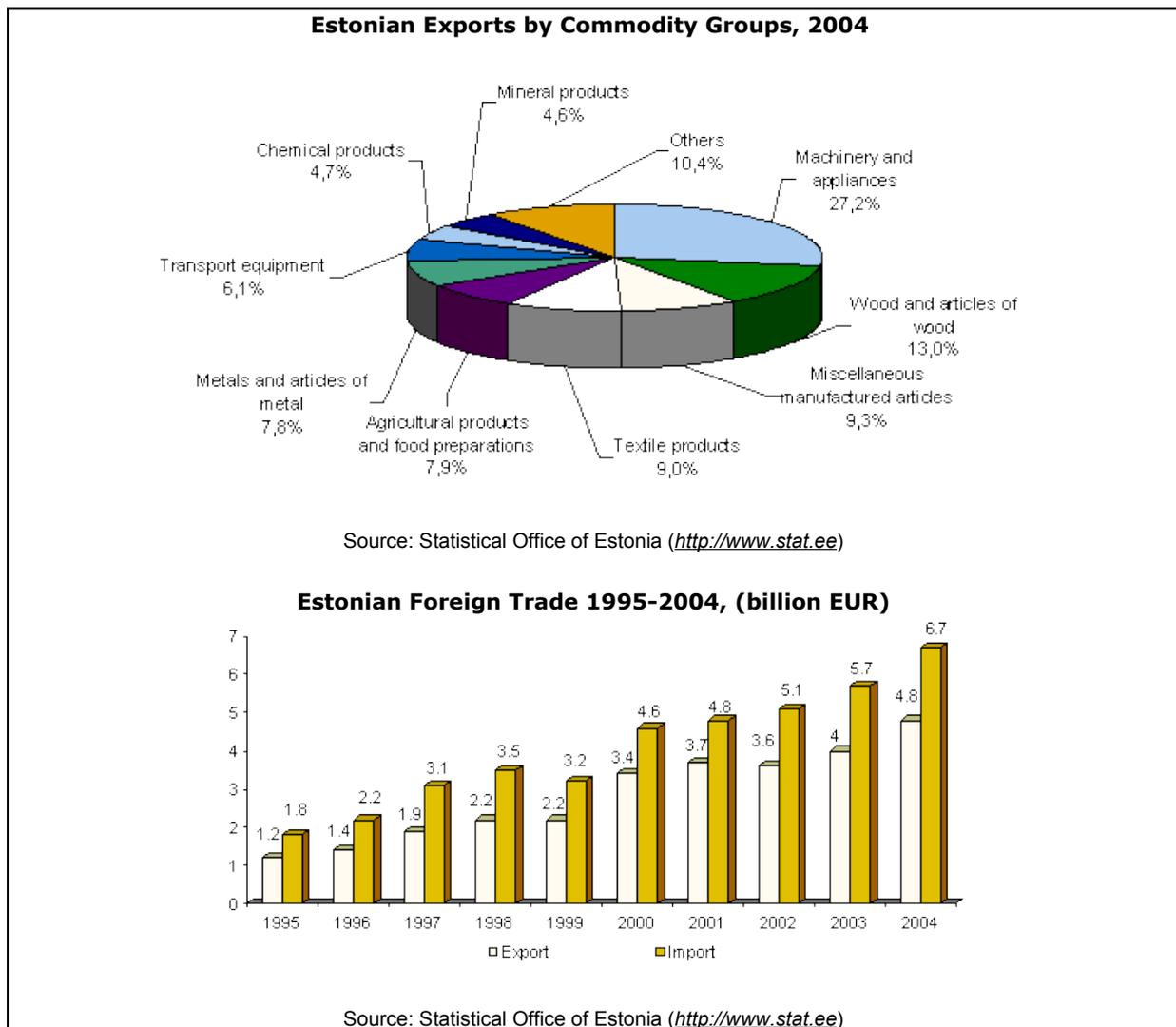


Table 2. Key points of IT& telecom developments in Estonia

- e-Tax Board - Income Tax Statements can be filled out via Internet (*Spring 2001*)
- 55% of population are using Internet and 72% Internet banking (*Autumn 2005*)
- the Government is using web-based document system (*August 2000*)
- all Estonian schools are connected to the Internet, as a result of state-run "Tiger Leap" program
- over 700 Public Internet Access Points
- there are over 592 free wireless Internet zones around the country (*Autumn 2005*)
- e-billing (*July 2000*)
- mobile parking project (*July 1, 2000*)
- world's first MPS project for society (*May 3, 2000*)
- digital Signature Act came into force (*December 2000*)
- IT College (*September 2000*)
- ID card - new primary domestic identification document (*January 2002*)
- Look @ World project - the % of Internet users in Estonia should increase to over 90% (*2001*)

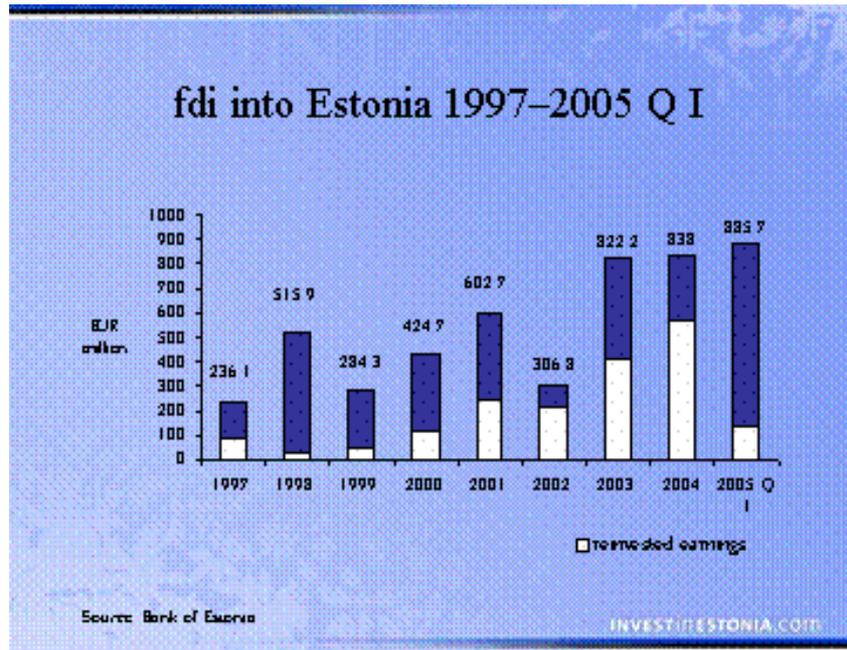
Source: <http://www.investinestonia.com/index.php?option=displaypage&Itemid=65&op=page&SubMenu=>

Table 3. Main indicators of "Internet" society in Estonia

- 55 per cent of population are Internet users (*TNS EMOR*, Summer 2005)
- 34 per cent of the households have a computer at home, 82 per cent of home computers are connected to the Internet (*E-Track Survey, TNS EMOR*, Spring 2005)
- All Estonian schools are connected to the Internet
- There are over 700 Public Internet Access Points in Estonia, 51 per 100 000 people (one of the highest numbers in Europe)
- Incomes can be declared to the Tax Board via Internet
- Expenditures made in state budget can be followed on the Internet in real-time
- The Government has changed Cabinet meetings to paperless sessions using a web-based document system
- 72 per cent of Estonian people conduct their everyday banking via Internet
- 93 per cent (National Communications Board, Spring 2005) of the population are mobile phone subscribers
- All of Estonia is covered with digital mobile phone networks
- There are more than 600 free wireless Internet zones around the country

Source: http://www.estemb.fi/lang_4/rub_869/rubviide_340

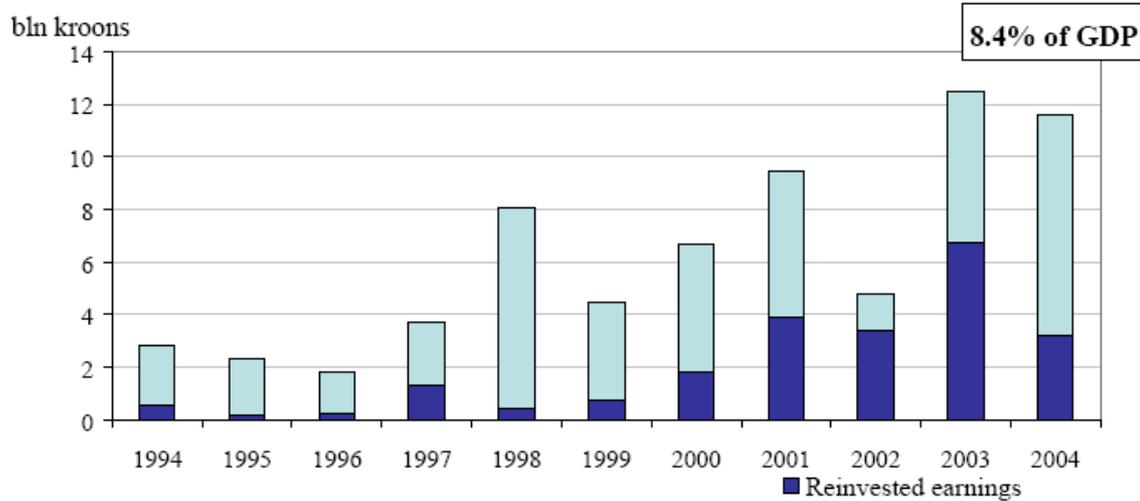
Diagram 3.



Source: *Estonia at glance*, www.investinestonia.com

Graph 4.

Graph 1. FDI into Estonia (billions kroons).



Source: *Miracle Of Estonia: Entrepreneurship and Competitiveness Policy in Estonia*, Forum on "After Fifteen Years of Market Reforms in Transition Economies: New Challenges and Perspectives for the Industrial Sector", Trade, Industry and Enterprise Development Week, UNECE, Geneva, 24-25 May 2005.

Diagram 4.

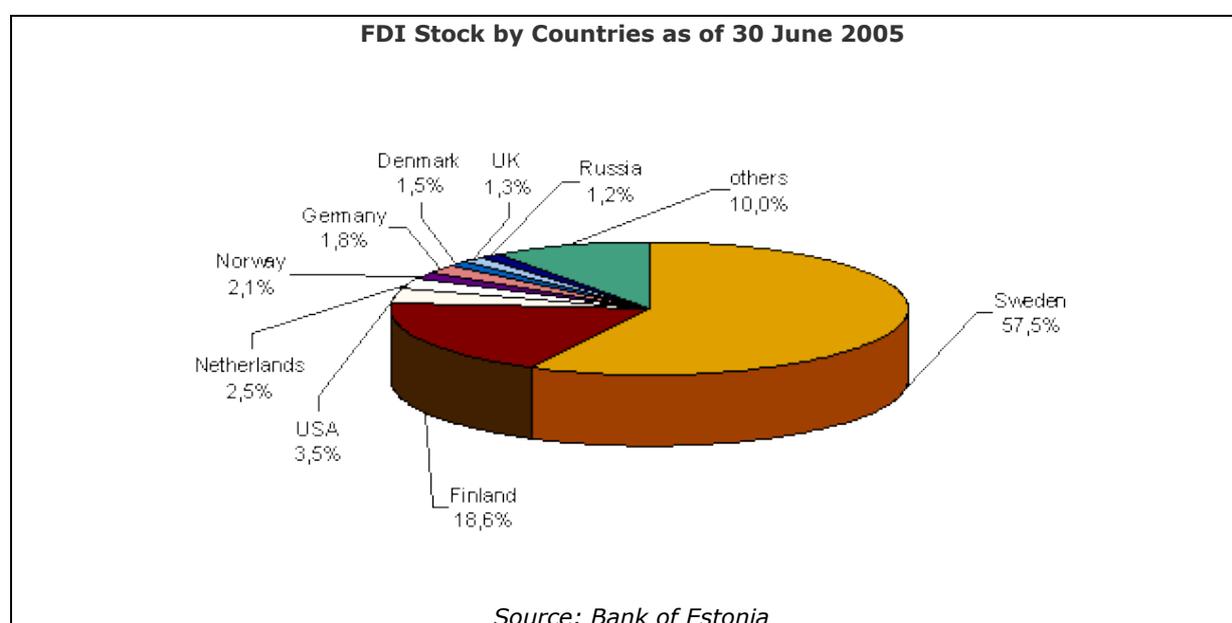
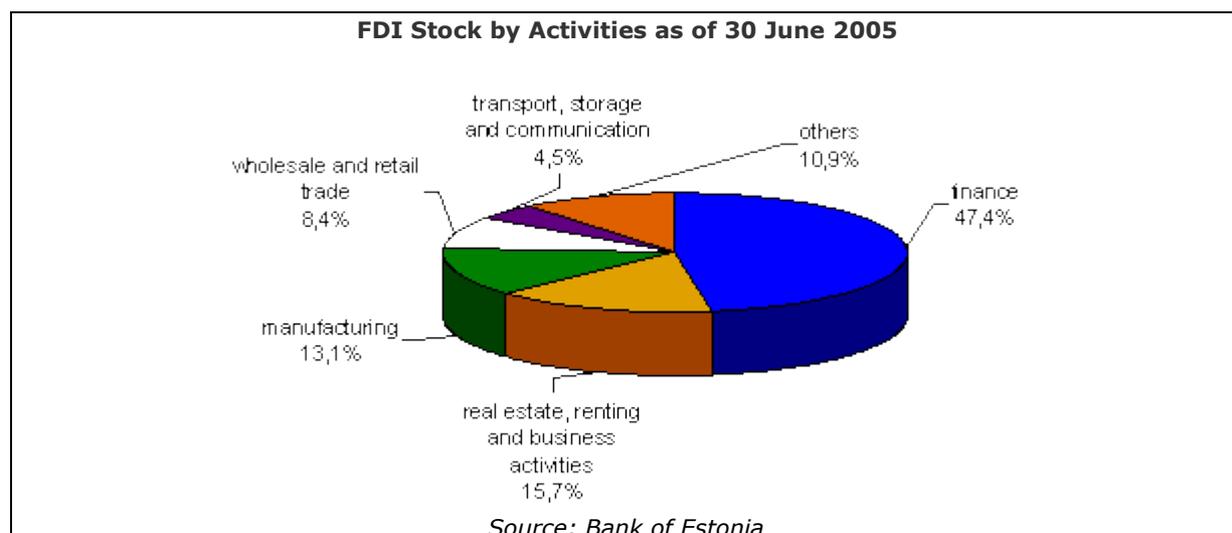


Table 4.

Most influential sectors as a source of productivity gap to the EU, end of 1999

	Estonia	Poland	Czech Republic	Slovakia	Hungary	Slovenia
Industry	31.9%	40.6%	39.2%	38.1%	34.5%	51.5%
Public sector	25.9%	23.5%	20.7%	29.2%	32.1%	20.1%
Services (except for business)	19.7%	14.8%	20.3%	14.4%	20.6%	12.7%
Agriculture	8.2%	12.2%	11.5%	10.1%	7.1%	7.4%
Construction	7.3%	5.8%	6.3%	8.4%	4.7%	6.4%
Business services	7.0%	3.0%	2.0%	0.0%	1.0%	1.9%

Source: Johannes Stephan, The Productivity Gap between East and West Europe: What Role for Sectoral Structures during Integration?, IWH 2002, p.12

Source: <http://econwpa.wustl.edu/eps/pe/papers/0309/0309005.pdf>

Table 5.

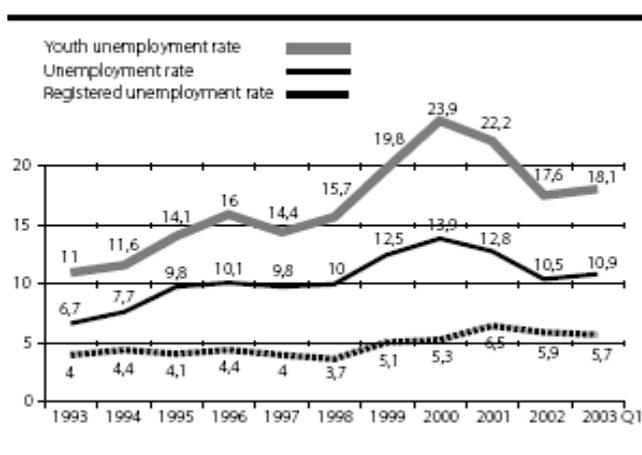
Table 8. Changes in employment in the manufacturing industry, total production and annual productivity growth during the period 1994-2000⁵⁶

	Production decreasing	Production increasing
Employment increasing		16.2% manufacture of wood
		13.6% manufacture of furniture and other manufactured goods
		13.3% manufacture of motor vehicles and other transport equipment
		10.0% manufacture of rubber and plastic products
		9.1% manufacture of electric appliances
Employment decreasing		8.6% manufacture of metal products
	25.40%	manufacture of chemicals and chemical products
	4.62%	mining
	2.86%	energy supply
	0.05%	manufacture of food, beverages and tobacco products
		36.01% tanning and dressing of leather and manufacture of footwear
		25.40% manufacture of textiles
	20.71% manufacture of other non-metallic mineral products	
	12.73% manufacture of paper and paper products	
	9.11% manufacture of machinery and equipment	
	4.09% manufacture of wearing apparel	

Source: Statistical Office, calculations by PRAXIS.

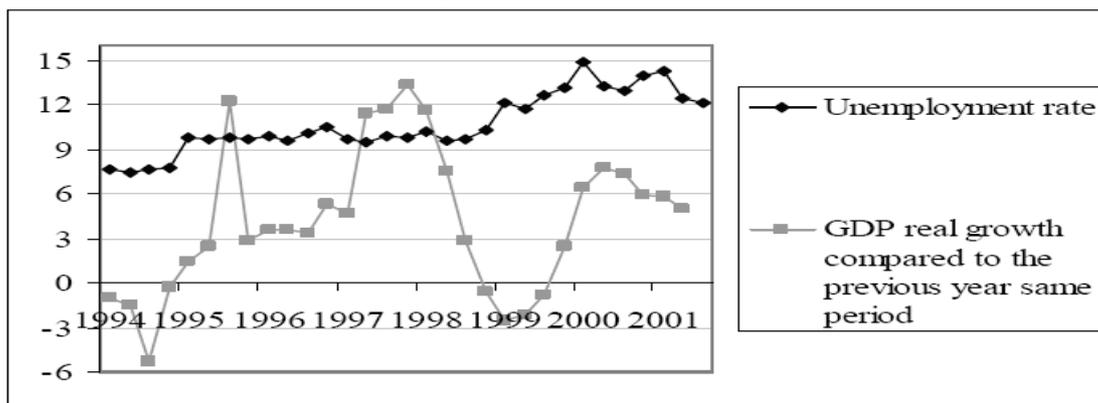
Graph 5.

Graph 2. Unemployment rates between 1993 - 2003 I quarter



Source: *Education, labour market and career guidance in Estonia*, Foundation Lifelong Learning Development Innove, National Resource Centre for Guidance, 2004, p. 40.

Graph. 6. Unemployment rate and GDP growth rate (%)



Source: *Labour Market; Gross Domestic Product*

Table 6.

Milestones: Estonian privatisation step by step

1991 - The first Estonian enterprises were privatized

June 17, 1993

Estonian Law on privatization was adopted by the Parliament (entered into force on July 24, 1993)

According to the law, three main types of privatization were set up:

- sale of property in tender with preliminary negotiations
- sale of property on a public or restricted sale
- public sale of shares of commercial undertakings

1991-95

Almost all Estonian small businesses (approx. 1,200 companies) held by the state were sold in auctions

November 24, 1995 - Estonia officially applies for the EU membership

1998 - Estonia starts the negotiations to become a member of the EU. The chapter about industrial policy (dealing with privatization) was closed quite soon.

2000 - Estonian government signed a treaty with the American company NRG Energy about the sale of the majority of stocks (49 %) of the two power plants in Narva which produce 98 % of all energy in Estonia

April 30, 2000

Estonian Privatization Agency agreed to sell 66 % of shares in the Estonian railways to the British-American-Estonian consortium Baltic Rail Service (BRS)

May 2001

The Parliament adopted the amendment of the Privatisation Act about the Estonian Privatisation Agency would be closed from 1 November 2001.

August 30, 2001

The railway privatization deal was complete after BRS paid EEK 1 billion to the Estonian government

Since November 1, 2001

The responsibility for the remaining privatisations was transferred to the Ministry of Finance, the Ministry of Economic Affairs and the County Governments

Source: [http://manila.djh.dk/discover/stories/storyReader\\$316](http://manila.djh.dk/discover/stories/storyReader$316)

Table 7. Main privatisation transactions

Year	Number of enterprises sold by tender	Total purchase price, mln EEK	Number of enterprises sold by auctions	Total purchase price, mln EEK	Three biggest transactions
1993	54	353	238	121	RAS Leibur (bakery) Tallinna Vineeri ja Moobilkombinaat (furniture) RAS Flora (chemical products)
1994	215	1,329	100	63	RAS Viru Hotell (hotel) RAS Tarmeko (wood processing, furniture) RAS Tallinna Kaubamaja (department store)
1995	142	1,021	126	82	RAS Rakvere Lihakombinaat (meat products) RAS Kalev (confectionery) RAS Tallinna Meretehas
1996	43	474	87	152	AS Esoil RAS Eesti Kindlustus RAS Valga Külmtusvagunite Depoo
1997	17	1295	64	161	AS Eesti Merelaevandus AS Eesti Metalliekspor AS Kiviter
1998	13	318	19	287	AS Läänemaa Elektrovõrk Eesti Valvekoondis AS Narva Elektrovõrk
1999	14	137	8	17	Eesti Merelaevandus Liviko AS Narva Elektrovõrk AS
2000	4	106	2	1,3	Eesti Ringhäälingu Saatekeskus (broadcasting transmission centre) Edelraudtee AS (railwaypassenger services)
2001	4	1020	n.d.	n.d.	AS Eesti Raudtee

					AS Elumaja
					AS Rahva Raamat

Source: Estonia Privatisation Agency, [http://manila.djh.dk/discover/stories/storyReader\\$316](http://manila.djh.dk/discover/stories/storyReader$316)

Table 8. The biggest transactions during Estonian privatisation process over the 1990s

Year	Object	Purchaser	Price/EEK
1993	Tallinna Vineri ja Mooblikombinat (furniture)	AS Marlekor	56,000,000
1994	RE Parnu Kalakombinaat (fish products)	AS Maseko	18,500,000
1995	RAS Pussi PPK(fiber board, chip board, assumed liabilities worth 25 mill. EEK)	AS Repo	20,000,000
1996	RAS Tartu Autoveod	AS Rano	26,000,000
1997	AS Eesti Merelaevandus (70% of shares)	AS ESCO Holding	700,000,000
1998	Eesti Valvekoondis	EVK Grupp AS	61,000,000
1999	Eesti Merelaevandus (30% of shares)	AS ESCO Holding	300,000,000
2000	Eesti Ringhaalingu Saatekeskus (broadcasting transmission centre)	TeleDiffusion de France	102,000,000
2001	Eesti Raudtee (66% of shares)	Baltic Rail Service	1,000,000,000

Source: Estonian Privatisation Agency data and Finpro, http://www.balticdata.info/estonia/macro_economics/estonia_macro_economics_investments_basic_information.htm

Table 9.

Trade union membership and union density in Estonia, 1992-2002

	1992	1994	1996	1998	2000	2002
Labour force (aged 15-69 years)	790,500	730,900	687,700	668,600	658,200	649,500
EAKL members	609,900	200,000	119,300	65,100	57,900	47,500
TALO members	60,000	50,000	45,000	40,000	40,000	35,000
Total union members *	669,900	250,200	164,300	105,100	97,900	82,500
Union density	88.0%	37.0%	26.5%	17.4%	17.2%	14.2%

Source: <http://www.eiro.eurofound.eu.int/2003/08/feature/ee0308101f.html>

Annex 4

Interviewed persons

Name	Organization and affiliation
Ain Kabal	EVEA (UEAPME)
Riina Danilson	
Harri Taliga	EAKL (ETUC)
Liina Carr	
Thor-Sten Vertmann	ETTK (UNICE)
Kristi-Jette Remi	
Anneki Teelahk	HR Director, Eesti Põlevkivi Ltd
Mario Lambing	Executive Officer for Economic Analysis Division, Economic
	Development Department

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