



Employment and labour market policies for an ageing workforce and initiatives at the workplace

National overview report: Estonia

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Introduction

Estonia has an ageing population. The population share of people aged over 50 years was about 34 % in 2004 and is predicted to increase until 2020. Average estimated life expectancy at birth fell in the first half of the 1990s, reaching its lowest level in 1994 when it was 61.0 years for men and 73.1 years for women. After that the average life expectancy has risen to be 66.0 years for men and 76.9 years for women in 2003. The significant difference between the life expectancies of men and women has the effect that most of the elderly population, especially those of a very high age, are women.

The employment rate amounted to 52.9 % in 2004 which was slightly higher than on the average of the European Union (51.3 %). Regarding the older population Estonia is characterised by a comparatively higher employment rate than the EU-25. With an employment rate of 52.4 % of older people (55 - 64) in 2004 Estonia already exceeds the EU objective for 2010 (50 %).

Estonia has acknowledged the problem of the ageing labour force for some time already. An improvement step in this field was the survey on the *Work-Ability and Employability of the Ageing Labour Force* by PRAXIS in the first half of 2004.

In coordination with the national programme for implementing the policy for the elderly in 2002 - 2005 another project was started in the second quarter of 2003 within the framework of the national employment programme for 2003. This was the *Reducing the Unemployment of Older People. Increasing the Employability and Preventing the Social Exclusion of Older People* project. The aim of the project is to develop the provision of combined labour market measures for older people that focus on their individual needs. The following measures are provided: preparing personalised action plans, individual counselling, adaptation training, vocational counselling, professional training, finding suitable jobs in cooperation with employers. The planned cost of these activities is 1.38 million Estonian kroons (88 198 EURO).

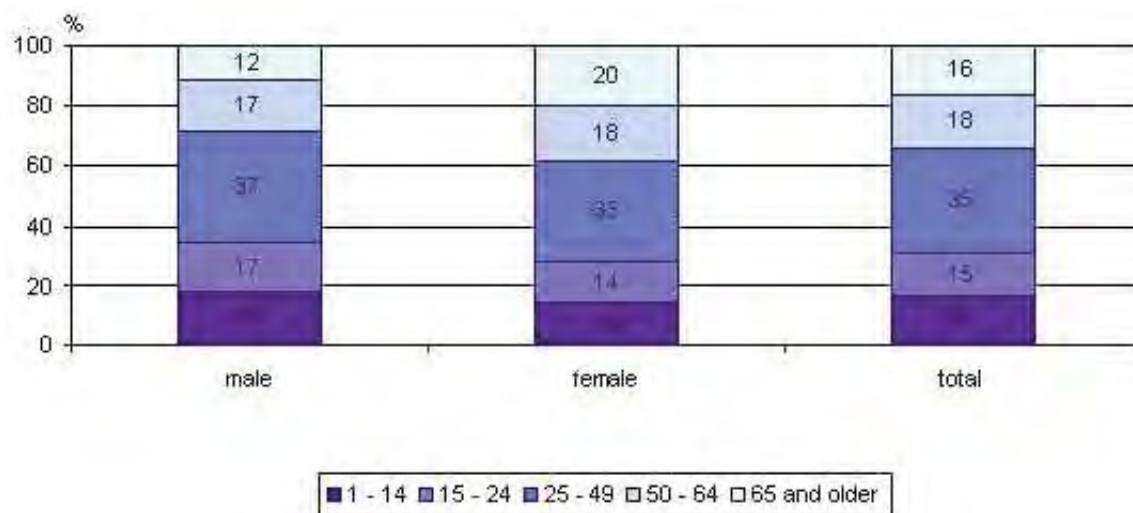
WHO suggests to refer to people over 45 when talking about an 'ageing workforce' while EU Employment Guidelines take into consideration people aged 55 - 64. In Estonia the usage of the age of older employees in different contexts differs. In general topics, Estonians use 'ageing workforce' when talking about people over 45 and in all the EU references and enactments and documentation translations it is used with people aged 55 - 64.

Within the last 5 years the number of unemployed people aged 50 - 54 has risen by 78 %. One of the reasons hindering the employment of the older generation is their assessed insufficient efficiency. There are also lots of myths and preconceptions leading to age discrimination. For example, old people are not ready for retraining, they do not adjust to technological changes and have low motivation. Furthermore, they might have more health problems which might, again, cause a decrease of efficiency. Nevertheless, they have also greater motivation, loyalty, diligentness and readiness for collaboration.

Situation of older workers in Estonia

Estonia is characterised by an older population, if compared to the European average (EU-25). 34 % of the inhabitants were aged 50+ in 2004, whereby, in particular, the share of the persons aged 65+ is much higher for women than for men (see Figure 1). Between 1991 and 2004 the share of the older population (50+) increased by about 4 %-points for males and 5 %-points for females which is due to a decreasing number of young people.

Figure 1: Share of the population of Estonia by age group and gender in %, 2004



Source: Eurostat

As regards the educational attainments of the inhabitants of Estonia it can be observed that the younger generations on average dispose of a higher level of formal qualification than the older ones. While, for example among the population aged 65+ the share of those having only completed (pre-)primary and basic education amounted to 44 % in 2004 and as few as 20 % were academics, only 8 % of the 25 - 49 year old ones left the formal education system after (pre-)primary and basic education and 30 % completed tertiary education. There are clear differences by gender: Women are generally better educated than men (i.e. higher share of academics, lower share of persons having completed (pre-)primary and basic education, only), which is particularly true for the 45 - 54 year old population. The educational level of the Estonian population is considerably higher than for the EU-25 and has been slightly increasing for the last years, especially as regards the older population (50+).

In comparison to the EU-25, Estonia is characterised by a considerably higher disability rate: In 2002, about 23.7 % of the Estonian population indicated to have longstanding health problems or disabilities (EU-25: 16.2 %) whereby a positive correlation between age and the prevalence of health problems/disabilities can be observed (e.g. 13.6 % of the 25 - 34 year old suffered from health problems/disabilities while the respective share was as high as 31.0 % in the age class 45 - 54 and 49.5 % for the 55 - 64 year old persons). Among the female population 45+ the disability rate is higher than that for men. The highest disability rates can be found in the education sector and among elementary occupations (e.g. sales and services assistants, cleaners and launderers, building caretakers) or plant/machine operators and assemblers, respectively. (Source: Eurostat, Labour Force Survey 2003). By January 1st, 2005 about 40 % of the persons who were granted pensions received it for incapacity of work (whereas about half of them were paid in the framework of old-age pensions and the rest were, for example, recipients of survivor's pensions) (Source: Statistical Office of Estonia).

The employment rate (i.e. the share of employed persons aged 15 and over in the total population of the same age) of Estonia is slightly higher than the European average which is mainly to be attributed to the female employees (see Table 1). In spite of a very similar average exit age from the labour market for Estonia and the EU-25 (Estonia: 60.8 years vs. EU-25: 61.0 years in 2003) the employment rate for the 65+ is considerably higher in Estonia than the European average.

Table 1: *Employment rate (i.e. share of employed persons aged 15 and over in the total population of the same age) of Estonia and the EU-25 by age group and gender, 2004*

	Male		Female		Total	
	EE	EU25	EE	EU25	EE	EU25
15-24	33.2	39.2	22.4	33.4	27.9	36.4
25-49	82.8	85.9	75.6	69.4	79.1	77.7
50-64	60.7	61.4	61.0	42.8	60.9	51.9
65+	17.7	5.7	6.8	2.2	10.4	3.7
Total	59.1	59.6	47.9	43.6	52.9	51.3

Source: Eurostat

The highest average annual number of accidents at work can be found among the age class 25 - 34 for men and 45 - 54 for women. The highest incidence of accidents is to be observed in the manufacturing sector. (Source: Statistical Office of Estonia)

In spite of the slightly better employment rate, Estonia's unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) is quite similar to the European average (9.2 % vs. 9 % in 2004) which is particularly true for the older age groups (see Table 2). The unemployment rate of the 50 - 64 year old ones has been decreasing over time (from 10.3 % to 7.4 % between 2001 and 2004) in Estonia while it has been increasing in the EU-25 (from 6.7 % in 2001 to 7.2 % in 2004). In general, the duration of unemployment increases with age.

Table 2: *Unemployment rate (i.e. unemployed persons as a percentage of the active population of the same age) of Estonia and the EU-25 by age group and gender, 2004*

	Male		Female		Total	
	EE	EU25	EE	EU25	EE	EU25
15-24	23.4	18.4	23.7	18.7	23.5	18.5
25-49	10.0	7.5	8.2	9.5	9.1	8.4
50-64	9.3	7.1	5.8	7.3	7.4	7.2

Source: Eurostat

Role of public actors in fostering active ageing in Estonia

In general, hardly any policy measures directly targeting older people exist in Estonia. One exception is labour market support for employers to recruit/engage less competitive people (including unemployed people who have 5 years to being entitled to retirement pension). In 2003, 390 unemployed people were recruited in the framework of this measure, 78 (20 %) of which were over 50 year old. Elderly people are motivated to keep on working because of rather small pensions and the possibility of receiving both, a salary and pension payments at the same time.

Under the Ministry of Social Affairs, the Committee of Policy of the Elderly has been created. The council of the Committee contains members from different institutions. The principal objective of the policy for the elderly in Estonia is to promote the internationally accepted principle of 'Society for All' that is based on the consideration that society comprises people of different age groups who must have the possibility to participate in social life, irrespective of age. The policy for the elderly comprises the objectives, strategies and tasks related to the position and living conditions of the elderly.

Ageing employment is also one of the objectives of the Policy for the Elderly in Estonia. This states that social security policy is an essential part of the policy for the elderly. Voluntary insurance shall be encouraged, keeping in mind the significant number of people who will become old-age pensioners in the next century and, consequently, restrictions on raising state pensions.

Working above the official retirement age while retaining a tax-free full pension shall be promoted. Furthermore, it is also necessary to create conditions for part-time work.

Particular attention shall be paid to the employment of people who are in pre-retirement age with a view of ensuring that they are not discriminated against in comparison to other jobseekers.

Suitable conditions shall be created for more flexible transition from the period of active employment to retirement (part-time employment, retraining, easement of professional requirements etc.)

Tasks

The state shall provide social security for the elderly and ensure their economic coping, including:

- providing a national pension for retaining self-sufficiency and a minimum purchasing power of an elderly person;
- on the basis of demographic and economic data, making reasoned forecasts on the funding of social security and planning the receipt of funds.

Elderly employees must have an opportunity to participate in advanced training and retraining courses and to receive other advantages offered by the employer, equal to the employees of other special groups. In creating an acceptable working environment and working conditions, as well as in planning work, their opinion has to be taken into account and work accidents and occupational diseases have to be prevented.

Collective bargaining are not very common in Estonia and because of that trade unions do not play an important role in influencing older workers' working conditions. About 14 % of employees belong to Trade Unions; the older people's relative importance there is larger than younger people. The main points in collective bargaining that concern older employees are:

- Compensations for experience (jubilee compensation, experience benefits, experience vacation);
- Compensation for pre-retirement age employees' contract concluding because of age;
- Fixed reduction order.

Estonia's National Action Plan (NAP) for Employment 2004 was coordinated by the Ministry of Social Affairs. Other ministries, as well as the social partners, the Labour Inspectorate and the Labour Market Board were also involved.

The Ministry of Social Affairs is responsible for the implementation and evaluation of the NAP.

The targets of the Estonian government for 2006 are to:

- Increase labour force supply by removing all regulative obstacles to participation in the labour market and increasing economic incentives;
- Reduce the unemployment rate for older people (in 2003 – 7.1 %) and raise their employment rate to 52.5 % (in 2003 – 52.3 %)¹;
- Raise the average exit age and promote active ageing.

Taking into consideration the demographic trends in Estonia and the rapid fall in the labour force, the Employment Taskforce emphasises in its report 'Jobs, Jobs, Jobs' the need to reduce inactivity and increase the involvement of women, low-skilled and older workers in the labour market.

To increase the general labour force supply, the government plans the following:

- As set out in the Labour Market Strategy, to remove all obstacles to certain groups entering the labour market. So far, involvement of the disabled in the labour market has been problematic as (according to the Unemployed Persons Social Protection Act) people assessed as totally disabled cannot register as unemployed with the public employment service. This means that these people also lack the right to employment services and benefits. In Estonia, working ability is currently assessed on the basis of the need for assistance due to disability or diseases and not on the basis of actual working ability. Therefore, many people who are actually able and willing to work lack access to employment services and benefits. This, in turn, complicates their participation in the labour market. To ensure that everyone who wishes to work has access to labour market measures, the Ministry of Social Affairs has decided to amend the relevant legal provision in 2005 (the enactment will be effective from January 1, 2006).
- Reduce taxes and raise the tax-exempt minimum. This will lead to a slight rise in workers' real income and facilitate more effective labour force supply through economic incentives. It also provides an additional incentive for entering into the labour market.
- Foster the inflow of top foreign specialists and the return of (older) scientists, teachers and skilled workers into Estonia. The amended Aliens Act, adopted in 2004, promotes the access of foreign workers to the Estonian labour market by allowing skilled workers from outside of the European Union to work in Estonia for up to 6 months without a residence permit and working permit.

Considering Estonia's demographic situation and progress, the most important factor in increasing the labour force supply is to promote the employment of older people and delay retirement.

Although Estonia has already met the 2010 target for employment of older people, attention must still be paid to reducing unemployment and inactivity among older people to achieve an overall rise in employment. The problems and needs of older people must be taken into account in the provision of labour measures. According to the Labour Market Strategy:

- Unemployed older people must be offered more individual counselling. From 2006, the case management principle and personalised action plans will be implemented in reintegrating unemployed older people into the labour market;

¹ National definition of indicators

- A positive attitude towards older people must be created by the timely informing of employers of the needs of the ageing labour force. In order to acknowledge the problem of the employment of older women, guidelines for supporting the employment of older women were supposed to be published in Estonia in 2005, but this intention has not yet (end of 2005) been realised;
- Older people must be offered training for boosting their self-esteem and encouraging them to learn new professions through vocational guidance;
- The project *Reducing the Unemployment of Older People. Increasing the Employability and Preventing the Social Exclusion of Older People* was carried out until the end of 2004. European Social Fund projects for bringing older unemployed people back to the labour market will be carried out in 2006.

To favour active ageing and delay retirement the government plans to:

- Prepare a national pension strategy by September 2005. The strategy² is based on the proposals made in the survey 'The Impacts of the Common Retirement Targets of the European Union on the Estonian Retirement System' (compiled by PRAXIS). The aim of the strategy is to ensure the adequacy of retirement pensions and promote the employment of older people;
- Inform people on the option of delayed retirement and its financial benefits;
- Limit the options for early retirement by reforming the early retirement system. The government's retirement reform plan establishes the loss of superannuated retirement and retirement with benefits. Only people with the required years of employment will be entitled to receive superannuated retirement pension. Workers who have obtained at least 70 % of the employment years that give the right to superannuated retirement pension will be paid compensation. In reforming the pension system it is crucial to ensure that people who will lose the right to early retirement have opportunities to continue working;
- Offer vocational rehabilitation, adaptation of working places, further training, retraining and active employment services to workers whose vocational abilities have been damaged.

Public initiatives for fostering active ageing

The Estonian National Action Plan mentions the securing of an appropriate income to elderly people by increasing pensions through prolonging working life: If people decide to continue working and defer receiving a pension after reaching pensionable age, their old age pension will be increased with respect to the number of extra months worked (0.9 % for each month). As a pension is the main source of income for people aged 65 years and older, this measure also promotes a rise in the standard of living in retirement.

By September 2005, a national pension strategy had been developed, the objectives of which include ensuring the adequacy of pensions and promoting working. The pension reform has created new possibilities to increase incomes in retirement age. The reform has also increased motivation of working age persons to participate in the financing of the pension system while decreasing labour market distortions. Also the general interest, responsibility and knowledge of people about their future pension have been increased. The rules of the pension system and financing methods are more transparent and sustainable.

² See <http://www.sm.ee>

On the other hand, the pension reform has brought about new risks, for example increasing of income disparities of persons in retirement age. That would be the case, if the large income differences of current working age population are not changed and will be transferred into the pension differences.

Under the current rules financial sustainability of the pension system does not appear to be a major problem despite the ageing population. However, maintaining the adequacy of state pensions could become a problem, requiring additional modifications, e.g. adjustment of the pension index.

While the main elements of the Estonian pension system (I and II pillar) are relatively well compatible with the principles established by the EU common pension objectives, the Estonian pension system also includes smaller pension arrangements which raise questions in the light of the EU common objectives. Special pension schemes for some categories of civil servants, superannuated pensions and old age pensions on favourable conditions give rise to questions in relation to the intra-generational solidarity of the pension system (EU objective No. 3), lowering of the average labour force exit age and the average age of granting pension (EU objectives No.4 and 5), balance between adequacy and financial sustainability (EU objective No. 7) and flexibility of the labour market (EU objective No. 9). Although it is not possible to abolish the aforementioned pension provisions quickly due to the legitimate expectations of persons employed in the professions concerned, limiting these special pension rights needs to be considered in the longer run.

About 25% of all old age pensioners are working. However, for nearly one half of all working pensioner's earnings from work remain below the European minimum wage. Nevertheless, social tax from earnings of working pensioners is an important source of revenues for the pension insurance budget, accounting for about 10 % of all revenues from social tax.

While the statutory pension age is currently 59 for women and 63 for men, the state pension system still includes different possibilities to retire before that age – early retirement, old age pension on favourable conditions, superannuated pensions, certain special pensions (e.g. military, police).

Early retirement pensions in 2001 - 2003 have accounted for 20 – 24 % of all newly granted old age pensions. Analysis of the labour market status of persons opting for early retirement pension revealed that about 75 % of these persons were out of work at the time of granting the pension, most of them were unemployed for more than one year preceding the granting of pension. This points to a labour market segregation among older workers – while some persons continue to work for a long period after reaching the pension age, there is another group of persons facing unemployment in pre-retirement age and opting for early retirement pension to receive a stable income.

Taking into account all different forms of early retirement, in 2001 about one half of men and one-third of women actually retired at least one year before the statutory pension age. Most often this occurs through old age pension on favourable conditions, followed by general early retirement pension, granting of invalidity pension in pre-retirement age or superannuated pension and special pensions. As the statutory pension age of men is higher than that of women, it is logical to expect that the pressure on early retirement is higher among men.

The average age of those being granted an old age pension is about 2.5 years lower than the average exit age from the labour force. The average exit age from the labour force in Estonia is quite similar to the EU-25. Nevertheless, the statutory pension age as well as the average effective pension age are lower than in the 'old' Member States.

Starting from 2002, the Estonian state pension insurance includes a possibility to postpone the time of receiving old age pensions with an increase in pensions by 0.9 % per month (i.e. 10.8 % per year). In spite of this generous increase, the deferred old age pension has met only marginal interest so far.

Women account for 69 % of all old age pensioners in Estonia. However, men outnumber women among the recipients of early retirement pension and superannuated pension. The share of men in these pension categories is respectively 65 % and 77 %.

Relatively high intra-generational solidarity in the state pension insurance scheme is reflected also in the comparison of average pensions of men and women. Average old age pension of women amounts to 97 % of the average old age pension of men. Comparing this result to the wage difference of men and women, we can observe that while wage differences in Estonia are considerably higher than in the 'old' Member States, pension differences are rather small.

As a result of acquisition of new pension rights on the basis of social tax paid, wage differences of men and women will (in the longer run) also lead to the pension differences in the Estonian first and second pillars. The future pension of women is, furthermore, influenced by the fact that pension rights for the periods of child care are very modest.

There are several Acts about Estonian public health and employment contracts where the ageing workforce problem is briefly mentioned. The document 'Estonian Occupational Health Action Plan till 2007' mentions as one objective to guarantee people working age. There are plans to implement preventive activities to retain people's work ability and development through the work life..

The Estonian National Action Plan implements the European Union Structural Funds' integrated programme document for 2004 - 2006 'Equal opportunities in labour market' objectives, resulting in the possibility to apply for co-financing from the European Social Fund. For this measure co-financing from the European Union in years 2004 - 2008 is 413 million kroons (26.4 million EURO). The Estonian Labour Market Board is coordinating this measure.

Estonia joined the European Community Initiative EQUAL in 2004. In Estonia, there is implemented a theme A: Facilitating access and return to the labour market for those who have difficulty in being integrated or re-integrated into a labour market which must be open to all. Among many other preferred target groups there also age orientation is mentioned. The time frame of the programme is 2005 - 2008. Projects implemented in the framework of EQUAL are supported by the state of Estonia and structure aid from the European Social Fund. 25 % of the funding will be provided by Estonia and 75 % by the ESF. The sum of theme A to be implemented in Estonia is 42.44 million Estonian kroons (2.7 million EURO). The programme coordinator is the Estonian Labour Market Board.

Measures and initiatives implemented at individual company/organisation level

According to the Ministry of Social Affairs and its different decision units no company or organisation which has implemented special measures or initiatives fostering active ageing is known. Different banks, breweries, the statistical office, a sweet factory and many other organisations were asked, but no good examples were found. However, this section will give a brief overview on the companies where many older people are working and which have problems as regards a lack of aftergrowth among young people. The interviewed companies were: Tallinn University of Technology, Estonian Post Ltd, Tallinn Bus Company, Foundation of North- Estonian Regional Hospital. All the interviews were made with the personnel managers or specialists for human resource management.

Tallinn University of Technology

Organisational background

Tallinn University of Technology (TUT) (Tallinna Tehnikaülikool), one of the largest universities in Estonia, is a public legal entity founded in 1918, providing interdisciplinary higher education and technological advancement. It is organised into 8 faculties, 33 departments and 110 chairs, 1 university research centre and 9 faculty research centres as well as 9 affiliated institutions.

TUT has over 10,000 students and personnel of 1,573. 51.2 % of the staff is male; academic staff (teaching and research staff) comprise 53.2 % of total personnel (13.6 % professors, 17.3 % associate professors, 11 % assistants, 17.2 % lecturers, 21.5 % senior researchers and 18.6 % researchers). The average age of personnel is 48.8 for the academic staff, 55.9 for professors and 58.8 for associate professors. TUT's staff comprises 530 (33.7 %) holders of PhD or an equivalent qualification and 245 (15.6 %) master's degree holders.

There is a very small turn-over rate (1 – 2 %) in TUT. Many positions of professor, associate professor and assistant are not filled.

TUT's workforce is ageing as academic work is not attractive for the younger generation. Older workers are esteemed by the organisation. As TUT's election regulation does not allow people over 65 to apply for selected positions as professors, associate professors, assistants and researchers there are many extraordinary places created for older people for extra 1 - 3 years.

In TUT, the social dialogue goes through the trade union, but there is also informal social dialogue, and consultancy is provided by the personnel department.

Practice today

This case study mainly focuses on the oldest employees' groups: professors and associate professors and their exit policy. Retired professors, after ten years being professors, have the right to request the status of Professor Emeritus. If the Council of TUT approves the request, they will retain 75 % of the salary to death supported by the Estonian government. Professor Emeritus has no obligations, but in TUT they give lectures and tutor and educate younger lecturers and researchers. TUT has 40 Professors Emeritus.

To value and esteem more long-time employees, TUT Constitution states that associate professors who have been at their positions for at least 15 years are able to request the status Associate Professor Emeritus after retiring. If the Council of TUT approves the request, they will get financial support from TUT forever. The purpose of the decision is to connect older employees to the university to retain the valued know-how.

A golden medal is awarded to employees with 25 years TUT work experience.

In TUT, there are legally no age supporting initiatives or policies, but recruiting, wage policy, promotion, career management or flexible working practices of academic staff all take into consideration former experience and the amount of research and development, especially international publications. Generally people over 45 perform better in this sector.

TUT has more than 150 extraordinary positions of which more than 50 % are filled with the people who cannot apply for the selected position due to age. This practice exists for internal and external reasons. As there are no suitable

candidates available on the labour market, older employees are given the opportunity to earn additional money for their pensions.

There is no gender dimension to the practice. Women participate more in non-academic positions and men more in academic positions. Historically, there were more male lecturers working in TUT because 'Technology' was rather associated to 'male occupations', but now both genders are equally treated.

In some newer areas like gene technology, there are many young scientists, as 40 years ago this science even did not exist. There are many areas which are popular among younger people but also very unpopular areas, like mechanical engineering where hardly any reproduction is to be observed.

The extent to which the practice affects the employability of older workers and ageing workforce is about 30 % of people in pension age. University gives older people the possibility to work as long as they are able to be profitable and competitive (better old than none).

For the pre-study courses (for the students of secondary schools) many older lecturers who still could teach courses (because they have know-how and motivation) are hired. Sometimes, the organisation loses a little bit in efficacy, responsiveness and promptitude due to the older employees' lacking adaptation to newer technologies in teaching (data projectors, PowerPoint etc.) and working with new databases.

In the future, TUT has planned to implement the lifetime professors system. If the professor has been selected two times in row, they will be lifetime professors. So, these positions are not age related any more.

Hitherto development of the case study

This practice has not changed much during the years. Certainly, due to the ongoing tendency that younger people do not want to work at the university, the average age was much younger 10 years ago and there were less extraordinary positions in the university. Also the possibility to obtain the status Professor Emeritus has existed during those years. The new initiative to appoint Associate Professor Emeritus makes it easier for much more people to exit active employment but still be connected and useful for the university and retain a certain income.

Further information

Contact: Hedvi Valgemäe

Sources: <http://www.ttu.ee>, TUT Annual Report 2004

Estonian Post Ltd

Organisational background

Estonian Post Ltd (Eesti Post AS) is a 100 % state-owned company whose core activity is the provision of postal services. The company was established in 1918. In 1991 the State Enterprise Estonian Post started its activities. It offers nearly 90 types of services. The service network of the Estonian Post consists of 545 service agencies (post offices and postal agencies). Estonian Post owns 6,798 mailboxes.

Estonian Post employs a total of 4,220 persons. Every 4th employee of Estonian Post is a postman. The administration of the company is quite young with an average age of 35. The main service providers' (post-processors and post delivery men) average age is about 50.

There is a large labour shortage in the organisation right now, many post-processors and postmen are needed. The turnover rate in 2004 was very high, about 15 %. At the beginning of this year there were 12 main post offices, but now they are divided into 5 regions.

In 2003, the whole management and administration was changed. A manager of education and training was hired. This resulted in a completely new personnel policy; the personnel is more valued now by the company. Every colleague is taken as a partner. The company's goal is to encourage and inspire each other to get better results. Older workers are treated exactly as anyone else. The company does not want to lose any employees because of age.

The social dialogue goes through the trade union. There is collective bargaining as regards the rights of employees. No special agreements concerning older workers are stated. In collective bargaining, there are some points about special compensations to the redundant employees before retiring pensions (if they are made redundant one year before retirement, they will retain their salary) and compensation of retraining, but no special initiatives.

Practice today

There are more than 500 post units all over Estonia. Therefore, the most needed workforce are post delivery men and post processors. The Estonian National Communication Board which is a governmental agency acting in the administrative field of the Ministry of Economic Affairs and Communications has prescribed by the Post act how many people are needed to work within a certain distance in kilometres. Even if the Estonian Post would rather use more motor vehicles to deliver, they have to follow the prescription.

Therefore, in rural areas there are many old people working as postmen. Lots of them are already retired but as long as their health allows them to work, they do. The recruitment of postmen and post processors is done in every county, normally in rural areas there are more older people living and the choice is made among them.

Another not very attractive position for the younger generation is post processor. After graduating from high school many young people go there to work, but only until they find something else. So, their career in post office is short (normally will not exceed 1 - 2 years); also schoolchildren do their summer practice there, but for most of them it is just temporary.

The Estonian Post has not dictated any specific age group for the positions. They employ those who are interested in fulfilling the tasks. The Estonian Post also cooperates with Tallinn Employment Service sending them workforce (generally aged over 45).

There are some points in collective bargaining which are worth mentioning:

- Reduction: if persons are about to go to retirement (1 year), they will get the same salary till their pension age if they are made redundant;
- Reduction: Employer pays the costs of retraining; and gives a consultancy about their further career if employees are let go;
- Work jubilees: All the work jubilees starting 15 years are awarded;
- Estonian Post provides clothes to employees according to the weather conditions;
- Insurance: Estonian Post covers the medical and life insurance for their employees. If the employee gets injured in his completion of work assignments, the company pays them a normal day salary; and also if something happens to them out of working hours the company pays them the normal day salary in addition to the money from sick benefit fund.

In job advertisements there is no gender dimension. Company believes that if the person has firm will to do a certain job, the gender does not matter. But normally men are more preferred to the positions like courier service providers. Most of the postmen are women. Even though Estonian Post Ltd might prefer men for those positions, it is an occupation associated with women.

The overall problem in the communication and postal service sector is the unpopularity. Young people are not interested in that area. Until 2004, a vocational school of communication services was operating, but it had a very negative reputation among people. Students who did not enrol to high schools or any other educational schools went to study there. In 2005, this school has united to Tallinn Polytechnic School, and hopefully the area will be popular in the future.

The opening of EU borders has not much affected that specific sector. Postmen normally will not seek the job outside Estonia.

There is little clash of interest between Estonian Post Ltd and the state. Estonian post is of the opinion that there is no need of that many offices and post units across Estonia, but as the Estonian National Communication Board has stated in the act the certain number, the Estonian Post has to find people to fill all the positions. There are more beneficial effects for the employees there. First of all, they get the opportunity to work and get paid. Furthermore, as they also receive special clothes, they do not have to buy anything themselves.

The organisation realises both positive and negative effects. Positive is that older people are committed to the work and it is the interest of state and Estonian Post that the work is done. The negative effect is the cost side. If they could motorise and diminish the post delivery service they would have lower costs.

In the future the whole system could change, if the organisation would be privatised. But now, Estonian Post Ltd has to find out possibilities to make jobs more attractive for all the people including older generations.

Further information

Contact: Marje Aavik

Sources: <http://www.post.ee>; company reports

Tallinn Bus Company

Organisational background

Tallinn Bus Company (Tallinna Autobussikoondise AS) is the municipal undertaking employing 1,030 people. Besides the main activity the company has 7 subsidiaries: Tallinn City lines, TAK Real Estate, TAK Education, Kadaka Sport, Reparation and Service of Buses, TAK Catering and Burmani Willa.

The age profile distributes among the age groups as follows (average age over 50):

■ 19 - 29	60 people
■ 30 - 39	170
■ 40 - 49	280
■ 50 - 59	320
■ 60+	200

632 employees work in Tallinn city lines, mostly as bus drivers, traffic coordinators and specialists; Reparation and Service of Buses gives work to 188 people and TAK Real Estate employs 124 persons. Administration forms 3.4 % of the employment. Female employees have a share of 15 %, including 18 bus drivers (a few years ago there were no female bus drivers).

The turn-over rate was 5.2 % in 2004 and 4 % in 2003. There exists a problem of labour supply, especially after Estonia joined the EU. Most of the bus drivers have gone or are planning to go to Finland, Ireland or Great Britain for better salary.

Tallinn Bus Company is one of the most employee and family-friendly organisations in Estonia. The company treats all their employees equally. Older workers are valued by the company. All the decisions that are related to the employees are discussed with them (redeployment that may come with ageing or health problems etc).

The social dialogue goes through the trade union, but most common is informal social dialogue between employees and the personnel manager.

Practice today

Social dialogue about employees' motivation and development plans is held between all the employees. There is no age discrimination in recruitment, training, development or wage policy. The company practices a comprehensive approach with all age groups. The most used initiative dealing with the older workers is redeployment. It is an unwritten practice that the company gives older people who have problems due to age and health an opportunity to work in the position in which they could still be useful.

The most common practice is used with the bus drivers. Bus drivers have to follow the health control daily. Older people whose reaction are decreased and people with a higher level of stress are directed to drive different lines: suburbs of the city with less traffic and stress. Sometimes also their workload is lessened. People who cannot drive any more because of their age are redeployed to work as guards of parking lots in TAK Real Estate. There are 43 guards and every year 5 - 6 new old people are hired for the jobs.

There are mostly internal reasons why this practice exists. Old bus drivers know the vehicles and organisation, so they have knowledge and do not need any instructions and time for getting accustomed. So, the organisation saves valuable time and money for finding new people and old people can still earn some extra money besides their retirement pension.

There are many more men than women working as bus drivers. Women's relative importance is just few percentages. There are some historical reasons. Many years ago when just old Ikarus buses were in use their steering-wheel and gear case were really heavy to handle, so women physically were not able to drive. But now, when most of the buses are Volvo and Scania, more women are interested in that work, even the attitude that bus driving is a man's job has not much changed.

The situation on the labour market in this sector is quite difficult. As the salaries of the sector are below the average, Finland, Ireland and Great Britain are very attractive target markets for Estonian employees. Most of the young people will not stay in Estonia as bus drivers. To keep the personnel in Estonia and in the Tallinn Bus Company, the company's subsidiary TAK Education trains the bus drivers. The school fee is quite high but people who get work in Tallinn Bus Company later do not have to pay the fees themselves. Tallinn Employment Service sends many people to Tallinn Bus Company (where they can learn and later work) where persons are not charged and evaluated by age.

Older employees feel that the company values their work which motivates them to work as best as they can. All the older employees teach and supervise their younger colleagues; it makes the company more competitive. The staff is quite committed to the company. The company has not experienced any negative effects resulting from the practice of keeping

an older workforce; sometimes, there are problems with customers who complain about the bus drivers' poor language skills (about 60 % of the bus drivers are Russian speaking citizens) but age has not caused problems so far.

The practice of redeployment has been valuable for the company, but as it is not written down in the collective bargaining agreements or anywhere else, employees cannot be 100 % sure that they could work as long as they are able to. The company's challenge is to benefit as much as possible from ageing employees. Therefore, there should be implemented special policies dealing with the ageing workforce.

After 15 years of employment people get presents for every work jubilee.

Hitherto development of the case study

The situation of bus drivers' education has changed. Years ago, the training of bus-drivers was 100 % state financed. Every year there were 30 - 40 skilled bus drivers (with the main category) entering into the labour market. Now the situation has changed, there is a 2.5 month long retraining before they are allowed to drive a bus and people have to pay for their studies themselves (except the ones who continue working with Tallinn Bus Company).

As the company has expanded its activities- created the TAK Real Estate, for example- this concrete practice (redeployment: hiring the old bus drivers as a guards of parking lot) has been newly introduced.

Further information

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Sources: <http://www.tak.ee>; Company reports

Foundation of the North-Estonian Regional Hospital (Põhja-Eesti Regionaalhaigla SA)

Organisational background

The objective of the foundation of the North-Estonian Regional Hospital is the provision of high quality specialist and ambulance service. The corporation acts according to private law. The administration is led by a council and a managing board. The foundation organises 5 different clinics and Keila hospital. Currently, the foundation employs 3,245 people whose average age is about 46.

In this case study the main focus will be given to the Centre of Pathology. There are 10 doctors working with an average age of 64 (the youngest one is 53 years old and the oldest is 75). The ratio of men : women is 4 : 6. Almost no fluctuation takes place. There are big shortages in the labour market and practically no supply. The centre would hire immediately at least 2 - 3 doctors. In 2000, there were no state financed places (state order) at this speciality.

Therefore, the older workforce is very appreciated by the organisation, not only in the Centre of Pathology, but in the hospital at all. As the study process is at least 7 years for doctors, the skilled persons enter the labour market older than normally. Hospitals prefer workers with experience of about 10 years; their most valued target group is aged 40 - 55.

The hospital has a trade union for the social dialogue as many other institutions and conducts collective bargaining; but no special agreements concerning older workers exist.

Practice today

The foundation sees the Centre of Pathology as a unit where few employees have to cope with a large amount of work. Therefore, the foundation has initiated flexible working practices. The employees have flexible working time and work

processes enabling a division between different people. Within the centre they divide the jobs and, if possible, everybody may fulfil the tasks he/she knows best or prefers the most.

The organisation has jobs for more people but there is no aftergrowth among younger personnel. The main objective of giving doctors the flexible working practice is to keep them at work. Otherwise, the centre would 'die out'. The reason is the specific labour market situation. The ones who have the necessary skills and education want to work abroad since Estonia joined the EU. In Finland, the salaries in that occupational field are 10 times higher and Estonian health sector workers are an attractive target group for them. There is also little inside competition between Tartu and Tallinn hospitals in Estonia (in some cases people stay working in Tartu, as the university is in Tartu where they get the education and started with the practice). More than 10 years ago there was a directive from the universities that the graduates had to work a certain period of time at the hospital in which they were educated. As the problem that the graduates will not stay in Estonia and try to find places abroad is quite important now, the Ministry was discussing putting this practice in place again, but without success.

The situation in the health care market is quite uncertain. Every year the hospitals have new and different contracts with their financiers and they cannot predict anything beforehand. So, the foundation is interested in keeping the old ones at work to maintain the important centre. They have to be flexible to get the contracts of the Health Insurance fund, being the most important financier for the foundation. The doctors are interested in working in the centre to keep themselves busy, get a certain amount of monthly income besides retirement pension and feel themselves to be valuable for the company.

In the foundation there is no gender dimension to the practice. The work of some special surgeons (like heart surgeons) is physically more exhausting, so most of the surgeons are men. In the pathology centre there are, in contrast, more women.

This practice affects 100 % of the Pathology Centre employees. Employees benefit as much as they are in the stronger position. They are not threatened by unemployment. Without these old employees the foundation would be less profitable and competitive. Negative effects on the organisation are the additional costs what would not arise in the case of 'normal employment'.

The main reasons for keeping the old doctors are their work experience and the practice they have being very important for the organisation. Older employees share their knowledge with their younger colleges for years.

In the future perspective, the young doctor aftergrowth should be regular (state should order a certain amount of study places every year). It has to be a steady process. The foundation sees the Estonian government as the main player to solve the health care problems and better finance the health care sector.

Hitherto development of the case study

The foundation today sees more chance to give its input to the governance of the health sector through the reports about employees' age and salaries. They have steady communication and cooperation with the university and the Ministry of Social Affairs, the Union of Hospitals and professional associations.

Ten years ago the situation was more complex, less money was available and the market situation was different.

Further information

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Sources: <http://www.regionaalhaigla.ee>; Company reports

Conclusions

As a result of the ageing population, the numbers of working age people decrease and costs of pension and health care systems increase. It may slowdown economic growth and give negative influence to the state welfare. Keeping the hitherto employment level and preclude the pension system loading, leaving from the labour market as late as possible is an important issue. Estonian population in 2050 is predicted to be 1.078 million people (now about 1.4 million) and the relevant importance of older people will be 25.4 % (now 10 %).

In the employment policy specific measures for older workers have not been implemented during the last 10 years. The Estonian quite high employment rate among older people is due to the changes of the pension system. Since 1996, a working pensioner gets full pension. This has motivated people to continue in the labour market.

In the strategic document, older employees' employment development has not been entirely covered. Under the Ministry of Social Affairs, there is a Committee of Policy of Elderly but they concentrate more on people over 65.

Collective bargaining concerns a very small number of employees and its impact on older workers is relatively small.

The Centre for Policy Studies PRAXIS recommended to government to:

- Support the older workforce to return to the labour market through fostering active work policy and flexible work practice;
- Improve the quality of Labour Market Board's database for registered unemployed. This should enable proper background analyses of older employees and their participation in active work policy programmes;
- Set concrete objectives for older workers' employment;
- Support the further training of older people and develop the concept of life-long education;
- Carry out the research of age discrimination in work life and employers' attitude towards older employees;
- From the work contract law and public service law, the clause that enables a work contract to be terminated because of age should be excluded;
- Additionally, there is a need to evaluate the work ability of all workers and develop a strategy which enables them to retain work ability until very high age;
- Remodel the pension on favourable conditions and superannuated pension systems;
- Make the informative work to government about the postponement possibilities.

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