

Overview of the state's migration policy choices

*What is the role of migration in alleviating labour
shortage?*

Dear readers,

Migration is a politically and socially sensitive issue in most countries, including Estonia. People often speak about this in general terms and emotionally without relying on specific data or focusing on substantive aspects. That's why people haven't acknowledged that approximately 25,000 people have migrated to Estonia over the last ten years, not all of whom have stayed here, of course. The National Audit Office examined how we've managed to employ the best skills of the people who've moved here for the purpose of strengthening our economy and nation, and what we should do to make the most of the potential of future immigrants capable of generating income. In this context, it should be noted that the number of working-age people – i.e. people aged 20-64 – will decrease by approximately 50,000 by 2020 and by as much as 165,000 by 2040. Meanwhile, the number of people aged 65 and over will grow by approximately 24,000 by 2020 and by more than 88,000 by 2040.

We've become used to the idea that we will be facing labour shortage as more people are exiting the labour market than entering. However, the idea of citizen's income is driven, among other things, by technological development, which means that soon the world will supposedly need considerably fewer workers. This topic was recently discussed in the media and it was pointed out that the development of information and communication technology means that 70 per cent of employed people or 431,000 people in Estonia may be at risk of losing their jobs in the long run.

It's impossible to predict what will really happen. We should be able to forecast, in the short term, what kind of and how many specialists Estonia will need, but in the longer run, our predictions become vague – however, this is natural as we have no idea of the needs we may have in the distant future.

As for the present, it is clear that someone will have to maintain our pension and health insurance system, and our country and society as a whole. That's why we all have to figure out how to generate income that can be used to meet society's demands in order to preserve the standard of living and ensure the economic development of Estonia. The role of migration and various national reforms in solving these problems remains to be seen as it is something that raises more questions than can be answered at present. I hope that this overview will help us better understand the current situation and find appropriate solutions.



Alar Karis
Auditor General

On 16 June 2015

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What is the role of migration in alleviating labour shortage?

The National Audit Office (NAO) analysed whether the labour shortage resulting from population ageing and emigration should be alleviated by boosting immigration or could the problem be solved by increasing the domestic employment rate. Further, the NAO examined whether the individuals who have immigrated over the recent years are employed or need social assistance from the state. Based on the results of the analysis, the NAO grouped the choices and possibilities available to the government for increasing labour supply and enhancing the migration policy.

Why is this important for the taxpayers?

Decrease of the working-age population causes labour shortage that has become one of the major factors compromising Estonia's economic growth. Compared to 2014, the number of working-age people – i.e. people aged 20-64 – will decrease by approximately 50,000 by 2020 and by as much as 165,000 by 2040. Meanwhile, the number of people aged 65 and over will grow by approximately 24,000 by 2020 and by more than 88,000 by 2040. In addition to the pressure on the labour market, it jeopardises the sustainability of the pension and health insurance system. That's why the state has to figure out how to increase labour supply in order to preserve the standard of living and ensure the economic development of Estonia.

In 2005-2013, the number of emigrants exceeded the number of immigrants by 21,000, according to the Population Register and the Police and Border Guard Board (PBGB). Most of the emigrants were young or working-age people. The negative net migration aggravates population ageing and decrease. In 2014, emigration showed signs of slowing down and dropped by one-third, but still the number of emigrants exceeded the number of immigrants by 700.

In 2005-2013, nearly 39,000 people immigrated to Estonia whereof approx. 14,000 are returning emigrants with Estonian citizenship. For businesses, the people immigrating to Estonia represent potential workforce that the country lacks. However, immigration entails a number of risks related to the exclusion of certain groups of immigrants from the labour market or their adaptation problems. Hence, effective management of the migration policy and the related support systems would serve the interests of the Estonian economy and society.

What we would like to underline as a result of this overview?

For mitigating our labour shortage, the government has two options that are not mutually exclusive: promote immigration even further and/or implement reforms that increase employment. If reforms are not implemented and the current migration policy continues, the labour shortage problem will be aggravated and could start limiting the country's development perspectives. The government can reduce the need for immigration only if reforms help bring to the labour

market individuals who are unemployed, inactive or disabled or have a reduced work ability or retire early, and productivity increases. It should be noted that, even after the implementation of reforms, the Estonian labour market might not be able to supply all the workforce who have the skills and knowledge required for economic development. If the government seeks to attract more (top) specialists to come and work in Estonia, it needs to make the migration policy more effective. Currently, few (top) specialists come to Estonia, and the majority of immigrants are migrant family members or students who will not enter the labour market.

- **To mitigate labour shortage, we should have more detailed information as to the expertise and skills required on the Estonian labour market in the future.** The first precondition for solving the labour shortage problem is having accurate information on the number of individuals missing from the labour market, and the required skills and expertise. The government's main source of information is the labour demand and supply forecast by the Ministry of Economic Affairs and Communications, but this does not specify the skills and expertise required in the future or the extent of labour shortage across various industries that can be compensated for domestically. Inadequate overview of workforce that is scarce on the labour market prejudices the development of measures that would help mitigate the negative effects of population ageing and find the required workforce.
- **The implementation of necessary reforms would alleviate labour shortage.** The government can alleviate labour shortage by helping the currently unemployed and inactive individuals enter the labour market, raising the retirement age, and contributing to population and productivity growth. In 2014, 5% of population in the age group 15-74 were unemployed and 32% were inactive. It should be noted that, even if measures are taken swiftly, the reforms would yield results in the long run rather than over the next few years. Further, such measures might not stimulate the required highly qualified workforce and top specialists of specific fields to enter the labour market. Hence, fostering our economic development calls for promoting the migration policy as well.
- **The current immigration arrangements have not resulted in the increase of highly competent workforce into the Estonian economy.** The government has decided to foster the immigration of top specialists, but in reality, most of the migrant workers coming from third countries are skilled workers. Approximately one-third of migrant workers take up employment in sectors that require highly qualified workforce. 16% of migrant workers have earned a salary corresponding to the position of a top specialist.
- **A notable share of immigrants has not taken up employment.** Most immigrants arrive in Estonia as migrant family members to join other family members living in Estonia. 33% of them have a regular job. As Estonia needs highly qualified workforce as well as less qualified labour, the non-working immigrants represent an unused resource. Although finding a job is one the essential factors contributing to integration, the employment of migrant family members has not been prioritised.

- **Some foreign students enter the Estonian labour market after graduation.** The number of foreign students studying in Estonia has grown and 20.7% of them take up permanent employment (have worked at least 10 months over an 18-month period) in Estonia after graduation. Graduates of Bachelor's and Master's studies are less likely to enter the labour market whereas individuals who have acquired vocational or professional higher education are more likely to do so.
- **Our capacity to receive and integrate immigrants can be enhanced.** Immigrants face the following difficulties: limited access to public information and services, the inadequate readiness of nursery schools and schools, and the attitudes of the community and employers towards individuals of foreign origin. These factors reduce the attractiveness of Estonia as a destination country for highly qualified workforce and compromise the adaptation and integration of immigrants in more general terms.
- **Exploitation of the social benefits system is not common among immigrants.** Internationally, one risk that is often deemed to accompany immigration is the excessive use of social benefits by immigrants – but this does not apply in Estonia. On the average, immigrants receive less benefits than the local population. For example, in 2013, 2.7% of the Estonian population and only 1.5% of immigrants received the subsistence benefit. The majority of benefits payable to immigrants are related to children and family rather than subsistence problems. Hence, immigrants do not burden the social welfare system.
- **Estonia does not suffer from extensive emigration of individuals with higher education. Most of the emigrants are young people, low-income workers or people without a regular job.** According to the Population Register, approx. 60,000 people have left Estonia in 2005-2013, and emigration has continuously increased. Before emigration, a quarter of emigrants had a regular job, but overall, the unemployment rate among emigrants is higher than the population's average. The average gross income of emigrants made up 60% of Estonia's average before emigration. 11% of emigrants had higher education.

Ensuing from the above, the government should determine:

- whether the labour shortage problem should be solved by means of domestic reforms and/or by further promoting immigration;
- how many immigrants should be brought to the Estonian labour market, what kind of skills and expertise should they have, and how could this be achieved;
- how to increase employment among migrant family members;
- how to foster the entry of graduate foreign students in the Estonian labour market;
- how to enhance the country's capacity to receive and integrate immigrants.

Table of Contents

Labour shortage will increasingly limit Estonia's economic development	7
Population ageing and decrease calls for new workforce	7
Reducing domestic labour shortage calls for reforms	10
Immigration has not contributed to the attainment of economic policy objectives	17
Immigration in figures	17
The goal of migration policy is to ensure necessary demographic and economic sustainability	20
Only a few labour migrants are employed in high-salary positions and in sectors generating higher added value	21
In order to facilitate immigration of persons with the needed skills and knowledge, we need to decide on the best migration system of Estonia	24
New solutions have to be implemented to attract highly qualified workers to Estonia	26
Family migrants constitute the largest category of immigrants in Estonia, but most of them are not regular participants in the labour market	29
Foreign students in Estonia do not enter the local labour market after graduation	33
The state is not ready for welcoming or integrating immigrants	38
Exploitation of the social benefits system is not common among immigrants	44
It is difficult to restrain emigration of young and working-age people	47
Emigration in figures	47
Most emigrants are young people or those in a poor labour market position	49
The government has no means to restrain emigration	52
Conclusion: the government's options for increasing the effectiveness of the migration policy and related policy fields	54
Responses to the NAO's overview	56
Description of the overview	65
Selected previous audits of the NAO in the fields associated with the labour market	70
Annex A. Description of the Estonian immigration system	71
Annex B. Conditions of entry into Estonia based on residence permits, rights of residence, and D-visa	73
Annex C. Comparison of employer-based and points systems	78
Annex D. Examples of the practice of other countries in active search and recruitment of qualified workers	80
Annex E. Percentage of registered unemployed among working-age new immigrants	81
Annex F. Use of unemployment insurance benefits and unemployment allowances by new immigrants	82
Annex G. Types of social benefits paid to new immigrants	83
Annex H. Government needs more detailed information on emigrants and immigrants to design migration policy	86
Annex I. Educational level of emigrants	87
Annex J. Examples of international practice in the implementation of a diaspora policy	88

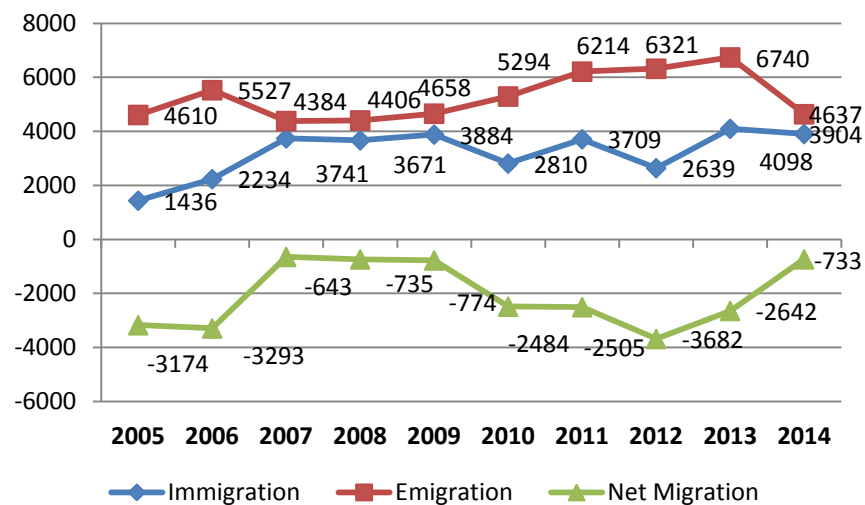
Labour shortage will increasingly limit Estonia's economic development

How does population ageing and decrease affect the labour market?

Population ageing and decrease calls for new workforce

1. Currently, 1.316 million people live in Estonia – by 2040, this number will drop to 1.195 million. This means that Estonian population will annually decrease by 4,800 people, on the average. The number of working-age people (20-64-year-olds) will drop by 165,000 and their share in the population will go down from 65% to 58%. Meanwhile, the share of people in retirement age (aged 65 or over) will grow from 18% to 27.6%.¹ As a result, the ever-decreasing workforce must maintain the ever-increasing share of pensioners which jeopardises the sustainability of pension and health insurance systems.
2. The two major factors behind the decrease of working-age population are the negative population growth and emigration that exceeds immigration. Achieving positive population growth and witnessing its effects on the labour market takes decades whereas controlling migration processes allows increasing the share of working-age population faster.
3. Migration processes have been in motion for years but in the opposite direction – in 2005-2014, the number of emigrants exceeded the number of immigrants by approx. 21,000 (see Figure 1).

Figure 1. Emigration and immigration, and net migration, 2005-2014



Source: Data from Statistics Estonia

4. In the light of the above trends, the government has set the following objectives: boost economic growth as well as the employment rate. Although it would be realistic to achieve an employment rate of 76% among working-age population (aged 20-64) by 2020, as set out in the competitiveness strategy "Estonia 2020", it would not be enough to increase the number of employed people and hence the attainment of

¹ Population forecast by Statistics Estonia. http://pub.stat.ee/px-web.2001/Database/Rahvastik/01Rahvastikunaitajad_ja_koosseis/04Rahvaarv_ja_rahvastiku_koosseis/04Rahvaarv_ja_rahvastiku_koosseis.asp.

economic policy objectives. As the number of people entering the labour market is smaller than the number of people exiting, the actual number of individuals remaining on the labour market will decrease. Hence, the share of the employed will likely increase. The interim report on the competitiveness strategy notes that merely maintaining the 2013 level, i.e. approx. 600,000 employed persons, would mean an employment rate of 80% in the future. The employment rate in Estonia was 73.3% in 2013 and 74.3% in 2014.²

5. Specifically, over the period 2013-2022, approx. 12,000 people will annually exit the labour market as a result of demographic changes. The number of new workers entering the labour market will be somewhat smaller.³ This is mostly due to the low birth rates in the 1990s as the people born back then are about to complete their higher education studies and enter the labour market.

How does the shortage of qualified labour affect Estonian economy?

Did you know that

According to the Global Competitiveness Reports, Estonia ranks 104th of 144 countries in terms of availability of scientists and engineers.

6. According to the Estonian Institute of Economic Research (EIER) and the World Economic Forum, the shortage of qualified labour has become the paramount factor limiting Estonia's economic growth.⁴ As of 2014, the main challenge faced by Estonian businesses was finding workforce with necessary knowledge and skills (see Figure 2).⁵ The EIER has highlighted labour shortage as a major problem in a number of sectors, incl. IT (in 25% of businesses), telecommunication, manufacturing (e.g., in 43% of businesses manufacturing machinery and equipment, and in 50% of businesses manufacturing furniture), service sector, and transport.⁶ Therefore, although workforce with lesser qualifications is scarce as well, highly qualified labour is considered to be the main driver behind Estonia's economic growth and competitiveness, and in Estonia it is deemed to have even greater weight than in most Central and Eastern European countries.⁷

² EU Labour Force Survey. Eurostat, 2014.

³ Labour Demand and Supply Forecast up to 2022. Ministry of Economic Affairs and Communications, 2014.

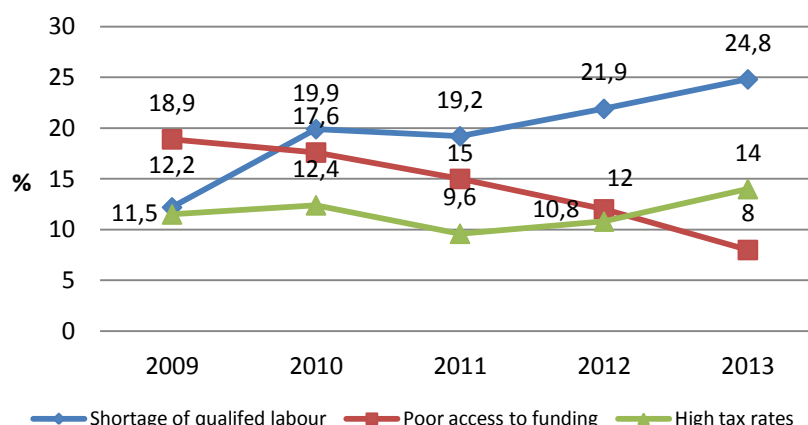
⁴ Konjunktuur, No. 4 (191). Estonian Institute of Economic Research, 2014. https://www.mkm.ee/sites/default/files/konjunktuur_nr_4_191.pdf.

⁵ The Global Competitiveness Report 2014-2015. World Economic Forum, 2014.

⁶ Konjunktuur Nos. 190 and 191. Estonian Institute of Economic Research, 2014. https://www.mkm.ee/sites/default/files/konjunktuur_nr_3_190_september_2014.pdf.

⁷ Majanduse Pulss 2014. KPMG, 2014. <http://www.kpmg.com/ee/et/issuesandinsights/articlespublications/majanduse-pulss/lehed/majanduse-pulss-2014.aspx>.

Figure 2. Main problems restricting economic activity in Estonia, according to businesses, 2009-2013



Source: National Audit Office, World Economic Forum

7. In view of labour shortage, wage pressures will become a risk factor. In 2013, the real unit labour cost or the share of labour costs in created added value grew by 2.2% whereas in 2014 the corresponding value was as much as 4.2%. This means that the government's objective to maintain balanced growth of labour costs and productivity has not been attained.⁸ The different growth rates of salaries and labour productivity compromise the competitiveness of businesses and sustainable economic growth. To maintain or increase the number of employed persons, we need to implement substantial reforms in one or more areas (for details, see sub-chapter "Reducing domestic labour shortage calls for reforms").

What has the government done to solve this problem?

8. The government has neither implemented adequate measures to increase the supply of qualified labour nor put in place an effective system for analysing labour market needs. A major obstacle to finding specific solutions for labour shortage is that the government lacks information on the actual number and profile of workers needed by Estonian employers.

9. The Labour Demand and Supply Forecast by the Ministry of Economic Affairs and Communications is currently the government's main source of information for monitoring labour demand. Due to the sample-based methodology underlying the forecast, the provided labour demand values are not accurate, especially for the smaller sectors of the economy.⁹ The forecast does not provide detailed information on the share of labour demand of various sectors that is covered by labour market entrants, or the extent of future labour shortage. The provided information is too general to make education¹⁰ or migration policy decisions. According to the Ministry of Economic Affairs and Communications, the level of detail has somewhat improved in the recent forecasts thanks to using data from the population census.

10. The Ministry of Education and Research is leading the elaboration of the coordination system for labour demand monitoring and forecasting,

⁸ "Estonia 2020" Interim Report. Government Office, 2015.

⁹ Labour Demand and Supply Forecast up to 2022. Ministry of Economic Affairs and Communications, 2014.

¹⁰ Explanatory memorandum to the Act Amending the Professions Act (743SE).

and competency development to promote more effective use of information on labour market needs in the planning of government-commissioned education. The system will involve expert panels from the sphere of professional activity and a cross-sector coordination body. Sectoral expert panels will analyse labour market developments in their sectors, and the situation as regards degree courses and further training courses and the coordination body will manage the drafting of sectoral monitoring analyses and forecasts across all sectors. As the system is to be launched over the period 2014-2020, no results will be available over the next few years.

Reducing domestic labour shortage calls for reforms

Did you know that

In countries that are often used as role models for Estonia (e.g. Iceland, Switzerland, Sweden, Norway), the employment rate is 80% or more.

Source:

http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsd_ec420

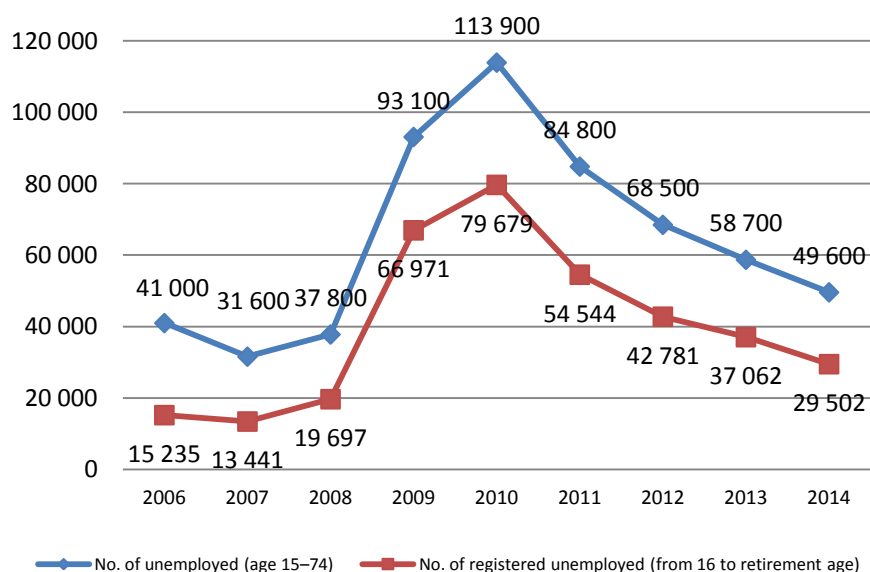
How could the unemployed be introduced to the labour market?

11. The factors behind labour shortage include more than simple demographic processes – further factors include underemployment due to various systematic and structural problems. Although the employment rate in Estonia exceeded the EU average in 2014 (74.3% vs. 69.2%), it is essential for economic growth that the actual number of employed persons (also, see para. 4) and productivity would grow along with the employment rate.

12. Estonia could alleviate labour shortage without attracting foreign workforce. To this end, we would need to bring the unemployed into employment, introduce the inactive to the labour market, and boost the birth rate and productivity.¹¹

13. Although the Estonian economy has grown since 2010, the decrease in the number of unemployed persons has continued to slow down in the post-crisis years. In 2014, there were 49,600 unemployed persons in Estonia, and the number of registered unemployed persons was approx. 30,000 (see Figure 3).

Figure 3. Change in the number of unemployed persons and registered unemployed persons, 2006-2014



Source: Unemployment Insurance Fund, Statistics Estonia

¹¹ Raul Eamets. Smart Migration Policy. Seminar at the Academy of Sciences of Estonia, 2013.

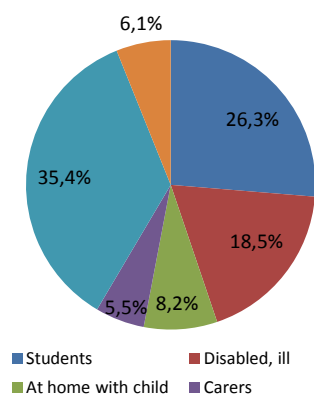
Did you know that

In 2014, 52% of the long-term unemployed had not worked for 2 years or more (i.e. excessively long unemployment). Over such a long period, people start to lose their expertise and skills, and working habits as well.

In the worst-case scenario, the long-term unemployed become discouraged, i.e. they lose hope of finding work. Problems related to bringing the discouraged to the labour market are similar to those faced by the long-term unemployed.

How could the inactive be introduced to the labour market?

Inactive or economically passive individuals mean 15-74-year-olds who are either unwilling or unable to work. Inactive individuals are classified as follows, according to the reason for inactivity:



Source: Statistics Estonia

14. Already in its 2012 audit on “State’s activities in bringing the unemployed to the labour market”, the NAO highlighted that employers are unable to find the required workforce among the unemployed, because the educational level and skills of most unemployed persons do not meet the actual needs. Statistical data confirms that the measures for supporting the unemployed fail to evolve in line with the changes in labour demand.

15. Meanwhile, the availability of in-service training and re-training is still limited, the training provided by the Unemployment Insurance Fund (UIF) does not foster the acquisition of new professions within the vocational and higher education systems, and regional unemployment problems have not been solved. The Ministry of Social Affairs estimates that regional problems could be somewhat alleviated by the mobility support service provided since 2016 by the UIF to reimburse the costs of pursuing employment that are incurred by individuals who have found work further away from home.

16. So, if the government seeks to alleviate labour shortage by bringing the unemployed to the labour market, it first needs to tackle the aforesaid problems and provide in-service training and re-training to minimise the gap between the skills and expertise required on the labour market and those possessed by the unemployed.¹²

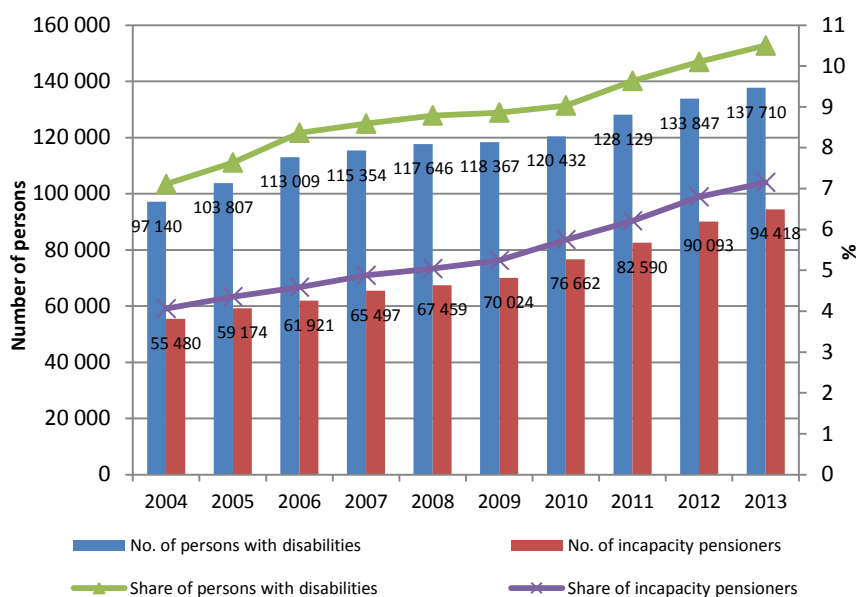
17. Another option for alleviating labour shortage domestically is to bring more **inactive people** into employment. In 2014, there were 316,900 inactive people in Estonia or 32% of 15-74-year-olds. Naturally, all people in this age group cannot be brought to the labour market, but bringing some of them can help reduce labour shortage. In 2014, there were 34,500 inactive persons who were looking to take up employment.

18. **Persons receiving pension for incapacity for work and the disabled**, whose share in the population is consistently growing, make up a large portion of the inactive (see Figure 4). Although a large share of the disabled has attained retirement age and bringing them to the labour market is more complicated, in 2013, over 75% of working-age disabled and over 57% of persons receiving pension for incapacity for work were not employed.¹³ Given that the share of working-age disabled has grown from 39.7% in 2006 to 43.6% in 2013, they – along with non-working persons receiving pension for incapacity for work – form a major group of the population. Some people in that group could be brought to the labour market by providing the right kind of assistance.

¹² According to the Ministry of Social Affairs, the Unemployment Insurance Fund works consistently with employers and training providers to train workforce that meets the employers’ needs. In 2014, the UIF worked with 16 employers to provide training to 265 individuals. To strengthen the partnerships, 140 events designed for employers were held across Estonia in 2014, and by the end of that year the UIF had collaboration agreements with 13 employers.

¹³ Some persons receiving pension for incapacity for work have been declared disabled, meaning that they are included in the 75% as well as in the 57%.

Figure 4. Number of the disabled and persons receiving pension for incapacity for work, and their share in the population (%)¹⁴



Source: Statistics Estonia, Social Insurance Board

Read more

From the audit report on "The state's activities in supporting disabled persons and persons receiving pension for incapacity for work".

19. In its 2010 audit, the NAO made recommendations for improving the situation in both groups and increasing their share on the labour market. For persons receiving pension for incapacity for work, the government has shown initiative and decided to bring people with reduced work ability to the labour market. However, it should be noted that instead of bringing additional workforce to the labour market the reform will initially stop the growth of the number of persons receiving pension for incapacity for work. According to the forecast, the reform will yield notable results by 2020 when the number of persons receiving pension for incapacity for work and beneficiaries of work ability allowance should drop to 80,000-90,000.¹⁵

20. Nonetheless, the government has not made significant changes in the measures for assisting the disabled (except for the work ability reform's effect on disabled persons who have been identified as having a reduced capacity for work). The problem of insufficient rehabilitation persists and employers have claimed that they expect the government to provide more information and assistance, for example, for adapting workplaces, acquiring technical aids, as well as grant tax incentives. As regards persons receiving pension for incapacity for work, changes on the labour market are expected to occur after 5-6 years, whereas the effects of planning and implementing the reforms required for the disabled will occur even later. According to the Ministry of Social Affairs, the framework for assisting the disabled will somewhat change in connection with implementing the work ability reform. Further, for the target group composed of the disabled it should be noted that, depending on the characteristics and severity of disability, some people will never be able to take up employment. Likewise, this target group includes individuals

¹⁴ The groups 'disabled' and 'persons receiving pension for incapacity for work' overlap in part. In 2013, there were 43,700 persons (i.e. 46%) aged between 16 and retirement age who received the pension for incapacity for work and had been declared disabled.

¹⁵ Explanatory memorandum to the draft Work Ability Allowance Act (No. 678 SE).

who could be able to do certain jobs but their employment would serve the purpose social inclusion rather than financial self-sufficiency, let alone the country's economic growth.

Non-standard pensions include early pension, old-age pension under favourable conditions, superannuated pension, and special pension. As of the beginning of 2014, Estonia had:

- 22,958 beneficiaries of early pension;
- 33,764 beneficiaries of old-age pension under favourable conditions;
- 1,582 beneficiaries of superannuated pension;
- 2,503 beneficiaries of special pension.

For more information on non-standard pensions, read the NAO audit report (2014) on "Sustainability of state's pension policy".

Young people NEET (Not in Education, Employment or Training) are persons aged 15-29 who are not studying and not working.

21. Implementing the reform of **non-standard pensions** could also bring some of the inactive to the labour market. The advantageous conditions of non-standard pensions are an important reason why the actual average retirement age was 59.3 years in 2012 (excluding pensions for incapacity for work and survivor's pensions). Many beneficiaries of non-standard pensions only receive the pension and are not employed. According to the Ministry of Social Affairs, the reform of non-standard pensions and an increase of retirement age are included in the Ministry's agenda for 2015. Proposals for promoting sustainability of the national old-age pension will be discussed with a steering group, consisting of target group representatives, and will be submitted to the Government of the Republic in the first quarter of 2016.

22. Furthermore, increasing the retirement age is a way to keep people longer in the labour market. The government's current plan specifies that the retirement age will be raised to 65 years by 2026. However, according to the calculations of Statistics Estonia, the current ratio of employed population to pensioners can only be maintained if the retirement age is raised to 65 years by 2020 and to 68 years by 2030.¹⁶ Consequently, the rate of population ageing currently exceeds the increase in the retirement age, which is why labour shortage cannot be reduced without implementing changes. At the same time, it is important to ensure that the reform of the pension system is accompanied by measures to support employment of older people. In 2015, some of the employment services were made available to persons in retirement age who are registered as job-seekers at the Unemployment Insurance Fund.¹⁷

23. The inactive population also includes **students**, but it is unlikely that the percentage of employed persons among them would increase further to a significant extent. For instance, 66% of Estonian university students have a job, which is one of the highest indicators in Europe.^{18, 19}

24. At the same time, *ca* 36,000 young people in Estonia belonged to the **NEET** category in 2013 according to Eurostat. NEETs are a heterogeneous group of people with different statuses, experiences, and attitudes. It includes long-term unemployed, persons doing unofficial occasional work, young mothers with small children, offenders with a dangerous lifestyle, persons with mobility or intellectual disability, and simply careless adventurers. While there have been measures targeting NEETs, the overview of the Estonian Youth Work Centre concludes that future support would be more effective if different measures were

¹⁶ Yngve Rosenblad. Tööjõu vananemine ja vanemaealise tööjõu siirdumine pensionile. – Muutuv majandus ja tööturg. Kogumik. Statistics Estonia, 2014, p. 153.

¹⁷ Job-seeking persons in retirement age have access to employment training, qualification support, work practice, business start-up subsidies, enterprise support, adaptation of premises and equipment, and special technical aids and equipment service.

¹⁸ Eesti üliõpilaste eluolu 2013. Rahvusvahelise üliõpilaste uuringu Eurostudent V Eesti analüüs. Lõpparuanne. University of Tartu Centre for Applied Social Sciences RAKE, Tartu, 2013, p. 45.

¹⁹ The Ministry of Education and Research believes that further development of the scheme of simultaneous employment and qualification training (apprenticeship in vocational training) can provide students with additional employment opportunities.

combined and different agencies (schools, the Unemployment Insurance Fund, businesses, youth work institutions, etc.) were able to engage in better cooperation.²⁰

25. The inactive population also includes **persons staying home with a child**. While part-time employment opportunities are limited in Estonia, it is still possible to work while raising a child (e.g., through contracted work). An additional opportunity would be to increase employment of people with small children by reducing the period of parental benefit or the subsequent unpaid period. While such changes would probably facilitate a faster return to the labour market, they would also be associated with several risks, because reduced attractiveness of the parental benefit scheme could lead to unfavourable family planning decisions in certain groups. Such changes would certainly not support achievement of the government's target of a positive natural increase in the population.

26. In conclusion, if the government wishes to alleviate labour shortage by bringing inactive persons to the labour market, it requires structural reforms in the same way like bringing unemployed persons to the labour market. The reforms would enable more inactive people to enter the labour market, but even if the reforms were initiated shortly, the results would be visible only in the future.

Does productivity increase?

Did you know that

The Estonian Entrepreneurship Growth Strategy 2014-2020 identifies the following major growth areas that generate the highest added value and have the most growth potential for the development of Estonian economy:

- information and communication technology (ICT) horizontally through all sectors;
- health technologies and services;
- more efficient use of resources, e.g., 'smart houses'.

Did you know that

The productivity of Estonia's most productive companies is basically at the same level as the least productive companies in Germany and Belgium (companies with more than 20 employees)

Read more in the "Overview of the use and preservation of state assets in 2013-2014"

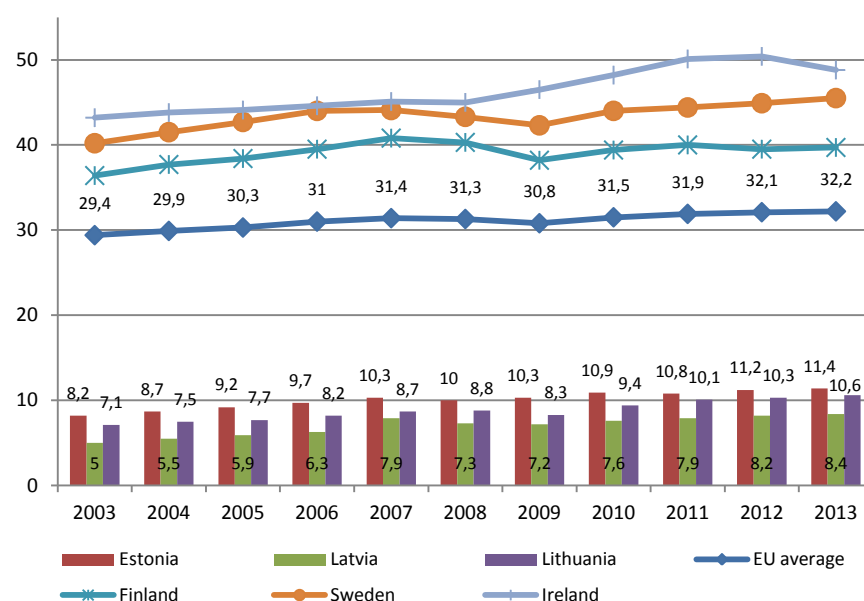
27. Increased productivity, i.e., doing the same work with fewer people, has been identified as the third internal option for alleviating labour shortage. The competitiveness strategy "Estonia 2020" emphasises fast growth of productivity and catching up with the EU average as one of the primary targets.

28. The fast growth of productivity should be achieved through greater capital intensity, as well as products and services with higher added value. It is argued that we need to continue and step up the current policies for raising the qualifications of employees, increasing labour supply, boosting research and development in the private sector, developing infrastructure that meets international standards to support entrepreneurship, and facilitating investments (especially in fields with export potential and higher added value).

29. However, increasing productivity has been Estonia's priority for some time and specialisation in fields with higher added value has long been the topic of discussions. Despite this, the desired development surge has not happened so far in Estonia. More specifically, Estonia's productivity is still as far from the EU's average as it was 10 years ago – both the EU's average and Estonia's labour productivity have increased by approx. 3 euros in this period. Yet, the difference in absolute figures was almost threefold: in 2013, labour productivity per hour was 11.4 euros in Estonia and 32.2 euros on average in the EU (see Figure 5)

²⁰ Avo Trumm, Kairi Kasearu. Noored, kellega keegi ei arvesta ja kes kuskil ei käi. Eesti Noorsootöö Keskus, Poliitikaülevaade, 5/2013.

Figure 5. Labour productivity (euros per hour worked), 2000-2013



Source: Eurostat; Technopolis

Did you know that

In order to achieve an employment structure similar to Finland, for instance, Estonian manufacturing industry would have to create ca 30,000 technologically complex jobs and employ the same number of people.

Source: Technopolis

30. According to Technopolis Group Eesti²¹, the main part of Estonia's active entrepreneurship policy in the last decade has been aimed at modernising the traditional economy. However, this has not resulted in the desired progress compared to other countries or even to domestic targets.

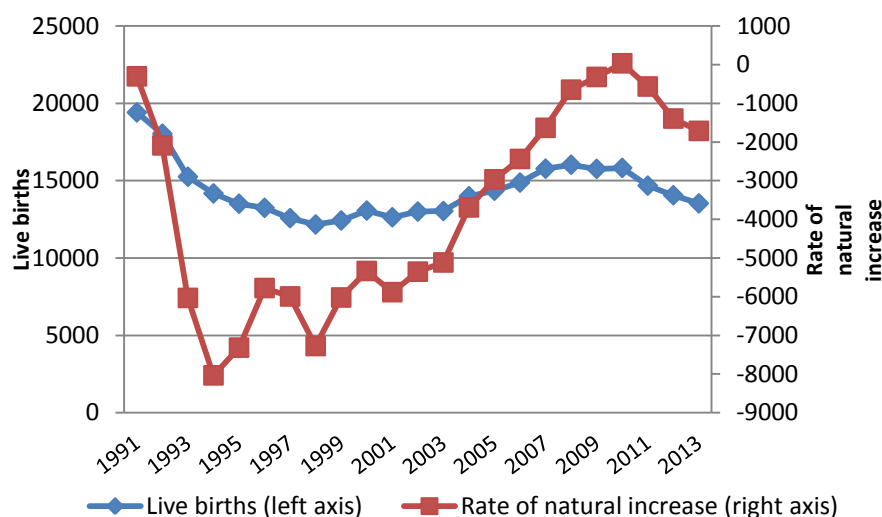
31. Consequently, the current productivity indicators do not give any reason to hope that a considerable development surge, which would offset the negative impact of labour shortage and bring Estonia significantly closer to the EU average, could happen in the near future without structural changes to develop growth areas.

32. The fourth internal option for alleviating labour shortage is to increase birth rate to produce necessary labour force through population increase. A positive natural increase is the government's main target in the family and population policy.

33. Simple continuation of the existing policy measures is not likely to result in a rising number of births, or the number of births exceeding the number of deaths, in the next few years. Effectively, the rate of natural increase has been negative throughout the period after the restoration of independence. This shows that Estonia is unable to ensure sufficient influx of labour force to the labour market through population reproduction alone. Nearly 86,000 more people have died than were born between the restoration of independence and the end of 2013. The number of live births per year has not changed to a great extent either, fluctuating between 12,000 and 15,000 (see Figure 6). Furthermore, the population projection of Statistics Estonia until 2040 confirms that the number of births will continue to fall.

²¹ Estonia – The Business Paradise. Technopolis Group, 2013, p. 9.

Figure 6. Change in the rate of natural increase and the number of live births, 1991-2013



Source: Statistics Estonia

34. Studies have identified the following problems as reasons for the low birth rate: limited impact of parental benefit²², financial difficulties and uncertainty²³, insufficient childcare opportunities²⁴, excessive concentration of support payments in the first few years after birth²⁵, etc. However, it is clear that, compared to the three aforementioned internal options for alleviating labour shortage, increasing the birth rate requires even more time before any positive changes can be felt in the labour market. Even if the problems identified in the studies are resolved and this results in a significant increase of the birth rate, it would still not produce a positive impact on the number of people entering the labour market in this or the next decade. Instead, the opposite effect would be likely at first, due to people on parental leave being absent from the labour market.

35. In conclusion, there are options for finding new labour force within the country to reduce labour shortage, but they require implementation of reforms and the results will materialise only after a long time. While a considerable part of the labour shortage can be met through domestic means, it is unlikely that the listed resources can supply all the highly-qualified labour that is required for the development of Estonian economy. Considering the limitations of Estonia as a small country, it is sometimes impossible to find workers with very specific technical skills or experience in the local labour market.²⁶

²² Impact of Estonian parental benefits on fertility and labour market behaviour. Praxis Centre for Policy Studies, 2006.

²³ Hede Sinisaar, Piia Tammpuu. Single-parent families: problems, needs and policy measures. Series of the Ministry of Social Affairs, No. 4/2009.

²⁴ Kaja Oras, Marge Unt. Factors affecting the birth rate in Estonia. Social Analysis Centre SAK, Tartu, Pärnu, 2008.

²⁵ Financial benefits for families: impact on inequality, fertility, and labour market behaviour. Praxis Centre for Policy Studies, Policy Analysis No. 1 / 2009.

²⁶ Talent Attraction and Retention as a Pillar of Estonian National Competitiveness in the Region. American Chamber of Commerce, 2012. <http://amcham.ee/wp-content/uploads/2012/11/Talent-Attraction-and-Retention-Position-Paper2012-ENG.pdf>.

36. Consequently, initiation of domestic reforms should be the primary measure for alleviating Estonia's labour shortage, but it is essential to make simultaneous choices in the field of migration policy to prevent a slowdown of economic development.

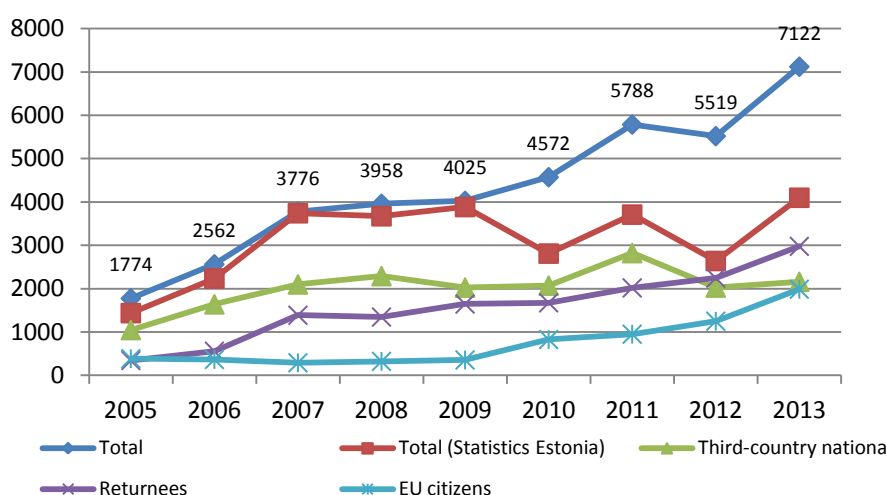
Immigration has not contributed to the attainment of economic policy objectives

Immigration in figures

How many immigrants come to Estonia and from which countries?

37. According to the Police and Border Guard Board and the Population Register, approx. 39,000 persons immigrated to Estonia from 2005 to 2013, incl. ca 25,000 new immigrants²⁷ and ca 14,000 returnees. Of all immigrants, 47% were third-country nationals, 36% were returnees²⁸ and 17% were EU citizens. The share of return migration and EU citizens in immigration has increased in recent years, while the percentage of third-country nationals has correspondingly decreased. In 2013, 42% of immigrants were returnees, 30% were third-country nationals and 28% were EU citizens (see Figure 7).²⁹

Figure 7. Number of immigrants 2005-2013³⁰



Source: NAO, Population Register, Police and Border Guard Board, Statistics Estonia

²⁷ In the context of this overview, a 'new immigrant' means a person who received an initial residence permit or primary right of residence, is not an Estonian citizen, and immigrated to the country legally for the first time during the period 2005-2013. The statistics of the Police and Border Guard Board differ partially from the statistics presented in this overview, because the PBGB's statistics is based on issued residence permits and rights of residence.

²⁸ Persons of Estonian origin who have been permanent residents of a foreign country for a certain period.

²⁹ The NAO's analysis based on the databases of the Population Register and the Police and Border Guard Board.

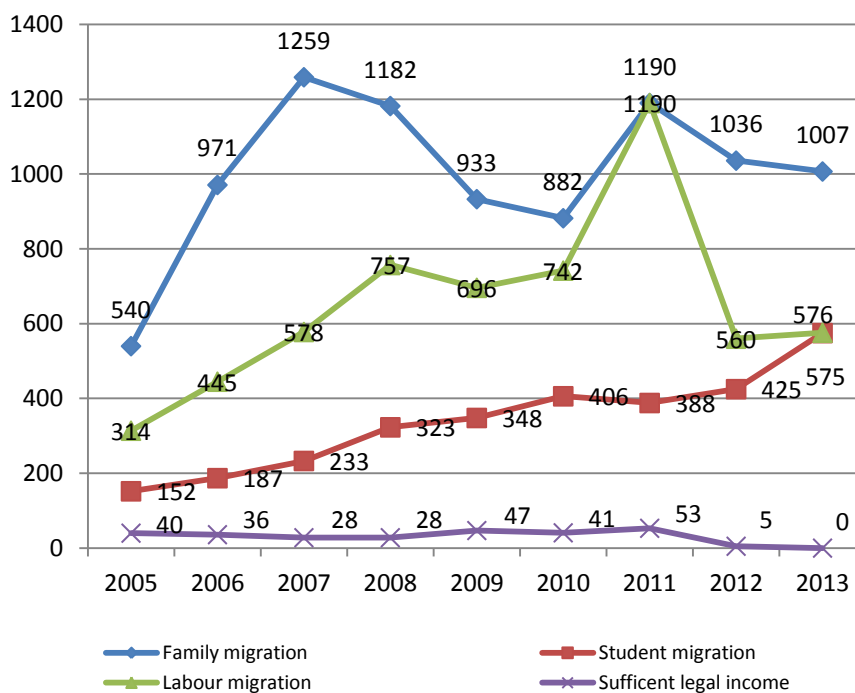
³⁰ The NAO's statistics are based on the Population Register and differ from the migration figures of Statistics Estonia, because Statistics Estonia does not count persons whose residence permit/right is valid for less than one year or whose residence is registered in the Population Register less than one year before the expiry of their residence permit/right. Further, the estimates of Statistics Estonia do not include those returnees and EU citizens whose residence was registered in the Population Register, but the entry was deleted in less than one year.

Did you know that

As a result of legislative amendments made after the 'residence permits scandal', the number of members of directing bodies of legal persons who came from a third country fell from 554 to 30, or more than 18 times, in 2011 and 2012. The corresponding figure was less than 100 in 2013 and 2014.

38. Different types of migration can be identified among citizens of third countries. For EU citizens, the purpose of moving to Estonia is generally unknown to the state. For third-country nationals, family migration has been the primary reason of migration over the years – nearly half of them came to Estonia for this reason in the period 2005-2013. Labour migration has accounted, on the average, for 31%, student migration for 17%, and sufficient legal income for 2% of arrivals (see Figure 8).

Figure 8. Breakdown of immigration from third countries by reason of migration, 2005-2013³¹



Source: NAO, Police and Border Guard Board

Did you know that

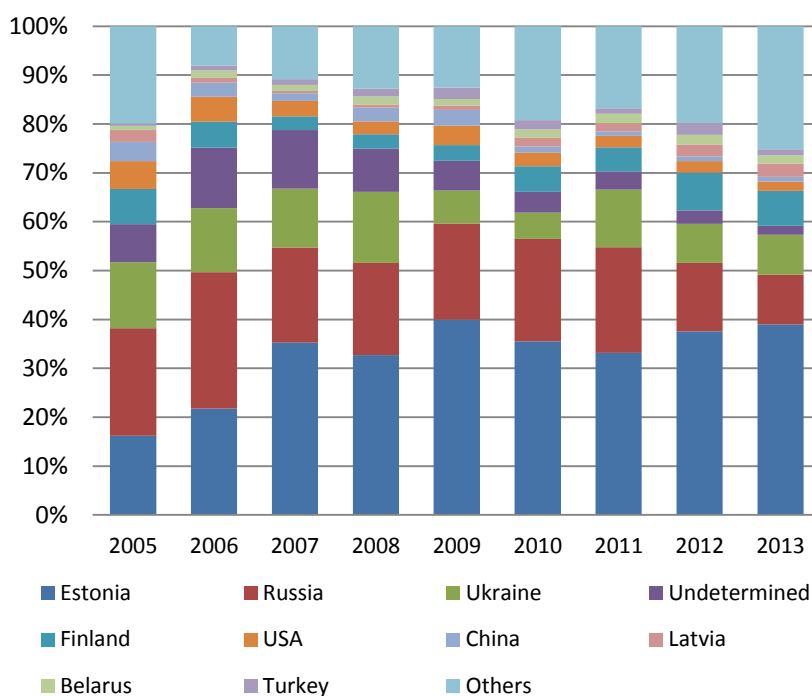
The majority of immigrants are men. The share of men is particularly high, around 2/3, among immigrating EU citizens.

As an aggregate for all immigrants, the percentage of men has been consistently a little below 60% over the years.

39. In terms of citizenship, returnees with Estonian citizenship constitute the largest portion of immigrants. Immigrants with Russian, Ukrainian or Finnish citizenship are also relatively prominent. The number of immigrants with undetermined citizenship has increased notably from 2005 to 2013.³² The share of citizens of other countries has generally remained below 5% over the years (see Figure 9).

³¹Labour migration dropped steeply after the discovery, in 2011, of systematic misuse of residence permits issued for employment of members of directing bodies of legal persons registered in Estonia. After that, the government reduced the quota of residence permits that can be issued for this purpose. To prevent the risk of misusing residence permits, the option of applying for a temporary residence permit on the grounds of having sufficient legal income was abolished from 1 July 2012.

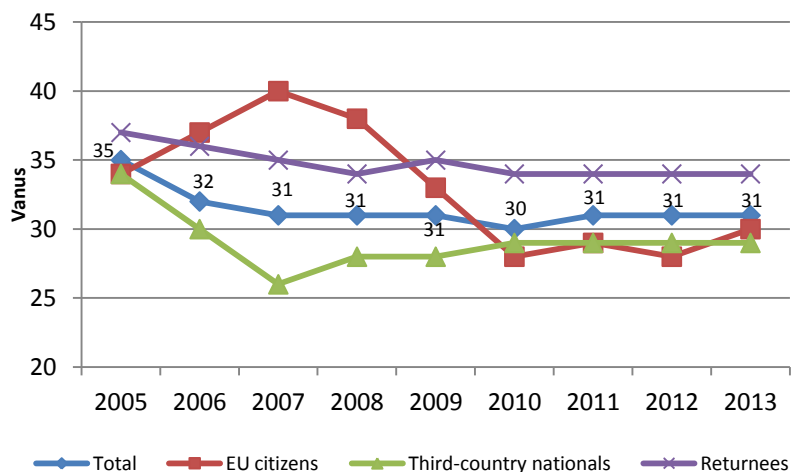
³²Based on the comments of the Police and Border Guard Board (PBGB), most of the persons with undetermined citizenship are not actually new immigrants. Rather, they are long-term Estonian residents whose residence permit has expired. When they apply for a new residence permit, it is classified as an initial residence permit and the persons are registered in the PBGB's statistics as new immigrants.

Figure 9. Breakdown of immigrants in Estonia by citizenship, 2005-2013³³

Source: NAO, Police and Border Guard Board, Population Register

How old are the immigrants coming to Estonia?

40. It is mostly younger people who migrate to Estonia. In 2013, roughly 65% of the immigrants were younger than 35, and ca 45% of all immigrants belong to the age group of 20-34 years. The average age of immigrants from 2005 to 2013 has been consistently at 30 or 31 years. The age is lowest (consistently under 30 after 2006) in case of immigrants from third countries and highest (34-37 years) in case of returnees (see Figure 10).

Figure 10. Average age of immigrants by origin, 2005-2013³⁴

Source: NAO, Population Register, Police and Border Guard Board

³³ The figure does not reflect those EU citizens who came to study in Estonia but have not made a corresponding entry in the Population Register. The immigrants included in this figure also include returnees.

³⁴ The figure does not reflect those EU citizens who came to study in Estonia but have not made an entry in the Population Register.

What is immigrants' level of education?

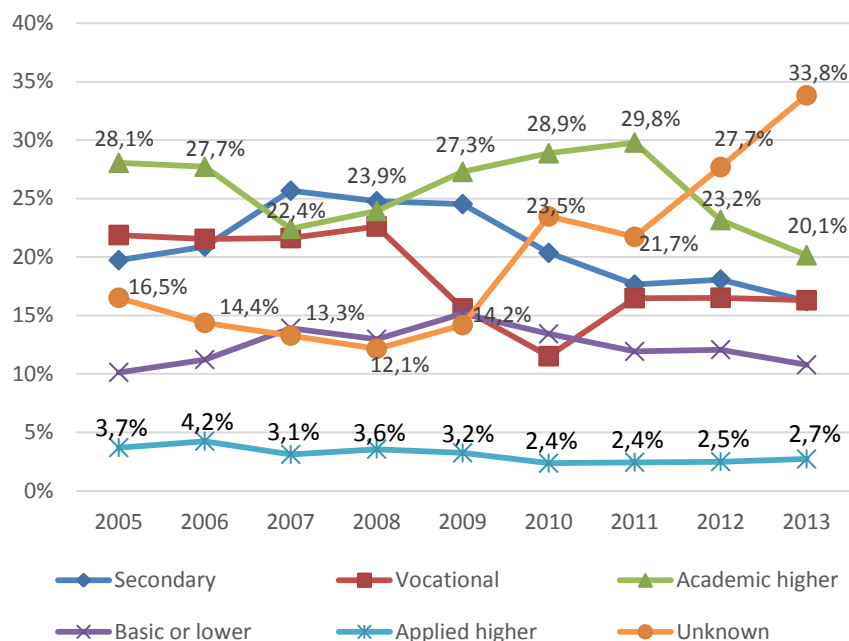
Did you know that

The Population Register does not include education data for 94.4% of the EU citizens who immigrated to Estonia in 2013.

The disclosure of education information is voluntary.

41. On the average, nearly a quarter of adult immigrants have academic higher education, but this share has decreased to 20% in recent years (see Figure 11). The decrease in the share of persons with academic higher education can also be associated with the increased percentage of immigrants whose education level is unknown. While education level is unknown for most of the immigrants who are EU citizens, nearly half of the immigrants from third countries have higher education and *ca* 40% have secondary or vocational education. Among returnees, *ca* 15% have higher education and the majority (*ca* 73%) have secondary, vocational or basic education.

Figure 11. Level of education of adult immigrants from foreign countries, 2005-2013³⁵



Source: NAO, Population Register, Police and Border Guard Board

The goal of migration policy is to ensure necessary demographic and economic sustainability

What is the function of Estonia's migration policy?

42. The document “Principles and Actions of Estonian Population Policy 2009-2013” specifies that the Estonian immigration policy is selective, based on people’s qualifications, giving preference to employees who have skills that are important for the Estonian economy (mainly **top specialists** and employees with special skills). Provision of Estonia with labour force with the required expertise through sufficient immigration was identified as one of the main functions of the migration policy. Similarly, the Internal Security Strategy for 2015-2020 declares that the goal is to attract those foreign nationals who can create added value for Estonian society.³⁶ As early as on 31 August 2006, when the Cabinet discussed issues of engaging new labour force, incl. foreign labour, due to the aging of population, they concluded that bringing in foreign labour

³⁵ The immigrants included in this figure also include returnees.

³⁶ Other goals of Estonia’s migration policy include prevention of misuse of residence permits and visas and prevention of illegal immigration to maintain safety, public order, and national security.

force is justified in case of qualified employees who can supplement the local workforce.

Top specialist has been defined in the Aliens Act as third-country national, who has acquired appropriate professional training in any field and whose remuneration is at least equal to the annual average gross monthly salary in Estonia, multiplied by a coefficient of 2.³⁷

43. The EU Treaties establish the principle of free movement of workers in the EU Member States, which means that immigration of EU citizens cannot be restricted. Consequently, Estonian migration policy can only be selective through restrictions for third-country nationals, whereas the government has established different requirements and conditions for labour market participation of immigrants from third countries, depending on the type of migration.

44. Labour migrants from third countries are generally granted entry only if they already have an employment position in Estonia and their employer is prepared to pay them a salary that meets the remuneration criterion (for more information, read Annex A). In other words, all labour migrants who enter the country must be employed. If they lose their job and cannot find employment, they have to leave the country.

45. These conditions are not applicable to family migrants. The international law does not permit imposing restrictions on persons who request entry to Estonia in the framework of family migration.³⁸ In terms of immigration to Estonia, family migrants are essentially in a similar position to EU citizens, who can also enter the country and participate in the labour market without restrictions.

46. The regulations applicable to student mobility specify that all foreign students, who have been admitted to a higher or vocational education institution in Estonia, are permitted to enter the country and to work during the term of their residence permit. More information on Estonia's immigration system can be found in Annex A.

Only a few labour migrants are employed in high-salary positions and in sectors generating higher added value

47. In 2013, there were 576 labour migrants who came to Estonia from third countries.³⁹ Labour migrants constitute slightly less than a third of all immigrants from third countries.

48. The government's action programmes of the past four years have envisaged that labour migration should bring to Estonia mainly qualified specialists and that it should facilitate creation of high-salary jobs.

49. The NAO investigated the areas of activity where labour migrants are employed in Estonia and the corresponding annual breakdowns from 2005 to 2012.⁴⁰

³⁷ The top specialist's remuneration criterion was added to the Aliens Act in 2013.

³⁸ Except when a person poses a risk to public order, national security, etc.

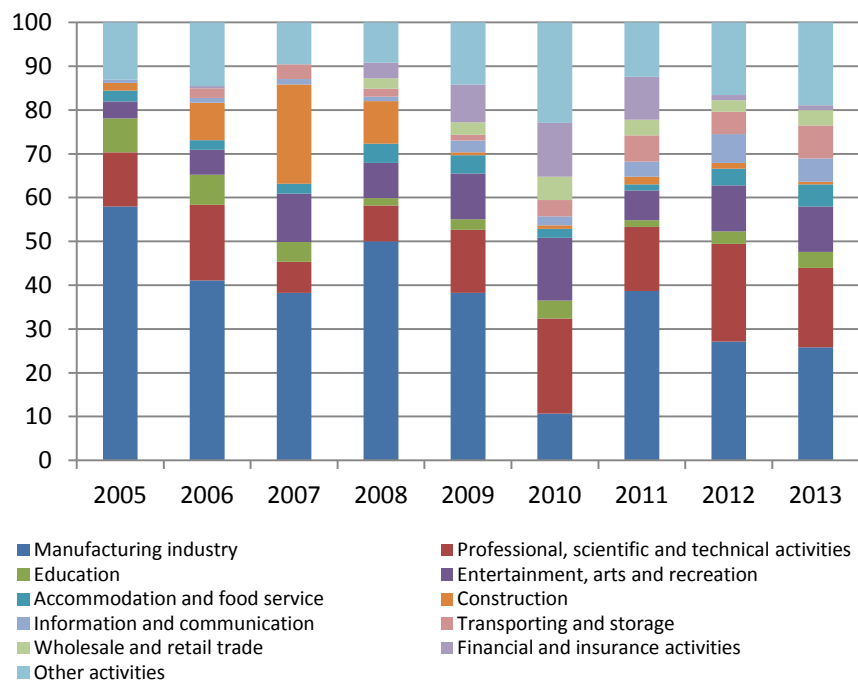
³⁹ In 2013, the PBGB issued a total of 863 temporary residence permits for employment.

⁴⁰ A similar analysis by areas of activity could not be completed for EU citizens, because the state does not have respective data.

Are immigrants employed mainly in areas of activity that require higher qualifications?

50. The results of the analysis indicated that, over the years, the largest share of labour migrants has been employed in the manufacturing industry (37% of immigrants). If we combine the manufacturing industry with construction; entertainment, arts and recreation; transporting and storage; wholesale and retail trade; and other areas of activity (mostly religious), we can see that *ca* 70% of all labour migrants were employed in those sectors (see Figure 12).

Figure 12. Breakdown of labour migrants by areas of activity in the period 2005-2013, by the year of arrival in Estonia⁴¹



Source: NAO, Police and Border Guard Board

Did you know that

Even though Estonian manufacturing industry remains a sector with lower added value, the experience of developed countries shows that manufacturing industry can also become a sector that generates high added value and provides high-salary jobs.

51. However, most of the people employed in these areas of activity are skilled workers, unskilled workers or service attendants, not the top specialists desired by the government. Furthermore, the economic sectors concerned are known to generate lower added value. The percentage of labour migrants employed in sectors creating high added value (incl. professional, scientific and technical activities; information and communication) has not increased considerably over the years. The sectors have accounted for an estimated 1/4 of total labour migration in recent years.

⁴¹ The figure does not include immigrant members of directing bodies, because the state does not have information on the areas of activity where the people in this group were employed.

Important amendments to the Aliens Act that entered into force in 2013:

- Possibility to apply for a residence permit for employment as a top specialist⁴², who is exempt from the requirement of a permission from the Estonian Unemployment Insurance Fund and whose spouse can be issued a residence permit under simplified rules;
- Abolition of the requirement that, before recruiting from abroad, an employer must have organised an open application procedure to find a worker from Estonia. The requirement to obtain a consent of the Unemployment Insurance Fund for employing a foreigner was retained;
- Creation of the possibility to register short-term employment of a teacher, lecturer, top specialist or scientist;
- Option for certain categories of immigrants, incl. top specialists and scientists, to submit an application for a residence permit in Estonia instead of a foreign mission;
- The requirement of a permission from the Unemployment Insurance Fund and the remuneration criterion are not applicable to foreigners who have acquired higher education in Estonia;
- A residence permit for engagement in business can, under certain conditions, be applied for without the obligation to invest 65,000 euros in the business in Estonia.

52. The distribution of labour migrants reveals the corrective impact of the economic crisis, which resulted in the loss of many jobs in the manufacturing industry, for instance.⁴³ However, this has not been offset by a corresponding increase in the number of people employed in professional, scientific and technical activities or information and communication. For instance, the number of immigrants employed in these sectors increased by 45 persons in 2009-2013. It means that the number of persons employed in sectors that require a higher level of knowledge and skills has shown very little change over the years.

53. The fact that most labour migrants enter sectors with lower qualification requirements, and correspondingly lower remuneration, is also confirmed by the data on wages. The remuneration criterion requires that top specialists, who enter the country in the context of labour mobility, have to be paid at least double the amount of Estonia's average wages. The NAO's analysis indicated that less than 16% of labour migrants earned a remuneration meeting this criterion in the period 2005-2013. Consequently, many labour migrants are not employed in high-salary positions that require a higher level of knowledge and skills.

54. At the same time, the Ministry of Economic Affairs and Communications⁴⁴ has projected that the need for (top) specialists will increase in the future, while employment of skilled workers will decrease and the demand will be lowest for unskilled workers. If the current trends continue, immigrants will be employed in sectors with lower added value, which would facilitate preservation of the existing structure of economy. Such migration would not be aligned with the government's goals, which include development of innovative solutions, development of sectors with high added value, inducing structural changes in the labour market by increasing the share of jobs that generate high added value, etc.

55. While immigration of qualified top specialists has been the government's preference for a long time, no effective amendments were made in previous years to facilitate this. The [amendments to the Aliens Act](#) that were adopted in 2013 were designed to facilitate employment of top specialists, lecturers, scientists and foreign students in Estonia. These amendments increase the flexibility of immigration, but they are mainly focused on simplifying certain official procedures.⁴⁵

56. In conclusion, in a labour market situation characterised by a growing need for (top) specialists, it is important to use this as a guiding principle when designing immigration procedures. While the government has set the target of bringing persons with a higher level of knowledge and skills to Estonia and has adopted amendments to facilitate this, they have so far not produced the expected results. However, as the latest amendments

⁴² A top specialist is a third-country national, who has acquired appropriate training and to whom an Estonian employer undertakes to pay remuneration in the amount at least equal to the double annual average gross monthly salary in Estonia.

⁴³ Statistics Estonia. Quarterly Bulletin 02/11, p. 71-72.

⁴⁴ Ministry of Economic Affairs and Communications, Labour Demand and Supply Forecast up to 2022. 2014. https://www.mkm.ee/sites/default/files/toojouproгноos_2022_lyhikirjeldus.pdf.

⁴⁵ The Ministry of the Interior has emphasised that the next amendments to the Aliens Act will enter into force in 2016 and their aim is to facilitate immigration of highly qualified workers and to reduce structural labour shortage. However, the Ministry of the Interior has admitted that it is too early to predict the impact of the amendments.

What are the possibilities for improving Estonia's migration system?

What are the possible options for improving Estonia's migration system based on international practice?

Employer-based system – a foreigner is granted entry only if he/she has a previous arrangement (employment contract / job offer) with a local employer.

Points system – a foreigner is granted a residence and employment permit in a country if he/she receives a sufficiently high point score for specific criteria (e.g., education, professional experience, language skills, area of specialisation, age). It enables the person to start looking for a job after entering the country.

were made quite recently and are focused on regulations, it is not known at the moment whether they will, in their current form, result in a greater influx of (top) specialists into Estonia.

In order to facilitate immigration of persons with the needed skills and knowledge, we need to decide on the best migration system of Estonia

57. Considering the importance of the labour shortage problem⁴⁶ and the relatively small number of labour migrants, the problem cannot be solved with the current immigration arrangements. If the government intends to solve the labour shortage problem by continuing the current migration policy⁴⁷, it should be made more efficient.

58. A wider analysis of the migration system, i.e., the regulatory framework of immigration, would be required to make it as efficient as possible for the benefit of Estonia's labour market. The government has no direct means for influencing family migration, but the share and structure of labour migration from third countries can be shaped through legislation governing migration.

59. The central question when shaping labour migration is how to provide Estonian employers with the opportunity to recruit the foreign labour they need. The system should give employers access to desired foreign labour on the one hand and protect the local labour market on the other hand. It means that the system should be capable of selecting foreign workers with skills, which are not available domestically but are needed for development of the economy.

60. The Ministry of the Interior believes that the problem will be relieved somewhat by the amendments to the Aliens Act, which enter into force in 2016 and enable third-country nationals, who reside in Estonia on a temporary basis or under a temporary residence permit, to be employed in Estonia as agency workers. A person can be granted a respective permit if the employer, who is registered in Estonia, is acting as an intermediary of temporary agency work.⁴⁸

61. In the international context, Estonia currently belongs to countries using an **employer-based system** (along with Finland, Sweden, Norway, Lithuania, and the US, for instance). However, several countries (such as Denmark, Canada, Australia, the UK, New Zealand, Hong Kong) have adopted schemes based on a **points system** to increase the flexibility of their migration system. More information on strengths and weaknesses of the two systems can be found in Annex C.

62. The countries that have adopted the points system generally use elements from both systems in order to eliminate the weaknesses of the points system by applying some aspects of the employer-based system. For instance, the points system can be made available to highly qualified employees, while workers with lower qualifications can enter the country

⁴⁶ Konjunktuur 3 (190). Estonian Institute of Economic Research, September 2014. https://www.mkm.ee/sites/default/files/konjunktuur_nr_3_190_september_2014.pdf.

⁴⁷ Ken-Marti Vaher. Estonian Migration Policy. Presentation at the conference "Labour Mobility and Transnationalism in the Nordic-Baltic Region", 7 March 2014.

⁴⁸ Furthermore, the 2016 provisions enable foreigners to work simultaneously for several employers.

only if they have a specific job offer. Alternatively, the points system can only be applied to certain areas of specialisation that suffer from major labour shortage or are crucial for the development of the country's economy. In some cases, applicants are required to pass the points system in addition to having a job offer from a specific employer (or a certain number of points is given for having a job offer). Furthermore, different systems can be used for different phases: for example, the points system is used initially to enable a person enter the country and start looking for a job, but an existing employment contract will be required later when the person needs an extension to the residence permit / visa.

63. Many states have adopted a component of priority sectors or areas of activity in their immigration regulations. Such areas of activity are characterised by a particularly high demand for labour or importance for development of the economy. Depending on a country, such priority professions can often include engineers, physicians, top specialists of technical fields like ICT, biotechnology or chemistry, but also medical nurses, teachers, skilled workers of specific sectors, etc. Certain similarities in the national priority lists indicate that many countries are looking for specialists in these particular fields.

64. There are several ways for establishing priority fields in a migration system. As one option, countries have used it in an employer-based system by offering workers in specific sectors favourable terms in applying for a residence permit. Estonia's legislation has started to move in a similar direction.⁴⁹

65. Countries with a points system have applied different variations to such lists of sectors with a special status. For instance, specialists in such sectors can be given bonus points, or entry to the country based on the points system is only permitted for representatives of those sectors.

66. A possible option to be considered for Estonia's immigration system would be an immigration quota for efficient steering of labour migration. Previously, limiting quotas have been used primarily to reduce the risk of misuse of residence permits, i.e., in relation to the types of residence permits, but they could also be applied for guiding immigration in different sectors. In numeric terms, most of the workers coming to Estonia have lower qualifications and in this context, there is a risk that employers prefer to recruit labour from abroad primarily to save costs. Hence, such sector-specific quotas should be applicable predominantly to skilled and unskilled works, but not to highly qualified labour.

67. A very precise specification of the domestic labour demand is essential for any scheme that is based on areas of activity or sectors. As described above (see para. 9), the government currently does not have information on the profile and number of workers that would be needed for Estonia's labour market. Consequently, the data obtained from the coordination system could be used firstly to establish a state-commissioned education programme for schools and provide domestic

⁴⁹ The measures that enter into force in 2016 remove the requirement to obtain a permission from the Unemployment Insurance Fund and establish a more flexible remuneration criterion (tied to the average gross salary in a specific sector, not the Estonian average) for immigrants in particular sectors. This would be applicable if the Government of the Republic adopted an order establishing a corresponding list of sectors.

refresher training and retraining to unemployed and inactive persons. If these two sources cannot meet the entire labour demand, the data could also be used for designing migration schemes.

68. In addition to the aforementioned solutions, countries have also applied additional measures to simplify and streamline migration processes. For example, employers that hire migrant workers and have implemented good practice can be granted advantages in the procedure of applying for residence permits, or programmes can be launched to support employment of the spouses of labour migrants. According to the Ministry of Economic Affairs and Communications, the level of detail of the labour demand and supply forecast has been significantly increased, and there is also an assessment of the correspondence between the current supply and demand of labour (in vocational and higher education). While in earlier forecasts the breakdown of the labour demand included 39 areas of activity, 5 groups of occupations and 5 levels of education, the current level of detail of the forecast is as follows: 39 areas of activity, 6 levels of education / types of studies, 431 professions, and 82 curriculum groups (divided between 4 levels of education / types of studies in vocational and higher education). In addition to the labour demand, there is also an assessment of the labour supply at the level of vocational and higher education. However, it should be remembered that increased level of detail does not necessarily mean greater accuracy of the forecast, because the forecast primarily provides an indication or additional information for making education policy decisions. It is also relevant to refer to the fact, which is mentioned in this overview, that the forecast does not specify the skills that are needed, but estimates the labour demand in numeric terms.

69. In conclusion, if the government wishes to make labour migration an effective means to meet the demands of the labour market, it should consider new or additional solutions for the migration system. When deciding between different alternatives, the government should consider the experience of other countries as well as Estonia's current immigration trends and the government's capacity to administer the systems and analyse the labour demand.

New solutions have to be implemented to attract highly qualified workers to Estonia

What is Estonia's position in the international competition for talents?

70. Increased flexibility of the labour migration regulations in itself may not be enough to increase the number of highly qualified workers coming to Estonia. As human capital is believed to be one of the key factors for increasing economic competitiveness, many countries are actively seeking highly qualified workforce from abroad. While some countries (e.g., the US, Canada, Australia) are attractive to a large number of very qualified immigrants, so that only the best of them can be selected, the choice is much more limited for other countries (incl. Estonia). This can be caused by unattractive working conditions, difficult official language, or an unfavourable culture or climate.⁵⁰

⁵⁰ Attracting and selecting from the global talent pool: policy challenges. Migration Policy Institute, 2013.

Did you know that

The number of immigrants with higher education has gone up rapidly in OECD countries, increasing 70% in the past decade and reaching 27.3 million by 2010/2011.

Nearly 30% of all migrants in OECD countries have higher education.⁵¹

71. According to the GTCI index that measures the correlation between human capital and countries' international competitiveness, Estonia is ranked 19th in the global competition for talents. Estonia's strengths include, for instance, a high percentage of persons with higher education, good results in basic education, and a strong emphasis on innovation. Weaknesses include low productivity, negative net migration of talented people, and limited openness and tolerance towards immigrants and minorities.⁵²

72. The EURES Network, which enables people to look for jobs and workers throughout Europe, could be a potential channel for bringing migrant workers to Estonia. In reality, however, the EURES services have been very popular in Estonia among those who would like to work abroad, but the number of people employed in Estonia from other countries is very small.⁵³ Consequently, the network has not contributed to resolving Estonia's problem of labour shortage and has instead had the opposite effect. This indicates that it is difficult for Estonia to compete for labour with other European countries.

73. The aforementioned factors, combined with a low international profile and a lower wage level than in developed countries, are some of the reasons why the number of highly qualified workers coming to Estonia has been relatively small. The immigration quota has not been fulfilled in most of the years, despite Estonia's labour shortage. In order for the government and employers to filter out the immigrants who would give the greatest boost to the labour market, we need to raise the interest in Estonia as a labour destination. The Ministry of Social Affairs points out that, even though more Estonian citizens have found work abroad than foreigners have in Estonia through the Unemployment Insurance Fund and the EURES Network, EURES has still contributed to alleviating the labour shortage. For instance, 121 persons were employed in Estonia in 2014 through the recruitment projects of the EURES Network. In the same year, the Estonian team of the EURES Network provided the transboundary recruitment service to 348 employers, including 132 employers in Estonia.

How to attract the needed foreign workers to Estonia?

74. There has been so far no active promotion of Estonia as a labour mobility destination. The public marketing campaigns coordinated by Enterprise Estonia (EAS) have focused on three areas: promoting Estonia as a destination for tourism, investments and studies.⁵⁴ The Ministry of Education and Research also admits that public promotion has been a problem area and past promotional efforts have been sporadic.

75. The government is about to launch new initiatives in the area of labour migration. The information portal workinestonia.com was published in April 2015 and it provides third-country nationals with information on working in Estonia. The portal mediates information about employment opportunities in Estonia and provides direct links to

⁵¹ World Migration in Figures. OECD-UNDESA, 2013.

⁵² The Global Talent Competitiveness Index. INSEAD, 2014.

⁵³ Estonia's positions concerning the EU initiative of a European network of employment services, workers' access to mobility services and the further integration of labour markets (explanatory memorandum). Ministry of Social Affairs, 2014.

⁵⁴ Promotion in cooperation with universities is one of the functions of the Archimedes Foundation.

the websites of government agencies. The information portal will also include a separate portal for the Welcoming programme. Several information campaigns and events in Estonian and Finnish markets were organised in 2015 to present the portal. The portal is initially available in English, but it is not yet known in what other languages, if any, the information will be made available.⁵⁵ It is also early to predict the success of the efforts to guide the target group to the information portal.

76. Most developed countries already have a similar online portal for providing immigrants with information on the possibilities and conditions of living and working in the country. However, it is important to remember that improving availability of public information to third-country nationals involves more levels than simply collecting important information in one online portal (see also para. 126-136).

E-residency can be applied for by all foreigners who would like to use Estonia's e-services but have no official residence in Estonia.

The digital ID of an e-resident makes it possible for a foreigner to use a digital signature, make bank transfers, participate actively in the management of a company registered in Estonia, etc.

77. It is possible that Estonia's attractiveness can be increased and official procedures can be simplified also through the **e-residency** programme launched at the end of 2014. In addition to simplifying official procedures for persons having connections with Estonia, e-residency is also a way to promote Estonia's business environment and an internationally recognised digital identity.⁵⁶ However, e-residency as a measure is not directly targeting immigrants.

78. The Work in Estonia portal is designed primarily for those third-country nationals who are already interested in working in Estonia. In order to increase the number of persons interested, some future actions will also have to be taken outside the country. If the government intends to adopt an active 'talent policy' in this field, they need to choose a form, scope, channel, etc., for the activities.

79. Estonian embassies have, in general, not been involved in the promotion of Estonia as an employment and study destination, but their willingness to be more active in the recruitment of foreign labour is greater than has been utilised so far.⁵⁷ As Estonia's network of foreign missions is relatively small (especially outside Europe), it is worth considering cooperation with embassies of other countries or, for instance, with the EU delegations in third countries. The issues of labour and student migration could also be included in the agenda of state and business delegation visits.

80. Experts of the field and employers have also emphasised the need to focus more on bringing needed workers and promising students to Estonia. The Centre for Migration Studies of the Academy of Security Sciences has argued that Estonia could be more active in labour source

⁵⁵ In 2013, the Ministry of Culture supported the launch of a pilot project, which included actions to distribute integration information (e.g., information on employment, education opportunities, legal assistance, etc.), targeting third-country nationals who had arrived or lived in Estonia. For instance, the project included opening of consultation centres in Tallinn and Narva.

⁵⁶ Explanatory memorandum on the draft Act to amend the Identity Documents Act and the State Fees Act (SE 699).

⁵⁷ Adaptation of new immigrants in Estonia: options and policy proposals for the development of an integrated and sustainable system. Institute of Baltic Studies, 2014, p. 30.

countries, organise meetings with potential employees, etc.⁵⁸ One option would be to appoint a specific agency to organise and coordinate such activities.

81. For example, there have been ideas to establish an 'foreigners' agency', which would be responsible for the recruitment of students and workers, and could perform other functions, if necessary, in connection with residence permits, consulting employers, etc.^{59, 60} The agency could be established at an existing state agency (e.g., the Unemployment Insurance Fund) and have representations in target countries. There the candidates interested in working in Estonia would be assisted by persons who are familiar with the local conditions, are able to assess qualifications acquired in a foreign country, etc. One option in this context would be to use the knowledge available among Estonian diaspora.

Diaspora – ethnic and cultural group living outside of their homeland, such as Estonian emigrants in other countries.

82. The idea of an institution like foreigners' agency is in line with international practice. While many countries focus, like Estonia, primarily on attracting foreign students and deal with labour migrants only after they have arrived in the country, other countries have developed mechanisms for identification of qualified labour migrants (for selected examples, see Annex D). Estonia's administrative and financial capacity should be considered when establishing such an agency. Decisions would have to be made about the organisation, functions and target countries of the agency.

83. In conclusion, the government has a number of potential action areas if it decides to become actively involved in the international competition for qualified labour. It is essential to cooperate with employers in this field.

Family migrants constitute the largest category of immigrants in Estonia, but most of them are not regular participants in the labour market

84. Family migrants are the largest group of immigrants, with 1,007 persons in this category arriving in Estonia in 2013.^{61, 62} Family migrants account for nearly half of the immigrants from third countries. Unlike with labour migrants, the sectors in which family migrants are employed in Estonia cannot be determined, because the government does not collect this data.

85. The explanatory memorandum on the draft Act to amend the Aliens Act specifies that third-country nationals who will be employed here should be the main category of people coming to Estonia. This would enable the immigrants to use their knowledge and skills to develop different sectors, while contributing to the development of Estonia's economy and competitiveness.

⁵⁸ The NAO's interview at the Centre for Migration Studies of the Academy of Security Sciences, 10 December 2013.

⁵⁹ The NAO's interview with Raul Eamets, 7 January 2014.

⁶⁰ Paananen: seadusest Eesti kui töökoha maine parandamiseks ei piisa. Postimees, 11 May 2013. <http://majandus24.postimees.ee/1232180/paananen-seadusest-eesti-kui-tookoha-maina-parandamiseks-ei-piisa>.

⁶¹ Minors constituted 34% of family migrants from third countries in 2013.

⁶² In 2013, the PBGB issued a total of 1,283 residence permits to family migrants.

How many family migrants are employed?

86. While the Estonian migration system includes several restrictions for labour and student migrants, they are not applicable to persons arriving in the context of family migration. Family migration to Estonia cannot be restricted in quantitative terms or through profiling, because it is based on the obligations of the international law. In this context, the two central documents, which have been ratified by Estonia, are the Convention on the Rights of the Child and Council Directive 2003/86/EC, granting the third-country nationals the right to be reunified with their families. In other words, family members of a third-country nationals who resides legally in an EU Member State have the right to become residents of that Member State (for more information, see also Annex B).

87. As the largest category of immigration, which is also the fastest-growing in absolute figures, cannot be regulated, it is important to focus on bringing family migrants to the labour market. The government has previously paid no attention to the immigrants who have arrived in the framework of family migration and there are no employment services designed specifically for them. However, participation of family migrants in the labour market is important in terms of adaptation, subsequent integration, as well as alleviating the labour shortage.

88. The NAO used the data of the Tax and Customs Board to investigate, how many working-age (16-64 years) family migrants from third countries are employed in Estonia. The analysis indicated that 33.4% have been employed on a regular basis (i.e., for more than half of the time they have lived in Estonia). It means that 2/3 of working-age family migrants do not participate in regular employment. The Ministry of the Interior explained that the obligation to work applies to those third-country nationals who have a temporary residence permit for employment. If a third-country national applies for a residence permit on some other grounds, he or she has to provide evidence of having sufficient money to live in Estonia.

89. If we compare this percentage, for instance, to EU citizens⁶³, who are not subject to immigration restrictions either, we can see that 1/5 of them were employed on a regular basis. However, the low share of employed persons among EU citizens cannot be used as a basis for firm conclusions, because it is known that many of them do not register their place of residence in the Population Register upon immigration. It is also possible that a person has a registered residence in Estonia and works in Estonia, but receives income from a foreign country.⁶⁴

⁶³ EU citizens cannot be differentiated by types of migration, because the state does not have respective data.

⁶⁴ The NAO investigated income earning of immigrants by combining the data on respective residence permits/rights from the Police and Border Guard Board and the Population Register with the income data for the period 2005-2012 from the Tax and Customs Board (TCB). In addition to the reasons mentioned in the texts, low percentages can sometimes also be caused by the fact that foreigners declare their income also in the country of origin and pay taxes there. Such income data are not reflected in the TCB's database. For instance a person can have a residence permit but still spend long periods of time outside of Estonia. A person becomes a tax resident only after staying in Estonia for more than 183 days. In addition, it is possible that a person is registered as a resident for taxation purposes in several countries.

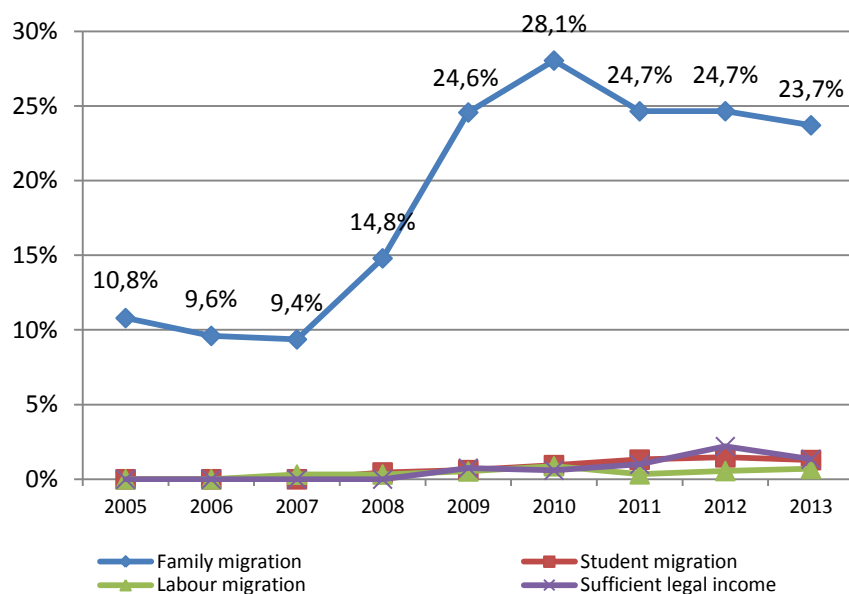
How many family migrants are registered by the Unemployment Insurance Fund as unemployed?

90. To gain a better overview of labour market activity, the NAO also analysed registered unemployment indicators of family migrants. While the possibility to register labour and student migrants from third countries (as well as EU citizens) at the Unemployment Insurance Fund is restricted, family migrants can be registered under the same conditions as locals during the term of their residence permit/right.

91. The results of the analysis indicated that, while only 2% of the immigrant EU citizens were registered as unemployed in 2013, the respective share was 8.6% in case of immigrants from third countries. At the same time, the overall share of registered unemployed in the working-age population was 4.5% (more information on immigrants' unemployment indicators can be found in Annex E).

92. The reasons of higher unemployment in case of persons from third countries are clearly visible from the types of migration. While the percentage of registered unemployed has been consistently below 2% in case of the remaining types of migration, it has been as high as *ca* 24% in recent years in case of family migrants (see Figure 13).

Figure 13. Percentage of registered unemployed among immigrants from third countries by types of migration in the age group of 16-62 in the period 2005-2013⁶⁵



Source: NAO, Police and Border Guard Board, Unemployment Insurance Fund

⁶⁵ Based on the Estonian definition, registration of unemployment is possible for persons who are available for employment and in the age group from 16 years to retirement age. In case of immigrants, it is not possible to establish, how many of them meet those criteria and how many are inactive, for instance. Based on this, the overview uses the closest possible definition to registered unemployment and provides an estimated percentage of registered unemployed among immigrants.

EU Blue Card is a residence permit given to foreign nationals for employment in an EU Member State in a position that requires high qualifications. The requirement of receiving permission from the Unemployment Insurance Fund is not applicable to this type of residence permit, but the remuneration criterion is 1.5 or 1.24 times the Estonian average gross salary, depending on profession.

How can the government facilitate employment of family migrants?

93. The large differences are caused primarily by the aforementioned restrictions for different groups. For instance, in case of student migrants, registration is possible only in case of part-time students and those who seek work until up to 6 months after completion of their studies.⁶⁶ The immigrants arriving through labour migration generally do not have the right to be registered. An exception applies to immigrants who were granted entry based on the **EU Blue Card**, as they have the right to remain unemployed in the country for 3 months and to be registered as unemployed at the Unemployment Insurance Fund during this period. All other labour migrants have to leave the country when they lose their job, and the right to be registered at the Unemployment Insurance Fund only applies during the procedural period with the recommended duration of 30 days, which is required for the Police and Border Guard Board to annul the residence permit.

94. The described conditions change from 2016, with the establishment of a 90-day transition period from the expiry of the residence permit (183 days in case of foreign students graduating from an Estonian university, as well as scientists and lecturers), during which a third-country national can stay in Estonia and apply for a residence permit on different grounds.

95. If we estimate that nearly 25% of family migrants are registered as unemployed and *ca* 33% are in regular employment, it means that the remaining more than 40% are looking for work on their own or are inactive. Consequently, even though many people in this group are not working, they are not actively trying to find work through the Unemployment Insurance Fund. It means that a very large number of people in the largest group of immigrants are not in the labour market.

96. The success of immigrants in the labour market depends on a number of factors, incl. language skills, familiarity with local employment institutions and practices, contacts with potential employers. The key to integrating family migrants, who were not selected for immigration based on their skills, is providing centralised access to jobs with intermediate skills requirements, i.e., professional experience and vocational education, not higher (academic) qualifications.⁶⁷ Currently, family migrants have access to the same employment services as the rest of the population. However, if the government's aim is to place a greater emphasis on their adaptation, integration and labour market inclusion, it could be beneficial to develop a separate programme for them.

97. In conclusion, as Estonia experiences labour shortage in professions with both high and low qualification requirements, it is important for the government to facilitate higher employment of family migrants. The government has so far paid no special attention to family migrants. If the characteristic trends of recent years continue, the number of inactive foreigners in working age on whom the state has no overview, or the number of foreigners looking for work without the state's assistance, is likely to grow. As a result, the labour market potential of a considerable number of people remains unutilised, which inhibits Estonia's growth

⁶⁶ Except where a person enrolled in full-time study or in daytime vocational training has been engaged in an activity specified in §26 (3) 1)-2) of the Labour Market Services and Benefits Act for at least 180 days during the last 12 months or is on academic leave.

⁶⁷ The Labour Market Integration of New Immigrants in Europe: Analysis and Policy Evaluation. International Labour Office and Migration Policy Institute, 2014.

opportunities. Inactivity is a significant risk factor of limited or failed integration or isolation in society. It is essential that the government facilitates labour market participation for all immigrants.

Foreign students in Estonia do not enter the local labour market after graduation

98. In 2013, there were 575 third-country nationals who came to Estonia in the context of student mobility.⁶⁸ This accounted for a little more than a quarter of all immigrants from third countries.

99. In the “Strategy for the internationalisation of Estonian higher education over the years 2006-2015”, the Ministry of Education and Research (MER) set the target of having 2,000 non-resident foreigners enrolled in full-time study at Estonian institutions of higher education by 2015. This target was met in the academic year 2013/2014.

100. Even though the target is to increase the number of foreign students, the strategy does not deal with the question of whether or how many foreign students should be employed in Estonia after graduation to alleviate the labour shortage and to contribute to the development of Estonian economy.

Do foreign students remain to work in Estonia after graduation?

101. The NAO investigated, how many foreign students⁶⁹ who graduate⁷⁰ from a university or vocational school remain and are employed in Estonia. The analysis indicated that 20.7% of the graduates are employed in Estonia on a permanent basis (have worked in Estonia for more than half of the 18-month period after graduation). The corresponding indicator was 24.2% for EU citizens and 16.8% for third-country nationals.

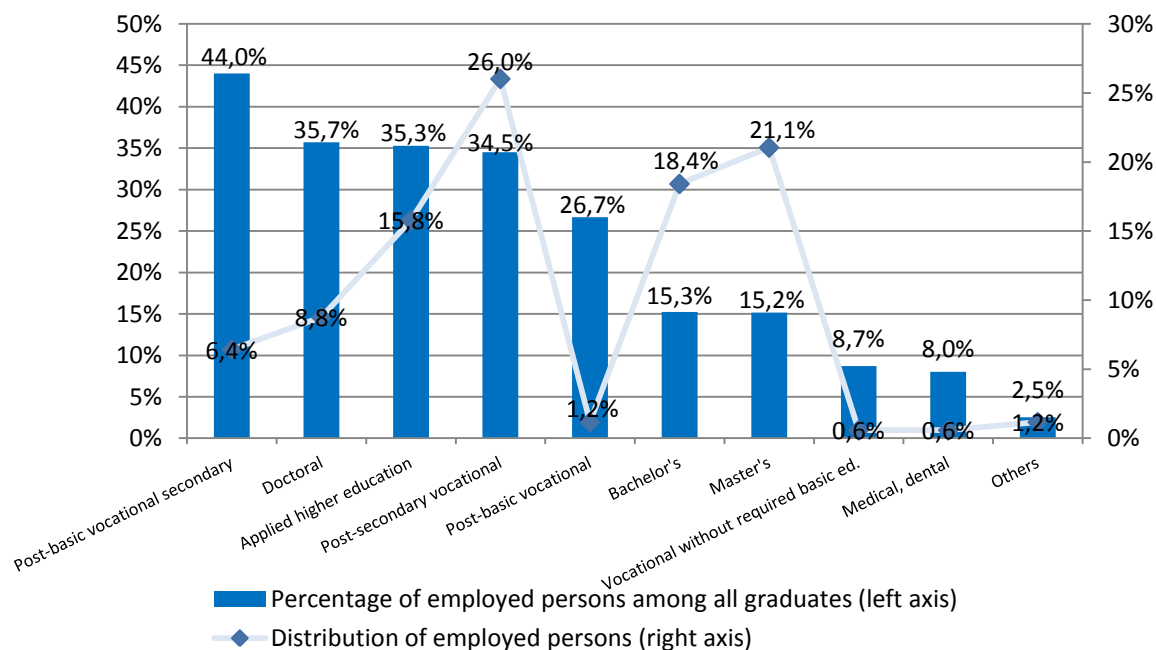
102. Students who come to acquire vocational or applied higher education are more likely to remain to work in Estonia. The percentage of graduates employed in Estonia is lower in Bachelor's (15.3%), Master's (15.2%), as well as medical and dentistry programmes (8%). Graduates from Doctoral programmes are an exception, with more than a third being employed in Estonia (30 persons in total over the period 2005-2012). The latter group mainly includes people with academic interests, for whom access to employment after graduation is easier in the same or a similar institution (see Figure 14).

⁶⁸ The PBGB issued in 2013 a total of 679 residence permits to student migrants.

⁶⁹ Persons without Estonian citizenship enrolled in Estonian institutions of higher or vocational education.

⁷⁰ The group of graduates includes all foreign students who have been enrolled in an higher or vocational education institution in Estonia and on whom the Estonian Education Information System includes a date of exmatriculation.

Figure 14. Percentage of foreign students who were employed in Estonia after graduation among all graduates by levels of education, incl. a percentage breakdown of the persons employed, 2005-2012



Source: NAO, Ministry of Education and Research, Police and Border Guard Board, Tax and Customs Board

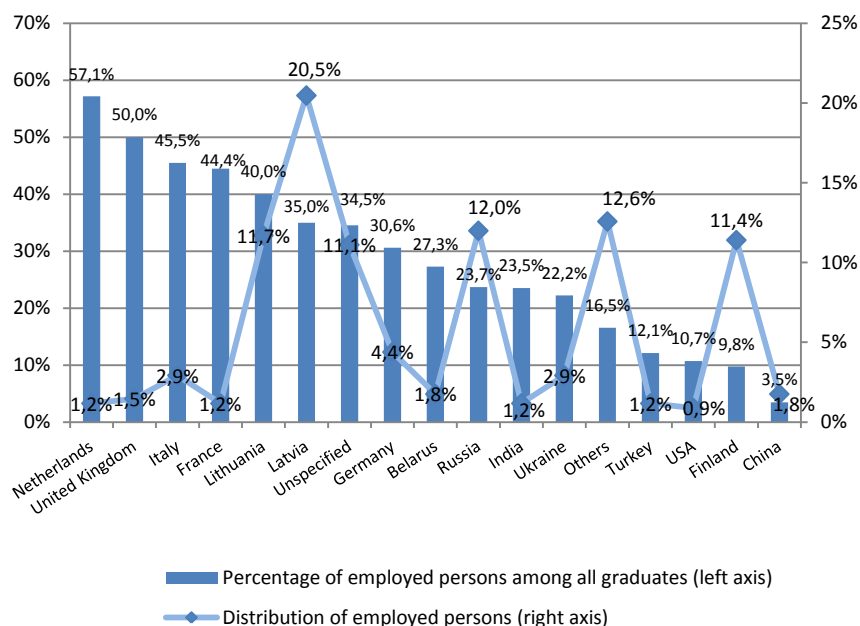
103. It means that, like in the case of persons arriving in the context of labour migration, persons in vocational education are more likely while students of Bachelor's or Master's programmes are less likely to be employed in Estonia after graduation. However, the first group tends to compete in the same sectors and for similar jobs as labour migrants.

What is the breakdown of foreign students who are employed in Estonia by citizenship?

104. The results of the NAO's analysis also showed that EU citizens are more likely to be employed in Estonia after graduation and most of them come from nearby countries with a similar background to Estonia. For instance, persons with Latvian, Lithuanian or undetermined citizenship constitute 43.3% of all foreign students employed in Estonia (see Figure 15).

105. The likelihood of being employed in Estonia after graduation is highest for citizens of developed Western countries (the Netherlands, the United Kingdom, Italy, etc.), but the respective number is very small in absolute terms. Third-country nationals are much less likely to remain in the Estonian labour market (see Figure 15). As indicated at the beginning of this section, the number of third-country nationals who remain to work in Estonia after graduation is 7.4% lower than the number of EU citizens. This difference could be caused by the limited job-seeking period applicable to third-country nationals after graduation.

Figure 15. Percentage of foreign students who were employed in Estonia after graduation among all graduates by citizenship, incl. a percentage breakdown of the persons employed, 2005-2012

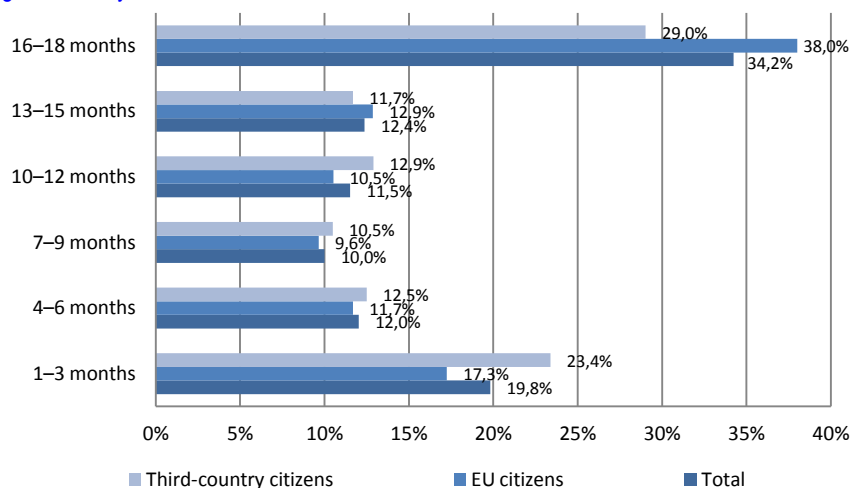


Source: NAO, Ministry of Education and Research, Police and Border Guard Board, Tax and Customs Board

Are students from third countries and from the EU in an equal position in the labour market?

106. Some of the reasons why third-country nationals are less likely to be employed in Estonia could be associated with fewer opportunities and an inferior position in the labour market. Namely, the results of the NAO's analysis revealed that, 18 months after graduation, graduates with EU citizenship had had a job for a longer period of time. For instance, 50.9% of EU citizens and 40.7% of third-country nationals, who were employed during the 18 months after graduation, had been working for 13-18 months. Conversely, very brief employment periods (1-3 months) are more characteristic for third-country nationals, which indicates that they probably lost their job after being employed, resigned relatively quickly, or only worked for a brief stint, without a longer-term commitment in the labour market (see also Figure 16).

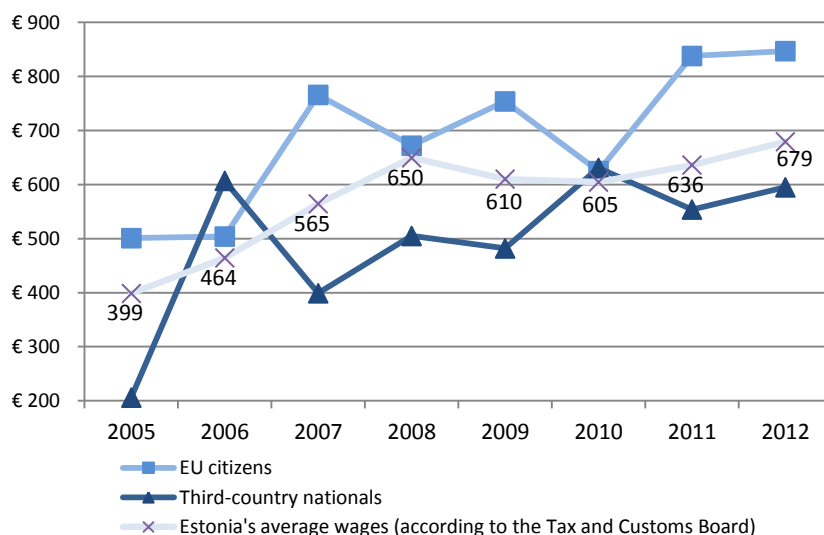
Figure 16. Percentage of foreign students who were employed after graduation among all graduates by the number of months worked, 2005-2012



Source: NAO, Ministry of Education and Research, Police and Border Guard Board, Tax and Customs Board

107. The inferior labour market position of third-country nationals is also confirmed by the data on remuneration. The EU citizens, who were employed after graduation, earned much higher average gross monthly wages than the citizens of third countries in most years of the period 2005-2012. While EU citizens earned more than Estonia's average wages in most of the years, third-country nationals earned less. For instance, the difference in wages between the two groups was 252 euros in 2012 (see Figure 17).

Figure 17. Average gross monthly wages of foreign students employed after graduation by citizenship category and year of graduation, 2005-2012 (euros)



Source: NAO, Ministry of Education and Research, Police and Border Guard Board, Tax and Customs Board

108. Consequently, students from third countries are in several respects in an inferior labour market position (fewer of them find work, the duration of their employment is shorter, and they earn less) compared to students from the EU. Praxis Centre for Policy Studies has concluded⁷¹ that many companies are not yet prepared to recruit foreign labour, either due to insufficient knowledge or preconceptions, which could be one explanation why they prefer persons with a similar cultural background, i.e., citizens of other Baltic or EU countries, over third-country nationals.

Did you know that

In 2013/2014, there were more than 100 international fully English-language study programmes in Estonia, and the same admission conditions are applied to foreign and local students.

Source: Praxis Centre for Policy Studies,

109. The second reason is probably lack of measures to support foreign students after graduation to facilitate their employment. It is still unclear who should provide post-graduation assistance to foreign students. Furthermore, based on an analysis of interviews, the Institute of Baltic Studies⁷² has argued that, in addition to insufficient Estonian language skills, employment of foreign students is also complicated by limited knowledge about the functioning of Estonia's labour market and the shortage of traineeship positions. The insufficient measures, lack of knowledge and limited availability of information can become decisive factors for employment in a situation where EU citizens can look for a job for an unlimited period, but third-country nationals only have up to 6 months after graduation to do so.

⁷¹ Foreign students in Estonia. Praxis Centre for Policy Studies, Policy Analysis No. 2/2014.

⁷² Adaptation of new immigrants in Estonia: options and policy proposals for the development of an integrated and sustainable system. Institute of Baltic Studies, 2014.

What can the government do to facilitate employment of foreign students?

110. The number of full-time foreign students has doubled in Estonia in the past five years and the Ministry of Education and Research has met its target, but if the government would like to see foreign students being employed here, they should make a next step in this direction. Foreign students who graduate in Estonia are already familiar with the local culture, they often have a social network and, in some cases, have acquired a certain level of language proficiency, which makes integration easier for them. Furthermore, a diploma from an Estonian university or vocational school can provide employers with confidence that the person has a defined level of skills and knowledge.

111. However, it is somewhat problematic that foreign students generally study similar specialties as the Estonian students or specialties that are not related to Estonia's 'growth areas'. This is likely to limit their competitiveness in the Estonian labour market.

112. Consequently, better coordination would be required between student mobility and Estonia's labour market needs. Development of scholarship programmes is one way to attract talented foreign students to study in specialties that are important for Estonian economy. On the one hand, limited financial support can prevent foreign students from coming to Estonia.⁷³ On the other hand, the government could consider bringing the scholarship system more in line with the labour market situation.

113. Both the offering of scholarships and admission of foreigners to government-funded study places can raise questions about the benefit for Estonian society and state. The direct benefit would be realised through subsequent employment of foreign students in key sectors of economic development. For this reason, consideration could be given to tying scholarships more specifically to labour market needs or subsequent employment in Estonia. However, a foreign student can make a contribution to the development of society even if he or she leaves the country after graduation, by maintaining and developing the contacts established here.

114. Entry of foreign students to the Estonian labour market could be facilitated by offering them more traineeship opportunities during the studies, so that they can learn more about the local labour market and employers can gain experience of working with foreigners. In addition, they could be offered career counselling, designed to support specifically the movement to the Estonian labour market, in combination with other ways to establish more contacts with local employers. Cooperation between the government, educational institutions and companies is important in this context. The Ministry of Social Affairs believes that, from 2015, career counselling is available to all who need it, and the service is provided in the same way to everyone.

115. In conclusion, facilitating the entry of foreign students to Estonia's labour market is as important as attracting them to Estonia to study. Currently, the system of helping foreign students, who have the knowledge and skills needed for Estonia, to the local labour market after graduation has not been systematically thought through. Considering the government's strategic preference for knowledge-intensive economy and innovation in a situation where the number of students is decreasing, it

⁷³ Interview with Raul Eamets and Tiit Tammaru, 7 January 2014.

would be important to motivate graduates of all educational institutions to remain to work in Estonia. Otherwise, the Estonian school system will always train people for labour markets of other countries.

The state is not ready for welcoming or integrating immigrants

116. The “Integrating Estonia 2020” development plan of the Ministry of Culture specifies provision of an environment that meets the needs of immigrant and permanent population and supports integration as one of the central objectives. The sub-objectives include reducing differences in values, attitudes and employment between the population groups of local and foreign origin.

117. Achieving this objective requires that schools and kindergartens create the conditions and opportunities that meet the needs of immigrants, that relevant information is made available in the necessary languages, that employers are prepared to hire immigrants, and that the general attitude and mood of society is tolerant.

Are pre-school childcare institutions and general education schools prepared to accept immigrants?

118. The migration trends of recent years indicate that the most mobile people are in their 20s or 30s and their pre-school-age and school-age children migrate with them. Consequently, increasing mobility will have a gradually stronger impact on the pre-school and school system. Parents moving to Estonia can send their children to paid international schools, located in Tallinn and Tartu, but they only have a limited number of places and the tuition fee can be too high for many families.

119. The situation has somewhat improved after Tallinn English College and Tartu Miina Härma Gymnasium started to offer international general education courses free of charge. However, there are no such opportunities elsewhere in Estonia.

120. Many general education schools and kindergartens are not sufficiently prepared for dealing with the children of new immigrants. Only 10-15% of the respondents' children had used various support measures (e.g., preparatory class, assistant teacher, support person, special learning resources, individual learning assistance). However, according to both students and teachers, about 4/5 of the children of new immigrants would require additional support in education.^{74, 75}

121. The parents' expectations for additional support measures are also many times higher than the reality on offer. 56% of the parents believe that different support measures are necessary. In addition, some parents have experienced schools' reluctance and unwillingness to admit students who have come from a foreign country. As the opportunities of additional

⁷⁴ The Basic Schools and Upper Secondary Schools Act permits all general education schools to establish cultural teaching groups if this is requested by at least ten students with the same native language. According to the information received from the Ministry of Education and Research, this option has not been used so far. Informal language and cultural teaching is organised, to some extent, at Sunday schools of ethnic culture societies. The Sunday schools also receive basic funding from the government for this.

⁷⁵ Study of academic achievement and education opportunities of new immigrant students. MindPark, 2013, p. 9. This study only covered citizens of third countries.

language training are limited as well, many new immigrants experience learning difficulties.⁷⁶

122. In a study⁷⁷ from 2014, the Institute of Baltic Studies has also noted that new immigrants see the lack of suitable kindergarten and school places in Estonia as a considerable problem. Similarly, the Ministry of Culture has admitted that, while support measures have been created for schools, the possibilities to use them have been limited.

123. In order to improve the situation, the government should in the first place ensure availability of kindergarten and school places and their readiness for admission of children of foreign nationals (incl. making sure that at least some staff members speak English and Russian). Ensuring that the children of immigrants come into contact with the local education system at as young age as possible is important to facilitate integration. As next steps, the government should decide on the support measures (e.g., individual support at school, additional language training) that will be used to help the children of new immigrants to adapt in the Estonian school system, as well as on the respective training provided to teachers. The Ministry of Social Affairs has pointed out that, from the autumn of 2015, local governments can receive support for creating new childcare and kindergarten places, designed primarily for bringing parents and carers back to the labour market. However, this is a temporary measure that supports the creation of up to 1,200 childcare and kindergarten places. The measure is financed from the European Social Fund in the period 2015-2020. It is too early to tell, whether or how much this opportunity will be used by local governments or how helpful it will be for the children of immigrants.

Did you know that

"Diversity and multiculturalism" is a mandatory school subject in the United Kingdom. It covers issues related to a diverse society, different ethnic and religious communities, internal and external migration, and the political and economic causes of migration.

Source: Handbook on integration for policy-makers and practitioners. European Commission, 2009.

124. European Commission recommends implementation of uniform standards for assessment of children's prior learning and orientation programmes (that can include teaching in the child's native language to facilitate adaptation). The gaps between immigrants and local students, and between the first and second generation of immigrants, are relatively smaller in countries that have developed clearly structured and defined support programmes for language training.⁷⁸

125. The education system can also be used for shaping public attitudes towards immigrants. In many countries, the school systems emphasise citizenship or social education, which also includes presentation of cultural diversity. Teachers have access to training to provide them with skills to discuss these issues.

Is the information required for social adaptation available?

126. Successful social adaptation of new immigrants is only possible if the information required for settling in a new society can be obtained quickly, in a structured format, from one place. There is room for improvement in Estonia when it comes to the availability of necessary information for social adaptation. Before the opening of the information portal in April 2015, labour migrants could only receive information from companies,

⁷⁶ Study of academic achievement and education opportunities of new immigrant students. MindPark, 2013, p. 4-5. This study only covered citizens of third countries.

⁷⁷ Adaptation of new immigrants in Estonia: options and policy proposals for the development of an integrated and sustainable system. Institute of Baltic Studies, 2014.

⁷⁸ Handbook on integration for policy-makers and practitioners. European Commission, 2009.

but it is not yet known how successfully the target group can be brought to the new information channel. At the same time, foreign students receive most of their information from universities and vocational schools, while it is doubtful how useful an information portal, which was designed primarily for labour migrants, can be for family migrants.⁷⁹

127. A separate issue stems from the fact that public information has often not been translated into a foreign language (e.g., English or Russian), and there are general problems, for instance, when communicating in English with officials or when using health care services. Consequently, it is important that at least some officials, medical staff members and others speak foreign languages. Further, the 2014 study⁸⁰ of the Institute of Baltic Studies observed that information on the services and opportunities offered by the central government and local governments is dispersed in different places, which makes using it problematic for foreign nationals.

128. In the context of local governments, it was observed that they are passive or play almost no role in the provision of services to foreign nationals. The main obstacle is the lack of English-language information on the services. Furthermore, it is characteristic for local governments to engage in very little cooperation with other institutions (universities, entrepreneurs, state agencies, etc.).

129. As a result of the described situation, if we exclude the use of general public services, any direct contacts between foreign nationals and local government have been limited to residence registration. As a government level that is closest to the people, local governments should assume a much greater role in supporting social adaptation of foreigners and providing information.

130. In the Estonian context, availability of relevant and updated objective information and contacts is even more important, because nearly half of Estonia's Russian-speaking population is completely isolated in a Russian-language information space. At the same time, many new immigrants can speak Russian, which is why poor availability of information can result in a weak communication and connection with the state. This would undermine the prospects of social adaptation and subsequent integration.⁸¹

131. More information should be made available in other languages in order to make Estonia a more attractive labour destination and to facilitate adaptation and coping of immigrants. Based on the experience of other countries, Estonia opened an information portal in the second quarter of 2015 and the first conclusions about its effectiveness can be made at the end of 2015, after the promotional events (see also para. 75).

⁷⁹ The Ministry of the Interior believes that the problem can be alleviated with the changes implemented in 2015, which include creation of the information portal, provision of adaptation training, and empowering organisations that work with new immigrants to provide services to them.

⁸⁰ Adaptation of new immigrants in Estonia: options and policy proposals for the development of an integrated and sustainable system. Institute of Baltic Studies, 2014.

⁸¹ Integration monitoring. Ministry of Culture, 2011, p. 165.

Welcoming programme – an action plan to support the adaptation of new immigrants in Estonia; it includes 80 academic hours of Estonian language training, 8 hours of general training on state and society, and various thematic modules. The programme implementation starts in 2015 and participation is free of charge.

More information can be found in the development plan "Integrating Estonia 2020" and the Minister of the Interior

Did you know that

In Denmark, immigrants can choose between two language training programmes: a shorter course designed specifically for the labour market and enabling quick acquisition of a basic level of Danish language proficiency, or an extensive programme of up to three years.

Are employers prepared to hire immigrants?

132. Furthermore, the government is currently working on a **welcoming programme**⁸² for new immigrants arriving in Estonia.⁸³ The focus in the development of the welcoming programme should be maximising the practical usability for all immigrants. It is important to specify the approaches to be used for people arriving in the context of different types of migration: labour migrants with lower and higher qualifications, student migrants, family migrants, incl. spouses and children of family migrants. Consideration should also be given to using the programme to establish effective ties with society, so that integration would not be limited to a theoretical overview, but would also include practical aspects (e.g., how to create contacts with local networks, the labour market, etc.).

133. Previously, adaptation of immigrants has only been a project-based activity, with different solutions being tested by the government. According to the Ministry of Culture, important actions have included the adaptation assistance programme (from 2010 to 2014) and the support person service (from 1 August 2012 to 30 November 2013). While the first was completed by 214 persons, or 1.5% of new immigrants in 2010-2013, the latter was provided to 22 persons. The exact data on the number of persons completing the adaptation assistance programme in 2014 are not available, because the programme was closed early in that year.⁸⁴

134. Many countries (e.g., Denmark, Norway, Germany, Sweden, Portugal, the Czech Republic, Slovenia, and Slovakia) have tried to improve the availability of social information and services to immigrants through service centres, created by central or local governments. In these centres, foreign nationals can receive information and assistance for dealing with different institutions (incl. migration procedures, social security and taxes, employment measures), as well as practical advice on daily life, personal and legal counselling, and an opportunity for official evaluation of the qualifications they have acquired abroad.

135. Such centres do not have to be separate entities, but can belong to the structure of an existing agency – the goal is to provide information and services in a manner that is accessible and understandable to foreign nationals. In order to improve readiness for the acceptance of new immigrants in this field, the government has to make decisions on the form of organisation to be used for the provision of information and services, the affected target groups, the functions included, etc.

136. Consequently, the government has planned activities for improving the availability of information, but it is not yet known whether the envisaged changes will be effective and will produce the expected results.

137. Adaptation in a new country is largely dependent on the ability to find a job in a local company or institution. Employment of new immigrants can only be successful if employers are willing to hire them.

⁸² According to the Ministry of the Interior, the welcoming programme only focuses on adaptation, which should be differentiated from the process of integration.

⁸³ The Police and Boarder Guard Board refers new immigrants to the training courses of the welcoming programme from 1 August 2015. The first training courses are likely to take place a little later. The training courses will be offered in Tallinn, Tartu and Narva, and participation is voluntary and free of charge.

⁸⁴ Information from the Integration and Migration Foundation Our People.

138. In 2011, the Unemployment Insurance Fund commissioned a survey of employers' interest in foreign labour. The results of the survey indicated that, at that time, 6% of companies had used foreign workers. However, 12% of companies would be interested in hiring foreign workers in the future. It means that the use of foreign workers is considered by a relatively small part of Estonian companies.

139. The entrepreneurs explained their low level of interest by referring to the lack of need, cultural differences (incl. language barrier, attitude towards work), too high salary expectations of foreigners, society's limited readiness for the import of foreign labour, and lack of information on how to recruit foreign nationals.

140. The government has the opportunities for placing greater emphasis on the adaptation and labour market integration of immigrants, thereby raising employers' level of interest in hiring foreigners. For instance, unemployed third-country nationals currently have access to the same employment services as the rest of the population, but it would be possible to develop some specific solutions for immigrants, such as evaluation of qualifications attained in a foreign country, refresher training and retraining courses (language learning, refresher training for specific professions⁸⁵), etc.

141. Relying on different studies (household surveys of Statistics Estonia and the 2011 integration monitoring commissioned by the Ministry of Culture), the Ministry of the Interior has observed that, based on international experience, foreigners are potentially in an inferior labour market position compared to the local population. Therefore, they may require special attention. In addition, they could be offered career counselling to support the movement to the Estonian labour market, in combination with the creation of more contacts with local employers. Cooperation between educational institutions and companies is important in this context. The Ministry of the Interior believes that the government has the opportunity to offer more information on labour market services and to improve the range of services offered (incl. creation of 'special services'). However, the Ministry of Social Affairs is of the opinion that there is no need for new employment services based on people's origin, because the causes of unemployment are not directly related to ethnicity or origin, but rather to professional experience, skills, education, etc.

Is society tolerant towards immigrants?

142. Employers' willingness and interest in hiring foreign workers often depends on society's general attitude towards immigrants. However, the predominant attitudes among Estonian residents are considerably more negative than in many other countries.

143. Estonia has the lowest community tolerance index of minority groups among OECD countries – while the OECD average is over 60%, the Estonia's indicator was 27%.⁸⁶ The general lack of tolerance among Estonian residents is also reflected in low tolerance towards immigrants: the results of the European Social Survey showed that tolerance towards

⁸⁵ Sweden, for example, offers refresher training to third-country citizens who have specialised education in certain fields, incl. physicians, teachers, lawyers, nurses, dentists (OECD International Migration Outlook 2013).

⁸⁶ Estonian Human Development Report 2012/2013. Estonian Cooperation Assembly, p. 68-69.

immigrants was much lower among Estonian residents (24%) than in Europe on average (38%). Only three countries (Slovenia, Lithuania, Greece) had a lower tolerance level than Estonia while, for instance, in Finland, 67% of persons held tolerant opinions.

144. Society's attitude can support or hinder the adaptation of immigrants, which is why further steps are needed to promote equal treatment and tolerance. The labour sphere is the most problematic field, but there is also much room for development, for instance, in media coverage, as well as in the awareness and skills to discuss these issues among officials, teachers and youth workers.

145. According to the 2013 study of the Institute of Baltic Studies, many changes in the field of equal treatment, which were envisaged in the Estonian Integration Strategy 2008-2013, have not materialised. Problems arise from the shortage of specific expertise, as well as limited interest in and poor understanding of these issues among general population.⁸⁷ The Ministry of Culture explained that, according to the final report on the Estonian Integration Strategy 2008-2013, the target level of the indicator "Decrease the unequal treatment perceived by various ethnic groups" has been achieved.⁸⁸ Project-based support has been allocated to human rights organisations from the support programmes of the Ministry of Culture to promote equal treatment in the labour market. There have been awareness campaigns and media projects (interviews, programs with opinion leaders) on tolerance and equal treatment, incl. training courses on the Equal Treatment Act for entrepreneurs and human resources managers. Nevertheless, Estonian residents (incl. officials) will need further awareness-raising actions on equal treatment.

146. The Ministry of Culture hopes to improve the situation through the measure "Supporting the awareness of a common information space and of cultural diversity", included in the "Integrating Estonia 2020" development plan. The key activities of this measure include creation of a new Russian-language television channel and media activities supporting increased social cohesion (e.g., article series, television and radio shows on integration and values, development and translation of websites). However, it is too early to tell whether the measure will produce the expected results. The Ministry of the Interior has expressed the opinion that the volume of activities will be too small (with the exception of activities associated with the creation of a Russian-language TV channel). The Ministry of Culture believes that the assessment of the Ministry of Interior is not accurate, because the allocation for the actions of the measure "Supporting the awareness of a common information space and of cultural diversity" of the sectoral development plan "Integrating Estonia 2020" will be 11,239,317 euros over the period 2014-2017, which is 40% of the total budget of the implementation plan (27,862,809 euros).

⁸⁷ Equal Treatment Promotion and Awareness in Estonia. Institute of Baltic Studies, 2013.

⁸⁸ Fewer people experienced unequal treatment in 2011 compared to 2007: in 2007, 30% of people from other ethnic groups experienced a situation where a person was preferred in recruitment, promotion to a certain position or distribution of benefits due to ethnicity or language (source: data from the 2007 survey "National Relationships and Integration Policy Challenges after the Bronze Soldier Crisis"). in 2011, similar situations had been experienced by 20% of other ethnicities (source: Estonian integration monitoring 2011).

Segregation – separation of ethnic communities from the rest of the population.

147. Estonia's position is made more complicated by the additional risk, which is caused by the situation in specific regions. For instance, involving the residents of Ida-Viru county, or the new immigrants that move into this region, in integration is a most challenging task for the government, because the majority of the region's population (73%) belongs to the low integration cluster, especially in the Kohtla-Järve and Sillamäe areas.⁸⁹ A high percentage of unintegrated or poorly integrated persons in a region increases the probability of any new immigrants becoming similar to those groups due to the lack of accurate information, employment opportunities, preparation of schools and kindergartens, and tolerance of local people.

148. Past international experience shows that, in the absence of necessary information, contacts and adaptation measures, new immigrants turn to the local community that speaks the same language for information, often adopting their media consumption patterns and the practice of communication with the state. However, this development would create a major risk of **segregation** for new immigrants.

149. The consequences of segregation are mainly associated with social problems: unemployment, extensive use of social benefits, and increased crime. These problems cannot be solved with the help of other members of the same ethnic community that has become the main social network for new immigrants.

150. In conclusion, the arrival of new immigrants in Estonia requires the government and society to be prepared to provide them and their family members with suitable conditions. So far, the government has created an information portal and launched a welcoming programme, but it is yet to be seen how successfully these changes, introduced in 2015, will be implemented and what will be the results.

Exploitation of the social benefits system is not common among immigrants

151. On the flipside of the economic development opportunities associated with the increasing size of workforce, any immigration is a source of risks. One of the negative effects would be an increased percentage of immigrants bent on increasing their income by exploiting the social welfare system of the destination country.

152. Several developed Western countries have seen increased immigration, motivated by the desire for social benefits, and the 'benefit tourists' are becoming a considerable problem. The NAO investigated how many new immigrants have received different social and unemployment benefits and whether benefit tourism is a problem in Estonia.

⁸⁹ Integration monitoring. TNS Emor, Praxis Centre for Policy Studies, University of Tartu, 2011, p. 192.

Have immigrants received more unemployment benefits than the average population?

Unemployment insurance benefit

can be paid to a person, who has been employed for at least 12 months during three years prior to registration as unemployed and did not resign from the last place of employment at his/her own initiative.

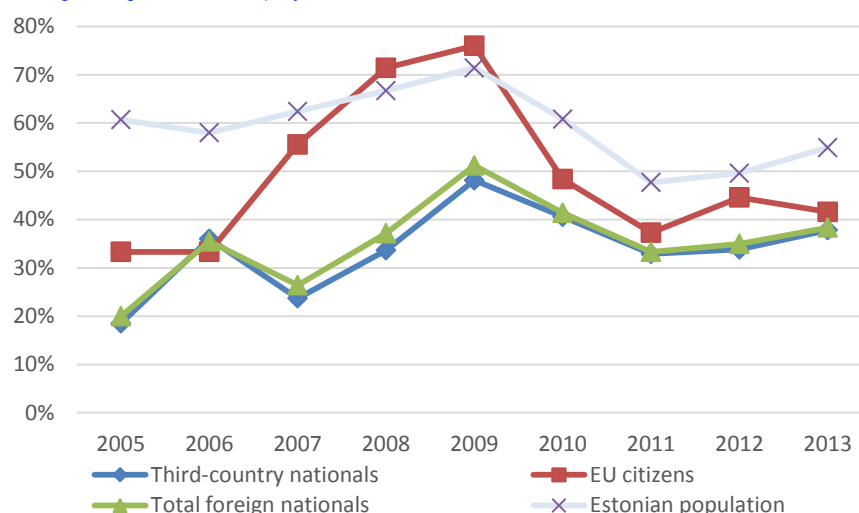
Unemployment allowance can be paid to a registered unemployed person, whose monthly income is lower than the daily unemployment allowance rate times 31 (which amounted to 124.31 euros in 2105)

153. The results showed that the percentage of foreign nationals, who had received unemployment benefits (**unemployment insurance benefit** or **unemployment allowance**) while being registered as unemployed, was significantly lower than the corresponding percentage of Estonians. In the period 2010-2013, unemployment benefits were paid to slightly more than one third of the foreigners, who were registered as unemployed. Looking at all the registered unemployed in Estonia, we can see that nearly half of them received unemployment benefits in the same period (see Figure 18).

154. This difference between local population and foreigners was even larger in earlier periods. However, the unemployment rate of foreigners was higher than Estonia's average (on the percentage of persons registered as unemployed, see the section "Family migrants constitute the largest category of immigrants in Estonia, but most of them are not regular participants in the labour market").

155. The indicators are somewhat different in case of EU citizens and third-country nationals. In two years (2008-2009), the level of unemployment benefits paid to EU citizens who were registered at the Unemployment Insurance Fund exceeded the level of benefits received on average by all registered unemployed persons in Estonia, but the level of unemployment benefits paid to third-country nationals has always been significantly lower. In most of the other years, EU citizens too have received unemployment benefits below the average level of all registered unemployed; for example, in recent years (2010-2013), this difference has been around 10%. It should be remembered in this context that, in absolute figures, the number of EU citizens who receive unemployment benefits is much lower than the number of third-country nationals, which is why they only have a minimal impact on the aggregate indicator of all foreign nationals (see Figure 18). Detailed analysis results, broken down by unemployment insurance benefits and unemployment allowances, are available in Annex F.

Figure 18. Percentage of foreign nationals from 16 to retirement age who received unemployment benefits (unemployment insurance benefit or unemployment allowance) among all registered unemployed in 2005-2013



Source: NAO, Police and Border Guard Board, Ministry of the Interior, Unemployment Insurance Fund

What social welfare benefits are paid to immigrants?

156. The analysis of social welfare benefits by types of migration indicated that family migrants receive the most benefits. Most benefits are associated with children, which indicates that families with children move to Estonia (or their children are born in Estonia). In 2013, child care allowances, child allowances, parental benefits and childbirth allowances accounted for 77% of all public benefits paid to new immigrants.

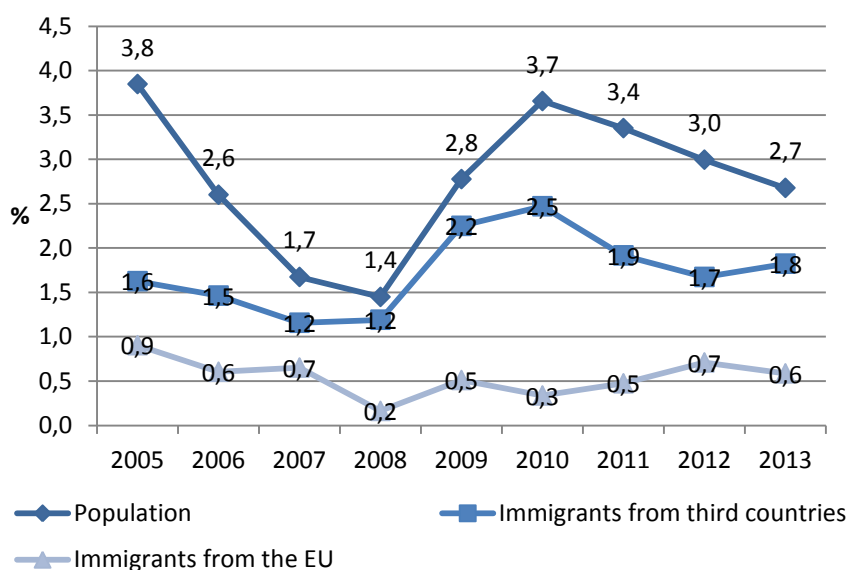
157. From 2005 to 2013, benefits associated with children accounted for 45.5% of the total amount of benefits paid to new immigrants. The respective indicator in the general population was significantly lower (15.5%) in the same period (more information on social welfare benefits can be found in Annex G).

Did you know that

In 2005-2013, new immigrants received a total of 627,000 euros of subsistence benefits. The amount spent on subsistence benefits for the total population in the same period was 141 million euros, i.e., the expenditure on new immigrants accounts for 0.4%.

158. The analysis of the use of subsistence benefits showed that payment of subsistence benefits to immigrants was also at a much lower level compared to Estonia's total population. While 2.7% of the total population received subsistence benefits in 2013, they were paid only to 1.5% of foreign nationals. The subsistence benefit payments to immigrants from the EU have been somewhat lower than to third-country nationals. In 2013, subsistence benefits were paid to 1.8% of immigrants from third countries and to 0.6% of EU citizens (see Figure 19).

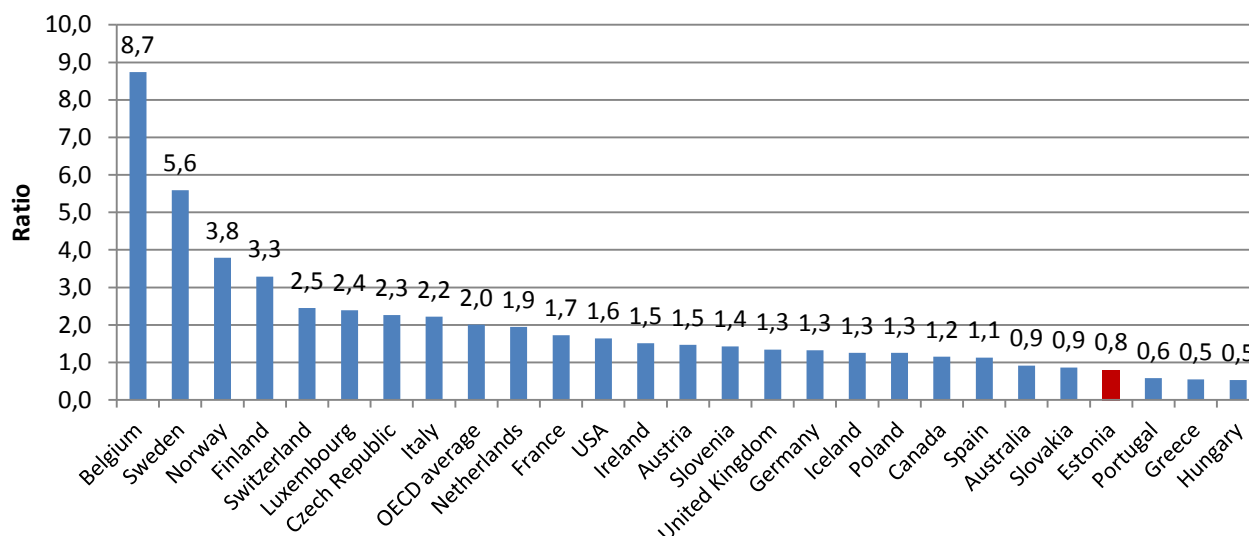
Figure 19. Percentage of recipients of subsistence benefits among immigrants and total population, 2005-2013



Source: NAO, Ministry of Social Affairs

159. The results of the NAOS's analysis on the use of social welfare and unemployment benefits by foreigners, in comparison to local population, are also confirmed by the OECD data. Namely, OECD has found that persons of foreign origin in Estonia tend to receive less social assistance than the locals. While the OECD average ratio of foreigners to locals was 2.0, the Estonian indicator was 0.8, i.e., over two times lower (see Figure 20).

Figure 20. Ratio of foreigners using social assistance in relation to locals using social assistance in OECD countries, average of 2007-2009⁹⁰



Source: OECD

160. In conclusion, immigrants are not a burden on the social welfare system and, unlike many developed countries, Estonia is not a destination of 'benefit tourism'. This is largely caused by the fact that the amounts of benefits are relatively small compared to developed countries and many benefits or allowances have considerable eligibility requirements (e.g., requirement of an employment record in case of unemployment insurance benefits or unemployment allowances).

It is difficult to restrain emigration of young and working-age people

Emigration in figures

161. According to the Population Register (the data of Statistics Estonia differ from the Population Register; see footnote 92), ca 60,000 persons have emigrated from Estonia in the period 2005-2013, which is nearly 21,000 more than the number of immigrants in the same timeframe. Emigration has gradually increased over the years (see Figure 21). While most European countries have a positive net migration, i.e., the number of immigrants exceeds the number of emigrants, Estonia's balance has been negative throughout the years – Estonia has remained in the status of a donor country. In 2013, only Latvia, Lithuania, Ireland and Southern European countries in a poor economic state (Portugal, Spain, Greece and Cyprus) had a greater negative net migration than Estonia. While Estonia lost people in 2013 at the rate of approx. 2 per 1,000, the rate of influx of people to Finland, for instance, was 3.3 per 1,000 while Norway gained 7.9 persons per 1,000.⁹¹

⁹⁰ The ratio was calculated as a quotient of the following ratios: percentage immigrants on social support (benefits + services) in the population, divided by the percentage of natives on social support (services and benefits) in the population.

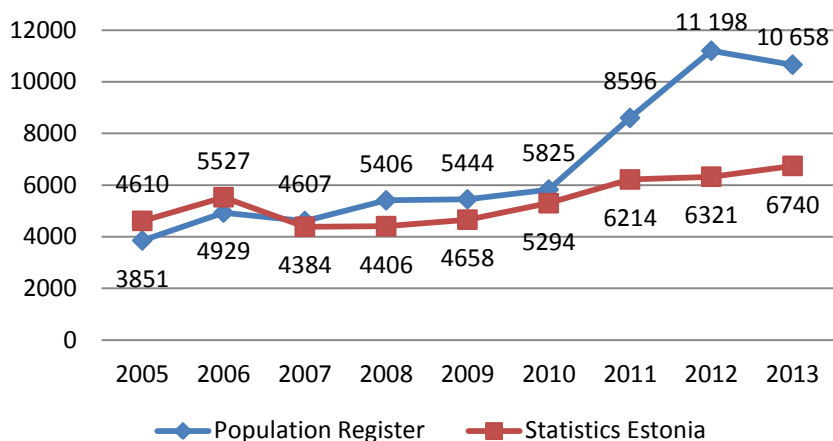
⁹¹ Crude rate of net migration plus adjustment. Eurostat, 2014.

How many people have emigrated from Estonia?

Did you know that

According to the analysis of Statistics Estonia, 39% of the persons whose emigration was registered in 2012 had actually left Estonia before that. The respective percentage among the 'official emigrants' in 2013 was ca 32%.

Figure 21. Number of emigrants 2005-2013⁹²

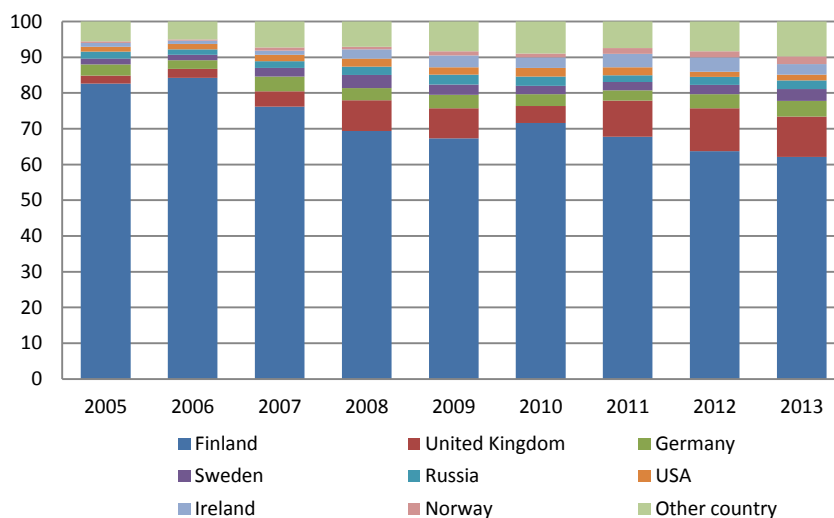


Source: NAO, Population Register, Statistics Estonia

Where are emigrants going?

162. Finland is the main destination of emigration from Estonia, despite its significance increasing from 2005 to 2013: while 83% of emigrants moved there in 2005, the share had dropped to 62% by 2013. Correspondingly, the United Kingdom, Ireland, Germany, Scandinavian and other countries have become more popular destinations of emigration (see Figure 22).

Figure 22. Destination countries of emigration 2005-2013 (%)



⁹² The emigration statistics of Statistics Estonia differs from the Population Register. Statistics Estonia has made adjustments to the aggregated emigration indicator for the period 2005-2011 in those instances where a person has been granted a one-year residence permit, the person's residence has been registered only at the municipality level, and the term of the residence permit expires. This is the reason why the figures of Statistics Estonia for 2005-2006 are higher. The data of the Population Register only reflect emigration of persons with Estonian or unspecified citizenship, i.e., persons who have permanently left Estonia. However, the indicators of Statistics Estonia are lower for most years. The difference stems from the fact that Statistics Estonia only counts persons who emigrated after living in Estonia for at least 12 months. Statistics Estonia does not count persons whose register entry does not include a previous place of residence. Regarding the years 2012 and 2013, Statistics Estonia has used the data from the population census and analysed other registers, and concluded that a considerable portion of the persons, whose emigration was registered in those years, had actually left Estonia in 2011 or even earlier.

Did you know that

Ca 12% more of women than men emigrated in 2005-2013.

However, it has been observed that, while there are more women among emigrants, men are more likely to work abroad and retain official residence in Estonia – 86% of the persons with Estonian residency who worked abroad in 2012 were men (21,400 individuals).

Source: The emigration potential of the Estonian working-age population in 2013. Ministry of Social Affairs, 2013.

163. It should be remembered that emigration data are characterised by poor quality and lack of information on emigration in case of many people. As there are no sanctions for persons who do not register their permanent departure from Estonia in the Population Register, many people fail to comply with this requirement. It can also be that the departure is registered a long time after the actual relocation from Estonia to a foreign country.

164. OECD has also noted the incompleteness of Estonia's emigration data, which makes it difficult to assess the impact of emigration on the labour market. Furthermore, OECD believes that the impacts of emigration could be better assessed if there was more information on the money sent home by the Estonians working abroad (according to OECD estimates, it accounts for *ca* 2% of Estonians GDP) and on the human capital associated with return migration.⁹³

165. Similar problems affect, in addition to emigration and return migration, also registration of immigration. Consequently, the government actually does not have an accurate overview of migration processes, which complicates development of a (migration) policy. More information on the problems associated with migration data and the government's options to improve the situation can be found in Annex H.

Most emigrants are young people or those in a poor labour market position

What is the effect of emigration on the ageing of population and labour shortage?

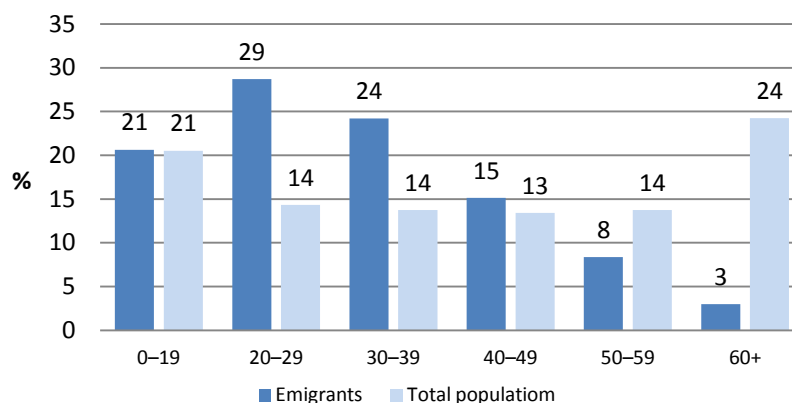
166. The Principles and Actions of Estonian Population Policy 2009-2013 identified demographic sustainability as a goal for Estonia. As early as in 2005, the horizontal development plan "Sustainable Estonia 21" established the goal of stabilisation of the demographic situation in Estonia. However, despite the aforementioned goals, the data of the Population Register indicate that emigration from Estonia has increased 2.7 times in the period 2005-2013 and is significantly higher than immigration. Along with the negative rate of natural increase, this is the second important reason for Estonia's population decrease.

167. In order to obtain an overview of the impact of emigration on the labour market, the NAO investigated the age and labour market activity of those individuals who are most likely to emigrate.

168. The analysis of the Population Register data indicated that most likely emigrants are young people and people in working age. For instance, persons in retirement age constituted, in 2013, only 2-3% of emigrants, and the rest were working-age individuals or children. Juxtaposing emigration with the age structure of the total population, we can see a clearly higher rate of emigration in the group of 20-39-year-olds (see Figure 23). It means that, in the context of population ageing and increasing labour shortage, we are seeing emigration of either current or future workforce.

⁹³ Coping with emigration in Baltic and East European countries. OECD, 2013.

Figure 23. Percentage of different age groups among emigrants and the total population in 2013

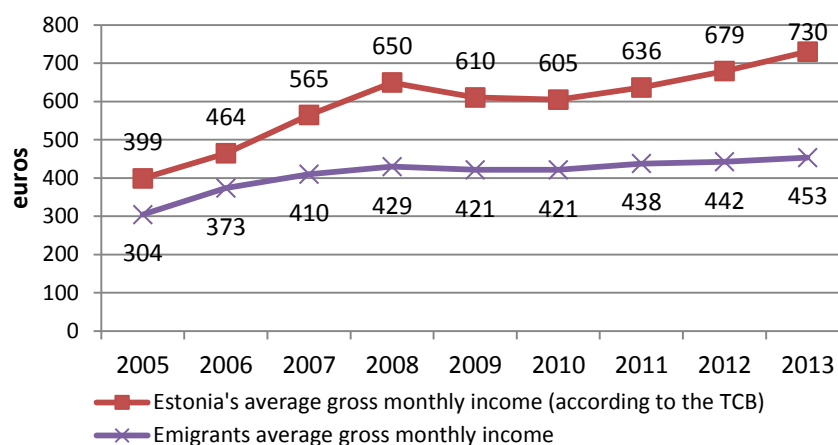


Source: NAO, Population Register, Statistics Estonia

How did emigrants fare in the labour market before leaving Estonia?

169. The NAO investigated how many emigrants had been previously employed or engaged in studies. Based on the data of the Tax and Customs Board, the analysis indicated that a quarter of working-age (15-64 years) emigrants in the period 2005-2013 had received regular (at least 7 months) income from employment before their departure. It means that 3/4 of them did not have a regular job. Comparing these indicators with the employment rates of the total population, we can see that the overall employment rate of 15-64-year-olds was 66%, i.e., significantly higher, in the period 2005-2013. While the employment rate of 15-24-year-olds was ca 30% in the total population, it was only 16% among young emigrants.

170. The inferior labour market position compared to the total population is also evident from emigrants' income data. The NAO's analysis showed that emigrants' gross monthly income was consistently below Estonia's average. For instance, the average gross income of emigrants was 60% of the Estonian average in 2013 (see Figure 24).

Figure 24. Income earned by emigrants in the last year before departure in the period 2005-2013⁹⁴

Source: NAO, Tax and Customs Board, Ministry of the Interior

⁹⁴ The figure reflects the TCB's data on income from employment, but without strict comparability, because the hours worked could not be taken into account in the gross monthly income calculations.

Did you know that

According to available data, 10% of at least 16-year-old emigrants have received a diploma from a general education or vocational school or university, or have dropped out from the respective level of education, within one year prior to departure.

This indicates that relatively few people, who are acquiring or have recently acquired their qualifications, leave Estonia.

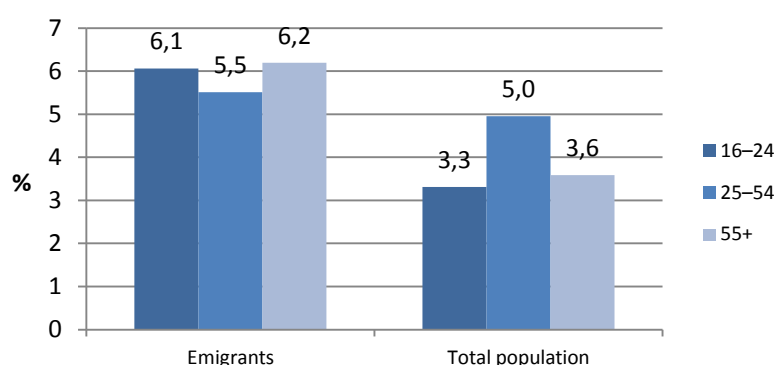
171. The relatively weak labour market position of emigrants is also evident from their education data. Approx. 11% of them have higher education, while others have attained lower levels of education. This could be, to some extent, explained by the age of emigrants, because some of them come straight from the upper secondary school and can potentially continue their studies in another country (more information on emigrants' education can be found in Annex I).

172. The results of the NAO's analysis are also confirmed by the study of Estonian emigration potential, indicating that people with lower levels of education are more likely to emigrate than those with a higher level of educational attainment. Consequently, Estonia will not face a disproportionately high brain drain in the coming years.

173. In addition to the above, unemployment is also considered a factor that facilitates emigration. An analysis based on the data of the Estonian Unemployment Insurance Fund indicated that, in most years of the period 2005-2013 (except in 2009), the registered unemployment rates of emigrants were higher than in the total population, and this gap has been larger since the economic crisis. For instance, in 2013, registered unemployed constituted 6.0% of emigrants and 4.3% of the total population.

174. It is also notable that, while the average percentage of registered unemployed was higher in all age groups of emigrants in 2005-2013, the gap was particularly large in relation to young emigrants. In this period, registered unemployment among young emigrants (16-24-year-olds) was higher by a half than in the same age group in the total population (6.1% and 3.3%, respectively) (see Figure 25).

Figure 25. Percentage of registered unemployed among emigrants and in the total population by age groups, average of 2005-2013⁹⁵



Source: NAO, Unemployment Insurance Fund

⁹⁵ The analysis is based on being registered as unemployed within one year prior to emigration.

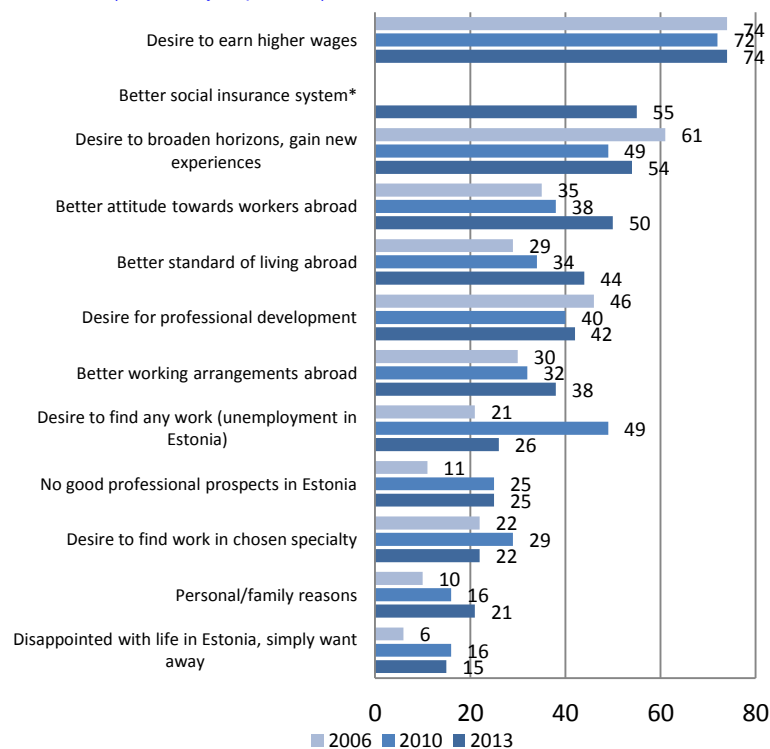
Why do people leave Estonia?

Did you know that

In 2013, 5.9%, or 51,600 persons, of Estonia's working-age population (15-64-year-olds), had a firm desire to go to work abroad, and they had made respective preparations.

175. The study⁹⁶ of the Ministry of Social Affairs confirms the role of remuneration and employment opportunities in emigration. Higher wages are clearly the main reason why people want to work abroad. The second reason is a better social insurance system in the destination country, and a better attitude towards workers is also important (see Figure 26). Low wages, unemployment and lack of prospects are the main drivers of emigration among skilled and unskilled workers and among non-Estonians.

Figure 26. Importance of the reasons why people would like to work abroad, in 2006, 2010 and 2013 (% of "very important")



*The questionnaire of the surveys of 2006 and 2010 did not include the response option "better social insurance system"

Source: Ministry of Social Affairs; surveys of emigration potential

176. In conclusion, many emigrants have not been particularly successful in the Estonian labour market, but they are predominantly young people who still have the majority of employment years ahead of them. Consequently, Estonia is a donor country that helps to increase the supply of labour in other countries, while being itself faced with increasing labour shortage.

What can the government do to restrain emigration?

Did you know that

Estonian experts have emphasised that emigration should not be seen only in a negative light – temporary migration can also lead to positive effects, both for the person and the Estonian economy.

The government has no means to restrain emigration

177. Estonian government has no direct possibility to restrict the emigration of residence. Free movement of people is one of the fundamental freedoms of the European Union. Consequently, emigration should be reduced by addressing its causes. As discussed above, emigration is associated primarily with better standard of living, working conditions and career opportunities outside of Estonia. Reducing the impact of these factors would require significant development of

⁹⁶ Häli Tarum. Eesti väljarändepotentsiaal 2013. Ministry of Social Affairs, 2014.

Estonia's economy and society, as well as a wider convergence with other EU Member States. Consequently, the primary focus should be on general domestic reforms that raise the standard of living.

178. Even though there are no direct tools to restrict emigration, there is potential for certain solutions, which would, for instance, tie young people to Estonia's labour market. As one option, the Estonian Employers' Confederation has proposed the idea of making the funding of higher education conditional on the person working in Estonia after graduation. However, it should be acknowledged that the period required for acquisition of higher education is long and the opportunities that might be available after graduation are difficult to foresee at the start, which is why this solution can lead to several negative consequences. For instance, it could drive more young people to go to school abroad in order to circumvent the limitation on career opportunities, or to forego enrolment in higher education to avoid loan obligations.

What options does the government have in its diaspora policy?

Did you know that

According to a survey of Estonian immigrants in Finland, the probability of return decreases after spending five years abroad.

Source: Enel Pungas, Ott Toomet, Tiit Tammaru, Kristi Anniste. Are Better Educated Migrants Returning? Evidence from Multi-Dimensional Education Data. NORFACE Working Papers, No. 2012-18, 1–33.

179. The government has an opportunity to step up its diaspora policy and facilitate return migration. So far, the Estonian government has implemented a diaspora policy primarily in the context of the Compatriots' Programme from 2004. The programmes have been used to support cultural events, publication of newspapers, collection and preservation of the cultural heritage of Estonians abroad, to offer support and training for returning to Estonia, etc. The portal "Compatriots Abroad" was created for Estonians living in foreign countries. The new Compatriots' Programme (2014-2020) focuses primarily on education and Estonian language training of Estonian children abroad.

180. However, it is also admitted that many recent emigrants from Estonia are dispersed and have not joined any Estonian organisations abroad. Modern means of communication enable them to maintain regular contacts with family members in Estonia and to be informed of the developments in Estonian society, which is why many of them do not feel the need for organised nationalities, supported through the Compatriots' Programme⁹⁷

181. In the international context, diaspora policy has been specifically developed in countries with an extensive, historically developed diaspora (e.g., Ireland, Israel, Mexico). Traditional measures include language and culture activities to strengthen the ties of expatriates with the homeland. There are also popular symbolic initiatives, like awarding prizes or recognition, and clubs established to strengthen contacts in business networks. There are examples of extensive programmes for utilisation of diaspora networks in the development of international economic or scientific contacts (e.g., Scotland, Taiwan).

182. Several countries (such as Poland, Lithuania, Bulgaria, Romania, Italy) have paid more attention to reintegration of returning citizens who can experience financial or adaptation problems, especially when they return with children.^{98, 99} See Annex J for examples of diaspora policies in selected countries.

⁹⁷ Compatriots' Programme 2014-2020. Ministry of Education and Research, 2013.

⁹⁸ Coping with emigration in Baltic and East European countries. OECD, 2013.

⁹⁹ OECD International Migration Outlook 2013. OECD Publishing, 2013.

Did you know that

A project called "Talents Back Home" was organised from 2009 to 2012 to establish contacts between Estonian employers and talented (young) Estonians who had gone to study or work abroad.

The project resulted in contacts with nearly 2,500 young people who studied outside of Estonia and with almost 2,500 entrepreneurs.

27 persons returned to Estonia through this project.

Source: Brief summary of the results of the "Talents Back Home" project: <http://valitsus.ee/UserFiles/valitsus/et/riigikantselei/strateegia/poliitika-analuusid-jauuringud/tarkade-otsuste-fondi-strateegiliste-arendusprojektide/Talendid%20koju%20projekt%20%C3%BChikokkuv%C3%B5te.pdf>

183. A policy targeting specifically emigrants, which enables to provide them with information on the events in the origin country and to establish contacts with employers, can motivate some people to return, but good employment opportunities and remuneration conditions are the decisive factors.¹⁰⁰

184. However, development of expatriate networks can lead to useful economic and trade connections even without return migration. Such connections can result in bringing new investments into Estonia, supporting internalisation of Estonian companies, or exploiting the competencies of Estonians abroad in the development of key economic sectors. This is an area of actions that has not been systematically promoted in Estonia so far. An international example of such practice is the Scottish GlobalScot programme (see Annex J).

185. Consequently, in the context of the diaspora policy, the government has to decide whether to continue focusing on actions that maintain cultural ties, like the Compatriots' Programme or to consider using networks of Estonians to advance Estonia's economic contacts throughout the world. Effective implementation of the diaspora policy would also require relatively extensive information on emigrants, which is currently missing in Estonia (see Annex H).

Conclusion: the government's options for increasing the effectiveness of the migration policy and related policy fields

186. The government can choose between different action areas for effective steering of the migration processes for the benefit of Estonia's labour market and society. This requires making several choices and decisions, including in the following aspects:

- How to obtain a better overview of the migration processes and labour market development trends (incl. the number of workers and the profiles of knowledge and skills that Estonia will need in the future) to facilitate knowledge-based policy-making?
- What is the best labour migration system for Estonia?
 - Should we continue only with the current employer-based system or should we introduce more flexibility, e.g., through a points system?
 - Should the system include elements based on economic sectors, areas of activity or work positions and in what form?
 - What is the most effective way to apply the immigration quota from the perspective of the labour market?
- How to attract more highly qualified foreign workers and promising students to Estonia's labour market?

¹⁰⁰ Coping with emigration in Baltic and East European countries. OECD, 2013.

- To what extent and in what form should the government be involved in promoting Estonia to respective target groups and supporting Estonian employers in finding workers with necessary knowledge and skills?
- Should this be done through a particular institution, increased cooperation with foreign missions, or any other means?
- How to ensure effective communication of information about all aspects of coming to Estonia to work, study and live? The choices that are needed in this context involve making the new information portal as dynamic and functional as possible, as well as including and adapting other sources of information.
- How to ensure adaptation of new immigrants? In several aspects, this also applies to (re-)adaptation of return migrants and their families.
 - How to ensure sufficient availability of public information and services to new immigrants?
 - How to adapt the educational system, incl. pre-school education, for accepting the families of new immigrants and returnees?
 - What tools should be used to facilitate the participation of new immigrants, primarily family migrants and foreign students, in the labour market?
 - How to support more openness in society towards immigrants?
- Should we continue developing a diaspora policy and how?
 - What measures can be taken to facilitate return migration?
 - How to maintain a connection with emigrants and to use their knowledge and contacts for the benefit of Estonian economy, for instance?

/signed digitally/

Tarmo Olgo
Director of Audit, Performance Audit Department

Responses to the NAO's overview

The NAO sent the overview to the Ministry of the Interior, the Ministry of Economic Affairs and Communications, the Ministry of Education and Research, the Ministry of Culture, and the Ministry of Social Affairs for comments and opinion. Responses to the NAO's overview were sent on 8 April 2015 by the Minister of Culture, on 14 April 2015 by the Deputy Secretary General of the Ministry of the Interior for Public Order and Migration Policy, on 22 April 2015 by the Secretary General of the Ministry of Education and Research, on 28 April 2015 by the Secretary General of the Ministry of Economic Affairs and Communications, and on 4 May 2015 by the Minister of Social Protection and by the Minister of Health and Labour.

The following table provides a summary of the responses and comments received.

Comments on the overview	
Comments by the Minister of Culture	
1.	We would like to note that the statement of the introductory chapter (p. 1), that the government has not systematically addressed the problem of immigrants' coping in the labour market, is not accurate. To support competitiveness in the labour market, the Integration and Migration Foundation supported Estonian language training of people of other nationalities through various activities under the Estonian Integration Strategy 2008-2013: free language courses, support for labour exchange programmes, compensation of language training costs, training in specialty language, incl. for students of higher and vocational schools, support for mentored individual language training. Furthermore, support was provided for the development and implementation of the programme of Estonian language training and adaptation to Estonian society for new immigrants. In addition, language training has been funded by the Ministry of Social Affairs through the employment programmes of the Unemployment Insurance Fund, by offering language and specialty training courses for persons whose native language is not Estonian. The Unemployment Insurance Fund also notified its clients of the possibilities of independent Estonian language training. The clients, incl. new immigrants, who did not speak Estonian, could use the employment services of the Unemployment Insurance Fund in Russian. If possible, the services in Russian language also included practical exercises of communication in Estonian (e.g., work clubs, work exercise). The consultants of the Unemployment Insurance Fund consulted Russian-speaking individuals in their native language, thereby ensuring that they were informed of their opportunities and obligations. The Unemployment Insurance Fund also has the option, within reasonable limits, of providing consultations in English if necessary. <u>Comment by the NAO:</u> According to the information received from the Integration and Migration Foundation, the aforementioned actions have indeed been implemented, but they have reached only a part of immigrants. For instance, the welcoming programme, which included various activities for new immigrants, was completed by 214 persons in the period 2010-2013. More than 14,000 persons¹⁰¹ immigrated to Estonia in the same period. The Unemployment Insurance Fund (UIF) does provide employment services, but only to those foreign nationals who have been registered at the UIF as unemployed or job-seekers. Many groups of immigrants (labour migrants, student migrants) have very limited access to the services of the UIF. Only family migrants have essentially the same opportunities as local residents to be registered at the UIF and to receive employment services. The NAO's analysis indicated that 25% of family migrants are registered as unemployed and ca 33% are working on a regular basis. It means that the remaining more than 40% are looking for work without the assistance of the UIF or are inactive. Consequently, even though many people in this group are not working, they are not actively trying to find work through the UIF. It means that a very large number of people in the largest group of immigrants are not in the labour market. As long as the actions do not target all immigrants, but only some of them, we cannot say that the government's actions have been systematic.
2.	Para. 75 on page 23 describes the portal workinestonia.com as the main information channel for new immigrants. We would like to add that a pilot project of information and consultation centres was launched in 2013, co-funded by the Ministry of Culture. In the course of the project, information on integration was offered to third-country nationals who arrived recently in Estonia or were already living here. Furthermore, they were given information on participation in employment and education, social services, legal assistance, social welfare, organisation of medical care, public benefits, language training, adaptation courses, options for applying for citizenship, and other relevant matters. The consultation centres were opened in February 2014 in Tallinn and Narva. From September 2014, the work of the counselling centres is supported from the state budget and it is coordinated by the Integration and Migration Foundation. In addition, the website www.integratsiooninfo.ee was published, providing the target group with an opportunity of online consultations if they fill out the e-consultation form. The website includes useful information in Estonian, English and Russian on different topics associated with integration and Estonian society. Information can also be received free of charge from information helpline at 800 9999. The measure "Developing support services and adaptation training targeted at new arrivals" of the "Integrating Estonia 2020" development plan includes development of an online information portal to pool information and offer it to the target group. In addition, organisations are supported in providing services to new arrivals and the creation of support networks is encouraged-

¹⁰¹ Excluding returnees.

3. It is argued in para. 145 (p. 36) that the changes envisaged in the field of equal treatment in the Estonian Integration Strategy 2008-2013 have not materialised. We would request a more accurate wording because, according to the final report on the Estonian Integration Strategy 2008-2013, the target level of the indicator "Decrease the unequal treatment perceived by various ethnic groups" has been achieved.¹⁰²
4. Project-based support has been allocated to human rights organisations from the support programmes of the Ministry of Culture to promote equal treatment in the labour market. There have been awareness campaigns and media projects (interviews, programs with opinion leaders) on tolerance and equal treatment, incl. training courses on the Equal Treatment Act for entrepreneurs and human resources managers. Nevertheless, Estonian residents (incl. officials) will need further awareness-raising actions on equal treatment.
5. Para. 146 (p. 36) refers to an opinion of the Ministry of the Interior, according to which the effect of the measures to promote equal treatment and tolerance can remain limited due to insufficient funding. This assessment is not accurate, because the allocation for the actions of the measure "Supporting the awareness of a common information space and of cultural diversity" of the sectoral development plan "Integrating Estonia 2020" will be 11,239,317 euros over the period 2014-2017, which is 40% of the total budget of the implementation plan (27,862,809 euros).

Comments by the Deputy Secretary General of the Ministry of the Interior for Public Order and Migration Policy

6. As a general comment on the report, we note that the title of the report is, in our opinion, not appropriate considering the content. Migration processes are global by their nature, which is why one of the main functions of Estonian migration policy is to achieve Estonia's objectives in a constantly changing environment, taking into account global and regional processes. In general, migration processes are characterised by globalisation and transnationalism, which affect, in the Estonian context, both the emigrants from Estonia and the nationals of other countries who immigrate to Estonia.

The key issue of immigration policy is to attract those foreigners whose immigration is in the public interests, while also preventing misuse of residence permits and maintaining safety, public order, and national security. In many fields, immigration as seen as one of the measures to achieve the objectives of the respective field. For instance, immigration is directly related to economy, research and education, but we should also consider the potential impact of immigrants on Estonia's social assistance system and safety of the living environment. Consequently, the government's migration policy choices cover a much larger range of issues than labour shortage, which is the framework of this report. As the report aims to provide an overview of migration policy choices in reducing labour shortage, this should also be reflected in the title of the report.

Comment by the NAO: The NAO believes that the title of the overview corresponds to the content, because it highlights different choices, based on the practice of other countries, for modifying Estonia's migration arrangements. The specific focus of the overview, i.e., reduction of labour shortage, is reflected in the thematic title.
7. We would also like to note that the term 'immigrant' as used in the report also applies to returning Estonian citizens. The Ministry of the Interior believes that separate terms should be used, because they are essentially different groups. In the following, we present our comments on individual parts of the report.

Comment by the NAO: The official statistics of Statistics Estonia includes returnees in the category of immigrants. The NAO believes that the specific context of the text makes it clear, where the overview discusses only new immigrants and where it also includes returnees.
8. The Ministry of the Interior believes that juxtaposing immigration and increasing the employment rate, and immigrants being employed or needing social assistance, as was done in the first paragraph on page 1, is not accurate. In both cases, there are many alternatives and the presented dilemmas do not, in our opinion, provide an overview of the actual options. We believe that there are other alternatives, in addition to increased immigration and employment rate, for creating preconditions for economic development, e.g., increasing the productivity. We also note that the preferred solution should be engagement of the existing resources, i.e., increased domestic employment rate and training of workforce to meet the needs of the labour market. We also observe that, as has been described in the report, there is currently no accurate, i.e., sectoral, forecast of the labour demand and the potential supply through domestic resources. We believe that the focus should be on the actual need of companies to recruit foreign labour in specific fields, while also considering the possibility of engaging/specialisation of Estonia's local labour. We also note that many small and medium-sized enterprises are still not prepared to recruit foreign labour, as has been shown by several studies.¹⁰³ The main reasons include working language, the lack of need, and small size of the enterprise.

Comment by the NAO: The overview does not present immigration and increasing the employment rate as mutually exclusive alternatives. The summary of the overview specifies that the government has two options for mitigating the increasing labour shortage: promote immigration even further and/or implement reforms that increase employment. The government can reduce the need for extensive immigration only if reforms help bring to the labour market individuals who are unemployed, inactive or disabled or have a reduced work ability or retire early, and productivity increases. It should be noted that, even after the implementation of reforms, the Estonian labour market will not supply all the workforce who have the skills and knowledge required for economic development. If the government seeks to attract more (top) specialists to come and work in Estonia, it needs to make the migration policy more effective. The overview also emphasises that Estonia should try to alleviate labour shortage primarily by launching domestic reforms (see para. 36).
9. We note, regarding the text of the third paragraph on page 1, that migration cannot have a direct impact on the ageing of population. It is rather the case that migration processes affect the average age of the population.

¹⁰² Fewer people experienced unequal treatment in 2011 compared to 2007: in 2007, 30% of people from other ethnic groups experienced a situation where a person was preferred in recruitment, promotion to a certain position or distribution of benefits due to ethnicity or language (source: data from the 2007 survey "National Relationships and Integration Policy Challenges after the Bronze Soldier Crisis"). in 2011, similar situations had been experienced by 20% of other ethnicities (source: Estonian integration monitoring 2011).

¹⁰³ <http://www.praxis.ee/wp-content/uploads/2014/03/2013-IKT-kompetenstidega-toojuud.pdf>

https://www.siseministeerium.ee/sites/default/files/dokumendid/Uuringud/tof_-_uussisserandajad_-_lopuaruanne.pdf

Comment by the NAO: The NAO would like to point out that a change in the average age of the population would have an effect on the ageing of population.

10. We note, regarding the text of the fourth paragraph on page 1, that the government cannot directly address the coping of foreigners in the labour market, even though the text seems to suggest otherwise. The government can support coping, i.e., create respective support services.
11. As regards to the alternatives, presented in the fifth paragraph of page 1, whether to promote immigration even further and/or implement reforms that increase employment, we believe that, in addition to reforms that increase employment, we also need to consider educational reforms, incl. reforms of adult education, to increase the supply of suitable workforce. This objective is consistent with the lifelong learning strategy of the Ministry of Education and Research, which aims at better attuning of education to meet the labour demand throughout a person's life, incl. through informal education. Development of the educational field is also evident in the development of the OSKA system¹⁰⁴ and employers' interest in quick implementation of the system.

Comment by the NAO: We agree that increasing the supply of suitable labour through educational reforms, incl. reforms of adult education, is an additional option. In this connection, it is observed in the overview, for instance, that employers cannot recruit the necessary workers from among the unemployed, because their education and skills do not meet the actual needs of the labour market, while refresher training and retraining opportunities remain limited (see para. 14-15). The overview also covers the theme of the OSKA labour demand monitoring and projection system, aimed at promoting more effective use of information on labour market needs in the planning of government-commissioned education (see para. 10). However, as the system is to be launched over the period 2014-2020, no results will be available in the near future.

12. The first paragraph on page 2 concludes that the government lacks information on the actual number and profile of workers needed on the Estonian labour market. In the opinion of the Ministry of the Interior, this statement casts doubt on the conclusion in the previous paragraph that "currently, few (top) specialists come to Estonia". If one of the conclusions of the report is that there has been no sufficiently detailed assessment of Estonia's labour market needs, this would be difficult to reconcile with the conclusion that the current number is not adequate in terms of needs and opportunities.

Comment by the NAO: The NAO's observation is based on paragraphs 6 and 47-56 of the overview.

13. Third paragraph on page 2: a. With regard to the statement "The current immigration arrangements have not boosted the introduction of highly competent workforce into the Estonian economy", please add specific references to the chapters of the report, which provide methodological and statistical evidence for these statements.

Comment by the NAO: The NAO's observation is based on paragraphs 47-56 of the overview.

b. We note that facilitating the immigration of highly qualified labour and internationalisation of education and research were established as goals in the 2011-2015 action programme of the Government of the Republic (GR). The NAO's report covers the period 2005-2013 and its analysis includes data on a period when facilitating the immigration of highly qualified labour was not a clearly formulated goal of the government.

Comment by the NAO: The chapter "The goal of migration policy is to ensure necessary demographic and economic sustainability" also refers to the goals established for earlier periods.

c. To implement the GR action programme 2011-2015, broad trans-sectoral amendments to the Aliens Act were developed from 2012 to 2014 in cooperation with more than 30 partners. The amendments of the first phase entered into force in 2013 and the second phase will enter into force in 2016. The aim of the amendments is to facilitate the immigration of highly qualified labour and to reduce structural unemployment. It is too early to predict the impact of the amendments, but we believe that the measures that have been put in place have to be included in the report's discussion of any future perspectives. The NAO's report focuses on the years 2005-2013, i.e., the period when the amendments were not yet in force.

d. The report does not present a clear methodology of the analysis, i.e., what data are used as the basis of the statement that most labour migrants from third countries are skilled workers. The study "Mapping the profiles of legal foreigners in Estonia and their ability to meet Estonia's labour demands", commissioned by the Ministry of the Interior and prepared by the Academy of Security Sciences, showed that top specialists constituted the largest group (42%) of immigrants who arrived in Estonia in the context of labour migration in the period 2009-2014. The same comment also applies to para. 51 of the report.

Comment by the NAO: The data and procedures used in the NAO's analysis are specified in the description of the overview. Para. 51 of the overview expands on the text of the summary. Para. 51 of the overview states that immigrants are employed in areas of activity that employ primarily skilled workers, unskilled workers or service attendants. For instance, in the analysed period, the largest group of new arrivals in Estonia was employed in the manufacturing industry. However, the largest categories of employees in this sector are skilled workers (29%) and plant and machine operators (23%).¹⁰⁵ The share of top specialists in the manufacturing industry is significantly lower (13%).

We would like to draw the Ministry of the Interior's attention to the fact that the indicator of 42%, specified in the study, includes more groups of immigrants than only labour migrants (e.g., it also includes family migrants, constituting the largest group of immigrants). The respective sections of the NAO's analysis only refer to labour migrants. The study itself shows that 29% of labour migrants were top specialists. The NAO's analysis indicated that 16% of labour migrants, who have been employed in Estonia, have earned a salary corresponding to the position of a top specialist. As noted by the NAO at the meeting on 23 March 2015 in the Ministry of the Interior, the differences are due to the fact that the Centre of Migration

¹⁰⁴ Statistics Estonia, the Ministry of Economic Affairs and Communications, the Ministry of the Interior, the Ministry of Education and Research, the Estonian Unemployment Insurance Fund, and Enterprise Estonia are implementing, in 2014-2020, an EU coordination system for labour demand monitoring and skills development.

¹⁰⁵ Centre for Migration Studies of the Academy of Security Sciences. Mapping the profiles of legal foreigners in Estonia and their ability to meet Estonia's labour demands. Applied study. Tallinn, 2015. Commissioned by: the Ministry of the Interior

Studies used the data of the PBGB, which specify persons' qualifications in the context of the origin country, i.e., a person may have worked as a top specialist in the origin country but is no longer classified in the group of top specialists in Estonia. The NAO's analysis is based on the data of the Tax and Customs Board, which were used to identify the number of persons who actually started to earn double the Estonia's average wages as specified in the Aliens Act.

e. We point out that the definition of a 'top specialist' and the double wages criterion applicable to top specialists were adopted by the 2013 amendments to the Aliens Act. In its report, the NAO has analysed the data on at least double monthly wages in the period 2005-2013 and has concluded that many labour migrants are not employed in high-salary positions that require a higher level of knowledge and skills. As the criterion of double the average wages did not exist before 2013, it is not correct, in our opinion, to use it to draw conclusions about a period when this requirement was not applicable. Furthermore, this methodology does not take into account foreign workers' level of education. Please consider the same comment also in case of para. 53 of the report.

14. The fourth paragraph on page 2 presents the report's conclusion that a notable share of immigrants is not employed. We note that this conclusion could lead to the incorrect impression that the majority of immigrants are a burden on Estonia's social assistance system. We consider it important to specify in the context of this paragraph, that the obligation to work applies to those third-country nationals who have a temporary residence permit for employment. If a third-country national applies for a residence permit on some other grounds, he or she has to provide evidence of having sufficient financial means to live in Estonia. Even though it is stated on page 48 of the document that immigrants are not a burden on the social system, we believe that it is important to mention it here as well in the interests of clarity.
15. Third paragraph of page 17: While a reference to the amendments to the Aliens Act, which enter into force on 1 January 2016, is made on page 26 of the document, we would like, in the interests of clarity, to point out in the context of this paragraph that, according to the 2016 amendments to the Aliens Act, there will be a 90-day transition period after expiry of a residence permit (183 days for foreign students graduating from an Estonian university or scientists/lecturers), during which the third-country national can stay in Estonia and apply for a residence permit on new grounds.
16. Fourth paragraph on page 17: a. We consider it important to emphasise that family migration does not only refer to the family members of persons arriving in the context of labour migration. The category of family migrants also includes those third-country nationals who come to Estonia to live with their close relatives who are Estonian citizens.
17. Sixth paragraph on page 17: a. It was concluded at the meeting on 23 March between the authors of the report and the officials of the Ministry of the Interior that the main difference between the statistics in the report and the statistics released by the Police and Border Guard Board (PBGB) is the fact that the document only reflects first-time applicants for a residence permit, while the PBGB statistics are based on the number of applications. Therefore, we would like to clarify the presented statistics with the explanation that a total of 1,237 temporary residence permits for employment were issued in 2014, which included 576 permits to first-time applicants who had not had a previous residence permit in Estonia.
18. As regards to the conclusion in the first paragraph on page 19, we note that the distribution of labour migrants cannot be explained reductively with effects of the economic crisis alone. Figure 11 of the report shows that the percentage of labour migrants in the manufacturing industry was lower in 2012 and 2013 when the impact of the economic crisis was not as strong.
Comment by the NAO: Due to the correction caused by the recession, the percentage of labour migrants employed in the manufacturing industry has not returned to the 2008 level.
19. In our opinion, the term 'migration system', referred to in the first paragraph on page 20, includes immigration, return migration, and emigration. Therefore, if the aim of the paragraph is to discuss the options for increasing the supply of labour through migration, it would be more accurate to include, in addition to immigration, a reference to facilitation of return migration in the title.
Comment by the NAO: Facilitation of immigration is discussed in the chapter "The government has no means to restrain emigration".
20. With regard to the third paragraph on page 20, we reiterate our earlier comment (no. 1) that employers' willingness and capacity to recruit foreign workers is as important as any regulative amendments.
21. With regard to the fourth paragraph on page 20, we note that the amendment to the Aliens Act, which is mentioned in the paragraph and enters into force on 1 January 2016, is only one of many amendments. In addition to employment of agency workers, the Aliens Act establishes regulations for reducing labour shortage in specified sectors with a high level of labour shortage, where Estonia's labour market cannot supply workers with the required qualifications, professional experience or education. Other amendments enable third-country nationals to work simultaneously for several employers. The aforementioned amendments are only some of the many that have been adopted to facilitate arrival of those third-country nationals who can contribute to the development of Estonian society.
22. As regards to the fifth paragraph on page 20, we consider it important to add that many countries that used a points system have also adopted elements of an employer-based system, because the points system has several important problems that can be solved by the employer-based system. There is no wider explanation of the employer-based system.
23. The second paragraph on page 23 refers to the necessity of a central online portal, but we would like to note that, in addition to the Work In Estonia portal, we will also launch in this year a portal of the welcoming programme, which will be available under the same umbrella website (estonia.eu) as Work In Estonia. Consequently, it would be relevant to note in the report that the initiatives for the creation of such a central information portal are expected to materialise in 2015 as a result of the combined efforts of the Ministry of the Interior and the Ministry of Economic Affairs and Communications.
24. As regards to the title and content paragraphs of the new chapter, starting on page 32, we consider it important to note that various support measures for new immigrants were planned already in 2013-2014, and the Ministry of the Interior will start their implementation in this year. The same applies to the services and measures to facilitate integration, which will be implemented by the Ministry of Culture through the Integration and Migration Foundation. The Ministry of the Interior has submitted the respective information to the NAO in the course of preparation of the report. In addition, we would like to point out that policy documents (Integration Strategy 2020, Internal Security Strategy 2020) use the terms 'adaptation' and

'integration', and they have clearly differentiable meanings.

25. In the context of the welcoming programme,¹⁰⁶ described in the fourth paragraph on page 34, we consider it important to note that the welcoming programme only focuses on adaptation, which is different from integration.
26. To qualify the sixth paragraph on page 35, which states that "One of the reasons that can lead to the need for special attention is, in the assessment of the Ministry of the Interior, the fact that, based on international experience, foreigners are potentially in an inferior labour market position compared to the local population", we note that this is not an assessment of the Ministry of the Interior, but this conclusion has been reached in different studies, incl. the household survey of Statistics Estonia and the integration monitoring of 2011.
27. As regards to the fifth paragraph on page 36, we consider it important to note that the Ministry of the Interior has not claimed that the volume of activities associated with the creation of a Russian-language TV channel is small, but that the volume of activities, which are not related to the creation of the Russian-language TV channel, is small.
28. Our comment on the reference to the immigration quota in the fourth paragraph on page 54 – "In 2013, 602 residence permits (of the maximum 1,000) were issued under the quota but, in total, a temporary residence permit/right was granted to 2,158 third-country nationals" – is the same as in case of temporary residence permits for employment and temporary residence permits for studies. Please also include, in the interests of clarity, the total number of applications, which was 3,503 in 2013.
29. In conclusion, we would like to emphasise that migration is a field that includes different stakeholders, interests, risks, and development needs. In order to identify and implement the best solutions for Estonia's development, it is important to approach the field in a knowledge-based, inclusive and forward-looking manner. In addition to the fundamental values of the Estonian Constitution, migration policy is also affected by the agreed common policy of the EU, because a risk to the security of a Member State can have an impact on the entire Schengen area.
30. The priority areas of migration policy until 2020 are included in the Internal Security Strategy, adopted by the Government of the Republic in February this year.¹⁰⁷ The main goal of Estonia's immigration policy is to make sure that the foreign nationals who arrive in Estonia create added value to society as a whole and their residence here is aligned with public interests, the common laws and fundamental freedoms of the European Union, while preventing misuse of residence permits and visas and illegal immigration to maintain safety, public order and national security. Supporting the adaptation of immigrants is an important aspect of immigration policy, and one of the main preconditions for this is having high-quality projections and analyses concerning the labour market, education, research and economy, as well as studies of the profiles of current immigrants, the preparation for acceptance among Estonian residents and the impacts associated with integration, which would together create a complete picture of the available resources and opportunities. Another precondition is implementation of measures to attract talents to Estonia and information on the experience of other countries in controlling migration.

In the period 2013-2015, the Ministry of the Interior has implemented several initiatives, taking into account the needs of different policy areas, while keeping in mind the goal of ensuring integrated functioning of society and preservation of the nation state. Such important initiatives include the amendments to the Aliens Act that entered into force in 2013 and the amendments that enter into force in 2016. We have also developed a welcoming programme for new immigrants, which will be launched in August this year, and have created opportunities for foreign nationals to contribute to Estonia's development through e-residency, for instance. While developing all these changes, we have established a network of more than 35 partner organisations to make sure that the changes have an even broader social dimension and will be implemented in practice.

The goal of these changes has been an integrated approach to the migration process, i.e., starting out by simplifying the conditions of immigration for the needed labour force and foreign students and their family members, supporting their adaptation in a new society by providing them with relevant information and support and, if their circumstances change, afford them more flexibility for transitioning from one category of migration to another or, if they return to a foreign country, for using the opportunities of e-residency.

The report is, in our opinion, comprehensive and extensive, but it also included several inaccuracies and we insist on including our corrections in the final report.

Comments by the Secretary General of the Ministry of Education and Research

31. The Ministry of Education and Research is grateful for the opportunity to comment on the NAO's report "Overview of the state's migration policy choices". As we had the opportunity to read and comment on a draft version of the report, we are happy to see that our suggestions and observations have been included in the text.
32. This subject matter is very important for the Ministry of Education and Research, considering the internationalisation of higher education and the need to offer high-quality general education to the children of foreign specialists. However, it should be emphasised that cooperation between ministries and employers is needed to facilitate entry of foreign students to the Estonian labour market after graduation.
33. We support the arrival of foreign specialists and their families by offering and developing opportunities for acquiring international general education. An international general education path from kindergarten to the end of upper secondary school is available in Tallinn and Tartu. In addition to fee-charging schools, such as the International School of Estonia, Tallinn European School and Tartu International School, a free-of-charge option of international general education is available at Tallinn English College and Tartu Miina Härma Gymnasium.
34. Currently, the state provides additional support for general education based on international curricula in three schools: the IB curriculum is used in Tallinn English College and Tartu Miina Härma Gymnasium, while Tallinn European School uses the European Schools curriculum, which is notable for enabling students to learn their native languages. In addition to those

¹⁰⁶ <https://www.riigiteataja.ee/akt/122082014005>

¹⁰⁷ <https://www.siseministeerium.ee/et/stak>

listed above, there is also the Tallinn Finnish School that uses a combined Estonian-Finnish curriculum and was established by an agreement between the states.

35. In the context of inclusive education, it is important for Estonian education policy that all our general education schools have the capacity to provide education to new immigrants. We have launched several support measures to achieve this. We provide additional student-based support for teaching Estonian as a second language (support amounts to 40% of the student's education subsidy) and support increasing the standard of teacher counselling in Rajaleidja centres.
36. The Basic Schools and Upper Secondary Schools Act permits all general education schools to establish cultural teaching groups if this is requested by at least ten students with the same native language. So far, this opportunity has not been used. However, informal language and cultural teaching at Sunday schools of ethnic culture societies is becoming increasingly popular. As Sunday schools receive basic funding from the government, they should definitely be mentioned as a support mechanism of migration policy – providing an opportunity to study native language and culture in the destination country.

Comments by the Secretary General of the Ministry of Economic Affairs and Communications

37. Paragraphs 7 and 67 and page 68 of the draft discuss the projection of labour demand. As we noted in our earlier comments, the information presented on the labour demand forecast is outdated, because the level of detail of the forecast has been significantly increased, and there is also an assessment of the correspondence between the current supply and demand of labour (in vocational and higher education). While in earlier forecasts the breakdown of the labour demand included 39 areas of activity, 5 groups of occupations and 5 levels of education, the current level of detail of the forecast is as follows: 39 areas of activity, 6 levels of education / types of studies, 431 professions, and 82 curriculum groups (divided between 4 levels of education / types of studies in vocational and higher education). In addition to the labour demand, there is also an assessment of the labour supply at the level of vocational and higher education. However, it should be remembered that increased level of detail does not necessarily mean greater accuracy of the forecast, because the forecast primarily provides an indication or additional information for making education policy decisions. The draft includes a relevant comment that the forecast does not specify the skills that are needed, but estimates the labour demand in numeric terms.

Comments by the Minister of Social Protection and the Minister of Health and Labour

38. The second paragraph on the first page of the overview describes the decrease in working-age population. We recommend specifying a reference year for the indicators of population decrease because the statistics would be different compared to 2015, for instance. The same section refers to the group of 20-64-year-olds as the working-age population. We note that using this age group in the overview can cause confusion, because Statistics Estonia defines working age as 15-74-year-olds, and an alternative definition is the age from 16 years to retirement age.
39. The final paragraph on page 8 discusses how to bring inactive persons to the labour market. We recommend adding statistics about the number of inactive persons who would like to work. For example, according to the labour force survey, there were 34,500 such persons in 2014 (32,000 wanting to work and 2,500 looking for work). This is potential workforce and the respective data are available on the website of Statistics Estonia.
40. According to para. 15 of the overview, "the availability of in-service training and re-training is still limited, the training provided by the Unemployment Insurance Fund (UIF) does not foster the acquisition of new professions within the vocational and higher education system". This sentence contains the assumption that the UIF should be the institution that enables persons to participate in vocational or higher education. We explain that this assumption is in conflict with the purpose of employment services, which is to assist people in finding work as quickly as possible. If a person participates in higher or vocational education (the duration of most study programmes is 1-4 years), he or she cannot be expected to be prepared to commence employment at once. For this reason, enrolment in daytime training or full-time study is currently used as a basis for deleting the unemployment registration. The employment training offered by the UIF is an employment service under the Labour Market Services and Benefits Act and its purpose is to provide an unemployed person with the knowledge and skills required for employment or to update existing knowledge and skills. Employment training is, as a rule, short-term training with a duration ranging from one day to one year. A person can participate in the training if it has been established that his or her employment is directly prevented by insufficient knowledge or skills. Employment training is one of the most effective employment services and, in 2014, every second participant in the training (53.5%) found a job. Furthermore, the Unemployment Insurance Fund has analysed the impact of employment training and concluded that the service is efficient and cost-effective in helping people to employment.

We believe that persons' willingness to start or continue studies in the vocational or higher education system or to participate in in-service training or retraining cannot be restricted by the fact that such a service is not offered by the UIF. The Ministry of Education and Research is responsible for developing the system of vocational and higher education, to improve its flexibility, etc.

Comment by the NAO: The NAO believes that the in-service training and retraining offered to the unemployed should include primarily courses that can be completed with the award of a professional or competency certificate (in specialties where this opportunity exists). Otherwise, it is not possible to verify whether the knowledge and skills of an unemployed person who participated in training meet the standards, and employers cannot be convinced that the candidates have the required level of knowledge and skills. This can result in a decision not to employ that person. According to the UIF, the number of training courses that grant access to professional examination or a certificate of competency is still low. In addition to helping the unemployed to find work as quickly as possible, it is also important to make sure that they remain employed. A professional certificate, for instance, can create better preconditions for this than brief training courses, which do not conclude with a test of whether the skills and knowledge of the unemployed participants meet the standard. In addition, it should be analysed whether it would be possible, as one option, to develop forms of study where a person, supported by the UIF, works part-time simultaneously with training and acquisition of a new profession, or uses the support of the UIF to complete a part of professional training, after which the person can find work while also completing the rest of the training.

41. Para. 16 of the overview emphasises the need to reduce the gap between the skills and knowledge demanded by the labour market and available among the unemployed. The UIF works consistently with employers and training providers to train workforce that meets the employers' needs. In 2014, the UIF worked with 16 employers to provide training to 265 individuals. To strengthen the partnerships, 140 events designed for employers were held across Estonia in 2014, and by

the end of that year the UIF had collaboration agreements with 13 employers.

42. Para. 18 of the overview states: "Given that the share of working-age disabled has grown from 39.7% in 2006 to 43.6% in 2013, they – along with non-working persons receiving pension for incapacity for work – form a major population group. Some people in that group could be brought to the labour market by providing the right kind of assistance." While disability (as defined in the Social Benefits for Disabled Persons Act) and permanent incapacity for work (as defined in the State Pension Insurance Act) are autonomous terms, statistics confirm that, as a rule, working-age persons with an established degree of disability also have a permanent reduction of capacity for work, while ca 46% of persons with a permanently reduced capacity for work also have an established degree of disability. Consequently, it would be inaccurate to regard the group of working-age persons with disabilities as additional to the group with a permanently reduced capacity for work; instead, they constitute a part of the group with a reduced capacity for work. A working-age (16-62 years) person who has an established degree of disability but does not have a decision on incapacity for work is very likely (a) a woman of 61/62 years of age who is already in retirement age; or (b) a person receiving early retirement pension or pension under favourable conditions. Consequently, for the purposes of predicting the impact of the work ability reform on the supply of labour, it would be more accurate to measure the size of the target group of 16-62-year old persons with an established degree of disability and/or an established permanent incapacity for work based on the number of persons with an established permanent incapacity for work.
- Comment by the NAO: The NAO is aware that disability and incapacity for work are autonomous terms and some persons with a reduced capacity for work have also an established degree of disability.
43. Para. 18 of the overview states that "although a large share of the disabled has attained retirement age and bringing them to the labour market is more complicated, in 2013, over 75% of working-age disabled and over 57% of persons receiving pension for incapacity for work were not employed". It should be remembered when drawing conclusions that the percentage of persons with a permanently reduced capacity for work who are not employed (57% of all persons with a permanently reduced capacity for work) also includes the percentage of persons of working age who have an established degree of disability and are not employed (75% of all disabled working-age persons). Consequently, any conclusions should be based on absolute figures, rather than the ratios of different groups.
44. Para. 19 of the overview states that "for persons receiving pension for incapacity for work, the government has shown initiative and decided to bring people with reduced work ability to the labour market. However, it should be noted that instead of bringing additional workforce to the labour market the reform will initially stop the growth of the number of persons receiving pension for incapacity for work. A reduction in the number of persons receiving pension for incapacity for work and the consequent increase in the supply of labour compared to the current level cannot be expected before 2020." The Ministry of Social Affairs believes that the work ability reform will lead to an increased supply of labour even before 2020. The results of the reform cannot be evaluated solely based on the decrease in the number persons receiving pension for incapacity for work, but primarily based on the number of persons with partial or complete loss of capacity who enter the labour market. We explain that, even though the reform should enable some of the current persons receiving pension for incapacity for work to exit the system (e.g., they will be declared capable for work in the new system), it is assumed that the reform will facilitate entry of persons with partial or complete loss of capacity to the labour market. Furthermore, the increase in the labour supply will not be directly linked to the reduction in the number of persons receiving pension for incapacity for work, because if a person with partial or complete loss of capacity is employed, it does not automatically mean that the decision on incapacity will be cancelled.
45. It is predicted that persons with a reduced capacity for work will start entering the labour market as early as in the first year of the reform, because the Unemployment Insurance Fund develops additional services for persons with reduced capacity, improves availability of technical aids, develops the service of protected employment, etc. The opportunities of persons with reduced capacity to find suitable employment will be influenced significantly by the new evaluation methodology, which enables to map the jobs that are suitable and unsuitable for a particular person. However, the number of persons entering employment can remain relatively low in the first year of the reform, because only a few persons will be evaluated according to the new system in the launch year. Nevertheless, it remains unclear, how the conclusion that an increase in labour supply cannot be expected before 2020 was deducted.
46. According to para. 20 of the overview, "the government has not made significant changes in the measures for assisting the disabled (except for the work ability reform's effect on disabled persons who have been identified as having a reduced capacity for work)". We explain that the target group also includes disabled persons of working age. Almost all disabled persons of working age have a permanently reduced capacity for work, i.e., they receive a pension due to incapacity for work. Consequently, the reform will have a direct effect on all disabled persons of working age. Even if only a disability is established for a person (but no partial or complete loss of capacity for work), that person can receive assistance and support from the Unemployment Insurance Fund.

The target group that will be provided employment services from 2016 pursuant to the Order No. 57 of the Minister of Health and Labour of 27 March 2015, "Provision of employment services to the target group of the work ability reform", is referred to in the Order as "persons with reduced capacity for work". A person with reduced capacity for work is defined in the Order as a person in the age group of 16 years to retirement age,

- with an established partial work ability or loss of work ability pursuant to the Work Ability Allowance Act, or
- with established permanent incapacity for work pursuant to the State Pension Insurance Act, or
- with an established degree of disability pursuant to the Social Benefits for Disabled Persons Act, or
- with an established category of disability without a fixed term pursuant to the State Allowances Act.

It has been envisaged that the work ability reform will enable persons with reduced work ability (incl. persons with disabilities) to use the currently existing employment services (e.g., training) as well as new services (e.g., work rehabilitation, peer support, protected employment). Further, for the target group composed of the disabled it should be noted that, depending on the characteristics and severity of disability, some people will never be able to take up employment. Likewise, this target group includes individuals who could be able to do certain jobs but their employment would serve the purpose of social inclusion rather than financial self-sufficiency, let alone the country's economic growth.

47. Para. 21 of the overview refers to the reform of non-standard pensions and para. 22 to the increase of retirement age. The reform of non-standard pensions and an increase of retirement age are included in the 2015 agenda of the Ministry of Social Affairs. Proposals for promoting sustainability of the national old-age pension will be discussed with a steering group, consisting of target group representatives, and will be submitted to the Government of the Republic in the first quarter of 2016.
48. Para. 22 of the overview refers to the need to provide measures to support employment of older people. The Ministry of Social Affairs is aware of the need for measures to support employment of older people. Starting from 2015, the Unemployment Insurance Fund provides employment services to persons in retirement age, based on Ministerial Order No. 222 ("Provision of employment services to improve the conditions of participation in employment"). In order to increase employment of persons in retirement age, employment services supporting entry to the labour market are also provided to persons who are in retirement age (have reached the eligible age for an old-age pension as specified in §7 of the State Pension Insurance Act), are not employed (not engaged in activities specified in §6 (5) 3)-51) of the Labour Market Services and Benefits Act), and are looking for work (have been registered at the UIF as job-seekers). Based on the aforementioned Order, job-seekers in retirement age are eligible for the following employment services:
- 1) employment training;
 - 2) qualification support;
 - 3) work practice;
 - 4) business start-up subsidies;
 - 5) enterprise support (compensation of training costs in the enterprise's business area, the cost of individual counselling and mentoring, and a possibility to participate in a mentoring club);
 - 6) adaptation of premises and equipment;
 - 7) free-of-charge use of technical aids required for work.
49. Para 23 of the overview refers to the 2011 study of Praxis, according to which 66% of university students are employed. We note that this is a secondary reference, and the data originate from a study conducted in 2008 and may no longer be up to date.
50. Para. 24 presents the data of the European Foundation for the Improvement of Living and Working Conditions, according to which there are approx. 40,000 NEETs in Estonia. Please include a reference to the original source and to the year of data collection. According to Eurostat, the number of 15-29-year-old NEETs in Estonia was ca 36,000 in 2013.
51. Para. 34 of the overview mentions the problem of low birth rate by referring to the Ministry of Social Affairs' analysis on single parents but, as this topic is not covered in the text, we suggest, in the interests of avoiding confusion, using a different reference source to point to the problem (or to include a direct discussion of the topic of single parents in the text).
- Comment by the NAO: The NAO believes that the Ministry of Social Affairs' analysis on single parents is relevant and includes adequate observations on the problems that need to be resolved.
52. Paragraphs 34, 122 and 123 mention the need to develop childcare opportunities and to ensure availability of kindergarten places. Starting from the autumn of 2015, local governments have the opportunity receive support for the creation of new childcare and kindergarten places. The goal of the action is to reduce the shortage of kindergarten places and, therefore, support is awarded only to new childcare and kindergarten places, which enable parents/carers to return to the labour market. The action is financed from the ESF in the period 2015-2020, and up to 1,200 new childcare and kindergarten places will be supported over this period. The plans for the second call for proposals in the autumn of 2017 envisage that some of the support will be allocated to differentiated childcare, which refers to childcare in foreign languages (suitable for the children of new immigrants), in the evening and on weekends, childcare facilities provided by employers, etc. The total amount of the ESF support for the entire period is 6.5 million euros, which is supplemented by the own contributions of municipalities.
53. According to para. 72 of the overview, the EURES network has not contributed to resolving Estonia's problem of labour shortage and has instead had the opposite effect. Even though more Estonian citizens have found work abroad than foreigners have in Estonia through the UIF and the EURES Network, EURES has still contributed to alleviating the labour shortage. For instance, 121 persons were employed in Estonia in 2014 through the recruitment projects of the EURES Network. In the same year, the Estonian team of the EURES Network provided the cross-border recruitment service to 348 employers, including 132 employers in Estonia.
54. Paragraphs 87 and 96 observe that there are currently no separate services for bringing family migrants to the labour market. The UIF provides employment services based on the individual needs and opportunities of an unemployed person in the labour market. The employment services have not been designed specifically for the Estonian population, persons of other nationalities, or immigrants. The causes of unemployment are not directly related to ethnicity or origin, but rather to professional experience, skills, education, etc. As family migrants are a heterogeneous group, it is very likely that development of an employment service based on a particular category of migration would not be feasible. The UIF is already offering refresher training and retraining, incl. language training, and supports acquisition of qualifications. The welcoming programme, which is coordinated by the Ministry of the Interior and targeted at all new immigrants, includes an employment module. Family migrants, like any others, who are interested in employment can participate in the training on the Estonian labour market.
55. Para. 91 of the overview states: "At the same time, the overall share of registered unemployed in the working-age population (aged from 16 years to retirement age or 62 years) was 4.5% (more information on immigrants' unemployment indicators can be found in Annex E." Please adjust the age range, because para. 88 refers to 16-64-year-olds as people of working age, but the data in the referred Annex E are based on the target group of 16-62-year-olds.
56. Para. 114 of the overview suggests career counselling focusing on the Estonian labour market. We explain that the service of career counselling is designed to support knowledgeable choices with regard to employment and studies; therefore, we recommend replacing the expression "focusing on the labour market" with "helping/supporting movement to the labour market or finding new outlets". From the beginning of 2015, the service of career counselling is available to all interested persons (incl. foreigners living in Estonia) and it is provided in the same way to everyone. We agree that career counselling

contributes to social inclusion and integration of foreigners in society (it is particularly helpful for those foreigners who have difficulties understanding the information about education and employment).

57. Para. 141 of the overview suggests that foreigners should be offered career counselling. The overview also refers to the position of the Ministry of the Interior that the government could create 'special services' for foreign nationals. We would like to request that the position of the Ministry of Social Affairs be included in the overview as well: the UIF provides employment services based on the individual needs and opportunities of an unemployed person in the labour market. The employment services have not been designed specifically for the Estonian population, persons of other nationalities, or immigrants. The causes of unemployment are not directly related to ethnicity or origin, but rather to professional experience, skills, education, etc. As foreign nationals constitute a heterogeneous group and the UIF provides a wide range of employment services, the Ministry of Social Affairs believes that there is no need for new employment services based on the origin of unemployed persons. The results of employment projects designed for non-Estonians have been analysed in 2008 and the conclusion was that, with the exception of language proficiency, the causes of long-term unemployment are the same for non-Estonians and Estonians (see [http://esf2004.sm.ee/up/files/3/mitteest_tooturg_trykki_\(3\).pdf](http://esf2004.sm.ee/up/files/3/mitteest_tooturg_trykki_(3).pdf)). The UIF offers unemployed persons opportunities of language training if insufficient language skills prevent their employment. Starting from 2015, the UIF also provides a career counselling service to all interesting persons, and it is also available to foreign nationals living in Estonia.
58. Para. 143 makes a secondary reference to a study by OECD; we recommend including a reference to the original source.
59. Para. 169 of the overview compares the data of the Tax and Customs Board and the population's employment rate. We would like to point out that the data of the Tax and Customs Board are used to analyse regular income from employment (at least for seven months) and the overview juxtaposes it with the population's employment rate, i.e., it compares the period of income-earning with the fact of being employed. In the labour force survey, the employment status of the respondents is based on whether they worked in the previous week. Consequently, these datasets are not comparable.
Comment by the NAO: The NAO would like to point out that the difference between the datasets is not so large that it excludes the possibility of comparison.
60. We suggest the following adjustment to the caption of Figure 23: "Income earned by emigrants in the last year before departure and Estonia's average gross income in the given year". We also suggest including in para. 170 the specification that the comparison for 2013 is made by juxtaposing Estonia's average monthly gross income in 2013 with the income earned in the year before emigration (2012).
61. We would like to point out the wording of para. 173 of the overview: "in most years of the period 2005-2013".
62. Please specify the methodology used for determining the emigrants' registered unemployment indicators in Figure 24. It is not unambiguously clear, whether it refers to unemployment registration of emigrants during the last year before emigration, similarly to Figure 23.
63. Please include on page 49 a reference to the study of "The emigration potential of the Estonian working-age population in 2014" by H. Tarum.
64. The overview uses the expression "bringing the unemployed to the labour market". We explain that the unemployed already are in the labour market, because they are looking for work. The persons who are not in the labour market are called 'inactive'.

Description of the overview

Goal of the overview

The goal of the overview was to provide, in a situation of qualified labour shortage, a comprehensive overview of the contribution of Estonia's migration policy to finding the necessary workforce, to emphasise the need to make decisions, and to provide decision-makers with a summary of the government's options for the future. The overview does not cover asylum policy or the issues of illegal immigration.

Scope and approach of the overview

The methodology of the overview included data analyses, interviews conducted by the overview team, and an analysis of international studies, overviews, opinions, laws and explanatory memorandums on draft acts. A detailed list of the main data sources used for compiling the overview is provided in Table 1.

Table 1. Resources used in the overview

Data type	Sources
Statistics	Ministry of Education and Research Social Insurance Board Eurostat Ministry of Social Affairs OECD Police and Border Guard Board Ministry of Economic Affairs and Communications Ministry of the Interior Statistics Estonia Tax and Customs Board Estonian Unemployment Insurance Fund
Studies, analyses, development plans, and explanatory memorandums on draft acts	1. Eva-Maria Asari. Attracting highly-qualified third-country nationals in the European Union and Estonia. Thematic study of the European Migration Network in 2013. Estonian Academy of Security Sciences, 2013. 2. Talent Attraction and Retention as a Pillar of Estonian National Competitiveness in the Region. American Chamber of Commerce, 2012. 3. Adaptation of new immigrants in Estonia: options and policy proposals for the development of an integrated and sustainable system. Institute of Baltic Studies, 2014. 4. Raul Eamets. "Smart Migration Policy". Seminar at the Academy of Sciences of Estonia, 2013. 5. Smart specialisation – a qualitative analysis. Estonian Development Fund, draft version, 20 February 2013. 6. Estonian Human Development Report 2012/2013. Estonian Cooperation Assembly, 2013. 7. Konjunktuur Nos. 190 and 191. Estonian Institute of Economic Research, 2014. 8. Handbook on integration for policy-makers and practitioners. European Commission, 2009. 9. Teele Holmberg. The Europeanisation factors of asylum policy for Estonia in the development of the Joint European Union Resettlement Programme. University of Tartu, 2013. 10. Jan Willem Holtslag, Monique Kremer, Erik Schrijvers (eds.). Making Migration Work – the future of labor migration in the European Union. Amsterdam University Press, 2013. 11. The Global Talent Competitiveness Index. INSEAD, 2013. 12. The Labour Market Integration of New Immigrants in Europe: Analysis and Policy Evaluation. International Labour Office and Migration Policy Institute, 2014. 13. Crime in Estonia in 2013. Ministry of Justice, 2013. 14. Helen Kapsta. Demographic processes in the Baltic Sea region in the 21st century. 25th Conference of the Estonian Statistical Society. Statistics Estonia, 2013. 15. Majanduse Pulss. KPMG, 2014. 16. Marju Lauristin, Esta Kaal, Laura Kirss. Integration monitoring 2011. AS Emor, Praxis Centre for Policy Studies, University of Tartu, 2011. 17. Helena Maasing. Migration of foreign students – Estonian report. Estonian Academy of Security Sciences, 2012.

	18. Helena Maasing, Kert Valdaru, Eva-Maria Asari, Eike Luik. Background papers of the Centre for Migration Studies of the Academy of Security Sciences. Academy of Security Sciences, 2010-2013. 18. Labour Demand and Supply Forecast up to 2022. Ministry of Economic Affairs and Communications, 2014. 19. Lauri Matsulevitš, Siim Sikkut, Kitty Kubo. External environment 2020: important trends and their significance for Estonia. Development Fund, 2011-2012. 20. Attracting and selecting from the global talent pool: policy challenges. Migration Policy Institute, 2013. 21. Study of academic achievement and education opportunities of new immigrant students. MindPark, 2013, p. 4-5. 22. Katrin Männik, Ott Pärna. How to join forces to transform Estonia into an international business centre – a destination for talented people, rewarding jobs and value-creating foreign investments? Technopolis, 2013. 23. Coping with emigration in Baltic and East European countries. OECD, 2013. 24. World Migration in Figures. OECD-UNDESA, 2013. 25. Triinu Ojamaa, Kristel Karu-Kletter. The self-image of diaspora Estonians in the changing world. Methis, Studia humaniora Estonica, 2014. 26. Kaja Oras, Marge Unt. Factors affecting the birth rate in Estonia. Social Analysis Centre SAK, Tartu, Pärnu, 2008. 27. Kevin O' Neil. Brain Drain and Gain: The Case of Taiwan. Migration Policy Institute, 2003. 28. Repository of Talent Mobility Good Practices. World Economic Forum, 2014. 29. Impact of Estonian parental benefits on fertility and labour market behaviour. Praxis Centre for Policy Studies, 2006. 30. Financial benefits for families: impact on inequality, fertility, and labour market behaviour. Praxis Centre for Policy Studies, Policy Analysis No. 1 / 2009. 31. The phenomenon of student employment in Estonian higher education. Final report. Praxis Centre for Policy Studies, Tartu, 2011. 32. Foreign students in Estonia. Praxis Centre for Policy Studies, Policy Analysis No. 2/2014. 33. Explanatory memorandum to the Act Amending the Professions Act (743SE), 2014. 34. Klaus Schwab, Martin Xavier Sala. The global competitiveness report 2011-14. World Economic Forum, 2014. 34. GlobalScot: Building International Business Networks for Scotland. Scottish Enterprise, 2014. 35. Brief summary of the results of the "Talents Back Home" project. Government of the Republic, 2013. 35. Hede Sinisaar, Piia Tammpuu. Single-parent families: problems, needs and policy measures. Series of the Ministry of Social Affairs, No. 4/2009. 36. Häli Tarum. The emigration potential of the Estonian working-age population in 2013. 2014. 37. Estonia's positions concerning the EU initiative of a European network of employment services, workers' access to mobility services and the further integration of labour markets (explanatory memorandum). Ministry of Social Affairs, 2014. 38. National Reform Programme "Estonia 2020". Government Office, 2015.
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The persons interviewed for the overview are listed in Table 2.

Table 2. Persons interviewed for the overview

Institution	Date	Name and position
Centre for Migration Studies of the Academy of Security Sciences	10 Dec 2013	Kert Valdaru – Head Helina Maasing – Project Manager Eva-Maria Asari – Project Manager Eike Luik – Project Manager
Estonian Institute for Population Studies at Tallinn University	3 Jan 2014	Luule Sakkeus – Director, Senior Research Fellow Allan Puur – Research professor Leen Rahnu – Researcher, Study Manager Martin Klesment – Senior Research Fellow
University of Tartu	7 Jan 2014	Raul Eamets – Professor of Macroeconomics, School of Economics and Business Administration Tiit Tammaru – Professor of Urban and Population Geography, Department of Geography

Citizenship and Migration Department of the Police and Border Guard Board	9 Jan 2014	Maige Lepp – Head of the Identity and Status Bureau Liis Valk – Head of the Foreigners' Service of the Identity and Status Bureau Mall Saul – Head of the Development Bureau Mari Neljas – Analyst of the Development Bureau
Ministry of the Interior	15 Jan 2014	Ruth Annus – Head of the Citizenship and Migration Policy Department (submitted the answers to the NAO's questions in writing)
Ministry of Social Affairs	24 Jan 2014	Liis Reiter – Chief Specialist at the Employment Department Häli Tarum – Analyst of the Labour Policy Information and Analysis Department
Finnish Ministry of Economic Affairs and Employment	25 Sep 2014	Olli Sorainen – Senior Adviser
National Audit Office of Finland	25 Sep 2014	Leena Juvonen – Head of the Performance Audit Department Eeva Miettinen – Chief Auditor of the Performance Audit Department Berndt Lindman – Chief Auditor of the Performance Audit Department

Data analyses

- In order to determine the number of persons immigrating to Estonia, the reason of immigration (studies, family, labour) and the profiles of immigrants (sex, age, education, citizenship, country of origin), the NAO requested personal data of third-country nationals from the Police and Board Guard Board (PBGB) and personal data of EU citizens and returnees from the Ministry of the Interior (Population Register). The analysis enabled to obtain a comprehensive overview of the dynamics of immigration and the socio-demographic characteristics of immigrants in the period 2005-2013.
- In order to determine the number of emigrants from Estonia and the profile of emigrants (sex, age, education, area of activity, country of destination, citizenship), the NAO requested personal data of emigrants from the Ministry of the Interior (Population Register). The analysis of the Population Register data enabled to identify the main social groups of emigrants from Estonia in the period 2005-2013.
- In order to determine the number of employed and unemployed immigrants (in student, family and labour migration), the NAO combined in the first phase the data on EU citizens received from the Ministry of the Interior (Population Register) and the data on third-country nationals received from the PBGB with the income data from the Tax and Customs Board. In the second phase, the NAO combined the data on EU citizens received from the Ministry of the Interior (Population Register) and the data on third-country nationals received from the PBGB with the data from the Unemployment Insurance Fund. The combination of data enabled to determine the labour market activity of immigrants in the period 2005-2013. In addition, it enabled to identify those groups of immigrants that experience the greatest problems in the labour market (high registered unemployment, limited level of employment).
- In order to determine the sectors where immigrants (labour migrants) are employed, the NAO studied the data received from the PBGB and compared them with the labour demand forecast of the Ministry of Economic Affairs and Communications. The described analysis enabled to compare the distribution of respective percentages, i.e., whether more immigrants have been employed in the sectors with the highest labour demand according to the forecast. Only third-country citizens could be included in the analysis, because the government has no corresponding data on EU citizens. The analysed period was 2005-2013.
- In order to determine the percentage of immigrants in Estonia who have received social benefits from the central or local governments, the NAO combined the data on EU citizens received from the Ministry of the Interior (Population Register) and the data on third-country nationals received from the PBGB with the data from the Unemployment Insurance Board (unemployment insurance benefits, unemployment allowances) in the first phase, with the data from the Social Insurance Board (social

benefits, different allowances) in the second phase, and with the data from the Social Services Data Register (STAR) of the Ministry of Social Affairs (benefits paid by local governments) in the third phase. By combining the respective databases, it was possible to determine the percentage of immigrants who receive unemployment benefits or social benefits. The results were compared to the corresponding indicators of Estonia's total population. The analysed period was 2005-2013.

In order to determine the percentage of foreign students who remain in Estonia and find a job after graduation, the NAO combined the data from the Estonian Education Information System (EHIS) with the database administered by the Tax and Customs Board. The analysis focused on the number of graduates from universities and vocational schools who have found a regular job within 1.5 years after the date of exmatriculation. Having a regular job was defined as having worked for at least 51% of the 1.5-year period after exmatriculation (as indicated by the income record in the Tax and Customs Board). The analysed period was 2005-2012. One analysed group included 864 EU citizens, who had been admitted to, studied at, and graduated from an Estonian university or vocational school; and the second group included 790 third-country nationals, who arrived in Estonia in the context of student migration (were granted a residence permit for studies) and have also completed their studies.

These figures are significantly lower than the number of student migrants presented in the section "Migration in figures", because many of the participants in student migration did not have an Estonian personal identification code or no information on the date of exmatriculation (based on the data from EHIS and the Police and Border Guard Board), which prevented the Tax and Customs Board from giving income information on those persons. Furthermore, the analysis excludes persons who were exmatriculated in 2013, because income data were not available on all 18 months. The analysis included all persons that could be included with this methodology, i.e., no sampling was used.

- In order to determine how many emigrants were employed or engaged in studies and how many were unemployed before emigration, the NAO combined the personal data received from the Ministry of the Interior (Population Register) with the database of the Tax and Customs Board in the first phase, with the database of the Unemployment Insurance Fund in the second phase, and with the database of the Ministry of Education and Research in the third phase. The analysis enabled to determine, in each age group, the number of persons who were students in the last year before emigration, and the labour market activity of those persons. The analysed period was 2006-2013.

Time of closing the overview

The procedures for compiling the overview were closed in December 2014.

Overview team

The overview was prepared by Audit Manager Liisi Uder and Auditors Thea Teinemaa and Mart Vain.

Contact details

For more information on the overview, please call the NAO's Communication Service at +372 640 0704 or +372 640 0777 or e-mail riigikontroll@riigikontroll.ee

An electronic copy (pdf) of the overview is available at www.riigikontroll.ee.

An English summary of the overview is also available.

The number of the overview in the NAO's records management system is 2-1.7/15/70070/20.

The postal address of the National Audit Office is:

Narva mnt 11a
15013 TALLINN
Tel. +372 640 0700
Fax +372 661 6012
riigikontroll@riigikontroll.ee

Selected previous audits of the NAO in the fields associated with the labour market

21 Feb 2014 – Sustainability of the national pension system

9 Nov 2012 – State's activity in bringing the unemployed to the labour market

18 Oct 2010 – The state's activities in supporting disabled persons and persons receiving pension for incapacity for work

17 Sep 2010 – In-service and re-training of adults

27 Mar 2008 – State's activity in returning excluded persons to the labour market

14 Sep 2006 – The measure 1.3 of the European Social Fund "Equal opportunities at the labour market"

All reports are available on the website of the NAO: www.riigikontroll.ee

Annex A. Description of the Estonian immigration system

There are two groups of immigrants that are subject to different sets of rules: citizens of the European Union¹⁰⁸ and third-country nationals. There are essentially no restrictions for the first group when it comes to moving to Estonia, but the second group has to apply for a visa for short-term stays or for a residence permit for long-term stays.

An EU citizen is required to register his or her place of residence in the Population Register within three months after the date of entry into Estonia. This gives the person an automatic temporary right of residence for five years. While the registration of residence in the Population Register is mandatory for EU citizens moving to Estonia, no sanctions are applied to those who fail to do so. As all people do not register their migration, the government does not have an exact overview of the number of EU citizens living in Estonia.

The nationals of third countries have to apply for a residence permit in order to move to Estonia. The residence permit applications can be submitted on different grounds, with the primary reasons including moving to live with a family member (incl. spouse, child, parent, grandparent), employment, and studies. Based on this, the immigration from third countries can be divided between three major categories: family migration, labour migration, and student migration. There are some additional categories, such as residence permits issued on the basis of foreign agreements or legal income.¹⁰⁹ If a third-country national is a family member of an EU citizen and fulfils certain additional conditions, he or she can apply for a right of residence instead of a temporary residence permit (see Annex B for details).

The immigration from third countries is restricted by an annual quota, set at 0.1 per cent of Estonia's permanent residents.¹¹⁰ It is important to remember in this context that many categories of immigrants (such as family migrants, student migrants, researchers, citizens of the United States and Japan) do not count towards the quota. Consequently, the quota affects primarily labour migrants and it is applied to a small part of all immigrants. In 2013, 602 residence permits (of the maximum 1,000) were issued under the quota but, in total, a temporary residence permit/right was granted to 2,158 third-country nationals¹¹¹.

Labour migrants generally need a permission of the Unemployment Insurance Fund before they can be issued a residence permit. The UIF grants the permission on the condition that there is no candidate for the vacant position who meets the qualification and professional requirements and is an Estonian citizen, an EU citizen or a third-country national with an Estonian residence permit. Consequently, filling the position with an immigrant must be justified by the situation in the labour market, based on the information available to the UIF. Another condition of this residence permit is that the remuneration of the foreign national must be at least equal to Estonia's average gross wages, multiplied by 1.24.

These conditions are not applied to employees in a number of professions with a special status. For instance, the UIF's permission is not required for top specialists, experts, advisers, and consultants. Researchers, athletes, posted workers, third-country nationals with a residence permit of a long-term resident of an EU Member State, persons who have acquired higher education in Estonia and some other categories are exempt from both the requirement of the UIF's permission and the remuneration criterion. In addition, a highly qualified¹¹² third-country national can work in Estonia under the EU Blue Card¹¹³ scheme, which is not subject to the requirement of the UIF's permission, but is subject to a remuneration criterion of Estonia's average gross wages multiplied by 1.5 or 1.24, depending on profession. A criterion

¹⁰⁸ The same rules also apply to the citizens of the member states of the European Economic Area and the Swiss Confederation.

¹⁰⁹ Not applicable from 1 July 2012.

¹¹⁰ Pursuant to the Aliens Act, the quota is established by an order of the Government of the Republic.

¹¹¹ This figure does not include residence permits of long-term residents, because only persons who have previously lived in Estonia for at least five years qualify for this type of residence permit. The overview only covers new immigrants.

¹¹² Higher professional qualification requires a nominal study period of at least three years to obtain and is evidenced by a document certifying a higher education or at least five years of professional experience. The requirement is based on Council Directive 2009/50/EC.

¹¹³ The EU Blue Card is a residence permit given to foreign nationals for employment in an EU Member State in a position that requires high qualifications. See Annex B for details.

that is applied consistently to all labour migrants from third countries is that they have to find a job in Estonia before moving here.

The representatives of certain professions can work in Estonia for a short term, i.e., for up to six months per year, without applying for a residence permit. In this case, the employment of the foreign national must be registered in advance in the Police and Border Guard Board.

The following cases constitute a legal basis for a third-country national to work in Estonia without a residence permit:

- 1) employment in a performing arts institution as person engaged in creative activities for the purposes of the Performing Arts Institutions Act;
- 2) employment as a teacher or lecturer in Estonia in an educational institution which complies with the requirements established by legislation;
- 3) research work if third-country national has appropriate professional training or experience therefor;
- 4) employment in the professional activities in the capacity of a sportsman, coach, referee or sports official by summons of a respective sports federation;
- 5) employment for the purposes of vocational training by way of an internship through the mediation of a foreign educational institution or a student organisation or by placement under guidance of a foreign educational institution if it is part of the training program;
- 6) employment within the framework of a youth project or program if the youth project or program is recognised by the Ministry of Education and Research;
- 7) employment as service personnel of a foreign mission with the approval of the Ministry of Foreign Affairs;
- 8) employment as an *au pair*;
- 9) employment as an expert, adviser or consultant provided that third-country national has appropriate professional training for such activities in the respective field;
- 10) employment as a fitter of equipment or a skilled worker provided that third-country national has the required professional training in the respective field;
- 11) employment in seasonal work associated with the processing of agricultural products;
- 12) employment as a top specialist provided that third-country national has appropriate professional training for such activities in this field.

Annex B. Conditions of entry into Estonia based on residence permits, rights of residence, and D-visa¹¹⁴

	Target group, activity	Term of validity	Permission of the UIF	Remuneration criterion
Immigrants from third countries				
Short-term employment without a residence permit	■ Employment in a performing arts institution as person engaged in creative activities for the purposes of the Performing Arts Institutions Act; ■ employment as a teacher or lecturer in Estonia in an educational institution which complies with the requirements established by the legislation; ■ research activities if a third-country national has appropriate professional training or experience therefor; ■ employment as a sportsman, coach, referee or sports official for professional activities on the basis of a summons from a respective sports federation; ■ employment for the purposes of vocational training by way of an internship through the mediation of a foreign educational institution or a student organisation or by placement under guidance of a foreign educational institution if it is part of the training program; ■ employment within the framework of a youth project or program if the youth project or program is recognised by the MER; ■ employment as service personnel of a foreign mission with the approval of the Ministry of Foreign Affairs;	Up to 6 months per year	Permission is not required, but employment must be registered in advance in the Police and Border Guard Board. Teachers, lecturers and researchers may commence employment from the day of registration. Others may do so after the PBGB's decision on registration.	N/A
	■ employment as an <i>au pair</i>; ■ employment as an expert, adviser or consultant provided that a third-country national has appropriate professional training for such activities in the respective field; ■ employment as a fitter of equipment or a skilled worker provided that a third-country national has the required professional training in the respective field; ■ employment in seasonal work associated with the processing of agricultural products;	Up to 6 months per year	Permission is not required, but employment must be registered in advance in the Police and Border Guard Board. Employment may be commenced from the date of the PBGB's decision on registration.	At least the average annual gross wages in the employer's principal area of activity, but not less than 1.24 times the Estonian average gross monthly wages.
	■ top specialists (third-country nationals who have acquired appropriate professional training in any field)¹¹⁵	Up to 6 months per year	Permission is not required, but employment must	Double the Estonia's average gross monthly

¹¹⁴ The Table is based on the Aliens Act, the Citizen of the European Union Act, and the Statutes for Maintenance of Visa Register

¹¹⁵ Provided that the company where the third-country national commences employment has been registered in Estonia for at least 12 months and at least one of the following conditions is met: 1) the company has at least 65,000 euros of capital, which has been invested in the business in Estonia; 2) the sales revenue of the company is at least 200,000 euros per year; 3) the social tax paid in Estonia monthly for persons employed in the company is, in the case of remuneration in the amount of five times the annual average gross monthly salary in Estonia, at least equal to the social tax paid in Estonia monthly. Alternatively, the company where the third-country national commences employment may be registered in Estonia for less than 12 months and commence

			be registered in advance in the Police and Border Guard Board. Employment may commence from the date of registration in the PBGB	wages
Temporary residence permit for employment	All immigrants, unless they belong to one of the following categories:	Up to 2 years, possible extension by 5-year periods	Yes	1.24 times the Estonia's average gross monthly wages
	- a third-country national who is a minister of religion, nun or monk, who is invited to Estonia by a religious association and this invitation has been approved by of the Ministry of the Interior; - a third-country national who is a journalist accredited by the Ministry of Foreign Affairs; - a third-country national whose right to take employment in Estonia without a specific permit arises from a treaty; - research activities if a third-country national has appropriate professional training or experience and the research and development institution has signed a hosting agreement with the third-country national; - employment as a sportsman, coach, referee or sports official for professional activities on the basis of a summons from a respective sports federation; - employment for the purposes of performing directing or supervisory functions of a legal person governed by public law registered in Estonia; - a third-country national who is a posted worker for the purposes of the Working Conditions of Workers Posted in Estonia Act; - a third-country national who has been issued a long-term resident's residence permit of a member state of the European Union; - a third-country national has acquired a higher education in Estonia in Bachelor's, Master's or Doctoral studies	Up to 2 years, possible extension by 5-year periods	N/A	N/A
	- an expert, adviser or consultant provided that a third-country national has appropriate professional preparation for such activities; - for the purposes of performing directing or supervisory functions of a legal person governed by private law and a branch of a foreign company registered in Estonia	Up to 2 years, possible extension by 5-year periods	N/A	1.24 times the Estonia's average gross monthly wages

operation with the support of the state or private investments, having received investment or loan from the state or a private management company licensed by the Financial Supervision Authority or a support from a public support measure.

	■ top specialists (third-country nationals who have acquired appropriate professional training in any field)¹¹⁶	Up to 2 years, possible extension by 5-year periods	N/A	Double the Estonia's average gross monthly wages
Temporary residence permit for studies	■ Persons coming to Estonia in the context of student mobility	Up to 1 year but not longer than the estimated duration of the studies; extension by 1 year at a time. In the final year of study, the extension may be longer than 1 year, but should not last more than 6 months after the end of studies.	N/A	N/A
Temporary residence permit for enterprise	■ Persons coming to Estonia in the context of labour migration to engage in business¹¹⁷	Up to 5 years	N/A	A third-country national who has a holding in a company is required to have the capital in the amount of at least 65,000 euros, which is invested in business activity in Estonia. A third-country national who is applying for a temporary residence permit for enterprise as a sole proprietor is required to have the capital in the amount of at least 16,000 euros invested in Estonia
EU Blue Card¹¹⁸	■ For residence and employment in a job or position that requires higher qualification¹¹⁹	Up to 2 years and 3 months, possible extension by 4 years and 3 months	N/A	1.5 times the Estonia's average gross monthly wages

¹¹⁶ Provided that the company where the third-country national commences employment has been registered in Estonia for at least 12 months and at least one of the following conditions is met: 1) the company has at least 65,000 euros of capital, which has been invested in the business in Estonia; 2) the sales revenue of the company is at least 200,000 euros per year; 3) the social tax paid in Estonia monthly for persons employed in the company is, in the case of remuneration in the amount of five times the annual average gross monthly salary in Estonia, at least equal to the social tax paid in Estonia monthly. Alternatively, the company may be registered in Estonia for less than 12 months and commence operation with the support of the state or private investments, having received investment or loan from the state or a private management company licensed by the Financial Supervision Authority or a support from a public support measure.

¹¹⁷ After one year has passed from the issue of a residence permit, one of the following conditions may be met during the period of validity of a temporary residence permit for enterprise instead of the capital requirement: 1) the sales revenue of the company is at least 200,000 euros per year; 2) the social tax paid in Estonia monthly for persons employed in the company is, in the case of remuneration in the amount of five times the annual average gross monthly salary in Estonia, at least equal to the social tax paid in Estonia monthly.

¹¹⁸ The EU Blue Card is a residence permit given to foreign nationals for residence and employment in Estonia in a job or position that requires high qualifications. Higher professional qualification, which is mandatory for applying for the EU Blue Card, means a qualification that requires a nominal study period of at least three years to obtain and is evidenced by a document certifying a higher education or at least five years of professional experience. Employment that requires higher qualification is employment the knowledge and skills for performance of which are attested by a higher professional qualification. An employer must enter into an employment contract with the length of at least one year with a third-country national before the lodging of the application for residence permit, or make a job offer by which the employer expresses his or her will to be legally bound by the employment contract to be concluded and undertakes to employ a third-country national for at least one year period in a position requiring a higher qualification, which is determined in the contract entered into or a job offer made.

¹¹⁹ Higher professional qualification requires a nominal study period of at least three years to obtain and is evidenced by a document certifying a higher education or at least five years of professional experience. An employer must enter into an employment contract with the length of at least one year with a third-country national before the lodging of the application for residence permit, or make a job offer by which the employer expresses his or her will to be legally bound by the employment contract to be concluded and undertakes to employ a third-country national for at least one year.

	■ Employment as a top specialist or a supervisor; ■ employment as a top specialist in natural or technical science; ■ employment as a top specialist in health service; ■ employment as a specialist in pedagogics; ■ employment as a specialist in business or administration; ■ employment as a specialist in information or communication; ■ employment as a specialist in legal, cultural or social sphere.	Up to 2 years and 3 months, possible extension by 4 years and 3 months	N/A	1.24 times the Estonia's average gross monthly wages
Temporary residence permit for settling with a spouse	Issued for settling with a spouse who resides in Estonia and is an Estonian citizen or with a spouse who is a third-country national residing in Estonia on the basis of a residence permit for at least two years ¹²⁰	Depending on the length of marriage, 1 or up to 3 years	N/A	N/A
Temporary residence permit for settling with a close relative	Issued for settling with a close relative who is an Estonian citizen or who is a third-country national who resides in Estonia and holds a residence permit¹²¹: ■ a minor child settling with a parent who resides in Estonia; ■ an adult child settling with a parent who resides in Estonia if the child is unable to cope independently due to health reasons or a disability; ■ a parent or grandparent settling with his or her adult child or grandchild who resides in Estonia if the parent or grandparent needs care, which he or she cannot receive in the country of his or her location or in another country, and if the permanent legal income of his or her child or grandchild who legally stays in Estonia ensures the subsistence of him or her in Estonia (the relative must hold a	If a temporary residence permit is issued to settle with a close relative who holds a temporary residence permit, the period of validity of the residence permit issued to a third-country national may not exceed the period of validity of the residence permit of the close relative for the purposes of settling with whom the residence permit was issued	N/A	N/A

¹²⁰ The requirement of two years is not applied in some cases: 1) employment in a performing arts institution as person engaged in creative activities for the purposes of the Performing Arts Institutions Act; 2) employment as a teacher or lecturer in Estonia in an educational institution which complies with the requirements established by legislation; 3) research work if a third-country national has appropriate professional training or experience therefor; 4) employment in the professional activities in the capacity of a sportsman, coach, referee or sports official by summons of a respective sports federation; 5) employment for the purposes of performing directing or supervisory functions of a legal person registered in Estonia; 6) employment as an expert, adviser or consultant provided that a third-country national has appropriate professional training for such activities in the respective field; 7) employment as a fitter of equipment or a skilled worker provided that a third-country national has the required professional training in the respective field;

8) employment as a top specialist on the basis of §181 (2) 3) of the Aliens Act provided that a third-country national has appropriate professional training for such activities in this field. The requirement is also not applied when the spouse: 1) has received a residence permit for commencement of Bachelor's studies in the framework of an international program of cooperation or a treaty or an international cooperation agreement of an institution of higher education; 2) has been designated a scholarship which is financed by the Estonian state or internationally recognized; or 3) is a third-country national residing in Estonia on the basis of the EU Blue Card or a third-country national holding a residence permit of a long-term resident, who received the residence permit of a long term resident as a person who resided in Estonia on the basis of the former EU Blue Card.

¹²¹ The requirement for prior residence in Estonia is not applied if: 1) the close relative has a temporary residence permit and a third-country national and the close relative, for the purposes of settling with whom the residence permit is applied for, enter into Estonia together; or 2) the close relative has the EU Blue Card.

	residence permit of a long-term resident); ▪ a ward settling with the guardian who resides in Estonia if the permanent legal income of the guardian ensures the subsistence of the ward in Estonia.			
Temporary residence permit on the basis of a treaty	A temporary residence permit on the basis of a treaty may be issued to a third-country national whose application for residence permit is based on a provision in a treaty concluded by Estonia or the European Union.	Depending on the provisions of the treaty	Depending on the provisions of the treaty	Depending on the provisions of the treaty
Temporary residence permit for participation in criminal proceedings	A third-country national may be issued a temporary residence permit for participation in criminal proceedings for assistance in the ascertaining of the facts of the subject of proof of a criminal offence if: ▪ he or she is a victim or a witness in a criminal procedure, the object of which is a criminal offence provided for in §§ 133-133³, 138-140, or 175 of the Penal Code; ▪ a victim who was illegally employed or a witness was a minor child; ▪ the health and life of a victim who was illegally employed or of a witness was endangered or their human dignity was violated.	Up to 1 year	N/A	N/A
Temporary residence permit in case of substantial national interest	The purpose of the issue of a temporary residence permit in case of substantial national interest is to create an opportunity to settle in Estonia for a third-country national who does not have a basis for application for a residence permit provided for in § 118 (1)-(5) and (7) of the Aliens Act but whose settling in Estonia is in the national interests. A third-country national who has been issued a temporary residence permit in case of substantial national interest is prohibited to work in Estonia and the third-country national is not given permission for employment in Estonia.	Up to 2 years	N/A	N/A
Residence permit for long-term resident	A residence permit for a long-term resident may be issued to a third-country national who meets the following conditions:¹²²: ▪ he or she has resided in Estonia on the basis of a residence permit for at least last five years before the submission of the application for a residence permit for a long-term resident; ▪ he or she has a valid temporary residence permit; ▪ he or she has a permanent legal income which ensures his or her own subsistence in Estonia; ▪ he or she is deemed to be an insured person for the purposes of the Health	The period of validity of a residence permit for a long-term resident expires: ▪ upon the grant of the Estonian citizenship to a third-country national or upon his or her resumption of the Estonian citizenship; ▪ upon the grant of the citizenship of an EU Member State to a third-country national or upon his or her	N/A	N/A

¹²² The requirement for prior residence of a third-country national in the EU Member States on the basis of the EU Blue Card for at least 6 years immediately before the lodging of an application for a residence permit for a long-term resident, including the last 2 years in Estonia on the basis of the EU Blue Card, may be applied with regard to a third-country national who holds the EU Blue Card in Estonia. The period of the stay in Estonia on the basis of a temporary residence permit for study is taken into account in half in the calculations of the period of stay required for the issue of a residence permit for a long-term resident if a third-country national has been issued a residence permit on another basis later. A third-country national who is applying for a residence permit for long-term residents is required to have the Estonian language proficiency at least at the elementary level – language proficiency level B1 or a corresponding level. A third-country national who has acquired the basic, secondary and higher education in the Estonian language is not required to take the Estonian language examination.

	Insurance Act or a treaty of the Republic of Estonia; - he or she has met the integration requirement; - the information of his or her place of residence has been registered in the Population Register; and - no facts which are the basis for the refusal to issue a residence permit for a long-term resident exist in respect of him or her	resumption thereof; or upon the death or declaration of death of a third-country national. The residence permit can be revoked under certain conditions		
D-visa	Entry into Estonia with a D-visa, or a long-term visa, is possible in the context of all types of migration	Up to 6 months in a period of 12 months	N/A	N/A
Citizens of the European Union and their family members				
Temporary right of residence of EU citizens	An EU citizen acquires a temporary right of residence in Estonia for 5 years when he or she registers his or her residence pursuant to the procedure provided in the Population Register Act.¹²³ A family member of an EU citizen is granted temporary right of residence if the EU citizen meets certain conditions (e.g., having sufficient money)	Extended automatically for another 5 years if the residence of the EU citizen continues to be registered in Estonia and the temporary right of residence has not expired or has not been terminated	N/A, but subject to a prior registration in the Police and Border Guard Board.	N/A
Permanent right of residence of EU citizens	An EU citizen who has resided in Estonia for a period of 5 consecutive years on the basis of a temporary right of residence is entitled to obtain a permanent right of residence. The EU citizen is required to submit a formal application for permanent right of residence to the Police and Border Guard Board. A family member of the EU citizen who has resided in Estonia for a period of 5 consecutive years on the basis of a temporary right of residence is entitled to obtain a permanent right of residence.	The permanent right of residence of an EU citizen expires: - upon the grant of the Estonian citizenship to the citizen or upon restoration of his or her Estonian citizenship; - upon the loss of the EU citizenship; or - upon the death or declaration of death of the EU citizen. The right of residence can also be revoked on other conditions.	N/A	N/A

Annex C. Comparison of employer-based and points systems

	Employer-based system	Points system
Strengths	- Confidence that a particular immigrant is in demand in the country's labour market and can be employed immediately - The existence of a job guarantees at least some level of integration in society - Enables the government to exercise somewhat greater control of labour migrants and their activity in the labour market	- Simplifies the procedures for employers, who can assess the suitability of candidates on site, after the government has made the preliminary selection - Provides foreign workers who have suitable qualifications with more flexibility in finding employment based on the needs of the labour market - After losing the job, the person is not required to leave the country and can look for a new job (until expiry of the residence permit) - Potential contribution to entrepreneurship and creation of jobs by increasing the number of persons with good skills and international experience in the labour market

¹²³ The temporary right of residence of an EU citizen expires: 1) when he or she has no registered residence in Estonia; 2) upon acquisition of a permanent right of residence; 3) upon the grant or restoration of Estonian citizenship; 4) upon losing the EU citizenship; or 5) upon death or declaration of death in absentia.

Weaknesses	■ An agreement must be reached before the employee enters the country, which can lead to additional costs for the employer and the employee (e.g., international distribution of information on vacancies, meeting for an interview, evaluation of qualifications of another country) ■ Smaller enterprises can find it relatively difficult to recruit the most suitable employees from other countries on their own ■ Dependence of the employee on a particular employer, because it is linked to the validity of the residence permit; in some cases it can enable the employer to exploit a foreign worker	■ No guarantee of whether or when the person will find a job after entering the country. If the foreign national does not find a job, the government will have to allocate resources for the foreigner's subsistence and possibly expulsion if he or she refuses to leave voluntarily ■ No guarantee that the foreigner will remain in the EU Member State where he or she entered (e.g., Estonia). Based on a residence permit or a visa, the foreigner can apply for employment in other EU Member States, creating a situation where Estonia becomes an 'importer' of third-country nationals in the EU ■ Points can be used to assess measurable skills and professional qualifications certified by a diploma, but they do not enable assessment of all skills required by employers (e.g., communication and cooperation, ability to apply knowledge)
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Source: the NAO's analysis of international studies and practice

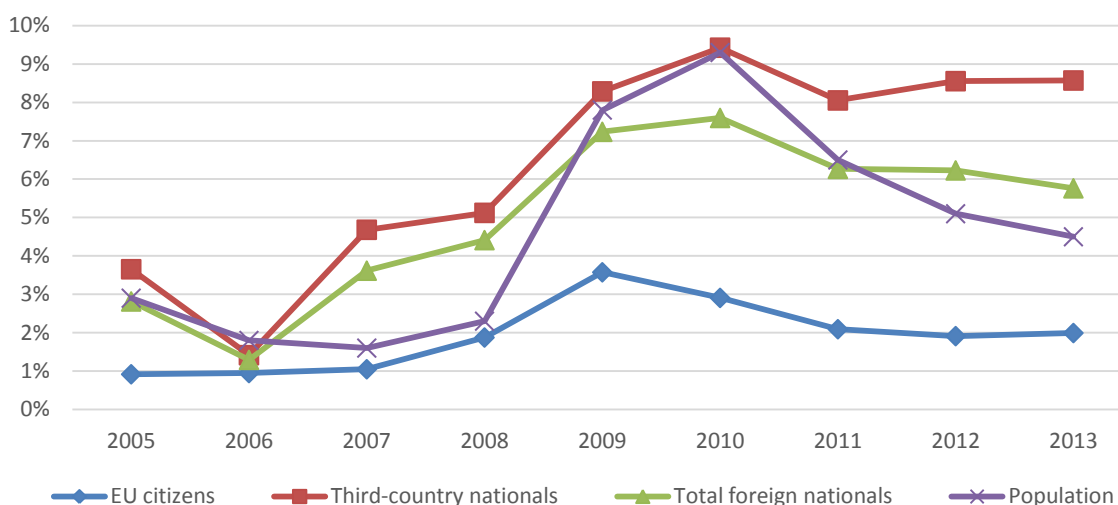
Annex D. Examples of the practice of other countries in active search and recruitment of qualified workers

Country	Agency	Activity
Denmark	Work in Denmark	The Danish Agency for Labour Market and Recruitment administers the service centres and the information portal to connect Danish employers with foreign nationals who wish to work in Denmark. It also represents Danish employers at various international labour fairs and provides practical assistance to potential immigrants.
Singapore	Contact Singapore	The government agency has representations in Asia, Northern America, and Europe. The agency links Singapore-based employers globally with potential employees to support the growth of Singapore's key industries. Qualified workers and students are invited to work and study (and invest) in Singapore. It is a 'one-stop-shop' for all Singapore-related information.
Switzerland	Swissnex	The network has representations in global innovation centres (Boston, San Francisco, Bangalore, Singapore, Shanghai, and Rio de Janeiro). In addition, many Swiss embassies include a research and technology adviser. The aim of the network to strengthen Switzerland's position as a leading research, education and innovation hub through public-private cooperation. The specific activities include connecting scientists, researchers, entrepreneurs, policy-makers and thought leaders (e.g., by helping highly qualified persons find employment or traineeship places in Switzerland), developing academic programs, innovation and knowledge exchange, and supporting internalisation of Swiss companies, start-ups and academic institutions, etc.

Source: the NAO's analysis of international practice

Annex E. Percentage of registered unemployed among working-age new immigrants

Figure 1. Annual average percentage of registered unemployed in the age group of 16-62-year-olds, 2005-2013



Source: NAO; Unemployment Insurance Fund

The NAO's analysis indicated that the percentage of registered unemployed is not very different among the local population and foreigners, but the unemployment among the population is characterised by steeper increases and decreases. In this context, it is important to differentiate third-country nationals from EU citizens. While the unemployment indicators of the first group have been consistently higher than the population's average, the situation is reversed in case of EU citizens (see Figure 1). The percentage of the unemployed among the EU citizens has been lower than the corresponding percentage in the total population throughout the period.

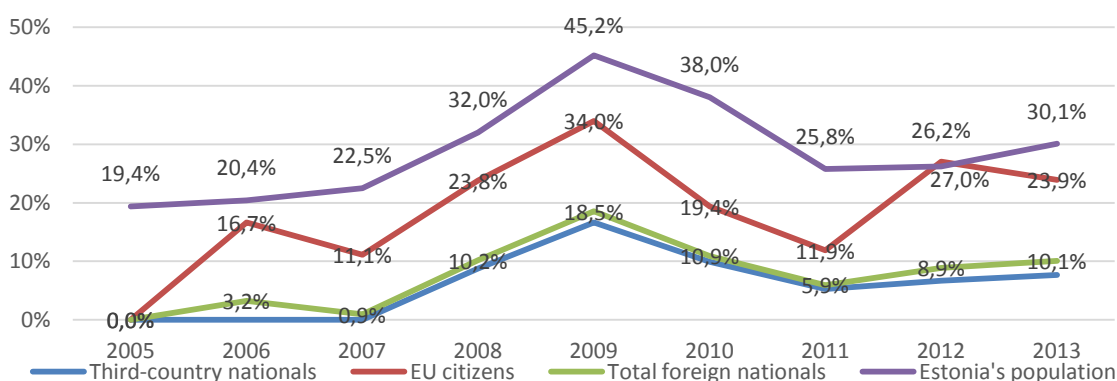
The lower level of registered unemployment among EU citizens can be caused by the lack of information on the opportunities available in the Estonian system of unemployment assistance. However, the NAO's analysis indicated (see the section "Family migrants constitute the largest category of immigrants in Estonia, but most of them are not regular participants in the labour market") that only a few EU citizens are employed and this can prevent them from meeting the conditions for receiving unemployment benefits (e.g., too short employment record). As a result, they may decide to look for work on their own and forego the registration at the Unemployment Insurance Fund.

Annex F. Use of unemployment insurance benefits and unemployment allowances by new immigrants

The percentage of new immigrants who have received unemployment insurance benefits shows the same trends over time as the population's average indicator, but the share of recipients of unemployment insurance benefits has been *ca* 20% lower (see Figure 1).

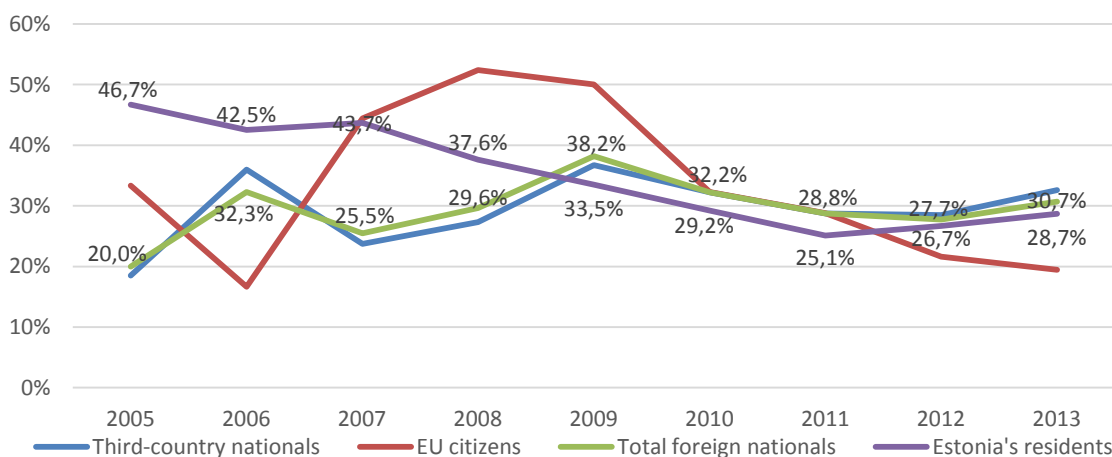
It is important to differentiate third-country nationals from EU citizens, because the percentage of recipients of unemployment insurance benefits is significantly higher in the latter group. While the difference from the population's average is essentially the same for third-country citizens as it is for all foreign nationals (*ca* 20%), the differences are much lower in the case of EU citizens, ranging from 3.7% to 13.9%. The only exception was the year 2010, when the difference between EU citizens and the population's average was 18.6%. However, as the number of EU citizens who received unemployment insurance benefits is small in absolute terms, it has no effect on the average indicator of foreigners.

Figure 1. Percentage of foreign nationals from 16 to retirement age who received unemployment insurance benefits among all registered unemployed in 2005-2013



In case of unemployment allowances, the average percentage of foreigners who received unemployment allowances in the period 2009-2013 has been slightly higher (usually by 2-3%) than the corresponding indicator of the Estonian population. However, in the earlier period, the population's average percentage of recipients of unemployment allowances was much higher than the corresponding indicator of foreigners (see Figure 2).

Figure 2. Percentage of foreign nationals from 16 to retirement age who received unemployment allowances among all registered unemployed in 2005-2013



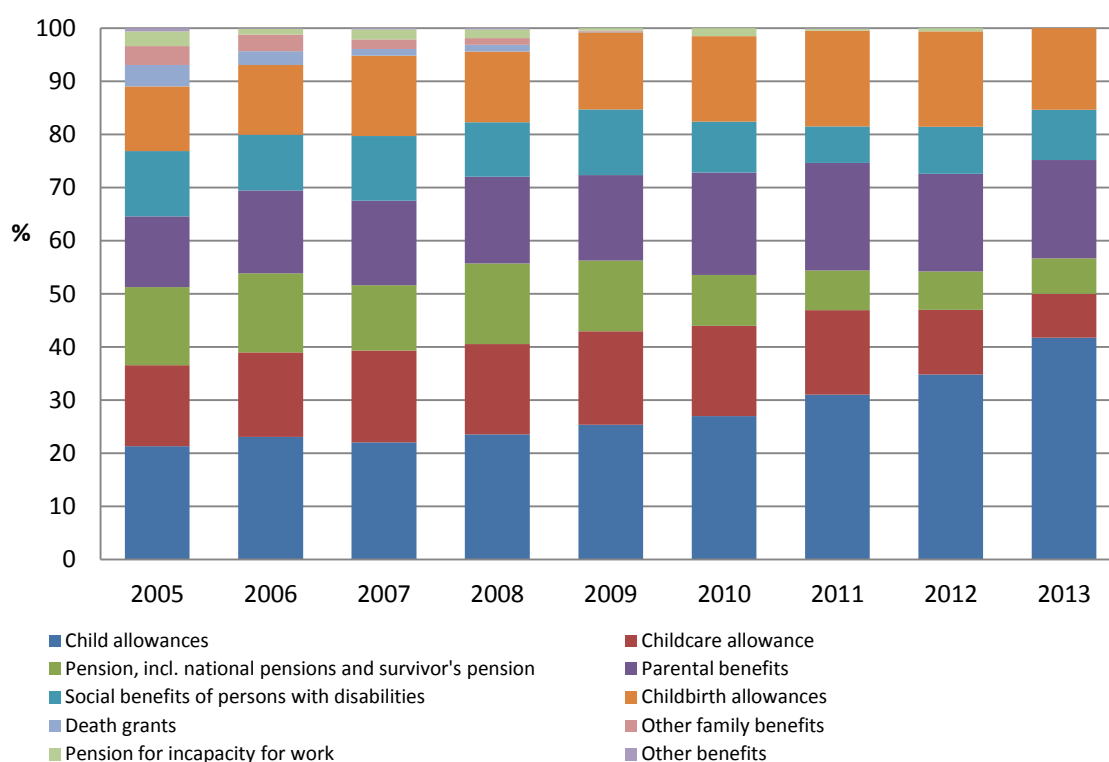
Annex G. Types of social benefits paid to new immigrants

The benefits associated with children constitute the largest portion of public benefits. For third-country nationals, the level of child benefits ranges from 20% to 40%, depending on year. Childcare allowances, parental benefits and childbirth allowances have all relatively equal shares (see Figure 1).

Pensions are another major category of benefits, including different old-age pensions, national pensions, and the survivor's pension. The normal old-age pension accounts for the largest share. As the persons who arrived from 2005 to 2012, i.e., have lived in Estonia for 1-9 years, are not eligible for the old-age pension, it can be assumed that these persons have been long-term residents of Estonia sometimes in the past, even though the data of the Police and Border Guard Board indicate that they were issued an initial temporary residence permit or right of residence in the period 2005-2013.¹²⁴

The third major category of benefits includes the social benefits of disabled persons, which have been at the same level as pensions over the years.

Figure 1. Main national benefits paid to immigrants from third countries, by year of arrival (2005-2013, % of the total of respective benefit type)

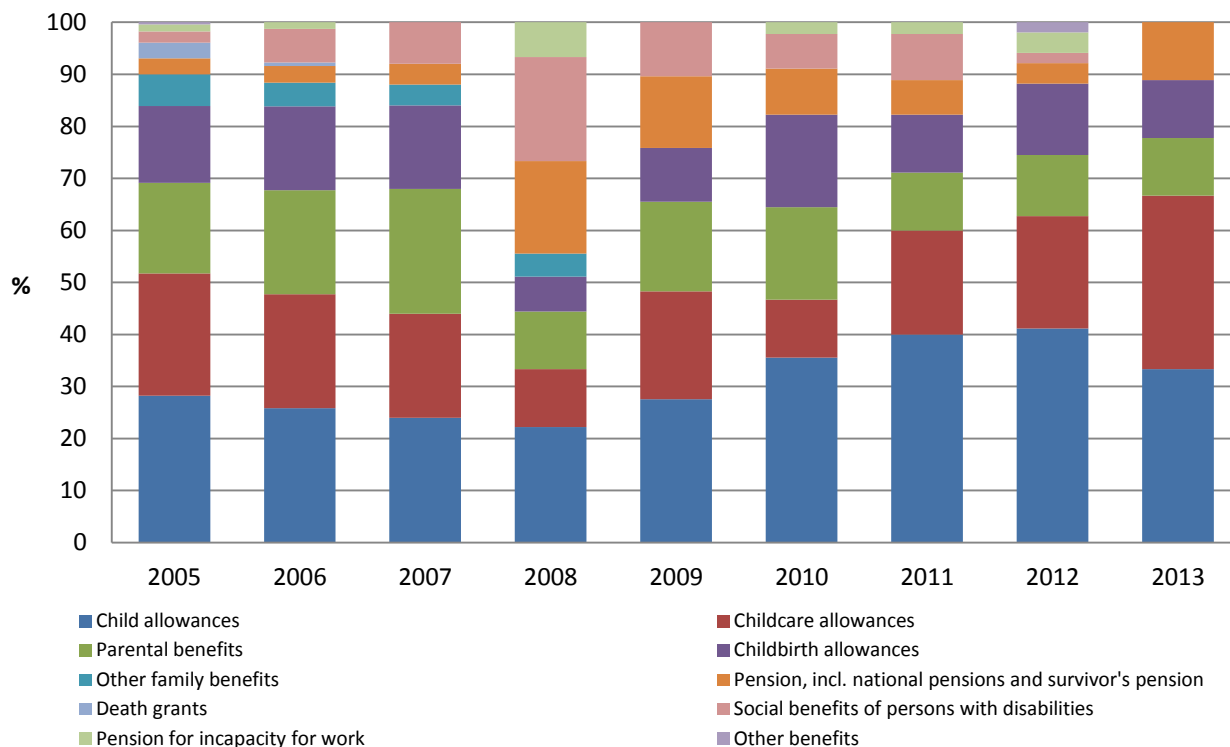


Source: NAO; Ministry of Social Affairs; Social Insurance Board

The general picture of benefits and allowances is relatively similar in case of EU citizens. Again, the benefits associated with children constitute the main portion. As only a few EU citizens have received benefits, the absolute figures are small and the percentages are fluctuating (see Figure 2).

¹²⁴ Former members of the Russian military are eligible for an Estonian pension after the conclusion of the respective social insurance treaty in 2011. This can also be a factor in the observed case.

Figure 2. Main national benefits paid to immigrants who are EU citizens, by year of arrival (2005-2013, % of the total of respective benefit type)



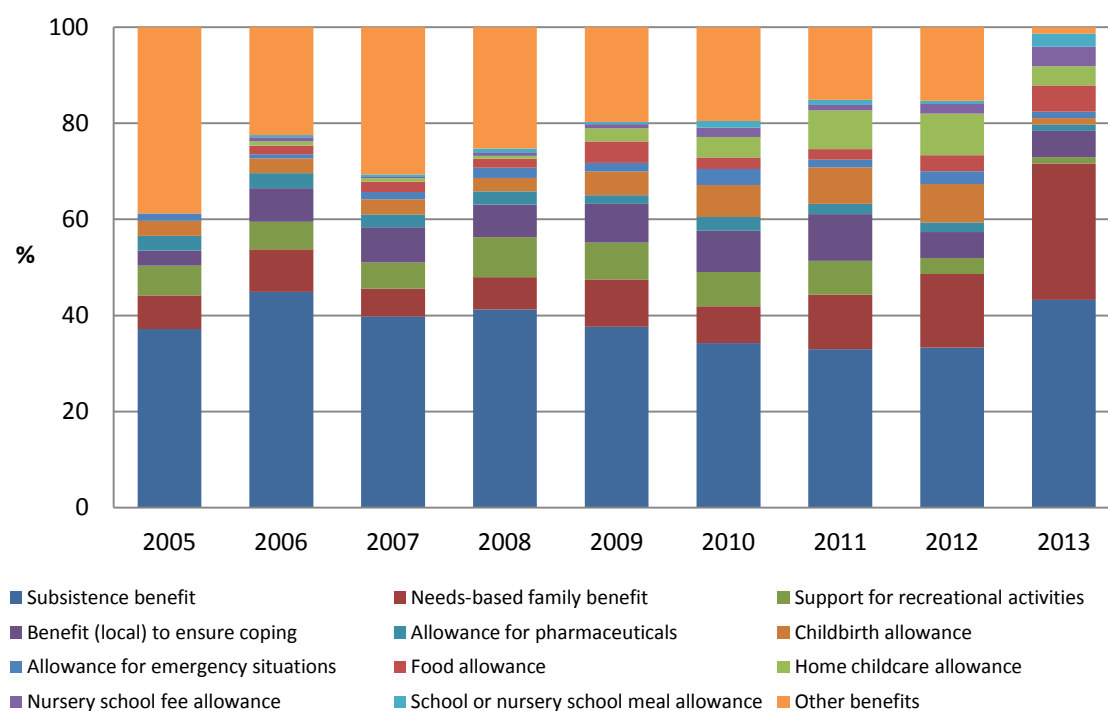
As regards to the benefits paid to third-country nationals by local governments¹²⁵, the subsistence benefit is clearly prominent, as it accounts for 35-45% of all benefits paid in a year. This is the only benefit on which the government has data from 2005 onwards, which is why it can be over-represented in case of persons who arrived in the period 2005-2009. However, as the subsistence benefit is also clearly predominant in the case of persons who arrived in the period 2010-2013, there are no reasons to believe that the absence of information on other benefits from previous years could cause excessive distortion of the overall picture.

Another relatively popular benefit besides the subsistence benefit is the needs-based family benefit, which is ranked second among the types of benefits, despite only a period of six months (1 July to 31 December 2013) being included in the observation.

Other similar benefits, designed to alleviate subsistence problems, are the benefit to ensure coping and the allowance for emergency situations. As the list of benefits paid by local governments is rather long, the distribution of other benefits is relatively disperse. However, the local government benefits also include several benefits associated with children (e.g., support for recreational activities, childbirth allowance, home childcare allowance, nursery school fee allowance, school or nursery school meal allowance), many of which do not depend on income (see Figure 3).

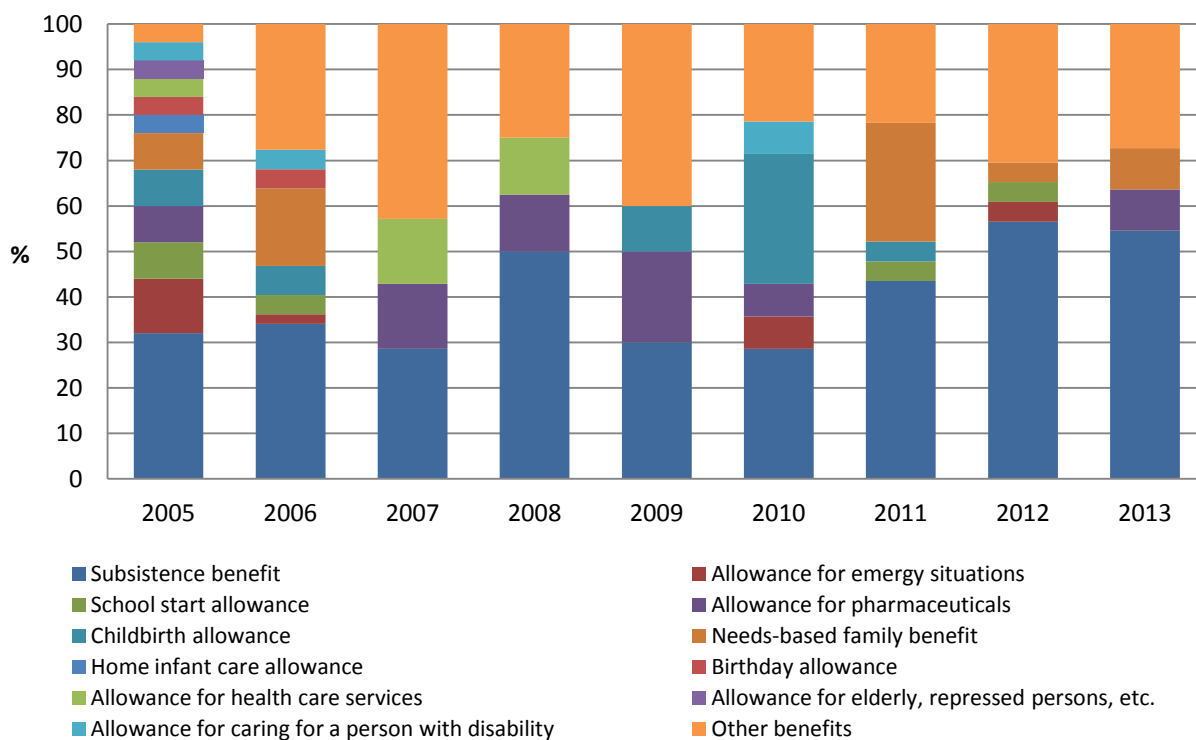
¹²⁵ The data on the benefits paid by local governments were taken from the STAR and SIS databases, but they are not complete, because all local governments do not enter their data. Nevertheless, the NAO uses the maximum amount of data available on local governments and on benefits they have paid. The data on subsistent benefit payments are complete.

Figure 3. Main local government benefits paid to immigrants from third countries, by year of arrival (2005-2013, % of the total of respective benefit type)



The subsistence benefit is again the predominant benefit category in the case of EU citizens, while the distribution of remaining benefits is uneven. This is caused by the relatively low number of benefit recipients (see Figure 4).

Figure 4. Main local government benefits paid to immigrants who are EU citizens, by year of arrival (2005-2013, % of the total of respective benefit type)



Annex H. Government needs more detailed information on emigrants and immigrants to design migration policy

The procedures for the compilation of the NAO's overview revealed several important bottlenecks in the collection and management of the state's migration data. If the government intends to be more effective in steering the migration policy, it needs reliable data on immigrants and emigrants. This can be achieved by developing an improved system of data collection.

The government does not have an adequate overview of emigration and return migration. Even though the submission of residence change notices to the Population Register is mandatory,¹²⁶ many people are not doing this or do it only after a period of delay. The analysis of Statistics Estonia indicated that, 39% and 32% of the persons whose emigration was registered respectively in 2012 and 2013 had already left Estonia before that. The government does not have any information on the time when these people moved abroad.

A similar obligation to register themselves in the Population Register applies to EU and third-country nationals, but the government has no real control over the number of people who are actually doing it. Furthermore, there are often no practical reasons that would motivate immigrants to do so. For instance, it is not required (from foreign students) by universities and vocational schools and registration is also not necessary for commencing employment in Estonia. For example, only 45% of students from the EU had registered their residency in Estonia in the period 2005-2012.

As regards to the EU citizens in general, there is also no information on how many came to Estonia for work or for some other purpose. This complicates any assessment of the impact of internal migration within the EU on Estonia's labour market.

The government has very little data on persons who entered the country with a D-visa (up to 6 months for employment, studies, caring for parents, etc.). There are also no options for automated extraction and analysis of such data.

Other data used for describing immigrants are relatively incomplete as well. For instance, the government does not have comprehensive information about immigrants' level of education or job position (except for labour migrants), which would help to create an adequate picture of their position in the labour market. There is also no information on immigrants' actual places of residence, which is why we do not know how they are distributed between Estonian regions. The government has so far not monitored the social and economic fortunes of new immigrants.

Systematic improvement of data collection and management would require fundamental and technical decisions from the government. For instance, a decision should be made on how to ensure timely registration of immigrants' places of residence: impose sanctions or find another way to improve the situation. It should also be assessed, what data on immigrants the government actually needs. An extensive analysis is required to identify options for better linking of immigrants' data with different databases and for improving the quality of data. In this context, it should be decided which institutions and in what ways will be involved in the data collection (e.g., should there be an obligation for educational institution to notify the Population Register or foreign students), etc. One option for improving the collection of data, which are currently submitted on a voluntary basis (such as education and area of activity in the case of the Population Register), would be to make this procedure mandatory.

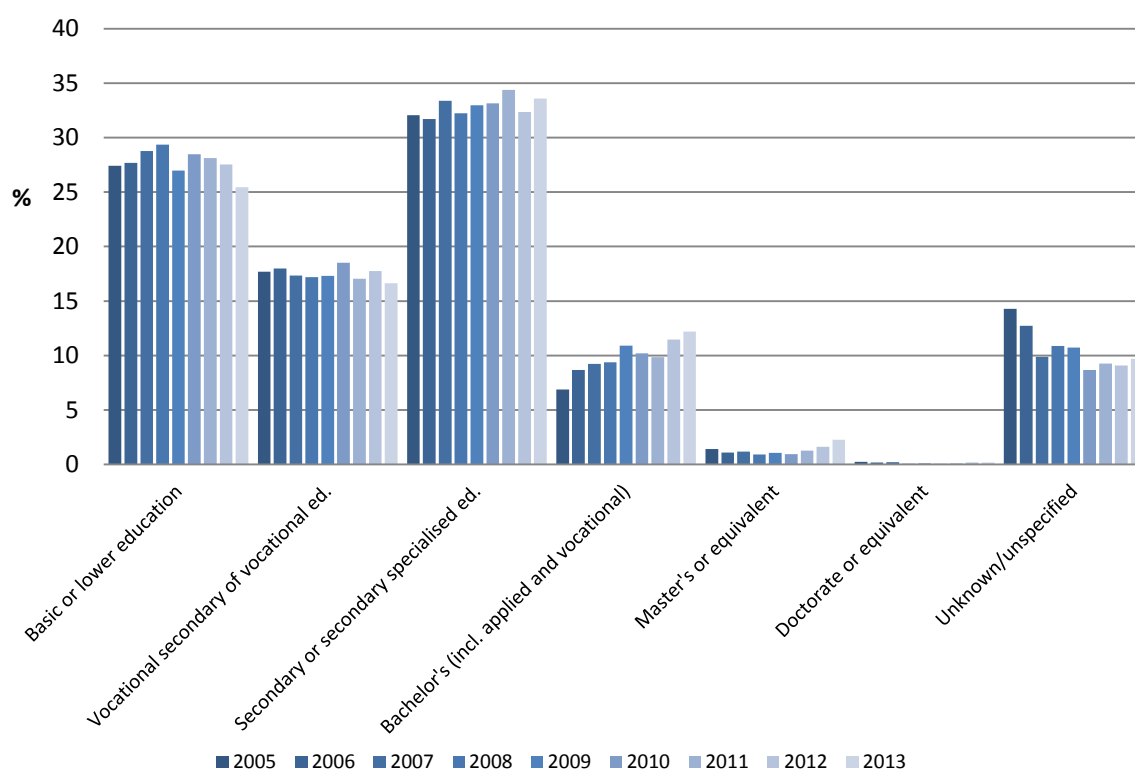
If the government decides to link the migration system directly to the labour demand, it will need a more detailed system of labour demand monitoring, with a clearly applicable output. The current format of the labour demand forecast does not provide sufficiently detailed and reliable data (i.e., we do not know how many people with what skills are needed). The current development of the employment coordination system should consider the opportunities and data needs of the migration system.

¹²⁶ Pursuant to the Population Register Act, a person settling in another residence is required to submit the address of the new residence for entry in the Population Register within 30 days after settling in the new residence.

Annex I. Educational level of emigrants

Most emigrants have basic, vocational or secondary (specialised) education. The percentage of emigrants with a Bachelor's degree has also increased more than 5% in the period 2005-2013, rising to 12.2% by 2013. There are not many people with a Master's or equivalent degree among emigrants; their percentage is, on average, 1-2%. Consequently, there is some degree of emigration of highly qualified persons, but emigration is dominated by people with lower levels of education (but also young people who can potentially continue their studies). The number of emigrants with lower educational levels increased and achieved predominance after accession to the EU: before that, the number of emigrants with secondary education was almost the same as the number of emigrants with higher education.¹²⁷ It should be remembered in case of education data, that an annual breakdown of data is not known for 9-14% of emigrants.

Figure 1. Educational level of emigrants, 2005-2013



Source: NAO, Ministry of Education and Research, Population Register

¹²⁷ Tiit Tammaru. Waves of Out-Migration from Estonia, Migration and Demographic Challenges in the Nordic-Baltic Region. Tallinn, KUMU 7-8 March 2013.

Annex J. Examples of international practice in the implementation of a diaspora policy

Country	Activity
Scotland	Scotland has developed an international network of business contacts, GlobalScot, to engage successful Scots and persons with an affinity with Scotland in the development of the Scottish economy, e.g., by gaining access to new markets or identifying sources of investment. Since the launch in 2001, over 650 highly-placed individuals have joined the network and their functions include providing support for the internationalisation of Scottish companies, offering advice and contacts to businesses and other organisations in Scotland. GlobalScot also organises many conferences and events in Scotland and other countries. As of 2012, the network had helped to create more than 30 million pounds worth of added value for the Scottish economy. ¹²⁸
Taiwan	Taiwan has since the 1970s maintained a database to track migrants, has offered travel subsidies and mediated job offers abroad to highly qualified potential returnees. Furthermore, thousands of migrants have been recruited as professors and visiting lecturers for Taiwan's universities. ¹²⁹ Taiwan's best-known initiative for facilitating return migration and reducing the drain of qualified labour was the establishment of the Hinchu Science-based Industrial Park in 1980. International companies were offered tax incentives, government investments, and cooperation with research institutes and universities to attract them to the park. While most of the returnees who moved to the park were not recent graduates, they included many highly qualified people who had worked elsewhere for 10 or 15 years. The total revenue earned in the industrial park amounts to ca 40 billion US dollars per year. ¹³⁰
Malaysia	Malaysia has tried to alleviate the shortage of highly qualified and technically skilled labour by implementing, since 2011, the Returning Expert Programme, offering different benefits for qualified returnees. For instance, eligible returnees can use the income tax incentive of paying only 15% of tax for five years, bring their car and other personal belongings to Malaysia without tax, and the spouse and children of a returnee can receive long-term residence permits. More than 2,500 applications for return have been approved under the programme since 2011. ¹³¹

Source: the NAO's analysis of international practice

¹²⁸ GlobalScot: Building International Business Networks for Scotland.

<http://www.globalscot.com/~media/SDI/Files/GlobalScot-Brochure-Web-2012.pdf>.

¹²⁹ Kevin O' Neil. Brain Drain and Gain: The Case of Taiwan. Migration Policy Institute, 2003.

¹³⁰ Repository of Talent Mobility Good Practices. World Economic Forum.

¹³¹ See <https://rep.talentcorp.com.my/>.