



# ***European Semester 2018***

## **Proposal for Country Specific Recommendations for Estonia 2018**

**23 May 2018**



## Overall situation

- Estonia's labour market performs well, employment and labour market participation are high.
- Employment grew by some 2% in 2017. It suggests that the Work Ability reform has so far had a positive effect and that many people with a limited ability to work were able to find a job.
- Medium term: Working age population is projected to shrink => skills shortages, rising pressure on cost of labour



# Estonia

1. Ensure that the nominal growth rate of net primary government expenditure does not exceed 4.1 % in 2019, corresponding to an annual structural adjustment of 0.6 % of GDP.

Improve the adequacy of the social safety net, in particular for older people and people with disabilities.

Take measures to reduce the gender pay gap, including by improving wage transparency in the private sector.

2. Promote research and innovation, in particular by providing effective incentives for broadening the innovation base.



## Justification, Social safety net

- Despite recent measures, social safety nets still do not provide adequate income support and the increasing share of the population at risk-of-poverty is a concern
- The poverty reducing effect of social transfers is one of the lowest in the EU (25% vs. EU: 33% in 2016).
- Estonia has the **third highest rate of AROPE for older people** (aged 65 years or over) **in the EU** (41.4 % vs EU: 18.3 % in 2016).
- **AROPE for people with disabilities** is high (39.4 % vs EU 29.9% in 2016) and among the **top 5 in the EU**



# Justification, Gender Pay Gap (1)

- The gender pay gap remains one of the highest in the European Union at 25.3 % (EU-28 average 16.2%), although it is reducing.
- The planned measures to improve transparency of wages are partial (e.g. only transparency in public sector) and have not yet been adopted nor implemented.



## Justification, Gender Pay Gap (2)

- In terms of impact of parenthood on women's employment, Estonia held the fourth highest place in 2017 (25.3% vs. EU average of 9%).
- Estonia also has
  - ✓ **low transparency of pay in companies,**
  - ✓ **low up-take of care leaves by fathers,**
  - ✓ **long career breaks for young mother,**
  - ✓ **and gender segregation in the labour market.**



# Justification, Research and innovation

Slow productivity growth linked to moderate performance on R&I.

- Economy has some high value-added and knowledge intensive, but private R&D intensity, Science – business links activities, companies innovation and technological capacity remain low
- Public expenditure has been above EU average but insufficient priority setting in public research
- Challenge to maximize the impact of measures put in place to boost R&I performance
- Broader focus on the role of Human Capital and skills