



Estonian labour market: access for seniors

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Estonian economy and labour market are experiencing a deep crisis. This is shown by a continuing economic fall and growing unemployment.

In 2020, the **unemployment rate in Estonia** was at approximately 5.38 percent.

In Estonia, the most serious employment problem is the high unemployment rate of the youth.

Long-term unemployment has become an acute problem among the elderly in the midst of the economic crisis. Active employment measures do not currently pay any attention to the elderly as a target group.

The results of the employers survey clearly indicate that the employers do not think of the ageing of the labour force today:

most of the employers (82%) have not assessed the company's risks arising from the ageing of the labour force and

77% of organisation executives do not think that the share of the elderly will significantly rise in their organisation in the next five years.

Among the elderly there is a large portion of those who wish/plan to retire either before or immediately after reaching the retirement age.

Source: Survey of Tartu University



Recommendations

- Society's attitude towards the employment of the elderly needs to be changed;
- flexible work organisation should be supported (e.g. part-time work, online work), the tradition of part-time work is weaker in Estonia than in many other European states;
- in order to support the participation of the present elderly in employment attention must be paid to lifelong learning as well as active employment measures;



Recommendations



- the elderly need to be pointed out as a target group in the adult education strategy and measures for their participation in lifelong learning need to be developed;
- it is necessary to develop active labour policy measures such as career counselling and training services based on the needs, knowledge and skills of the elderly;
- pension has to be preserved while working at the retirement age.

Pension and insurance indemnities



Taxation of pensions from 1 January 2021

We recommend you to read the [information on the pension reform 2021](#) on the website of the Pension Center.

The table below helps to understand which pension-related payments are tax-free and which payments shall be taxed from 1 January 2021.

I pillar: State pension	II pillar: Mandatory funded pension	III pillar: Supplementary funded pension
Before reaching the old-age pension age, a person has the right to a flexible old-age pension.		
The following is subject to income tax at the rate of 20%:		
<ul style="list-style-type: none"> state pensions 	<ul style="list-style-type: none"> to a person before the II pillar retirement age^{II} (incl. leaving the pillar) or payout to the successor 	<ul style="list-style-type: none"> payment to a person before the III pillar retirement age^{III}
The following is subject to income tax at the rate of 10%:		
	<ul style="list-style-type: none"> the payment made at the old-age pension age^{II} or up to 5 years before reaching that age. 	<ul style="list-style-type: none"> at the retirement age of 55^{III} and at the old-age pension age^{II} or up to 5 years before reaching that age if the collection period has lasted at least five years.
Tax free is:		
<ul style="list-style-type: none"> work capability allowance paid by the Unemployment Insurance Fund 	<ul style="list-style-type: none"> to a person with no work ability (regardless of age), the payment made at the old-age pension age^{II} or up to 5 years before reaching that age and for III pillar, 55 years of retirement age^{III}, a lifetime pension or a fixed-term pension divided by life expectancy^{III} payment shall be made periodically at least once every three months. 	
What kind of payments shall affect basic exemption (up to 6,000 euros per year)?		
State pensions are taken into account as taxable annual income and affect the calculation of a person's basic exemption.	Payments made before the III pillar retirement age, which are subject to income tax at the rate of 20%, are taken into account as annual income and affect the calculation of a person's basic exemption.	

Old-age pension increases by €20 on average

The minimum means of subsistence in Estonia in 2020 is €221.36.

The national pension is €251.61.

The share of people aged 65 and over living in relative poverty in Estonia has been the highest in the European Union over the past years. According to data by Eurostat, 46.3 percent of the elderly in Estonia lived in relative poverty in 2018.

Meanwhile, Estonia's expenditure on the old-age pension of its citizens is among the lowest in Europe. The average old-age pension accounted for 42 percent of the average monthly net salary in Estonia in 2019. Said figure is the lowest among EU member states.

A pensioner with an average number of years of pensionable service who has raised two children receives a pension of €528 and close to €46 in supplements, bringing the total pension to €571. From April 1, 2021, this person will see their total pension grow by €23 euros to €594.



Digital Senior Citizen

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"Critical Thinking for Seniors" - CTS

Project number: 2019-1-PL01-KA204-064884



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Thank you!

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