

Mutual Learning Programme Database of National Labour Market Practices

Estonia - Amendments to Aliens Act

This database gathers practices in the field of employment submitted by European countries for the purposes of mutual learning. These practices have proven to be successful in the country concerned, according to its national administration. The European Commission does not have a position on the policies or measures mentioned in the database.

Source of national practice	Mutual Learning Programme Peer Review
Title of the policy or measure (Original language)	Välismaalaste seaduse muudatused
Title of the policy or measure (English)	Amendments to Aliens Act
Country	Estonia
Name of the responsible body	Ministry of Economic Affairs; Citizenship and Migration Board (CMB)
Geographical scope of the responsible body	National
Name(s) of other organisations involved (partners/sub-contractors)	Ministry of Labour and Social Affairs; Ministry of Internal Affairs; Customs and Tax Office
Start year of implementation	2008
End year of implementation	Ongoing
EU policy relevance	The free movement of workers is an established fundamental right of EU citizens (Art. 39 EC Treaty). Labour mobility is also an integral part of the European Employment Strategy.
National labour market context	<p>Since the beginning of 2000 until mid-2008 unemployment rates declined steadily in Estonia; in these years the country experienced a fast economic growth. Accordingly, employment and participation rates grew since the beginning of 2000s, almost reaching the Lisbon target in 2008 (69.5%). Following the financial crisis of 2008 the economic growth in Estonia stopped. Consequently, in April 2009 the unemployment rate reached 7.1% compared to the 2.7% during the same period in 2008.</p> <p>Before the crisis, general labour shortages were perceived as the main factor hindering the production growth in 10-20% of all Estonian companies. At the beginning of 2009 only few new employers identified labour shortage as a barrier or a problem.</p>
Policy area	Labour market functioning and segmentation

Specific policy or labour market problem being addressed	<p>The initiative for change came from the need to react more flexibly to the fluctuations of demand in the commodities market.</p> <p>On the one hand, the amendments protected the Estonian labour market avoiding the entrance of low-skilled workers, while on the other hand it allowed hiring high skilled workforce not available in Estonia.</p>
Aims and objectives of the policy or measure	<p>In the first quarter of 2008 the Parliament introduced changes to the Aliens Act. The changes aimed at simplifying the procedures that would enable bringing qualified labour to Estonia and clarify hiring conditions of third country nationals.</p> <p>The general intention was to reduce the time consuming and administrative burdensome process for hiring employees from non-EU countries and the introduction of a criterion to guarantee that immigrants entering the domestic labour market were highly skilled.</p>
Main activities/actions underpinning the policy or measure	<p>Three immigration schemes were subject to reform. The registered short-term working scheme for work up to six months in one given year, the temporary residence permit for employment scheme, and the work permit for a foreigner who already had a residence permit. The former two schemes were subject to major modifications, while the last experienced only minor changes.</p> <p>Actions implemented to simplify administrative procedures aimed at reducing the time needed to process applications. The processing time of the CMB for the residence of permit was cut from six to two months, the obligatory minimum duration of search for local employee before hiring an immigrant from a third country was shortened from two months to three weeks and the approval of work or residence permits was speed up.</p> <p>In addition, to effectively limit immigration flows to highly qualified workers and to enhance hiring conditions, a salary criterion was introduced. This criterion required that immigrant workers from third country could be employed by an employer in Estonia only if they were paid at least 1.24 times the average wage (or the average wage of the sector, but not less than the general average wage, for short term migration up to 6 months). The wage was supposed to minimize possible displacement of domestic labour demand by cheaper low skilled labour from abroad. Another criterion used to assess the worker's qualification were the documents certifying immigrant's qualifications.</p>
Geographical scope of policy or measure	National
Target groups	Large enterprises (250 employees or more), Minority ethnic groups, Small and medium-sized enterprises (1 - 249 employees)

<p>Outputs and outcomes of the policy or measure</p>	<ul style="list-style-type: none"> • The CMB made 288 inquiries to monitoring fulfilment of the wage criterion, 123 were found non-compliant (i.e. the 43% of the inquiries). <p>Preliminary conclusion of the policy measure can be summarised as follows:</p> <ul style="list-style-type: none"> • In total, 625 applicants were approved to work in Estonia from 14 of June 2008 (entry into force of the new regulation) until the 5 of May 2009 (analysis conducted for the peer review). <p>A survey among employers was carried out in spring 2009. According to the survey:</p> <ul style="list-style-type: none"> • More than 50% of the employers agreed that shortening the time required for administrative proceedings helped employers to recruit workers they need. In addition the speed of hiring immigrant labour increased. • Only one firm out of three perceived the new process simpler than the past. • Almost 50% of the employers were convinced that the established salary threshold made it harder for companies to recruit migrant workers. <p>The reduction of administrative burden and shortening of administrative procedures was not fully accomplished because the scheme did not abolish the existing procedures requiring screening of documents certifying person's qualification (accompanied by a proof of seniority in specific field).</p>
<p>Management and implementation arrangements</p>	<p>The policy measure was designed and implemented within existing structures; therefore no additional resources were needed. However, the substantial shortening of processing times forced the CMB to reconsider their internal processes and adapt their working arrangements accordingly. The measure is implemented by means of the rearrangement of internal work at the CMB and no additional external resources were devoted for carrying out the reform.</p>

Key challenges

- **The wage criterion.** The wage criterion did not make the process of hiring from abroad any easier (basically this measure was introduced as an addition to already existing ones).
- **Actual value of the salary.** The process to find consensus among social partners was complicated. There were numerous ways to determine the wage, such as occupational average, economic field's average and all had different advantages and disadvantages.
- **Mandatory domestic labour search.** A challenge of the policy measure was identified with regard to the ability to monitor whether an employer searched for a worker in the domestic labour market before hiring a third country national.
- **Low skilled workers.** This policy did not accommodate immigration of low skilled workers if there was a supply gap of domestic labour. This was identified as a setback since employers in sectors like agriculture facing shortage of low skilled workers were not able to meet salary criterion linked to country wide average salary.

<p>Key conditions for success</p>	<ul style="list-style-type: none"> • Monitor for compliance. A key condition for success was the cooperation among the bodies in charge for compliance. The good cooperation of the CMB and the Customs and Tax office allowed identifying cases of non-compliance with regard to the wage criterion. • Adequate level of wage criteria. A key condition for success was the identification of an adequate level of wage required to hire third country nationals. • Resources. The policy measure was implemented and designed within existing structures. Therefore no additional resources were needed. • Simplification of administrative processes. A key condition for success was the review of possible redundancies of all administrative processes made by the authorities. This allowed speeding up the process of all kind of applications. <p>Potential transferability</p> <ul style="list-style-type: none"> • Immigration policy. This policy covered only a specific immigration policy segment. As a result this might find hindrances when considering other aspects of the immigration policy. • Wage criterion and administrative burden. The wage criterion is certainly an interesting tool and could, at least in theory, remarkably decrease the administrative burden associated with verifying the qualification of immigrant workers. However, this instrument is highly depended on both the type of immigration and the labour market conditions experienced in each Member State. • Design and implementation. A key aspect to assess transferability is related to the ability of the authorities to assess processes and identify stages that could be abolished. This will considerably change among Member States.
<p>Method of assessment</p>	<p>Internal monitoring</p>
<p>Type of assessment</p>	<p>Qualitative and quantitative assessment</p>
<p>Duration and frequency of the assessment</p>	<p>One-off evaluation in 2009</p>
<p>Further information on the assessment</p>	<p>Another assessment took place in two Estonian companies, where a large portion of highly skilled migrants from third countries were hired.</p>
<p>Links to the website, background information and assessment material</p>	<ul style="list-style-type: none"> • Background information • General link to the Mutual Learning programme

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