

# **A COMPARISON OF THE RESPECTIVE LABOUR MARKET POSITIONS OF ESTONIAN AND NON-ESTONIAN YOUNG PEOPLE**

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## **Background to the ethnic composition of Estonia**

Estonia, in common with other post-communist countries, has undergone a transition process; moving away from the principles of a planned economy to the logic of the free-market. At the outset it should be understood that originally the non-indigenous, mainly Russian, labour force that arrived in Estonia as a result of directed immigration contributed a great deal to the dynamic expansion and development of the national economy. Directed immigration was made more attractive for such workers by offering them economic and social benefits. Through the use of such incentives it was possible for non-Estonians to enjoy a higher socio-economic position than they would have experienced in their own country of origin. In many cases it also placed them in a more advantaged social position than members of the host community.

The restoration of the Republic of Estonia inevitably brought about great economic and social changes within the country. Both the primary and secondary sectors were affected profoundly by the collapse of the previous economic arrangements and trade connections. The introduction of the Citizenship and Language Act, Aliens Act and other related statutes created a situation in which the majority of people that arrived in Estonia during the Soviet occupation now found themselves categorised as immigrants. Given this new status they were faced with a choice of meeting the requirements of the naturalisation process, adopting a 'wait-and-see' attitude or applying for citizenship in another country.

However, being an 'immigrant' in an independent Estonian nation-state soon became synonymous with occupying a disadvantaged socio-economic position. Higher unemployment and membership of a lower income group were soon common among non-Estonians. It should also be noted that labour market segmentation along ethnic lines became more pronounced following the establishment of the new republic. It is certainly true to say that in the Soviet era the Estonian labour market was already characterised by a degree of ethnic segregation. This manifested itself in relation to different occupations and sectors of the economy. For the most part Estonians worked in the fields of agriculture, education and culture whilst non-Estonians dominated mechanical engineering and the oil shale industry. Estonians were thus engaged in the majority of occupations related to culture and education. Non-Estonians, meanwhile, tended to be employed as engineers, skilled craftsmen/women and related trades workers. However, this segregation deepened further in the 1990s. Indeed, many jobs started to assume an almost 'single-national' profile. These were often jobs in the white-collar, skilled crafts and related trades sectors. Many of these occupations tended to be at the lower end of the socio-economic scale. Apparently, many of these jobs were secured with the assistance of access to useful social connections; through friends, relatives and acquaintances.

## **Ethnic origin as a reason for labour market differences**

Estonian labour market indicators are less favourable to immigrants in comparison with the native population. This is, though, consistent with the experience of many developed countries. In Canada, for example, it was found that immigrants have a greater risk of poverty. This risk increases even more in the case of second generation immigrants (*Kazemipur 2001*). Sweden has also highlighted considerable differences in pay between immigrants and native citizens (*Albrecht et al, 2000*). Many theories have been advanced to explain this phenomenon. According to human capital theory, wage disparities between ethnic nationalities are caused by differences in human capital. According to this theory,

differences in income and social position that result from ethnic origin would disappear if people were given equal opportunities to acquire education and professional skills. (Rubinson and Browne 1993)

Alternative approaches to human capital theory are based on the presumption that such differences between immigrants and native people cannot be explained merely failure to by investment in the education of non-native residents. Discriminatory processes in the labour market can be seen at work in relation to gender, race and ethnicity/nationality. There are many discriminatory labour market mechanisms that result in differentiation and inequality in respect of the said social categories. When, for example, a sufficient number of employers share a negative attitude towards certain national minorities, then – despite their equal capabilities - the income earned by such groups will be considerably lower than that of the native population (Grand and Szulkin 2000).

At the same time, supporters of statistical discrimination theory claim that this is not necessarily based on an economically irrational antipathy towards minorities. An employer operating in a free market is mainly interested in maximising profits, but her/his recruitment and promotion decisions can still inadvertently result in inequality of outcomes for workers from particular racial or ethnic backgrounds. Employers' decisions will largely depend on the information they receive about the people seeking jobs. In the case of job-seekers from national minorities, there often tends to be less information available to the employer. When hiring new people, employers thus often base their decisions on prevalent stereotypes and social categories. There may, for example, be a perception that because some national/ethnic groups are over-represented in certain occupations it follows they must excel in this particular area of work. There may also be negative stereotypes at play in respect of popular perceptions of certain groups' poor work ethic and low productivity. National minorities may well be at risk of being less valued than the native population. An employer may thus treat people with the same level of education differently, particularly when the education has been acquired abroad. At its worst, discrimination against national minorities in relation to high status posts can be a means of ensuring that the privileged position of the dominant ethnic group is maintained. Such monopolistic practices have been described by Grand and Szulkin (2000).

Calvo-Armengol (2004) and Jackson (2004), cited in Beaman (2006), found that the explanation for the different positions occupied by ethnic groups in segregated labour market conditions lies in the differentiated social structures and networks to which they have respective access. Higher unemployment among national minorities may, therefore, be the result of intra-network processes. In other words, they are likely to have less knowledge about the work opportunities available in the wider labour market.

### **Employment amongst immigrants in Estonia**

The disadvantages immigrants initially experience when adapting to local employment conditions are often transmitted to successive generations. These disadvantages may take different forms, but they are nonetheless usually present. This is a theme that will be explored shortly.

First, though, some brief preliminary points should be made about young people and employment. When one compares young Estonians and non-Estonians aged between 15 and 24 years old, it has to be taken into account that this is an age group in which most members are – for a variety of reasons - still economically inactive. It therefore differs significantly from the rest of the working-age population. It needs to be borne in mind, therefore, that young people experience higher levels of unemployment and lower levels of pay when compared with the population as a whole.

The labour market positions of young Estonians and non-Estonians can be compared on the basis of various indicators. Two important indicators, for example, are pay and occupational/professional status. It is also important to analyse both unemployment data - in

terms of the percentage, distribution and profile of the unemployed - and the nature of the job requirements of vacancies in the labour market. These requirements would include qualifications, skills and experience. Ideally, it is also instructive to assess the expectations of job-seekers in the labour market. For example, are the vacancies sought and the salaries paid commensurate with the qualifications of job-seekers? Moreover, it is useful to analyse the degree of fit - or, indeed, mismatch - that occurs between qualifications possessed and labour market position.

Important structural changes in the economy of Estonia were, on the whole, achieved by the second half of the 1990s. Employment rates among young Estonians and non-Estonians during this period — that is, from 1997–2000 — were broadly the similar. The employment of young people dropped from 38–39% in 1997 to 31–32% in 2000. That said, the majority of young people were engaged in education during this period. In 2005, however, the unemployment gap between the 15–24-year-old Estonians and non-Estonians was the highest of the last nine years. This was mainly the result of a considerable decrease in the unemployment rate among young Estonians during the previous year — from 17% in the year 2004 to 9.5% in 2005. (Eamets *et al*, 2006)

There are many trends that can be highlighted in terms of the different categories of youth labour status. However, there is only space to draw attention to selected key points. It should be noted at the outset that a low percentage of employed persons is common for both Estonian and non-Estonian youth. Nevertheless, the percentage of the employed is still higher among Estonians; it was equal to that of the non-Estonians only in 2002. The percentage of employed persons among Estonian youth in comparison with non-Estonian youth was 6% higher in 2006. At the same time, the unemployment rate among young non-Estonians was higher than that of Estonians. However, in 2006 the unemployment rate was considerably lower in comparison with previous years, both for young Estonians and young non-Estonians. The percentage of inactive persons was higher in 2006 for the first time among non-Estonian youth than among Estonian youth.

Table 1 **Estonian and non-Estonian youth by their labour status, 1998–2006**  
(percentage)

	1998	2000	2002	2004	2006
<b>Estonians</b>					
Employed	38	32	27	28	33
Unemployed	5	9	5	7	3
Inactive	58	59	68	67	64
<b>Non-Estonians</b>					
Employed	35	29	28	25	27
Unemployed	10	12	8	11	6
Inactive	55	59	64	64	66

Source: Labour Force Survey, 1998–2006.

The main reason for inactivity both for young Estonians and young non-Estonians is related to their participation in education and training, the share of which has increased every year in both groups. It should also be noted that the rates of maternity, parental and childcare leave have increased and account for greater economic inactivity among Estonians since the year 2002. The percentage among non-Estonians dropped slightly by 2006. The percentage of pessimistic young people - those who think they will either not find work or believe no suitable work exists for them - is small in both groups.

Table 2 **Reasons for inactivity among young Estonians and young non-Estonians, 1998–2006**  
(percentage)

	1998	2000	2002	2004	2006
<b>Estonians</b>					
Studies	82	85	92	88	90
Military service	3	3	2	3	1
Disability	2	2	1	1	1
Taking care of a child up to 3 years of age	8	6	3	5	6
Need to take care of children or other members of the family	2	1	1	1	1
Discouraged	2	3	2	2	1
<b>Non-Estonians</b>					
Studies	82	86	88	90	92
Military service	1	3	1	1	1
Disability	4	1	2	1	3
Taking care of a child up to 3 years of age	6	7	7	7	4
Need to take care of children or other members of the family	2	3	2	1	1
Discouraged	5	1	1	1	1

Source: Labour Force Survey, 1998–2006.

### Occupational Position

In 2000 it was mainly people below the age of 30 years that occupied better occupational positions among Estonians. In the case of non-Estonians it was mainly those aged over 40 years. A considerable proportion of non-Estonians, especially the young, were employed in elementary occupations and as support staff in 2000. Now, however, young non-Estonians are more likely to be working as skilled craft and related trades workers. Given the rate at which higher education qualifications are now being acquired, the share of specialists is also increasing in the occupational structure of employed non-Estonians. (Pavelson 2006)

There are considerably more managers and professionals among young Estonians than among young non-Estonians — 19% and 7% respectively in 2006. It is worth noting that there were no major differences as recently as 2004. However, the percentage of skilled craft and related trades workers has been higher among non-Estonian youth. The share of persons engaged in elementary occupations was significantly lower among employed Estonian youth than among the employed non-Estonians. The percentage of clerks is not very high for either young Estonians or young non-Estonians.

Table 3 **Young Estonians and non-Estonians by occupation, 1998–2006**  
(percentage)

	1998	2000	2002	2004	2006
<b>Estonians</b>					
Managers, professionals	17	14	16	15	19
Technicians and associate professionals	16	12	14	14	12
Clerks	7	4	7	9	6
Service workers	19	23	22	18	21
Craft and related trades workers	30	34	31	32	32
Persons in elementary occupations	11	13	11	12	10
<b>Non-Estonians</b>					
Managers, professionals	6	6	9	13	7
Technicians and associate professionals	8	15	10	9	8
Clerks	8	10	6	3	7
Service workers	17	18	15	18	20
Craft and related trades workers	44	39	49	44	39
Persons in elementary occupations	17	13	11	13	19

Source: Labour Force Survey, 1998–2006.

The percentage of young people working in posts requiring a lower level of education than that attained is much higher among non-Estonians in comparison with Estonians — 17% and 7% respectively in 2006. Nevertheless, 80% of young non-Estonians have found a job in which the work requirements are compatible with their level of educational attainment. In 2002 slightly more than four-fifths of both young Estonians and non-Estonians occupied positions in which their education met the requirements of their work. At the same time, 17% of young non-Estonians had jobs that presumed a lower level of education than that achieved. The comparative figure for Estonian youth was 9%.

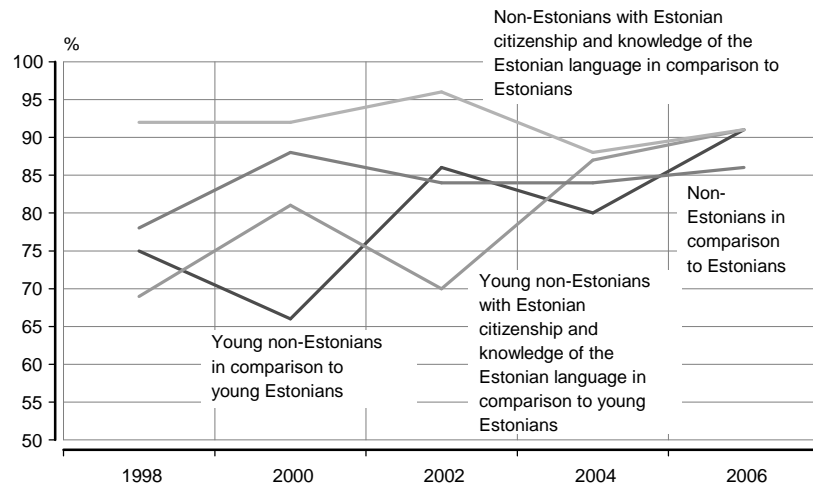
#### **Wage levels and ways of obtaining work**

Social networks play an important role in obtaining a job. Half of non-Estonian youth who started working during the past year obtained their job through help from relatives or acquaintances. 44% of young Estonians, meanwhile, benefited from such assistance. 17% of young Estonians and 16% of non-Estonians acquired a job through responding to job advertisements whilst 19% of Estonians and 22% of non-Estonians made direct approaches to employers. 8% of young Estonians received job offers from employers by using this method compared with 3% of non-Estonians.

In 2006 the wages and salaries of young non-Estonians – male and female - were considerably lower than those of Estonians. A disparity between Estonians and non-Estonians is also present in respect of those with a background in higher education. This is despite the fact that this well-educated group are not only highly qualified, but also enjoy Estonian citizenship and have a good knowledge of the national language. The average wage of young Estonians with higher education qualifications was 6,605 Estonian kroons in 2006. This compares with an average wage of 6,066 kroons for young non-Estonians. Nevertheless, the pay of the latter was equal to the average wage of Estonians as a whole.

Figure 1 clearly shows that the level of pay for non-Estonians has consistently been at least one-tenth lower than that of Estonians. It has often been argued that Estonian citizenship and a good knowledge of the Estonian language is the most effective means by which to eradicate disparities in salaries and wages. However, analysis of the available data shows conclusively that citizenship and language skills do not have the equalising effect so commonly assumed. It is, rather, the case that citizenship and language skills are a competitive advantage for a non-Estonian in relation to his/her compatriots.

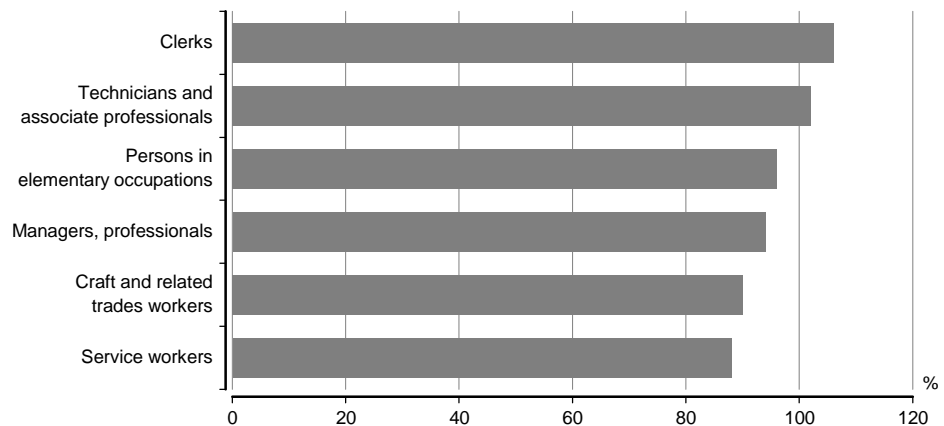
Figure 1 **The wages and salaries of young non-Estonians and non-Estonians (in general) in proportion to the average wages and salaries of young Estonians and Estonians (in general), 1998–2006**



Source: Labour Force Survey, 1998–2006.

Figure 2 shows that in 2006 the average wages and salaries of young non-Estonians were lower than the wages and salaries of Estonians in most occupations. They were higher only in the case of technicians and associate professionals and clerks. At the same time, the wages and salaries of young managers, professionals, and skilled craft and related trades workers were considerably higher for Estonians than for non-Estonians.

Figure 2 **The wages and salaries of young non-Estonians in relation to the wages and salaries of young Estonians by occupation, 2006**



Source: Labour Force Survey, 2006.

### Job expectations, coping and mobility

In 2006 37% of young Estonians, as opposed to 21% of young non-Estonians, looked only for such work that was commensurate with their level of education. The rest of those looking for work were willing to accept jobs that did not require such high levels of education. The percentage of people looking for work that would be compatible with their level of education had decreased in comparison with previous years, whereas the drop was bigger among non-Estonians. Moreover, the expectations of young non-Estonians with regard to the level of wage offered were significantly lower than the expectations of Estonians. For example, in 2002, a third of Estonians expected the gross wage to be at least 5,000 kroons in order for them to accept the job. This compares with a third of young non-Estonians who would have agreed to wages amounting to 4,000 kroons. The wage

expectations in 2006, meanwhile, were 7,300 kroons for Estonians and 5,300 kroons for non-Estonians.

60% of young Estonians reported coping well during 2006, whilst 35% coped with some difficulties and 5% struggled with serious problems. The self-estimates among young non-Estonians were markedly different: only 33% claimed to have coped well, 43% reported to have coped with some difficulties and 24% experienced serious problems. The general capacity to cope has improved for both groups in comparison with the year 2002, but the difference is still very much in favour of Estonians.

Flexibility is an important keyword in assessing labour market positions. Simonazzi and Villa (1999), cited in Eamets (2002), identify three components of flexibility: labour market mobility, including both the movement of people and jobs; employment resilience against economic cycles; and the rate at which the state intervenes in the functioning of the labour market. In terms of the first component, when analysing youth mobility it is possible to track movements from one job to another as well as movements into unemployment or some other category of economic inactivity. In 2006 73% of young Estonians and 75% of young non-Estonians were working in the same job as the previous year. There was an equal share (16%) of Estonians and non-Estonians that had changed their jobs once during the previous 12 months. Meanwhile, 4% of young Estonians and non-Estonians started looking for a new job after losing an existing one. The number of people who did not start to look for a new job after losing their previous one was higher among young Estonians but, taking into account the peculiarities of the age group, it could have meant that they moved back into education.

## **Summary and Conclusion**

The foregoing analysis has revealed that the labour market position of young non-Estonians is worse than the position of young Estonians. This is mainly expressed through the levels of pay and unemployment indicators, but also in terms of their respective positions in the occupational hierarchy. Other important indicators include non-Estonians' lower set of expectations in relation to wage levels and accepting posts that are incommensurate with their educational qualifications. It can therefore be concluded that the labour market position of young non-Estonians is similar to that of second or third generation immigrants in several Western European countries.

Leping and Toomet (2007) have analysed the differences in wages and salaries of Estonians and non-Estonians. They reach the conclusion that it would be simplistic to attribute this to overt discrimination by employers. Differences in pay, they argue, are neither based on the sectors of the economy in which non-Estonians work, nor the occupational skills they possess. Indeed, non-Estonians are no worse educated or less skilled than their Estonian counterparts. The point is also made that regional variations in rates of pay cannot account for the ethnic pay differentials in Estonia

A more persuasive explanation is that, compared with the experience of Estonian youth, young non-Estonians' route into the labour market is considerably more complicated. The journey is also often characterised by episodes of serious hardship. Given the fact that social networks play the biggest role in obtaining a job, the differences in pay and occupational position can also be explained in part by segregated networks. The result, a labour market that is heavily demarcated along national/ethnic lines, is problematic. A network dominated by non-Estonians, for example, may yield fewer potential jobs than one dominated by Estonians. This clearly makes it more difficult for non-Estonians to negotiate their passage into the wider Estonian labour market. Crucially, moreover, the operation of parallel labour markets reinforces the separation of the two main communities in Estonia. This clearly militates against efforts being made elsewhere to achieve social cohesion in Estonian society.

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