

Estonia

The interplay of supply- and demand-side instruments in financing CVT/ adult learning (in particular job-related)

Estonia has strengthened the coordination between the elements of its adult learning system. Public funding via supply-side channels has a focus on free of charge formal adult learning but supports also (backed by ESF funding) private non-profit sector organisations, providing non-formal education, as non-formal learning centres, folk high schools, cultural and other learning centres. Demand-side instruments of funding adult learning complement the approach.

Demand-side instruments in financing CVT/ adult learning (in particular job-related)

- **Key institutions involved and funding sources**

Demand-side support is mainly organised and funded by the Public Employment Services (PES) and the Unemployment Insurance Fund. The Unemployment Insurance Fund is also providing labour market training for the unemployed.

Formally, there are three major players at political level with respective spheres and roles assigned: Ministry of Education and Research, Ministry of Economic Affairs and Communications, and Ministry of Social Affairs. The Ministry of Education and Research established the overall framework for adult education (i.e. Development Plan for Estonian Adult Education 2009-2013; Lifelong Learning Strategy 2020; Programme for Adult Education 2019-2022). The Ministry is responsible for adult education programmes for employed adults whose training is financed through education and training institutions. Ministry of Social Affairs is responsible for the unemployed people job-seekers. Their training is financed through the Unemployment Insurance Fund. Ministry of Economic Affairs and Communication targets employed adults whose professional training is financed through companies. The ministries are trilaterally responsible for creating work-related training opportunities for adults through financial support by the ESF. The ESF also plays a crucial role in funding the latter schemes as well as providing funding for supply-side professional training courses for adults in vocational and higher education institutions.

- **Instruments targeting individuals**

Since 2017, as the most important demand-side instrument targeting individuals, a lump-sum support is available up to EUR 500 within three years during participation in formal education leading to a qualification (part of Work and Study Programme) ([#278](#)). In the Labour market training with a training card scheme ([#279](#)), beneficiaries can select a training programme from a specific list and receive up to EUR 2 500 in three years. targets Employed and unemployed persons who have trouble finding work due to insufficient or outdated education or skills or who are at risk of losing their job are entitled to Degree study allowance ([#281](#)). Furthermore, adults enrolled in higher education are eligible to receive student loans ([#69](#)), similarly as their younger peers. Employees have the right to a study leave ([#71](#)) (max 30 days per a year) in order to participate in education and training. Employees can also benefit from a tax deduction of training costs for formal education ([#67](#)).

- **Instruments targeting companies**

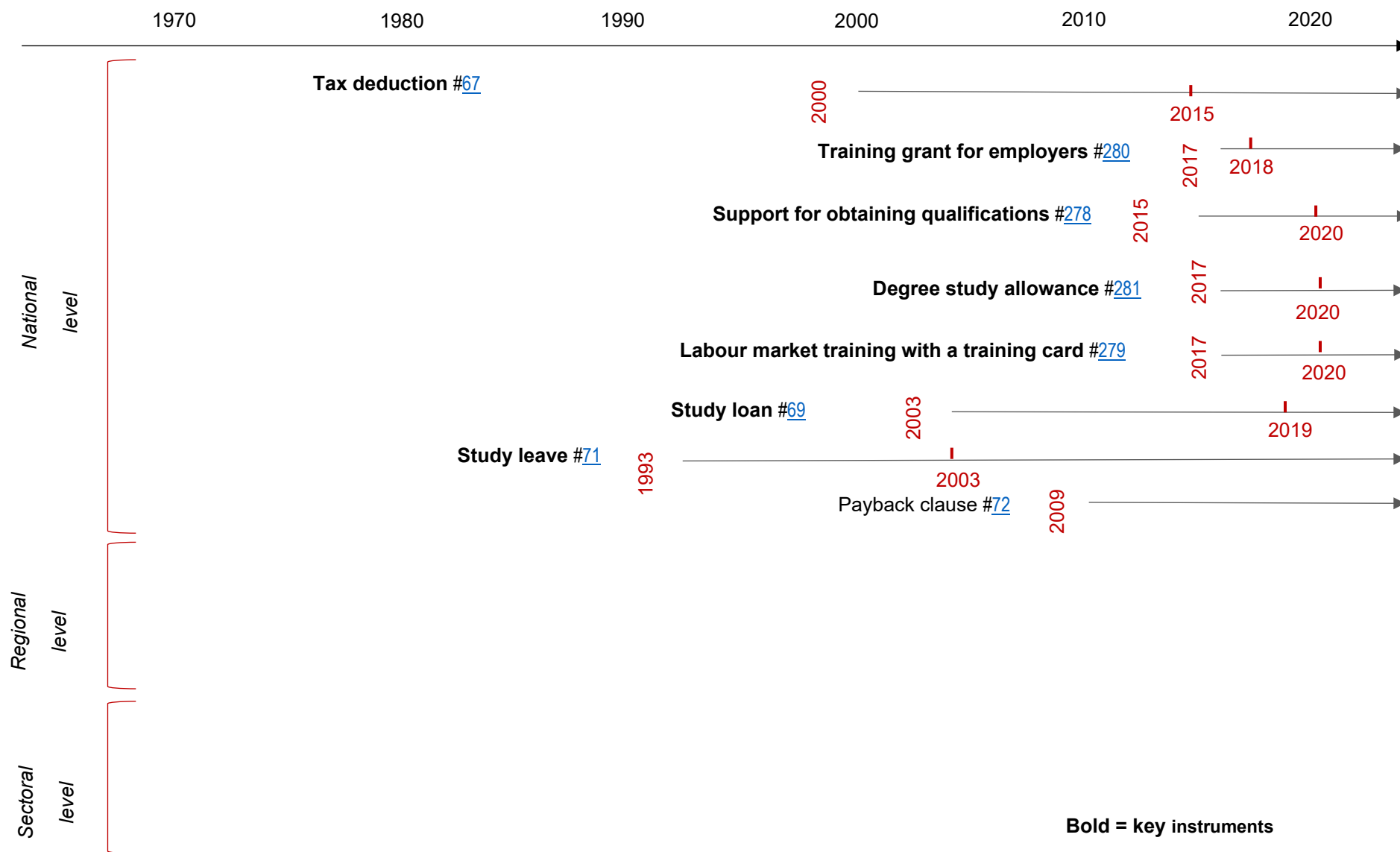
Employers are supported through training grants co-financed by the European Social Fund. Since 2017, employers are eligible to a training grant ([#280](#)) which covers training costs, transport costs related to participation in the training and wage costs in the rate of minimum hourly wage for the time the employee participates in the training, and provides support up to EUR 1 250 per employee in general (the support is higher for specific groups). A payback clause ([#72](#)) may be agreed between the employer and the employee.

Table 1. Overview of demand-side financing instruments in Estonia by 2020

Level of implementation	Importance of the level of implementation	Overall importance of the instrument	Demand-side instruments targeting individuals		Demand-side instruments targeting companies	
National level	High	Key instruments	Tax incentives for individuals	Training expenses reducing the taxable income, tax credit #67	Grants for companies	Training grant for employers #280
			Grants for individuals	Support for obtaining qualifications #278		
				Labour market training with a training card #279		
				Degree study allowance #281		
			Loans	Study loan #69		
			Training leave	Study leave #71		
		Further instruments			Payback clause	Agreement on compensation for training expenses #72
Regional level	Moderate	Key instruments				
		Further instruments				
Sectoral level	Moderate	Key instruments				
		Further instruments				

- Evolution of demand-side instruments over time

Figure 1. Overview on the evolution of demand-side instruments in Estonia until 2020



Source: Cedefop, based on the 2020 data collection

- **Statistics on volumes of funding and beneficiaries**

Table 2. Statistical data on volumes of funding and beneficiaries

ID	Name of the instrument	Year of reference	Volume of funding (EUR)	Year of reference	Beneficiaries (individuals)	Year of reference	Beneficiaries (companies)
67	Training expenses reducing the taxable income, tax credit	2019	66 636 052	2019	172	-	-
280	Training grant for employers	2020	1 547 292	2019	1 872	Not available	Not available
278	Support for obtaining qualifications	2020	26 880	2019	145	-	-
279	Labour market training with a training card	2020	3 086 948	2019	4 594	-	-
281	Degree study allowance	2020	2 643 692	2019	958	-	-
69	Study loan	2019	2 500 000	2019	1 742	-	-
71	Study leave	Not applicable	Not applicable	Not available	Not available	-	-

Source: Cedefop, 2020 data collection

Table 3. Short descriptions on the financing instruments

ID	Name	Level of implementation	Importance of the instrument	Short description
(1) Training funds				
	No training funds established.			
(2) Tax incentives for companies				
	No tax incentives for companies are established.			
(3) Tax incentives for individuals				
67	Training expenses reducing the taxable income, tax credit	National	Key instrument	Adults can deduct costs related to continuing vocational training for their current occupation or a future occupation from the base of their individual income tax. The state co-funding – in the form of foregone tax revenues - equals eligible costs multiplied by the tax rate of 20 %. The eligible group of applicants includes persons enrolled in formal education and their family members in descending line enrolled in formal education and younger than 26 years old. Eligible costs include tuition fees and costs for teaching material. Furthermore, tuition fees of relatives in descending line (fees for kindergarten, tuition fees for the higher education of children) can be deducted. Individuals with no taxable income (an annual gross salary below EUR 6 000) cannot profit from the tax deduction. The annual limit is EUR 1 200 per person (including housing loan interest and other deductions) but the deductions exceeding this limit can be transferred to a spouse. The tax incentive can be used once in each calendar year.
(4) Grants for companies				
280	Training grant for employers	National	Key instrument	All companies can apply for a financial grant providing co-funding to the training of employees. The training grant for employers can be used for the following activities: 1) to recruit and train employees for the specified/prioritised professions; 2) to (re)train employees due to changing circumstances (e.g. restructuring of the company, adoption of new technologies, updated qualification requirements); and/or 3) to help employees develop Estonian language skills. An employer can design a training plan for each employee consisting of multiple training with a total duration of at least 80 academic hours and up to one year. In general, up to 50% of training costs are compensated but no more than EUR 1 250 per employee. For employees over 50 years old, with no vocational education and/or no sufficient Estonian language skills or significant health problems, up to 80% of costs is compensated (no more than EUR 2 000). If an employee was hired through the Unemployment Insurance Fund where s/he was previously registered as unemployed, up to 100% of training costs are compensated (no more than EUR 2 500). It is financed out of the unemployment insurance contributions (which are compulsory and shared between employees and employers in Estonia). This support measure is part of the larger Work and Study 2017-2020 programme, which supports training activities in priority sectors that were identified in sector-specific labour studies (OSKA reports) conducted by the Estonian Qualification Authority (Kutsekoda).
(5) Grants for individuals				

278	Support for obtaining qualifications	National	Key instrument	All individuals meeting pre-determined criteria (i.e. individuals who obtained a qualification within no longer than 3 years or employed persons who have completed a respective labour market training arranged by Unemployed Insurance Funds or for whom an employer received the training grant) can apply for a financial grant for up to EUR 500 within 3 years (the minimum amount of funding is not set). The fund is allocated under the budget of Estonian Unemployment Insurance Funds. The fund can be used for obtaining formal qualifications (ISCED 2-5). The grant is transferred (the costs are reimbursed) to an individual or employer, who covered training costs, only when the participant receives a positive exam evaluation. There is no opportunity to apply for a grant more than once.
279	Labour market training with a training card	National	Key instrument	All employed individuals meeting at least one predetermined criteria can apply for a financial grant for up to EUR 2 500 in three years. The allocated fund can be used to cover tuition fees for the training (incl. programmes leading to the formal qualification (ISCED 2-5), general courses, occupational courses connected to the present economic activity, occupational courses of all kinds, non-formal education, and ICT sources of different levels). The grant is funded under Unemployment Insurance Fund, the National budget, and ESF. The funding is directly transferred (reimbursement principle) to the training institution (voucher principle) if the requirement of regular attendance of the trainee has been met. There is no opportunity to re-use the grant (EUR 2 500 and 3 years limits).
281	Degree study allowance	National	Key instrument	All individuals meeting a least one of the pre-determined criteria (i.e. applicant has completed basic or general (and not professional or vocational) secondary education at least five years ago, or has obtained professional or vocational education 15 years ago or earlier, or does not continue working in the current position due to health-related circumstances, or is employed and is between 16 years old and retirement age) can apply for a financial grant. The preferential treatment for particular applicants is not applied. The applicant receives a fixed monthly allowance directly to her/his bank account. The amount of the grant allocated per person depends on the nominal study period. The maximum amount for employed persons is EUR 180 per month, for unemployed persons EUR 270 per month. The allowance can be used to cover training costs. In order to receive a fixed monthly allowance, a trainee has to attend training on a regular basis. There is an opportunity for re-use of the grant for different educational levels (BA, MA, PhD)
(6) Loans				
69	Study loan	National	Key instrument	An applicant meeting predetermined criteria (i.e. persons studying full-time or part-time for 6 months or more at post-secondary or tertiary level, including studies abroad) can apply for a student loan. The maximum amount of study loan is EUR 2 500 per year. The loan system is financed through public funds and private commercial banks. The loan is disbursed each calendar year and is directly transferred to the loan taker with no risk assessment applied. The interest rate of the loan is variable (according to Euribor fluctuations), however, it cannot exceed 5% for the borrower. If the interest rate exceeds 5%, the state pays the margin to the commercial lender. The interest rate applies to all borrowers. The payment period of the interest starts after or during graduation. The state compensates interest rate in cases if the borrower performs military service or is a single parent with a child who is younger than three years old. The state also pays an interest rate for a resident physician until the completion of residency. The repayment of the loan starts 12 months after graduation or during studies. The maximum period over which the loan should be repaid is 20 years. The loan repayment can be forgiven for civil servants and employees of central or local government institutions or legal persons in public law (e.g. universities) who have been working there a minimum

of 12 months and completed their studies before 1 July 2019; for persons who have a disability or takes care of her/his child having a disability.

(7) Training leaves

<u>71</u>	Study leave	National	Key instrument	Employees of the private sector and public servants may be granted study leave (max 30 days per year) in order to participate in education and training. For formal and work-related study leave, the employer is obliged to pay an average salary of up to 20 calendar days. Each employee is also entitled to 15 days of training leave for finalizing studies/graduation from formal education. No preferential treatment is applied. The scheme can be re-used by same applicant once in each calendar year. The Ministry of Education and Research is responsible for regulation.
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(8) Payback clauses

<u>72</u>	Agreement on compensation for training expenses	National	Further instrument	Employers and employees can agree on a payback clause for training-related costs. Thereby, the employee will work for the employer during an agreed period (no more than 3 years) for the purposes of compensating for the training expenses incurred. Eligible types of training include internal and external courses, continuing vocational training courses, on-the-job training, job rotation, exchanges, internships or study visits, and participation in learning or quality circles as well as self-directed learning. No preferential treatment is applied.
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