

Review of achieving National Reform programme ESTONIA 2020 goals in 2011-2019

The National Reform Programme 'Estonia 2020' was approved in 2011. It describes the objectives for 2015 and 2020 established to improve competitiveness. 'Estonia 2020' also describes main challenges with activities required to improve competitiveness.

The two central objectives of the Programme are increasing productivity and employment in Estonia.

Increasing the employment rate in the 20–64 age group		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
66.4%	72%	76%

As regards employment rate, Estonia achieved the 2020 target in 2015 when the employment rate increased by 2.2 percentage points compared with 2014, reaching 76.2%. The 2015 target was achieved by 2013. In 2016, the employment rate remained high (76.3%). In 2017, it increased to 78.5%, and in 2018, to 79.2%. In 2019, 79.9% of the working-age population participated in the labour market, which is the highest employment rate of all time.

Increasing productivity per employed person compared to the European Union average		
Initial level in 2009	Estonia's target for 2015	Estonia's target for 2020
65.8%	73%	80%

The precondition here is that the EU's productivity will grow by an average of over 1% a year and that Estonia's productivity per employed person will grow approximately 2 percentage points faster than the average for the EU. **Although by 2014, the productivity of Estonian enterprises per employed person increased to 74.7% compared to the EU average, it dropped to 71.7% in 2015 and only recovered by 2017, reaching 74.4%. In 2018, the productivity of Estonian businesses increased to 77.9% of the EU-27 average.**

The following objectives are set for the year 2020 in education and inclusive society:

Reducing the amount of early leavers (dropouts) from education, i.e. the percentage of young adults (18–24) with, at most, lower secondary education and who are not in further education or training		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
11.7%	11.0%	9.5%

To achieve this goal, it will be necessary to implement complete, ongoing policy changes that reduce the school dropout rate, and to develop additional measures. Achieving this objective will reduce the number of people who discontinue their education early, by around 12,100 people compared to the 2009 level. **The percentage of 18–24-year olds with a low level of education who dropped out from school was 10.8% in 2017, 11.3% in 2018, and 9.8% in 2019.**

Increasing tertiary educational attainment, age group 30–34		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020

39.7%	40%	40%
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The goal was set with the assumption that in the long term, the primary priority of educational policy is raising the quality and international competitiveness of higher education. The percentage of people with tertiary education in Estonia has increased significantly in the past 10 years, as from 2000, the number of higher school graduates has grown tremendously (the so-called higher education boom) and has stabilised in recent years. **The share of people aged 30–34 with tertiary education was 48.4% in Estonia in 2017, which represents a significant increase compared to 45.4% in 2016. In 2018, the share fell to 47.2%, and in 2019, to 46.2%.**

Reducing the at-risk-of-poverty rate after social transfers		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
17.5%	16.5%	15%

The year 2009 was an exceptional one, as the poverty threshold dropped due to the recession and the decrease in employment. Therefore, data from 2010, according to which the at-risk-of-poverty rate after social transfer was 17.5%, were used as a basis for setting objectives. An increase in the poverty threshold as a result of increased employment and incomes raised the relative poverty rate to 21.6% in 2014. **In 2017, the relative poverty rate in Estonia was 21.9%, and in 2018, it was 21.7%. The goal set for 2015 – 16.5% – has not been reached.**

Increasing the participation rate in lifelong learning activities among adults (25–64)		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
10.9%	15%	20%

In the years 2001–2006, the participation of Estonian adults in lifelong learning ranged between 4–7%. A breakthrough took place in 2008 and the Estonian indicator exceeded the EU average. In 2009, the participation rate in lifelong learning rose to 10.5%. In 2015, the indicator was 12.4%. **In 2017, the participation rate in lifelong learning had increased to 17.2%, in 2018, to 19.7%, and in 2019, the target was achieved with a 20.2% participation rate.**

Reducing the share of adults (25–64) without any professional education or vocational training		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
32%	32%	30%

A large part of Estonia's workforce (age group 25–64) only have a basic or general secondary education and do not have any professional qualifications (vocational or higher education). In 2010, the share of such people was 31.7%, which also served as a basis for the target of 30% by 2020. In 2015, the indicator was 28.9%. The number of people without any professional qualifications is highest among 25–44-year-olds (30% in 2016). **In 2017, the share of adults between ages 25 and 64 who did not have a professional education decreased to 28.6%, and in 2018 and 2019, to 27.0%. Thus, the targets for both 2015 and 2020 have been achieved.**

Reducing the long-term unemployment rate		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
7.7%	4%	2.5%

Due to the decrease in the total number of jobs caused by the economic recession, the share of the population in long-term unemployment soared in 2010. While in 2008, the share of the long-term unemployed of all of those unemployed was 31%; in 2011, it was 57%; and in 2012, 54%. Currently, the long-term unemployment rate in the total workforce indicates a downward trend. **In 2018, the share of the long-term unemployed of all of the unemployed was 24.9% and the long-term unemployment rate was 1.3%. In 2019, long-term unemployed accounted for about 20% of all unemployed and long-term unemployment fell to 0.9%. This signifies the achievement of both the 2015 and the 2020 targets.**

Reducing the youth unemployment rate (age group 15–24)		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
32.9%	15%	10%

As regards job losses during the period of economic downturn, the rate of youth unemployment increased more rapidly than the average, reaching 32.9% in 2010. However, it started to fall fast thereafter, dropping to **11.8% in 2018 and to 11.1% in 2019**, which is still more than double of that of the total working age population.

Increasing the labour participation rate (age group 15–64)		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
73.4%	74%	75%

Increased unemployment during the economic crisis of 2009–2010 has been replaced by a steady increase in labour participation rates: the share of the inactive population has decreased and people who have been away from the labour market have entered it. One of the reasons for this is definitely the work ability reform, which has led to a previously inactive target group entering the labour market. **In 2017, the labour participation rate of the 15–64 age group was 78.5%, in 2018, 78.8%, and in 2019, 78.6%, remaining generally on the same level during the previous years. This signifies the achievement of both the 2015 and the 2020 targets.**

The following objectives are set for 2020 in competitive business environment:

Raising the level of investments into research and development		
Initial level in 2009	Estonia's target for 2015	Estonia's target for 2020
1.42%	2%	3%

The average annual increase in investments into R&D activities from 2000–2009 was 10.1%, which was the highest figure in the European Union. Due to the initially low benchmark, growth was especially rapid in the private sector – an average of 18.4% per year. During the economic crisis, the government set a goal of increasing planned public sector investments in a greater than planned amount to establish a good basis for private sector R&D investment growth which would accelerate when economic recovery starts.

After the economic downturn, R&D investments increased rapidly, exceeding the 2% target set for 2015 already in 2011–2012; however, in recent years, R&D spending has been lower, especially due to low investment activity in the private sector. **In 2016, R&D expenditure amounted to 1.25%, in 2017, to 1.28%, and in 2018, to 1.4% of the GDP.** The increase of R&D investments is driven by the public sector, who has invested in the sciences more than the average rate of EU28 during the last decade (except for in 2016–2017, when the temporary fall

was due to decrease in investments due to the interim period between EU structural funds). In 2018, only four countries exceeded our public sector R&D investments. Alas, the increase has not happened in the private sector investments (set target for 2020 was 2% of GDP) and it has rather taken a downfall – 0.64% of the GDP in 2016, 0.6% in 2017, and 0.59% in 2018. The private sector R&D investments are twice below EU28 average.

Increasing the share of Estonian export in world trade		
Initial level in 2009	Estonia's target for 2015	Estonia's target for 2020
0.085%	0.100%	0.110%

In 2019, the export was more influenced by the stopping of the electricity export and the fall in oil shale sector related to the low prices in the world market. The precondition for attaining the goals is that Estonia's export volumes must grow at a rate of 2–3 percentage points more than the world average for economic growth. Such growth has not been achieved. **According to the data of 2018, Estonia's share in world trade (total goods and services) was 0.098%, which is the best result in last years, but it misses the set goal by 0.03%. As is common in the previous years, the growth was bigger in the service segment and the share of services in Estonian export grew more.**

Increase in labour costs does not exceed the growth rate of productivity ¹		
Initial level in 2011	Estonia's target for 2015	Estonia's target for 2020
–2.8%	0%	0%

The growth of productivity has constantly been beaten by the rapid increase of salaries and economic results. In the interim years, labour cost growth again surpassed productivity growth, but in 2017, productivity increased more than labour costs for the first time in several years. **In 2019, the trend changed. The productivity grew 2.6% per employee and the work unit cost grew 2.8%.**

The following objectives are set for 2020 in environmentally sustainable economy and energy sector:

Level of greenhouse gas emissions compared to the 2005 level ²		
Initial level in 2005	Estonia's target for 2015	Estonia's target for 2020
6,286 thousand tonnes	6,346 thousand tonnes	6,024 thousand tonnes (+11% compared to 2005)

The estimated actual level of emissions – the actual point of departure for attaining the target – is 6,144 thousand tons (emissions of 2015)

Estonia's goals in reducing greenhouse gases (GHG) are based on the EU climate and energy policy. The EU has set a goal of reducing GHG emissions by 20% by 2020, compared with the emissions level of 1990. Emissions are reduced mainly by combining two mechanisms – the EU Emissions Trading Scheme (EU ETS) and national targets for sectors outside the trading system. From 2013, emission allowances are allocated to EU ETS installations through auctions

¹ Real change in the labour unit cost (change in the share of labour costs in current prices in added value generated, nominal GDP)

² The objective applies to sectors outside the EU emissions trading system (non-ETS sector).

⁷ Land use, change in land use and forestry.

⁹ <http://www.envir.ee/et/eesmargid-tegevused/kliima/kliimapoliitika-pohialused-aastani-2050-0>.

and partly on the basis of a free, harmonised approach. The EU has also set the goal of reducing emissions by 21% compared to the 2005 emissions level by the year 2020.

National commitments have been set for the non-ETS sector (buildings, transportation, agriculture, waste, etc.), except for the *LULUCF*⁷ sector and Estonia has committed to not increasing emissions more than by 11% by 2020 in comparison to the 2005 level and to observe the annual limits. So far, these limits have not been exceeded. According to the data of 2020 (emission inventories are based on two-year-old data), the emissions of greenhouse gases in the non-ETS sector were 6,116 thousand tonnes of CO₂ equivalent³ in 2018. The Ambient Air Protection Act provides for a framework for trading emissions with other EU Member States according to the shared commitments until 2020.

Today's EU greenhouse gas emission reduction targets have been set compared to a country's emissions level of 2005. In a longer perspective, Estonia has significantly reduced GHG emissions compared with 1990 mainly due to the restructuring of the economy. While in 1990, the estimated GHG emissions were approximately 40 million tonnes carbon dioxide equivalent, the estimated GHG emissions in 2018 were 19.97 million tonnes (excluding the *LULUCF* sector), which means a decrease of about 50% compared to the baseline year.

Increasing the share of renewable energy to 25% of final consumption of energy		
Initial level in 2009	Estonia's target for 2015	Estonia's target for 2020
19.5%	23.6%	25%

The share of renewables in final energy consumption in Estonia is one of the largest in the EU, in 2018, **the general share of renewable energy in energy consumption increased to 30%**. The share of renewable energy has increased in electricity, heat and cooling, as well as in the transport sector. The growth of renewable energies in the transport sector has been a significant contribution from the local second-generation biofuel – biomethane. We have exceeded our 2020 renewable energy target, helping other EU Member States to meet their renewable energy targets by selling our surplus.

The share of renewable energy has contributed significantly to increasing the support mechanisms for cogeneration plants producing electricity and heating from renewable energy sources. We have achieved a large share of renewable energy potential in distance heating. In the coming years, the main focus will be on increasing renewable electricity production through auctions and (local) renewable energy use in the transport sector.

Maintaining the level of final energy consumption at the 2010 level		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
2,818 ktoe	2,986 ktoe	2,818 ktoe

Estonian economy is growing faster than the EU average, thereby the pressure to increase energy consumption is higher. Measures to increase energy efficiency prevent consumption growth, which is why we have set the goal of maintaining the level of 2010 of final energy consumption as a target for 2020. In 2018, the final energy consumption was 2960 ktoe, which means we are close to the target.

Keeping final consumption at the level of 2010, the increase in energy savings is required in almost all sectors, the most important of which are households, industry, transport, and the public sector.

The following objective is set for 2020 in sustainable and adaptive public sector

Structural surplus of the government budget		
Initial level in 2010	Estonia's target for 2015	Estonia's target for 2020
0.1%	0.2%	-0.4% (in accordance with the State Budget Act)

A sustainable fiscal policy is the goal of the Government. The volume of the state budget has been quite stable in recent years. The surplus that has been in place since 2002 (1.5–2.5% of GDP) was replaced by couple of per cents of deficit during the economic crisis in 2008 and 2009. The Estonian government sector budget had a nominal surplus in 2010 and 2011; in 2012 and 2013, there was a small deficit; and in 2014 and 2015, there was a surplus of about 0.5%; the budgetary position has incorporated a structural surplus since 2009. Amendments to the State Budget Act provide an opportunity to use the structural surplus of previous years up to 0.5% of GDP. In 2018, the structural surplus was 1.48%, and it was growing in 2019 to 1.9%, mainly due to the fact that faster economic growth did not entail an equivalent increase in tax revenues. This year the government focuses its fiscal policy on alleviation of the coronavirus effects and longer budgetary targets are set by the government in autumn 2021 during the preparation of the annual budget. **It is not necessary to follow the goal of improving the structural budgetary position by 0.5% of GDP in 2020**, because a release clause has been enacted due to the coronavirus crisis.