

Estonia: government implements range of measures to help firms and workers cope with Covid-19 epidemic

Planet Labor, 27 March 2020, n°11770 - www.planetlabor.com

To cope with the economic and social crisis caused by the coronavirus epidemic, the Estonian government has presented a set of measures to support companies and their employees, including the establishment of a short-time working scheme.

The first measure, which has satisfied businesses and unions alike, consists of a temporary allowance that will be paid to employees whose employers are currently being considerably impacted by the extraordinary circumstances sparked by the Covid-19 crisis, so as to avoid layoffs and bankruptcies. This aid, which will cost Estonia's unemployment insurance fund some €250 million, is paid to employees with a job contract at a firm where two of the following three conditions are met:

- The business has experienced a decline in turnover or income of 30% or more for the month in which it seeks government assistance, compared to the same month last year.
- The business is unable to provide work for at least 30% of its employees.
- The business has reduced the wages of at least 30% of its employees by at least 30% or to the minimum wage level.

The allowance amounts to 70% of the employee's average monthly wage, up to a maximum of €1,000. In addition, the employer must pay a wage of at least €150. For the allowance to be paid, the business in question should make a request to the unemployment insurance fund that it is signed up to and the fund will pay social security contributions, compulsory unemployment insurance contributions, and income tax from the employee's allowance. The employee will receive at least the minimum wage of €584 by adding the employer's €150 contribution and the allowance from the unemployment insurance fund. If the employee previously received a salary lower than the minimum wage because they were working on a part-time basis, their earnings will remain the same as before. The allowance may be paid for two months out of a period of three. The first requests may be submitted in April.

Tanel Kiikm, who chairs the Estonian unemployment insurance fund's board and is minister for social affairs, said in an interview: "I think it is right that, at a difficult time, the state helps employers and workers and compensates workers [...], helping employers who have been pressured to maintain jobs and avoid layoffs." He adds: "If necessary, the board of directors of the Estonian unemployment insurance fund will consider implementing further support measures."

This measure is to be implemented through a vote in parliament. The government has also presented the following measures which will be examined by parliament :

- To prevent sick employees from going to work and infecting their colleagues, for the period from March to May, the state will pay compensation for the first three days of sick leave (which are ordinarily unpaid).
- Self-employed people in the country will see payment of their social contributions deferred.
- Contributions to the second pillar of the pension system (a compulsory scheme funded by contributions from employees and the state) are temporarily suspended