



### Good practice fiche

<b>Title of the policy or measure (in English)</b>	Estonian Register of Employment
<b>Case study/good practice name</b>	Increasing efficiency through a single employment register
<b>Country</b>	Estonia
<b>Sectors</b>	All sectors
<b>Target groups</b>	Direct target group: Employers, public authorities which require data on employees Indirect target group: Employees
<b>Type of measure</b>	Deterrence: improve detection
<b>Short sentence summarising the measure</b>	Employers are required to register their employees in the electronic Employment Register before the employee starts work. The Register contains up-to-date data on employment in one place. It creates efficiencies for the public sector stakeholders which use the data as well as making it easier for employers, who can input and track their details in one single registration system.
<b>Background</b>	
<ul style="list-style-type: none"><li>Background context driving the implementation of the measure</li></ul>	Undeclared work is viewed in Estonia primarily as a tax issue. The Register of Employment was introduced against a backdrop of: <ul style="list-style-type: none"><li>A high rate of tax loss (at a rate of around 30 % of revenue)</li><li>A lack of social guarantees for workers</li><li>The co-existence of a number of different methods of collecting information from employers</li><li>A high administrative burden associated with registering employees.</li></ul> It was introduced to overcome the fact that the authorities dealing with unemployment and employment were using separate databases. The idea was to store data relating to employment in one place.
<ul style="list-style-type: none"><li>When was the measure implemented? (including start date and end date/ongoing)</li></ul>	On 1 July, 2014, the register of employment was created under an amendment to the Taxation Act. Establishing the register, including the required changes to legislation, took nine months. The Employment Register continues to be in force at the time of writing.
<ul style="list-style-type: none"><li>Names(s) of authorities/bodies/organisations involved</li></ul>	The register of employment is the responsibility of the Estonian Tax and Customs Board (ETCB).
<ul style="list-style-type: none"><li>Scope of the measure (a pilot project, nationwide, regional wide)</li></ul>	National.
<ul style="list-style-type: none"><li>Type of (policy) measure</li></ul>	Deterrence measure: improving detection
<b>Key objectives of the measure</b>	
<b>Specific measure</b>	
<ul style="list-style-type: none"><li>Description of how the measure operates in practice</li></ul>	According to the amendment of the Taxation Act, all employers must register their employees before they start work, at the ETCB. This includes all

	<p>employees, regardless of the form of contract, and also people working on a voluntary basis.</p> <p>Registration can be carried out by:</p> <ul style="list-style-type: none"> <li>• E-Channel (E-Tax / E-Customs),</li> <li>• At the ETCB office,</li> <li>• By phone or SMS.</li> </ul> <p>By offering three ways of registering and eliminating paper submissions, the ETCB has tried to make the process easier for employers. Furthermore, employers can now access their 'live' employee data and make their own changes to it, at any point in time. Employees also receive automatic notification when their employment is registered and can check to ensure it is correct.</p> <p>Data from the employment register is used by a number of stakeholders. Among other things, it is used to:</p> <ul style="list-style-type: none"> <li>• determine health insurance,</li> <li>• determine unemployment benefits (on termination of employment),</li> <li>• monitor the working conditions of migrant workers,</li> <li>• monitor and investigate accidents at work,</li> <li>• verify tax compliance (labour taxes).</li> </ul> <p>Alongside the electronic register, new IT tools have been introduced for the ETCB tax auditors. For example, mobile offices have been introduced, which tax officials can use during on-site inspections to perform and record all operations. Their new mobile working environment means that they can access all tax and employment-related data they need for inspections on-the-spot. A mobile application has also been developed, which enables officials carrying out inspections to use smartphones to gain direct access to the Employment Register, including a photo of the employee, alongside his / her employment data.</p>
<ul style="list-style-type: none"> <li>• Which groups are targeted by the measure?</li> </ul>	<p>The measure targets employers ('all natural and legal persons offering employment'), in that they are required to use the register.</p> <p>It also targets the following stakeholders, which are users of the data from the register:</p> <ul style="list-style-type: none"> <li>• the Health Insurance Fund,</li> <li>• the Unemployment Insurance Fund,</li> <li>• the Police and Border Guard Board,</li> <li>• the Social Insurance Board,</li> <li>• the Labour Inspectorate.</li> </ul> <p>Employees also benefit from the measure, as it reduces the administrative burden for them too.</p>
<ul style="list-style-type: none"> <li>• What resources and other relevant organisational aspects are involved?</li> </ul>	<p>The initial cost to set up the Employment Register was EUR 403,200. The annual maintenance cost is around EUR 33,000.</p>
<ul style="list-style-type: none"> <li>• What are the source(s) of funding?</li> </ul>	<p>Funding comes from the ETCB budget.</p>
<b>Evaluation and outcome</b>	
<ul style="list-style-type: none"> <li>• Has the measure achieved its objectives?</li> </ul>	<p>The objectives of the introduction of the employment register are:</p> <ul style="list-style-type: none"> <li>• to reduce the use of illegal labour,</li> <li>• to improve the protection of employees' social rights,</li> <li>• to simplify and streamline the work of the tax authorities,</li> </ul>

	<ul style="list-style-type: none"> <li>• to increase the availability of electronic data and bring information relating to employment into a single system,</li> <li>• to reduce the administrative burden on employers and various public sector stakeholders,</li> <li>• to simplify the operating principles of the social guarantee system.</li> </ul> <p>With the introduction of the employment register, joint inspections are now carried out by the labour inspectorate and police and border guard. The local contact points of these authorities exchange operational information on a weekly basis and through this decide which employers should be subject to joint inspections.</p>
<ul style="list-style-type: none"> <li>• Assessment method (including indicators used to measure its impact), and the outputs and outcomes achieved</li> </ul>	<p>The impact in terms of additional tax revenue generated shows that an additional EUR 11.8 million was collected in 2014 – this was linked to the registration of an additional 21,000 following the new requirements to register employment in the online Register.</p> <p>The introduction of the employment register also made it possible to measure the size of UDW in Estonia - by finding the proportion of undeclared workers identified during inspections as a percentage of the workers employed in the firms where inspections were carried out (controlled employees). The share of UDW according to this measure has decreased from 9.99% in 2014 to 6.28% in the first quarter of 2016.</p>
<ul style="list-style-type: none"> <li>• What are lessons learnt and the key conditions for success?</li> </ul>	<p>Through the joint inspections, a media campaign and press releases, the ETCB drew attention to the register and its importance. These awareness-raising activities are necessary to encourage / inform people to use the database. Undeclared work has been reduced as a result of the employment register. The problem now is to tackle the grey economy, i.e. employees are declared in the register but their real income is not provided. This is being done through sequencing of the clients, i.e. starting with a ‘mass measure’ such as media coverage followed by direct contact with employers, including phone calls and meetings, and then if compliance is not achieved, moving on to an inspection.</p>
<ul style="list-style-type: none"> <li>• Level of transferability (e.g. other countries/groups/sectors)</li> </ul>	<p>The transferability of the measure depends on the IT capacity of a country. Whilst many countries already have electronic databases for work-related and health insurance data, these are not always held on one central database, which may be due to legal reasons. Holding separate database systems is more costly and less efficient than using a combined system which is accessible to all users. However, some countries may require legislative changes before this can take place.</p>
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<b>Sources</b>	Amendment of the Taxation Act of the Republic of Estonia, 1 July 2014 <a href="https://www.riigiteataja.ee/en/eli/502012017008/consolide">https://www.riigiteataja.ee/en/eli/502012017008/consolide</a>
<b>Metadata and key words for online search</b>	Deterrence: improving detection; Estonia