Employment trends in all sectors related to the sea or using sea resources

Estonia

European Commission
DG Fisheries and Maritime Affairs

An exhaustive analysis of employment trends in all sectors related to sea or using sea resources

Country report – Estonia

C3135 / August 2006

ECOTEC Research & Consulting and El Konsult

Priestley House
12-26 Albert Street
Birmingham
B4 7UD
United Kingdom

T **+44 (0)121 616 3600**
F **+44 (0)121 616 3699**
www.ecotec.com

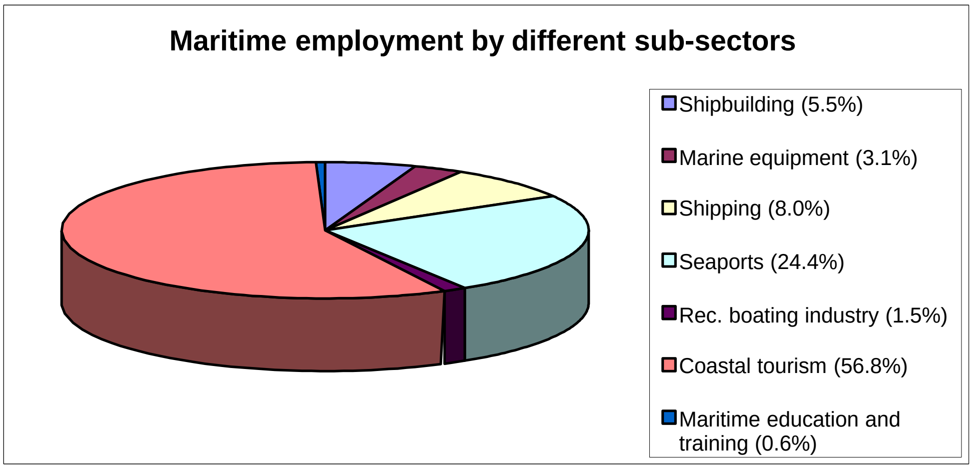
Contents

PAGE

1.0 Summary[I]

This report provides a short overview of employment in the different Estonian maritime sectors and then analyses employment of each maritime sub-sector individually. The maritime industries employed just over 49,000 persons in 2004. Over half of the employees were working in the coastal tourism sector. The traditional maritime industries (shipbuilding, marine equipment, shipping and seaports) provided employment for 20,000 persons in 2004, of which nearly 60% were working in the Estonian seaports[II] sector.

Figure 1.1 Share of employment in the Estonian maritime sectors, excluding navy



Source: ECOTEC Research & Consulting, 2006

In terms of employment trends, as the following graph 1.2 shows, coastal tourism and seaports have been real growth sectors with employment more than doubling over the past decade. The shipping sector has seen a dramatic decline in employment, but according to industry representatives employment is finally stabilising, indeed it experienced a small growth in 2005. The shipbuilding industry has also experienced a slight growth in terms of employment over the past 5 years.

[I] This report excludes employment related to fishing.

[II] This is a slight overestimation of employment in the seaport sector as maritime support services sector includes also employment data for support services for all transport modes.

Figure 1.2 Employment trends in shipbuilding, shipping, seaports and coastal tourism sectors, 1996-2005

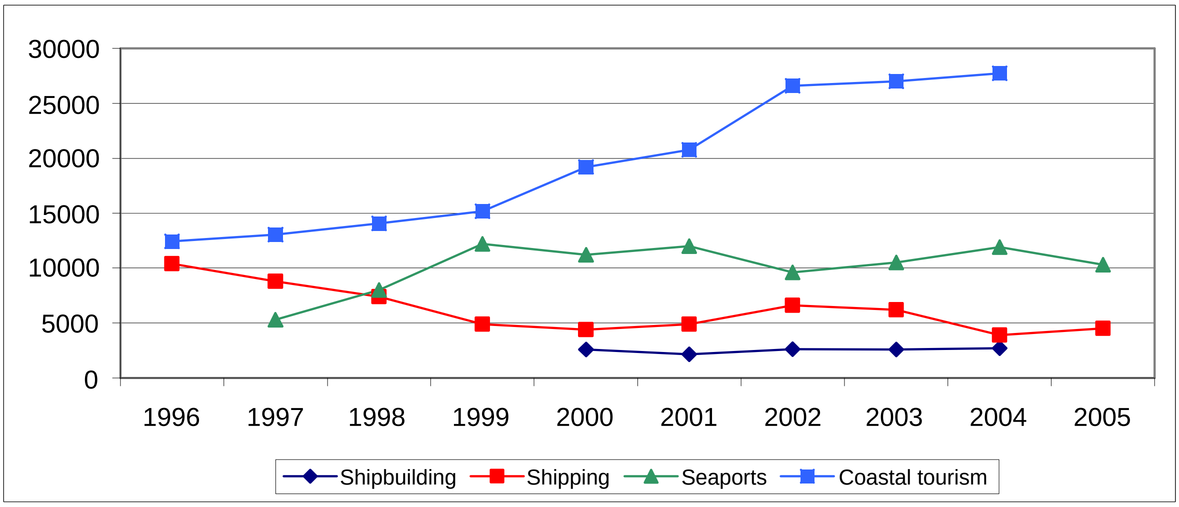


Table 1.1 Employment in the Estonian maritime sectors

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Change
Shipbuilding	-	-	-	-	2,604	2,158	2,616	2,581	2,701	-	+3.7%
Marine equipment	-	-	-	-	-	-	-	-	1,500	-	-
Shipping	10,400	8,800	7,400	4,900	4,400	4,900	6,600	6,200	3,900	4,500	-57%
Seaports	-	5,300	8,000	12,200	11,200	12,000	9,600	10,500	11,900	10,300	+94%
Rec. boating industry	-	-	-	-	-	-	-	-	700-800	-	-
Coastal tourism[I]	12,437	13,043	14,063	15,164	19,218	20,790	26,585	26,993	27,742	-	+123 %
Maritime education and training	-	-	-	-	-	-	-	-	-	312	-
Navy	-	-	-	-	-	-	-	-	-	300	-

Source: ECOTEC Research and Consulting, 2006

[I] Data source for 2005 is different to the one from 1995 and 2000, therefore not directly comparable.

2.0 Shipbuilding

Shipbuilding has a strong tradition in Estonia. Large shipyards were constructed in Tallinn at the end of XIX century. Today ship repair and construction activities are carried out in the same location. The largest ship repair company in the Baltics, Baltic Shipyard, has the largest part of its operations in Tallinn. The company has two major production facilities; one in Tallinn, Estonia and other in Klaipeda, Lithuania. There are also some smaller companies operating both in the ship repair and construction industry.

The ship repair and construction industry is facing several different challenges at the moment. Labour shortage is one of the most critical ones. Raising energy prices and higher costs for raw materials are also eroding the profitability of the sector. A brief SWOT analysis of the sector is given below.

Strengths	Weaknesses
- existing infrastructure; - relatively low cost of workforce; - flexible business environment; - skilled workforce; and - strong financial base of the industry.	- existing infrastructure does not allow to increase the repair and construction capacity of shipyards without major investment; and - shortage of qualified work force.
Opportunities	**Threats**
- introduction of more high-margin production lines.	- stricter environmental standards require more investment; - increasing shortage of workforce; and - growing competition from Russia and other Eastern Markets.

2.1 Employment trends

According to the market research company Connectus there were altogether 34 companies operating in the sector of building, repair and maintenance of ships and boats in 2003. Most of the companies are relatively small with turnover of less than €2 million, and usually less than 50 employees. But the largest shipbuilding company, Baltic Shipyard (also BLRT Group) is one of the largest companies in Estonia, both in relation to turnover and the number of employees. The company is also one of the largest exporters, with annual sales of approximately €100 million (from its Estonian subsidiaries). The company employs some 2,000 workers.

The following table 2.1 gives an overview of the direct workforce used for manufacturing of other transport equipment, based on information from the statistics office and the Baltic Shipyards. As there is no other significant transport equipment manufacturing in Estonia, except shipbuilding, the data gives a fairly accurate picture of employment in the shipbuilding industry.

Table 2.1 Employment in shipbuilding sector, 2000 - 2004

2000	2001	2002	2003	2004
2,604	2,158	2,616	2,581	2,701

Source: SOE and Baltic Ship Yard

The table demonstrates that the number of workers in the shipbuilding industry has been fairly stable over the last five years; increases in productivity have risen the revenue generated per employee as the total revenue of the industry has grown, while the number of employees has remained largely the same. The sector employed some 2,700 individuals in 2004 and just over 2,600 in 2000.

The majority of workers in the shipbuilding sector are welders. Currently there is a shortage of welders, and a growing demand for welders in the construction sector has increased the shortage even more. The shortage of labour in the shipbuilding industry is constant at around 4% of the total workforce.

2.2 Employment projections

An increase in employment has been reported to be unlikely.

2.3 Skills and training

There are only a few specialised institutions in Estonia that provide education and training for workers in the specialised areas of the shipbuilding sector. The number of graduates with skills relevant for shipbuilding from these institutes is below 100 per year in Estonia.General higher education institutes also graduate approximately 100 students per year with relevant qualifications. Post-graduate degrees in ship-construction are acquired in the Russian Federation (for example St. Petersburg State Maritime Technical University).

There are training programmes for middle managers of shipbuilding companies that are supported by the EU (namely the ERDF) and some training programmes for unemployed people that are supported by the ESF (i.e. targeting the shipbuilding industries). Training for middle managers of shipbuilding companies has been carried out over the past year and training for unemployed persons will start in the near future.

3.0 Marine equipment

There are a relatively large number of companies who are working as contractors for shipbuilding companies manufacturing parts or offering specific services. Such Estonian companies also operate in neighbouring countries as well, Finland in particular. The range of equipment produced and the range of services offered has the potential to increase in the future. A SWOT analysis below gives some ideas on why this market segment might grow.

Strengths	Weaknesses
- Proven track record; - Competitive pricing; - Flexible business environment; - Skilled workforce.	- Companies are relatively small and financially weak; - Shortages of qualified work force.
Opportunities	**Threats**
- Introduction of more high-margin production lines.	- Decrease of construction of large ships in Scandinavia; - Increasing competition from other emerging markets.

3.1 Employment trends

It has been estimated that some 1,500 workers are employed in the marine equipment sector in Estonia[I]. There has been no significant change in the number of workers in the sector during the last few years. The Estonian marine equipment companies operating abroad specialise in building cantines and other specific purpose-built rooms in ships. Yet the number of those companies is limited and their total workforce is relatively small, around 100 to 300 persons.

3.2 Employment projections

It has been forecast that in the near future there might be a slight increase in the workforce in the sector. A growth is expected to occur in companies that produce specific equipment for recreational vessels.

[I] Estimations from BSY

3.3 Skills and training

Marine equipment production is an area with a wide array of specific specialisations and therefore a simple characterisation of skills and training required by the sector is not easy. In general a small number of graduates from technical higher-education institutions puts pressure on the sector in terms of qualified future workforce. There are no EU funded training programmes aimed at this sector.

4.0 Shipping

Both cargo transport and passenger transport play a significant role in the turnover and employment of the Estonian shipping sector. These sectors also have a significant role in the country's economy. In terms of passenger transport, the Port of Tallinn is one of the busiest ports in the Baltic States with more than 7 million passengers in 2005. The majority of passenger traffic is serviced by Tallink (an Estonian shipping company). In the financial year 2004/2005 the company served 3.3 million passengers, and operated 12 vessels. Outside of Tallinn the most active local passenger traffic is between the mainland and Saaremaa (the biggest island in Estonia). The shipping company Saaremaa Laevakompanii transported approximately 1.5 million passengers in 2005 between Kuivastu and Virtsu.

With reference to cargo transport, the biggest port in Estonia is the Port of Tallinn, with Pärnu harbour the second largest. Transportation of goods has increased quite rapidly in these ports. The Port of Tallinn is connected to a wide maritime and rail transport network used to move dry bulk, liquid petroleum products and containers. Russian refineries are using Estonian ports to export oil to Western European countries. The Port of Tallinn served 39.5 million tons of cargo in 2005, of which 131 thousand tons was transported by Tallink. Approximately 13% of the total cargo in the Baltic Sea east coast (Russia, Finland, Baltic States and Poland) was transported through the port of Tallinn. The majority of cargo transport involved liquid petroleum products (64%).

Most vessels operated by Estonian companies, which are sailing on international routes and waters, are registered under foreign flags (mainly Cyprus and the Bahamas). Vessels from other countries are not registered under the Estonian flag.

The following table provides a breakdown of strengths, weaknesses, opportunities and threats of the sector.

Strengths	Weaknesses
- A good geographical position between North-	- No significant weaknesses in shipping sector.

Europe and the Baltic States will ensure continuous tourism demand; - A good geographical position between North-Europe, West-Europe and Russia will ensure the stable cargo flows; Long term maritime experience at national level;	
Opportunities	**Threats**
- Increasing transit between Central-Europe and Saint Petersburg can increase the turnover of local shipping companies; - A new harbour, Port of Sillamäe allows the further development of cargo and passenger traffic between North-East-Estonia and Finland. In addition it helps to develop cargo transport by railways between Estonia and Russia.	- Capacities of existing harbours are limited and fully exploited. Longer delays in harbour extensions could stop the growth of cargo traffic. - Changed energy export strategy in Russia (e.g. oil transport through Primorsk harbour in Russia) will reduce the turnover of cargo traffic and related shipping agencies; - Shipping and passenger traffic by ferries will decrease in Virtsu - Kuivastu route if the construction of the Saaremaa fixed link is implemented. - Regarding cargo flows between Russia and West-Europe: improvements in the road network and the construction of the new Rail Baltica railway may remove some cargo flows, thus decreasing the revenues and significance of the cargo shipping sector in Estonia.

4.1 Employment trends

Employment data have been obtained from the Statistical Office of Estonia and includes data from all Estonian shipping companies, including vessels registered under foreign flags. The Estonian shipping sector employed 4,500 people in 2005. The figures from the last decade reflect a significant decrease; employment fell by 57% between 1996 and 2005. On average, employment fell by approximately 500 employees per annum (but more drastically in years 1997, 1999 and 2004). The decline took place even despite a significant growth in annual cargo flows (15% higher in 2004 than in 2000; 161% higher than in 1996). Passenger traffic through the Estonian sea ports has also extended to 734 million passenger kilometres (psnkm) annually in 2004. The growth of annual passenger kilometres has been significant (29% higher than in 2000; 87% higher than in 1996).

Table 4.1 Employment in the shipping sector, 1996 - 2005

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
10,400	8,800	7,400	4,900	4,400	4,900	6,600	6,200	3,900	4,500

Source: Statistical Office of Estonia, 2006

The number of employees has fluctuated because of changes in the traffic schedules for the tourism trade and due to the changes in the number of vessels. There exists a strong seasonal effect in employment in the passenger transport sector: employment peaks in summertime and is at its lowest during autumn and winter. Employment in the sector is very closely linked to tourist flows.

Estonian shipping companies do not have much experience in using foreign workers and because of feared legal uncertainty prefer to rely on local workforce.

4.2 Employment projections

Although the Estonian shipping sector has experienced severe decline over the past decade, shipping companies believe that stability has now been achieved, and employment is expected to increase in the near future due to the developments in the tourism sector and the construction of new harbours. The market leader (Tallink Group Ltd) has some new ferries under construction, and they will need additional personnel. Even if some ferryboats will only be replaced, employment is still expected to start increasing. The sector already generated 600 more jobs in 2005 than in 2004. Although shipping and passenger traffic by ferry is likely to decrease on the Virtsu-Kuivastu route if the construction of the Saaremaa fixed link is implemented, no major impact on employment in the shipping sector is expected because shipping on that route is not very labour intensive.

The most substantial factor that may trigger increases/decreases in employment in the maritime passenger transport sector is salaries. Employment in the retail services of the shipping sector is very pay-sensitive and the staff turnover is high.

4.3 Skills and training

The passenger traffic sector is experiencing labour and skill shortages. The labour market is fairly tight, therefore many new ferries have struggled to recruit new staff. The recruitment problems however are fairly closely linked to qualification levels; posts requiring no or little qualifications (e.g. retail and shipping services) are easily filled but there is a shortage of qualified seamen. At the same time, staff turnover among seamen is low.

Training needs are obviously different for seafarers and customer service staff. The Estonian Maritime Academy and Reval Maritime School provide the best training programmes for seafarers and most other technical employees on board vessels. Onshore customer service and retail staff do not tend to need external training, but language skills are highly valued by employers in the industry.

5.0 Seaports and related services

As Estonia is a country by the Baltic Sea, seaports play an integral role in the country's maritime cluster. In the beginning of 2004 the total number of seaports was 54 (the number of inland ports was only 8). In the capital city of Estonia, Tallinn, the number of ports is 11, of which 5 are privately owned harbours. A majority of the infrastructure of Estonian ports belongs to the state or municipally-owned companies (Port of Tallinn, Saare Liinid, Port of Pärnu), which operate these ports as landlords. In the near future some larger privately owned ports are going to emerge (Port of Sillamäe for example), but at the moment the majority of goods and passengers are still transported through state-owned ports.

The Port of Tallinn owns 4 different harbours – in which 2 are located inside the city of Tallinn (Old City Harbour and Paljassaare Harbour) and 2 outside of the city (Muuga Harbour and Paldiski South Harbour). Currently the Saaremaa Harbour is under construction on the north coast of Saaremaa and will be managed by the Port of Tallinn. The company Saarte Liinid operates ports which are significant links between the mainland and the largest islands (Virtsu Harbour and Kuivastu Harbour are the biggest ones). A new harbour – the Port of Sillamäe – was established in 2005 in the North-East-Estonian town of Sillamäe town and will play a significant role in the future, mostly in cargo and passenger traffic. A brief SWOT analysis of the sector is presented below.

Strengths	Weaknesses
- Well developed port network in Tallinn city, Pärnu town and Sillamäe town. - The Port of Tallinn belongs to the intermodal transport network, which contains railway and maritime cargo transport.	- No significant weaknesses in seaport and related services sector.
Opportunities	**Threats**
- The Port of Saaremaa is under construction, and it will play a significant role in supplying port infrastructure in the state level.	- Russia might change its energy export strategy (e.g. if oil transport through Primorsk harbour in Russia starts to increase rapidly); - Significance of Virtsu harbour and Kuivastu harbour will decrease due to the implementation of Saaremaa fixed link, - If transport of oil products is stopped through the Tallinn city, the significance of Paljassaare harbour will increase. Therefore, redirection of

	cargo flows to other harbours might be needed. - If general salary increases continue, the profitability of ports will decline.

5.1 Employment trends

Seaports and related services generated some 10,300 jobs in 2005, which is 700 jobs more than in 2002.

Table 5.1 Employment in the seaport sector, 1995 - 2005[I]

Sector	1997	1998	1999	2000	2001	2002	2003	2004	2005
Cargo Handling	2,000	3,000	4,600	4,200	4,500	3,300	4,100	3,400	3,900
Shipping related activity (Storage, agency, maritime logistics and expedition)[II]	3,300	5,000	7,600	7,000	7,500	5,400	5,600	7,700	5,600
Management and administration of ports	-	-	-	-	-	900	800	800	800
Total	**5,300**	**8,000**	**12,200**	**11,200**	**12,000**	**9,600**	**10,500**	**11,900**	**10,300**

Source: Statistical Office of Estonia, 2006 and Estonian Enterprises Register (administrated by the Centre of Registers and Infosystems in Estonia).

There were 3,900 people employed in cargo handling activities in 2005. Employment has been relatively volatile - the lowest level was with 600 employees in 1996 and the highest with 4,600 in 1999. But as a whole employment trends have been positive over the past decade – an increase of approximately 250 employees per year.

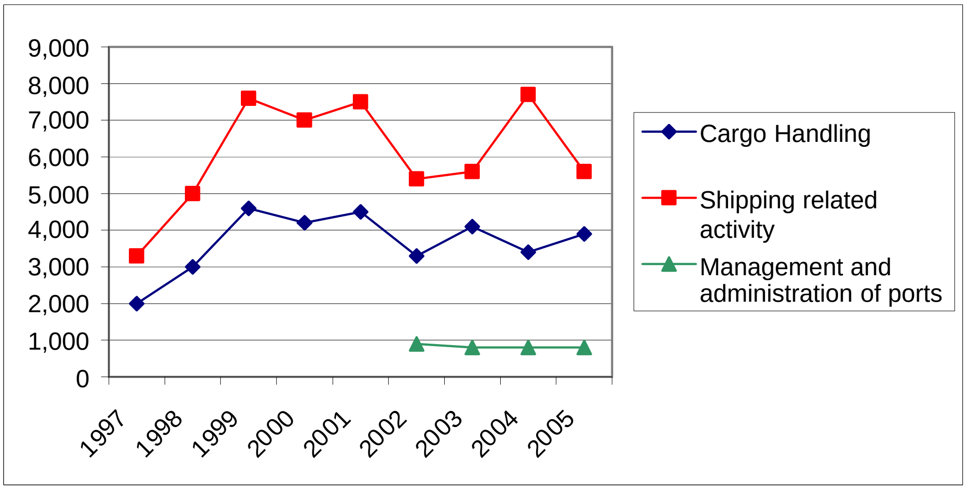
Shipping related activities (storage, agency, maritime logistics and expedition) provided employment for 5,600 persons in 2005. The lowest level of employment was in 1996 with a total of 1,100 people, and the highest was in 2004 with 7,700 employees. It must be noted that these numbers refer to all employment related to support activities for all different transport modes; maritime, aviation, road and railways sector. A separate figure for maritime related activities is not available. As a consequence these figures are likely to be an over-estimation of real levels of employment in the seaport sector.

Employment in ports management and administration has been stable during the last three years with 800 employees.

[I] The data for 1996 - 2002 are extrapolated, using the indirect data from SOE.

[II] Employment figure refers to all supporting services for all different transport modes; maritime, aviation, road and railways sector. A separate figure for maritime related activities only is not available.

Figure 5.1 Employment trends in the seaport sector



Port operators feel that their sector is generally attractive for the workforce. This argument is supported by the fact that salaries in the port sector are higher than salaries of similar jobs in other sectors. Staff turnover is also low.

5.2 Employment projections

Cargo flows through Estonian seaports extended to 46 million tons in 2004. The growth of annual cargo flows has been significant (15% higher in 2004 than in 2000 and 161% higher than in 1996). Employment in cargo handling has nearly doubled over the past decade but not with the same pace than the cargo flows have increased. This is mainly due to improvements in workforce efficiency and technological developments. If cargo capacities continue to increase in the future, the most significant growth in employment might be in companies which will start to use new sites in the new harbours (Port of Sillamäe, Port of Saaremaa). No significant growth is expected in enterprises that are using sites and terminals in existing harbours (Paljassaare Harbour, Paldiski South Harbour, Muuga Harbour, Pärnu Harbour)[I].

6.0 Maritime services

Statistical data on employment in the maritime services sector is not available. Some data is available for maritime related education and training sector. The most important institutes in this sector are Estonian Maritime Academy (Eesti Mereakadeemia) and Reval Maritime School (Revali Merekool).

[I] Port of Tallinn.

The Estonian Maritime Academy is state owned university supplying higher vocational education for specialists and officers in the maritime sector. The academy has around 900 students and the number of employees is approximately 300, of which around 100 are lecturers and the rest are supporting personnel.

Reval Maritime School was founded in 1995. This privately owned maritime school is specialized in supplying of various training courses. Reval Maritime School has 12 full-time employees. In addition, the school uses external lecturers according to specific needs.

7.0 Recreational boating

Employment created by the recreational boating industry is marginal. There are 10 'large' recreational boating companies which each employ more than 30 people. Most of the recreational boating companies are micro-business, either self-employed individuals or smaller companies with 1-2 workers. And a lot of small businesses are only active during the summer / spring seasons. A rough estimation of people employed in the industry varies from 250 to 300 workers. The major share of production is exported; just small boats are made for the local market. Small yacht building has expanded rapidly during the last decade, with several companies now operating in Estonia. Yet, the overall workforce of these companies is well below 500 persons.

Table 7.1 Employment in the recreational boating industry, 2005

Sector	Number of employees
Manufacturing of small recreational boats	250-300
Manufacturing of yachts	450-500
Total	**700-800**

7.1 Employment projections

Employment has been increasing in recent years and the growth is expected to remain the same over the coming years. The growth of the sector is to a certain extent linked to the strong economic growth of the country and the overall growth in spending power. A serious threat for companies in the sector is that employees are leaving to work in other countries because of higher salaries. Indeed, there is a lack of qualified personnel and training programmes in the sector. There is only one school in Estonia providing education and training for the construction of recreational boats and it is not considered enough in view growing demand. Therefore, internal on-site training is widely used. It has been estimated that the sector currently demands 25 additional workers each year.

8.0 Coastal tourism

A majority of hotels, restaurants and tour operators are gathered on the north shore of Estonia, mainly in Tallinn and neighbouring districts. According to a rough estimation of the Estonian Tourism Board, the share of coastal tourism is about 75-80% of total tourism. The most popular areas are Tallinn, Pärnu and Saaremaa.

According to the preliminary data of the Statistical Office of Estonia (SOE) more than 2 million tourists stayed overnight in Estonia in 2005, of which around 70% were foreign tourists. The number of overnight tourists has increased year-by-year and between 2004 and 2005 the number of tourists went up by 8%. The average stay was 2 days and foreign tourists mostly stayed in accommodation facilities in Tallinn[I].

Estonian GDP grew by 9.8% between 2004 and 2005. The value added in the field of hotels and restaurants increased by 20.4% and the share of the sector in total GDP was 1.6%, which is 0.1% more than in 2004[II]. The reasons behind continuous the growth in the number of foreign tourists are: EU membership, easier cross-border access, improved reputation of the country and improved transport infrastructure (e.g. budget airlines)[III]. A brief SWOT analysis of the Estonian tourism sector is provided below.

Strengths	Weaknesses
- fast economic growth/development; - EU membership: easier travelling inside Europe; better reputation.	- difficulties in finding qualified workforce; - low salaries, especially in hotel/restaurant sector; - low service quality; - supersaturated market in the field of tour operators; - seasonality; - modest investments in tourism by the state.
Opportunities	**Threats**
- development of tourism products/services might bring in more tourists (e.g. construction of big entertainment centre Tallink City); - chance to apply for EU structural funds in order to	- increase in international competition (rapid globalisation, growth in the share of IT services such as online tour operators); - qualified personnel can easily find jobs elsewhere

[I] Statistical Office of Estonia, press release nr 13, 14.02.2006
[II] Statistical Office of Estonia, press release nr 36, 31.03.2006
[III] EAS Tourism Board, Tourism in Estonia and in the world 2005

develop tourism sector in the country.	in the EU.

8.1 Employment trends

Tourism and in particular coastal tourism are strong growth sectors in Estonia. As table 8.1 shows, employment has increased from about 12,500 employees in 1996 to nearly 28,000 employees in 2004, demonstrating an increase of 123%.

Table 8.1 Employment in the coastal tourism sector in Estonia, 1995-2005

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Hotels and Restaurants	**-**	**8,916**	**8,767**	**9,064**	**9,100**	**8,783**	**9,633**	**10,874**	**11,084**	**11,720**	**12,319**
- Hotels, campsites and other provisions of short stay accomodation	-	-	-	-	-	2,605	2,772	2,966	3,265	-	-
- Restaurants, Bars, Canteens and Catering	-	-	-	-	-	6,178	6,861	7,907	7,819	-	-
Tourist Attractions	**-**	**-**	**-**	**-**	**-**	**2,468**	**2,486**	**2,481**	**2,399**	**2,407**	**-**
- Museums	1,046	1,011	1,006	1,028	1,089	1,137	1,145	1,139	1,120	1,139	-
- Theatres	-	-	-	-	-	1,331	1,342	1,343	1,279	1,268	-
Leisure Activities	**-**	**-**	**-**	**-**	**-**	**2,903**	**3,196**	**3,916**	**3,561**	**3,560**	**-**
- Leisure, Cultural and sport activities	-	-	-	-	-	2,860	3,101	3,743	3,416	3,483	-
- Licensed Tour Guides	-	3	3	3	14	44	95	173	145	77	41
Health /Well being	**-**	**2,507**	**3,267**	**3,968**	**4,962**	**5,064**	**5,475**	**9,315**	**9,950**	**10,055**	**-**
Total	**-**	**12,437**	**13,043**	**14,063**	**15,164**	**19,218**	**20,790**	**26,585**	**26,993**	**27,742**	**-**

Source: ETB – Estonian Tourism Board (used source: Registry of Licensed Guides)

Note: Employment in hotels and restaurants: the number of employees in 2005 is from 3rd quarter.

Note: The table assumes the share of coastal tourism to be 75% of the total tourism related employment – as estimated by the Estonian Tourism Board.

In the 3rd quarter of 2005, there were 16,425 people[i] employed in the sector of hotels and restaurants. This represents a growth of 5% compared to 2004. Taking 75% as the share

[i] Statistical Office of Estonia, Business 3/05, p 49

of coastal tourism[I], the estimated number of employees in hotel and restaurant sector in the coastal regions of Estonia was approximately 12,319 in 2005. The number of employees in the field of hotels and restaurants has increased by 38% since 1996, which is in line with the increase in the number of tourists and with the overall increase in the number of hotels and restaurants. The majority of employees in hotel and restaurant businesses are working in restaurants and catering companies.

Employment in the field of leisure activities and licensed guides has also displayed a strong growth. This is despite of the fact that in recent years the number of licensed guides has decreased, but this has been claimed to be caused by the expiry of the licences as many guides are working today without licences. Employment in the field of tourist attractions has slightly declined over the period 1996-2004, with 1,139 people working in museums and 1,268 people in theatres in 2004.

The strongest increase in the employment has taken place in the field tourism related to healthcare and social services. This is a particularly strong sub-sector of tourism in Estonia with the number of employees quadrupling between 1996 and 2004. This form of tourism is related to tourists that travel to Estonia to receive some kind of healthcare services (e.g. spa visit or dental care) as a part of their visit.

According to the Estonian Association of Travel Agencies, there are mostly very small micro businesses in the travel agency market employing circa 1-5 persons each, only two travel agencies have more than 100 workers.

8.2 Employment projections

According to the Prognosis of Labour Force Needs until 2011[II], a continuous growth in the number of employees in the restaurant and hotel sector is expected due to the predicted increase in the number of foreign tourists. The growth in the sector is also supported by the growing income level of Estonians and prolonged stay of foreign tourists. More than 60% of employees in hotel and restaurant sector work in Tallinn, followed by Tartu and Pärnu. The largest growth is predicted in client services and sales personnel.

The Labour Force Prognosis also expects the tourism sector to employ a further 6,000 people by 2011. This means approximately an increase of 4,500 employees in the coastal related tourism.

[I] As quoted by the Estonian Tourism Board, 2006

[II] Ministry of Economic Affairs and Communication, Prognosis of Labour Force Need until 2011

The European Tourism Satellite Accounting has forecast that employment in the Estonian wider travel and tourism economy is to grow from a current 97,000 jobs to 107,000 jobs by 2016 and employment in the travel and tourism industry is to grow from 22,000 jobs to 25,000 by 2016.

8.3 Skills and training

According to the study of PW Partners[I], employers are facing serious workforce shortages in the tourism sector. There are big problems in finding qualified workforce due to the overall weak professional skills, low salaries and high demands of potential employees. It was pointed out by employers that language skills, professional knowledge and service quality are generally speaking poor and employees do not consider clients´ needs enough.

Consequently, employers from the sector are calling for more and better training. Employers of hotel and restaurants businesses and travel agencies are concerned of high prices of training programmes that tend to be outdated. According to employers, the most effective forms of training are internal training, and programmes carried out by partners and private lecturers.

9.0 Navy

The Estonian navy employs approximately 300 people.

[I] PW Partners, Research and Prognosis of Labour Force for 2003-2005