

## **Ethnic inequalities in labour market entry in Estonia**

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### **Abstract**

The aim of this paper is to find out how ethnicity influences labour market entry in Estonia. Paper focuses on ethnical Estonians and Non-Estonians first job quality in period 1991-1997 and 2001-2006. The main question is to what extent ethnicity and Estonian language skill influence youth occupational status in their first job. The data to be used is the Estonian Labour Force Surveys conducted in years 1995, 1997 and 2002-2006. Results from linear regression analysis indicate that both ethnicity and Estonian language skill effect significantly occupational status in first job. Non-Estonians who speak Estonian attain somewhat lower initial occupational status than Estonians. Investment in country specific human capital is more useful in period 1991-1997, whereas in years 2001-2006 Estonian proficient Non-Estonians reach considerably lower occupational status in their first job than Estonians even in case of similar educational level. In general, education is very significant resource that has an effect on youth first job quality.

## **1. Introduction**

Education is proved to be crucial resource for youth in job competition in European countries. Education is particularly important for entry to first significant job because labour market entrants do not have previous work experience (Gangl & Müller 2003, Müller 2005). Still besides education also other individual characteristics shape the success of labour market entry. Studies show that background has significant effect on youth labour market outcomes in many European countries. There are many potential explanations why ethnic inequalities appear in transition to working life such as discrimination, different motivation, socio-cultural differences and lack of social networks, but very often it is not possible to find single reason for ethnic minority disadvantage (Heath & Cheung 2007, Kalter & Kogan 2006, de Vries & Wolbers 2004, Heath & McMahon 1999).

Following paper researches ethnic inequalities in labour market entry in Estonia. There are two main ethnical groups living in Estonia. In 2007, 69% of population were Estonians and 26% were Russians. Other larger ethnical minorities are Ukrainians and Byelorussians, who mostly speak Russian. They mainly came to Estonia during the Soviet Union period. After the collapse of socialist system when Estonia regained its independence the large proportion of these minorities stayed to live here and had to get accustomed with their new minority position in society. Therefore Estonian ethnic minorities are not traditional immigrants for whom integration to new society is often intended and conscious choice. Different context also makes some restrictions in applying often used immigration theories.

The aim of the paper is to find out how ethnicity and Estonian language skill influenced youth occupational status in their first job in years 1991-1997 and 2001-2006. During time period 1991-2006 the institutional context of labour market entry has become more stable and predictable. It is presumable that the meaning of Estonian language skill has also changed in this period, as continuously larger proportion of youth is proficient in Estonian language.

## 2. Theoretical background

### *Ethnic differences in the labour market*

Natives and minorities dissimilar opportunities in the labour market are often reasoned with different human capital. Although the concept of human capital means narrowly people investment into education and skills, it can be understood also more broadly and classify language proficiency and cultural knowledge as human capital. These aspects of human capital are country specific, which mean that they are more useful in some society than others (Kalter & Kogan 2006). Therefore usefulness of human capital depends on specific labour market, which means that human capital is imperfectly transferable across countries (Friedberg 2000).

Ethnic differences in the labour market opportunities are not always explained by differences in human capital, which raises a question about discrimination. Discrimination may mean direct discrimination from employer and also unequal treatment through legal restrictions or institutional context. It may appear through social exclusion from the networks and social relations that are important for economic advancement (Heath & Cheung 2007). Discrimination from employer's side indicates that personal characteristics (as race, ethnic background and sex) of the worker that are unrelated to productivity are also valued on the labour market (Arrow 1971). However, measuring discrimination is quite complicated because it is impossible to control all relevant variables. It has been argued that rather concept ethnic penalty should be used, which implies that disadvantage of ethnic group may result from other sources than employers discriminating behaviour (Heath & McMahon 1999, Kalter & Kogan 2006, Kogan 2007).

The extent of ethnic minority disadvantage can be also influenced by general economic conditions. There is some evidence that when unemployment rates increase generally, those for ethnic minorities increase even more rapidly. But when there is shortage of labour, employers are unlikely to indulge any tastes of discrimination (Heath & Cheung 2007).

### *The process of labour market entry*

On the micro level the process of labour market entry can be explained by job matching theory, which describes job finding as outcome of two-sided allocation decisions. It bases on Sørensen and Kalleberg (1981) approach which claims that labour markets are arenas for the matching persons to jobs. Matching theory presumes that employers are expected to recruit those applicants they consider to be most productive and least costly, while young people look for jobs promising adequate returns for their investment in education in terms of job quality, salary, non-pecuniary reward and prospects for promotion. Matching occur when instead of further search employer wants to employ young applicant and applicant accepts the job (Müller & Gangl 2003).

Job market signalling theory describes the decision making process by employer's side. It bases on presumption that hiring is an investment decision for employer, which employer has to make under uncertainty due to lack of information about all capabilities of applicant. When making the decision employer takes into account signals and indices. Signals are characteristics what applicant can change, like education, and indices are unalterable attributes (Spence 1973). The clarity of signals depends on institutional context of country. A greater emphasis on specific skills and a closer link between schools and employers mean that signals to employer about the potential productivity of a given job seeker are very clear, which makes entry to labour market more easier (Breen 2005).

The insiders-outsiders theory explains the possible obstacles in the process of labour market entry. Already working persons are considered to be labour market insiders and school leavers are outsiders. Insiders positions are protected by labour turnover costs, which gives them market power, but outsider enjoy no such protection (Lindbeck & Snower 2002).

### **3. Overview of Estonian context**

#### *The position of different ethnical groups in Estonian society*

After Estonia regained independence in 1991, the position of Estonians and other ethnical groups changed in society. In the first half of nineties, Non-Estonians had to accept their new minority position, while politics and public discourse began strongly emphasise ethnical Estonians majority position in society. In the second half of nineties Estonian parliament passed a resolution regarding the principles of the state integration policy. More and more was recognised the need to integrate ethnic community into one multicultural society (Heidmets & Lauristin 2002). Still laws about citizenship and official language determined mainly Non-Estonians situation in society.

In 1993 parliament adopted Aliens Law. According to this law many non-citizens became de facto stateless persons, whose only source of identification is “alien’s passport” (Hallik, Pettai 2002). In 2007, about 115 000 persons with undetermined citizenship and almost 92 000 Russian citizens lived in Estonia. The decisive precondition for getting citizenship is knowledge of the Estonian language. Although theoretically it is in accordance with international practice, in reality the implementation of this requirement has proven to be complicated in Estonia (Hallik 2002).

According to Language Law (adopted in 1995) the only official language is Estonian. Therefore proficiency in Estonian language has become a central issue for Non-Estonians, because besides getting citizenship it is often also necessary for access to professional jobs. In 1989, about 15% of Russian-speaking population spoke also Estonian (Eesti Lõimumiskava 2008-2013, 6). In 2005, 42% of Russians estimated their ability to speak Estonian language as average or good, while same proportion among youth aged less than 30 years was 59% (Integration Survey 2005).

### *Labour market position of ethnic groups*

Labour market structure and functioning changed significantly in beginning of nineties due to radical reforms in process of transition to market economy. Centrally planned Soviet Union labour market with a goal to have no unemployment replaced with labour market working according market principles (Toomse 2004). The unemployment rate begun to rise quickly in 1992 and since that period Non-Estonians risk of unemployment has been higher than Estonians (Statistical Office Estonia 2008). In 1999, the influences of economical crises in Russia reached to Estonian labour market, but in year 2001 the situation was improving again (Toomse 2004). Despite economical growth young Non-Estonians unemployment rate has stayed twice higher than young Estonians unemployment rate (Appendix 1).

Estonian labour market has been ethnically segregated since Soviet Union period, when such tendency was supported by labour market policy. As a result, today Non-Estonians work more on positions related to industry, also more on blue-collar skilled worker positions (Statistical Office Estonia 2008). In Soviet Union period, Estonians worked more in local enterprises, while Non-Estonians were often employed by over-union large enterprises, which had few contacts with local community. Also social networks were divided along these lines (Vöörmann & Helemäe 2006). Estonians and Non-Estonians social networks have remained separated after transition to market economy, which is considered to be one obstacle for Non-Estonians to gain success in the labour market (Luuk & Pavelson 2002).

### *Ethnic groups in educational system*

Since Soviet Union period, basic schools and secondary schools are whether with Estonian or Russian language of instruction<sup>1</sup>. According to Ministry of Education the number of pupils in Russian schools is declining constantly. In year 1991 about 37% of pupils studied in Russian school, whereas in year 2006 about 20% of pupils are in these schools (Ministry of Education 2008). Although theoretically should all Russian school leavers be able to speak Estonian at least necessary level in society, teaching Estonian has not always been that successful.

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<sup>1</sup> Russian schools are reformed currently (since 2007). The aim of new educational reform is to change Russians schools to bilingual schools, where 60% of studies are in Estonian. This paper focuses on years 1991-2006 where reforms were not yet started.

Estonian language proficiency also affects opportunities to continue educational career, as the language of studying in public higher education institutions is Estonian. Other possibility is to continue studies in Russian language in private educational institutions, where students have to pay tuition fees. In total, 10% of all students in higher education are studying in Russian. In 2007, 52% of school leavers from Russian secondary schools, who continued their studies, did it in Estonian (Eesti Lõimumiskava 2008-2013). In Russian language is mainly possible to study in private applied higher educational institutions, where almost half of the students studied in Russian in year 2006 (Ministry of Education 2008).

Young Estonians and Non-Estonians educational level differs to some extent (Appendix 2). Estonians attain more often only basic education, whereas Non-Estonians attain more frequently vocational secondary education. Quite similar proportions of Estonians and Non-Estonians have general secondary education, but Estonian youth attain more often higher education (Population Census 2000).

#### *Labour market entry*

Transition from school to work has changed a lot in Estonia since beginning of nineties. In socialist period educational system and labour market were strongly linked and first employment was often organised by state (Saar 2005). After year 1991 the role of state has diminished.

In Estonia most labour market entrants have rather general education. Even vocational qualifications obtained in the educational system do not guarantee smooth transition to labour market (Täht et al 2007). The cooperation between schools and employers is weak as both participate quite passively in youth transition to labour market (Saar et al 2008). The main problem of youth is entry into the labour market, because signals from educational system are rather weak. Employers have little information about actual skills and ability of school leavers. But if youth already are successfully entered into labour market they can compete with experienced workers on equal conditions (Saar 2005).

Despite the fact that youth often do not have specific skills at the time of labour market entry, the effect of educational level on the success of transition to labour market is rather strong compared to other European Union countries (Täht et al 2007). The importance of education on finding first significant employment has changed very little since beginning of nineties (Kogan & Unt 2005).

Combining studies and work is common in Estonia, although institutional organisation of labour market and educational system do not support working during the studies (Täht 2004). Contrary to many other countries, in Estonia, working students often have permanent jobs with quite high occupational status (Täht et al 2007).

Since the beginning of nineties number of students participating in higher education has increased in Estonia. Still the expansion of higher education has not had negative impact on youth labour market entry as young people with higher education get job corresponding to their educational level (Kogan & Unt 2005). In years 2002-2005 the initial social position of youth with higher education has even risen compared to earlier years, whereas secondary education has somewhat lost its value (Saar 2008).

#### **4. Hypothesis**

According to job matching theory labour market entrant gets first significant job if there is a match between job seeker and employer, which means that job is acceptable for job seeker and employer wants to hire person (Müller & Gangl 2003). Signalling theory claims that employer makes a decision according to signals, which is mostly education in case of young people (Spence 1973). The strength of signals from educational system depends on countries institutional context. Estonian youth have rather general and not very specialised education. Still general educational level has quite strong effect on success of labour market entry, which indicates that at least general level of education is very significant signal for employers.

The language of studies in school might also be signal for employers, especially on higher educational level. Non-Estonians attain more often education from private higher education institutions due to lack of Estonian language skill. Therefore their

opportunities might be more restricted because of type of higher education they have compared to these Estonians who have attained their education in public higher education institutions.

Differences between natives and immigrants are often reasoned with dissimilar human capital. The value of human capital depends on societal context and specific labour market (Friedberg 2000). In Estonia, the turn into societal order brought along the change in valuation of certain aspects of human capital. The importance of Estonian language as human capital increased and this started to influence people opportunities to be successful in labour market. Estonian language proficiency is often required in higher positions, which means that despite high educational level Non-Estonians who do not speak Estonian might have difficulties with labour market entry and finding the matching job.

***Hypothesis 1a.** Non-Estonians who speak Estonian attain similar occupational status in their first job as Estonians.*

***Hypothesis 1b.** Non-Estonians who do not speak Estonian attain lower occupational status in their first significant job than Estonians.*

In the beginning of nineties the labour market entry was highly influenced by rapidly changing society. The context of transition from school to work was rather uncertain and unsettled. Many older and experienced workers had to leave their high positions on the labour market because of new conditions and requirements. Thus youth attained more easily managerial and professional positions (Tallo & Terk 1998). In beginning of nineties only a quite small group of Non-Estonians spoke Estonian, because during the Soviet Union period learning Estonian language was not necessary for coping in society. Therefore is presumable that this small group of Estonian proficient Non-Estonians had somewhat different motivation to learn Estonian than later cohorts for whom studying Estonian is emphasised in school and larger society.

The speed of societal reforms had stabilized for the period 2001-2006 and also entry to labour market was more predictable. The cohort who entered to labour market in the period 2001-2006 is already mostly educated in times of Estonian independence and larger proportion of these youth is able to speak Estonian. Still years 1999-2000

were very difficult for Estonian economy due to Russian economical crises. Some studies indicate that in difficult economic situation employers are more likely to indulge tastes of discrimination and ethnic differences become more probably significant (Heath & Cheung 2007). In the end of nineties school leavers were clearly outsiders in the labour market as entry to labour market become more difficult, but with the favourable economic conditions in beginning of 2000s youth opportunities to find a job improved. In particular Estonian youth unemployment rate was decreasing while young Non-Estonians stayed in outsider's position (Appendix 1). Therefore it is presumable that Non-Estonian youth also had to accept jobs with lower occupational status.

***Hypothesis 2a.** Non-Estonians who speak Estonian attain similar occupational status in their first job as Estonians in years 1991-1997 and lower occupational status in years 2001-2006.*

***Hypothesis 2b.** Non-Estonians who do not speak Estonian attain lower occupational status at their first significant job than Estonians in both time periods.*

## **5. Data, variables and methodology**

### *Data*

I use data from different Estonian Labour Force Surveys (ELFS) conducted in years 1995, 1997 and 2002-2006. The content of ELFS is determined by Statistical Office of European Union (Eurostat) and survey is carried out by the Statistical Office of Estonia. It is representative for the entire working-age population living in Estonia (aged between 15 and 74). The size of sample varies by years, it was smallest in 1997 when 5051 persons were interviewed and largest in 2003 when it included 19 659 respondent.

The new sub-sample was made for the labour market entry analysis. ELFS-s from years 2002-2006 consist data about respondents previous year movements on the labour market. Therefore youth who entered at most a year before survey into labour market were included to analyses. ELFS 1995 contains data about labour market entrants in years 1991-1994 and ELFS 1997 has a data about years 1995-1997. It was

also controlled that labour market entrants were students before labour market entry (before finding the first significant employment or starting a job search and getting a job after that). At the same time of labour market entry youth may continue their studies in school, which means that sample does not represent only school leavers. Leaving out those people who combine studies and working would mean cutting out the most successful labour market entrants in Estonian case. The total size of the analysed sample was 1271 persons. Almost all labour market entrants in the sample were 15-26 years old.

### *Variables*

Dependent variable is the occupational status of first significant job. The first significant job is defined as a job that lasted at least six months and 20 hours per week. The occupational status at first job is measured by ISEI scores based on the ISCO-88 occupational scheme.

Independent variables are gender, ethnicity and language skill, place of residence, education and the time of labour market entry (two labour market entry cohorts: 1991-1997 and 2001-2006).

According to proficiency in Estonian language and ethnicity are differentiated three categories: Non-Estonians, who do not speak Estonian; Non-Estonians, who at least speak Estonian (includes people who speak and write Estonian or Estonian is second mother-tongue); and ethnical Estonians. The proficiency in Estonian language is self-evaluated.

The share of ethnic minorities from whole population varies in different Estonian regions. The largest Non-Estonians population lives in county Ida-Virumaa, where they form about 80% of whole population. The size of ethnic groups is almost equal in Tallinn, where about 45% of inhabitants are Non-Estonians. In other Estonian regions live mostly Estonians, only about 14% of inhabitants are Non-Estonians (Statistical Office Estonia 2008). The ethnic environment in these three regions is rather different. Therefore the place of residence is controlled in analysis. Three categories are distinguished: Tallinn, Ida-Virumaa and the rest of Estonia.

Educational attainment at the time of labour market entry is classified into five categories. People who have completed at most 9 grades are classified into category basic education or less. In Estonia, secondary education is divided into vocational, general and professional track. Unfortunately, in ELFS 1995 all respondents with vocational secondary education were coded under general vocational education, therefore it is not possible to distinguish those tracks for years 1991-1994. Therefore vocational secondary education is not classified as a separate category. Professional secondary education is coded as a separate category. Tertiary education is classified as one category, which indicates that person has applied or professional higher education or university education (Bachelor degree and higher education).

### *Methodology*

In first stage of analysis mean occupational status is used to describe general differences between groups. In second stage is used OLS regression. Analysis is conducted using the SPSS program.

## **6. Results**

### *Descriptive statistics*

Table 1 shows that Estonians and Non-Estonians level of education differs to some extent at the time of labour market entry. More Estonians have attained only basic education or less, whereas Non-Estonians have attained more often secondary education. Due to data restriction it is not possible to distinguish vocational secondary education, but according to Population Census 2000 data, it is presumable that many Non-Estonians have vocational secondary education. Non-Estonians tend to have more often specialized secondary education at the time of labour market entry. Similar percentage of Estonians and Non-Estonians enter to labour market with higher education, although according to 2000 Census data generally Estonian youth attain more often higher education than Non-Estonians, which may indicate that Estonians enter more frequently into labour market before the end of studies. Table 1 also indicates that Estonian proficient Non-Estonians are more educated group at the time of labour market entry as larger percentage of them have attained tertiary education compared to Estonians and other Non-Estonians who do not speak Estonian.

Table 1. Highest level of education attained for a time of labour market entry in years 1991-1997 and 2001-2006

	Basic or less	General secondary and vocational secondary	Specialized secondary	Tertiary
Estonians	21	54	13	12
Non-Estonians	15	58	15	12
Non-Estonians, speak Estonian	12	57	14	17
Non-Estonians, do not speak Estonian	17	60	16	7

Own calculations based on Estonian Labour Force Surveys.

Table 2 presents average occupational status that different ethnic groups have in their first significant job. Average ISEI score for Estonians and Estonian proficient Non-Estonians first significant employment is rather similar, although educational level of these groups differs to some extent. Non-Estonians, who do not speak Estonian, get first jobs with lower occupational status than others.

Table 2. Occupational status at the first significant job by ethnic groups (average ISEI score)

	Mean	95% Confidence interval for mean	
		Lower bound	Upper bound
Estonians (n=947)	39.2	38.2	40.2
Non-Estonians, speak Estonian (n=163)	40.6	38.2	43.0
Non-Estonians, do not speak Estonian (n=161)	35.1	33.3	36.7

Own calculations based on Estonian Labour Force Surveys.

Table 3 describes Estonians and Non-Estonians first job's occupational status in different periods and regions. In years 1991-1997, Non-Estonians who do not speak Estonian had somewhat lower occupational status in their first job than other groups. In years 2001-2006 there were no important differences between groups. Estonians are most advantaged group in Tallinn as they have significantly higher occupational status in their first job. In Ida-Virumaa language seems to be very important characteristic for entering to job with higher occupational status because Non-Estonians who speak Estonian attain higher occupational status than Non-Estonians who are not Estonian proficient. In the rest of Estonia there are no differences between groups.

Table 3. Ethnic groups' occupational status at the first significant job by time of labour market entry and place of residence (average ISEI score)

	Mean	95% Confidence interval for mean	
		Lower bound	Upper bound
<b><i>Time of labour market entry</i></b>			
<i>1991-1997</i>			
Estonians	39.5	38.1	41.0
Non-Estonians, speak Estonian	42.6	38.9	46.3
Non-Estonians, do not speak Estonian	34.6	32.8	36.5
<i>2001-2006</i>			
Estonians	38.9	37.7	40.2
Non-Estonians, speak Estonian	38.8	35.7	41.8
Non-Estonians, do not speak Estonian	36.1	32.6	39.8
<b><i>Place of residence (region)</i></b>			
<i>Tallinn</i>			
Estonians	45.6	43.4	47.7
Non-Estonians, speak Estonian	39.8	36.9	42.6
Non-Estonians, do not speak Estonian	36.1	33.1	39.0
<i>Ida-Virumaa</i>			
Estonians	40.8	34.6	46.9
Non-Estonians, speak Estonian	48.5	41.0	56.1
Non-Estonians, do not speak Estonian	35.6	33.1	38.0
<i>The rest of Estonia</i>			
Estonians	37.4	36.4	38.5
Non-Estonians, speak Estonian	38.3	33.6	43.0
Non-Estonians, do not speak Estonian	32.2	28.3	36.0

Own calculations based on Estonian Labour Force Surveys.

#### *Linear regression models*

The linear regression analysis indicates that Estonians reach significantly higher occupational status in their first job than Estonian proficient Non-Estonians even in case of similar educational level (Table 4). Non-Estonians who do not speak Estonian attain also lower occupational status in their first job than Estonians. The period effect is not significant. However, controlling the interaction effect between language skill and period indicates that Estonian proficient Non-Estonians occupational status in their first job differs significantly in years 1991-1997 and 2001-2006 (Appendix 3). Therefore different models for both time periods were carried out.

In years 1991-1997, there were no differences in Estonians and Estonian proficient Non-Estonians occupational status in first job, but differences between these groups have become significant for a period 2001-2006. In this period the effect of ethnicity becomes significant after the place of residence is added to the analysis. This indicates that Estonians and Estonian proficient Non-Estonians occupational status differs

significantly in some regions. Controlling educational level considerably improves the model as explained variance increases. Still it does not reduce the difference between Estonians and Non-Estonians, which means that Non-Estonian youth who speak Estonian achieve lower level of occupational status in their first job than young Estonians even in case of similar educational level.

Non-Estonians who do not speak Estonian are more disadvantaged group compared to Estonians in both periods in spite of their educational level. Therefore although Estonian language proficiency somewhat determines the success of labour market entry, still occupational status at first job is to some extent influenced by ethnicity.

Table 4. The influence of ethnicity and other characteristics on occupational status at first significant job (linear regression models)

	Total (n=1258)	1991-1997 (n=591)			2001-2006 (n=667)		
		I	II	III	I	II	III
<i>Gender</i>							
Female (ref.)							
Male	-3.98***	-4.95***	-4.97***	-3.97***	-6.16***	-5.81***	-3.99***
<i>Ethnicity and language skill</i>							
Estonians (ref.)							
Non-Estonians, speak Estonian	-2.48**	3.14*	1.20	.71	-0.58	-5.45***	-5.22***
Non-Estonians, do not speak Estonian	-4.39***	-4.36***	-5.71***	-3.61***	-1.40	-9.32***	-5.55**
<i>Place of residence (region)</i>							
Tallinn (ref.)							
Ida-Virumaa	-3.16**		-3.83*	-4.79***		4.84*	-0.21
The rest of Estonia	-4.85***		-5.26***	-4.21***		-7.70***	-5.52***
<i>Education</i>							
Basic or less (ref.)							
Secondary (general + vocational)	6.81***			6.64***			6.82***
Specialized secondary	11.25***			12.77***			8.44***
Tertiary	26.86***			26.84***			26.45***
<i>Period</i>							
2002-2006 (ref.)							
1991-1997	0						
Adjusted R square	0.33	0.05	0.07	0.31	0.04	0.10	0.36

\*\*\* Effect significant at  $p < 0.01$ ; \*\* effect significant at  $p < 0.05$ ; \* effect significant at  $p < 0.10$ .

Own calculations based on Estonian Labour Force Surveys.

## 7. Conclusions

This paper researched ethnical differences in youth labour market entry after the fall of socialist system in Estonia. The integration of ethnic minorities into the labour market has been challenge for Estonia since regaining the independence. Non-Estonians have been in more disadvantaged labour market position compared to natives in whole period of independence, which has raised very contradictory opinions in public discourse. Estonian language skill as aspect of country specific human capital has turn out to be one of the main barriers for ethnic minorities' successful integration into Estonian labour market. The paper assesses how the influence of Estonian language skill and ethnicity on first job quality has changed since beginning of nineties.

The results show that in case of similar educational level young Estonians reach somewhat higher occupational status in their first job than Estonian proficient Non-Estonians. Consequently attaining country specific human capital does not provide similar opportunities for ethnic groups in labour market entry. Differences between Estonians and Non-Estonians first job quality have increased for period 2001-2006. In years 2001-2006, Estonian proficient Non-Estonians attain lower occupational status in their first job than Estonians. One reason for Non-Estonians lower occupational status in later period may be structural changes because larger percentage of Non-Estonians are able to speak Estonian in years 2001-2006 than in first half of nineties. Therefore the meaning of Estonian language skill itself may have changed. Furthermore the effect of region is very strong for later period, which shows that ethnical differences are probably sharper in certain regions. Descriptive analysis indicated that differences between Estonians and Non-Estonians mean average occupational status are significant in Tallinn, where young Estonians first job quality is higher.

Still Estonian language proficiency is a resource in the labour market, because youth who do not speak Estonian are clearly labour market outsiders in spite of their educational level. This tendency applies in both time periods. At the same time, level of educational is very important determinant of occupational status in first job.

There are several possible reasons why ethnicity shapes labour market entrants occupational status in the first job. First, Non-Estonians more restricted opportunities in labour market entry might derive from educational system. The language of teaching in school might be signal for employers. In paper all educational levels were analysed in very general categories, which raises a question about the importance of type of higher education. Second, Non-Estonians ethnic penalty may be explained with labour market segregation and separated social networks, but it was not possible to control social origin and social contacts in analysis. Third, behind Non-Estonians ethnic penalty might be discrimination from employers, which would mean that not only signals, but also indices matter. Still on the basis of current paper is not feasible to do conclusions about discrimination.

To sum up, results show that youth from Estonian ethnicity are more advantaged group in terms of occupational status in first significant job compared to youth from other ethnicities.

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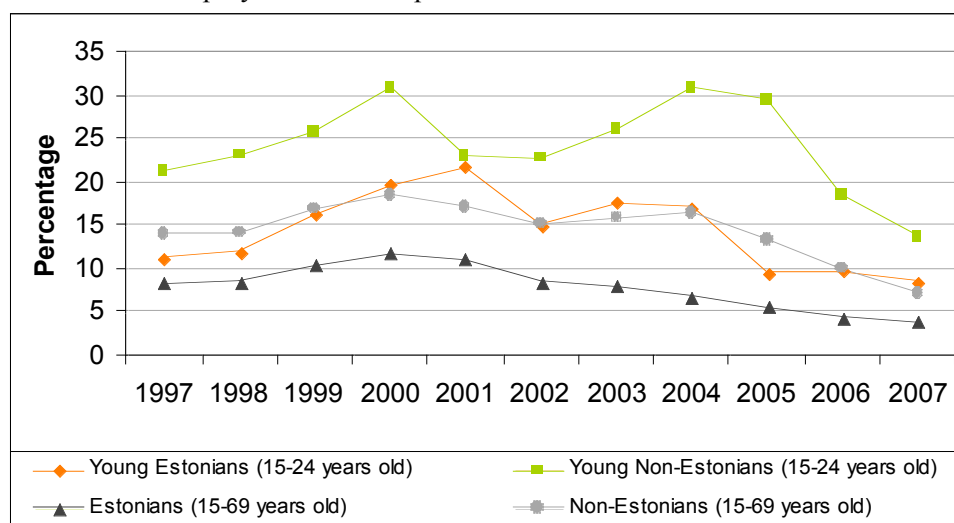
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## Appendix 1

Table A.1. Unemployment rates in period 1997-2007



Source: Statistical Office Estonia

## Appendix 2

Table A.2. Educational level of non-studying youth (15-29 years old) by different ethnic groups in 2000.

	Estonia		Tallinn	
	Estonians	Other ethnicities	Estonians	Other ethnicities
Basic education	22	18	11	16
Secondary education	32	31	37	33
Vocational education	13	18	10	15
Specialized secondary education	20	21	22	24
Higher education	12	9	20	11
Total	100	100	100	100

Source: Population Census data 2000

### Appendix 3

Table A.3. Interaction effect between time period and language skill

	Model I	Model II
<i>Gender - female (ref.)</i>		
Male	-3.98***	-4.01***
<i>Ethnicity and language skill -Estonians (ref.)</i>		
Non-Estonians, speak Estonian	-2.48**	-4.62***
Non-Estonians, do not speak Estonian	-4.39***	-3.57*
<i>Place of residence (region) - Tallinn (ref.)</i>		
Ida-Virumaa	-3.16**	-3.06**
The rest of Estonia	-4.85***	-4.91***
<i>Education - basic or less (ref.)</i>		
Secondary (general + vocational)	6.81***	6.73***
Specialized secondary	11.25***	11.33***
Tertiary	26.86***	26.81***
<i>Period - 2002-2006 (ref.)</i>		
1991-1997	0	-0.58
<i>Period * ethnicity and language skill</i>		
2001-2006 * Non-Estonians, speak Estonian		4.90**
1991-1997 * Non-Estonians, do not speak Estonian		-1.00
Adjusted R square	0.33	0.34

\*\*\* Effect significant at  $p < 0.01$ ; \*\* effect significant at  $p < 0.05$ ; \* effect significant at  $p < 0.10$ .  
Own calculations based on Estonian Labour Force Surveys.