

Can Estonia become a country of talented people and high value jobs?

Estonian Service Industry Association
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Overview of service industry in Estonia

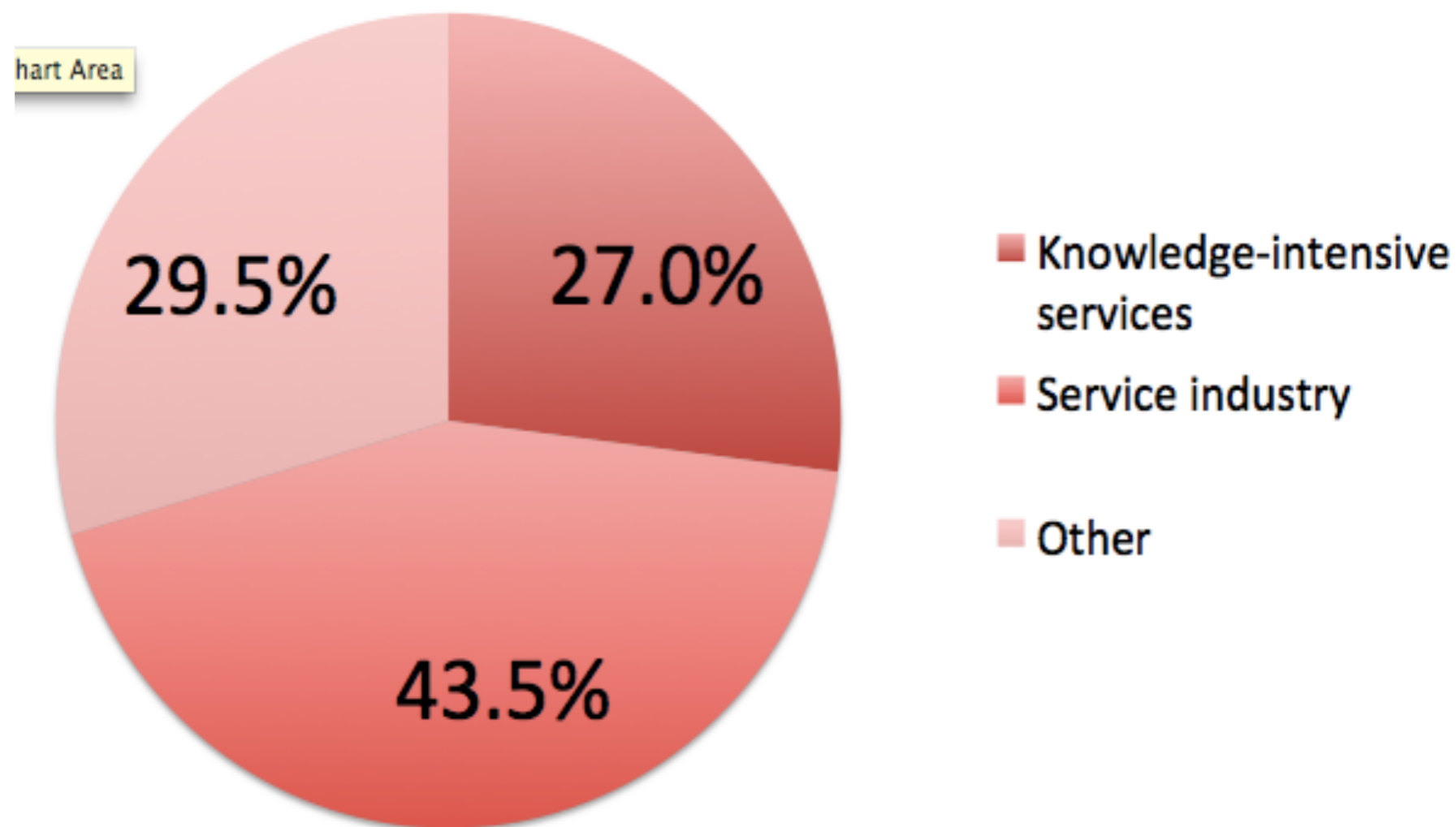
- 'Mapping Estonian Service Industry' - research carried out in 2012 by University of Tartu, Centre of Applied Social Sciences
- Challenges in defining 'service industry' – main characteristics *immateriality, heterogeneity, simultaneity, non-preservable*

Service industry creates 70.5% of total value added in Estonian economy (average in Europe), 49.3% if excluding trade, transport, accommodation, catering.

Overview of service industry in Estonia

Service industry creates 70.5% of total value added.

However, 27% of value added comes from knowledge intensive business services



Explaining value added

Value added – the enhancement a company gives its product or service before offering the product to customers. Company takes a product, provides potential customers with a feature or add-on that gives it a greater sense of value.

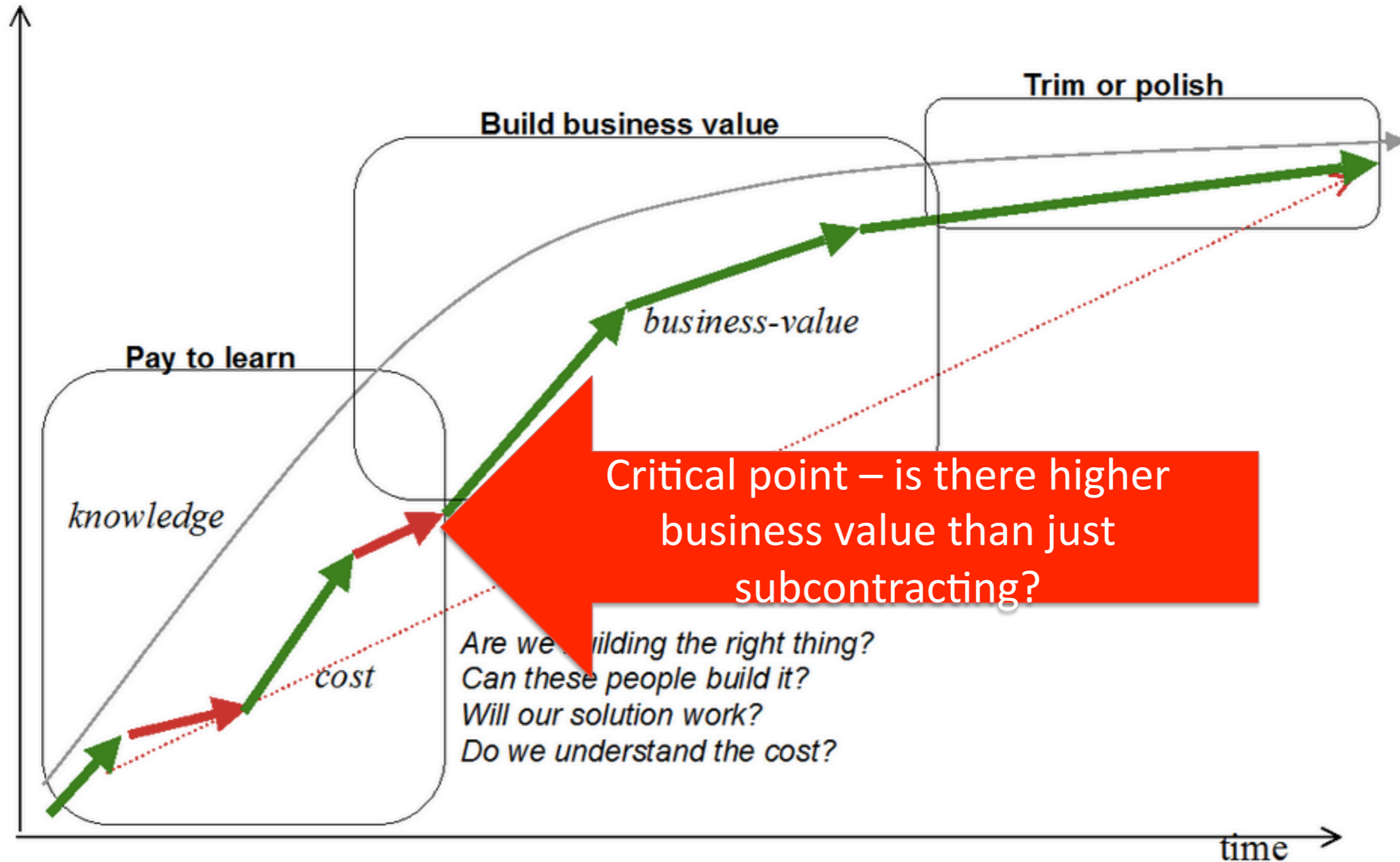
Examples:

Skype vs outsourcing programmer man hours

BMW* vs building a manufacturing plant for subcontracting

** No 1 most reputable company in the world in 2012 according to Forbes. Ranking based on people's willingness to buy, recommend, work for and invest in, driven by perceptions of the company and its products.*

Explaining value added



The Knowledge-Acquisition Curve © Alistair Cockburn, 2012

Can Estonia become a talent hub?

Attracting talent should not be a priority on it's own.

There are more components to it for what affects the increase in numbers and growth of knowledge intensive companies:

1. Little bureaucracy and speed in establishing companies
2. Taxation – any scalable growth will find the most effective location
3. Labour availability – 'lack of 4000 programmers'
4. Innovation and reputation – innovative solutions can put a country on the world map, clever country branding can boost the effect 100+x

Keeping a perspective for improving business and living environment as a whole is important.

Can Estonia become a talent hub?

- 1. Little bureaucracy and speed** – attracts entrepreneurial minds, easy to reorganize, be flexible.
- 2. Taxation** – considering demographic changes in the next 10 years, growth should remain attractive for companies:
 1. Labour taxes are high, especially for highly skilled and higher paid. According to OECD, tax burden on labour income in **Estonia 40.4%**, Finland 42,5%, Sweden 41,8%, Norway 37,6%, Denmark 38,6%, UK 32,3%
 2. Alternative motivation schemes are taxed (stock options)
 3. Any 'added value' company provides to its employees such as lunch, office parking space etc is taxed.
 4. Taxation of foreign employees – social security, unemployment insurance that the employee cannot benefit from.

Can Estonia become a talent hub?

1. Labour availability – Alien Law changes improving situation

- Highly skilled talent, experts, managers, entrepreneurs will move if it's easy to set up personal and family life here.
- Clear strategy and better messaging needed – individual companies hire foreigners already today, but when we have a deficit of 100,000 workers in the near future, who will do their work?

2. Innovation and reputation – rolling on an old reputation wave, Estonia as E-stonia is old news. Innovation attracts talent.

- Investing in innovation in industries that have growth potential, especially in added value. These industries have then 'interdisciplinary' effect to drag along smaller segments of service sectors. IT boosts design, forest and wood industry product engineering and development etc.



Thank You!

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