European Foundation for the Improvement of Living and Working Conditions

Ethnic Entrepreneurship

The case of Tallinn (Estonia)

CLIP Network
Cities for Local Integration Policy

Author

Patrycja Matusz Protasiewicz

University of Wrocław

June 2010

Contents

0 Foreword

This report is a part of the Eurofound project, “Cities for Local Integration Policy” (CLIP), which started in 2006. Tallinn is one of the 30 European cities that cooperate in a European network on exchanging information on their Integration Policies. The network implements thematic modules for its research. The first module started on the issue of housing, the second focused on diversity, the third analyzed the intercultural policies and intergroup relations and finally the fourth has been concentrating on ethnic entrepreneurship.

The project aims at collecting and analysing innovative policies and their successful implementation at the local level, supporting the exchange of experiences between cities and at encouraging a learning process within the network of cities. It addresses the role of social partners - NGO’s, companies and voluntary associations in supporting successful integration policies and aims at providing objective assessment of current practices and initiatives as well as discussing their transferability, communicating good practices to other cities in Europe, leading to guidelines to help cities to cope more effectively with the challenge of integrating migrants. Another goal is supporting the further development of a European integration policy by communicating the policy relevant experiences and outputs of the network to: European organizations of cities and local, regional authorities, the European and national organizations of social partners, the Council of Europe and the various institutions of the European Union.

The CLIP network is also a cooperation endeavour between cities and research institutes. Six research institutes (EFMS Bamberg, IMES Amsterdam, Austrian Academy of Science, FIERI Turin, CMPR Swansea, and the Institute of International Studies Wrocław) are implementing the research of the CLIP project. The researchers of the Institute of International Studies are responsible for this report of Tallinn. Together with the contact person of the municipality of Tallinn, Mrs. Riina Kutt, considerable effort has been undertaken to find all necessary data for this report. I would like to thank all the interviewees for the time they have devoted to me.

Patrycja Matusz Protasiewicz

June 2010, Wrocław

1 Introduction

The fourth module of the CLIP network focuses on ethnic entrepreneurship, its role in the local economy and the policy created to facilitate setting up and developing small and medium sized businesses. “Following the ‘mixed embeddedness’ logic, as has been explained in the Concept Paper by Jan Rath, it is posited that various components of urban economy interact to produce a complex but also dynamic ecological system, dramatically affecting the political economy of cities and in so doing, entrepreneurial opportunities. The study therefore focuses on the emergence of ethnic entrepreneurs in the sectors and cities involved and the role of governmental and non-governmental regulations in it. The basic research questions are:

A. What are the characteristics of the urban economy and which openings have emerged in a number of cities since 1980? How has the political economy of these cities evolved? More specifically, what has been the development of the SME sector in general in terms of number of businesses, volume of workforce, value of sales, variety of products, and market segmentation, and what has been i) the spatial distribution, ii) the distribution over the various sectors of the urban economy, and iii) the ethnic, gender and age composition?

B. What kind of profiles of ethnic entrepreneurship can be identified? How does the emergence of ethnic entrepreneurship fit into the specific dynamics of the wider urban economy? Which general and specific barriers do ethnic entrepreneurs encounter, and what are their competitive advantages? What are the structural determinants of the observed trends? What are the employment effects of ethnic business? How many and what quality of job have been generated on the local labor market?

C. What state and non-state rules and regulations govern the SME sector in general and the ethnic SME sector in particular at the national and local levels and how have they shaped ethnic minorities’ self-employment trajectories? How have policy debates and interventions on (ethnic) entrepreneurship influenced the emergence of entrepreneurial opportunities—real or discursive—and further development of ethnic businesses? What policies can be found supporting the access to employment for migrants in ethnic businesses?”[1]

The reports from the cities are based on existing data, already done research in this field and information from the Common Reporting Scheme collected by the cites as well as the field visit and interviews with the actors involved.

[1] J. Rath, *Ethnic enterpreneurship, Concept paper for forth module of CLIP,* November 2009.

2 Background information of the city[2]

The Republic of Estonia (Eesti or Eesti Vabariik) is a state in the Baltic Region, located in the northeastern part of the Baltic Sea, on the coast of the Gulf of Finland. The territory of Estonia covers 45 227 km^2 and is inhabited by 1 342 000 people. The Estonian language is similar to Finnish, both coming from the Ugro-Finnish language group. Tallinn is the capital and the largest city of the Republic of Estonia. It is located in the north-eastern part of the country, covers the area of 159 km^2, with 399 096 inhabitants. For local government purposes, Tallinn is subdivided into 8 administrative districts (Estonian: *linnaosad*, sg. - *linnaosa*). The district governments are city institutions that fulfill, in the territory of their district, the functions assigned to them by Tallinn legislation and statutes. Each district government is managed by an Alderman (Estonian: *linnaosavanem*).

Table 1. General data of Tallinn 2006

General data of Tallinn	**Year 2006**
Population	399 096
Area, km^2	159.2
Population density per 1 km^2	2 507
Natural increase	659
Unemployment rate (relation between unemployed and the labour force) %	4.5
Average monthly gross wages	703
Average monthly retirement pension EUR	194
Internet users, %	61
Higher education institutions	27

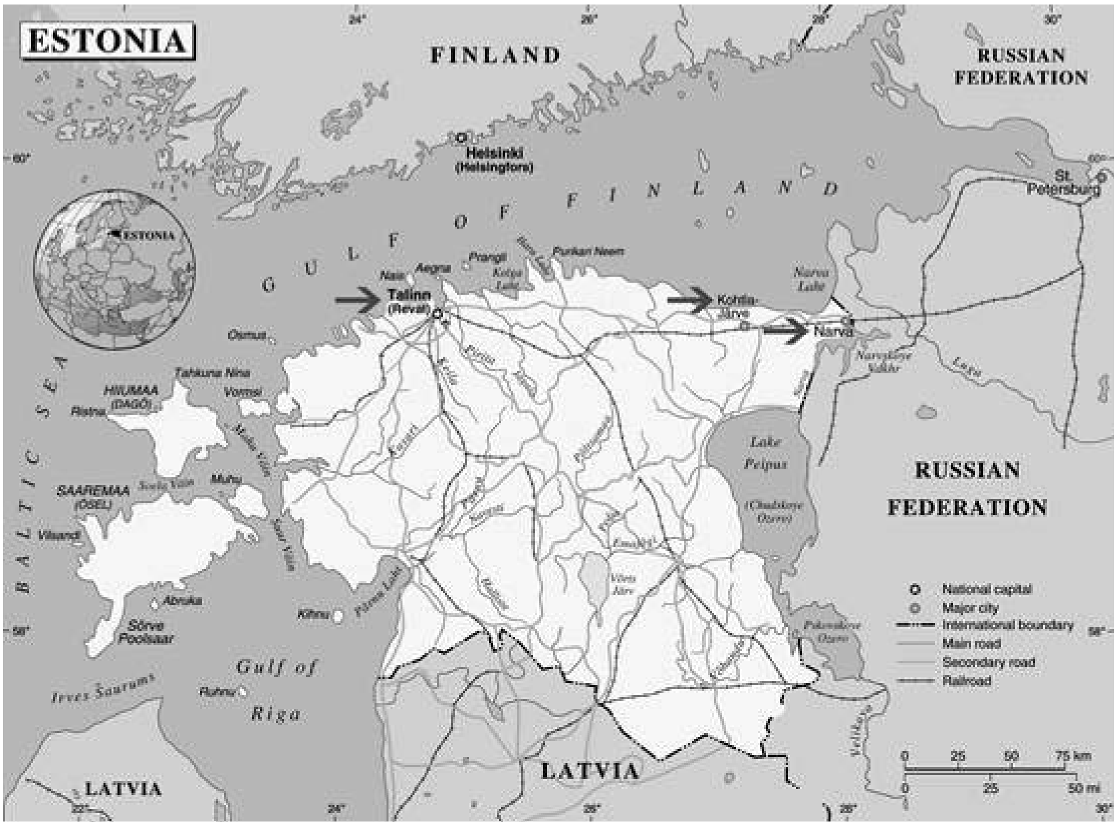
Source: Statistical Office of Estonia 2006.

[2] Background information about Tallinn comes from authors CLIP report Module 3 about Intergroup relations

P. Matusz Protasiewicz, *Intergroup relations and intercultural policies, case of Tallinn (Estonia),* Eurofound 2009.

According to Eurostat, the statistical agency of the European Union, of all EU member states' capital cities, Tallinn has the largest number of non-EU nationals: 27.8% of its population are non- EU citizens. This is because the Soviet occupation (1944-1991) brought large numbers of non-Estonians, mostly Russians, to Tallinn and other areas of Northern Estonia, and while those people and their descendants have been steadily naturalizing, many -- by some estimates, around half of Tallinn's current ethnic Russian population -- have still not taken the route to citizenship.

Figure 2. The location of the Republic of Estonia.



United Nations (Cartographic Section).

During its long history, Estonians were subjected to Danish, Teutonic, Swedish and Russian rule. There were two very important moments in the history of Estonia in the 20th century. Firstly, the Estonian Declaration of Independence of 1918 followed by the Estonian War of Independence (1918-1920). In the very short time after this, Estonia lost its independence and was occupied by the Union of Soviet Socialist Republics (USSR) from 1940 to 1991 when the state was restored on the basis of the legal continuity of statehood. The Russian occupation deprived Estonia of sovereignty and changed its population structure due to the internal migration of the Russian citizens into the territory of Estonia. Many of the Russian immigrants came with the military troops and another group was formed by the economic immigrants from the destroyed cities as Novogrod or Leningrad. The occupation has been influencing the political, social and cultural internal and external relations.

Estonia is a diverse society in terms of ethnicity and is comprised of more than one hundred different ethnic groups. According to the data obtained from the Statistical Office and Ministry of Interior in October 2008, the total number of registered population of Estonia was 1 346456 and a part of this figure, that is 1 144 601 accounts for the number of Estonian citizens. In addition, 50 839 Estonians live abroad. The number of residents of undetermined citizenship comes to 108 383 and the number of residents with the citizenship of another state amounts to 111 475 (divided into the respective nations such as: 92 600 citizens of Russian Federation, 4 921 Ukrainians, 2 647 Finns, 1 832 Latvians, 1 510 Lithuanians, 1 386 Byelorussians).

From the figures it seems very interesting to see both the dynamics in the population structure changing due to the occupation of Russia and the inflow of Russian citizens into the territory of Estonia. Let us examine this in more detail in the table below.

Table 3. The number of minorities living in Estonia (based on nationality).

Ethnicity	**1934**	**1989**	**2000**	**2006**
Estonians	993 000 (88%)	963 000 (61%)	930 000 (68%)	921 900 (69%)
Russians	93 000 (8%)	475 000 (30%)	351 000 (26%)	345 200 (26%)
Germans	16 000 (2%)	3 000 (0.2%)	2 000 (0.1%)	1 900 (0.1%)
Swedes	8 000 (0.7%)	300 (0.02%)	--------	-------
Jews	4 000 (0.4%)	500 (0.3%)	2 000 (0.1%)	1 900 (0.1%)
Finns	-------	17 000 (1%)	12 000 (1%)	11 200 (1%)
Ukrainians	-------	48 000 (3%)	29 000 (2%)	28 300 (2%)
Byelorussians	-------	28 000 (2%)	17 000 (1%)	16 300 (1%)
Others	13 000 (1%)	30 000 (2%)	27 000 (2%)	18 000 (1%)
Total	1 127 000 (100%)	1 564 800 (100%)	1 370 000 (100%)	1 344 700 (100%)

Source: Statistical Office of Estonia

In Estonia, 31% of the citizens are not ethnic Estonians by origin. A vast majority of this group are Russian speakers (mainly Russians but also representatives of other former republics of the USSR). Due to the economic growth and political decisions during the Russian occupation, many Russians migrated into the territory of Estonia. After the reestablishment of its independence in

1991, all the settlers from the occupation time were legally regarded as immigrants. Due to this decision, a huge part of the former citizens of Estonia changed their status into citizens of another country or became stateless persons. During the time, some of them were naturalized or took citizenship of another country. According to the statistics, 6.3% of the population are Russian citizens, 0.7% are nationals of other countries and 12.4% remain stateless. Most of the non-citizens are holders of long-term residence permits giving them the same rights in the socio-economic sphere, but their political rights are limited to the passive vote on the municipal level; also, they are not allowed to hold certain public offices.

Table 4. The percentage of minorities in Tallinn.

Nationality	Percentage
Estonians	54.9
Russians	36.5
Ukrainians	3.6
Byelorussians	1.9
Finns	0.9
Others	3.1

Source: Tallinn. Facts & Figures 2008.

The figures show that 54.9% of Tallinn's population is Estonians, followed by Russians with 36.5% and other Russian speakers coming from other former republics of the Soviet Union.

3. The urban economy in general

3.1 Historical development of urban economy

Major changes occurred in the Estonian economy in the late 1980s and early 1990s, i.e. during the transition from a command to a market economy. This naturally affected the urban economy in Tallinn. In Tallinn during the Soviet period, machinery, construction and electro-technical companies were predominant. "Most of their production went to the Soviet military industry. Consumer goods and food industry boomed as well".[3]

[3] Website of the City of Tallinn http://www.Tallinn.ee/g3280s23834

30 years ago, the proportion of industrial production in the city's economy equalled 50-60%; today, the share of the service sector has grown to 75%. According to Statistical Yearbook of Tallinn 2008, the predominant sectors in Tallinn are services, intermediation and trade. Tallinn and the surrounding Harju county together are accountable for 37% of Estonia's total population.

> "A major part of the financial and governmental sector is situated in Tallinn; a qualified workforce has a better chance to find a high-paying job there, so the influx continues. Additionally, many people commute to Tallinn from quite distant parts of the country. The settlement density has primarily grown in Harju county, Tallinn and the surrounding areas, together with the increased construction business. The formation of urban sprawl along all major roads constitutes one of the most characteristic features of the development of Tallinn."[4]

Between 2000 and 2008, Estonia has gone through essential changes in economy, the historical increase in employment and the fall of unemployment rate. Also, the income of people has increased with the development of business and it has doubled during the period of 2000-2006.[5] Tallinn as a capital city has received 4/5th of the foreign direct investments made to Estonia. As the development of Estonia was strongly connected with the construction sector, the recent worldwide economic and financial crisis has had a strong impact on the Estonian economy and employment. Russian speakers seem to be the main affected group. In the report "Employment and working life in Estonia 2008-2009" written by the Ministry of Social Affairs, Russian speakers are perceived as a risk group in terms of unemployment due to their insufficient knowledge of Estonian.[6]

3.2 Main industries and services

As the capital of Estonia, Tallinn plays a leading role in political and business life. Being the home for 1/3rd of all Estonian companies makes Tallinn the driving force of the country's economy. In the early 1990s, after gaining independence, Estonia went through privatization processes on its main state owned branches of industry.

The structure of the area of business activities in Tallinn is more and more focusing on services, intermediation and trade.[7] In 2005, the most active sectors were financing (47.4%), real estate and business services (15.6%) and manufacturing industry (13.6%).[8]

---

[4] http://www.estonica.org/eng/prindi.html?menyy_id=497&kateg=38&alam=45

[5] Development Plan of Tallinn 2009-2027, Tallinn City Council 2009.

[6] Employment and working life in Estonia 2008-2009, Ministry of Social Affairs, series 3/2009 eng

[7] http://www.Tallinn.ee/g2527s22708#industry

[8] Statistical Yearbook of Tallinn 2008, Tallinn City Government, http://www.Tallinn.ee/est/g2677s45500

"The service sector dominates the economy of Tallinn both with regard to profits and the number of people employed. Seven out of ten inhabitants in Tallinn work in the service sector. In the Estonian service sector the share of capital is 45%, for the financial sector the respective figure is 60%." [9]

Tourism-related branches (accommodation, catering, retail trade, etc) have developed fast, in particular after 1991, when Estonia regained independence. Tourism-related services have a significant impact on Tallinn's economy. In 2008, Tallinn had 14 439 beds available for tourists, the average room occupancy rate was 50%.[10]

It is important to add, to what was already mentioned, that construction and real estate sector boomed in the last decade, influencing the growth of workplaces and incomes. The intensity of construction of new buildings and the renovation of old houses as well as changes in infrastructure have changed the image of the city.

3.3 Size of workforce

After the transformation in Estonia in the 1990s, there was a continuous decrease in the employment, due to restructuring of companies and increase in unemployment rate. From 2001 there was a noticeable change - the employment rate started to grow and the unemployment rate fell. In 2008, the average unemployment rate in group age 15-74 was 5.5% in Estonia. After the accession to the EU in 2004, the problem on the labour market was not unemployment but shortages in some sectors of the economy, caused by economic growth and emigration of Estonians mainly to Scandinavian countries.

In 2008, the total number of workforce in Tallinn was at the level of 215 600. Division can be made between the primary sector – 67 700 and the tertiary sector – 147 500.[11]

Table 5. Population aged 15-74 by sex and labour stats, 2008.

	Total	Males	Females
Population aged 15-74 total, thousands	1042.8	487.9	554.9
Labour force, thousands	694.9	351.2	343.7
Employed, thousands	656.5	330.9	325.6
Primary sector	25.3	17.6	7.7

[9] Statistical Yearbook of Tallinn 2008 …
[10] Statistical Yearbook of Tallinn 2008…
[11] Statistical Yearbook of Tallinn 2008…

Secondary sector	232.4	159.7	72.8
Tertiary sector	398.8	153.7	245.1
Estonians	444.0	223.0	221.0
Non – Estonians	212.6	108.0	104.6

Source: Minifacts about Estonia 2009.

The most outstanding sector of the economic life in the 2000s has been the construction and real estate sector. The development of this particular sector in the Baltic states during the last worldwide economic and financial crisis had been affected, and since the 2008 unemployment in Estonia started to be a problem again.

3.4 Characteristics of the workforce

On the Tallinn labour market, the movement of the employed from the production sector to the service sector has been observed. The number of workplaces is increasing mostly in wholesale and retail, financial intermediation, real estate and service sector, in education, health care and social welfare. The income of people has increased with the development of the economy, and in Tallinn the average salaries are higher than the other places in Estonia. But the salaries in Estonia are far below the average salaries in Scandinavian countries which was one of the push factors in the post-accession emigration. It is characteristic of Tallinn that the level of education of the population is higher than in Estonia generally.

Table 6. Employed persons in Tallinn by economic activity 2004 and 2005.

Employed persons in Tallinn by economic activity	Total **2004** (thousands)	Total **2008** (thousands)
	197.9	215.6
Manufacturing	44.8	44.1
Wholesale and retail trade; repair of motor vehicles, motorcycles; and personal and household goods	29.9	33.9
Construction	15.9	23.4
Transport, storage, communication	21.1	23.3
Real estate, renting and business activities	19.9	26.5
Education	13.5	16.2
Public administration and defense	13.5	11.7
Health care and social work	13.2	8.5

Hotels and restaurants	7.5	8.3
Financial intermediation	3.9	5.9
Other economic activities	14.7	25.6

Source: CRS 2010

According to Golik and Teder:

> "During Soviet time many large industrial enterprises were established in Estonia, and Russian-speaking labor was their main reserve. It is most likely that the distribution of the labor force that evolved during the Soviet period had a direct impact on the development trends of entrepreneurship among ethnic minorities in Estonia presently. Collapse of the Soviet Union and regaining independence by Estonia brought many changes to the labor market. Replacement of the planned economy by a market economy, followed by structural-economic changes at the end of the 20th century resulting in growth of the tertiary sector strongly affected Russian – speaking minority (structural unemployment). "[12]

Native Estonians, on the contrary, worked more often for small organizations of primary and tertiary sectors. This difference still influences the labor market situation. By 2004, 3% of the native Estonian men and 2.4% of Estonian women worked at enterprises with over 500 employees, for ethnic minorities the respective figures were 8.2% and 8.6% (per cent of total number of employed persons). Also enterprises with 100–499 employees had relatively more non-Estonians although the difference was not as great as in the case of larger enterprises. It can be assumed that the experience of working in small organizations and of performing various tasks had a positive effect on the level of entrepreneurial activity among native Estonians[13]

We can however observe a substantial change among the Russian-speaking minority as well. While at the beginning of the 1990s up to 50% of all enterprises established by Russian entrepreneurs were in the industrial sector, by the end of the 1990s already 77% were set up in the services sector [14]

> "A comparison of Estonians and Estonian-speaking non-Estonians indicates that there are some differences between the distribution of occupations in the groups, but they do not amount to a confirmation of occupational segregation. However, signs of segregation can be detected in the distribution of occupations among natives and immigrants without Estonian language skills. Irrespective of whether they belong to native or immigrant population, more than half of non-Estonians without Estonian language skills were employed as skilled workers or operators. Percentage of unskilled workers was also rather high in these groups. Conversely, the number of persons employed as managers, specialists of different levels or officials was not very high. The

[12] Golik M., Teder J., Ethnic Minorities…

[13] Golik M., Teder J., Ethnic Minorities…

[14] Lauristin M., Heidmets M. (eds.) The Challenge of the Russian Minority: Emerging Multicultural Democracy in Estonia, 2002, p. 10 4, http://www.tyk.ut.ee/pdf/lauristin_thechallenge.pdf

> distribution also indicates that the occupational structure is not strongly affected by membership in immigrant or native population, but rather nationality and Estonian language skills." [15]

3.5 Development of small and medium sized businesses (SMEs)

"Tallinn. Facts and Figures 2009" indicates that as of January 2009, according to the Registry Centre of the Ministry of Justice, Tallinn had registered 56 239 enterprises and 3 673 self-employed persons. The Tax and Customs Board had registered 12 696 self-employed persons. The majority of companies, about 44 994 were owned by private Estonian persons and 7 175 by private foreign persons. Only 87 active businesses have a workforce exceeding 250 employees, the majority of active businesses (14 286) belong to the category 1-10 employees. As of April 2009, there were 7.9 economically active entrepreneurs per 100 Tallinn citizens (no detailed distribution available according to ethnic background). This proportion is higher than in other parts of Estonia (5.3) but it must be remembered that Tallinn is the biggest city of Estonia, with the highest proportion of businesses in service sector and receives 4/5th of all foreign direct investments in Estonia.

3.6 Sectoral and spatial distribution of SMEs

The first private enterprises were established in the form of "cooperatives" with the state capital in the late Soviet period. Privatization of the state owned enterprises began soon after regaining of independence, in 1992, and its first and most important part was completed in 1995.

Micro and small business development, which started with a transition to a market economy, followed the pattern whereby it all started with private service providers (low capital requirement like hairdressers, retail trade establishments, etc). Today, there is much more diversification and specialization; the market and business environment have changed drastically.

Particularly rapid growth in the number of businesses in Tallinn was observable in 2000-2004. The period 2004-2008 was characterized by rapid growth of employment, primarily in construction, real estate and trade. This was related to the (re)-entry into the labor market of the unemployed and the inactive due to the large supply of (low-skilled) jobs. On the other hand, lack of qualified labor inhibited growth of export-oriented companies. The majority of businesses and jobs created during that period were in the service sector and retail trade. Furthermore, business creation concerned mostly micro and small businesses, which are more vulnerable when it comes to the economic crisis.

In 2009, of the businesses registered in Tallinn, 80% were engaged in the trade and service sector. The share of the service sector in Tallinn exceeds that of the rest of Estonia by three times

[15] Immigrant population in Estonia..., *p 9.*

due to the relatively large market and higher purchasing power of the population compared to other regions of Estonia. (Tallinna väikeettevõtluse arendamise programm aastateks 2010–2013") [16]

3.7 Recent changes

The 2008/2009 financial and economic crisis, which has been more rapid than expected, is the result of both domestic and external factors. From global developments, Estonia is most affected by high energy prices, the general slowdown in the growth of the global economy and the uncertainty related to it. The negative domestic impact has been produced by the accelerated rise in prices, the sharp cooling down of the real estate market and the rapid decrease in domestic demand. This has also affected Tallinn-based businesses, including micro and small businesses operating in the service, retail, real estate and construction sectors. The number of businesses is likely to decrease; the number of medium-sized and big companies is growing slightly (mergers or acquisitions).

To alleviate the negative impact of the current economic crisis, Tallinn City Government initiated an aid package, containing measures in support of (small) entrepreneurs.[17]

It is important to add that the recent recession was particularly strong in some countries in Europe such as Spain, Ireland and the Baltic states where the results of this process were noticeable at the end of 2008 and 2009.

4 Profiles of ethnic entrepreneurship

4.1 Definition of ethnic entrepreneurship

Due to the specific historical and political situation of Estonia, today the city of Tallinn, as was already mentioned, is inhabited by a large number of mainly Russian-speaking non-Estonians. Simultaneously, general number of inhabitants of the city is rather small. This creates a situation of very small market, where division between Estonian and non-Estonian branches or sectors, even if visible, is not crucial. Since most of the non-Estonian entrepreneurs in Tallinn are citizens of Estonia, measures that target them are not distinguished from ones created for the Estonian entrepreneurs in general. Because of that, no definition of ethnic entrepreneur is commonly in use.

4.2 Development of ethnic entrepreneurship[18]

---

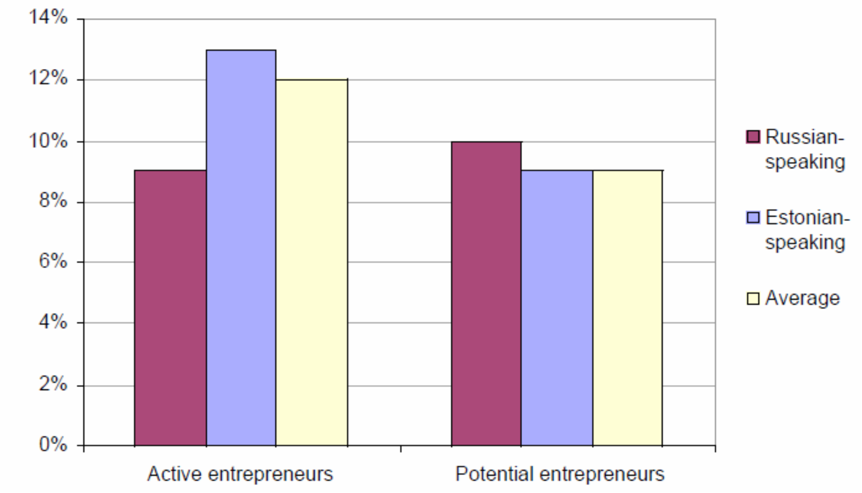
[16] http://www.Tallinnlv.ee/lvistung/bin/docview1.asp?docid=83262

[17] http://www.Tallinnaitab.ee/en_GB/top_left

[18] Research ethnic entrepreneurship in Estonia, incl. Tallinn is extremely limited. The source of reference here, relative to Estonia in general, is entitled: *Ethnic Minorities Entrepreneurial Activities in Estonia. Authors Marina Golik, Juban Teder, Tallinn University of Technology. Paper delivered at the 14th Nordic conference on small*

According to the results of the survey on the level of entrepreneurship among the Estonian population, the overall average level of engagement into entrepreneurial activities for the Estonian population aged 16-64 comprised 12%.[19] "The participation rate for the Russian-speaking minority made up only 3/4th of the country average rate and was 1.5 times lower than the corresponding rate for the Estonian entrepreneurs." [20]

Graph 2. The participation rates in entrepreneurial activities for the Estonian population aged 16–64, per cent of the total population, 2004.



Source: Golik M., Teder J., Ethnic Minorities…

The number of potential entrepreneurs among the Russian community is similar to that of the Estonians. The number of Russian speakers who are not interested in establishing their own business is on a similar level with the countries average. There is a visible tendency "when a well-paid job is preferred to entrepreneurship"[21]. Estonian scholars assume, on the basis of their research, that there are differences between Estonian and Russian – speaking entrepreneurs. They give an example based on the data of the Estonian report of the European Social Survey 2004. Results have shown that in the Estonian-language households, 16.4% of the men were entrepreneurs. In the households where other languages were spoken, this number was only 7.3%. This disparity was not observed among women (respectively 5.2%and 6.1%)[22]

4.3 Sectoral and spatial distribution of ethnic enterprises

The underlying factors influencing the rate of business activity among immigrant population might have been dictated by the professional/job-related background of immigrants in the 1980s

---

business research, May 11-13, 2006 in Stockholm[*http://www.ncsb2006.se/pdf/Ethnic per cent20Minorities per cent20Estonia.pdf*](http://www.ncsb2006.se/pdf/Ethnic per cent20Minorities per cent20Estonia.pdf)

[19] http://www.Tallinnaitab.ee/en_GB/top_left

[20] Golik M., Teder J., Ethnic Minorities…

[21] Golik M., Teder J., Ethnic Minorities…

[22] http://www.Tallinnaitab.ee/en_GB/top_left

and early 1990s. This was often narrow specialization and blue-collar industrial jobs, which were not necessarily instrumental for business creation.

The ethnic background of entrepreneurs was probably one of the factors behind ownership of privatized companies, e.g. in the transport sector (now related to transit trade), where the Russian-speaking population was concentrated in the Soviet period (management buy-outs), non-Estonians are well represented nowadays.

There are three residential areas in Tallinn which are dominated by Russian-speaking groups. Retail services in those areas are mostly owned by the minority groups.[23] Ethnic entrepreneurs are currently operating ethnic kitchens/restaurants, which, however, are not numerous in Tallinn.

4.4 Ownership of ethnic businesses

While analyzing the ownership of enterprises in Estonia it is interesting to look at the results of the survey presented in the table below - the readiness of potential entrepreneurs for cooperation with partners and employees.

Table 7. Readiness of potential entrepreneurs for cooperation with partners and employees, 2004, per cent.

	Non-Estonians	Estonians
Would like to work on my own	5%	13%
In addition to myself would hire employees	38%	39%
Would start up a business but would not hire employees	14%	10%
Would start us a business with partners and hire employees	43%	34%
No answer	0%	4%

Source: Eesti Konjunktuurinstituut 2004a, 112 [in:] Golik M., Teder J., Ethnic Minorities…

We can observe that collectivist values among Russians are influencing smaller number of potential entrepreneurs who are wiling to work on their own (2.6 times smaller)[24].

Cultural values are hard to estimate and any changes take a long time to have an effect. Individualistic tradition is stronger in Estonia than in any other Russian-speaking country, and this might be mainly caused by the context of the Protestant religion.[25]

Because of differences of language, culture and understanding of history, the Estonians and non-Estonians tend to run their businesses basing on relatives and family members of people from

[23] Interview with Mart Repnau
[24] Golik M., Teder J., Ethnic Minorities…
[25] Golik M., Teder J., Ethnic Minorities…

the same ethnic group. Both groups live a parallel life in the society and this influences the business relations as well. Russian speakers are more oriented to do businesses with Russia.

Franchise businesses are not widespread.

4.5 Reasons for entrepreneurship career

Russian-speakers, especially those with limited or no knowledge of the Estonian language, very often had problems finding employment after 1991. Creating their own business was often their only possibility to earn money. Unemployment among non-Estonians is much higher than among Estonians and job-seeking takes much longer as well. Even though willingness to start their own business is slightly higher than among Estonians, there are some obstacles which make minority entrepreneurs less active and successful in the market.

As some of my interviewees pointed out, Russian-speakers are more likely to achieve success in business with Russian partners. Except for language skills the important factors that helps them succeed on this market are their contacts and understanding of Russian business culture, which is different from Estonian business culture.[26] They are also, compared to Estonians, more often willing to take risks.[27]

Knowing both languages - Russian and Estonian - gives the Russian speakers more opportunities on the labour market. The younger generation is more likely to learn Estonian knowing the advantage on the labour market.

4.6 Market

Except for the previously mentioned sectors traditionally owned or managed by non-Estonians, there are no special markets to which this group caters. Most likely the reason for that is the relatively small Estonian market. In the city of Tallinn there are three districts that are inhabited mostly by non-Estonians, and they have dominated retail services there.

4.7 Competition

In the small Estonian market there is no possibility for entrepreneurs to limit their offer only to one ethnic group; the entrepreneurs have to compete for customers among one another. Non-Estonians have to compete with the members of the same group who have followed the same idea for business targeted to every customer.

Because there are differences in culture, tradition, language and cuisine there are some services or shops targeted to only one ethnic group. Even the tourist shops in the city centre are

---

[26] Interview with Mart Repnau

[27] Interview with Raivo Vare

organized in two ways: one more Scandinavian with wooden toys and wool clothes and the other with amber jewellery and Russian 'matrioshka'.

4.8 Workforce

There is no data available on this topic. It is however visible that employees in the businesses owned by Russian-speakers are mostly Russian-speakers too. The reason for that is language skills. Most of the Russian-speakers use Russian at their workplace. Nevertheless, in most of the businesses owned by non-Estonians, there is at least one worker with Estonian language skills since all documentation and registration has to be in Estonian. The recruitment for small companies is based on personal relations and personal networks, which are strongly connected with the national group. From the previous CLIP Module 3 about intergroup relations, we know that Estonian and Russian speakers in the city of Tallinn live a parallel life which reflects on their private and business contacts.[28]

4.9 Employment conditions and labor relations

There are differences in the business culture and management of companies run by Estonian and Russian speakers, and these are based on cultural and language differences. Members of both groups are likely to emphasize the differences between them. The business culture of Estonians is closer to the Scandinavian model.

4.10 Problems and barriers—general management

The following three issues emerge as having a potential impact on the low entrepreneurship engagement rate among the Russian-speaking minorities of Estonia:

- the historical background of the formation of the Russian-speaking community on the territory of Estonia causing their residential and sectoral distribution;
- the motivational and cultural differences as compared to the natives, as well as
- the existence of specific obstacles to starting a business.

The latter includes lack of funds, poor knowledge of the Estonian language, unawareness of the measures of the state business support system, lack or inefficient supply of financial resources, lack of access to business networks, lack of the necessary managerial, marketing, financial and other knowledge and qualifications. The lack of knowledge of the Estonian language and belonging to the ethnic minority leads to the use of Russian media as a source of information and influences the lower courage in using opportunities offered by the Estonian public institutions. Even if much of the information of the public institutions is available in Russian, there is difficulty in finding a channel of communication with the Russian speaking community. The City Government's free newspaper,

[28] P. Matusz Protasiewicz, *Intergroup relations….*

“Capital”, published in both Estonian and Russian language informs the inhabitants of Tallinn about latest events and decisions.

4.11 Problems and barriers—financial management

Insufficient supply of financial resources or even lack of it may be an important obstacle for immigrants or minorities to establish a business. According to the study “*Development trends of SMEs in Estonia”* in 2002, availability of financial capital was the third most important obstacle to the growth of entrepreneurship[29]. There is a tendency that the main source of SME funding is owner - gathered capital :

> “According to the results of the study, conducted by Saar Poll in 2005, the material resources of the majority of Russians in Estonia are rather limited. Partly this can be explained by the fact that the Russian-speakers are of immigrant origin, and therefore their participation in the processes of privatization and restitution of property nationalized by Soviet power was low”[30].

Lack or insufficient amount of collateral can be a common reason why banks refuse to give credit.[31]

4.12 Problems and barriers—marketing

Marketing in Estonia is quite a challenge. Estonian and Russian-speakers culturally perform in two separate so-called parallel societies. This can be seen as the main obstacle for successful marketing campaigns that could reach both groups simultaneously. Having two societies influences both the marketing communication and the channels through which it reaches potential customers. It is not only that communication has to be prepared in two languages but the form of it and the message behind it has to reflect different needs of both societies. When it comes to media, there is a visible division between those targeting the Russian-speaking minority, and those for Estonians. Widespread access of the Russian broadcasting and television programs, which are most popular in Russian-speaking households is also a problem. It is difficult to target this group because the local media often does not reach them. On the other hand, as already mentioned, in the small Estonian market, entrepreneurs have to compete for every customer.

4.13 Problems and barriers—rules and regulations

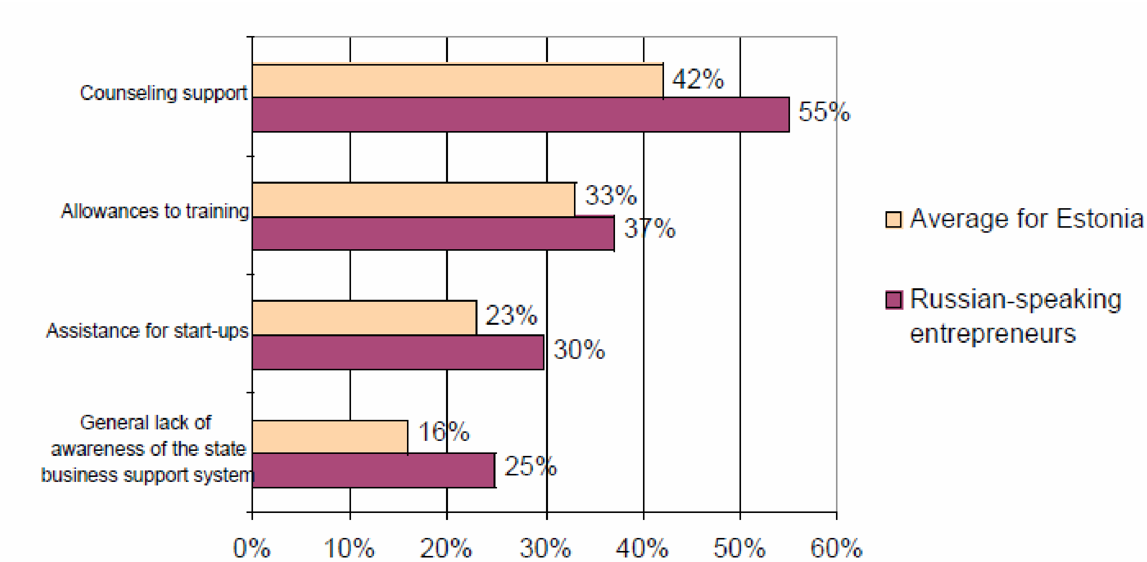
The main problem faced by migrants end ethnic minorities in Estonia seems to be the language barrier, especially when dealing with various public offices, for example the local self-government. It is worth noticing, however, that in almost every office in Tallinn all information is also available in the Russian language, and usually there is also staff that speaks the Russian language, to assist if required. It is very important that the public institutions offer information in

---

[29] Golik M., Teder J., Ethnic Minorities…
[30] Lauristin M., Heidmets M. (eds.) The Challenge of the Russian Minority…
[31] Golik M., Teder J., Ethnic Minorities…

Russian even if this is not an official language in Estonia. The websites of different institutions supporting entrepreneurs in Estonia are available in Russian. As depicted beneath, the unawareness of the measures of the state business support system is characteristic of Russian-speaking entrepreneurs, although such unawareness is general in Estonia. As research by Teder and Golik has shown there is a need among minorities to have access to legal acts, including commented texts, in the Russian language.[32]

Graph 3. Lack of awareness of the state business support system, per cent of active and potential businessmen.



Source: Eesti Konjunktuuriinstituut 2004, 124-131 [in:] Golik M., Teder J., Ethnic Minorities…

4.14 Problems and barriers—bureaucracy and intermediary institutions

The main problem that migrants and minority members might face is, again, the lack of knowledge of the Estonian language. All the formalities one must fulfill while company registration have to be filled out in the official language used in the Republic of Estonia, i.e. in Estonian.[33]

Further, the Russian-speaking entrepreneur might find it difficult to keep himself/herself updated on developments in labor law and business legislation (relative to adequate translations of legal acts, etc), as mentioned by my Russian speaking interviewees.

[32] Golik M., Teder J., Ethnic Minorities…

[33] Company registration process in Estonia takes place via internet. Web page is available in Estonian, Russian and English language. All information, however, has to filled in in Estonian language.

5 Rules and regulations, policies

5.1 Overall strategy

In Tallinn we can see no overall strategy targeting non-Estonian entrepreneurs. Policies and measures undertaken to develop entrepreneurship in Tallinn are aimed at the whole society.

5.2 Objectives and dimensions

In 2005 there was a special city program for developing SMEs in Tallinn. It was targeted for the whole society with no distinction of the ethnic group. This program was financially supported by the Tallinn City Government and conducted by its Business Development Department.

Even though the program was available for both groups, non-Estonians were less active and did not take the chance. As Deputy Mayor of Tallinn, Kaia Jäppinen, said, there is a need to create a separate program targeting the non-Estonian society, because there is a difference - non-Estonians are disadvantaged on the market. Mrs. Jäppinen stressed that the main aim of the City Government policy towards non-Estonians should be targeting young minority people, who often do not see their place in Estonia and prefer to leave the country. This is a major social problem and some measures are already being undertaken (business studies in Estonia; job-creation grants for entrepreneurs regardless of their ethnic background).

5.3 Main actors

Main actors involved in the development of economy and development of SME’s in Tallinn have been described in the paragraph 5.5.

5.4 Targets

As mentioned above, most of the policies of the City Government, and also other organizations are part of the general approach towards promotion of entrepreneurship at the local level.

5.5 Institutions

Official authorities and adequate agencies and offices in Estonia as well as in the city of Tallinn provide support to start-up and establish businesses independent of the entrepreneur’s ethnic background. The general tendency is that membership of professional and business associations, especially among non-Estonians, is more limited.[34] “The insufficient knowledge of the Estonian language and the lack of information caused by it may explain why Russian-speaking active

[34] *CRS*

and potential entrepreneurs feel a higher need for the existence of some kind of business club than Estonian businesspersons do."[35]

Within Tallinn City Enterprise Board (City Government of Tallinn) exists a Business Development Department. Its main aim is to provide services for entrepreneurs regardless of their ethnic background. Its areas of responsibility include:

- development of services tailored for entrepreneurs and investors;
- implementation and maintenance of informative web pages for entrepreneurs and investors;
- implementation of support services designed for entrepreneurs and investors

Enterprise Estonia (EAS) "This organization was established in 2000. Its activities are aimed at promoting business and regional development in Estonia. It is one of the largest institutions within the national support system for entrepreneurship. It acts by providing financial assistance, advisory, cooperation opportunities and training for entrepreneurs, research establishments, public and the third sector.

Enterprise Estonia operates in the following areas:

- Pursuant to the accession of Estonia, increased sustainability and accelerated growth of start-up companies;
- Improved export and product development capability of Estonian companies;
- Greater impact of foreign direct investments on the Estonian economy;
- Increased tourism export and the development of domestic tourism.
- Promotion of regional development and civil society.

Pursuant to the European Union, Enterprise Estonia has become one of the implementing units of the European Union structural funds in Estonia. Today, most of the EAS programs and grants offered are co-financed from the EU structural funds. EAS has information available in Russian."[36]

Chamber of Industry and Commerce (ECCI) "This organization established in 1989 is today the largest business representation organization in Estonia. Members of this organization are representing almost half of the Estonian market. These enterprises are predominantly in the textile, metal, timber, construction and food industries from which majority of the members represent small and medium sized business – 95 per cent are SMEs. The mission of the organization is to develop entrepreneurship in Estonia. The ECCI is an active partner in the parliament, government and ministries in designing the economic policy and climate. Whenever tax policies, corporate laws, laws

[35] Golik M., Teder J., Ethnic Minorities…

[36] All information are taken from the Enterprise Estonia official web side http://www.eas.ee/index.php?setlang=ru-RU

on property and obligations, foreign trade and EU-related issues or professional qualifications are discussed, the Chamber speaks actively on behalf of the Estonian business community. The Chamber of Industry and Commerce as well as the Estonian Association of SME's admits into its membership entrepreneurs independent of their ethnic background." [37]

EVEA - Estonian Association of SME's is a "non-governmental, non-profit association of SME's and the self-employed performing a representative, advocacy and lobbying function for small and medium-sized businesses as a social group. Serving as an interface between the Estonian SME community on the one side and the policy decision-makers, international organizations and various social partners on the other side, EVEA provides information about the situation in the SME sector, its problems, economic legislation, business opportunities and business-related infrastructure in Estonia. The Association has information available in Estonian, Russian and English". [38]

5.6 Access and involvement in policymaking

Non-Estonians are not represented by any particular political party in Estonia. The level of organization in the minority community is rather small. There are however minority members in existing political parties. Also Tallinn City Council has representatives from the minority community.

When it comes to the organization of Russian speaking entrepreneurs, their membership in Estonian business associations or institutions is rather small. They prefer to be organized in their own organizations focused on business relations with Russian partners. One example of this is the Estonian- Russian Chamber of Commerce which organizes business trips to Russia and tries to develop business relations with Russian partners.

5.7 Formal access to entrepreneurship

While starting a business and registering into the Commercial Register, neither ethnic background nor immigration status is relevant. As mentioned in the previous parts, the main problem faced by the immigrants or minority members while establishing business in Estonia is language skills. All information has to be filled out in the official language used in the Republic of Estonia, i.e. in Estonian.

> Doing Business in Estonia[39]
>
> "The legal environment for business entities in Estonia is mostly regulated by the Commercial Code (*äriseadustik*) which entered into force on 1 September 1995. The passive legal capacity of an entity commences as of its entry in the commercial register

[37] All information are taken from the ECCI official web side http://www.koda.ee/?id=1366

[38] All information are taken from the EVEA official web side http://www.evea.ee/?set_lang_id=2

[39] http://www.pwc.com/et_EE/ee/insights/assets/Doing_business_in_Estonia_June__2009_PricewaterhouseCoopers.pdf

and terminates as of its deletion from the commercial register. Every entity must have a business name which is entered in the commercial register and under which the undertaking operates.

The business name always contains the appendage referring to the legal form of the entity. A business name may not be misleading with regard to the legal form, area or scope of activity of the undertaking nor contrary to good morals. When starting operations in Estonia, it should be kept in mind that there are certain areas of activity for which a license is required or in which only a particular type of entity may operate, as well as areas of activity in which operation is prohibited by law.

There may also be special requirements deriving from the law with respect to the obligations of companies which are dependent on the area of business of the company (e.g. banking, investment, sale of fuel or alcohol etc.).

As a general rule, entities are under accounting obligations and need to submit financial reports to the commercial register. An audit of the financial reports may be required depending on the legal form of the entity.

The Commercial Code provides for five types of business entities: general partnership *(täisühing),* limited partnership *(usaldusühing*), private limited company *(osaühing)*, public limited company (*aktsiaselts)* and commercial association (*tulundusühistu*).

Of the five types of entities regulated under the Commercial Code, the private limited company and public limited company are the most commonly used forms of entity for doing business. This is due to their most essential characteristic – the limitation of the shareholders' liability.

In addition to the possibility of establishing a business entity, it is possible for any natural person to conduct business as a sole proprietor."

5.8 Rules and regulations

No specific rules for immigrant population.

5.9 Zoning plans

There have not been any specific zoning plans for SME's in Tallinn

5.10 Sectoral rules and regulations

There are some specific rules for some sector of SME's operating in health care or restaurant sector, but again, the regulations are same for everyone. For Russian speakers it might be difficult to pass an exam in order to get a license in a certain sector due to the insufficient knowledge of Estonian.

5.11 Business acumen

There are 10 organizations that offer business acumen services in Estonia. In Tallinn there are three business incubators, a technology incubator and two industry parks.[40] All services and information are provided in Estonian and Russian. The main aim of their activity is to help businesses to start their activity with grants and technical support.

Incubator Services offered by Enterprise Estonia came up with the system of measuring results. Start-ups that receive start up grants are required to meet some levels of profit. This system helps to stimulate businesses.[41]

The Tallinn City Enterprise Board issues new job creation support for the purpose of aiding the creation of new jobs and thereby supporting and developing small enterprises in Tallinn. The supports are available independent of the applicant's ethnic background.[42]

More information can be found in paragraph 6.3 of this report.

5.12 Finance

There are no specific measures targeting minority entrepreneurs. Ones that can be helpful for ethnic entrepreneurs are designed for all SME start-ups.

"The Credit and Export Guarantee Fund KredEx was founded in 2001 by the Ministry of Economic Affairs and Communications. One of its activities is providing start-up loans. With the help of KredEx guaranteed start-up loan, it is possible to finance investments and working capital of starting businesses and those small and medium-sized enterprises that have been active for up to three years as well as self-employed persons, enabling fast growth and development. Start-up loans enable an entrepreneur to manage the business and loan-related risks and in comparison with ordinary loans they have to take smaller risks with their own property. In addition to Enterprise Estonia, a start-up loan can directly be applied for at banks as well. It is possible to obtain free business plan consultations from the consultants of regional entrepreneurship centres. A bank or Enterprise Estonia processes the application and submits it to KredEx for decision-making. The start-up loan is issued by a bank on the basis of the positive decision by KredEx. Start-up loans are currently processed and issued by Eesti Krediidipank, Marfin Bank, SEB and Swedbank."[43]

5.13 Business locations

One of the elements of the City of Tallinn Government 2005 special program for developing small enterprises was offering office space for 3 Euros only.[44]

---

[40] Statistical Yearbook of Tallinn 2008…, p 122

[41] Interview with Mari Vavulski – Enterprise Helsinki

[42] Grants for the creation of new jobs: http://www.Tallinn.ee/otsing?sona=12828

[43] http://www.kredex.ee/2

[44] Interview with Deputy Mayor of Tallinn, Kaia Jäppinen

5.14 Access to employment with ethnic businesses

In Estonia,[45]immigrants face a worse situation than natives in terms of the quality of working standards. "They have more irregular working hours, and have less influence on work-related factors; they are less involved in the work process; they are more frequently overeducated and are more exposed to health risks. Immigrants are more frequently employed in low paying jobs."[46] The share of immigrants finding good employment with decent wages and being given training and career prospects is lower when compared with the share of natives. In respective groups among natives, the situation is worse for immigrant women (half of them are employed in low paying jobs), immigrants in the age group 25–49 and immigrants with higher education.[47]

5.15 Staff matters

As already mentioned, due to the division within the Estonian society into Estonian and Russian speaker groups, there is a preference of SME owners, mainly of micro companies, to employ members of the same ethnic group.

5.16 Marketing

Marketing matters are the subject of entrepreneurial courses and business plans advice being a part of start-up courses by Enterprise Estonia.

5.17 Transnational economic connections

Due to the large Russian speaking minority and the historical links with Russia, there are transnational economic connections but there are no specific policies aiming at promotion of it.

5.18 Training and management support

Two institutions most active in the field of training and management support in Tallinn are Business Development Department within Tallinn City Government and Enterprise Estonia. In both cases there are business courses as well as free hours of business counseling offered in both Estonian and Russian.

As the study of Golik and Teder has shown, "besides difficulties of obtaining the necessary financial capital, fear of falling into debts and bankruptcy, the most important possible obstacle to starting a business for Russian-speaking minority in Estonia is lack of necessary knowledge and skills.

Yet, paradoxically, most Russian-speaking respondents did not think it useful to have such skills as business planning (52 per cent), marketing (50 per cent), accounting (50 per cent) or education in the field of business (65 per cent) and experience of managing an enterprise (57 per

---

[45] Not talking about Tallinnn specifically
[46] *Immigration population in Estonia 2009... , p 121*
[47] *Immigration population in Estonia..., p 121.*

cent) for starting entrepreneurial activity"[48] The conclusion made by the authors of that study is, that the importance of developing ones skills and gaining knowledge is not realized.[49]

5.19 Illegal and informal practice

6 Other

6.1 Summary and conclusions

6.2 Good practices

"On April 3 the Tallinn City Government decided at an extraordinary session to submit a draft resolution called "Tallinn City Economic Recession Assistance Package for Residents and Entrepreneurs" to the Tallinn City Council, offering entrepreneurs and citizens who are experiencing hardships, 42 supporting measures in six important fields. The resident and entrepreneur aid package developed by the Tallinn City Government focuses on six important fields: alleviating unemployment, giving benefits and social aid, counselling people in hardship, decreasing costs on thermal energy, supporting entrepreneurship and protecting consumers. The Tallinn City Council approved the aid package on April 16th.

<u>Relieving unemployment</u>

<u>Social job creation grants will be available for private sector companies</u>

that currently employ at least 20 people and that plan to create 5 to 30 new jobs of a social nature. These grants will be for up to 4,350 Estonian Kroons plus social security tax and unemployment insurance payment per month for each employee. The new employees must officially reside in Tallinn and be registered as unemployed at the Estonian Unemployment Insurance Fund (formerly Labour Market Board).

<u>Jobs creation grants for companies creating at least two new jobs.</u>

Companies eligible for the grant must be at least 51% owned by private individuals and can have up to 250 employees. The maximum amount of support is 300,000 Estonian Kroons per company for purchasing fixed assets.

<u>Lowering the rent of city's non-residential premises</u>

by 20% for a period of two years for tenant companies that create at least three new jobs.

<u>Lowering the payment for the right of superficies on municipal land</u>

by 20% for a period of two years for companies that create at least five new jobs.

Support for the Business Sector

---

[48] Golik M., Teder J., Ethnic Minorities…

[49] Golik M., Teder J., Ethnic Minorities…

Information briefings on municipal support measures for new and small enterprises

In 2009, information briefings, seminars and training programs will be organized for new and small enterprises. Business counselling is available daily at the business information desk. The Tallinn Business Mentor Club provides a special series of events for companies intending to enter export markets. The traditional Tallinn Entrepreneurship Day will be organized in autumn 2009.

Financial support measures for entrepreneurs

Currently the City of Tallinn has 8 financial support measures for entrepreneurs: start-up grants, training grants, scholarships for studies abroad, mentoring grants, new job creation grants, trade fair grants, patenting grants and cluster support grants. Start-up grants are very important for starting business activities and creating new jobs. The city's financial support measures are aimed at the creation of new enterprises and jobs and improving the competitiveness of existing companies.

New industrial park to be established at Suur-Sõjamäe St. in the Lasnamäe district

The City of Tallinn has established two industrial parks which provide technical infrastructure for manufacturing companies. Most premises have been sold to various manufacturing companies or a right of superficies has been constituted. The Lasnamäe industrial park has already welcomed seven companies with more than 1 000 employees, and seven more companies will commence work at the end of next year.

To meet the need to create opportunities for new companies starting or expanding existing business activities, a detailed plan will be initiated at 29b Suur-Sõjamäe St. The detailed plan must be ready by the beginning of 2010 when technical infrastructure and construction will begin. By the end of 2010, Tallinn will have 16 new plots equipped with the necessary infrastructure available for building production facilities that will create new manufacturing jobs.

Business incubators and the launch of an incubator for creative industries

Currently there are three business incubators in Tallinn: Ülemiste, Kopli and Mustamäe (Tehnopolis). Business incubators provide important support services for start-ups, which enhances the sustainability of new companies and enables faster growth compared with new companies operating in regular conditions.

In autumn 2009 a new incubator for creative industries (designers, applied and media artists, fashion designers, interior designers, architects, etc.) opened. The main goals of this incubator are to enliven and diversify business activities in creative industries, improving their competitiveness and ensuring sustainability.

Stimulating Youth Entrepreneurship

For the purposes of improving youth entrepreneurship, the City of Tallinn has initiated cooperation with higher education establishments. This will include regular presentations by the city's business consultants at Tallinn's Universities.

In addition, gymnasium level students will have meetings with entrepreneurs. A youth conference will be organized in the framework of the Tallinn Entrepreneurship Day. A joint stand with a number of entrepreneurs' associations will be opened at the "Teeviit 2009" fair.[50]

6.3 Any other final comment or suggestion?

The integration of ethnic minorities was widely debated in Estonia at the time of restoration of Estonia's independence at the beginning of the 1990s. The problems were related to the issues of citizenship, identity and the lack of feeling of belonging to the new state among the minorities. The society is divided in two communities: Estonians and non-Estonians, mainly Russian speakers and the term "two Estonias" is applicable to the public life. The Russian speaker's community was established in Estonia during the Soviet occupation until the 1990s. Many Russians came with the Soviet military troops and another group was formed by the economic immigrants from the destroyed cities like Novogrod and Leningrad. After the restoration of independence, being an ethnic minority, the Russians were confronted with the new situation of being citizens of the new country. Some of them decided to leave Estonia but the majority stayed and have been trying to organize their life in the new reality. In fact, after 20 years of Estonia's independence, the integration of Estonians and non-Estonians is still very marginal. There are no conflicts (exception: Bronze Soldiers event)[51] but there is some cooperation and daily interaction between both groups.

The State Integration Program has been affected by two processes: equalizing socio-economic opportunities for minorities by giving them equal opportunities and providing education of Estonian language and basic values of the Estonian culture and state. The field of culture is understood as a private sphere and the minorities have the right to preserve their own language and culture. The city of Tallinn, where the minorities constitute almost half of the population, has initiated its own activities in the field of diversity and integration. In the local integration program called Kodurahu - Peace in the Community, the city authorities have been striving for activities that are based on common interests and values which could bring both communities together. However, this seems to be very complicated due to the mistrust and difficulties in communication. But the

[50] http://www.tallinnaitab.ee/en_GB/abipakett-tootule (20.04.2009)

[51] More in: P. Matusz Protasiewicz…..

young generation focuses mostly on their future and living their life in Tallinn and now may hopefully make integration feasible. The active participation of both groups for their mutual cooperation is the most challenging task for implementing the local integration policy. The dialogue of both groups in the case of Tallinn, is crucial for avoidance of potential tensions or conflicts in the future and for building one, diverse and multiethnic Estonian society.

When it comes to immigration to Estonia, it started after the restoration of Estonia's independence but this process has been very marginal and the numbers of immigrants are very low. There are some labour migrants from Belarus, Ukraine and Russia and a few immigrants from the Western countries who came to Estonia on account of foreign direct investments and decided to settle. But the numbers are so insignificant that there are no policies or actions addressed to immigrants in Estonia. The integration policy and the programs have one target group: non Estonians (Russian speakers) and their integration with Estonians.

The term ethnic entrepreneurship is not commonly used in Estonian and its meaning is only known among researchers and experts. There is an interest in facilitating the entrepreneurial activities of Russian speakers because this might reduce the unemployment in this group which is considerably higher than unemployment among Estonians. In the reports and analysis of various public institutions, Russian speakers are seen as the risk group on the labour market, a group which faces not only unemployment but also long term unemployment and has problems in returning to the labour market. However, there is no specific policy addressed to this group. All policies on development are general and the integration programs do not assert entrepreneurship as a tool for integration. Integration is more oriented to build a feeling of belonging to Estonia among Russian speakers and less to create a common area of interaction or daily cooperation between Estonians and non-Estonians.

All activities and programs for SME's organized by the institutions in Tallinn are addressed to all citizens and not specifically to immigrants or ethnic minorities. It is important to mention that even if Estonian is the only official language in Estonia, the official institutions are aware of the big size of the Russian speaker's community and almost all information, web sites and leaflets as well as counselling is also available in Russian. Despite this, language seems to be the main obstacle and barrier in both finding jobs and starting up businesses, as was mentioned by almost all interviewees. There is a visible problem in channels of communication; both communities as expected in parallel societies are organized around their own institutions where media plays an important role. Russian speakers use Russian media, both TV and newspapers, as the main source of information, so despite living in Estonia, they have the latest information about Russia. The local government uses the free newspaper, “Capital”, published in Estonia and Russian, for communication.

The integration process of non-Estonians into the societies in all possible areas of life is still on a very early stage of development, especially at the local level. But while talking about Tallinn, we should remember that it is the capital of a small state, where in the capital city it is very difficult to distinguish between the local and national levels.

In the area of entrepreneurship, facilitating cooperation between Russian speakers and Estonians should be a priority for policy makers. The connections that the Russian speakers still have in Russia might be very useful for development of contacts between Estonia and Russia. These improvement indicators can take integration to the next stage.

6.4 Interview partners

Mart Repnau Head of Department **Krista Kink** Chief Specialist Business Development Department Tallinn City Government	**Tallinn City Government** Vabaduse 7 5th floor + 372 6 404 224 + 372 6 404 225 + 372 55 20975 mart.repnau@tallinnlv.ee krista.kink@tallinnlv.ee	Website in English http://www.tallinn.ee/eng/g1865s23979
Nadežda Stepanova Estonian-Russian Chamber of Commerce	**Chamber’s office** Liivalaia 9 -102 +372 6 454 531 +372 6 454 541 *(general)* +372 55 57 8519 info@erpp.ee	
Kersti Kraas Board Member Estonian Associa-tion of SME's (EVEA)	**EVEA’s office** Liivalaia 9 +372 6410 920 evea@evea.ee	Website in English http://www.evea.ee/?set_lang_id=2
Raivo Vare Supervisory Board Chairman Estonian Development Fund	**Fund’s office** Estonian Development Fund (Arengufond) Tornimäe 5 +372 50 30 900	Webiste in English http://www.arengufond.ee/eng

Mari Vavulski Senior Consultant Business Start-up Divi-sion **Katrin Eha** Business Start-up Divi-sion, Coordinator of mentor programme Enterprise Estonia (EAS - National Busi-ness Support System)	**EAS, Enterprise Estonia office** Lasnamäe 2 +372 627 9430 +372 627 9444 mari.vavulski@eas.ee katrin.eha@eas.ee	Website in English http://www.eas.ee/index.php?setlang=en-GB City map for location: http://www.eas.ee/index.php/kontakt/kontakt-asukoht
Kaia Jäppinen Deputy Mayor of Tallinn	**Tallinn City Government** **Vabaduse 7** Laura Viilup Deputy Mayor's assistant 640 4105	Website http://www.tallinn.ee/otsing?sona=11969
Iris Pettai Research Director Estonian Institute for Open Society Research, integration expert	**Roosikrantsi Residence** **Tallinn City Government** Residence (1-2 min walk from the City Government) Roosikrantsi 4b iris.pettai@neti.ee +372 56 213 526	City map: http://kaart.tallinn.ee/Tallinn/Show?REQUEST=Main&lang=est Search (in the right-hand corner, insert the exact address)
Siim Raie Director General Chamber of Commerce and Industry	**Chamber's office** Toom-Kooli 17 siim@koda.ee koda@koda.ee +372 604 00 60	Website in English http://www.koda.ee/?lang=en
Tatjana Maiorova EV Koolitus Managing Director (Business Training Centre offering Russian-language business courses)	**EV Koolitus office** Kivimurru 7 (Lasnamäe) tatjana@ev.ee koolitus@ev.ee +372 55 518 155	
Juhan Teder Visiting lecturer Tallinn School of	**Tallinn University of Technology** Akadeemia tee 3.	He's author of the research Ethnic Minorities *and* Entrepre-neurship in Estonia

Economics and Business Administra-tion; Tallinn University of Technology	juhan.teder@tseba.ttu.ee +372 55 42 120	http://www.ncsb2006.se/pdf/Ethnic per cent20Minorities per cent20Estonia.pdf

6.5 References

- Golik M., Teder J., Ethnic Minorities and Entrepreneurship in Estonia, Tallinn University of Technology
- Lauristin M., Heidmets M. (eds.) The Challenge of the Russian Minority: Emerging Multicultural Democracy in Estonia, 2002, , http://www.tyk.ut.ee/pdf/lauristin_thechallenge.pdf
- Lueken-Klassen D., Bosswick W., Case Study on Diversity. Policy in Employment and Service Provision. Tallinn, Estonia 2008 European Foundation for the Improvement of Living and Working Conditions, http://www.eukn.org/binaries/eukn/eukn/practice/2008/10/Tallinn-diversity.pdf
- Matusz-Protasiewicz, Intergroup relations and intercultural policies, CLIP Module 3, case study Tallinn, 2009, will be available on EuroFound web side
- Immigration population in Estonia 2009 ,. *http://www.stat.ee/31389*
- Statistical Yearbook of Tallinn 2008, Tallinn City Government, http://www.Tallinn.ee/est/g2677s45500
- Bosswick, W., Lüken-Klaβen, D., *Case study on Diversity Policy in Employment and Service Provision,* CLIP Network 2008.
- *Minorities and Majorities in Estonia: Problems of integration at the threshold of the EU,* ECMI Report 1999
- Reinvelt, R., *Integration, Multinational Estonia and Estonian-Language Press. Soviet – Time Immigrants in Newspapers Edasi/Postimees in 1998-2000,* Integration Foundation 2000
- Tesser, M., L., *The impact of the post-cold war European Minority Rights regime on inter-ethnic relations in Estonia and Latvia,* 2005
- *Estonia Today,* Fact Sheet 2008, Press and Information Department in Ministry of Foreign Affairs, www.vm.ee
- *Immigration Policies in the Baltic States,* Friedrich Ebert Stiftung, Riga 2007
- *Linguistic minorities in Estonia: discrimination must end,* Amnesty International 2006
- Estonian Citizenship and Migration Board Reports

- *Population and Housing Census. Place of Birth and Migration*, Statistical Office of Estonia 2000
- *Population and Housing Census. Citizenship, Nationality, Mother Tongue and Command of Foreign Languages,* Statistical Office of Estonia 2000
- *Education and Culture,* Statistical Office of Estonia 2008

Minister for Population and Ethnic Affairs (without Portfolio) as part of the State Chancellery (http://www.rahvastikuminister.ee/)

Non-Estonians' Integration Foundation

(http://www.meis.ee/eng/)

Open Estonia Foundation

(http://www.oef.org.ee/en/)

Ministry of Culture

(http://www.kul.ee/index.php?lang=en)

Ministry of Education and Research

(http://www.hm.ee/)

President of the Republic's Roundtable on National Minorities

(http://vp2001-2006.vpk.ee/en/institutions/national.minorities.php)