

Country:	Estonia
Member/Company	Estonian Employers' Confederation
Initiative	Key policy messages to the Government regarding the labour shortages problem

Overview

Overview of Estonian situation of labour shortages

According to the European Sentiment Index (ESI), the perception of labor shortages as a barrier to activity in services and manufacturing was at an all-time high at the end of 2021 - as in 2007 and 2019. 2022 is, of course, a slight decline.

According to economic surveys, the economic experts participating in the survey have been saying that the biggest obstacle to economic development for 10-20 years is the lack of qualified labor. Only in times of crisis has the lack of demand, etc., been a bigger problem.

In the 2020 Innovation Survey, innovative companies also said that the biggest barrier to innovation is the shortage of skilled labor. Growth companies, including Bolt, have also said at meetings of the social partners that the biggest obstacle to expanding operations in Estonia, including the establishment of head offices, is the lack of labor.

In 2017, Estonia's employment was the highest among the European Union member states after Sweden and in 2019 third after Sweden and the Netherlands. In 2021, in addition to Sweden, the employment rate in the Czech Republic, Germany and the Netherlands was higher than in Estonia.

Unemployment rates for many years before COVID were below natural levels (NAIRU / NAWRU). The unemployment rate was 4.2% in 2019, 7.2% at the peak of the crisis and 5.2% in the fourth quarter of 2021. Currently, in addition to Ukrainian refugees and COVID and the fear of war, the regulatory rate may be artificially maintained by regulatory changes - travel restrictions due to COVID, the obligation to register temporary workers, COVID's incentive to re-register as a self-employed person, employment that compensation is lost, etc.

This information is taken from the Labour Market Review by Estonian Bank – unfortunately accessible only in Estonian. https://haldus.eestipank.ee/sites/default/files/2022-04/tty1_2022_est.pdf

Key Messages

Estonian Employers Confederation main messages to the Estonian Government regarding the dealing with the labour shortages problem:

- Relaxation of restrictions on the entry of foreign labor into the labor market, abolition of the average wage requirement and / or immigration quota.
- Providing adequate education and training so that people can add value and support activities in old age.
- Increasing flexibility in employment relationships to help those who are unable or unwilling to work full-time and with only one employer, such as:
 - Enabling unstandardous/flexible working time arrangements in the employment contract.
 - Abolition of the minimum social tax - all employers would pay 33% of wages, currently at least one employer must pay a minimum, even if there are several employers.
 - Sharing the responsibility for ensuring safety and working conditions with the employee in the case of teleworking. The draft law is in progress, but it is not enough.
 - Changing on-call time requirements - On-call time is currently neither working time nor rest time, but the employee must be provided with daily and weekly rest periods. It is proposed to derogate from the rest requirements for employees in the field of ICT.
- Improving the health of workers, enabling them to contribute more and for longer. We recommend exempting healthcare services, medicines, etc. from special preferential taxes.
- Innovation – keeping the discussions on the table and guide the government to make the right decisions to support the digitalisation and automation of companies to decrease labor intensity and productivity.