

ESTONIA

Trade Union Monitor

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POLITICAL, ECONOMIC AND SOCIAL FRAMEWORK

POLITICAL CONTEXT

Political developments in Estonia in 2022 and early 2023 were defined by three major factors. First, the Russian aggression against Ukraine has had a significant impact on the economies of EU countries, including Estonia. On one hand, the war has resulted in substantial rises in energy prices, as well as consumer prices in general. At the same time, an embargo on imports of a variety of raw materials from Russia has led to a drop in manufacturing. Second, a new government coalition composed of the Reform Party, the Pro Patria Party (Isamaa) and the Social Democratic Party (SDE) was formed and took office on 18 July 2022. Third, preparations are underway for the elections of the Riigikogu (parliament), scheduled for the first weekend of March 2023.

The high-level tripartite social dialogue on labour and social policy issues, with the participation of the government, trade unions and employers, is mentioned in the coalition treaty of 15 July 2023 as follows: "We will continue with high-level tri-lateral negotiations with the Estonian Trade Union Confederation and the Estonian Employers' Confederation in matters concerning the labour market." Nevertheless, just two tripartite meetings took place during the reporting period. The first discussed the situation of refugees from Ukraine and measures to support their integration into Estonia's labour market (April 2022), while another focused on the EU green transition, issues related to social protection and ways of improving the working population's health (October 2022).

It is worth mentioning that the tripartite goodwill agreement on the reform of old-age pension schemes under favourable conditions was signed by the Ministry of Social Affairs (MoSA), and trade union and employer confederations on 2 May 2022. The document approved major steps to be taken in the long term (2031–2036 and, exceptionally for the oil shale industry, until 2050) to reform old-age pensions in order to improve the sustainability of the scheme and to prevent unti-

mely withdrawals from the labour market. A corresponding amendment to the law was passed on 8 February 2023.

Union and employer representatives signed another tripartite agreement with the MoSA on increasing the flexibility of the working time regulation for certain activities and professional groups, on 17 October 2022. Changes to the working time regulation became law in November 2022.

The parliament adopted several amendments to the Employment Contracts Act. The liability of the lead contractor for the subcontractors' obligation to pay wages to employees was enacted in October 2022. According to the amendments to the Unemployment Insurance Act, adopted in December 2022, the eligibility period to receive unemployment insurance benefits will be linked to the level of registered unemployment. Thus unemployment insurance benefits could be granted for a certain period, extended to 60 or 120 days according to the special formula that considers increases in unemployment compared with the reference period. This amendment will take effect from 1 July 2023.

ECONOMIC AND SOCIAL SITUATION

The Estonian economy has so far performed better than average. Despite the rapid rise in the cost of living, demand remained strong in 2022. But a substantial drop in consumer confidence became evident in falling consumption starting from January 2023.

High inflation is now increasingly affecting economic growth. Increased general government spending will be the main factor that lifts growth to 0.4 per cent in 2023 after its 0.5 per cent decline in 2022. The last quarter-on-quarter growth was seen in the fourth quarter of 2021.

After reaching 19.4 per cent in 2022, inflation is expected to fall to 9.3 per cent this year, while energy prices remain consistently high. Purchasing power decreased by 9 per cent in 2022. Purchasing power as well as demand in both Estonia's

internal and export markets will be reduced due to the high inflation, although wages are expected to rise by around 8.7 per cent in 2023 and 7.7 per cent next year. According to the latest economic forecast of the Estonian Central Bank, Eesti Pank, the monthly average gross wage is expected to reach 1,828 Euro in 2023 and 1,969 Euro in 2024.

Despite the economic contraction, there were no substantial shocks to the labour market in the second half of 2022. Employment increased by 27,100 in Q3/2022 compared with 2021. Consequently, the unemployment situation improved a little in 2022. The number of unemployed fell by 2,500 (from 43,100 to 40,600) in Q3/2022 compared with 2021 and the unemployment rate fell from 6.2 to 5.6 per cent. Nevertheless, a rise in employment is expected in 2023 as the economy cools down. According to the forecast, unemployment will rise and peak at 8.7 per cent in 2024, partly due to refugees from Ukraine seeking jobs in Estonia.

Pensions had increased by 7.9 per cent on an annual basis as of 1 April 2022, while there was no extraordinary adjustment last year. However, the base amount of the old-age pensions was supplemented by 20 euros per month starting from 1 January 2023. On the same day, an amendment to the Income Tax Act came into force, guaranteeing all pensioners the amount of the average pension (704 euros per month) as non-taxable income in 2023, regardless of total income. Both changes together increased the monthly net income of working old-age pensioners from 60 to 160 euros, depending on their earnings. For people below retirement age the monthly non-taxable income was increased to 654 euros (approximately 31 per cent), which will add 31 euros to the monthly net income for everybody who earns less than the average wage.

The state budget for 2023, adopted in parliament on 7 December 2022, allocated substantially more funds for the salaries of teachers, policemen and rescue workers. The minimum salary for teachers was increased to 1,749 euros per month (24 per cent), for policemen to 1,849 euros per month (17 per cent) and for rescue workers to 1,620 euros per month (36 per cent).

TRADE UNION CONTEXT

Due to the upsurge in energy prices and living costs, in May, the Estonian Trade Union Confederation (Eesti Ametiühingute Keskliit, EAKL) proposed to increase the national minimum wage to 700 euros per month, starting from 1 July 2022, and to set the amount of non-taxable income at the same level. Neither the employers nor the government supported the idea to make extraordinary changes, so the EAKL and the Estonian Employers' Confederation signed an extended collective agreement on 29 September 2022, setting the national minimum wage at 725 euros per month (4.30 euros per hour) starting from January 2023, an increase of 71 euros (10.9 per cent). The government issued a corresponding decree on 9 December 2022. The national minimum wage is expected to constitute 39.7 per cent of the average monthly wage in 2023 (compared with 38.9 per cent last year).

No major trade union protests took place in 2022, while, not surprisingly, the number of industrial dispute-related appeals to the Public Conciliator rose in the second half of 2022. Once again, the industrial conflict with the biggest impact occurred in the health care sector. In early August 2022, sectoral trade unions initiated negotiations with employers' associations on working conditions for 2023–2024. When no agreement was reached as of November, the unions appealed to the Public Conciliator. The conciliation proceedings were fruitful, and a new two-year collective agreement was signed on 20 January 2023. Another collective conflict took place in the maritime transport sector, in which bargaining on wages between the Seamen's Independent Trade Union and Tallink Group became deadlocked in late 2022. The union appealed to launch the conciliation procedure in December 2022 and held a one-hour warning strike in mid-January 2023. The conciliation offer was submitted to the parties on 26 January and a four-year deal (for 2023–2027) was reached on 6 February 2023.

TRADE UNIONS IN ESTONIA – FACTS AND FIGURES

HISTORICAL OVERVIEW

Estonian trade unions split from the umbrella organisation of Soviet trade unions at the union congress in December 1989. The new independent Estonian trade union confederation EAKL was founded in April 1990.

The development of trade unions in Estonia has been influenced by political and economic processes. After the restoration of independence in 1991, Estonia started to transform itself into a market economy. The privatisation of companies previously owned by the state in the mid-1990s was designed to attract foreign investors, taking the new economic paradigm into consideration and the sharp re-orientation of Estonian enterprises towards Western economies with highly competitive markets.

The first decade (1990s) of independence for Estonian trade unions could be characterised as a reawakening in the face of a drastically changed reality, especially regarding the economy. The trade unions had to start recruiting members for the first time in more than 50 years. Nevertheless, their desire to secure all labour rights and guarantees in legislation prevailed. Negotiations on collective agreements maintained a rather formal nature and focused mainly on additional “bonuses” (mostly in-kind) instead of wages.

Political changes started to arrive around 2002–2003. They include the neoliberal economic doctrine, promotion of flexicurity in employment relations and the labour market, and a political will to downplay the importance of the tripartite social dialogue. Some years later the government refused to participate at the structured tripartite negotiations on a regular basis, opting for ad hoc meetings, replacing negotiations with consultations or even just informing social partners of decisions already taken.

Unfortunately, not all trade unions, especially at the workplace level (and partly at the industry level as well), were able and ready to adapt quickly to the new reality. The result was a sharp and rapid decline in trade union membership and representativeness, which is continuing. According to the International Labour Organization (ILO), Estonia was the country with the lowest trade union density rate (4.5 per cent of employees) in Europe in 2017. The membership decline seems to be ongoing. The number of trade union members paying membership fees reported by EAKL was 13,441 at the beginning of 2023, a drop of 6.2 per cent (890 fewer members) compared with membership figures a year earlier. On the other hand, the Estonian Education Personnel Union (EHL), not affiliated to either union confederation, was able to raise their membership numbers.

TRADE UNION LANDSCAPE

The EAKL remains the only trade union umbrella organisation in Estonia that meets the internationally recognised criteria for a national confederation. It represents its members' interests in major industries (manufacturing, public services, transport, private services), employs professional staff (although the workforce is gradually decreasing), it is recognised by the public authorities and employers at the national level, and it is affiliated with the major international trade union organisations.

The Estonian Employees' Unions' Confederation (Teenistujate Ametiiliitide Keskorganisatsioon, TALO) was founded as the second central trade union organisation in September 1992,

Table 1
Main trade union confederations in Estonia

Trade Union Confederation	Chair and Vice Chair	Members	International memberships
Eesti Ametiühingute Keskliit, EAKL (Estonian Trade Union Confederation)	Chair: Jaan-Hendrik Toomel	13,441 (January 2023)	ITUC, ETUC, BASTUN
Teenistujate Ametiiliitide Keskorganisatsioon, TALO (Estonian Employees' Unions' Confederation)	Chair: Ago Tuuling	2,000 (estimated)	ETUC, BASTUN

Table 2
Main sector federations and individual trade unions in Estonia

Sector federation / trade union	Confederation	Chair and Vice Chair	Members	International memberships
Eesti Haridustöötajate Liit, EHL (Estonian Educational Personnel Union)		Chair: Reemo Voltri Vice Chair: Karin Klemme	aprox. 6,000	EI, ETUCE
Eesti Tervishoiutöötajate Kutseliit, ETK (Union of Estonian Healthcare Professionals)	EAKL	Chair: Ulvi Tasane	2,416 (January 2023)	–
Eesti Meremeeste Sõltumatu Ametiühing, EMSA (Estonian Seamen's Independent Union)		Chair: Jüri Lember Vice Chair: Raul Kleinson	2,563 (December 2022)	ITF, ETF
Riigi- ja Omavalitsusasutuste Töötajate Ametiühingute Liit, ROTAL (Federation of the Trade Unions of State and Municipal Agencies Employees)	EAKL	Chair: Kalle Liivamägi	1,764 (January 2023)	PSI, EPSU
Eesti Energeetikatöötajate Ametiühingute Liit, EEAÜL (Association of Estonian Energetics Workers' Trade Union)	EAKL	Chair: Sander Vaikma	1,118 (January 2023)	PSI, EPSU, IndustriALL, industriAll Europe
Eesti Tööstustöötajate Ametiühingute Föderatsioon, ETTAF (Estonian Federation of Industry Workers)	EAKL	Chair: Triin Rõuk	205 (January 2023)	IndustriALL, industriAll Europe
Eesti Industriaal- ja Metallitöötajate Ametiühingute Liit, IMTAL (Estonian Industrial and Metalworkers Trade Union)	EAKL	Chair: Aleksander Drannikov	751 (January 2022)	IndustriALL, industriAll Europe
PRO Ametiühing /endine Eesti Side- ja Teenindustöötajate Ametiühingute Liit, ESTAL (PRO Trade Union/former Estonian Communication and Service Workers' Trade Union)	EAKL	Chair: Kadri Kangur	418 (January 2023)	UNI Global, UNI Europa
Eesti Teenindus- ja Kaubandustöötajate Ametiühingute Liit, ETKA (Estonian Trade Union of Commercial and Servicing Employees)	EAKL	Chair: Elle Pütsepp	1,054 (January 2023)	UNI Global, UNI Europa

when a few sectoral unions of white-collar employees split from EAKL. The TALO has lost most of its members since then, however, although no data have been available on membership for more than a decade. The estimated membership is now only about 2,000 (as of January 2023). As mentioned in previous reports, the TALO has never accepted any of the several proposals for a merger made by EAKL over the years.

There was a change in EAKL leadership in summer 2022 when former president Peep Peterson was appointed as the health care and labour minister in July and Jaan-Hendrik Toomel, previously communications manager at EAKL, was elected president in early August.

No positive changes in trade union structures can be reported in recent years. Although the total number of EAKL-affiliated organisations remained unchanged as of the beginning of 2023, the decline in total membership continued. Only two of the industry-level trade unions affiliated with EAKL reported membership increases last year: the mining and power engineering workers' union gained 50 members (6 per cent) and the industrial and metal workers' union gained 41 members (5.8 per cent). There remains just one trade union with more than 2,000 members, while four have over 1,000. This is down from two and five, respectively, a year ago.

Looking at sectors with a significant share of the total employment, union density seems to be highest – albeit declining – in the health care and social work, education, transportation and storage, and mining and energy sectors. There are still no unions in the construction sector, ICT and real estate management, not to mention in small and medium enterprises across industries.

The bulk of industry-level unions lack resources, both human and financial, to perform their major functions effectively, including employing officials to recruit new members, as well as experts to deal with wages, employment relations, social protection, occupational health and safety, and other working life-related issues of high priority.

TRADE UNION WORKING CONDITIONS

There have been no substantial amendments to legal regulations that affect the foundation and activities of trade unions, as well as in industrial relations in general in recent years. The fragmentation of the trade union landscape, together with falling membership and representativeness are undermining the trade unions' role as social partners and weakening their position in social dialogue.

According to the Trade Union Act, five people can join and form a union as a legal entity, five unions have the right to establish a federation, and five federations can form a confederation. There are two major types of trade union organisation in Estonia. First, industry federations that comprise legal entities established at workplace level. This is a remnant of Soviet trade union structures. The other type is sectoral trade unions as a single legal entity that unite members from many

companies. About half of EAKL's affiliates are organised as industry federations, the other half as sectoral trade unions.

There is one clear *de jure* restriction of the freedom of association in Estonia. Article 59 of the Civil Service Act not only imposes a total strike ban on civil servants (para 1), but does not allow officials "to participate in other collective pressure actions which interfere with the performance of functions of an authority that has recruited the official or of other authority arising from the law" (para 2). Another issue is more *de facto* in nature, namely the prevailing political view that there is no place for collective bargaining in the civil service.

The social partners' involvement in shaping legal regulations for labour, employment and social protection issues is limited to general discussions of a consultative nature. Nevertheless, some positive moments can be reported for 2022. As already mentioned, trade unions and employers reached an agreement with the MoSA on two tripartite deals on special pension schemes and flexibilisation of working time regulations for some sectors, followed by corresponding legal amendments.

During its membership in the ILO (1921–1940 and since January 1992), Estonia has ratified 41 international labour standards, namely 39 conventions and two protocols, of which 27 are in force. Estonia has ratified all eight fundamental conventions and four governance (priority) conventions, while only 19 standards have been ratified since the restoration of independence and ILO membership. The most recently ratified international labour standards are the Protocol of 2014 to the Forced Labour Convention or P029 (November 2016), the Maritime Labour Convention (MLC) and Convention No. 188 (both May 2016). There have been no new ratifications in the past six years, including in 2022.

Regarding application of the international labour standards it is worth mentioning that the ILO Committee on Freedom of Association has registered three complaints from Estonia, all submitted by EAKL: Case No. 2011 (February 1999) on government interference in the establishment and internal functioning of trade unions; Case No. 2057 (July 2006) on the violation of trade union rights (discrimination against trade unions) in the Employees' Trustee Act; and Case No. 2543 (January 2007) on the violation of workers' rights by the total strike ban in the public sector.

Although a new Civil Service Act was adopted in June 2012, the new regulation neither ended the violation of civil servants' freedom of association nor provided any compensatory guarantees, required by the ILO to protect civil servants' interests in cases in which their right to strike is lacking or limited. Trade unions have not submitted another complaint on the issue to the Committee on Freedom of Association.

TRADE UNIONS AND THEIR CORE TASKS

Negotiating and concluding collective agreements is considered to be trade unions' priority. Unfortunately, up-to-date information on collective agreements is still not available.

One positive development is, that the collective agreement database of the Ministry of Social Affairs (MoSA) is publicly accessible once again. Nevertheless, the available data on valid collective agreements cannot be considered fully reliable as the latest collective agreement entered in the database is dated 31 January 2022. This fact has to be taken into account when assessing the total of 672 valid collective agreements in the database as of February 2023.

Collective bargaining takes place mainly at the workplace (company) level. According to the legislation, the minimum wage rates and working/rest time conditions agreed upon collectively by trade unions and employers' associations at either sectoral- or national-level can be made legally binding (obligatory) for all the employers and workers in the particular sector if the parties to the collective agreement decide to use the extension procedure laid down in the Collective Agreements Act (article 4, para 4). The regulation for the extension of collective agreements was amended in November 2021 by adding three representativeness criteria for social partner organisations entitled to extend (make legally binding for all employers) sectoral or national level collective agreements. Since the employers' association for automotive cargo transport did not meet these criteria, the extended sectoral collective agreement that entered into force on 1 April 2021 was annulled on 30 April 2022. As a result, once more there are only two sectoral collective agreements, for health care and for local bus transportation.

Most recently an extended sectoral collective agreement was signed for the health care sector as a result of the collective labour dispute conciliation proceeding on 20 January 2023. The industrial conflict was resolved, based on the proposal of the Public Conciliator to increase wage rates for three major professional groups (doctors, nurses and care personnel) by about 20 per cent, starting from April 2023, and by 10 per cent from April 2024. The sectoral collective agreement for bus transportation is valid until May 2023 and the negotiations on terms of the new agreement will start in late February 2023.

Real negotiations on the wages of civil servants with trade unions are still not taking place. All governments since the early 2000s, irrespective of their political composition, have remained firm on the principle that the Civil Service Act leaves no room for bargaining between the state as an employer and civil servants' trade unions. This clearly contradicts ILO conventions. According to the government, all working conditions in the public service should be defined unilaterally by the relevant ministry or the administration of the particular state agency. However, there exists a kind of consultation on public sector wages at national level: the unions meet with representatives of several ministries (finance, internal affairs, justice, education and research, social affairs, culture) to discuss pay rises for the next calendar year. Despite the size of the budget deficit, some major professional groups financed from the state budget, such as teachers, policemen and rescue workers, have obtained a considerable pay rise for 2023.

The national minimum wage is set in accordance with the extended collective agreement signed annually or bi-annually

by EAKL and the employers' confederation since 2001. Exceptions include the period of the financial and economic crisis and recession in 2009–2012, and the economic slump in 2021. The government issues a decree on national minimum wage rates (per month and per hour) as foreseen in the Employment Contracts' Act (article 29, para 5), based on the social partners' agreement.

While negotiating the national minimum wage the trade unions' goal has been the increase of the minimum wage as a proportion of the national average gross wage to 40 per cent for almost the past two decades. This approach is based on the desire to reduce unjustly wide and unfounded wage gaps, to make work pay, to increase domestic demand and tax receipts, and to reduce the risk of poverty for the elderly. Although the unions have made some progress, the national minimum wage fluctuated around 38–39 per cent of the average monthly gross wage in 2019–2022 (compared with 29 per cent in 2001). The target of 40 per cent will almost be reached in 2023.

The Council of the EU adopted the final text of the directive on adequate minimum wages in the European Union in October 2022. Estonia as a member state with a statutory minimum wage has to establish a framework for setting and updating the minimum wage in accordance with clear criteria. The main aim of the directive is to raise the national minimum wage to 60 per cent of the gross median wage.

Another important effect of the minimum wage directive is to strengthen collective bargaining to combat in-work poverty and to improve working conditions. To reach this goal, the directive aims at broadening collective bargaining coverage to 80 per cent of the workforce. Both goals are quite challenging not only for Estonian trade unions but for the social partnership framework in general.

TRADE UNIONS AND THEIR (POLITICAL) WEIGHT

It's complicated to assess the real political influence of the trade unions in Estonia, but it would be fair to describe it as fairly modest or even low. On one hand, 20–25 years ago EAKL was linked to the Social Democrats. At that time the confederation directly supported the party's policy positions, and two presidents of the EAKL were elected to the Riigikogu, representing the Social Democratic Party (in 1995, 1999 and 2003). This led to a kind of stigmatisation of the trade unions by other political parties in the parliament, which refused to support any legal proposal made by EAKL alleging this would be beneficial for the social democrats only. Thus starting from the mid-2000s, the confederation attempted to build up more balanced relationships with political parties represented in the parliament, based on policy, not on politics.

At the same time, the leadership of the Social Democrats (probably because of personnel changes) gradually became less interested in labour and employment issues, which necessarily are of paramount importance for the trade unions, even when the party was in the governing coalition (2007–2009, 2014–2016, 2016–2019).

EAKL signed a cooperation agreement with three political parties – the Social Democratic Party, the Centre Party and Eesti 200 (a new political party that professes social and economic liberalism) – before the parliamentary elections of 2019. EAKL renewed its cooperation agreement with the Centre Party in July last year, a few weeks after the launch of EAKL's policy agenda to address parties preparing for the parliamentary elections in 2023.

Peep Peterson, a member of the Social Democratic Party, left the party in March 2013 when he was elected president of EAKL. He rejoined the party in May 2019, but resigned as EAKL president in July 2022 when the Social Democrats entered the new government coalition and Peterson was appointed health care and labour minister.

Decreasing union membership does not provide the solid support at elections that political parties are looking for. Thus, the recruitment of new members and the improvement of trade union representativeness remain the crucial preconditions for obtaining more respect within society in general and in relations with political parties in particular.

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