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SOCIAL PARTNERS TOGETHER FOR DIGITAL TRANSFORMATION OF THE WORLD OF WORK: NEW DIMENSIONS OF SOCIAL DIALOGUE DERIVING FROM THE  
AUTONOMOUS FRAMEWORK AGREEMENT ON DIGITALISATION - TRANSFORMWORK VP/2020/001/0083

# National report

## Estonia

The survey was conducted as a part of the project: “Social partners together for digital transformation of the world of work. New dimensions of social dialogue deriving from the Autonomous Framework Agreement on Digitalization” (TransFormWork VS/2021/0014), funded by EC, DG Employment, Social Affairs and Inclusion. The research and survey were done by the Estonian Employers’ Confederation.

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## Desk research

### 1.1. Historical trends and the development of digital transformation in the partner country

- What is the national structure of the economy?
- Development of digital transformation in recent years
- What are the forecasts for the future?

#### 1.1.1. The structure of the economy in Estonia<sup>1</sup>

Estonia is a small, advanced economy, mostly influenced by EU and Scandinavian trade partners. GDP was EUR 27 billion in 2020, and will reach EUR 30 billion in 2021, which is around EUR 22,600 per capita. Estonia has only 1.3 million inhabitants, and the exporting of goods and services accounted for around 70% of GDP in 2020.

Estonia had the second highest activity rate in the EU in 2019 among the population aged 20-64, with unemployment being less than 5%, despite the work ability reform in 2018 that made an assessment of ability to work by the Unemployment Insurance Fund mandatory in order to receive support for reduced work ability. Active labour market measures are focused on career advice, upskilling and reskilling. A major emphasis is placed on language and basic IT skills.

Structure of enterprise. There are 137,000 companies in Estonia. Only about 40,000 of them have more than 1 employee, and only 7000 have 10 or more employees. In Q1 2021, the 5% of companies with 10 or more employees paid 75% of taxes and employed around 65% of the work force.

There has been a strong focus on ICT in Estonia since the restoration of independence. The impact of digitalization has been stronger in public services and lags a bit in the private sector, especially in SMEs.

Some facts about digitalization:

- High-technology and the knowledge-based service sector account for 4.8% of employment, which is 6<sup>th</sup> highest in the EU.
- ICT sector value added was 5.4% of GDP in 2018, which was 5<sup>th</sup> highest in the EU.
- ICT specialists accounted for 4.3% of total employment in 2018, which was 3<sup>rd</sup> highest in the EU. The share of all ICT sector employees reached 7.1% of the labour force in Q1 2021.
- A total of 62% of the population has basic or above basic ICT skills, which matches the average EU level.
- Only 26% of Estonian enterprises use an ERP system in communication between different departments and business lines, whereas the EU average in businesses is 36%.

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<sup>1</sup> Statistics Estonia and Eurostat have been used as sources throughout this chapter.

- A total of 80% of individuals have used the Internet in past 12 months for communicating with public authorities.
- There are 31 start-ups per 100,000 inhabitants (3<sup>rd</sup> in the EU).

Overall, the manufacturing industry accounts for the largest part of the economy. The manufacturing industry employs 18% of the labour force and accounts for 14–15% of GDP (see Table 1). Labour productivity in manufacturing is lower than the European average and the issue is being tackled largely through innovation and digitalization. According to a survey conducted by Enterprise Estonia in 2020, 64% of industrial enterprises surveyed had computer-controlled machines, while 36% did not<sup>2</sup>. A third of the respondents said that their company collects and analyses data. Sensor technology was used by 22% of the companies surveyed. Drones are used by 15% of the industrial enterprises surveyed. Digitalization and automation of production processes is more prevalent in large companies.

The second largest sector, retail and wholesale trade, accounts for 13.5% of value added and 13% of the labour force. Today, most retailers have launched their own online shops and have adopted self-service checkouts. Information flows are largely digitalised and integrated (ERP systems, etc.).

The ICT sector itself accounts for 8.6% of GDP and nearly 5% of the labour force. The greatest challenge for the sector is finding new people to recruit. For this reason, ICT companies often expand to other Eastern European countries and elsewhere.

Table 1. Economic structure by industrial breakdowns of GDP and employment (Eurostat 2020)

*** Activity sector:	% of GDP		% of employment	
	Estonia	EU <sup>3</sup>	Estonia	EU
Total – all NACE activities	100	100	100	100
Agriculture, forestry and fishing	2.2	1.9	2.9	4.5
Industry (except construction)	18.6	19.4	20.1	16
Manufacturing	14.4	16.2	18.2	14.4
Construction	6.4	5.7	8.0	6.5
Wholesale and retail trade, transport, accommodation and food service activities	20.7	17.8	23.3	24.1
<b>Information and communication</b>	<b>8.6</b>	<b>5.4</b>	<b>4.8</b>	<b>3</b>
Financial and insurance activities	4.9	4.6	1.8	2.3
Real estate activities	9.2	11.4	1.7	1
Professional, scientific and technical activities; administrative and support service activities	9.5	11.1	8.5	12.5
Public administration, defence, education, human health and social work activities	17.3	19.8	23.2	24
Arts, entertainment and recreation, etc.	2.5	3.0	5.7	6

### 1.1.2. Recent developments

<sup>2</sup> [https://www.eas.ee/wp-content/uploads/2020/04/T%C3%B6%C3%B6stuse-digitaliseerimine\\_aruanne-Tootmisprotsessidejuhtimisedigitaliseeriminet%C3%B6%C3%B6stuses.03.2020.pdf](https://www.eas.ee/wp-content/uploads/2020/04/T%C3%B6%C3%B6stuse-digitaliseerimine_aruanne-Tootmisprotsessidejuhtimisedigitaliseeriminet%C3%B6%C3%B6stuses.03.2020.pdf)

<sup>3</sup> 27 countries from 2020 (Eurostat 07.06.2021)

The COVID-19 pandemic has had an impact on economies and lives around the world. Fortunately, the negative impact on the economy is not as uniform as in the financial crisis of 2008-2010. As in many other countries, the ICT sector has actually seen strong growth during the pandemic. Exports of digital services have experienced strong growth in recent years, accounting for around 12-13% of total exports in 2020. The share of people employed in the ICT sector has increased from 4.8% in 2015 to 7.1% in the first quarter of 2021<sup>4</sup>.

In addition, digital technology also suddenly became even more important for people working in other sectors. Nearly 200,000 employees, or about a third of the labour force, transferred to telework in Estonia in the second quarter of 2020, while the usual level is approximately 7%<sup>5</sup>. Nearly 90% of employees would like to see a permanent increase in the share of telework<sup>6</sup>.

Data from the Labour Force Survey<sup>7</sup>, collected during the emergency situation, shows that professionals (67.9%) and managers (57.2%) made the most use of teleworking, while the use was significantly lower among mid-level specialists (41.5%) and office workers (25.8%).

In a comparison of activities, teleworking was used the most by those working in information and communication (82.4%), finance and insurance (75.5%) and professional, scientific and technical fields (68.7%)<sup>8</sup>.

The biggest increase in the share of people working remotely was in education: 19.5% in the previous year compared to 56% during the first wave of the coronavirus<sup>9</sup>.

### 1.1.3. Forecasts and future developments

Estonia's economy is projected to recover rapidly in 2022 and beyond (see Table 2), with unemployment expected to fall. Previous structural problems, such as a significant labour shortage, ageing society and inadequate funding for social services, will once again become more prominent than the health crisis.

Table 2. The general economic forecast (European Commission in March 2021)

Indicators	2019	2020	2021	2022
GDP growth (% YoY)	5	-2.9	2.8	5
Inflation (% YoY)	2.3	-0.6	1.6	2.2
Unemployment (%)	4.4	6.8	7.9	6.3
General government balance (% of GDP)	0.1	-4.9	-5.6	-3.3
Gross public debt (% of GDP)	8.4	18.2	21.3	24
Current account balance (% of GDP)	1.9	-1	1.9	1.7

<sup>4</sup> Statistics Estonia and The Digital Economy and Society Index (DESI): <https://digital-strategy.ec.europa.eu/en/policies/desi>.

<sup>5</sup> <https://www.stat.ee/et/uudised/koroonakriisi-tulemus-200-000-kaugtoo-tegijat>, 21.06.2021

<sup>6</sup> <https://turundajateleer.ee/89-tootajatest-soovib-tulevikus-jatkata-osalise-kaugtooga/>

<sup>7</sup> <https://www.stat.ee/et/uudised/koroonakriisi-tulemus-200-000-kaugtoo-tegijat>, 21.06.2021

<sup>8</sup> <https://www.stat.ee/et/uudised/koroonakriisi-tulemus-200-000-kaugtoo-tegijat>, 21.06.2021

<sup>9</sup> <https://www.stat.ee/et/uudised/koroonakriisi-tulemus-200-000-kaugtoo-tegijat>, 21.06.2021

Currently, the emphasis has been placed on acceleration of digitalization, both in the private and public sectors. Digitalization is one of the priorities of all national strategies, European funding (ESF RRF, etc.) and Estonian government budgets. According to the Council of the European Union, country-based recommendations should focus on investment in the green and digital transition, in particular on the digitalization of companies in Estonia in 2020–2021<sup>10</sup>.

Education Strategy 2021-2035<sup>11</sup> targets:

- The plan is to provide 100% of basic school graduates with basic ICT skills, up from 83% today.
- A total of 60% of the population aged 16-74 should acquire digital skills above the basic level, up from 35% today.
- Digitalization of methodology of teaching and learning (target levels to be developed)

There are no specific digitalization targets in the Research and Development, Innovation and Entrepreneurship Strategy<sup>12</sup>; however, the whole strategy is horizontally based on or supporting digitalization and contains specific activities, such as:

- fostering automation in enterprises through the development of a roadmap for digitalization and the financing of the investments included in this roadmap, including support for digitalization and the adoption of AI and robotics technologies to improve the efficiency of enterprises' processes and supply chains, and to increase the added value of products and services;
- reducing administrative burdens on businesses, including by providing public services to businesses through a single digital gateway, as proactively as possible and in line with their business developments, and by encouraging the development and implementation of the real economy;
- fostering digital commerce (e-commerce, platform economy, sharing economy) and the circular economy to improve the competitiveness of Estonian micro, small and medium-sized enterprises in international trade;
- developing and expanding the e-Residency programme to invite new undertakings to do business in and through Estonia;
- continuing the implementation of the Work in Estonia programme to attract professionals needed by Estonian businesses, and developing an efficient inter-professional talent policy;
- supporting the use of the best available technologies in industrial enterprises and encouraging the adoption of business models based on modern technologies, including the diagnosis and auditing of bottlenecks and the involvement of internationally experienced experts and professionals from abroad;
- fostering the growth of exports of existing RDI-intensive products and technologies developed in Estonia and creating the conditions for the

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<sup>10</sup> [https://ec.europa.eu/info/publications/2020-european-semester-country-specific-recommendations-commission-recommendations\\_en](https://ec.europa.eu/info/publications/2020-european-semester-country-specific-recommendations-commission-recommendations_en)

<sup>11</sup> <https://www.hm.ee/et/kaasamine-osalemine/strateegiline-planeerimine-aastateks-2021-2035/eesti-haridusvaldkonna-arengukava>, 18.06.2021

<sup>12</sup> <https://www.hm.ee/et/TAIE-2035>, 18.06.2021

development and sale of new products and services in higher added value sectors and markets, supporting companies through quality infrastructure services and helping them to obtain the necessary certificates and marketing authorizations in the target market, encouraging cooperation and joint activities between companies to increase export volumes.

Most important digitalization projects in the member state:

- Leveraging reuse in digital governance is a reality. A common digiriik.eesti.ee information space has been created, providing a clear overview of the development principles of digital governance and a systematically managed collection of problems and solutions for digital governance, and platforms for the reuse of ICT components have been implemented: the software selection available in the digital governance code repository has been expanded, and a repository has been created for the sharing of AI toolkits and other reusable technical components.
- The aim for 2021 is to draw up a new national AI/machine learning plan and to continue implementing the plan in the coming years.
- By the end of 2022, the “Kratt” AI strategy will be adopted in at least five government authorities.
- Implementation of activities in accordance with the established Open Data Action Plan 2021–2022 and Data Management Action Plan 2021–2022.
- To ensure the sustainability of digital governance, we coordinate the use of the state budget as well as EU funds (SF and RRF) to secure funding for the IT developments that are important for the state and to provide a boost for digital transformation. A major focus in 2022–2023 will be on developing implementation schemes for EU funds (SF 2021–2027; RRF until 2026) and on establishing coordination routines. A number of state-wide reforms will be launched, including a new level of public digital services (making services holistic and proactive) and a new level of digital infrastructure, including a secure digital cloud.
- We will update the national concepts for cyber security management and for resolving cyber incidents. Based on these concepts, we will supplement the Cybersecurity Act and other legislation and regulatory documents setting out the roles, responsibilities, tasks and cooperative relationships of authorities and organizations.
- We will raise situational awareness of cyber security trends, threats and impacts and develop the capacity to create adequate cyber security measures. To this end, we will systematize the R&D processes on cyber security and will commission the necessary analyses and studies.
- We will adopt a new cyber and information security standard and improve our capacity to implement security measures. We will create a system of metrics to monitor and measure the level of national cybersecurity.
- One of the outcomes of smart development of existing and new information systems should be increased satisfaction with public services among citizens and businesses. This is to be achieved, among other things, through the introduction of proactive government services, which will also include the development of eesti.ee and integrations of the State Budget Strategy 2022–2025 and the 2021

Stability Programme. Seventy-five integrations with the rest of the government's databases and services. In addition, support will continue to be provided for the development of public services and basic infrastructure, and for the interoperability of public services.

- Active development of proactive government services will be launched, based on the roadmap for the development of proactive government services agreed in September 2020, with the first developments planned to start in the fourth quarter of 2021. A total of 14 proactive government services have been agreed under the roadmap and 9 of these services will be developed in the period 2021–2025.
- The introduction of better public service management, including measurement and monitoring, will continue. This will be done by developing a common service standard for the design, development, management and measurement of services, by further developing the knowledge and skills of service managers and owners, and by creating and providing tools for service owners to manage the services, including by improving user-friendliness of the national central directory of services.
- The support measure for passive broadband infrastructure for access networks concluded with Elektrilevi in 2018 will be completed, which should provide 40,016 addresses in rural areas with access to a high-speed access network (EUR 11.6 million) by the end of 2023.
- State support will be used to establish the first continuous 5G transport corridors and 5G areas in residential and industrial areas.
- Additional support measures will be launched to support the establishment of access networks in the failing areas of the market.

## 1.2. National framework of digitalization and collective bargaining

- Legislation, strategic documents, institutional framework, opinions of national social partners, collective labour agreements, etc.

Generally, collective bargaining on the company or sectoral level is quite rare in Estonia and most work life issues and related matters are regulated in law. Only around 4-5% of employees are members of trade unions and the coverage is concentrated in specific public sector jobs (teachers and medical workers) and transport. There is a trade union for the service employees of two big telecom companies, but no trade union in the ICT sector representing ICT specific jobs. There is a collective agreement at the confederation level to adopt the European Social Partners Framework Agreement on Digitalization. The members of the Estonian Employers' Confederation have also responded in the survey that they would prefer most of the social dialogue to take place at the level of central unions and the government<sup>13</sup>.

Collective bargaining is mainly regulated by the Collective Agreements Act<sup>14</sup>.

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<sup>13</sup> Inaugural survey of the Norway Grants-funded project 'Social Partnerships and Flexible Labour Relations', April 2021.

<sup>14</sup> <https://www.riigiteataja.ee/en/eli/ee/518062018002/consolide/current>

The most important strategies on digitalization at the national level are ‘Estonia 2035’<sup>15</sup>, ‘Estonian Digital Society 2030’ (to be approved in 2021), the Research and Development, Innovation and Entrepreneurship Strategy 2035 (TAIE), and the Education Strategy 2021–2035. The general targets partially related to digitalization in these strategies include:

- Labour productivity is 110% of the average of the 27 European Union Member States.
- R&D expenditure in the private sector is 2% and in the public sector 1% of GDP.

Estonian digital society 2030<sup>16</sup> targets:

- Based on the vision, the main objective of digital society development in the next decade is increasing Estonia’s ‘digital power’: gaining the best experience for digital governance, providing ultra-fast internet for everyone, and ensuring safety and credibility of our cyberspace.

As a result, satisfaction with public digital services among individuals and businesses is expected to rise from 69% in 2020 to 90% in 2030, availability of high-speed internet from 47% to 90%, cybersecurity rating from 58% to 100%, and credibility should be maintained at 96%.

- Satisfaction with public digital services should rise from 47% among businesses and from 69% among private individuals in 2020 to 90% in both groups by 2030.
- The share of households and businesses in Estonia with access to at least 100 Mbps internet, which can be upgraded to 1 Gbit/s, is expected rise from 58% in 2021 to 100% by 2030.
- Cybersecurity: minimizing the proportion of 16-74-year-olds who have not interacted online with public authorities or service providers in the last 12 months due to security risks.

National strategies and development plans are generally reflected in government action plans, but do not always necessarily deliver results. Business organizations therefore have an important role to play in both designing development plans and ensuring their implementation.

The most visible manifestations of digitalization in the context of employment are probably the expansion of teleworking opportunities and the increasing need for digital skills. Teleworking is regulated in the Employment Contracts Act<sup>17</sup> and the employer-employee liability for teleworking is specified in the social partners’ agreement on teleworking, on the basis of which the Ministry of Social Affairs has also drawn up a guide on teleworking<sup>18</sup>.

In Estonia, several studies have been carried out on forms of work facilitated by digitalization (platform work, telework, etc.):

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<sup>15</sup> <https://valitsus.ee/strateegia-eesti-2035-arengukavad-ja-planeering/strateegia>, 18.06.2021

<sup>16</sup> Approval of ‘the draft: ‘Estonian Digital Society Development Plan 2030’, <https://eelroud.valitsus.ee/main/mount/docList/e00fb8a2-9c4b-42b6-b424-7e320949db98>, 18.06.2021

<sup>17</sup> <https://www.riigiteataja.ee/akt/112072014146?leiaKehtiv>

<sup>18</sup> Both the manual and the social partners’ agreement are available as of 21.06.2021 at: <https://www.tooelu.ee/et/131/tooohutus-kaugtool>.

1. Heejung Chung. Future of work and flexible working in Estonia. The case of employee-friendly flexibility, 2018<sup>19</sup>.
2. Johanna Vallistu jt. Analüüs 'Tuleviku töö – uued suunad ja lahendused' [Analysis. 'Work in the future – new trends and solutions'], 2017<sup>20</sup>.
3. The Foresight Centre has carried out a series of studies, with a focus on the future of work:
  - a. Platvormitöö Eestis 2021 [Platform Work in Estonia 2021] <sup>21</sup>.
  - a. Understanding Virtual Work. Prospects for Estonia in the Digital Economy, 2018<sup>22</sup>.
  - b. Tööturg 2035. Tööturu tulevikusuunad ja -stsenaariumid [Labour Market 2035. Future Labour Market Trends and Scenarios], 2018<sup>23</sup>.

A good overview of digitalization can be found in:

1. European Digital Economy and Society Index (DESI) <sup>24</sup>
2. IMD Digital Competitiveness Ranking<sup>25</sup>

### 1.3. The role of social partners

- State of play on the main issues, arranged by the FAA on Digitalization
- Challenges and opportunities faced by social dialogue deriving from the digital transformation of the world of work
- Examples of good practice

#### 1.3.1. State of play on the main issues, arranged by the FAA on Digitalization

On 29 March 2021, the social partners agreed on an Estonian social partners' action plan for the implementation of the European Social Partners Framework Agreement on Digitalization. According to the agreement, the Estonian Confederation of Trade Unions and the Estonian Employers' Confederation recognize the European 'Framework Agreement on Digitalization' and consider it applicable in Estonian conditions. The social partners will discuss the implementation of the action plan at bilateral meetings and, if necessary, supplement it with new actions. The partners will report to the European Social Dialogue Committee on the implementation of the agreement on the Framework Agreement on Digitalization.

The social partners discussed the possibilities for implementing the Framework Agreement at a bilateral meeting on 4 February 2021, and decided to draw up the following action plan:

#### 1. Joint activities:

<sup>19</sup> <https://www.riigikogu.ee/wpcms/wp-content/uploads/2017/09/Employee-friendly-flexibility.pdf>

<sup>20</sup> [https://skytte.ut.ee/sites/default/files/skytte/tuleviku\\_too\\_lopparuanne.pdf](https://skytte.ut.ee/sites/default/files/skytte/tuleviku_too_lopparuanne.pdf)

<sup>21</sup> [https://www.riigikogu.ee/wpcms/wp-content/uploads/2021/06/2021\\_platvormitoo\\_uuring.pdf](https://www.riigikogu.ee/wpcms/wp-content/uploads/2021/06/2021_platvormitoo_uuring.pdf)

<sup>22</sup> [https://www.riigikogu.ee/wpcms/wp-content/uploads/2017/09/Virtual-work-size-and-trends\\_final1.pdf](https://www.riigikogu.ee/wpcms/wp-content/uploads/2017/09/Virtual-work-size-and-trends_final1.pdf)

<sup>23</sup> [https://www.riigikogu.ee/wpcms/wp-content/uploads/2018/08/tooturg\\_2035\\_tooturu\\_tulevikusuunad\\_ja\\_stsenaariumid\\_A4\\_veeb.pdf](https://www.riigikogu.ee/wpcms/wp-content/uploads/2018/08/tooturg_2035_tooturu_tulevikusuunad_ja_stsenaariumid_A4_veeb.pdf)

<sup>24</sup> [https://ec.europa.eu/newsroom/dae/document.cfm?doc\\_id=66911](https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=66911), 30.06.2021

<sup>25</sup> <https://worldcompetitiveness.imd.org/countryprofile/EE/digital>, 30.06.2021

- a. Adaptation of the 2017 telework agreement<sup>26</sup>.
  - The partners will collect and discuss members' opinions in September 2021.
  - Setting up of a joint working group in September 2021.
- b. Discussion/agreement on the right to disconnect in October 2021.
- a. Funding/promotion of digital training in the Unemployment Insurance Fund in April 2021<sup>27</sup>.
- a. Participation in the working groups on national policy development (ongoing activity):
  - Council for Adult Education;
  - Supervisory Board of the Unemployment Insurance Fund;
  - OSKA Coordination Council<sup>28</sup>.
2. Estonian Trade Union Confederation
  - a. Google project: helping employees adapt to digitalization and process management – 2021-2022.
  - b. Discussion of the Framework Agreement on Digitalization at the annual autumn conference of the ETUC to identify possible implementation actions in sectoral and company level collective agreements – September 2021.
3. Estonian Employers' Confederation
  - a. Mapping the needs, opportunities and impact of the digital transformation, and making relevant recommendations for 2022 to employers and the government.
  - b. Digital transformation activities in working groups.

As of June 2021, the Estonian Employers' Confederation, for example, together with the Estonian Association of Information Technology and Telecommunications, has organised a 4-part series of workshops on the 'Practical Digital Journey of a Company'<sup>29</sup> for business leaders who want to take their production or service provision to the next level with the help of digital technologies. We also contributed to the design of a national support measure for the creation of a digitalization roadmap<sup>30</sup> for businesses. Previously, we carried out a project to provide business leaders with basic digitalization skills<sup>31</sup>.

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<sup>26</sup> The telework agreement was concluded to clarify responsibility for health and safety in telework situations. While the employer is responsible for safety and working conditions in the workplace, the manual states that, when working remotely, the employee is responsible. The employer has a duty to inform and consult the teleworker about possible risks.

<sup>27</sup> Peep Peterson, the head of the Estonian Trade Union Confederation, was the chairman of the Unemployment Insurance Fund from May 2020 to April 2021, and Arto Aas, the CEO of the Estonian Employers' Confederation, holds the position from May 2021.

<sup>28</sup> OSKA – a project running since 2016 for analysing the needs for labour and skills necessary for Estonia's economic development.

<sup>29</sup> <https://itl.ee/toostus-4-0/digiteekond/>

<sup>30</sup> A digitalization roadmap is a strategic document for a company to assess the impact of digitalization, the investments needed to achieve the objectives, their cost-effectiveness, and the timeframe. The digitalization roadmap highlights the bottlenecks in technological processes and the terms of reference for tackling at least one of those bottlenecks. <https://www.eas.ee/teenus/digiteekaart/>

<sup>31</sup> DigiABC project – 'Estonian Information Society Development Plan 2014-2020' has set the target of reducing the share of non-users of computers and the internet to 5% by 2020. The DigiABC project supports the achievement of this target and provides an opportunity to acquire digital literacy, which in turn supports people of working age becoming members of the information society and increasing their individual competitiveness and the competitiveness of sectors that are important for the Estonian economy.

The Estonian Employers' Confederation has spent a great deal of energy on the adequate design of the national mitigation measures for the COVID19 crisis and the REACT-EU, Recovery and Resilience Facility (RRF), as well as other European measures with a similarly strong emphasis on digitalization.

### 1.3.2. Examples of good practice

This subsection highlights some good practice examples of social partners working together on digitalization and modern industrial relations.

The first example is the drafting of a telework agreement and manual. The Occupational Health and Safety Act<sup>32</sup> places the responsibility for creating and ensuring a safe working environment for health on the employer in all cases, but in practice it is almost impossible for employers to ensure safe working conditions outside their own place of business. However, working in home offices, cafés, libraries and elsewhere using digital tools is becoming more common. On 25 May 2017, the Estonian Employers' Confederation and the Confederation of Estonian Trade Unions signed an agreement on teleworking which, among other provisions, set out the principles for ensuring occupational health and safety in the case of teleworking. On the basis of the social partners' agreement on telework, the Ministry of Social Affairs has prepared a manual<sup>33</sup> for flexible implementation of the Occupational Health and Safety Act in telework situations. The content of the manual was seen by employers as an optimal compromise until the coronavirus crisis, but the much more widespread use of telework in 2020 resulted in the resurfacing of certain questions that have perhaps not been adequately addressed in the telework manual. This includes, for instance, a reasonable division of working time, rest time and home office costs, where the current law allows for one or the other solution, but where either employers or employees have asked for more clarity.

The social partners also cooperate in the OSKA Coordination Council and the Supervisory Board of the Unemployment Insurance Fund. OSKA is a skills and labour demand forecasting system where a group of experts and analysts assesses the future demand for specific skills and specialists, and the adequacy of current training supply. As early as 2016, OSKA's results indicated that the greatest areas of shortage in Estonia include various digital skills and ICT specialists.

The Unemployment Insurance Fund has also invested heavily in recent years in active labour market measures and in making the skills needed on the labour market more accessible. The share of clients of the Unemployment Insurance Fund participating in training or other qualification raising services was 70% in 2019 and 67% in 2020. The total number of people participating in training funded by the Unemployment Insurance Fund was 106,000 in 2019

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<sup>32</sup> Occupational Health and Safety Act, <https://www.riigiteataja.ee/en/eli/522042021002/consolide>, 21.06.2021

<sup>33</sup> Both the manual and the social partners' agreement are available as of 21.06.2021 at: <https://www.tooelu.ee/et/131/tooohutus-kaugtool>.

and 111,000 in 2020<sup>34</sup>. A total of 11% of all unemployed participants attended a training on digital skills.

Among other things, the social partners agreed in 2017, working in the Supervisory Board of the Unemployment Insurance Fund, on commencement of financing to prevent unemployment<sup>35</sup>. The services to prevent unemployment include: 1) support for participation in formal education for a worker or a registered unemployed person who is taking up vocational training, higher vocational education or higher education in an undergraduate programme; 2) labour market training for workers who are at risk of unemployment and have a training card; 3) qualification support service for workers who have completed training using labour market training or training support facilities; 4) training support for employers to develop the knowledge and skills of workers in taking up employment and adapting to changes in the employer's business. In order to prevent unemployment, the employee or the employer can receive financial support for attending a training course included on the list of the Unemployment Insurance Fund or for participating in formal education. A total of 4% of workers who wanted to prevent unemployment opted for digital skills training in 2020.

From 2021, the Unemployment Insurance Fund will additionally compensate up to EUR 2500 per employee, if the employer sends the employee to digital skills training.

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<sup>34</sup> The size of the economically active population in Estonia's labour market was 687,800 people in 2019 and 689,900 in 2020.

<sup>35</sup> <https://www.tootukassa.ee/content/teenused/toota-ja-opi>, 21.06.2021.

## 2. Empirical survey

### 2.1. Introduction and the methodology

The survey was conducted as a part of a project: “Social partners together for digital transformation of the world of work. New dimensions of social dialogue deriving from the Autonomous Framework Agreement on Digitalization” (TransFormWork VS/2021/0014).

The aim of the survey was to gather information on digitalization and its impact on human relations in Estonia through an online survey and expert interviews with key national stakeholders.

The online questionnaire was conducted from 1<sup>st</sup> to 28<sup>th</sup> of February and interviews on 7<sup>th</sup> to 11<sup>th</sup> of March.

17 line managers or HR managers (will also use “managers” or “employers” from this point forward), 14 employees and 5 social partner organization representatives answered the survey.

The aspects of digitalization were covered in ¾ of collective agreements in companies where these agreements existed.

## 2.2. Social partners' representative organizations

### *Description of the group*

5 social partner representatives answered the questionnaire. One respondent answered the questionnaire from each field or sector:

- employers' confederation
- chemical industry trade union
- railway workers' trade union
- food industry association
- pharmaceutical manufacturers' association

### *Digital skills and securing employment*

National/ cross-industry/ sector level social partners address the need of upskilling/ reskilling workers/ employees so that digital challenges can be mitigated by:

- 1) looking for solutions to involve people in continuing studies, how to make training programs more relevant etc both in bi- and tripartite social dialogue.
- 2) As the members of Council of Unemployment Fund social partners' confederations participate in design of labour market measures
- 3) Established Estonian Qualifications Authority ("Kutsekoda")<sup>36</sup> and participate in the management in order to improve and update people's skills.
- 4) Participate in projects to diagnose and solve the challenges related to digitalization and to popularise digitalization and digital skills.

Social partners have been consulted or involved in the adoption of competence development plans in the system of vocational training (100%) and national training funds/sectoral training funds (20%).

80% of respondents answered that national/sector level collective agreements address the digital transformation of the enterprise and envisage training opportunities for employees/ workers

80% cross-industry/ sector level social partners either have their own training institutions/ vocational centers or they provide trainings to affiliated members or they provide trainings on digital skills.

80% of respondents stated that they do respond to the need to motivate staff to take part in training.

### *Modalities of connecting and disconnecting*

The issue of respecting working time rules and teleworking and mobile work rules is being addressed quite often in central/confederation level. Confederations have carried out surveys and developed proposals for law changes as well as best practice.

One sectoral level employers' organizations' representative answered that work time and safety at telework is broadly discussed and managed in organizations at least by HR managers.

One sectoral level (3 state owned companies) trade union representative answered that the rules aren't discussed previously but just being introduced after coming into force.

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<sup>36</sup> <https://www.kutsekoda.ee/en/>

At least one of national/cross-industry/sector level social partners is currently participating in campaign activities concerning the right to disconnect, commitment from management to create a culture that avoids out of hours contact and workload arrangements and occupational safety and health (OSH). Two national/cross-industry/sector level social partners are currently participating in campaign activities concerning other modalities of connecting and disconnecting.

60% of respondents provide guidance and information to their members on how to observe working time rules with respect to “the right to disconnect”. Estonian Employers’ Confederation has arranged seminars with the help of The Labour Inspectorate who’s main tasks as a government agency cover national supervision of requirements of legal acts regulating health and safety at work and labour relations in the work environment, notification of the general public, employees and employers about hazards in the work environment, and resolution of individual labour disputes at an extra-judicial labour dispute resolution body.

#### *Artificial Intelligence (AI) and guaranteeing the human in control principle*

Only one social partner organization has agreements based on common principals or guidelines, related to the deployment of Artificial Intelligence (AI) systems at the enterprise level, in order to assist their members and to ensure it is lawful, fair, transparent, safe, and secure.

None of the respondents has undertaken initiatives to assess the impact, including the risks from the adoption of AI in enterprises.

One respondent had collective agreements on the use of AI systems controlling human-resource procedures, such as recruitment, evaluation, promotion and dismissal.

#### *Respect of human dignity and surveillance*

None of the respondents had guidelines, by means of collective agreements, setting out specific rules to ensure the protection of the rights and freedom with regards to the processing of personal data of employees in the context of employment relationships.

## 2.3. HR managers

### *Description of the group*

17 line managers or HR managers (will also use “managers” or “employers” from this point forward) answered the survey. 13 of them answered the questionnaire.

54% of respondents represented companies with 51-250 employees, 31% 1-50 employees and 15% more than 250 employees. There was 2 respondents from chemistry manufacturing, retail and construction sectors and 1 respondent from whole sale, security service, bakeries, research and development, general manufacturing, medical whole sale and construction material manufacturing sectors.

None of the managers had trade unions in their organization nor the collective agreements covering any aspects of work life.

### *Digital skills and securing employment*

Digital strategy is being implemented in 85% of companies according to managers’ survey.

All companies had introduced new technologies in the past five years. Most companies had implemented new computer software (92%) and automated (77%) their processes in the past 5 years (Figure 1). 54% of the companies had implemented Intranet or other digital communication channels, 46% of companies had bought new hardware and 31% used working platforms or used platform workers.

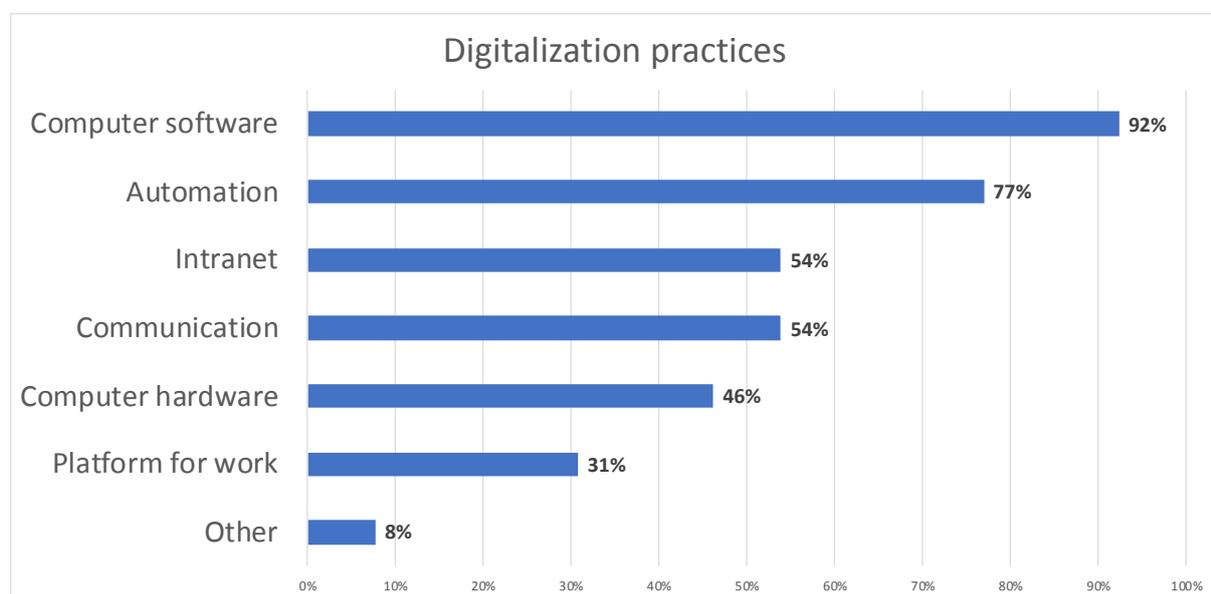


Figure 1. Digital technologies implemented in the past 5 years

Based on the interviews lately almost all companies have had to deal with the bigger share of telework and home office facilitation, splitting energy bills, buying office equipment, protecting data (VPN, cloud), ensuring effective communications and sustainability of organizational culture.

**The biggest obstacles were related to fear of digital solutions or even computers, building trust and controlling systems, digital capacities and skills, general change management etc.**

The main fields of digitalization were e-service/self-service and automated client satisfaction surveys, management accounting and ERP systems.

Some examples from the interviews:

- An HR manager from a utility company said all of their mechanics have their workflows in their tablets, so they don't need on-site supervising and constant commuting between office. Instead they can use their time more efficiently and flexibly.
- An HR manager of a big retail company said they have around 20 ICT systems used in the management and 37 robots in their business line.
- Managers said they motivated or encouraged people to use digital working organization tools by sending information about employees' remuneration, work-time etc via the programme and COVID crisis gave office workers no choice.

In 85% of the cases the digitalization didn't lead to change in working contracts.

46% of the cases the representatives of workers were involved to digitalization. In 38,5 of the cases the employees were simply informed and in another 38,5% of the cases the employees were involved in the early stage of the process. One HR manager answered that in most of the cases employees themselves are leading the introduction of new technologies and are very closely related to the process.

100% of managers stated that the work efficiency has gained due to the digitalization and that turned out to be the main reason for digitalization as well. 92% respondents specified that digitalization helped to make use of working time more efficient. 77% of respondents found that through digitalization worker's skills improved. Also work environment (69%) and safety (46%) as well as work satisfaction (62%) and work and free time balance improved (31%). 31% of respondents said that workers got more responsibility due to digitalization without increase in compensation packages and other negative impacts were perceived even less often (see Figure 2).

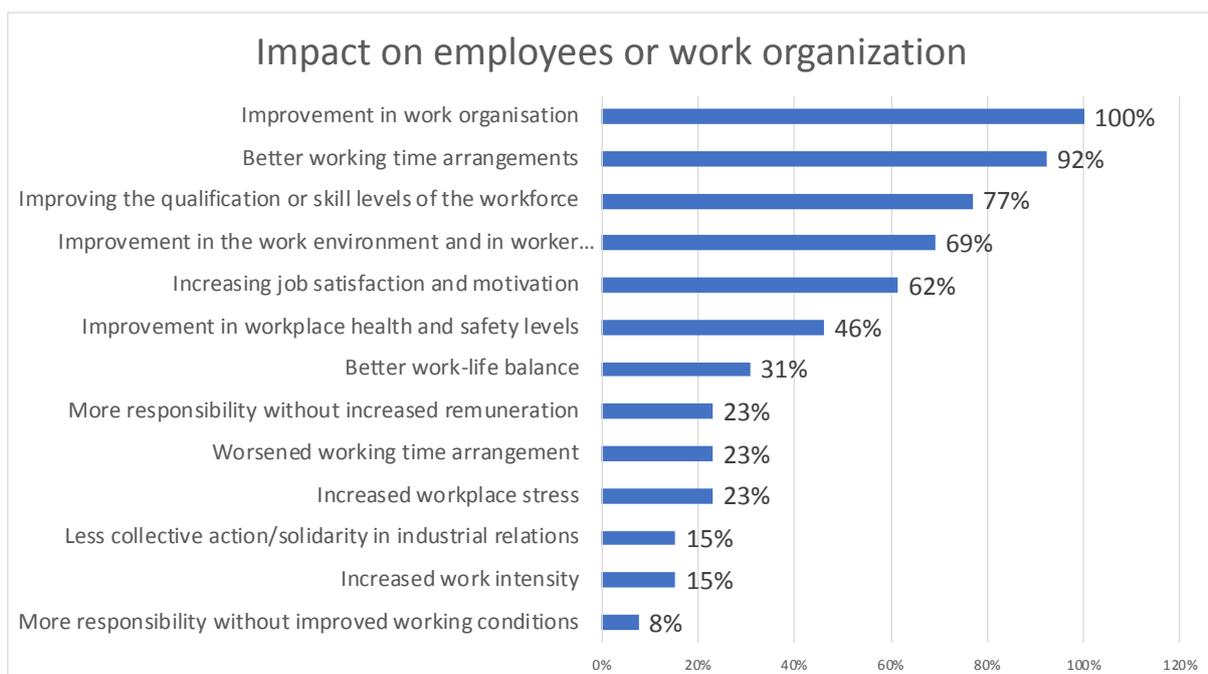


Figure 2. Impact assessment (HR managers' questionnaire, questions 6-7)

In 69% of the cases the introduction of new technologies didn't lead to a change in remuneration systems in the enterprise.

77% of managers said there's a system in place that allows employees to notify if and what sort of training they need.

All managers told that necessary training was offered to employees when implementing new technology.

Only one manager told that the basic ICT skills aren't important in their workers. All other managers considered basic ICT skills important or very important. 16% of managers answered that more than 50% of their employees actually need high level of ICT skills, 28% of managers felt 26-50% of the employees need it and 46% respondents that 1-25% of their employees need above average ICT skills in their work (see figure 5).

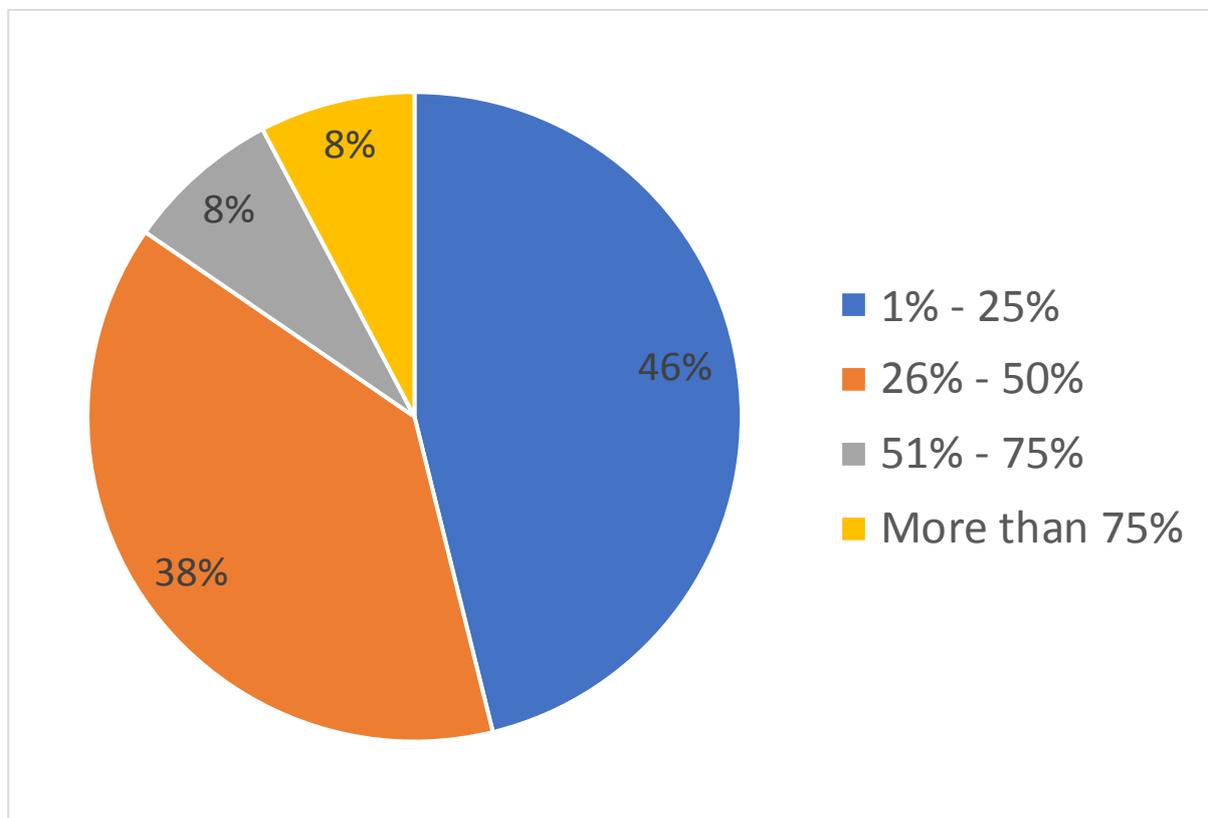


Figure 3. The extent HR managers feel their companies need employees with higher level of ICT skills (Q13)

85% of employers found that their companies' dependency on digital skills will increase in the next 5 years (46% significant increase and 38,5% slight increase), 23% thought the reliance would stay the same.

61,5% of HR managers see a digital skills gap. 90% of employers mainly see training as a solution for the lack of skills (Figure 4).

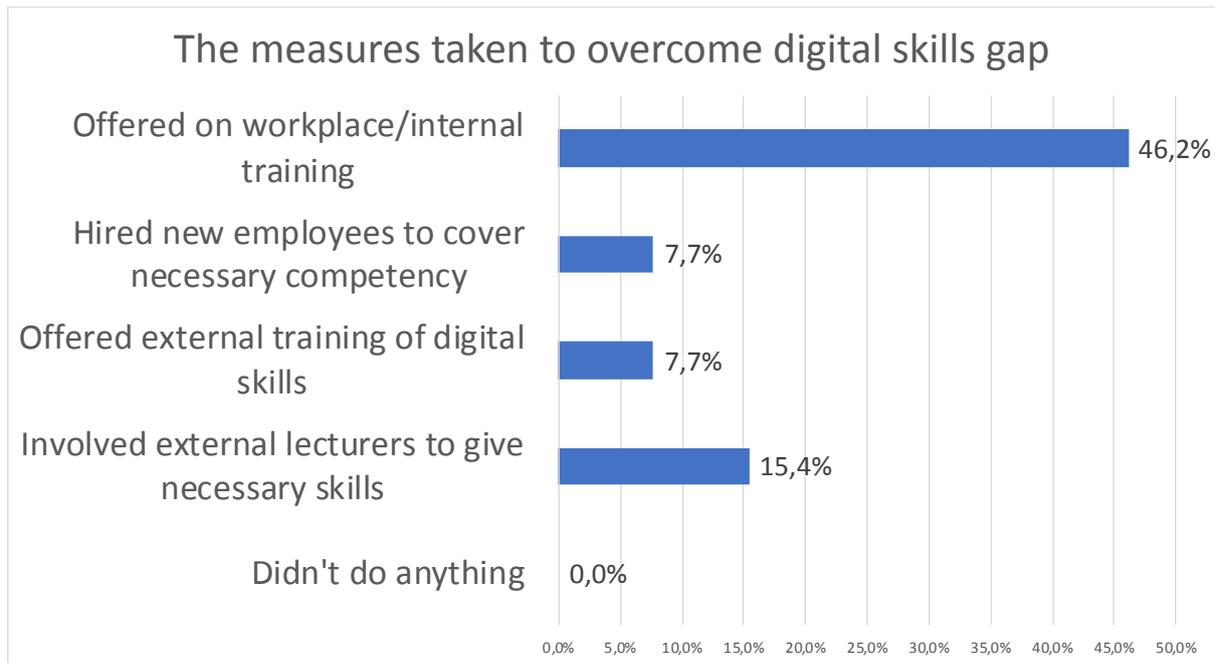


Figure 4. The measures taken to overcome digital skills gap

61,5% of respondents strongly agree to a competence development approach to lifelong learning being essential for employees and 38,5 tend to agree as well.

Only one HR manager hadn't done anything to respond to the need of motivating staff to take part in training. Most (61,5%) of companies link trainings with assessments and appraisals, 23% make trainings mandatory and one HR manager stated that they "show leadership in their companies, meaning explaining why it's important, involving people in planning, convincing them to participate." "Some trainings concerning data protection for example have to be made mandatory," the respondent added. Although no respondent mentioned linking the bonus system with trainings, actually, the formal qualification correlates to/with income levels pretty well in Estonia.

61,5% of companies don't have a system to recognise informally gained skills, which are not validated by a diploma. The rest have it.

84,6% of employers provide internal/external trainings to improve digital skills of employees which are organised and paid in full by the employer, 7,7% of employers provide internal/external trainings to improve digital skills of employees where a part of the training cost is covered by the employer and another 7,7% of employers provide vouchers or a specific amount of money to employees which covers training activities outside the enterprise. None of the respondents said they don't provide funding for training activities to its employees at all.

#### *Modalities of connecting and disconnecting*

69% of managers said their employers had a system to control (monitor, calculate and record) regular working time in the enterprise, including teleworkers/mobile workers (on-site control within the enterprise). One company had the system only for blue-collars and one had it planned but didn't use it yet.

38,5% of companies discuss the right to disconnect with the employees. Some employers do it only with some groups of workers (with flexible work schedules) and some are explaining the importance of breaks.

38,5% of companies have policies and/or established rules on the use of digital tools for private purposes during working time.

Only 7,7% of companies have policies and/or established rules to prevent isolation at work (when teleworking or any other digital solution is applied at work) according to managers.

Interviewed managers gave examples how the top management make regular meetings during COVID crisis to give an overview of the most important developments in business. Teams make regular online meetings on subjects that aren't related to work (E.g pets or vacation plans) in order to maintain the team feeling and organizational culture.

#### *Artificial Intelligence (AI) and guaranteeing the human in control principle*

According to survey around 85% of managers are familiar with the artificial intelligence.

Only 15,4% of the respondents had AI in their companies (smart assistants and smart security systems) and in one case the respondent didn't know.

61,5% of respondents didn't know if the AI used within your enterprise comply with existing law, including the General Data Protection Regulation (GDPR), guaranteeing privacy and dignity of employees. Only one manager responded it does.

Most of respondents couldn't describe the impact of AI on work practices within the enterprise. Around 23% stated they don't use AI or there's no significant impact on daily work. 15,4% are expecting the impact to reveal in the future and one respondent expecting AI to help employees in the future. One HR manager responded the AI developments have to be introduced to workers and it will be used to observe COVID restrictions.

Specific work tasks haven't changed after the introduction of AI in any of the respondents' companies.

Only one respondent company has internal OSH rules, related to AI, guaranteeing that the use of robotics and artificial intelligence applications are respecting and complying with safety and security control. 23% have AI but don't have related internal OSH rules. 54% of companies don't have any internal OSH rules, related to AI, because they don't use AI.

23% have AI but don't have rules on control of decisions, related to AI (if human in control principle is applied – final decisions are taken by humans and not the AI). 54% of the companies don't have rules on control of decisions, related to AI, because they don't use AI.

None of the respondent used AI systems in human resource procedures, such as recruitment, evaluation, promotion and dismissal, performance analysis.

#### *Respect of human dignity and surveillance*

23% of respondents confirmed that there is a policy in place in their company, related to work monitoring of employees via digital tools or AI surveillance system. Two managers named a working

time monitoring system Begin<sup>37</sup> being used. In all cases the monitoring will be discussed with the employees and in some cases fixed in employment contract.

15,4% of companies where there is an AI surveillance system or other monitoring systems in the enterprise, have measures in place to limit the risk of intrusive monitoring of employees and misuse of personal data.

In 69% of the companies participating the survey, employees' representatives are consulted/informed on issues related to data privacy protection.

In 69% of companies the employees' representatives are equipped with facilities and (digital) tools, e.g. digital notice boards, to fulfil their duties in a digital working environment.

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<sup>37</sup> <https://www.begin.eu/>

## 2.4. Employees

### *Description of the group*

14 respondents answered the questionnaire.

Most of the respondents were office workers: IT system administrator, 2 computer users, 2 book keepers, management adviser, 2 communication experts, sales person, trade union district manager, train traffic organiser and a locksmith. 2 respondents didn't fill in the job description.

50% of employee respondents had unions in their organization.

50% of the respondents who had trade union in their organization estimated that more than 50% of their employees belong to trade unions, 25% thought that less than 50% and 25% didn't know exactly.

57% of the workers had their working conditions covered with collective agreements, 36% didn't and 7% didn't know. Only two respondents stated that the aspects of digitalization are covered in the collective agreements.

### *Digital skills and securing employment*

Only 57% respondents of employees' survey said their employers have a digital strategy.

93% of companies had implemented new digital technologies according to their employees.

Employees who participated in the survey had experience with new computer hardware (71%), software (71%) and communication technology (64%) implemented in their company for the last 5 years (Figure 5). Less than half of the employee questionnaire respondents had automation (43%) or platform work (14%) implemented in their companies.

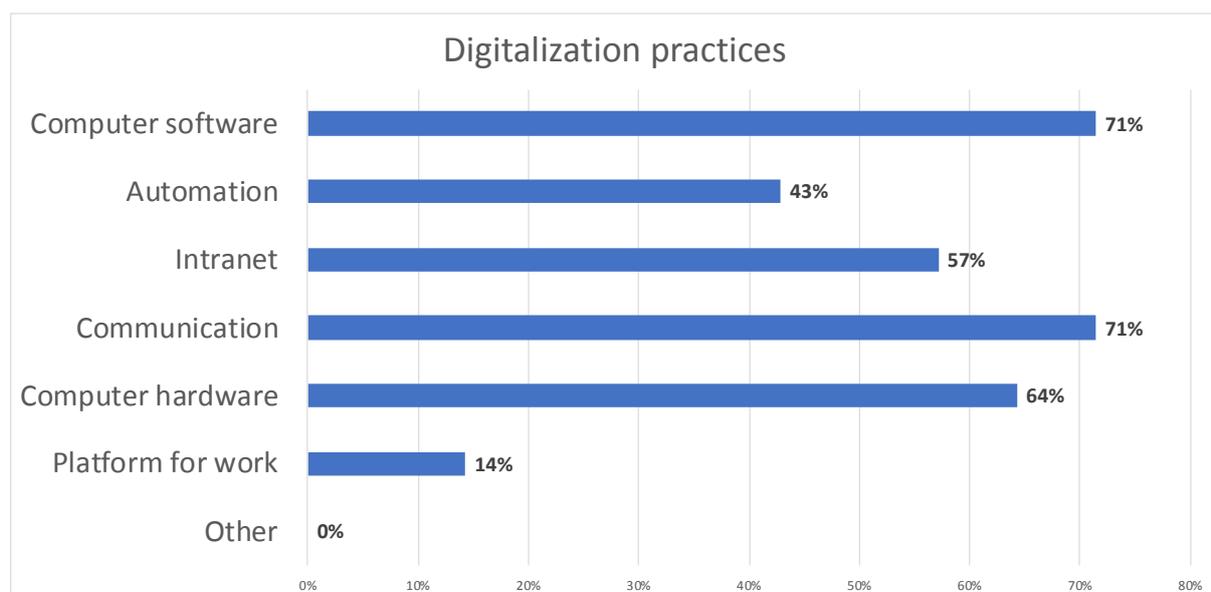


Figure 5. Digital technologies implemented in the past 5 years

57% of employees responded that their employer has implemented new work arrangements due to implementing new technologies. 57% of employees stated they started to use more telework, 50% stated they started to do more team or group work and 14,3% found that their responsibilities grew due to new technologies.

The view on the impact of digitalization based on employees' questionnaires is similar to HR managers.

71% of employees felt that digitalization has given them better working time arrangements and more flexibility, 64% see improvement in working organization in general, 57% see an improvement in their qualification and 50% better work-life balance (Figure 6).

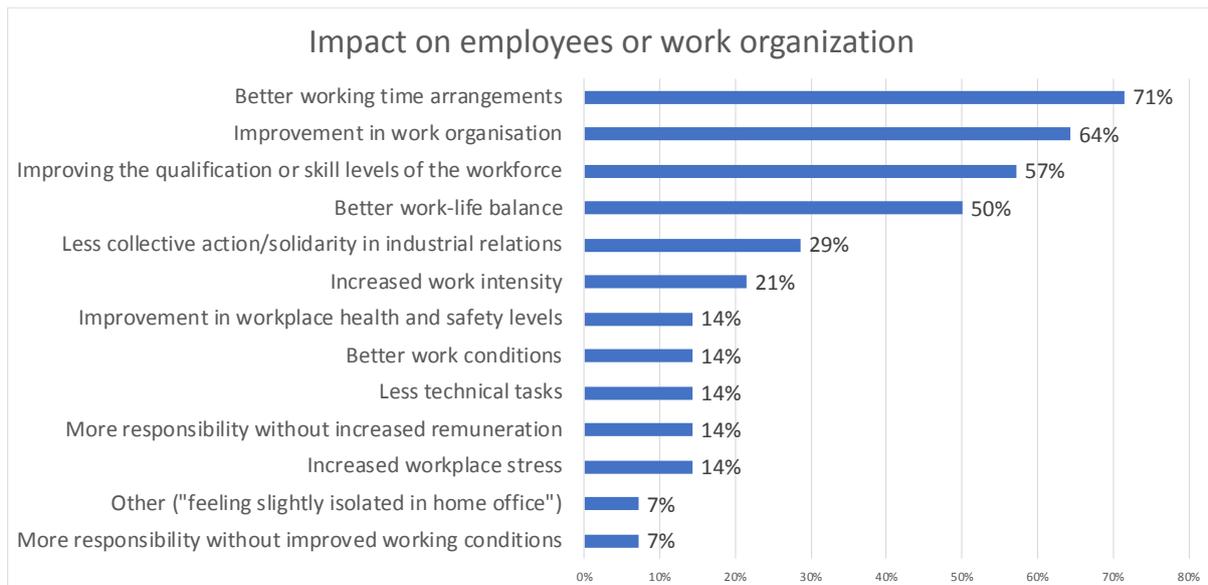


Figure 6. Impact assessment by employees (employee questionnaire, questions 5-6)

Other positive aspects were mentioned as follows:

- Fewer technical tasks – 14%
- Improved work-life balance – 50%
- Improved working conditions – 14%
- Improved work organization – 64%
- Improved work time arrangement – 71%
- Improved skills and competency – 57%
- Improved workplace health and security – 14%

64,3% of respondents stated digitalization also had negative impact on them, including:

- Increased work intensity – 21%
- Increased workplace stress – 14%
- Changed working time arrangements – 0%
- More responsibility without improved working conditions – 7%
- More responsibility without increased remuneration – 14%
- Less collective action/solidarity in industrial relations – 29%
- Other – “feeling a little isolated” – 7%

## Skills

64,3% of employees stated there is an enterprise procedure which allows workers to report what kind of training they would like to participate in and 35,7 didn't know.

78,6% of employees responded to the questionnaire that necessary training was offered when implementing new digital technologies. 4 respondents didn't find the trainings positive nor negative, all the others found the trainings adequate/positive.

43% of employees responded that there is no system in their workplace to recognise informally gained skills, which are not validated by a diploma and the other 57% didn't know.

71% of cases the employer provides internal/external trainings to improve your digital skills which are organised and paid in full by the employer, in 14% of cases the employer provides internal/external trainings to improve your digital skills where a part of the training cost is covered by the employer, 14% didn't know about any training opportunities provided by the employer and one respondent answered: "You can get a training when you need it. There're also a lot of free trainings, that employer recommends and allows to participate."

#### *Modalities of connecting and disconnecting*

According to employees' survey the system to control (monitor, calculate and record) regular working time in the enterprise exists in 21,4% of companies and another 21,4% didn't know if it exists. None of the respondents without the system thought it should be there.

The system/procedures for reporting overtime work was rated to be easy to use by 43% of respondents and with some difficulties by 14,3% of respondents. 43% of respondents didn't have such system in their company.

28,6% companies discuss the right to disconnect with the employees according to employees, 57% didn't know. One employee commented: "It's important that your work is done. When or at what time you rest, doesn't matter".

43% of companies have policies and/or established rules on the use of digital tools for private purposes during working time according to employees.

According to employees' survey policies and/or established rules to prevent isolation at work (when teleworking or any other digital solution is applied at work) is present in 50% of the companies. 28,6% respondents couldn't say.

#### *Artificial Intelligence (AI) and guaranteeing the human in control principle*

Most (78,6%) of employees knew what AI means and 21,4% didn't know.

57% of employees answered that their company doesn't use AI and the rest didn't know.

In none of the cases AI has impact on the respondents' work.

No specific work tasks have changed after the introduction of AI in companies surveyed.

35,7% of companies didn't have any internal OSH rules, related to AI, guaranteeing that the use of robotics and artificial intelligence applications are respecting and complying with safety and security control. 28,6% didn't know and 14,3% said they don't use AI.

43% of respondents didn't know if they have rules on control of decisions, related to AI (if human in control principle is applied – final decisions are taken by humans and not the AI), 21,4% knew they don't have such rules and 14,3% answered they don't use AI.

#### *Respect of human dignity and surveillance*

50% of respondents of employees' questionnaire responded, that their employer hasn't adopted a policy related to work monitoring via digital tools or AI surveillance systems and other 50% didn't know.

Only one respondent of employees' questionnaire knew that there are no measures in place that limit the risk of intrusive monitoring and misuse of personal data if there is an AI surveillance system or other monitoring system in your enterprise. The other respondents didn't know.

21,4% of employees responded that the trade unions or other employees' representatives are consulted/informed on issues related to data privacy protection, 7% responded they aren't and rest didn't know.

Most (64,3%) employees also didn't know if the trade unions or other employees' representatives in the enterprise are equipped with facilities and (digital) tools, e.g. digital notice boards, to fulfil their duties in a digital working environment. One employee (7%) answered, they aren't and 21,4% said they are.

### 3. Challenges to social dialogue arising from the digital transformation in the world of work

Some broader challenges posed by digital technologies are likely to be the rapid growth of inequality and the digital gap which to large extent can be relieved with more digitalization.

The second major, and more practical, category is the set of problems associated with the rise of teleworking. Employers find it harder to maintain organizational culture, control and team spirit with remote workers. Employees complain more about communication barriers, stress and confusion regarding working and rest time. In addition to working time, there is confusion over the allocation of tools, resources and responsibilities between employee and employer.

Following have been identified as the disadvantages of ICT-based telework, which are also likely to be encountered by the social partners in their dialogue:

- the risk of blurring the boundaries between work and family life, and the stress this can cause;
- the risk of overwork;
- the risk of increased social isolation;
- the occasional risk of increased control by the person providing the work;
- the risk to the employees' health, if employees do not manage their own working conditions;
- the potential for losing control over the time an employee devotes to work;
- security risks;
- a potential loss of the sense of unity within the organization;
- management requires more energy and attention;
- the person providing the work cannot verify that health and safety requirements are being met.

Also the following aspects have been identified as the weaknesses and threats of digitalization of industry in general:

- The key challenge in the Estonian economy remains the digitalization of companies. Although most companies use automated data exchange for receiving orders from customers and use two or more social media platforms, e-commerce in companies could be improved.
- Regarding connectivity, fixed broadband coverage is very low (partially compensated by mobile coverage), as is the take-up of ultrafast broadband.
- Estonia's performance in the supply and demand of digital skills shows significant room for improvement because of poor ICT skills among employees.
- A substantial number of companies encounter problems finding skilled employees.
- Lack of awareness and the knowledge of necessity to take up digital technologies and their benefits among managers/owners of companies.
- Lack of corporate strategic planning.
- The regulatory framework in Estonia still needs to be reviewed and adapted to the digital age.
- Many pillar-specific initiatives have been launched only within the last year. Their real impact still needs to be seen.
- Companies are slow to embrace digital technologies due to a lack of use cases, success stories and lighthouse projects.

The biggest obstacles were related to fear of digital solutions, building trust and controlling systems, digital capacities and skills and general change management.

To compare employers' and employees' answers concerning the impact of digitalization, both saw more positive impact and less negative aspects. Still employers feel the impact of digitalization slightly more positive than employees. The employers mentioned 4,8 positive aspects in average and 1,1 negative aspects whereas employees mentioned 2,9 positive and 0,9 negative aspects in average. Figure 7 shows the survey results by positive and negative aspects by employers and employees.

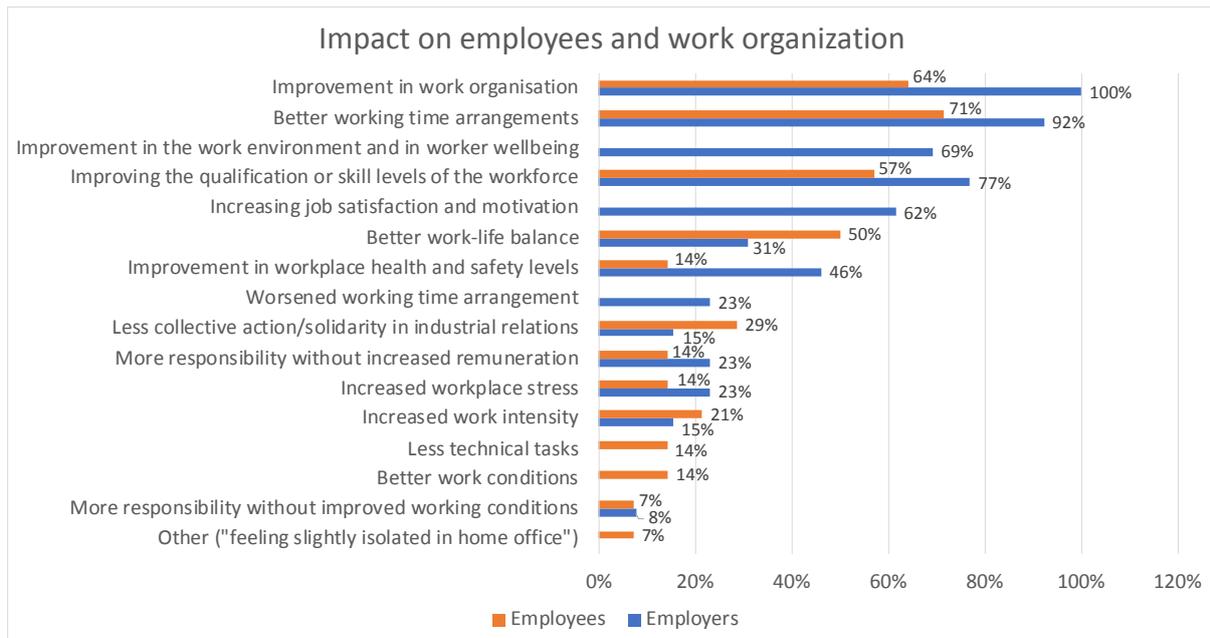


Figure 7. Impact assessment by employees and employers

Although ICT specialists and skills are well represented in Estonia, the demand for skills is still much higher. 61,5% of HR managers said they have digital skills gap in their organization. So called OSKA program (prognosis system of skills and work force demand) was initiated in 2015 in order to analyse the needs for labour and skills necessary for Estonia's economic development over the next 10 years. OSKA prognosed already in 2016 that 1,5 times more ICT specialty graduates are needed to fulfil digitalization needs. Most people in Estonia are aware that ICT and other technical education gives the best income and social protection possible in life, but still it's difficult to meet the need for ICT or STEM graduates.

One obstacle is the fact that students in Estonia have basically no direct participation in financing their studies, because in Estonia citizens can study in any university and specialty on taxpayers' expense and government also doesn't prescribe how many students can be accepted to specialties – government doesn't lead the supply of higher education except for financing universities. 80% of the finance the universities get from the state budget is fixed to the average level of the previous three years.

The other reason is the unpopularity of STEM subjects among the students. ICT specialty is quite popular among students but the studies are often left unfinished because of failing STEM subjects or starting to work during the studies.

Trade union and collective agreements density in Estonia is one of the lowest in the world. Therefore, very little aspects of digitalization are covered with collective bargaining.

Most of the collective bargaining is concentrated to public sectors like education and health care, but also transport<sup>38</sup>. Finance and insurance sector only has 0,3% of all collective agreements and HORECA sector has 0,6%. ICT sector itself has 1,6% of all collective agreements that are mostly concentrated to telecommunication companies that have background of a state-owned enterprise.

As Estonia is well known for its flexibility in labour law etc, the digital technology and other technological developments have raised need for significantly more flexibility in law. Platform work is probably one of the most extreme example how the rules of traditional work life simply don't work in real life. Also, employers note that younger people don't want to work with standard hours in one job doing things that an application can do. Shrinking working aged population adds urgency to move of with more flexible regulation that would allow more digitalization, mobility and inclusion of elderly, people from abroad or rural areas etc.

Lately social partners confederations have made several efforts to find suitable balance between employment security or benefits and flexibility needed to enhance telework, on-call/stand-by work, part time work etc. The flexible standard hour contracts are going to be piloted in retail sector as a result of trade unions and employers association and another pilot is being planned in hospitality sector. The special regulation is adapted in law because the low membership of trade unions doesn't allow to expand collective agreements to whole sector (Table 1).

Table 1. Trade union density in NACE sectors (Statistics Estonia 2021 data)<sup>39</sup>

Sector (NACE)	Trade union members' share of a total employment in sector
A – Agriculture, forestry and fishing	na
F – Construction	3%
B-E – Mining and quarrying, manufacturing, Electricity, gas, steam and air conditioning supply, Water supply; sewerage; waste management and remediation activities	4%
G -J – Wholesale and retail trade; repair of motor vehicles and motorcycles, transporting and storage, accommodation and food service activities, information and communication	4%
K-N – Finance and insurance, real estate activities, professional, scientific and technical activities, administrative and support service activities	2%
O – Public administration and defence; compulsory social security	6%
P – Education	13%
Q – Human health and social work activities	15%
R – Arts, entertainment and recreation	7%
S – Other services activities	na
Average	5%

Based on the survey all aspects of European Framework Agreement on digitalization are being addressed and dealt with by employers and social partners, but some fields are payed less attention to. Both employers, social partners and government have dealt more with digital skills, securing

<sup>38</sup> Eva Põldis, Mariliis Proos, Collective Agreements in Estonia, Ministry of Social Affairs 2013.

<sup>39</sup> Some sectors are grouped (besides agriculture, forestry, fishing and other services activities) due to confidentiality rules, since the sample being too small to publicate single sector.

employment and modalities of connecting and disconnecting. Less focus has given to artificial intelligence and guaranteeing the human in control principle and respect of human dignity and surveillance. Authors assume the level of attention is related to the level of relevancy of the issues and AI related issues will be more actual when the technology is being implemented more broadly.

Study also shows that sectoral or company level collective bargaining is rare in Estonia and couldn't cover enough employers and employees to solve any broader issue, since the low membership of both sectoral unions and employers' organizations. On the other hand all the issues are already being managed in organizations.

## 4. Recommendations for the social partners and collective bargaining with a view to implementing the framework agreement

### 4.1. Digital skills and securing the employment

According to the survey the biggest obstacles on digitalization are fear of digital solutions, building trust and controlling systems, digital capacities and skills and general change management. According to the survey these subjects are also being dealt with by employers and social partners more often, but there's definitely room for improvement.

In framework of collective bargaining social partners could do more to raise awareness and improve understanding of employers, workers and their representatives of the opportunities and challenges related to digital transformation. This could also lower the "fear of digitalization", that was referred to by HR managers during the interviews. Informing employees about the relation between digital skills and work compensation levels was mentioned in interviews by the HR managers as a tool for motivation.

The second major issue the social partners could help society is advising and influencing the government, employees and employers on training needs. This is also the main obstacle for labour market partners and should be prioritised in social partnership. The up-skill and re-skill of adult population needs to be broaden as well as digital skills need to be offered more broadly in every form and on every level of education. There are constant need for more ICT and technical specialities graduates and at the same time there are many specialities where the graduates can't find a job according to their profession, because it's not needed in society (especially linguistics, culture and some other social sciences). A change in education finance system should be made to give more stimulus to choose adequate profession or only give education on taxpayer's cost in adequate specialties, that enables valuable work and sufficient income in real life.

Policy recommendations were asked from experts during the interviews based on the issues from surveys. Following recommendations were given:

- 1) People's interest for digital skills and positive attitudes towards digital society and life-long learning should be developed. Nowadays there are still people who are afraid of computer and internet and don't have basic skills to sign documents etc.
- 2) Practical digital skills should be taught in every basic school. Several managers explained that young people can always use snapchat and other social media but not necessarily sign documents digitally or navigate in working programmes.
- 3) Fast internet connection needs to be built to cover all parts in Estonia to allow people to participate in labour market.
- 4) Easing the regulation for involving foreign workers to Estonian labour market. Until now Estonia has immigration quota 0,1% of local population and obligation to pay average salary even then. Usually, quota runs out in a couple of minutes after the application period starts.
- 5) Creating more flexibility to labour, tax and work safety law to support part-time, telework, on-call work arrangements etc.

In 2021 Estonian Employers' Confederation ordered a survey on digitalization challenges where around 251 business managers were surveyed<sup>40</sup>. The recommendations in the field of work relations, based on the survey, were:

- 1) Government should support the business managers with consultations and trainings on digitalization (technology, digital business models, change management, digital marketing etc) to improve management quality.
- 2) Unemployment Fund could support employer's costs of digital skills trainings even more than they are doing now and the conditions should be more flexible.
- 3) Government should create more opportunities to re-skill and popularize life-long learning.
- 4) Traditional education models need to be modernised to combine digital skills more with the subjects. Study courses should be made more flexible so that people who don't need the whole bachelor course or cannot participate in stationary classes, could take only selected courses and/or participate online.
- 5) Government should create consultancy service to help companies to diagnose the digital gap and work out appropriate measures or select courses to close it.
- 6) In case of telework put the responsibility for work conditions and workplace safety on employee, since it's impossible for employer to check the physical working conditions of employees' homes, libraries and cafeterias etc.
- 7) For social partners to deal with the psychological risk factors for example in case of compulsory telework and new digital working tools.
- 8) Creating in labour law an independent employee institution who could decide and be responsible for his/her own work time arrangement.
- 9) Create a special regulation for on call/standby jobs, where the standby time doesn't mean any actual workload or less resting time.
- 10) Labour law should be made more flexible on standard work time allowing labour contract counterparts to agree different schedules and workload.

#### 4.2. Modalities of connecting and disconnecting

According to the survey modalities of connecting and disconnecting are discussed and dealt with broadly, but in some cases the rules are rather introduced and communicated after becoming into force than previously.

We recommend:

- 1) Employers to discuss appropriate work schedules and OSH while designing any rules or facilities and enhance the communication between employees.
- 2) Employees to consider the rules and guidelines to avoid any damage to their health and work outcomes.
- 3) Employers to find ways to minimize the isolation at work and maintain healthy organizational culture in case of telework or very digitalized work environment.
- 4) Social partners to enhance best practices of modalities of connecting and disconnecting, including digital monitoring systems etc.

#### 4.3. Artificial Intelligence (AI) and guaranteeing the human in control principle

Since AI is rarely used in companies yet, very little of them have prepared for AI and general knowledge of AI is scarce.

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<sup>40</sup> Viilup Uuringud. Digitaliseerimisega seotud väljakutsed ning poliitikasoovitused tööandjate vaates/ Digitalization related challenges and recommendations from employer's side of view. Tallinn 2021.

- 1) We recommend social partners to take actions to increase the general knowledge of AI related opportunities as well as challenges.
- 2) If needed, Government should prepare guidelines for employers and employees to guarantee the safety, protection of human rights and control of humans over machines and artificial intelligence in accordance to national strategy for successful implementation of AI.
- 3) Best practices and case studies should be provided by government in order facilitate new AI implementors to consider best practice of doing it.

#### 4.4. Respect of human dignity and surveillance

We recommend employers to make sure their digital monitoring and surveillance systems are in line with the regulation and policies. The regulation shouldn't be more strict than it is already so that it didn't start to prevent digital transformation.

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