



European Foundation for the Improvement of Living and Working Conditions

# Working conditions in Estonia

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This report is available in electronic format only.

*This report reviews the main results from the third Estonian Working Life Barometer, carried out in October 2005. It outlines the general situation of workers and the workplace in Estonia, and covers topics such as working contracts and working time, pay developments, intensification of work, telework and use of information technology. The results of the survey are compared with results from previous working conditions surveys and the main trends are highlighted.*

## **Introduction**

In October 2005, a third Working Life Barometer (WLB) survey was carried out in Estonia, as a continuation of the surveys conducted in 1998 and 2002. In previous years, the WLB survey was conducted at the initiative of the [Finnish Ministry of Labour](#) ; however, in 2005, the [Estonian Ministry of Social Affairs](#) initiated the survey. The WLB is based on a nationally representative sample of about 1,000 individuals (in 2005, 1,002 people were interviewed). The sample has been formed from the working age population (16-64 years old), including employees and self-employed persons, and is a representative sample by sex, age and region. Data have been collected using a structured face-to-face interview (see the appendix for further details on methodology).

The publication [Working Life Barometer in the Baltic Countries 2002 \(10Mb pdf\)](#) , by Juha Antila and Pekka Ylöstalo (2003), summarises the findings for Estonia from the first two working conditions surveys. The publication [Tööelu Barometer 2005 \(480Kb pdf, in Estonian\)](#) summarises the principal findings from the 2005 survey and presents the main trends over the period 1998-2005.

Among the topics covered in the 2005 working conditions survey were:

- worker and workplace profile;
- working contracts;
- working time;
- pay developments;
- intensification of work, physical and mental stress;
- telework and use of information technology.

The following sections will briefly examine the main results of WLB 2005 and trends between 1998 and 2005.

## **Worker and workplace profile**

The majority of respondents (88%) are working as employees, the remainder are either self-employed (12%) or unpaid family members. Over the years, the overall profile of workers has remained unchanged (see Table 1).

**Table 1: Profile of workers (%)**

	1998	2002	2005
Employees	90	90	88
Self-employed and entrepreneurs	10	10	12
Unpaid family members*	0	0	1

Note: \* New category in WLB 2005. Total for 2005 greater than 100% due to rounding of figures.

Source: Tööelu Barometer 2005, 2006, p. 5

Some 49% of respondents work in private Estonian companies. Almost 20% of workers are employed in the public sector, while 12% of respondents work in local municipalities or companies belonging to local municipalities. A further 19% of workers are employed either in foreign private companies or companies reliant on a combination of

Estonian and foreign capital.

The majority of respondents (41%) are working in enterprises with up to 19 employees; some 17% of workers are employed in medium-sized enterprises (20-99 employees), and almost a quarter of respondents work in large enterprises (100 and more employees). As the majority of enterprises in Estonia are small (up to 19 employees), company size definitions different to the standard EU definitions have traditionally been applied in Estonia. However, compared with the previous WLBs, the proportion of larger enterprises has increased; in 2002, some 59% of enterprises employed up to 19 people. Moreover, according to respondents' subjective estimations, the number of workers in their enterprises has also increased (only 20% of respondents stated that the number of workers in their places of work had remained unchanged).

## **Employment contract**

According to the [Estonian Employment Contracts Act](#), the contract of employment must be in written form. Contracts can only be verbal when their duration does not exceed two weeks. The general trend in Estonia is that, in the majority of cases, workers have written permanent employment contracts, and the proportion of such contracts has grown from 64% in 1998 to 74% in 2005 (see Table 2).

**Table 2: Types of employment contract (%)**

	1998	2002	2005
Written permanent employment contract	64	69	74
Written fixed-term employment contract	22	23	14
Written contract for doing specific work	3	3	6
No written labour agreement	11	5	5

Sources: Antila and Ylöstalo, 2003, p. 144; Tööelu Barometer 2005, 2006, p. 12

As shown above, the share of written fixed-term contracts has decreased and now applies to only 14% of workers. The average duration of fixed-term contracts is 21 months. In the survey, workers with fixed-term contracts were asked to assess the chances of renewal of their contracts. Some 39% of workers believed that their fixed-term contracts would be renewed, while another 25% believed that their contracts would be changed to permanent contracts. A further 10% of respondents stated that they would find or go to another job, and 10% could not predict any outcome. Only 6% reported that they would probably be unemployed after their fixed-term contract ended.

Over the years, the proportion of verbal contracts has declined to 5% - undoubtedly a positive trend. Social partners, public institutions and social security bodies have actively fought against undeclared work and wages in Estonia for several years. Their joint activities are aimed at decreasing the extent of such practices and increasing public awareness of the negative consequences of undeclared work.

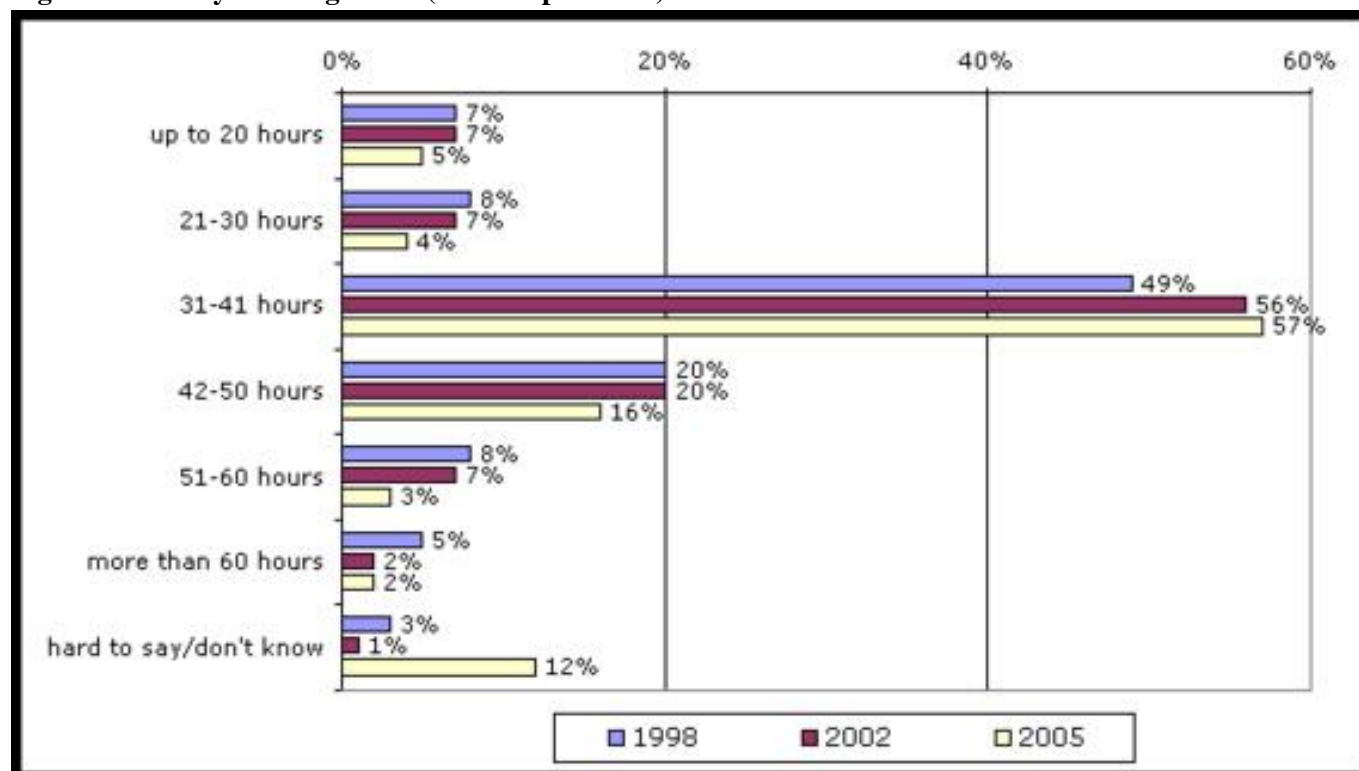
In 2005, only one respondent had a contract with a temporary work agency. Temporary agency work emerged in Estonia about three years ago. Reasons for the relatively low level of such work could be that employers use other means (for example, part-time work, flexible remuneration systems, etc) to achieve flexibility in employment relationships, and that many firms are not aware of the possibility of such agreements.

## **Working time**

The majority of respondents (86%) work full time in their main job. Only 8% of workers have a part-time job, and 70% of part-time workers voluntarily choose to do so.

In Estonia, according to the [Working and Rest Time Act](#), the general national standard for the working time of employees should not exceed eight hours per day and 40 hours per week. There have been some positive trends concerning working time developments, with a decline in the proportions of those working a very long week (over 51 hours according to the Estonian definition) and of those working fewer than 30 hours (see Figure 1). In 2005, the average length of the working week in the main job was 41 hours. About 10% of respondents have a second job, at which they spend on average 16.8 hours per week.

**Figure 1: Weekly working hours (% of respondents)**



Source: Tööelu Barometer 2005, 2006, p. 67

## Overtime

Working overtime is quite common in Estonia. According to the Working and Rest Time Act, the standard limit on overtime work per employee is 200 hours per calendar year. Including overtime, the average working week should not exceed 48 hours during a four-month period. According to the survey results, half of the respondents are doing overtime work as part of their main job. About 5% of workers work overtime every day, 13% of respondents do overtime once a week, and 32% work overtime once or twice a month, or less often. Those who do such work report that, on average, they work 8.2 extra hours per week (the corresponding figure in 2002 was 9.5 hours). In all, 43% of workers do not work overtime.

Among those working overtime, 77% of respondents received some form of compensation for their additional work, while 19% of respondents stated that they had not received any compensation for overtime work (see Table 3). According to the 2002 WLB, among those working overtime, more than a third (35%) did so without compensation. The decline in the proportion of those working overtime without compensation may partly be explained by the more thorough activities of the Labour Inspectorate in recent years.

**Table 3: Types of overtime compensation**

Compensation	% of those working overtime
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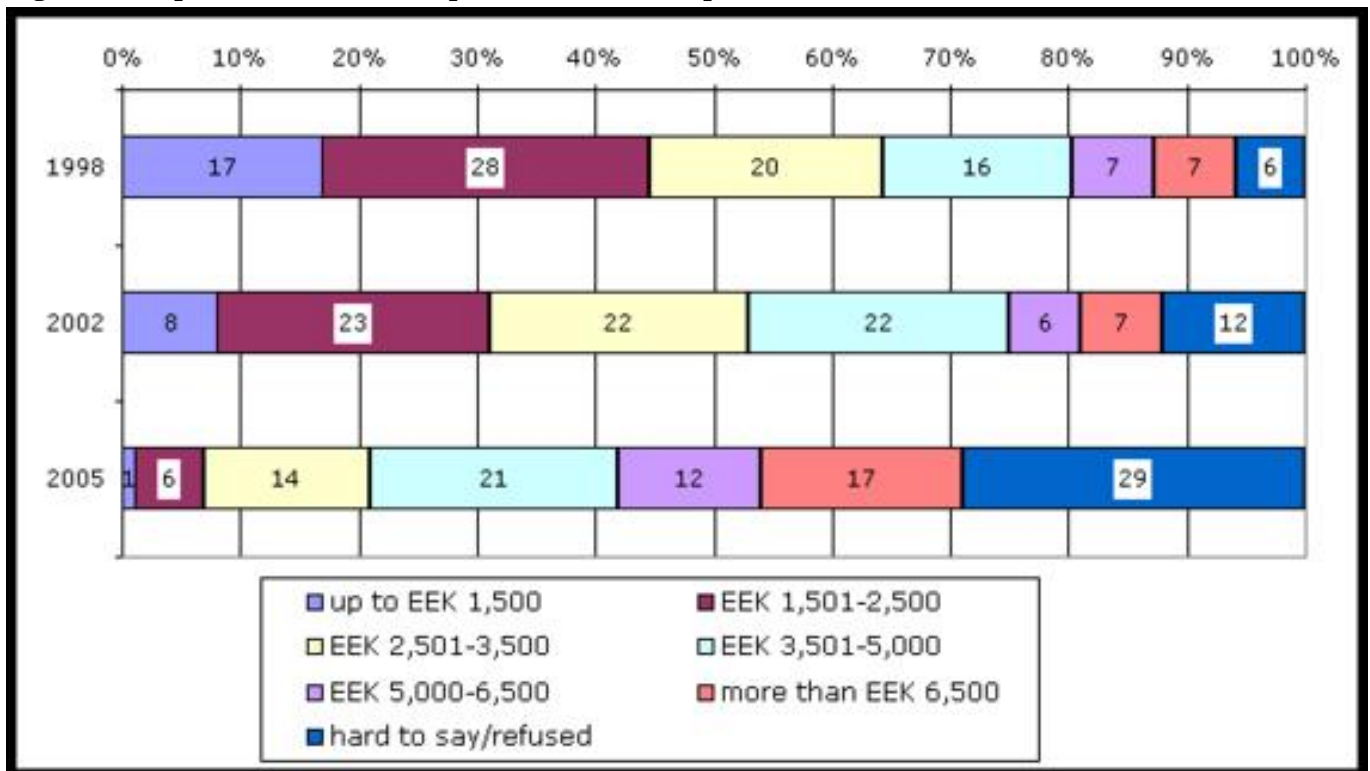
Overtime compensated for in money	50
Overtime compensated for in time off	13
Overtime compensated for in money and time off	14
No compensation for overtime work	19
Hard to say	3

Source: Tööelu Barometer 2005, 2006, p. 69

### Pay developments

In the WLB, respondents report their net wages. Although this type of data is not accurate for analysing wage levels, as it incorporates a certain amount of subjectivity, it is sufficient for studying trends. The questionnaire specifies that the wages should include all income from all jobs, including undeclared wages. In 2005, the average net income per month was EEK 3,841 (approximately €245). Compared with the previous surveys, the proportion of those in low-income groups has diminished, and the share of those earning over EEK 5,000 (approximately €320) has increased (see Figure 2). The proportion of respondents who do not want to declare their income has increased from 6% in 1998 to 12% in 2002, and as amounted to 29% in 2005.

Figure 2: Respondents' net income per month (% of respondents)



Note: €1=EEK 15.646; income brackets are not adjusted for inflation.

Source: Tööelu Barometer 2005, 2006, p. 62

### Pay arrangements and factors influencing pay

A fixed monthly salary, or one that also includes fixed regular additional payments, is the most general form of salary payment in Estonia. Altogether, more than half of all the survey respondents received a salary of this type (see Table 4). Nevertheless, the proportion of those receiving a fixed monthly salary only has decreased from 46% in 1998 to 38% in 2005. This could be explained by the increasing role of supplementary benefits, partly due to Estonian legal regulation. In order to change the fixed part of a salary, an employer needs written permission from the worker; however, supplementary payments can be changed without any consultation. Thus, increasing the proportion of supplementary benefits makes the salary system more flexible.

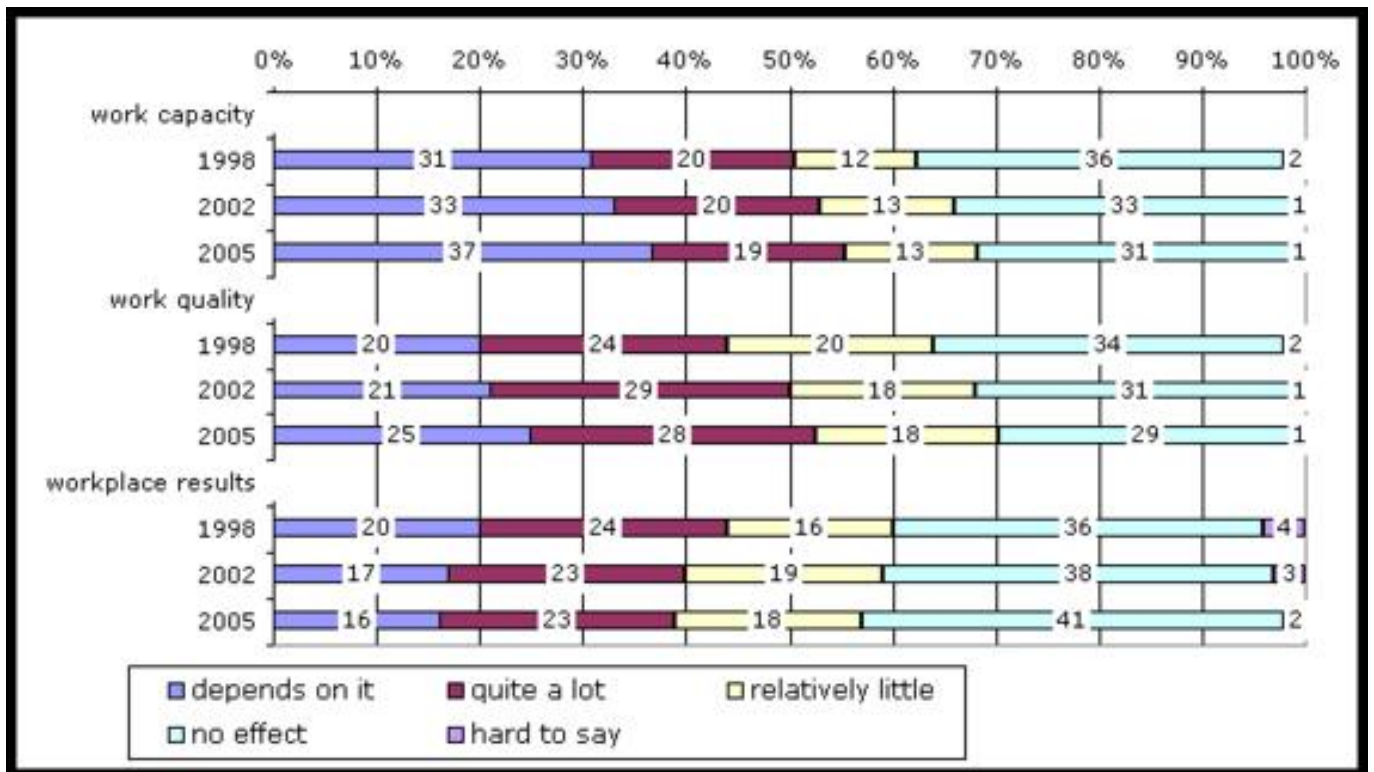
**Table 4: Salary payment basis (% of respondents)**

	1998	2002	2005
Fixed monthly salary	46	42	38
Fixed monthly salary + regular additional payment	...	12	16
Only performance pay (contract fee, sales commission, etc)	22	21	19
Fixed monthly salary + results fee	25	19	20
Other practice	4	4	4
No answer	3	1	3

Source: Antila and Ylöstalo, 2003, p. 90; Tööelu Barometer 2005, 2006, p. 61

The major determinant of respondents' wage level is the amount of work done. In recent years, productivity factors have also played an increasing role and salary has been partly related to workers' performance. At many workplaces, it has become common for wages to be tied to the workers' performance, whereby various profit-related bonuses, other bonuses or the equivalent may be paid (see Figure 3).

**Figure 3: Factors determining respondents' wage level (%)**

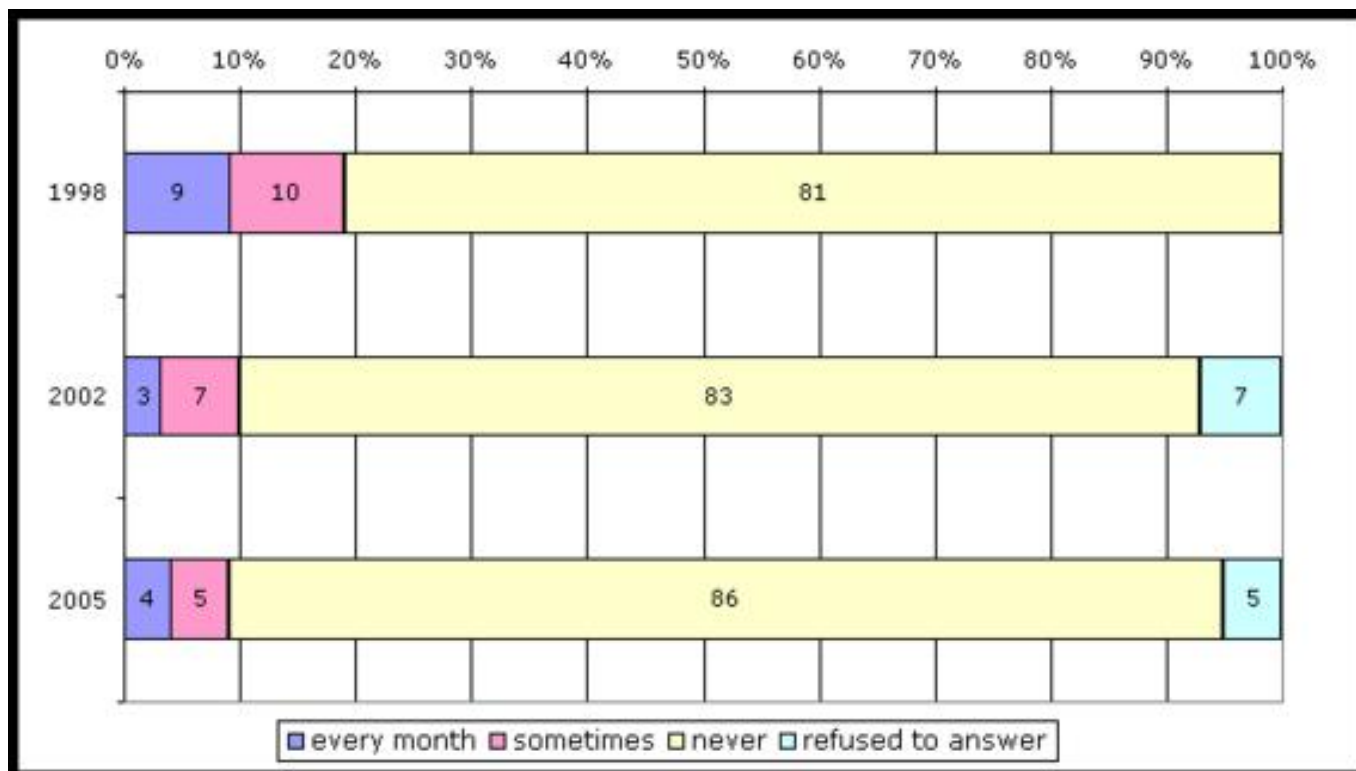


Source: Antila and Ylöstalo, 2003, p. 92; Tööelu Barometer 2005, 2006, p. 64

### Undeclared wages

The majority of respondents do not report receiving undeclared wages. Only about 4% of respondents stated that they receive undeclared wages every month, and 5% report receiving undeclared additional payments from time to time (see Figure 4). Those receiving undeclared wages state that the average undeclared wages represent around 44% of their total income.

**Figure 4: Receipt of undeclared wages (%)**



Source: Antila and Ylöstalo, 2003, p. 92; Tööelu Barometer 2005, 2006, p. 63

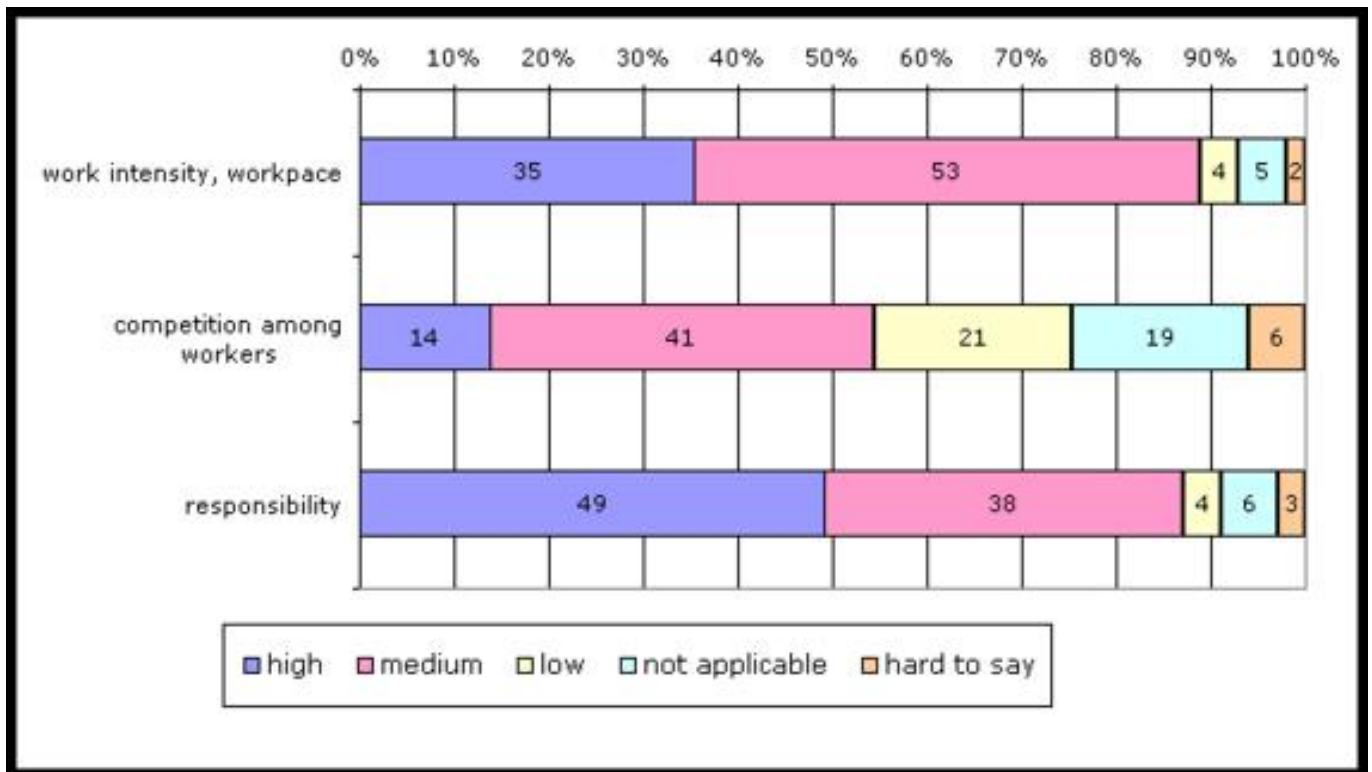
The proportion of undeclared wages in Estonia has decreased in recent years; nevertheless, it still continues to have a negative impact on entrepreneurship and the competitive environment, and considerably decreases the social guarantees of employees. Employee contributions to the social funds (payroll tax, unemployment insurance tax) depend on the size of the reported wage, while employee social benefits depend on the amount of contributions to the social funds. According to surveys carried out by the Estonian Institute of Economic Research ([Eesti Konjunkturiinstituut](#)), about 14% of employees received unreported wages (5% regularly and 9% occasionally) in 2004. This represents a slight decline, as it was around 15% in 2002 and 2003. Some 31% of employees who received undeclared wages in 2004 were satisfied with this situation, while 45% were not. Among those who were dissatisfied, 55% believed that they would lose their job if they did not agree to be paid in this way.

### ***Intensification of work***

An increased level of responsibility ranks first among workers in terms of physically and mentally demanding aspects of work, such as work intensity and work pace, competition among employees and responsibility (see Figure 5). Half of the respondents state that their level of responsibility in the workplace is high, more than one third of the workers believe that their level of responsibility is of medium level, and only a small proportion of employees consider that it is at a low level. About 10% of respondents state that their work intensity and work pace are high, 53% perceive such pressure to be at medium level and just 4% of workers believe that their work intensity is low. Competitiveness among colleagues is found to be more at a medium or low level than at a high level.

**Figure 5: Respondents' assessments of different aspects of working conditions (%)**

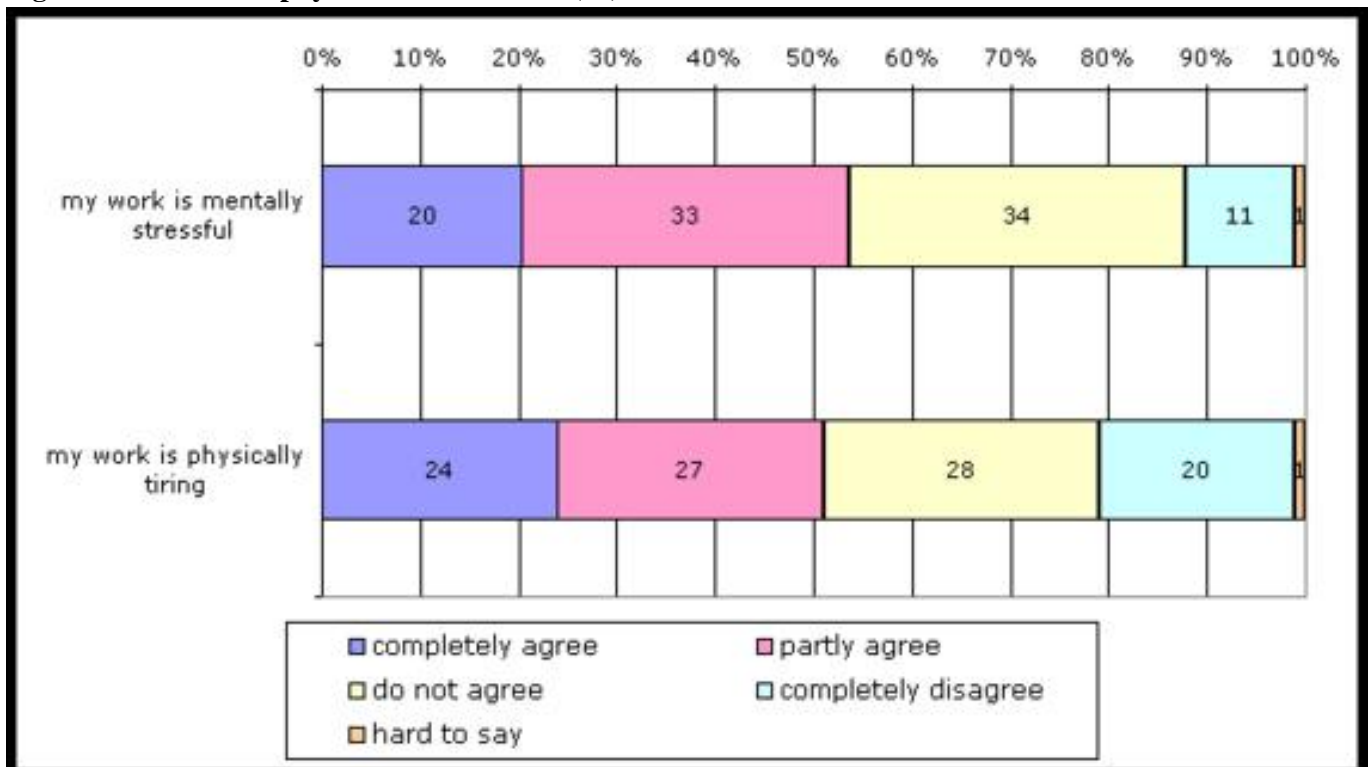




Source: Tööelu Barometer 2005, 2006, p. 19

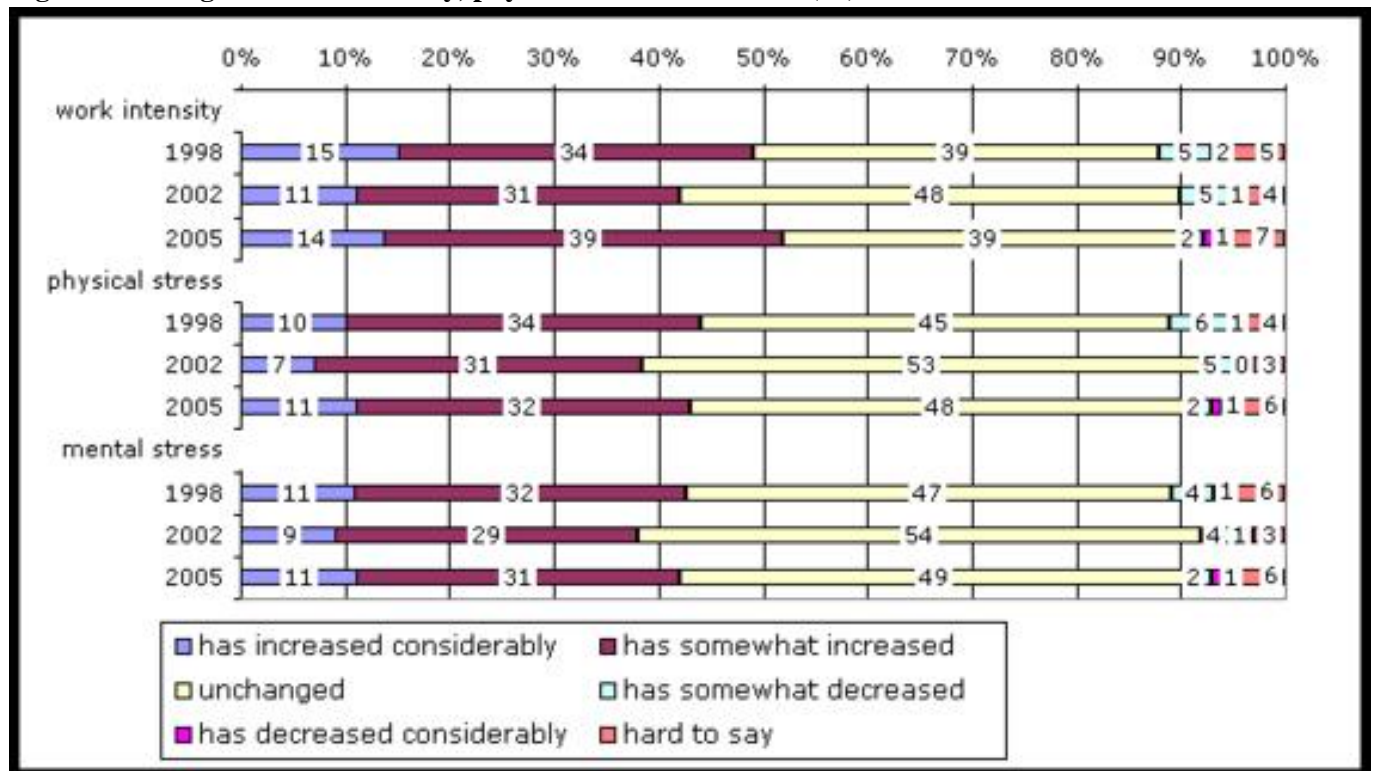
On average, mental stress is somewhat more widespread than physical stress. Some 20% of respondents state that their job is mentally challenging, while 11% of workers do not agree with this statement. In all, 24% of respondents assess their job as being physically tiring, although a similar proportion of workers (20%) do not agree with this statement (see Figure 6).

**Figure 6: Mental and physical stress at work (%)**



Respondents were also asked to assess the changes in their work intensity, and how this has influenced their mental and physical stress levels. More than half of the respondents stated that their work intensity has increased over the last 12 months. At the same time, 39% of workers stated that their work intensity has remained unchanged, and 3% stated that their work intensity has actually slowed down. Less than half of the respondents discerned an increase in their mental and physical stress levels over the last year; however, for the majority of people, it has remained unchanged (see Figure 7). Overall, no major changes have been observed in respondents' replies over the period.

**Figure 7: Changes in work intensity, physical and mental stress (%)**

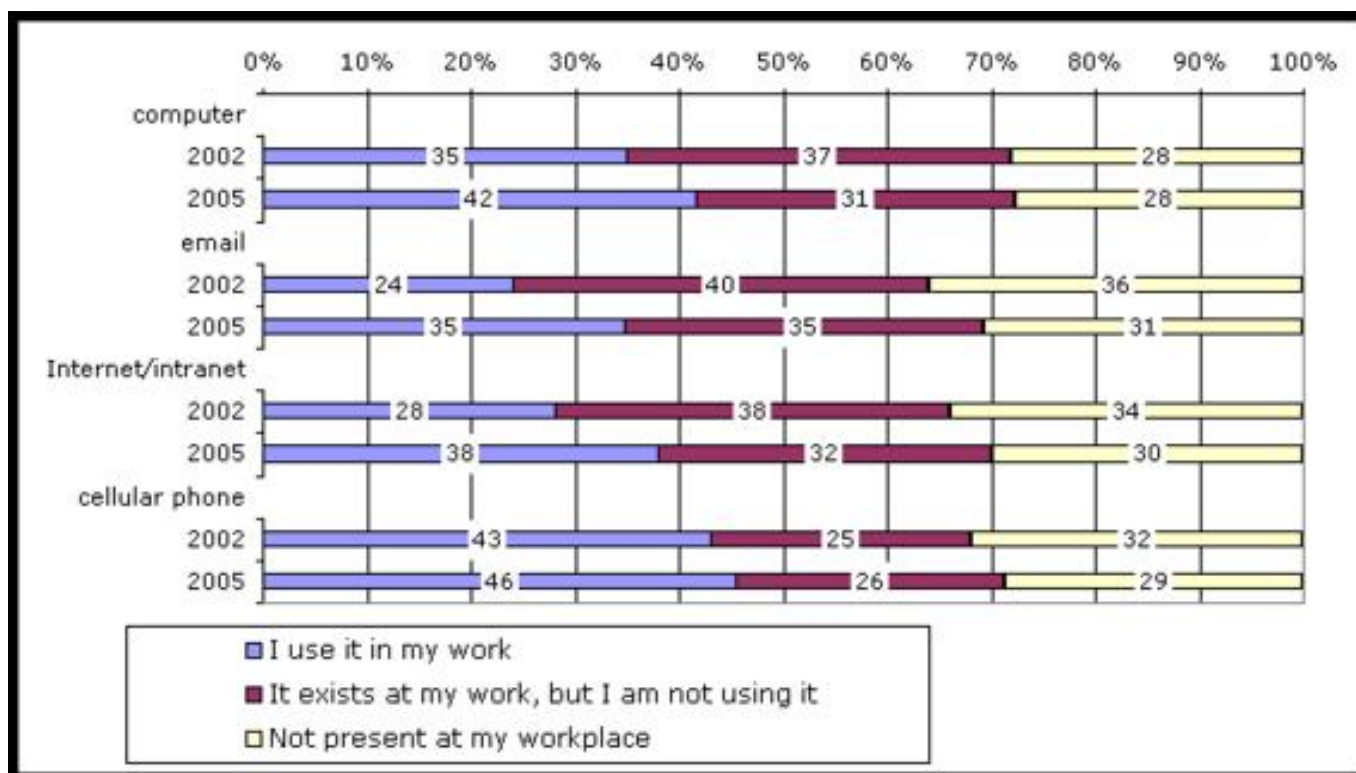


### **Telework and use of information technology**

According to the survey, a quarter of respondents are doing telework either sometimes (20%) or continuously (3%). Telework is defined in the survey as working at home; usually the definition also refers to having some type of information and communication technology (ICT) connection with the workplace from home or on the road. The majority of respondents (56%) have never done such work nor are they interested in doing so; only 7% of respondents are interested in doing telework but have never done so. Those who have used teleworking were doing so for, on average, 9.5 hours per month. Some 47% of teleworkers used their own ICT equipment, 20% used the employer's equipment, and the remainder used partly their own and partly their employer's equipment.

The use of information technology is widespread in Estonian companies. In 2005, 42% of workers were using a personal computer, 35% were using email, 38% used the Internet and 46% used a mobile phone. Apart from use of mobile phones, all of these proportions have shown an increase since 2002 (see Figure 8).

**Figure 8: Use of information technology at work (%)**



Source: Tööelu Barometer 2005, 2006, p. 82

## Commentary

This report describes the main results from the Working Life Barometer survey, carried out in October 2005. As similar surveys were conducted in 1998 and 2002, it is possible to identify key developments in working conditions and the working environment. The following main trends can be highlighted:

- The majority of workers are paid employees, while only 12% of respondents are self-employed. These proportions have remained unchanged over the years.
- The proportion of large enterprises (100 and more employees) has increased and the share of small-sized enterprises (up to 19 employees) has declined. However, the majority of workers (41%) are still working in small-sized enterprises.
- The majority of workers (74%) have written permanent employment contracts. Other types of employment contracts - written fixed-term contracts, verbal contracts, temporary agency contracts - are not prevalent in Estonia.
- Most respondents (86%) work full time in their main job. Only 8% of workers have part-time jobs and almost two thirds of part-time workers voluntarily choose to do so.
- The average length of the working week in the main job is 41 hours. There have been positive trends concerning working time: the proportions of those working over 51 hours and those working fewer than 30 hours per week have declined over the period 1998-2005.
- Working overtime is quite common in Estonia: half of the respondents are doing overtime work in their main job, and the average duration of overtime work is 8.2 hours per week. Some two thirds of respondents receive some form of compensation (either money and/or time off) for their overtime work; this proportion has increased compared with previous surveys.
- The proportion of low-income groups (earning less than EEK 3,500) has diminished, while the share of those earning over EEK 5,000 has increased. A fixed monthly salary, or one that also includes fixed regular additional payments, is the most common form of salary payment in Estonia. The major determinant of wage level is the amount of work done, and productivity factors have had an increasing influence on salary levels in recent years.

- More than half of the respondents stated that their work intensity increased over the last 12 months. On average, there is a somewhat higher level of reported mental stress than of physical stress.
- A quarter of respondents are doing telework. The use of information technology is also widespread in Estonian companies. Over the three year period, there was an increase in the proportion of workers using personal computer, emails and the Internet as part of their everyday work.

WLB surveys provide valuable information on working conditions, but they are based on a relatively small sample size. Thus, a degree of caution is necessary in drawing definitive conclusions on the situation and developments in the Estonian labour market. Alternative sources - such as the Labour Force Survey, Household Budget Survey, etc - should be used for comparison and for making stronger and more reliable conclusions. Despite this weakness of the WLB survey, it is the best source of information about different aspects of working conditions that other surveys do not cover. Another advantage of the WLB surveys is their continuity as a series of three comparable surveys since 1998, which, as noted, is valuable for identifying trends.

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## References

Antila, J. and Ylöstalo, P., *Working Life Barometer in the Baltic Countries 2002* , Ministry of Labour Policy Studies No. 247, Ministry of Labour Finland, Helsinki, 2003.

Antila, J. and Ylöstalo, P., *Working Life Barometer in the Baltic Countries 1999* , Ministry of Labour Policy Studies No. 214, Ministry of Labour Finland, Helsinki, 1999.

*Employment Contract Act* (RT 1992, 15/16, 241), entered into force on 1 July 1992, last amendments (RTI 2004, 37, 256).

*Tööelu Barometer 2005* , Sotsiaalministeerium, Saar Poll, Tallinn, 2006.

*Working and Rest Time Act* (RT I 2001, 17, 78), entered into force on 1 January 2002, last amendments (RT I 2003, 23, 137).

## Appendix

The 2005 Working Life Barometer survey in Estonia was commissioned by the Ministry of Social Affairs. The Working Life Barometer surveys in 1998 and 2002 in the Baltic countries were commissioned by the Finnish Ministry of Labour. The publication by Antila and Ylöstalo (2003) - [Working Life Barometer in the Baltic Countries 2002 \(10Mb pdf\)](#) - includes a technical annex, along with the complete questionnaire and regional division of the sample.

The 2005 survey targeted working people aged 16-64 years; the sample is representative by sex, age and region, and the sample size was 1,002 people. Respondents were interviewed face to face in their home, in Estonian or Russian, and the interviews were carried out in October 2005.

The 2002 survey included working people aged 18-64 years and consisted of a sample size of 900 people. A total of 3,143 households were contacted and respondents were interviewed face to face in their home, in Estonian or Russian. The interviews were carried out in February 2002.

The 1998 survey included working people aged 16-64 years and the sample size was 911 people. The estimated non-response rate was 24.4% (2,269 households were contacted). Respondents were interviewed face to face in their home, in Estonian or Russian, and the interviews were carried out between 29 October 1998 and 6 November 1998.

On all occasions, the survey was conducted by [AS SaarPoll](#) .

The main publications related to the surveys are:

*Tööelu Barometer 2005* , Sotsiaalministeerium, Saar Poll, Tallinn, 2006.

Antila, J. and Ylöstalo, P., *Working Life Barometer in the Baltic Countries 2002* , Ministry of Labour Policy Studies No. 247, Ministry of Labour Finland, Helsinki, 2003.

Antila, J. and Ylöstalo, P., *Working Life Barometer in the Baltic Countries 1999* , Ministry of Labour Policy Studies No. 214, Ministry of Labour Finland, Helsinki, 1999.

A [summary \(in Estonian\)](#) of the Estonian results of the 1998 and 2002 surveys can be found on the website of the Estonian Ministry of Social Affairs.

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