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Discretion and (de)centralization in wage bargaining in the construction, hospitality, urban transport and waste management sectors: A Study on Estonia

BARWAGE Report No. 6

Eva Lotta Lindma and Sandra Siniväli ¹

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¹ Contact: University of Utrecht, the Netherlands, e.l.lindma@uu.nl, sinivali6@gmail.com.

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Abstract

This report provides an insight into the actors' structure and practices in wage setting. The focus is on the role of wage bargaining, which is underdeveloped in Estonia with a bargaining coverage of 6 percent. In the light of raising bargaining coverage according to the stipulation of the European Directive on Adequate Minimum Wages, the report provides an insight into current wage setting practices across four sectors: construction, hospitality, urban transportation and waste management.

Keywords: Estonia, industrial relations, wage setting, wage bargaining, collective bargaining

Disclaimer

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BARWAGE

BARWAGE investigates the potential of collective bargaining as a tool for ensuring adequate minimum wages in the European Union. It explores the size of four wage-setting arenas across EU countries and industries: the national or peak level, sector-level collective bargaining, firm-level collective bargaining, and individual (non-collective) negotiations. BARWAGE uses microdata to identify what share of the workers earning under 110% of the statutory minimum wage are covered by sectoral or enterprise collective bargaining. Using coded data of 900 CBAs from 9 EU countries, the presence and nature of pay scales in the sectoral and firm-level collective bargaining agreements (CBAs) are analyzed. To deepen the insight into the impact of collective wage bargaining, national level data will be used to detail the wage arenas in 2 EU countries (Netherlands and Italy). The project lasts 2 years (2022-2024) and includes 6 work packages.

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WageIndicator Foundation collects, compares and shares labour market information through online and offline surveys and research. Its national websites serve as always up-to-date online libraries featuring (living) wage information, labour law and career advice, for employees, employers and social partners. In this way, WageIndicator is a life changer for millions of people around the world.

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Introduction

Estonia, a small Baltic country, regained its independence at the start of the 1990s, which is when the history of its present industrial relations system began. After re-gaining freedom Estonia re-structured the nation to join the market economies. Estonia followed the neoliberal capitalist schema of the Western Europe, being the quickest to implement stabilisation and transformation out of all previously centrally planned countries (Bauc, 1995). The introduction of the domestically convertible national currency and price liberalisation were the primary means by which the commodity and service markets were balanced (Bauc, 1995).

The neoliberal capitalist market schema brought the valuing of individual liberty and responsibility. This contrasted with the prior rights of individuals under Soviet rule, when much of everyday life was decided by the state. The newly gained liberty in the early 90's was extended to labour laws which are loose and are up to interpretation.

With the switch from centrally to market planned economy, trade unions were re-purposed since their role differs between the two types of economies. However, the history of trade union within the Soviet Union has left an impact on the image of trade unions. The Soviet occupation has left a lasting effect on Estonia's industrial relations system. This is reflected in the steady decrease in the total membership and bargaining coverage. Trade unions in the Soviet occupation had a great role in society, which often was not advocating for the worker but rather the state. The role of the trade unions was not to protect the employees but rather to keep them under control. They had the power to give out permits for buying real estate and cars, these permits were hard to come by.

In this context, this report provides an insight into the current state of wage setting in Estonia, focusing on the role of collective bargaining. Table 1 shows the fundamental characteristics of bargaining, including a low bargaining coverage (at 6% in 2019), with the continuing dominance of company-level bargaining.

Table 1. Characteristics of Estonian Collective Bargaining

| | 2000 | 2019 |
|--|---------|---------|
| TOTAL TRADE UNION MEMBERSHIP | 75,000 | 30,000 |
| COLLECTIVE BARGAINING COVERAGE | 32% | 6% |
| DOMINANT LEVEL OF COLLECTIVE BARGAINING | Company | Company |

Source: Kallaste, 2023

The research builds on an original data collection by the author, consisting of desk research and seven qualitative interviews with experts in the field of collective wage negotiations. For these expert interviews, we aimed to sample experts and practitioners from both sides of the negotiation table (i.e., employers' and workers' representatives) and cover the four sectors included in the BARWAGE study. In Estonia, interviews were conducted with experts from the urban transport and the hospitality sector, yet we did not interview anybody from waste management or construction, since there is no collective bargaining in those sectors. However, we interviewed general experts who have a good overview of the bargaining field, and work in them regularly. Although other experts were able to talk about those sectors briefly.

For the trade union interviews we reached out to the currently active unions from the four sectors chosen for this research. We emailed their publicly available general emails; this allowed the people within the organisation to choose who would be most equipped to be interviewed. The people who reached back to us were all interviewed. For the people who had cross-sectorial knowledge were reached out to personally. Their contact information was either gathered from other interviewees, from researchers who are active in the field or through prior contact due to the collection of CBAs. All the people we contacted were interviewed. We did contact more employer associations, yet they did not get back to us.

Table 2. Interview participants

| | ORGANIZATIONAL AFFILIATION | SECTOR EXPERTISE |
|----------|---|-------------------------|
| 1 | Trade union federation | Urban transport |
| 2 | Employer | Urban transport |
| 3 | Trade union federation | Hospitality |
| 4 | Ministry of Economic Affairs and Communications | Cross-sectoral |
| 5 | Trade union confederation | Cross-sectoral |
| 6 | Research institute | Cross-sectoral |
| 7 | Public institution | Cross-sectoral |

The interviews were conducted in Estonian through online video-calls using Microsoft Teams. The interviews conducted were semi-structured interviews. There were adjustments made to the interview questions, to accommodate for the individuals' differences in areas of expertise. For the

trade union experts all the questions on the questionnaire were asked, yet for the cross-sectorial experts some questions had to be removed such as specific questions about wages in a particular job or sector, since they had no knowledge on them.

The interviews were transcribed and coded. The coding process was initiated by the interviewers right after the interview in a separate Teams call with a quick discussion and briefing of thoughts which emerged throughout the interview. After which the interviews were selectively coded, meaning that sayings as “umm” were left out of the transcriptions. Moreover, the interviews were corrected to make sense in writing, since spoken and written Estonian can differ. Throughout the coding process, attention was placed upon finding the reoccurring main themes within and across the interviews. Themes such as salary sufficiency, employer discretion, and EU target of 80 percent emerged throughout the interviews.

The context for wage bargaining

In the last four years Estonia has been facing rapid changes in the political and economic landscape. Starting with the COVID-19 pandemic, continuing with the invasion of Ukraine and as a result the sudden increase in energy prices. A consequence of this has been an 38,6 percent increase in the cost of living from February of 2020 to December of 2023 (Statistikaamet). These recent changes in the political and economic landscape have influenced the bargaining relations. Overall, the interviewees agreed that the relations between the union and the organisations are good, although the number of disputes has more than doubled. Usually, there are about three disputes filed per year to be mediated, yet in 2023 there were eight. Interviewees argued that the wages have not kept up with the cost of living. This has resulted in increased dissatisfaction within the bargaining relations. In sum, recent changes in the political and economic landscape have influenced the bargaining relations.

We see that the goals of the trade unions and of the employers do not always align. The trade unions in Estonia wish to expand and aim to set up sectoral bargaining, partly due to the 80 percent initiative from the European union, whereas the employers remain concerned about the mere existence of trade unions and are afraid of being unable to meet their ever-growing salary demands. One of the interviewees even said that in their experience, smaller businesses fear trade unions 'like fire'. An expert argued that "[...]medium-sized and small companies, well, there are no unions there. And if they start to appear, the employer will do everything to prevent it."

A trade union expert stated that bargaining in Estonia mainly takes place in the public sector, or in sectors which are indirectly financed by the government. The most active sectors are urban transport, education in Tallinn and Tartu (major cities in Estonia), and the health sector. There is bargaining in

the private sector, yet much less. In the private sector there is bargaining in the hotel and restaurant sector, human health and social work activities, and education. The unions tend to be smaller and have less power there. A cross-sectorial academic expert argued that the biggest number of CBAs we see at enterprise level, whereas the biggest employee coverage we get from sectoral agreements.

A trade unionist reflected on their time as a trade unionist during Soviet Union and Estonian time, by stating that the past of the Soviet Union casts a long shadow on the bargaining relations. They argued that most post-Soviet Union bargaining takes place in companies which existed prior to gaining independence. Furthermore, they argued that companies which were established later have a smaller chance of having active collective bargaining.

“... for many middle-aged people, the union has a bad image. It's as if it's associated with the occupying powers or the Soviet Union. The trade union at that time was after all the one that handed out permits to buy flats and permits to buy cars and toilet paper and so on, there was no protection of members' interests.”

The system of wage fixing and bargaining on wages

Estonian Collective Bargaining Agreements are between two to ten pages long. They are typically divided into segments such as work and rest times, pay for work, social guarantees, working conditions, work safety, and relations between the employee and trade union. The section about pay for work consists of clauses such as overtime pay, evening pay, and number of hours an employee is expected to work. Clauses which concern themselves with extra payments are often reiterations of laws from the Employment Contracts Act. For example, clauses concerning nightly- and overtime pay, which are by law, are already stipulated to be 1,5 percent of the regular hourly wage.²

Wage bargaining in Estonia takes shape in two forms either as a pay scale within the CBA or it is bargained individually. Pay scales are rare in the CBAs yet present in fields such as urban transport, tertiary education, and the health sector. If a pay scale is included, then the pay is marked as a specific number (rather than a range) for a specific job title. The bargaining agreement in urban transport is a typical example for how wages are stated in CBAs in Estonia. For example, in the urban transport CBA the only wages which are specified are the ones for drivers.

“From 01.04.2022, based on the Community licence, the route licence and the public service contract for bus, trolleybus, tram and trolleybus drivers working full-time,

² Source: <https://www.riigiteataja.ee/en/eli/ee/520032023012/consolide/current>.

*the gross salary shall not be less than 1 250 €. (minimum monthly wage).”
(Sõitjateveo Üldtöökokkulepe, 2023)*

Within these agreements the floor is set, in the interviews it was revealed that people earn the exact wage stated in the CBA. Meaning that there are no rewards for productivity or experience.

Nevertheless, in most cases there are no pay scales in the collective agreements, resulting in that wages in Estonia are mainly set on an individual level, meaning that individuals bargain for their own wages with the employers or there are ranges set which are not publicly available. Regardless, this leaves the employer with a great deal of discretion. Majority of the employers have total freedom in wage setting.

In general, collective bargaining is not common in Estonia, and as it emerged during the interviews, many are sceptical of the 80 percent bargaining request made by the European Union in 2022. A possible reason for this is that the law already sets a lot of things in place and therefore collective bargaining is not common. However, the law is loose and allows for different interpretations that employers can take advantage of. One of the expert interviewees brought up one of the ways in which the laws are loose. That being one does not need to be in a trade union to sign a CBA, the company just needs a worker representative to sign the CBA. As a result, signing a CBA is easy. Furthermore, they argued that this has been done by companies.

Minimum wage

The minimum wage in Estonia is negotiated between the Estonian Employers' Confederation and the Trade Union Confederation of Estonia, which is afterwards ratified by the state. As a result, Estonian politicians argue that the country has 100 percent coverage of collective bargaining. Majority of experts we interviewed agree with this position, because they say that the agreement between the social partners would be valid and binding even without the government's ratification. Data from 2019 however shows that besides the minimum wage bargaining there is a 6 percent collective bargaining coverage. Nonetheless, the interviewees conveyed that the custom of determining the minimum wage through agreements between social partners is highly valued.

“For us it is a collective agreement. And it is a collective agreement in the sense that we only approve it by a government decree for accounting and technical reasons, but it is still purely an agreement between the social partners. They enter into a collective agreement and then essentially extend it to everybody. And simply because it is used as a basis for calculating certain benefits and other things, it is necessary for it to be approved by us in the form of a regulation.”

In 2023 Estonia had a minimum wage of 725 euros, with the minimum hourly wage being 4.30 euros (Sotsiaalministeerium, 2022). In 2024 the minimum wage was increased to 820 euros, now the minimum hourly wage is 4,86 euros, meaning that the wage increased by 95 euros in a year (ERR, 2023). The interviewees conveyed that when the minimum wage increases, it only directly affects the employees who are earning minimum or close to minimum wage. There is no pressure or tradition to renegotiate and raise salaries throughout the higher bargaining levels.

Average wage

In addition to minimum wage increases Estonia has been experiencing average wage increases. The average wage was 1406 euros in 2021, and it rose to 1812 euros in the third quarter of 2023 (Statistikaamet, n.d).

However, the average wage between the four sectors: urban transportation, waste management, construction, and hospitality sector vary greatly. The hospitality sector has the lowest average wage, that being 1198 euros (Statistikaamet, n.d.). This wage can fluctuate between regions, and as emerged during interviews a great proportion of the wage is dependent on how well the establishment does during the month.

The second lowest wage is in the construction sector, that being 1218 euros. In this sector wages also vary between regions. During the interviews it emerged that within the construction sector envelope pay is common, meaning that employees on paper earn the minimum wage and the rest is paid in an envelope. This as a result can make the statistics unreliable for this sector. Moreover, in the short term this can benefit the employee, since they must pay less taxes on their income, however, in the long term this can decrease an employee's pension.

The third one is waste management, for employees such as trash collectors the wage averages around 1519 euros (Statistikaamet, n.d.). This does vary between regions of the country.

The highest average wage within these sectors is in urban transport, particularly bus drivers, the average wage is around 1604 euros, however this does vary between counties (Statistikaamet, n.d.).

The new system for minimum wages

With the cost-of-living crisis there is a growing dissatisfaction with the wages. Majority of the interviewees agreed that the current salaries, including the minimum wage are not sufficient within the current cost of living crisis. As a solution the state is aiming to establish a minimum wage which is dependent on the nation-wide average wage. The current minimum wage is 40 percent of the nation-wide average, the goal is for it to be 50 percent by 2027.

Discussions surrounding the raising of minimum wages has resulted in the establishment of a 16 percent yearly growth ceiling for the minimum wage (ERR, 2023). Similarly, a concern was raised by one interviewee from a research institute about the dangers on a larger scale of continuously raising wages, arguing that it is a never-ending cycle of inflation.

Regarding the EC Directive on Adequate Minimum Wages and its request to increase bargaining coverage to 80%, the interviewee from the Ministry of Economic Affairs and Communications disclosed that multiple tracks are being taken to reach the goal. First one being that a committee has been formed who has ordered new research to discover the reason for the low and decreasing popularity rate of trade unions and collective bargaining.

Even when these steps are being taken the expert interviewees conveyed doubt in whether Estonia will reach the 80 percent collective bargaining coverage. About the 80% coverage initiative:

“But I do not think it is possible to achieve this in Estonia. It is not possible to achieve this in Estonia today, if we want to maintain that negotiations are still voluntary and that the parties themselves want to come together and negotiate. So, I just don't see that as an option.”

To achieve the goal, sector level bargaining is necessary, but due to the low popularity of trade unions and bargaining this could prove itself to be difficult to achieve, especially when it is prioritised that bargaining should remain voluntary.

Relevance of bargaining arenas to realising adequate wages in the four sectors

This section provides an overview of the current state of social partners and wage bargaining across the studied sectors.

Construction

The construction sector is the second largest sector in the industrial sector in Estonia. In 2021 it employed 48.520 people, which is 7.6% of the working force (Rahvaloendus, 2021). A core characteristic of this sector is the fluctuating nature of its labour force; there is rapid inflow and outflow of employees, meaning that employees work in the sector briefly and then move on, which as a result can influence the statistics.

The construction sector does not have any trade unions or bargaining in it. The only collective bargaining agreement which extends to this sector is the statutory minimum wage. Other factors which control the wages in this sector is the Employment Contracts Act, which covers extra payments such as overtime pay.

Multiple reasons emerged during the interviews with cross-sectorial experts for the non-existent bargaining in the construction sector. Firstly, secrecy around wages is common within this sector. A common way to pay wages in this sector is envelope pay.

The standard procedure for paying employees envelope wages is to pay them the official minimum wage first, with the remaining amount being given to them in an envelope. As a result, both the employee and employer must pay less taxes, in the long run this hurts the employee since this lowers their pension benefits. Nevertheless, employees earn a good wage, one trade unionist stated that on average the employees earn around the average wage or above.

Envelope wages further stand in the way of better wages within this sector due to a two-sided issue. Firstly, the employees are hesitant to unionise for two reasons: within the hospitality sector it is easy to exercise rapid employee turnover if people suspect unionisation, secondly, that one's wage would decrease if it was all paid legally. Meaning that neither side perceivably gains from unionisation, yet the employee side loses more. The union within the sector has been working hard to establish a collective agreement yet so far it has not gone through, since the employers are not satisfied with the terms and continue to push back.

Secondly, there is low job security and low longevity within this sector. This factor for low bargaining is two-fold. Firstly, there is rapid turnover within this sector which stems from jobs being gig-jobs or specific project oriented. This results in jobs being short term Secondly, foreign labour force is highly represented within this sector. This results in low job security since workers from other Eastern European countries are willing to accept lower pay. All these factors function together to discourage employees from unionising. Shortly, the wages within the sector are enough to compensate for the unpredictability of the sector, moreover the threat of somebody willing to do the job for less money motivates employees to not unionise.

Urban transportation

The urban transportation sector is the most active bargaining sector in Estonia. This is due to a trade union called *Eesti Transporti- ja Teetöötajate Ametiühing*, meaning the Estonian Transport and Road

Workers Union. They have over 2000 members across the country, who belong into 6 different sectors: car drivers, bus drivers, ambulance drivers, road workers, aeronautical workers, and utility workers (ETTA, n.d). The employer association in this field is the *Eesti Ehitusettevõtjate Liit*, meaning the Estonian Association of Construction Entrepreneurs (EEEL, n.d.). This association consists of the largest employers in Estonia, consisting of 86 employers (EEEL, n.d.).

Bargaining occurs in two sectors, the urban transport and construction, but only regarding transportation workers. In 2017 the collective bargaining coverage in Estonia was estimated to be 6%, although it is thought to be higher, since this percentage only covers the railways sector. The high coverage can be attributed to the fact that both single and multi-employer collective bargaining occur in this sector.

Most collective agreements in this sector cover roadworks and road construction. A few are in the electrocommunication and telecommunication field. The latest and the largest collective agreement in this sector is *Sõitjateveo Üldtöökokkulepe* (Passenger Transport General Working Agreement). This is active from 2020 until 2025, signed by *Autoettevõtete Liit* and *Eesti Transpordi- ja Teetöötajate Ametiühing*.

The most recent collective agreement signed in this sector is between *Autoettevõtete Liit* and *Eesti Transpordi- ja Teetöötajate Ametiühing* in 2020 - 2025 (*Sõitjateveo üldtöökokkulepe, 2020*). It is called *Sõitjateveo Üldtöökokkulepe* (Passenger Transport General Working Agreement). It was extended in 2023 until 2025, a couple clauses were added to the prior CBA (*Sõitjateveo üldtöökokkulepe muutus, 2023*). Within this agreement they also bargained for wages for the drivers, where the bargained wage in 2024 is 1350 euros.

“From 01.04.2024, the gross monthly wage of bus, trolleybus, tram and tram drivers working on the basis of a Community licence, route licence and public service contract shall be at least €1,350 per month (minimum monthly wage) for full-time employment.” (Sõitjateveo üldtöökokkulepe muutus, 2023)

The minimum wage in Estonia in 2024 is 820 euros, consequently the drivers earn 520 euros above the minimum wage. Nevertheless, they earn well below the average wage in Estonia, which in the third quarter of 2023 was 1812 euros (Statistikaamet, n.d).

The urban transport sector in Estonia is the most covered and developed sector in terms of collective wage bargaining. Majority of bargaining levels are covered within this sector. Firstly, statutory regulations in the case of Estonia are represented by the bargaining for the minimum wage, which

covers all the employees in Estonia. Secondly, sector level collective agreements are common within this sector, as a result this ensures the high coverage of bargaining. Nevertheless, single employer collective agreements are also present, such as the case of Tallinna Linnatransport (Tallinn city transport), where they have bargained for more favourable wages. They hold an annual bargaining and aim to always have their salaries slightly higher than the sectoral agreement. Fourthly, individual negotiations between the employer and employee are still taken on within this sector. Lastly, unilateral decisions by employers may happen in smaller companies where bargaining is not happening.

Two expert interviewees agreed that salaries within this sector are still not sufficient. This was concluded because of the increase in the cost of living and due to the expertise, it is required from bus drivers. The expert from the public institution stated that the average age of a bus driver is around 60 years old. They argued that younger people know to ask for more pay, which is why they need to increase the average salary for bus drivers. As a result, from 02.2025 the average wage of bus drivers will be tied to the statistical average wage.

Trade unions have been active in this sector since the Soviet Union, meaning that bargaining is normal and expected within this sector. According to the trade union expert and the public institution expert this has resulted in relations between the unions and companies to be extremely good.

Even within the most well-developed sectors in Estonia the people remain doubtful whether reaching the 80 percent coverage is feasible. The arguments proposed by the experts were that it is not a custom to unionise, it is not in our culture, small companies do not even allow people to unionise, young people do not believe in it, and that companies are going bankrupt because of this. The academic expert argues that the constant wants to raise wages, especially the lower salaries, puts a huge strain on businesses:

“Because it seems like we live in a slightly different cultural system. There is a kind of reluctance to have trade unions, and there is very much a perception that if you have a trade union in your company, then something is wrong. And if you don't have a union, it means that everything is working. And if there is a trade union in your company, it means that everything is not going well with the employees. Why else do you need a union? I have perceived this kind of mentality.”

Hospitality

The hospitality industry has 22.827 people working in it, which makes up 3.6% of the nation-wide working force, 72% of which are women (Rahvaloendus, 2021). Even though this sector forms a big section of the nation-wide workforce, collective bargaining is not common in this sector. This could be explained by the high number of seasonal workers, a notoriously hard to organise group of workers.

Collective bargaining has however happened in two companies, them being Hotel Viru and a daughter company of Tallink, OÜ TLG Hotell. In both these companies collective bargaining has happened on the firm level, meaning single-employer bargaining. There is one employer association, Eesti Hotellide ja Restoranide Liit, meaning Estonian Hotel and Restaurant association, they do not participate in bargaining. In 2017 the estimated collective bargaining coverage was 3.6% (Sanz de Miguel, 2018).

The polycrisis which is currently taking shape in the post-COVID-19 quarantine era has shaped the hospitality sector in extreme ways and left both the employers and employees in a precarious situation. Majority of the experienced workers left or had to leave the sector during the lockdown period. As a result, the sector is now more dependent on seasonal workers. Post-lockdown there have been great increases in wages since employers had to start attracting workers in other ways. Consequently, this can lead to even less collective bargaining since if a short-term employer is earning enough, they might be even less interested in long term unionising. Although as a result this hurts long-term employees for whom hospitality work is their career.

The third part of the polycrisis which has affected the hospitality sector in Estonia is the invasion of Ukraine and the following sanctions set on Russia. This has resulted in a rapid decline of Russian speaking tourists coming during the Christmas period. As a result, this both hurts the employer's profitability and there is less of a need for labour. The multiple layers of crises leave the hospitality sector in an increasingly precarious situation.

The aftermath of the lockdown and sanctions have had a tremendous effect on smaller or stand-alone businesses which are based in Estonia. The effects were not as big on larger corporations which have businesses across the world.

The hospitality sector closely resembles the construction sector. There are trade unions who bargain in this sector, such as Eesti Meremeeste Sõltumatu Ametiühing, who actively bargains with hotels and ports. They cover around 10 percent of the employees in the sector. This union is the only which still

actively bargains. Although we could not get access to their collective agreement. Aside from that CBA the only collective agreement which applies to this sector is the statutory minimum wage. Majority of the sector earns the statutory minimum wage or slightly above it, on official records.

As in the construction sector, secrecy around wages is also common within this sector. There are two ways in which the employers avoid paying taxes. Similarly to the construction sector, many earn a portion of their wage as envelope pay. However, in hospitality workers are often registered as part-time employees, yet work full-time. This allows the employers to pay fewer social taxes since they pay the employees officially for their part-time job and the hours which they did to reach 40 hours are paid in an envelope. The second way is that employers reduce the social tax from the envelope section of the salary, which should be covered by the employer, which is now paid by the employee. Both methods are illegal, and they thrive upon the employees not being educated or aware of their rights or ability to unionise in these cases.

A third method which is used to place the employees in a more precarious situation is a type of contract specific to Estonian law, it is called an Authorisation agreement (“käsindusleping”). It is not a labour contract; it is an assignment contract that for example one signs with a contractor or a musician for a gig. It allows the employers to terminate the work relationship at any given moment and takes away the social rights of the employee. A huge chunk of the service sector works with this contract. According to an interview respondent,

“... a very large number of workers are contracted based on ‘service contracts’, not employment contracts, but so to speak, contracts under the law of obligations, with which the workers have no social guarantees.”

The method which aids in maintaining this system is the single-employer bargaining since this allows for the secrecy in the sector to persist and for the employers to have total freedom to decide the wages. Companies desire to keep the details of their employee compensation a secret from outside parties. This is done with a clause within labour contracts that states that an employee's pay is confidential and that they are not permitted to discuss it with others. This would not hold in court; however, the employer can include the clause within one's working contract, but legally they cannot demand that you keep your salary a secret. Only the employer has an obligation to not discuss your salary. The clause should not carry importance for the employee yet workers who do not know any better it does affect them. As a result, when employees do reach out to unions, they are fearful of

addressing wages, in case it gets back to the employer. In return, employers gain from the lack of knowledge about labour laws on the employee's side.

The lack of bargaining can be a cause of two reasons which add up. Firstly, the large number of seasonal employees. These employees either do not have knowledge or time to unionise. Secondly, the industry's working hours are prone to significant fluctuations, which appeals to a particular type of worker: those who want flexibility. Because of the high need for flexibility the industry mostly uses summarised working hours, lasting four months, with the aim of having every employee put in up to 40 hours a week. However, if the target is not met, the employers ask the worker to sign a contract with fewer hours worked retrospectively, which as a result cuts their wage. This system endures because employees avoid conflict with their employers due to the high turnover rates in this industry.

This precarious nature extends to wages. The trade union expert from this sector stated that collective bonuses are common within this sector. Collective bonuses can determine up to 25 percent of an employee's wage. For example, the service workers in the hotel get paid based on the hotel's rating of cleanliness, or how well the bedsheets are folded. Meaning that the pay of people is dependent on the feedback of the customers. In sum, the income of the employees is highly dependent on the rating of the hotel, meaning that if the hotel's rating falls so does the employees' wage.

Waste management

In 2021 the waste management sector had 4093 workers, which made up 0.6% of the active labour force (Rahvaloendus, 2021). The only case of bargaining took place in 2002-2003 in Ragn-Sells, which is a private company which collects and transports regular trash. However, since then there have been no trade unions or employers' associations within this sector in Estonia.

Conclusion

This report provided an insight into the current state of wage setting and the role of wage bargaining in Estonia as a whole, as well as in four sectors. Evidence shows that wage bargaining remains underdeveloped, and is practised in a limited number of sectors and subsectors. Therefore, there are large discrepancies between sectors without any wage bargaining and sectors with some evidence on wage bargaining. The limited extent of bargaining occurs predominantly at the company level. In result, the individual discretion of employers in setting wages thus remains high.

To understand the context of the current limited impact of trade unions and the limited role of collective bargaining, discussing the cultural perception of trade unions within different systems is useful. One of the interviews conducted for this research reveal that

“... [it] seems like we live in a slightly different cultural system. There is a kind of reluctance to have trade unions, and there is very much a perception that if you have a trade union in your company, then something is wrong. And if you don't have a union, it means that everything is working. And if there is a trade union in your company, it means that everything is not going well with the employees. Why else do you need a union? I have perceived this kind of mentality.”

This perspective from a trade union expert highlights the association between the presence of trade unions and underlying issues within a company. It suggests a cultural mentality present in Estonia where the existence of a union is seen not as a proactive measure for worker rights but as an indicator of existing problems. This could lead to reluctance in forming unions, and reluctance to collective bargaining and shifting discretion of employers from individual to a collective one. The presence of unions may be interpreted as a sign of dysfunction rather than a standard component of a workplace structure.

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