



Re-thinking Approaches to Labour Migration

Potentials and Gaps in Four EU Member States' Migration Infrastructures

Case Study Estonia



ABOUT

This case study is part of a series of publications mapping legal pathways for labour migration and mobility to EU countries commissioned by ICMPD's Migration Partnership Facility (MPF) in the context of their efforts supporting the enabling environment for labour migration to the EU.

It summarises existing legal labour migration pathways and their use in Estonia. It provides suggestions for adaptations in order to better serve the needs of the Estonian labour market and to explore potentials for migration and mobility pilots in the context of the EU Talent Partnership Framework.

Shorter digests of each case study are available, along with an overarching policy brief which analyses the findings from all case studies.

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ACRONYMS

Cedefop	European Centre for the Development of Vocational Training
COVID-19	Coronavirus disease 2019
EAA	Estonian Association of Architects
EAKL	Estonian Trade Union Confederation
EC	European Commission
EC	European Commission
ECDPM	European Centre for Development Policy Management
EKRE	Estonian Conservative People's Party
ELFS	Estonian Labour Force Survey
EMN	European Migration Network
ENIC	ENIC: European Network of Information Centres in the European Region
ERR	Eesti Rahvusringhääling
EU	European Union
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICF	Inner City Fund
ICMPD	International Centre for Migration Policy Development
ID	Identity document
IHE	International House of Estonia
INSA	the Integration Foundation (Estonian: Integratsiooni Sihtasutus)
IOM	International Organization for Migration
IT	Information technology
ITC	Information and Communication Technology
LFS	Labour Force Survey
NARIC	NARIC: National Academic Recognition Information Centres in the European Union
NEET	Not in Education, Employment, or Training
UK	United Kingdom
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organisation
USA	United States of America

1. INTRODUCTION AND POLITICAL CONTEXT

1.1 GOVERNMENT SYSTEM

Estonia regained its independence in 1991. Since then, it has been a republic with a single chamber parliament, the *Riigikogu*,¹ which is elected directly by the citizens² for four-year cycles.³ The Riigikogu passes laws and regulations, exercises parliamentary supervision and ratifies international agreements. In addition, Estonia holds elections for voting on the local government councils, the European Parliament and the President of the Republic. Since an administrative reform of 2017, Estonia has 79 local government councils. Representatives for these councils are also elected for four years (Government of the Republic of Estonia n.d.-a). Estonia can send seven representatives to the European Parliament, who are elected for a term of five years.⁴

The Government of Estonia is formed by the Prime Minister and approved and held responsible by the Riigikogu. It is responsible for enforcing the domestic and foreign policy of Estonia. The current government entered into office on 25 January 2021, and is formed of a coalition of two political parties: the Estonian Reform Party (Eesti Reformierakond) and the Estonian Centre Party (Eesti Keskerakond). The current government replaced the previous coalition between the Centre Party and far-right and conservative parties (Estonian Conservative People's Party [EKRE] and the Fatherland Party), which collapsed due to a corruption scandal (Botos 2021). Since January 2021, Kaja Kallas from the Reform Party has led the Government as first female prime minister of Estonia. The Government is dealing with a number of challenges, including continued need to address the COVID-19 pandemic and its economic consequences.

The current government stands for a progressive political culture and has put a strong focus on climate policy - including through banning further public investment in fossil fuels as well as continuing the country's efforts to digitalise (Saarniit 2021). The coalition government agreement for the years 2021-2023 lays out the current priorities of the Estonian Government (Government of the Republic of Estonia n.d.-b). Alongside the focus on climate, the agreement highlights the significance of research, development and innovation; infrastructure and modern connections; an

1 The Riigikogu has 101 members.

2 The next parliamentary elections will be in 2023.

3 An Estonian citizen who has reached the age of 21 by the last day of registration of candidates has the right to stand as a candidate.

4 An Estonian citizen and a citizen of the European Union (EU) who has reached the age of 16 by election day and whose permanent residence is the residence whose address data is entered in the Estonian population register and is located in the respective rural municipality or city has the right to vote. An alien who resides in Estonia on the basis of a permanent residence permit and has resided legally in the respective rural municipality or city for at least the last five years by Election Day has also the right to vote in the local elections. Every Estonian citizen with the right to vote and a citizen of the EU whose permanent residence is located in the respective rural municipality or city no later than on 1 August of the election year has the right to stand as a candidate.

attractive entrepreneurship and business environment; high employment rates; flexible employment relations; controlled migration; and tax policy as priorities to achieve a 'Smart economy' in Estonia. One of the top priorities is to recover a strong labour-market performance and to prepare the workforce for greater use of digital technologies as well as to transform the economy towards low-carbon growth (OECD 2021a).

The Estonian president⁵ is elected for a five-year term.⁶ The Riigikogu elects the President through a secret ballot with the minimum of a two-thirds supermajority.⁷ The powers of the President are regulated by the *President of the Republic Work of Procedure Act*, Art 78 of the Constitution and other specific laws. The President represents Estonia in international relations, appoints and recalls diplomatic agents based on the proposal of the Government of the Republic and receives the credentials of foreign diplomatic agents accredited to Estonia. The President can also dissolve the Riigikogu and declare extraordinary elections of the parliament in the cases identified by the Constitution. The President also designates the Prime Minister to whom he assigns the task to form the Government.⁸

The President of the Republic independently declares laws passed by the Riigikogu, and has the power to reject a law and send it back to the Riigikogu for revision. Both procedural and substantive laws can be checked by the President. Once the law is returned to the President, he or she can proclaim the law or propose to the Supreme Court that the law be declared unconstitutional. If the Court declares the law to be constitutional, the President proclaims the law. In special circumstances, when the Riigikogu is unable to convene and there is a situation of emergency, the President may issue decrees which have a force of law even in spite of counter-signatures by the Chairman of the Riigikogu and the Prime Minister. However, these Presidential decrees cannot be used to amend the constitution or constitutional laws (§104 of the Constitution of Estonia), and the Riigikogu has to approve the law or amend these decrees at the next meeting (Office of the President of the Republic of Estonia n.d.).

Ministers are responsible to draft laws and amendments to the laws that are then discussed in the Parliament before the adoption. The Ministry of Interior is responsible for the migration policy and the Ministry of Social and Cultural Affairs is responsible for the integration area in Estonia.

Estonia is practising 'e-government' under the banner of e-Estonia - a movement organised by the Government to facilitate citizen interactions with the state through the use of IT solutions, including i-voting, e-tax, e-Banking, e-Business et cetera. Internet voting is used to carry out general elections besides the traditional voting possibilities.

5 The Estonian president needs to be an Estonian national by birth and at least 40 years old.

6 The president can be elected for a maximum of two consecutive terms.

7 A second or third round of voting takes place, if in the first round none of the candidates get enough votes to be nominated.

8 Government of the Republic Act.

1.2 POLITICAL ECONOMY ANALYSIS: MIGRATION

The history of migration to and from Estonia is connected to the political history of the country. Historical events like wars, occupations by Russians and Germans in the 1940s and other political developments have changed the patterns of migration in Estonia. During the past century, Estonia witnessed a number of larger scale emigration periods - the first during the second half of the 19th century and the second wave after the Second World War. The third emigration wave occurred as part of the collapse of the Soviet Union in 1991, with mainly the Russian-speaking community moving to former Soviet states. After re-independence, Estonian citizens increasingly moved to western countries to find jobs leading to rapidly growing emigration in the mid-2000s (Jakobson 2020). After joining the EU in 2004, Estonia faced a high rate of emigration, which was connected, inter alia, to the higher average wages of the other member states. The rapid expansion of the Estonian economy and growth of employment coupled with the negative population growth contributed to the need of foreign skilled labour (Alavi and Khamichonak 2015).

Thus, during the 2000s and again at the beginning of 2010, Estonia experienced negative net migration (Albert et al. 2021). Emigration from Estonia is largely circular in nature, with many Estonians emigrating for short term work opportunities or for study purposes, but with the intention to return to Estonia (Puur and Sakkeus 2017). Immigration to Estonia is still highest from the territories of the ex-Soviet Union (Tammur, Tammaru and Puur A 2017).

While, in the global labour migration context, Estonia has traditionally been a sending country (Jakobson 2020), persistent labour shortages coupled with economic progress and an increase of the median salary in recent years, has amplified the attractiveness of Estonia as a destination for foreign workers. Countries like Poland, the Czech Republic, Hungary, Slovakia, Slovenia as well as Estonia have converted in recent years to net-immigration countries, hosting notable numbers of labour migrants (KCMD 2022). Today, Estonia is an attractive destination for Ukrainian and Belarusian workers who typically work in manual, low-skilled jobs such as in the construction industry. Next to labour migration, however, family migration is a popular pathway to come to Estonia and the number of new residence permits for the purpose of family reunion is similar to that of permits for work reasons (EMN n.d.-a).

Prior to 2019, Estonia's policy approach to immigration was characterised by political continuity. Ruling coalition governments did not view it as a strongly controversial issue, and in the lead-up to the 2015 elections, immigration did not lead to major clashes between political parties. This changed with the ascent to political power of the Conservative People's Party of Estonia (EKRE)⁹ – a right-wing populist and national-conservative party (Kasekamp et al. 2019; Khoma and Kokoriev 2021: 42). In 2015, EKRE entered Parliament by winning 8% of the overall votes. In the 2019 elections the party succeeded to increase their participation with 18% of support winning 19 seats in the parliament.

9 The aim of the EKRE is to maintain the Estonian ethnicity and traditional values. Core elements of the party's approach are an anti-Russian attitude, Euroscepticism, promotion of family values and antagonistic position towards refugees. The party's program focuses on a reduction of Estonian emigration, prevention of immigration from third countries, discernment against sexual minorities and a stance against multiculturalism, feminism and same-sex partnerships. It is being criticised for xenophobia, nativism and elements of neo-racism and as being responsible for the rise of right-wing radicalism and democratic retreat in Estonia.

This allowed them to become a coalition partner for the Government that took office in April 2019 and a “decisive force in the government’s survival” (Raik and Rikmann 2021). EKRE gained a number of strategic portfolios, including that of the Minister of the Interior, the Minister of Finance, the Minister of Foreign Trade and Information Technology, as well as the Minister of Rural Affairs and the Minister of the Environment” (Raik and Rikmann 2021). The influence of EKRE shifted the then-government’s policy towards immigrants, and several changes to limit immigration were introduced, which are partly still reflected in the current legislation. Under EKRE’s time holding the Ministry of the Interior Estonia’s migration policy has been characterised by stronger protectionism. Employers of migrant labour were publicly attacked and the Minister declared that the migrant workforce should be substituted with permanent residents who are currently not active in the labour market and Estonian return migrants from Finland (Sildam 2019).

The COVID-19 crisis of 2020 did not bring any compromise to the governing coalition regarding Estonian migration policy. The Minister of Interior at the time, Mart Helme (EKRE), had ambitious plans to introduce restrictions to immigration rules. The rest of the government was, however, hesitant to approve them. Other coalition members, Isamaa and the Centre Party, were generally advocates of a conservative migration policy, yet, they deemed the proposed reforms to be exclusively in EKRE’s interests, and would have negatively impacted the already struggling economy. After all, short-term workers are considered important tax payers and an indispensable workforce for certain sectors of the economy, such as in construction and agriculture (ERR 2019). As part of the COVID-19 response, the government introduced some improved regulations for study, family and labour migration, including obligations for the sponsor (employer) to guarantee COVID-19 testing, transportation and a 14-day period of self-isolation for newly arrived immigrants before starting their work. EKRE managed to implement some steps towards restricting short-term labour migration through reducing the time limit of seasonal work from nine months to six months per year (Möttus-Leppik 2020; Draft Law 617).

The current government does not seem to put a strong priority on migration as a topic overall. Legal migration as such is, for instance, not emphasised in the coalition agreement. Yet, one principle in the coalition agreement notes that “Estonia is a great small nation that supports *all people*, their will for self-fulfilment and their wish to contribute to the development of Estonia” (Government of the Republic of Estonia n.d.-b). The reference to ‘all people’ can be interpreted as including immigrants who contribute to Estonia’s economy.

The coalition agreement is also not highlighting the importance of migration as a source of development, with the exception of the ICT sector: “We will implement a support measure for start-up companies and find a solution for the shortage of specialists, making Estonia an attractive country for creating and testing innovative solutions.” (Government of the Republic of Estonia n.d.-b).

Both in its agreement and in practice, the coalition agreement thus puts a stronger focus on highly-skilled immigration while low-skilled migration is not seen as a priority as confirmed by interviewees for this study. The Government’s priority is to keep the employment rates of Estonian citizens high while attracting talent and implementing integration policies for the foreign workforce. The foreign specialist coming to Estonia will benefit from integration services and can use the e-solutions for application and registration. The Government states that “Estonia is open for ex-

perts and skilled workforce who share the values of our state and wish to fulfil their potential here. It is important for us that lack of workforce with a special qualification would not damage the competitiveness of Estonian companies” (Government of the Republic of Estonia n.d.-b). Furthermore, fostering entrepreneurship is an important goal of the government and for this reason the possibility for e-residency and strengthened attractiveness for international entrepreneurs are considered important objectives. The Government also favours increasing foreign investments and plans to continue with implementing the [e-residency 2.0 action plan](#).

Since the formation of Estonia’s current government in January 2021 there has been no specific policy discussion at the government level about the future role of migration in filling labour market shortages. The goals of the Government are focused on the promotion of Estonia’s e-residence and rendering Estonia attractive for investors, attracting expertise and skilled workers in specific sectors, such as IT. As part of its focus on advancing its status as high-tech country, the Estonian government promotes highly skilled labour migration and aims to improve access to the ICT sector through new legislative proposals.

Estonia has also launched [websites for foreigners](#) to invite them to work and invest in Estonia targeting high-skilled migrants through online campaigns, which have attracted significant traffic.

The next Estonian general elections are set to take place in March 2023. While polarisation along ethnic lines has abated during past years, conflict over traditional versus progressive values, including in migration, have increased (BTI 2022). A future government participation of EKRE cannot be ruled out given its popular strength and its capacity for political provocation. A poll from January 2022 shows strong and growing support for EKRE, making it the most popular party among the electorate (Vanttinen 2022).

1.3 MIGRATION POLICIES AND LEGISLATION (AND OTHER RELEVANT, E.G. EMPLOYMENT, TRADE, DEVELOPMENT)

Estonia has adopted a rather **restrictive approach to legal migration**. However, its policy has over time become increasingly flexible and pragmatic (Jakobson and Kalev 2020). Although Estonia has managed migration through various policy measures since regaining independence, it does not have an explicit and coherent overarching migration policy (Kaldur et al. 2019: 12).¹⁰

Given the above historical background, it is not surprising that Estonia’s approach towards labour immigration is based on **focused, selective and demand-based strategies** (Alavi and Khamichonak 2015). The current Estonian immigration model aims to meet employers’ demands while protecting the local labour market. Immigration for work is only possible with an existing job offer. Estonia largely seeks third-country nationals with skills and knowledge who will contribute to the competitiveness of its economy, science and education, as well as its culture.

¹⁰ Over time, development plans, strategies and sectoral policies, for example, by the Ministry of Economic Affairs and Communications, the Ministry of Education and the Ministry of Interior have connected to labour migration. Yet, a comprehensive strategy in the form of a national migration policy which connects the dots is not yet available in Estonia.

Estonia applies a **yearly immigration quota for long-term migrants** (for first time residence permits for employment and entrepreneurship) on the basis of Aliens Act § 114 section 1. This quota has been introduced after the re-independence of Estonia in 1991, due to the high number of non-citizens arriving during Soviet times. The fear of a mass influx triggered the introduction of a quota, which is set at 0.1% of the resident population. However, there are many exemptions and temporary labour migration does not count towards the quota threshold. The quota system and its exemptions are discussed in more detail in Section 5.1.

Estonian legislation categorises migrants by their citizenship status and their purpose of migration. EU citizens, refugees and asylum seekers and other foreigners' rights are regulated through a number of separate legal acts. Most prominently for labour migrants from countries outside the EU is the **Aliens Act** (Välismaalaste seadus), which regulates the entry of third country nationals, their stay, residence and employment as well as the bases for legal liability of aliens.¹¹

Paragraph 43 of the Aliens Act states all the legal bases for entry into and temporary stay in Estonia. Foreigners can work in Estonia on the following bases:

- **Temporary work stay:** This includes work up to 5 days within a 30 days period.¹²
- **Short-term employment:** In 2017 and 2018, Estonia introduced increased possibilities for **short-term employment** for third country nationals. These reforms resulted in an increase of short-term labour immigration, which is not limited by immigration quotas. Since 2018, third country nationals with a visa from another EU country or when holding a D-visa (Aliens' Act1 §106, §60) are allowed to start work after their registration in the official work registry of the Police and Border Guard, as a short-term employee.¹³ Short-term employment in Estonia is permitted for up to 365 days within 455 consecutive days.¹⁴ Conditions are that they should be paid at least the national average salary and that employees have qualifications, training, health conditions, work experience and necessary professional skills and knowledge to be assumed for the position.¹⁵

11 Other acts for specific migrant groups include the Citizen of the EU Act (Euroopa Liidu kodaniku seadus), which regulates the bases for stay and residence of citizens of the EU and their family members; the Act of Granting International Protection to Aliens (Välismaalasele rahvusvahelise kaitse andmise seadus), which regulates the process of granting international protection to a person, the legal status and basis for stay; the Obligation to Leave and Prohibition on Entry Act (Väljasõidukohustuse ja sissesõidukeelu seadus), which provides the basis and procedures regarding obligations to leave, prohibition of entry and the assistance for travel through Estonia, and the State Borders Act (Riigipiiri seadus), which defines the state border, the border regime and the liability for violation and illegal crossing.

12 The legal basis of an alien for a temporary stay in Estonia is a visa issued by a competent Estonian agency or by a competent agency of a member state of the Schengen Convention unless the terms of a visa preclude the right to stay in Estonia.

13 The first package of amendments was ratified in 2018 together with the extensions of the duration of D visa and renewed exceptions for immigration quota (Draft Law 6173). These reforms aimed to ensure the enforcement of migration management rules through an increase in possible fines or other sections on employers in case of non-compliance, for example, registration of short-term labour migrants, meeting of salary requirements, payment of taxes by labour migrants.

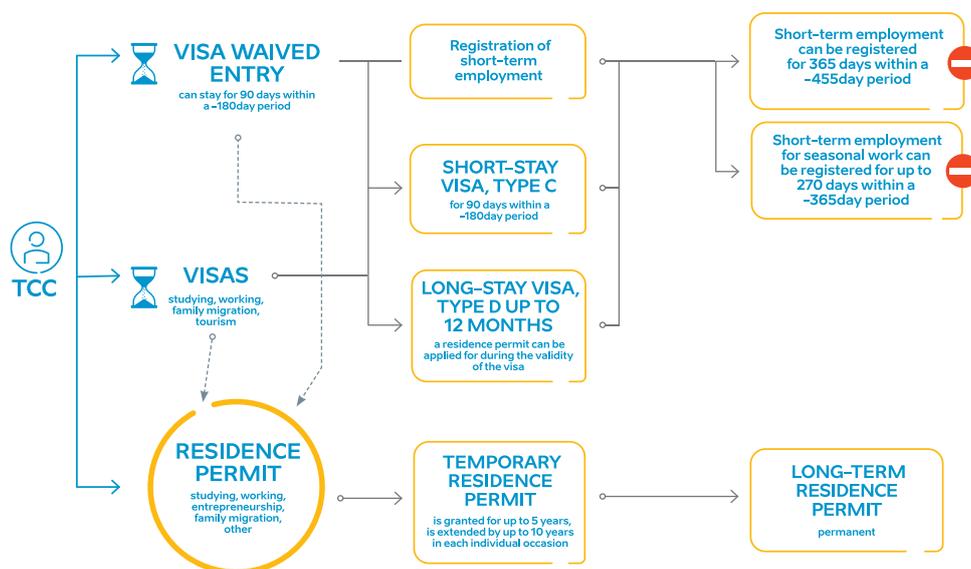
14 Exceptions to the time limit of 365 within 455 consecutive days apply to teachers, lecturers, researchers, for top specialists with professional training and for employment in a start-up company (Aliens Act, §106).

15 There are also specific conditions for the employer, who will need to be registered in Estonia. Short-term employment may be registered on the basis specified in clause (14) 3) of the Aliens Act art 106, Short-term employment in Estonia of an alien may be registered also in the case of temporary agency work in the user undertaking. Temporary agency work may be registered as short-term employment if the employer who is registered in Estonia is acting as an intermediary of temporary agency work and the employer has funds in deposit to the extent of at least 10% of the remuneration fund of an alien (Aliens Act, art 106).

- Employment by (temporary) residence permit.** An Estonian residence permit gives automatically the right for employment and no extra work permits are needed. The employer is required to register the persons in the Estonian employment register before they start the work. The employer needs to receive permission by the Estonian Unemployment Insurance Fund to hire a third country national which is based on a number of conditions, such as impossibility to fill the position with an Estonian or EU citizen or a foreigner already in the country with a valid residence permit, justification taking into account labour market needs based on data of the Estonian Unemployment Insurance fund. There are exceptions for this when it concerns experts, top specialists, family migration, short-term employment et cetera. Estonia also accepts residence permits issued by a competent agency of a Schengen member state as well as diplomatic service cards issued by the Ministry of Foreign Affairs to diplomatic staff and their family members. Estonia follows EU conventions and rules regarding movements of persons with long-stay visas,¹⁶ residence permits for intra-corporate transferees,¹⁷ residence for the purposes of research, studies, training, voluntary service, pupil exchange or educational projects and au pair.¹⁸

Figure 1 shows the pathways for labour migration available to non-EU foreigners and depicts the options to enter with a visa and register short-term employment or apply for a temporary residence permit for work.

Figure 1: Visa and residence pathways for labour migration to Estonia



Source: EMN. N.d.-b

- A long-stay visa issued by a competent agency of a member state of the Schengen Convention is a legal basis for the stay of an alien in Estonia pursuant to a regulation of the European Parliament and of the Council (EU) No 265/2010 amending the Convention Implementing the Schengen Agreement and Regulation (EC) No 562/2006 as regards movement of persons with a long-stay visa (OJ L 85, 31.03.2010, pp.1-4).
- The residence permits of an intra-corporate transferee (hereinafter intra-corporate transferee permit) issued by a competent agency of a member state of the EU on the basis of Directive 2014/66/EU of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals in the framework of an intra-corporate transfer (OJ L 157, 27.05.2014, pp.1-22) is also a legal way of staying in Estonia.
- Starting from 23 May 2018 the long-stay visa or a residence permit issued to a researcher for the purposes of research or a student for the purposes of studies by a competent agency of a member state of the EU on the basis of Directive 2016/801/EU of the European Parliament and of the Council on the conditions of entry and residence of third-country nationals for the purposes of research, studies, training, voluntary service, pupil exchange schemes or educational projects and au pairing (OJ L 132, 21.05.2016, pp.21-57) was also accepted as a legal stay in Estonia.

In general, the Aliens Act stipulates that employers have to pay third country nationals a salary that is at least equal to the annual average wage in Estonia published by Statistics Estonia. This is to discourage low-skilled migration that is not considered to be an asset to Estonia's economy (Jakobson 2020). In the case of a 'top specialist' the requirement is two times the average. Also here exemptions exist for example for seasonal workers, family migration and students and researchers (EMN 2019a).

Currently the migration policy aims to attract highly skilled migrants, especially in the IT sector. For this, the Government has introduced special visa schemes and the possibility to apply for a resident permit while being exempt from the annual national quota.

Starting from 2017, Estonia transposed the EU directive on **seasonal migration** (EC 2014/36/EU).¹⁹ Since then, labour migrants can also come to Estonia as seasonal workers to work in certain sectors, such as agriculture, forestry, fishing, food and non-alcoholic beverage production, hospitality and catering (Government Decree 2017).²⁰ There is a minimum salary threshold for seasonal workers, and employers of seasonal workers have a number of specific obligations such as providing housing or paying the salary even if the contract is terminated prematurely. Seasonal workers can work up to 270 days within 365 consecutive days.²¹

Due to the limitations of movements at COVID-19 times a new provision was introduced on 7 May 2020 that granted more flexibility to migrants to extend their stay in Estonia. The revisions in the law note that "if it is justified taking account of the needs of the economy and labour market, the Government of the Republic may, in an emergency or an emergency situation, establish by a ruling a period longer than the period of short-term employment of an alien provided for in subsection (13) of this section, but not longer than 730 days within 913 consecutive days." (Aliens Act art 106 Section 1 point 1⁶). In this context, the Government also allowed the minister of internal affairs or the Director General of the Police and Border Guard Board authorised by the minister the right to grant an alien staying in Estonia and whose return to the country of origin is impeded, a legal basis to extend their visa to stay in Estonia.

The right to work in Estonia can also arise from the law itself. For example, according to Art 105 of the Aliens Act, prisoners and detained persons are allowed to work during the period of stay in the custodial institution. Crew members of trains, locomotives and aircrafts are also permitted to work in Estonia although they do not have residence. A person who is performing directing or supervisory functions of a legal entity or a branch of a foreign company registered in Estonia can also work for the duration of his or her temporary stay. Furthermore, accredited journalists, long stay Schengen visa holders, students and researchers with long stay visas, can also take up employment in Estonia without a residence permit issued for employment. However, there is a restriction for employment

19 This provision was enforced on 15 July 2018.

20 If the employer has failed to register the short-term employment of a foreigner, then working is prohibited. The only exceptions to this rule might come from the treaty which is ratified by the Riigikogu.

21 Short-term employment of an alien as a seasonal worker may be registered if: (1) the alien commences work in the area of activity dependent upon season listed in the regulation established on the basis of subsection 110 (3) of the Aliens Act; (2) an employer has entered into a short-term employment contract with an alien before the submission of an application for registration of short-term employment or has made a job offer by which the employer expresses his or her will to be legally bound with the employment contract to be concluded and undertakes to employ the alien under the conditions determined in the concluded contract entered into or the job offer made; and (3) the accommodation of an alien during the stay in Estonia shall be ensured in a dwelling or accommodation establishment which complies with the requirements established in the legislation (Aliens Act, art 106).

for persons who stay in Estonia illegally and for those who have an obligation to leave Estonia according to the administrative Act or judicial decision.

In June 2020, Estonia also introduced a new type of visa for the performance of telework, known also as '**digital nomad visa**'. It allows Estonia to issue visas (short-stay C-Visas or long-term D-visas) for teleworking to third country nationals whose purpose of temporary stay in Estonia is to perform work duties as a location-independent employee or an entrepreneur. Digital nomads need to meet a minimum income threshold, which in 2021 stood at €3,504 euro gross monthly salary as well as proof of insurance and ability to cover accommodation and subsistence.

Since the increased arrival of Ukrainian nationals in the context of the Russian invasion in Ukraine since 24 February 2022, the Government has introduced a number of measures to provide for options for Ukrainian refugees to work in Estonia. Following the provisions under the EU Temporary Protection Directive, Ukrainians who have arrived in Estonia after the start of the war, can work in Estonia on the same conditions as permanent residents of Estonia. Those that arrived before follow conditions that applied at the time of their arrival. There are efforts underway to allow them to continue working in Estonia. On top of this, the Estonian Unemployment Insurance Fund aims to facilitate job-matching through an online environment that helps to mediate job offers. For Ukrainians the option to register as short-term employees or seasonal work seems currently the most viable option. The government is debating removing temporal restrictions for the time of the crisis through a legislative process (Government of the Republic of Estonia 2022).

Estonia's employment policy is rather protective in order to safeguard opportunities for the local population on the labour market and to limit the inflow of new workforce participants, with the exception of highly skilled IT staff. There is no link between labour migration and international development cooperation activities, including those on vocational training or skills development in third countries. There are no bilateral or multilateral agreements with third countries that directly link skills development activities with labour migration.

Estonia does not have any specific partnerships in place with third countries on labour migration. Some years back, IOM led public consultations together with the Ministry of Economic Affairs and Communications and the Ministry of the Interior about developing partnerships with countries like Georgia or Moldova. However, these did not materialise as companies showed little interest in such schemes (EMN 2021a).

In the context of Estonia's trade or development policies migration has, in the past, hardly played a role. However, more recent strategies put an increasing focus on migration issues, specifically with African countries. The Ministry of Foreign Affairs has adopted a comprehensive strategy for engaging with Africa (2020-2030) as well as an Action Plan (2021-2025). In it, it reflects migration-related priorities, such as "supporting good governance, transforming the economy, improving education, and raising awareness" (EMN 2021b).

In 2020, the First Ambassador at Large for Human Rights and Migration took office at the Ministry of Foreign Affairs. It aims to present Estonia's positions on migration issues internationally and to improve international cooperation, mainly towards preventing irregular migration but also to organise migration in an orderly way (Permanent Mission of Estonia to the UN 2020).

In 2022, the Aliens Act was amended twice²² to establish more flexible work conditions for people to come to Estonia to work as well as to facilitate better access to the labour market for Ukrainian refugees (Riigikogu 2022a). The objective of the amendments is to expand opportunities for third country nationals who are contributing to the development of Estonia to remain in the country to work and study. Part of the amendments include to end the general requirement for companies to pay the national average wage to third country nationals as well as to create a category of start-ups that is exempt from paying the national average wage to third country nationals (Riigikogu 2022b). Another amendment makes it possible to renew short-term residence permits. Changes through this Amendment Act of 14th May 2022 will come into force between 1st of September 2022 and 1st January 2023.

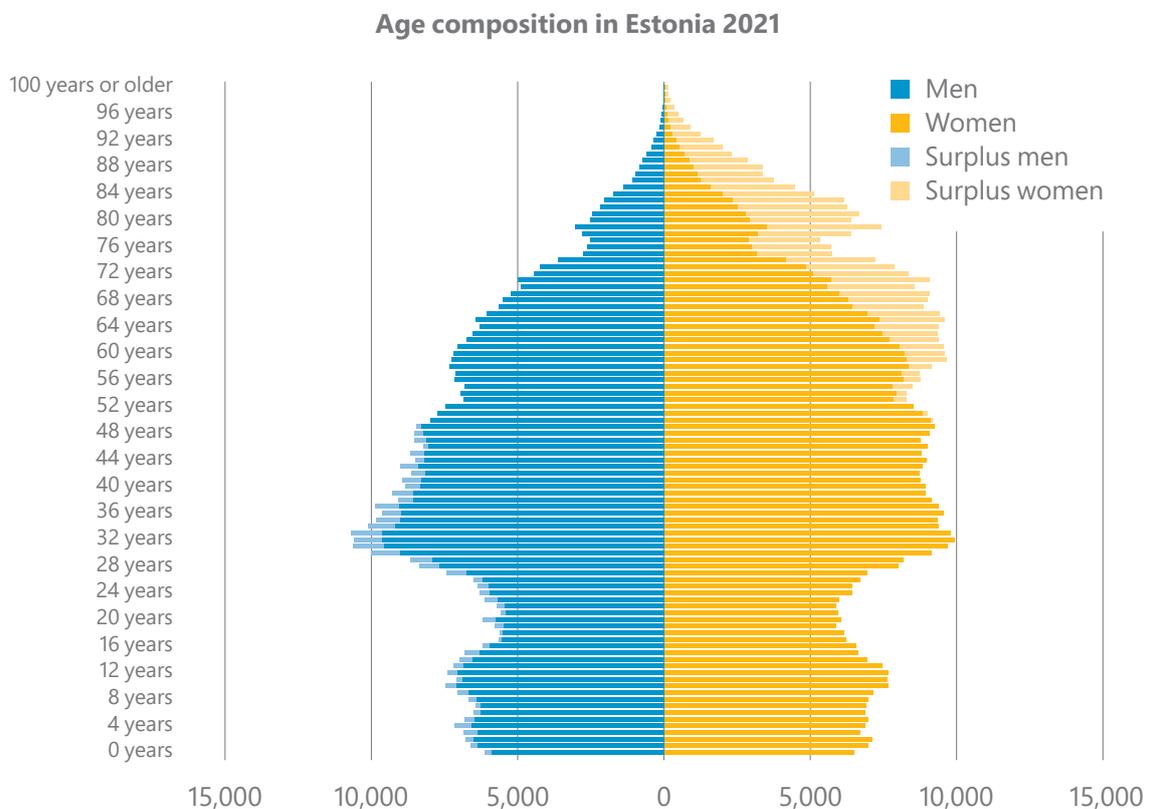
22 As of 24 May 2022.

2. KEY LABOUR MIGRATION-RELATED STATISTICS

2.1 INFORMATION

The population of Estonia stood at 1,330,068 on 1 January 2021 and made up 0.3% of the EU27 population. According to the preliminary estimate by Statistics Estonia, there was a decline in the number of Estonian permanent residents during 2021 by 1,628 people, bringing the population down to 1,328,439 people as of the 1 January 2022. Although on an upward trend, the gender ratio is relatively off balance in Estonia with just 90 men per 100 women. There is a male surplus up until the age of 50, which is especially marked in the '30s with on average 110 men per 100 women, due to higher net immigration of men. The population pyramid (see Figure 2) illustrates the large gender imbalances in favour of women in older age groups, but also the effects of the rapid decline in the birth rate after Estonia regained independence.

Figure 2: The population pyramid of Estonia in 2021



Source: Author's own graph produced based on data from Statistics Estonia 2021

Decrease of the Population

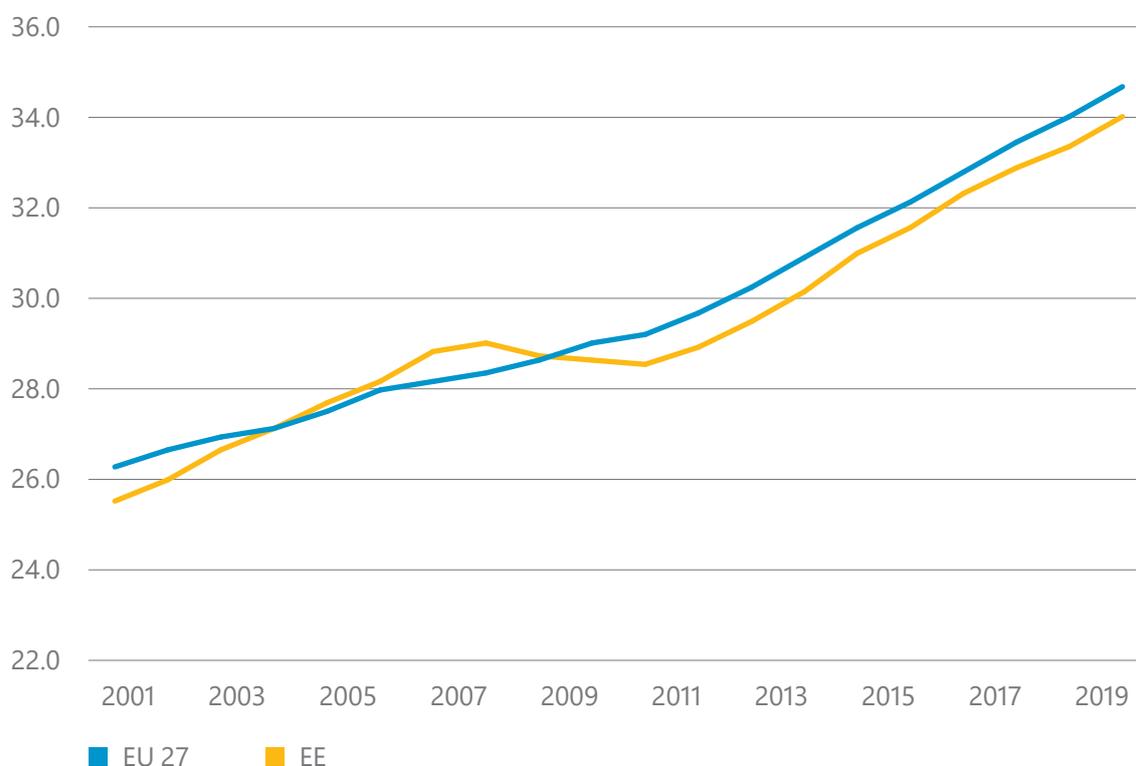
According to the long-term population forecast by Statistics Estonia, if current trends continue, the Estonian population will decrease by 125,000 by 2040. There are two main motives for the decrease of the population: negative natural growth and emigration from Estonia. In line with the decline in overall population, there will also be a decline in the working-age population (20–64 years of age) like in most European countries. Between 2000 and 2017, the number of people of working age in Estonia decreased from 839,000 to 787,000. At the same time, the number of employed people has increased, from 585,000 to 657,000 over the same period. Living longer and an ageing population will lead to changes in the age structure of employment. For example, over the past three decades, the share of people aged 50–74 in Estonia has increased and the share of people aged 15–24 and 25–49 has decreased. To address this, the participation of older people in the labour market should be promoted (Servinski 2021).

It was predicted by the Ministry of Economics and Communication in 2016 that the labour shortages will increase by 6,000 by 2024. Given the demographic ageing of the population and that the number of people exiting the labour market is higher than those entering, there is a need for an increase in labour market participation (Government of the Republic of Estonia 2016a). However, predictions suggest that even if Estonia manages to bring currently inactive individuals into the labour market, the demographic decline will mean that Estonia will still struggle to meet labour demands. Moreover, since the largest proportion of inactive people are students, people with disabilities, and young non-studying persons who are not in education, employment or training (NEETs), there is a need for structural reforms to better integrate those people into the labour market. Alternatively, labour migration will need to play a role to fill labour market shortages (Pärna 2016).

Immigrant workers have contributed to the growth of the net population since 2015 despite Estonia's restrictive immigration policy with the immigration quota of 0.1% of the population.

Like in most EU countries, the Estonian population is ageing. The share of population aged 65 years and above has increased from 15.1% in 2001 to 20% in 2020 and the median age from 38.2 to 42.3 during the same period. Several processes contribute to ageing. First, the life expectancy in Estonia, especially that of men, is below EU average, but is increasing faster than in most EU countries. Second, the small birth cohorts of the mid-'90s are gradually reaching child-bearing age, which means that the number of births is expected to be on a decline. As a result, the old-age dependency rate in Estonia has been increasing, at a similar rate to the average in the EU (see Figure 3). The old-age dependency ratio (% of 65-year olds and older as a share of 20 to 64-year olds) is projected to increase from 34.1% in 2020 to 63% in 2100, with a 10-percentage point increase by 2040.

Figure 3: Population aged 65 years and older in the EU27 and Estonia, as % of 20 to 64-year olds



Source: Eurostat 2020

Long-term population forecasts for Estonia depend crucially on the projected evolution of the migration balance. On the account of the sizable surplus in the past years, long-term forecasts have been revised upwards. The EUROPOP2019 population projection by Eurostat foresees a 13.9% decline in the baseline scenario for Estonia by 2100. This forecast assumes that the migration balance will remain positive throughout the forecast horizon and will thus counterbalance the natural decrease of the population.

Foreign-born people and those with a foreign-born parent or grandparent made up 27.8% of the total population in 2021. Among them, first and second-generation immigrants made up 21.4% of the total population. The share of population with a migration background is especially high among the 55 to 74-year olds, reaching 39.8%, due to large-scale migration during the Soviet era. The share of Estonian citizens had reached 84.9% in 2021, followed by 6.2% Russian citizens and 5.2% (or 69,127 persons) without citizenship. The latter group consists of people, who did not obtain Estonian citizenship automatically after Estonia regained independence due to their immigrant background, have chosen not to take up citizenship thereafter or have failed to do so, mainly because of the lack of knowledge of Estonian language.

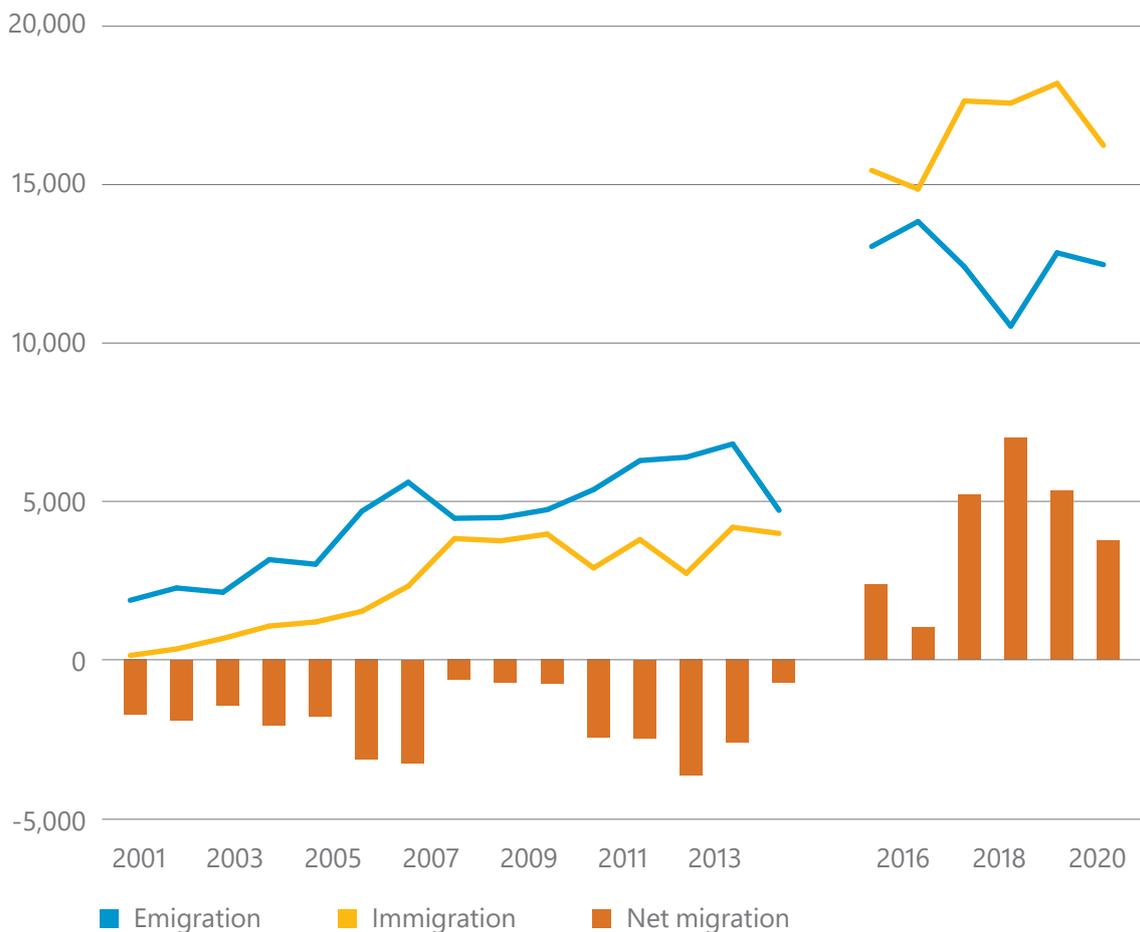
The share of immigrant background population is regionally very unequal with Harjumaa, the county of the capital, and Ida-Virumaa, the county in North-Eastern Estonia, close to the Russian border having highest immigrant population shares (35% and 66% respectively). These two regions account for 82% of the immigrant origin population (while 45% of native population), and in the rest of the country, the immigrant origin population makes up only 11% of the population.

In 2021, unemployment was 6.8% and about 608,147 people were employed of the total population of 1,328,439 (Statistics Estonia n.d.)

2.2 CURRENT MIGRATION FLOWS

Throughout the 1990s and up to 2014, emigration was larger than immigration. The negative migration balance widened in 2005, after joining the EU, which greatly reduced the obstacles to migrate to other EU member countries. The economic boom in 2007-2008 temporarily slowed emigration, with fast pay increases and job opportunities in Estonia, but it was followed by the Great Financial Crisis with an extraordinarily severe economic downturn, high unemployment and increase in emigration again. In 2015, Estonia experienced a migration turnaround,²³ and up to 2021, the migration balance has been positive each year peaking in 2018 at 7,071 people (0.54% of total population) (see Figure 4).

Figure 4: Immigration to and emigration from Estonia 2009 to 2020*



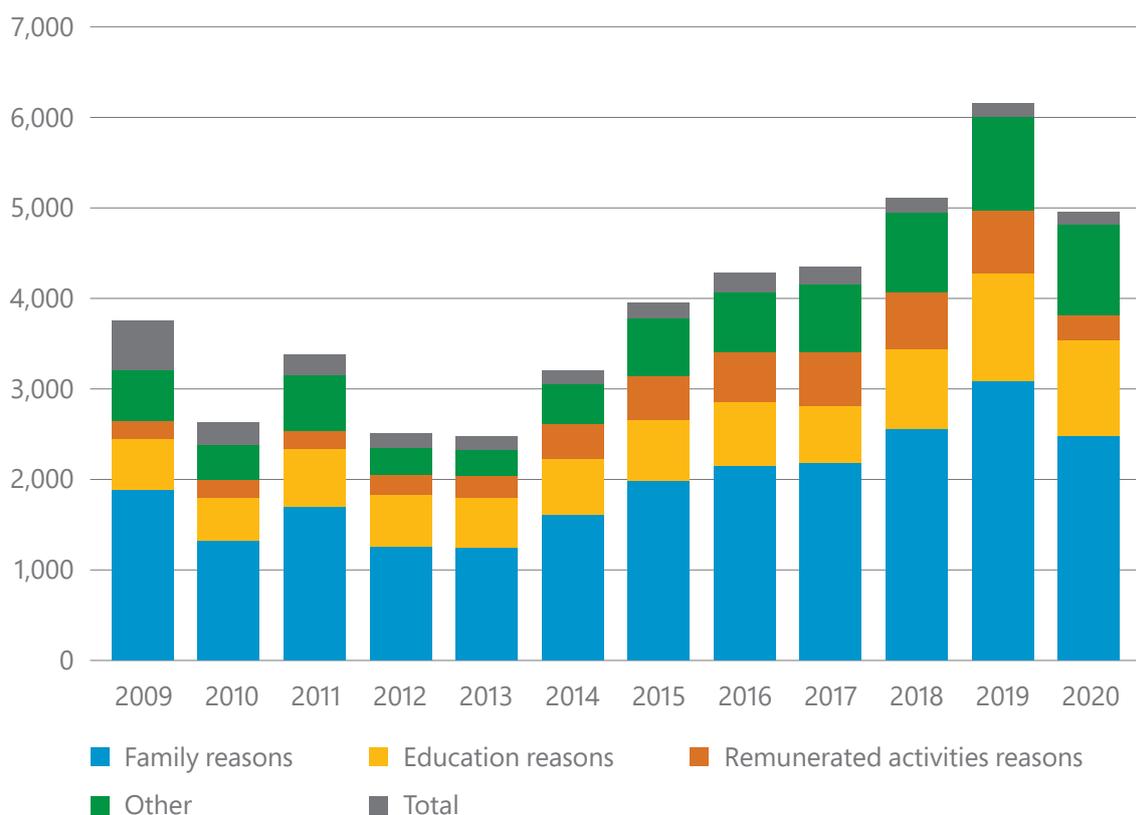
Source: Produced by author based on Statistics Estonia data, accessed in 2022.²³

²³ Note that before 2015, headline migration flows only included registered migration, and from 2015 onwards capture both registered and unregistered flows. From 2015, the balance of registered migration has been positive too.

Of the people who come to Estonia, EU nationals made up 33% in 2020 with Finnish and Latvian citizens being the most numerous groups followed by German citizens. Among the non-EU nationals, Ukrainian and Russian citizens were the largest groups. Estonian citizens accounted for 36.4% of immigration. Many people who come to Estonia are returning after a temporary stay abroad. Most people who return to Estonia come from Finland, which has been the main destination country of emigration throughout the past decades and has accumulated a large Estonian diaspora as a result. In the years 2017 to 2019, return migration of Estonian citizens was positive. Of the people leaving Estonia, 55.7% in 2020 were Estonians. Among emigrants who are not Estonian citizens, other EU country nationals make up a little more than half with the same groups dominating as in the case of immigration – Finnish, Latvian and German citizens. The emigrating non-EU citizens are most often Ukrainian and Russian citizens. The fact that the countries of immigration and emigration are consistent demonstrates the circular nature of migration in Estonia (Ukrainians and Russians are the most common non-EU emigrants and immigrants).

The main driving force behind the increase in immigration from 2015 onwards was the emerging shortages on the labour market, which increased the attractiveness to migrate to Estonia for both former emigrants and other countries' nationals. The brisk growth of productivity and wages in the ICT sector has made it competitive in hiring from other EU countries. A subsequent relaxation of work migration rules for citizens of non-EU countries as part of the 2017/2018 reforms also played a role. This is reflected in the increase of first-time granted residence permits for employment purposes (see Figure 5). In Estonia, there is a yearly quota restriction on granting such permits, which equals 0.1% of the total population. From 2017 on, the quota has been exceeded, because certain groups of employees were lifted out of it, the largest groups being occupations related to information- and communication technology (from 18 January 2017) and professionals (from 15 July 2018). There was also an increase in the number of newly granted living permits for education reasons. This coincided with the higher education reform, which prohibited Estonian universities funded by the Government from charging tuition fees from full time students taught in Estonian. The new rules, combined with very small cohorts entering higher education provided a powerful incentive for universities to expand English language programs. The increase in work and study related immigration was followed by an increase in migration for family reasons, often reflecting joining spouses of earlier immigrants. Table 1 shows the newly granted living permits by citizenship in 2020. It corresponds well to overall immigration source countries with Ukraine, Russia and Belarus dominating. Unlike in many Western European countries, the number of refugees and asylum seekers entering Estonia has been marginal compared to total immigration. From 2008 to 2020, only 470 positive decisions have been made on asylum applications.

Figure 5: First time living permits by reason, Estonia 2009 to 2020



Source: Eurostat 2020

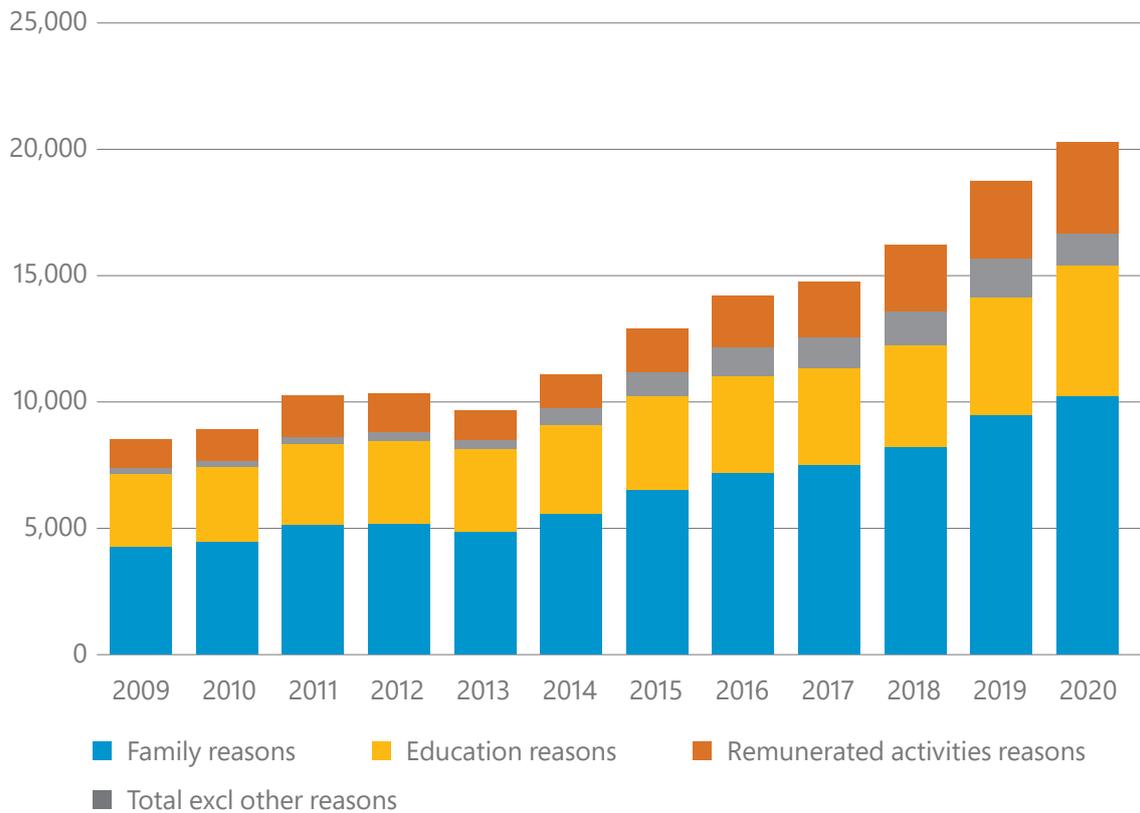
Table 1. Number of granted first-time living permits by citizenship in 2020

Citizenship	Number of granted first-time living permits
Ukraine	1791
Russia	1135
Belorussia	273
India	222
Iran	101
Other	1188
Total	4710

Source: Produced by author based on Police and Border Guard Board data, accessed in 2022

Statistical data on valid living permits in Estonia show a very high number (168 thousand in 2020) of living permits granted for 'other' reasons. This data reflects the permanent living permits granted to those residents and their offspring who lived in Estonia prior to re-independence, but did not take up Estonian citizenship. The number of such living permits is decreasing gradually in time. The holders of such permanent living permits most often have Russian citizenship or are stateless. The trend growth of the number of valid residence permits accelerated in 2014 (see Figure 6), in accordance with higher immigration numbers. Compared to 2015, the highest increase could be observed in the number of valid permits for remunerated activity reasons (173% increase), followed by education reasons.

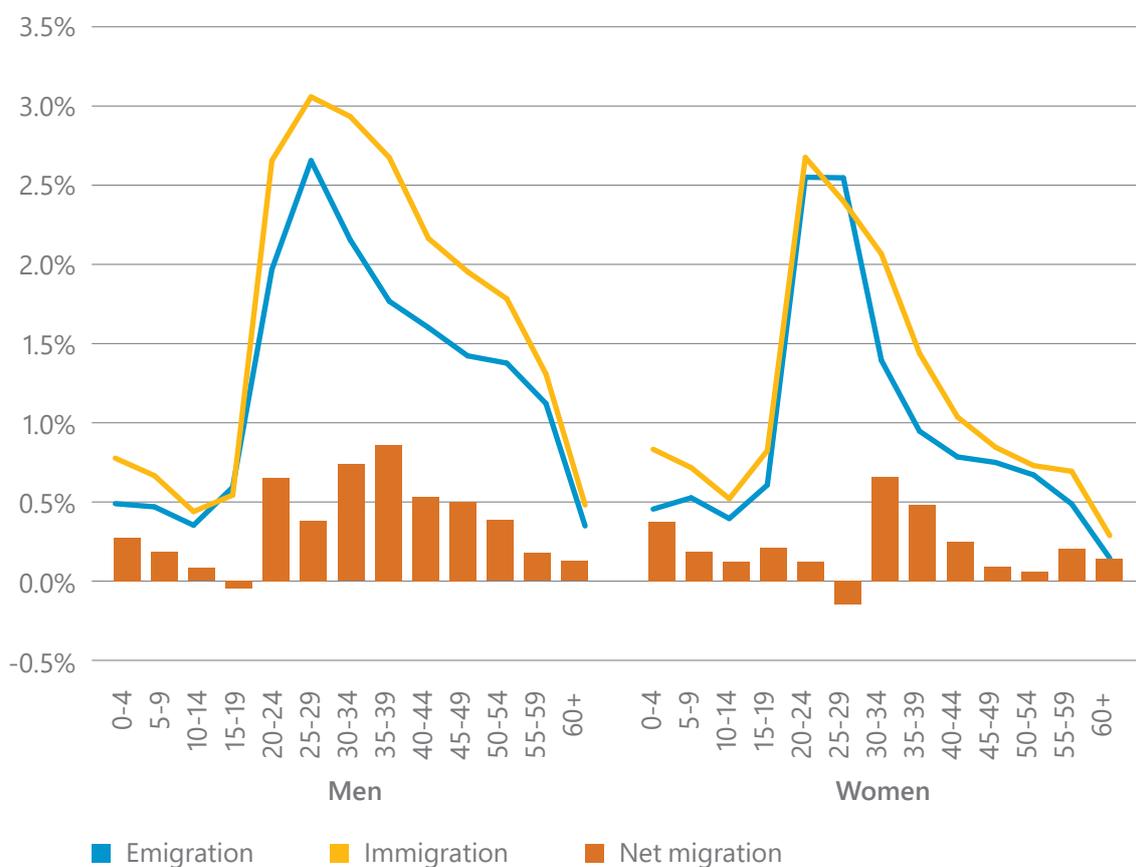
Figure 6: Valid living permits by reason, Estonia 2009 to 2020



Source: Eurostat 2020

In recent times, both emigration and immigration rates, but also the positive net migration rate have been highest in the '20s and '30s, thus migration has had a rejuvenating effect in Estonia (see Figure 7). The very high migration rate at the beginning of the '20s is mainly education-related, at higher age employment and family related. Men have a higher probability to migrate than women, and the net inflow of men is greater than that of women.

Figure 7: Immigration, emigration and net migration in Estonia in 2020 by gender and age group, % of the total population as of 1 January 2020



Source: Produced by author based on Statistics Estonia data, accessed in 2022

2.3 LABOUR (MIGRANT) STOCK INFORMATION

The Estonian working-age population between ages 15 and 74 amounted to 986,306 people as of the 1 January 2021 (74% of total population), and between ages 20 to 64 amounted to 776,647 people (58% of total population). The gender balance according to the broader measure was skewed somewhat towards women (96 men per 100 women) and the narrower one towards men (102 men per 100 women). The labour force participation rate was 72.1% of the 15 to 74-year old population in 2020, which is one of the highest rates in the EU. The participation rate is boosted by the high rates among women in older age groups. The employment rate stood at 67.1% in 2020 and the unemployment rate at 6.9% (using the broader, 15 to 74-year age group), reflecting the effect of the COVID-19 pandemic.

The main source of labour information is the Estonian Labour Force Survey (ELFS), conducted by Statistics Estonia and results are published quarterly. The drawback of this data source is that it is a survey, albeit with a very large sample, and estimates concerning smaller subgroups, including new immigrants, is imprecise. In addition, Estonia has several registers that entail labour market informa-

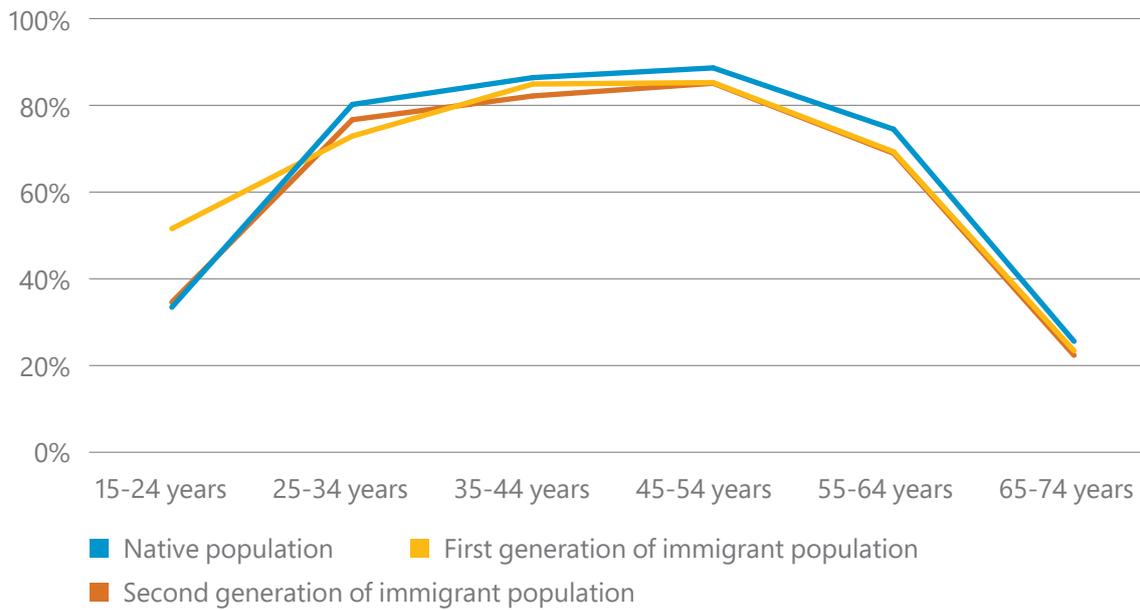
tion. There is an employment register at the Tax and Customs Board starting from mid-2014, where employers are legally obligated to register all types of contracts. The same tax authority holds a register of data on the individual level on data included in tax declarations submitted monthly by employers. Unfortunately, no statistical reports are published based on these databases, but they are available upon request. The Unemployment Insurance Fund holds a very detailed database on the registered unemployed and publishes monthly aggregate statistics on their [webpage](#). Breakdowns according to immigrant status or nationality are not available. All these registers can and have been linked with data on living permits and the population register for scientific research purposes, however, the procedure to gain access to this sensitive micro level information is restrictive.

Estonia has a large population with immigrant-background, dominated by people who arrived to the country during the Soviet era and their children. The total number of working age (15 to 74 years of age) first-generation immigrants was 124.1 thousand persons and second-generation immigrants amounted to 90.4 thousand persons. The LFS statistics published by Statistics Estonia has an extensive section on labour market outcomes by immigrant status. However, neither the LFS data published by Statistics Estonia nor by Eurostat permits to differentiate between Soviet era immigrants and new immigrants. An exception is the EU28/EU27 citizen's category, which does largely correspond to people who immigrated during the past few decades, however, it misses those immigrants who have self-selected into taking up Estonian citizenship. In 2020, the number of EU27 immigrant population of 15 to 74 years of age amounted to just 8,000 people, which is a too small group to study in detail based on a survey. Needless to say, new immigrants and immigrants, who have lived in Estonia for decades are quite different in terms of their labour market experience, thus aggregate statistics on immigrant population is likely to do a poor job in characterising the prospects of foreigners just entering the Estonian labour market.

2.4 EMPLOYMENT AND LABOUR MARKET OUTCOMES

When comparing the labour market outcomes of the native and immigrant population, it is important to consider that the age distribution of the two groups (within the working age range) is quite different, and this may drive the results instead of immigrant status. The average age of 15 to 74-year old natives in Estonia was approximately 42.5 years in 2020, while that of first- and second-generation immigrants 52.5 in 2020. Within the immigrant population, first generation immigrants are older (55.3 years on average) and second-generation immigrants somewhat younger (48.7 years of age on average). The aggregate employment rate of natives stood at 67.9 in 2020, that of first-generation immigrants at 59.4% and second-generation immigrants at 66.8%. However, if we were to assume the same age distribution for migrants as it is in case of the natives, the employment rates would be 67.2% in case of the first and 64.8% in case of the second-generation immigrants. From Figure 8 below, it is obvious that there is a marked difference in the youngest age group. In the age range 25 to 74 years of age, adjusting for differences in age distribution, the employment rate of natives was about 4 percentage points higher than that of immigrants, with not much difference between first and second generation.

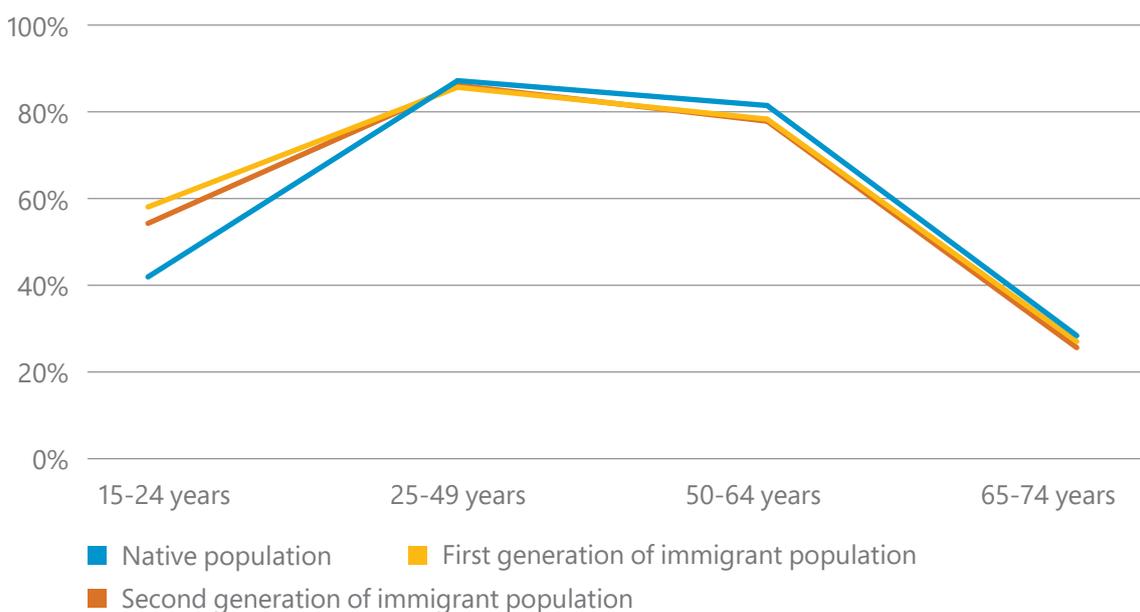
Figure 8: Employment rate by immigrant status and age-group in Estonia, 2020



Source: Produced by author based on Statistics Estonia data, accessed in 2022

There can be two reasons behind the lower employment rate of immigrants – differences in labour force participation and in the unemployment rate. Due to the immigrant population being older, their aggregate labour force participation falls behind that of the natives. Figure 9 highlights that the situation is different across the age distribution with young immigrants participating more in the labour market and at older ages the immigrants tend to participate less.

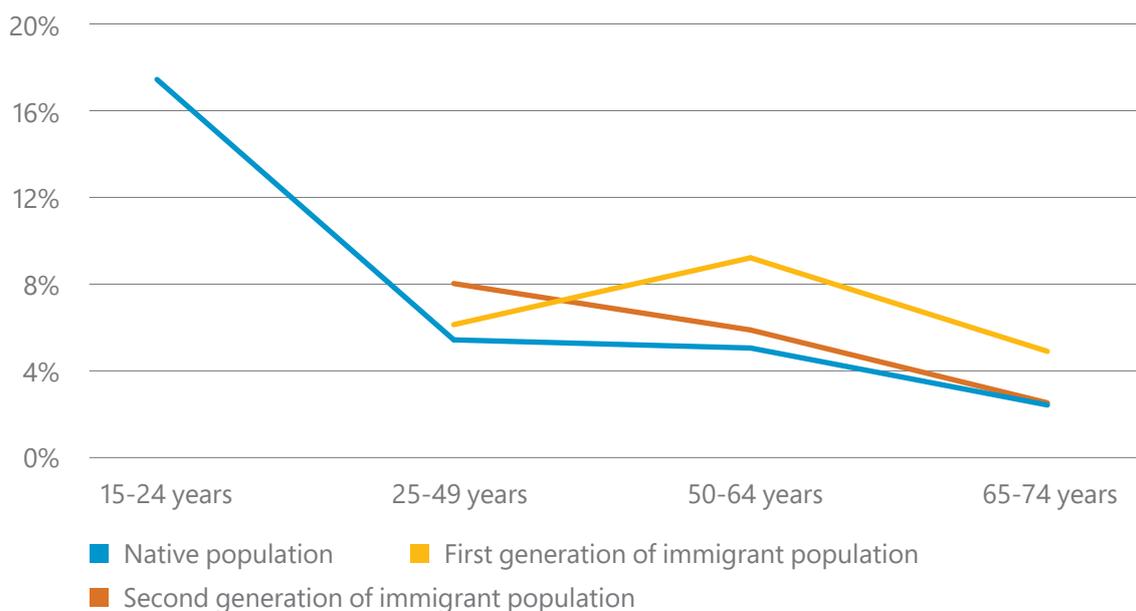
Figure 9: Labour force participation rate by immigrant status and age-group in Estonia, 2020



Source: Produced by author based on Statistics Estonia data, accessed in 2022

If active on the labour market, the probability of being unemployed was higher for immigrants than natives in Estonia. This is a persistent outcome, although over the years before the COVID-19 pandemic, the unemployment gap was declining. From Figure 10 below it is evident that the gap was largest in the pre-pension age among the first-generation immigrant's vis à vis the natives. At younger ages, first generation immigrants are composed of new immigrants, many of whom have come to Estonia to work in sectors that have been doing well during the COVID-19 crisis.

Figure 10: Unemployment rate by immigrant status and age-group in Estonia, 2020



Source: Produced by author based on Statistics Estonia data, accessed in 2022

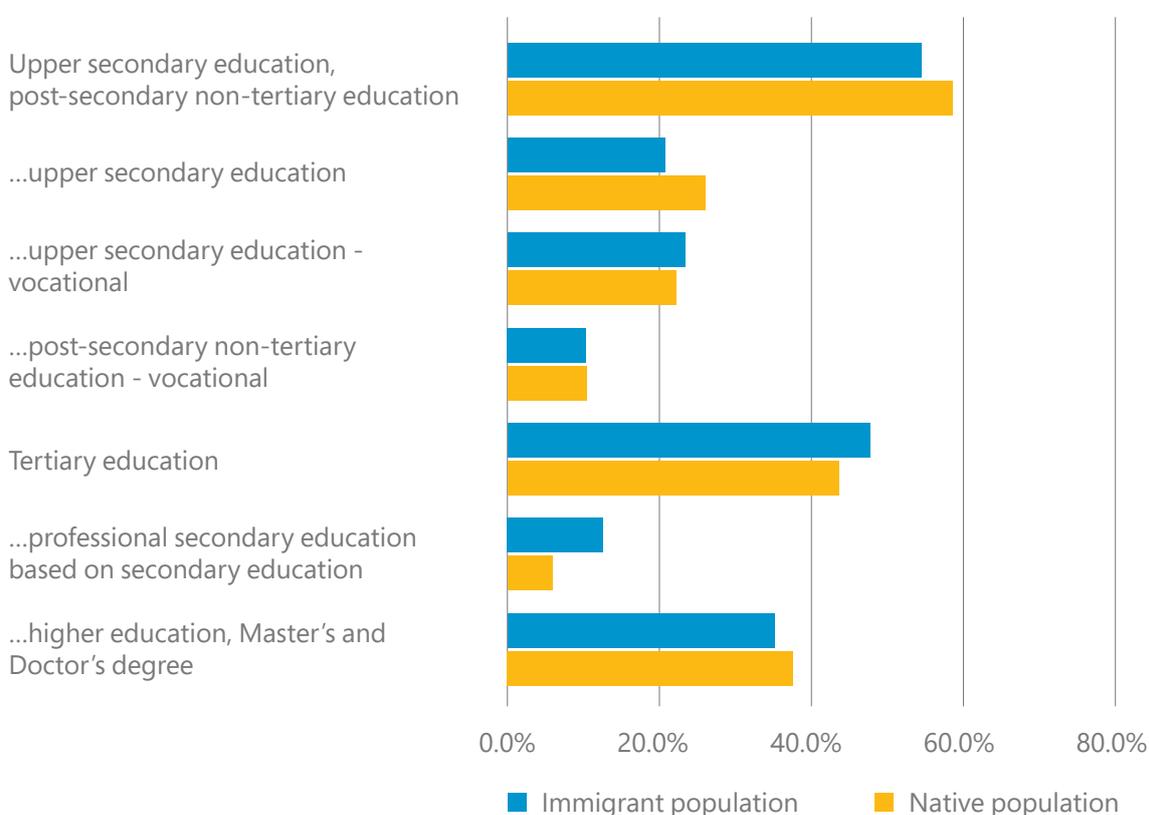
Statistics Estonia does not publish LFS data on age-gender or age-education level labour market outcomes, and as the age distribution plays an important role, one cannot assess labour market gaps between immigrants and natives by gender or education. The gender gap in participation is larger in case of immigrants compared to natives, amounting to 10.9 percentage points (compared to 6.9 percentage points in case of natives), and it is driving the larger gender difference in the employment rate, while unemployment is not significantly different across genders.

When looking at the composition of employment by sectors, the biggest difference is in the share of manufacturing, with 24.6% of immigrant origin people working in that sector versus 16.4% of employed natives. The second largest gap is in public administration, defence and compulsory social security, where 7.8% of the natives work, but just 2.3% of the immigrants. The former is partly explained by the fact that Ida-Virumaa, the region with the highest immigrant population rate, is also the oil-shale industry dominated region. The latter, in turn, is influenced by the fact that public administration jobs often require Estonian citizenship and Estonian language proficiency at a very high level. There is a difference in the distribution of occupations as well, with a larger share of natives working as managers, professionals and associate professionals, while a larger share of immigrants working in blue-collar occupations.

2.5 EDUCATION SYSTEMS AND LEVELS

In Estonia, the education system consists of four levels: pre-primary, basic, secondary and higher education. Vocational education is provided at different levels within the system. Education is compulsory until either earning the Basic School Leaving Certificate (Põhikool lõputunnistus) or turning 17 years of age. About 57% of women and 33% of men among the 30 to 34-year olds hold tertiary education. This is the age group that is expected to have recently graduated from vocational or higher education institutions. The immigrant population holds relatively more often vocational qualifications compared to natives (see Figure 11).

Figure 11: The distribution of the working age (15 to 74 year old) population in Estonia by education attainment conditional on having at least upper secondary education, by origin, 2020



Source: Produced by author based on Statistics Estonia data, accessed in 2022

The institution responsible for developing and maintaining occupational qualification standards is the Estonian Qualifications Authority (Kutsekoda). In the current system of occupational qualifications, the economy is subdivided into 14 fields of activity, each of which is managed by an occupational qualifications council. The council members are nominated by the Ministry of Education and research, and usually consist of employers, trade unions, professional associations, education and training providers and government representatives. The council nominates experts who map the occupations in the field, develop the occupational standards and design the system for awarding

occupational qualifications certificates. The recognition of foreign occupational certificates is regulated by the Recognition of Foreign Professional Qualifications Act with the Ministry of Education and Research the coordinating entity and together with Estonian ENIC/NARIC serves as an assistance centre providing applicants with relevant information. Educational qualification is recognised by the ENIC/NARIC centre. The Professions Act is regulating the qualification of professional activities and is additional to the educational qualification.

For a foreigner to work in a regulated profession in Estonia, one must apply for the recognition of foreign qualifications by a competent authority. There is also a need to have a sufficient level of knowledge of the Estonian language in order to become a member of the relevant professional organisation and have the qualification recognised. For example, the Estonian Association of Architects (EAA) oversees the work of architects, landscape architects and architecture researchers. In order to be able to work as an architect a foreigner must be a member of the association and get the professional qualification recognised by them. These entities are private entities and are not established by the State. The complicated recognition system can in practice mean a ban on access to the Estonian labour market for specific professions.

3. INSTITUTIONS AND AGENCIES WITH COMPETENCY ON LEGAL AND LABOUR MIGRATION

3.1 INSTITUTIONAL (STATE) ACTORS

In the field of migration and citizenship, the **Ministry of the Interior** develops and implements Estonia's migration policy concerning temporary stay and longer-term settling, citizenship policy, integration and asylum policy. Current objectives of the Ministry of the Interior in the field of migration and citizenship include the facilitation of immigration of persons contributing to the development of the Estonian state and its society, the development of legal and organisational solutions for specific targeted migration pathways, the development of systems supporting the integration of new immigrants in cooperation with private sector other public actors, the creation of reception conditions for beneficiaries of international protection and the implementation of a balanced citizenship policy based on the Constitution and international law. The Ministry of Interior has been working on the changes to the current Aliens Act that were passed in May 2022, which aim to **facilitate better access to highly qualified workforce** in the field of engineering.

In Estonia the **police and the border guard** operate within one organisation, the Police and Border Guard Board. Appeals to the decisions shall be submitted to the administrative court the Police and Border Guard Board accepts administrative appeals regarding living permit proceedings. The Estonian Police and Border Guard has established an immigration service to offer migration advice free of charge. Individuals and institutions can contact the immigration consultants and ask questions about requirements and processes. This service is appreciated by employers seeking to employ migrant labour.

The main role of the **Ministry of Social Affairs** is to promote employment and social security and to establish labour market policies and oversee their implementation. Concerning migration, it is responsible for integration, housing and labour matters of immigrants. According to the Ministry "*considering Estonian demographic trends, it is very important to promote an inclusive labour market where everyone can participate*". Next to unemployed people it increasingly puts focus on supporting employed persons to preserve their employment and on employers to further develop skills of existing employees. Its welfare development plan 2016-2023 notes the need to analyse needs for the immigration of a suitable skilled workforce in the context of Estonian demographic developments together with the Ministry of Economic Affairs and Communications, the Ministry of Education and Research and the Ministry of Interior and to develop policies accordingly (Government of the Republic of Estonia 2016b). As part of its work it has worked on the amendments that have been passed in May 2022. The Labour Inspectorate of Estonia (Tööinspektsioon) is a government

agency under supervision of the Ministry of Social Affairs. It supervises and controls the employers in order to ensure adequate working environments and labour relations.²⁴

The **Ministry of Economics and Communication** has been involved in current migration debates and designing labour migration policies. Its main strategic objectives involve encouraging entrepreneurship and innovation, an efficient and safe transport system, constantly developing information society and environmentally friendly energy supply at a justified price. The Ministry of Economics is the partner to employers' associations and participates together with the Ministry of Internal Affairs in legislation and policymaking concerning labour migration. The Ministry of Economics and Communication supervises the Enterprise Estonia foundation (see paragraph on state agencies below) (EMN 2019b).

The main task of the **Ministry of Education and Research** is to ensure the targeted and effective development of education, research, youth and language policies, as well as a high level and competitiveness of research and development. Within the area of Estonian Government of the Ministry, the planning of the state's education, research, archives, youth and language policy and related areas of basic, basic, general secondary, vocational, higher, hobby and adult education, research and development, youth work and special youth work organisation and drafting of the relevant legislation. The Ministry of Education is also responsible for dealing with the integration questions of immigrant children and the educational qualifications of immigrants. There are seven sub-agencies under the indirect administration of the Ministry, in addition to state educational institutions and research and development institutions. The Estonian **ENIC/NARIC (Academic Recognition Information Centre)** is a subdivision of the Education and Youth Authority – a government agency of the Ministry of Education and Research. It belongs to the international networks of ENIC and NARIC. The Council of Europe and UNESCO network ENIC (European Network of National Information Centres on Academic Recognition and Mobility) and the EU network NARIC (National Academic Recognition Information Centres) are international networks created for facilitating the transparent and fair recognition of educational qualifications obtained abroad and for promoting academic and professional mobility. The Education and Youth Authority also manages the Study in Estonia programme (see Section 5.5).

The **Ministry of Foreign Affairs** is overseeing consular officials in Estonian foreign representations, which have a central role in the decision and processing of visa applications. Consular Officials are flanked by a compulsory automated digital consultation system involving the Citizenship and Migration Board and the Border and Police Guard Board (IOM 2009). The Ministry of Foreign Affairs cooperates with the PBGB for decision-making on residents permits, visas and citizenship, although the PBGB is the principal actor in this process (EMN 2019b). The Ministry of Foreign Affairs is also responsible for migration-related aspects in development cooperation and it advances relations with third countries (EMN 2022a).

24 Its main tasks are the implementation of work environment policy, 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 extrajudicial labour dispute resolution body.

The **Ministry of Culture** is involved in integration and cultural heritage maintenance and promotion. Its Cultural Diversity Department is responsible for the development, coordination and monitoring of integration policy.²⁵ It supports the cultural self-governments and societies of national minorities, kindred nations and compatriots and helps to promote their cultural life and activities. Integration policy activities of immigrants are implemented by the **Integration Foundation (Integratsiooni Sihtasutus, INSA)**. INSA was founded on 31 March 1998 under the name the Non-Estonians Integration Foundation. The purpose of the foundation is to initiate and support activities aimed for the integration of Estonian society among Estonians and non-Estonians and initiate, supporting immigration-related activities. The INSA headquarters is in Narva. Estonian language houses are located in Tallinn and Narva.

The Estonian Unemployment Insurance Fund (Eesti Töötukassa)²⁶ is a quasi-governmental organisation, which deals with unemployment and integration into the labour market and offers a platform for jobseekers, including migrants. It provides active labour market measures, administers unemployment benefits and offers training to jobseekers and unemployed persons. It also carries out work capability assessments. In the context of the Russian invasion in Ukraine, it aims to coordinate an online environment for offering jobs to Ukrainians in both Russian and English, though at the time of research with little concrete job offers (Government of the Republic of Estonia 2022).

There are different **state agencies** that give support by providing information or executing integration projects. Like EAS, Start-up Estonia, Eesti Maja, Work in Estonia, Eesti Integratsiooni Sihtasutus, and Kutsekoda.ee. **Start-up Estonia** is a governmental initiative aimed to develop the Estonian start-up ecosystem in order to increase many more start-up success stories in the future. The aim is to make Estonia one of the world's best places for start-ups, partnering with - to unite the best of start-ups, incubators, accelerators, private and public sector. It also works on educating the local investors and attracting foreign investors to Estonia through, for instance, implementing start-up friendly regulations such as the Start-up Visa. **The International House of Estonia (IHE)** provides a wide range of essential information, consultations and state services for international newcomers and local employers. They provide answers to several questions regarding documents, settling in, finding a network or a job, participating in different events et cetera. They are responsible for the website 'Work in Estonia'. One of the coordinators of the IHE is **Enterprise Estonia**, which manages the Work in Estonia programme. Enterprise Estonia is a national foundation which works to develop the Estonian economy by attracting foreign investment and developing Estonian enterprises.

25 The aim of Estonia's integration policy is to contribute to the development of a cohesive and stable society in Estonia, where people with various linguistic and cultural backgrounds have embraced Estonian identity and consider Estonia to be their homeland; actively participate in society, including in employment, lifelong learning and civil society; share democratic values, contribute to the development of the state and society, as well as orient in the Estonian cultural space. Integration activities are also carried out by these institutions: Ministry of the Interior; Ministry of Social Affairs; Ministry of Education and Research, Unemployment Insurance Fund; Innove: local governments; Estonian Public Broadcasting; third sector organisations; and others.

26 The former **Estonian Labour Market Board (Tööturuamet)** was integrated with Töötukassa in 2008.

3.2 NON-STATE ACTORS

The **Estonian Employers Confederation** (Töoandjate keskliit) represents the interests of the Estonian enterprise environment in Estonia and internationally.²⁷ It is recognised as a social partner to the Government and represents employers in different Councils, such as the Estonian Health Insurance Fund, the Estonian Unemployment Insurance Fund and the Estonian Qualifications Authority. The Employers Confederation is also involved in negotiations on the national minimum wage. Their aim is to support an economic environment where social partners influence the labour market decisions with little government intervention. All the main industrial associations and many large businesses in Estonia are members of the Estonian Employers' Confederation. Directly and through industry associations, they represent more than 2000 companies employing about 250,000 people. They are involved in policymaking and participate in the discussions led by the Ministries in the legislative process. As there is an increasing labour shortage in Estonia, they act as the main voice of employers in the strategic discussions and meetings dealing with labour migration. The Estonian Employers Confederation has lobbied the government to abolish quotas on the number of immigrants who come to Estonia to work as specialists, and, more generally, to expand the possibilities for employers to hire foreign workers, for example by reducing the restrictions on temporary foreign workers (Estonian Employers Confederation n.d; Estonian Employers Confederation 2018). The Confederation has also encouraged employers to consider hiring foreign students to fill gaps in the labour market (Estonian Employers Confederation 2019). Other employers organisations that take an interest in labour migration policy, include: the **Estonian Association of Information Technology and Telecommunications (ITL)**, **The Estonian Chamber of Commerce and Industry (EKT)** and **the Estonian Chamber of Agriculture and Commerce (EPKK)**. Employers have continuously demanded an increase of the quota and a flexibilisation of immigration rules (Masso et al. 2018). They have welcomed the recent 2022 amendments to the Alien's Act, allowing an extension of temporary employment up to two years outside of the immigration system (1+2 system) and the lowering of the wage requirement for top specialists to 1.5 times the Estonian yearly salary average (ITL 2022).

The **Estonian Trade Union Confederation (EAKL)** is a co-operation body of independent Estonian trade union associations representative organisations. EAKL was founded in 1990 in Tallinn at the Estonian Trade Union Congress. The EAKL aims to coordinate its member organisations and strengthen the bargaining power of trade unions, as well as represent the interests of employees, promoting their occupational health and safety, education levels and protection of their rights as workers.

The **labour unions** seem to be not very active in migration policy and are not exerting strong power. As it can be seen from the description they do not participate in labour migration discussions but they do participate in the discussions related to labour law and internal labour policy. In general, social partners have diverse views on whether the current institutional and policy setting for labour migration is appropriate.

The Estonian Chamber of Agriculture and Commerce is a unification of agricultural producers and their unions, processors of agricultural products and their unions and companies providing

²⁷ As such, they are members of the International Organisation of Employers (IOE), the Confederation of European Business (Business Europe) and the Business and Industry Advisory Committee to the OECD (BIAC).

services to the agricultural sector since 1996. It aims to support the development of the agricultural sector, processing industry and to provide services to rural life.²⁸ They are partners to the Ministry in the development of legal labour migration issues for their specific sector.²⁹

Recruitment agencies do not play a large role in migration management or in policy formulation in Estonia. As private companies, they work on the demand of the employer's requests. There are some companies like [Ariko Reserv](#), [CV.ee](#), [Tripod](#), and other online-based sites which offer information on available work places.³⁰ Most big- or medium-sized agencies have their own recruitment offices.

3.3 INTERACTION BETWEEN ACTORS

In the past, cooperation between state and non-state actors has differed from government to government. The involvement of non-state actors in policymaking largely depends on the Government's policies towards migration and its level of inclusiveness. There have been periods during which government officials have worked closely with experts and academics in the field of migration, as well as times when well-functioning joint committees on migration were disbanded.

Under the current Government, the Ministry of Interior is working closely with other ministries as well as with representatives of employers and employees. It sends out drafts of legal provisions under revision to partners in order to gather the opinions of different stakeholders, in order that they can contribute to better policymaking. For example, employers and national employment agencies in Estonia are involved in the development and implementation of legal migration schemes and partnerships with third countries. Employers and national employment agencies are consulted when any changes are made to the Aliens Act, and are invited to send their opinions and participate where appropriate in roundtable discussions about possible partnerships. For example, the discussions about possible partnerships with Moldova and Georgia happened in close cooperation with employers (EMN 2021a). Also the list of sectors that can register seasonal short-term workers has been established jointly between government and non-government actors. Partners such as representatives of employers and representatives of agriculture associations appreciated the cooperation and activities of the Ministry of Economics and Ministry of Interior in policy formulation stages.

This integrated way of working with non-state actors by the Government has not always been the case, however. For instance, in 2019, the Minister of Internal Affairs, who was at the time, EKRE's Mart Helme, dissolved the Expert Committee on Migration (constituted of public officials of relevant ministries, stakeholders and experts), which had been established in 2017 to support the Government with ideas on how to reform Estonia's immigration regulations. It has not been replaced to date by a similar group.

28 Their members are Estonian farmers and their co-operatives, Estonian food processing industries, Estonian rural economy companies (including agribusiness companies), as well as Estonian forest owners co-operatives.

29 Since 2002, the Estonian Chamber of Agriculture and Commerce has been coordinating the activities of the National Delegation of Estonian producers organisations within the EU's agricultural producers organisation COPA-COGECA and has been responsible for the work of the representation of Estonian agricultural producers in Brussels.

30 See, for example: <https://www.cvkeskus.ee/>; <https://www.tammistepersonal.ee/>; www.fontes.ee/; <https://pare.ee/meist/kesme-oleme/>; and <https://ancor.ee/services/recruitment/>.

State and private sector actors cooperate in various ways on permits for the **start-up sector and have shown good cooperation**. The Estonian private sector has, for instance, been instrumental in initiating the start-up scheme. The start-up sector initiated the idea in response to a clear shortcoming of the visa regulations at the time, and it was subsequently implemented by the state in cooperation with the private sector. The idea for the start-up permit derived from the fact that some start-up founders in Estonia only had a short-term visa which made doing business quite difficult. Some of these founders wanted to apply for the accelerator programme, however, the programme often lasted longer than many start-up founders were permitted to stay. The aim to establish a more flexible regulation for third country start-up founders and employees was agreed in March 2016 in a roundtable for start-ups held by the prime minister (Orloff 2019). Today 'Startup Estonia' and 'Work in Estonia' cooperate with private actors in promoting Estonia as an attractive destination and start-up scene (Orloff 2019).

In 2017, a start-up expert Committee was established to determine whether a business is a start-up, as well as to give opinions on decisions issued by the relevant authorities on whether to issue visas and permits for workers in the start-up sector. The Committee is run on a voluntary basis (Orloff 2019): 24) and consists of members appointed by start-up representation organisations. Deciding who should be a part of this committee can be challenging since participation in the Committee can lead to conflict of interest.

4. KEY SECTORS AND REGIONS IN DEMAND OF LABOUR, KEY ECONOMIC PARTNERS ABROAD

4.1 ECONOMIC SITUATION AND FORECAST

Estonia's economic performance over the past two decades has been strong, with considerable economic growth in the 2000s, reaching a high of 7.9% growth in GDP in 2007. After a dramatic fall in 2008 and 2009 due to the financial crisis, economic growth was strong and sustained from 2010 up until the COVID-19 pandemic. Between 2010 and 2019 the inflation rate was stable, averaging between 0-5%. Unemployment declined steadily between 2010 and 2020, reaching a low point of 3.9% in 2019, before climbing to 6.8% in 2020 (Trading Economics 2022a).

The pandemic had a varying impact on the Estonian economy. After an initial slump, economic growth quickly rebounded, with an 8.6% GDP growth rate in the third quarter of 2021 making it one of the fastest growing economies in the world (EIA 2021)). Unemployment rates were slow to recover initially, but returned to near pre-pandemic levels of 5.2% in the fourth quarter of 2021, although they did not recover to the same degree as GDP growth (Trading Economics 2022a). More worryingly, inflation has risen to high levels since the pandemic, and in February 2022 it was 12% (Eurostat n.d.; Trading Economics 2022b).

Looking ahead, Estonia has a positive economic outlook, although predictions need to be moderated to take into account the effects of the Russian invasion of Ukraine. In March 2022, predictions forecasted a 9% GDP growth rate for the year, although high rates of inflation mainly caused by high energy prices as a result of the war in Ukraine will mean that real GDP will be minimal, or even negative (Rääsk 2022). The expectations prior to the war for economic growth in the long-term will likely remain unchanged, with growth expected to slow down after the initial boost as the country recovered from the pandemic. Pre-war estimates predicted that growth would fall from 3.9% to 2.9% between 2023 and 2024 (Eesti Pank 2021). Slower economic growth in the long-term is predicted because the economy is currently operating at close to full production capacity with the availability of labour in decline (Rääsk 2022).

Labour supply is expected to decline in the Estonian labour market. One reason for this has been the emigration of Estonians to Western Europe (OECD 2015). Another reason is the ageing and shrinking of the overall population, which has caused a decline in the working age population (OECD 2021b). There are also structural skills mismatches in the labour market, with many workers not being matched to their jobs, and with many mismatches between available jobs and the skills of the unemployed. Under-qualification and people not being employed in the sector of their field of

study are common problems (OECD 2021b). These latter labour market traits not only lead to labour shortages, they also will cause low levels of labour productivity due to skills shortages and an economy characterised by low-skilled and low-income sectors (OECD 2021b).

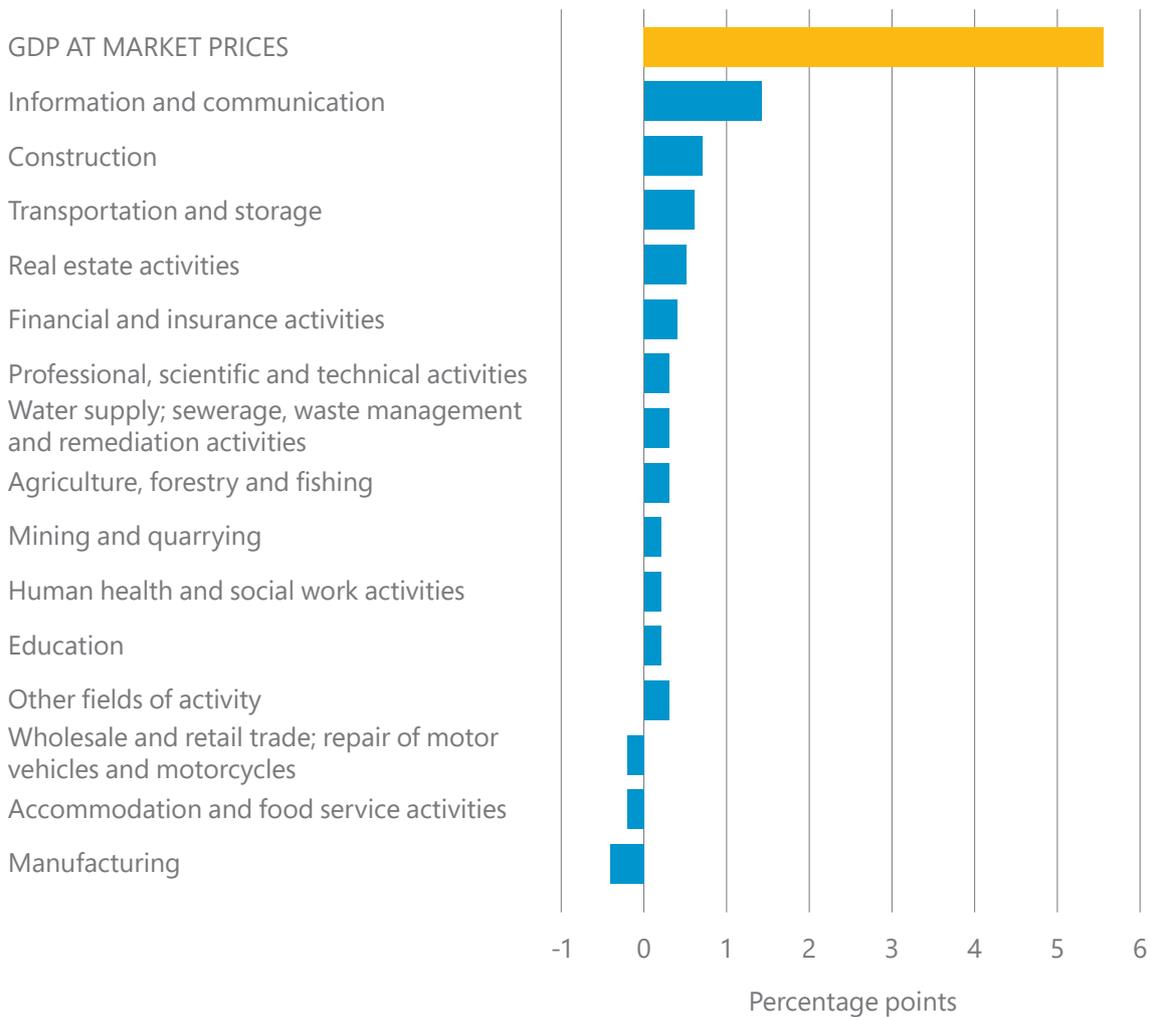
In the longer run, Estonia is in the process of catching up to the living standards of high-income EU countries. The main motor of this is the gradual productivity increase in Estonian companies and shifting towards higher productivity fields of activity. As the working age population is shrinking, there is a structural component to labour shortages and pressure to hire employees from abroad.

Divergent views exist on whether there will be a strong need for labour immigration in order to compensate for a declining working-age population and to fill labour shortages. Some believe that alternative labour market policies such as smarter labour and productivity growth will be sufficient to address structural labour shortages, while others suggest that foreign workers will be necessary to fill gaps, especially in the ICT sector (University of Tartu et al. 2021; Centar 2021). Significantly, the number of young people graduating from relevant educational and vocational training will not be sufficient to meet the expanding labour needs in high-skilled sectors (OSKA 2020). According to interviews for the study, representatives of employers and farmers claim that there is still an increasing need for foreign migrant workers, since Estonians do not want to take up offered jobs despite higher salaries being offered.

4.2 KEY PRODUCTIVE SECTORS AND SECTORS FOR GROWTH

In the third quarter of 2021, the three sectors with the fastest rate of GDP growth were information and communication, construction, and transportation and storage (see Figure 12. for a sectoral breakdown of GDP growth rates). The economic performance during the pandemic varied across different sectors. Many sectors which suffered the most - accommodation and catering - will recover. The information and communication sector grew well and this is likely to continue (see Figure 12).³¹

31 From 2001 to 2021, the Estonian pension system included a pre-financed II pillar that was compulsory for all born after 1983. Persons born before 1982 had the option to join, but no possibility to opt out once joined. In 2021, the II pillar was made voluntary, which resulted in 24% of members opting out and withdrawing funds in the amount of approximately 0.4% of GDP in September.

Figure 12: Contributions into real GDP growth y/y Q3 2021 in Estonia

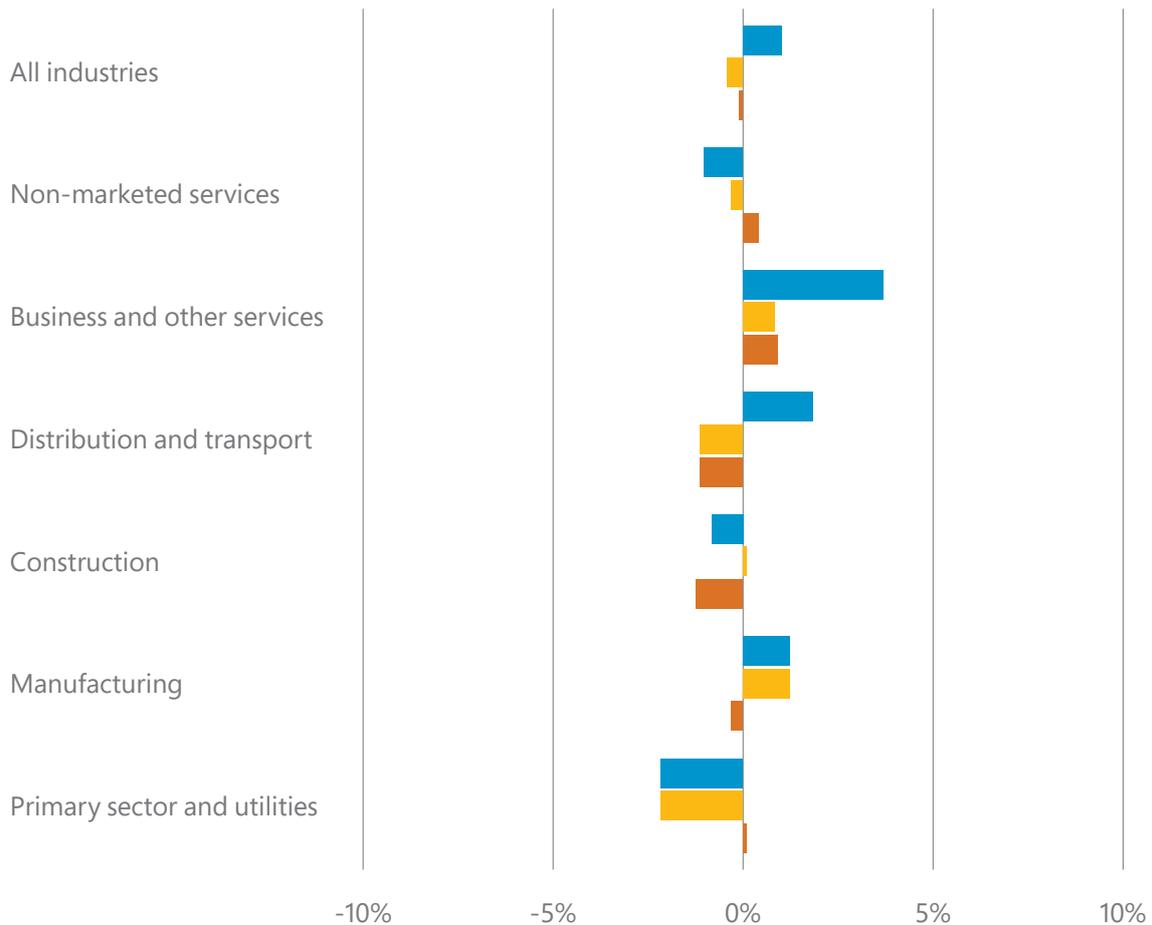
Source: Produced by author based on Statistics Estonia data, accessed in 2022

Alongside economic growth predictions, it is useful also to look at anticipated employment growth across different sectors, since economic growth can also be accompanied by negative employment growth, if economic growth results in greater automation for example (Cedefop 2015).

The areas of the labour market which will see employment growth will be in high-skilled sectors, while the number of job openings in low-skilled sectors will decrease. The share of medium- and high-tech production and knowledge-intensive industries in the economy is increasing slightly. The number of top and middle level specialists is increasing and the share of professional groups with less professional skills is decreasing. Accordingly, there will be an increased demand for workers with vocational training and higher education, while there will be a decrease in the number of jobs that do not require vocational training or higher education (OSKA 2020). The fastest growing business is IT programming. Further declines in employment are expected in agriculture, clothing, textiles and leather, and the public sector. Due to the ageing population and the growing volume of promotion and prevention activities, greater investment in health and social services is expected. One of the main reasons for a decline in employment in low-skilled sectors in Estonia, such as those involving routine-based tasks in the agricultural and manufacturing sectors, is the anticipated rise in automation and mechanisation of these industries.

Figure 13 outlines the (estimated) employment growth across different sectors in Estonia between 2018 and 2030 (Cedefop 2020). It shows the prediction that employment in transport, construction and manufacturing will likely decrease, while there will be employment growth in business and other services, as well as transport.

Figure 13. Employment trends by sector, average annual growth rate, 2018-2030, Estonia (%)



Source: Cedefop skills forecast 2020

There will be variations in employment growth within sectors (i.e. while overall employment in one sector may decrease, there will be increases in certain occupations within the sector). Table 2 outlines the projected employment growth for selected sectors employing a large amount of people, including the needed occupational skill level according to the latest OSKA survey - a government-funded institution at the Estonian Qualifications Authority (Krusell et al. 2020).

Table 2: Projected employment growth by economic sectors

Industry	Projected employment growth
Food	<p>The food industry is one of the largest industries in Estonia in terms of output. In 2019, the industry employed 15,000 people. The employment of workers is expected to decrease in the future, although the share of specialists will increase.</p>
Manufacturing (including metal industry, and electronic and electronic production)	<p>The manufacturing sector employs more than 120,000 employees (18% of the workforce) (Cedefop 2021). Within manufacturing, the timber industry employs 18,000 people. The number of people employed in this industry is expected to increase, especially for specialists, however, employment in simple work is likely to decrease.</p> <p>One of the key industries within the manufacturing sector is the metal industry. The metal industry includes the manufacture of basic metals, fabricated metal products and machine building industries, for example, the automotive industry. The metal industry is another large industry, employing over 14,000 people. While the industry will continue to grow and productivity will increase, employment will shrink particularly in less-skilled occupations. Employment in skilled occupations will remain the same.</p> <p>The manufacture of electronic and electrical equipment has seen strong growth, and this is expected to continue. A large part of the workforce is skilled, with vocational training.</p>
Agriculture	<p>In the agricultural sector in 2019, there were 17,000 people employed, which represents a decrease in recent years. This downward trend is expected to continue in the future.</p>
Construction	<p>The construction sector employed almost 60,000 people in 2018 (of which 10,000 worked abroad), accounting for 9% of all those employed. Many Estonian construction workers are employed abroad, while the share of foreign labour employed in the construction sector has increased. Employment is expected to remain at the same level for the next decade. The majority of the workforce (over 60%) is made up of skilled workers, including more general builders, plumbers, painters and machine tool managers, but still a large proportion has only a basic education.</p>
Services and trade	<p>The services and trade sector is the second largest field of activity in Estonia in terms of the number of employed, with about 86,000 people or 13% of all employed in 2018, the majority of which are employed in retail trade (almost 53,000 people). In the services and trade sector, there are shortages in a number of key occupations.</p>

Transport and storage	The transport and storage sector employs about 50,000 (8%), 3,000 of which work abroad. In the future, the development of the transport sector will be increasingly focused on increasing energy efficiency. In recent years, employment in this sector has been relatively stable. In the future, employment is expected to decrease by a small percentage of the current number.
Information Communication Technology	The ICT sector has expanded quite considerably in the past decade, in terms of value added and employment share. Software development is the fastest growing branch of the information and communication sector, with 18,000 people employed in 2018. There are seven 'unicorn' companies in the ICT sector (companies that are valued at more than a billion dollars), which is the most per inhabitant in the EU. The fast growth of the ICT sector has been fuelled by the legal migration opportunities for ICT workers, as well as workers into the start-up sector. While foreign workers did not play an important role in the ICT sector in the 2000s, in the 2010s the role of foreign workers has increased, and currently almost one quarter of workers in the sector are foreign (SchengenVisaInfo.com 2020). The growth of the ICT sector is likely to continue, and thus also the demand for foreign ICT professionals. Not only will workers with digital skills be needed in the ICT sector, but digital skills, such as data analysis will also be required to promote the digitisation of other key industries, such as manufacturing, which have so far been relatively slow to keep up with this trend and have consequently shown low productivity.
Textiles	Employment shrinkage is expected in clothing, textiles, and leather.
Healthcare	Due to the ageing population, a higher work involvement is also expected in health and social services.

Source: Author's own elaboration based on (Krusell et al. 2020 report

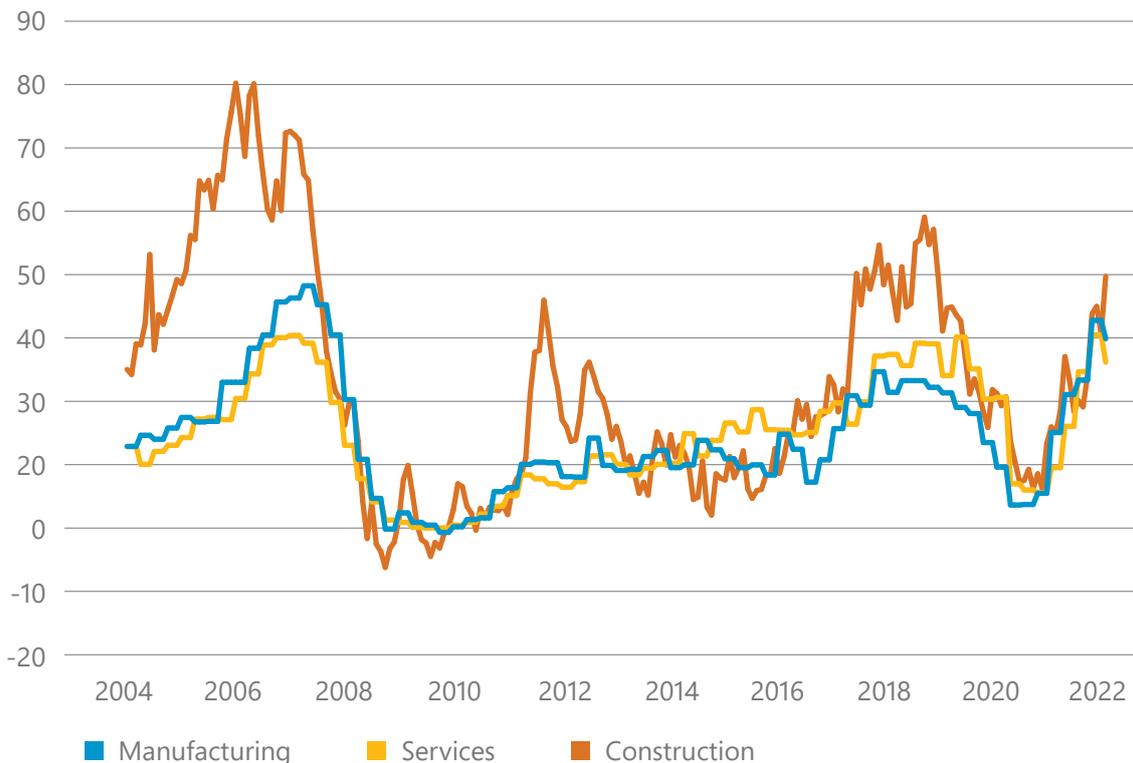
To understand the relevance for this study of employment growth across sectors, it is necessary to pinpoint which sectors migrants are employed in. The IT sector has a large number of foreign workers. The number of foreigners in the IT sector has increased as a result of the exemption for the sector to adhere to quotas. Many migrants are also employed in platform work in the digital economy, particularly for sharing platforms such as Bolt. The manufacturing sector, particularly the metal industry, is also an important employer of migrant workers. The healthcare sector does also employ foreigners, however not a very large amount. In 2019, 117 doctors (1.7% of all doctors) were from third countries, and, in 2021, 6.6% of all registered dentists were from third countries (124 came to Estonia during the period 2008-21). Between 2009 and 2020, only 15 nurses came from third countries. A significant barrier to employment in the healthcare sector for migrant workers is lack of language skills as well as the need to have qualifications recognised as equivalent to Estonian standards. The majority of migrant health workers have come from Russia and Ukraine. The construction industry has been a key employer of migrant workers, particularly since the 2008 economic crises, when many construction workers in Estonia emigrated to other countries. In September 2021, of the

19,242 short-term work permits issued, 6,617 were in construction (ERR 2021a). Most migrant construction workers are employed through temporary employment agencies, and are often posted from other countries, such as Poland. A large majority of migrant construction workers come from Ukraine - one study estimates that, in 2021, there were 2,000 Ukrainians working in the construction industry (Masso et al. 2021). Given the war in Ukraine, the construction industry is likely to face labour shortages owing to its dependence on Ukrainian workers.

4.3 KEY LABOUR SHORTAGE SECTORS

Labour shortages exist across various sectors of the Estonian labour market. Labour shortages are an important barrier to the expansion of production. Indeed, according to the Business Confidence Surveys published by the European Commission (EC), in the years before the COVID-19 pandemic there was an increase in the share of employers who cited labour shortages as the main obstacle to expanding production (see Figure 14). Since the pandemic, labour shortages have returned fast during 2021, although employment has not recovered from the crisis.

Figure 14: The % of employers citing labour shortage as the main obstacle hindering expansion of output, seasonally adjusted



Source: EC 2022

The Estonian Tootukassa publishes statistics about shortage sectors in the economy in April and October every year. There are four sectors that experience large labour shortages at the moment:

- IT (software) developers;
- health carers in hospitals;
- welders and flame cutters; and
- audiologists and speech therapists.

Additionally, there are a long list of sectors that also require workers, including in manufacturing and construction or agriculture, sectors in which labour migrants help fill positions.

Table 3 outlines the expected labour supply and envisaged shortages for different sectors and occupations as noted by OSKA.

Table 3: Expected labour supply by sector and occupation

Sector	Labour shortages
Food	The current number of graduates in relevant qualifications should be sufficient to fill most occupations.
Timber	Shortages are anticipated in the skilled occupations which require vocational training.
Manufacturing (including metal industry)	<p>Shortages are anticipated of trained young graduates for the manufacturing of electronic products. There are also shortages of industry managers, engineers and works managers. The manufacturing sector report points to the fact that digitalisation and automatisisation is increasing the need for engineers and specialists with advanced skills, but also that the vocational training system is not producing a sufficient number of labour market entrants to replace retiring employees (OSKA 2021).</p> <p>In the metal industry, shortages will prevail and intensify due to the demographic crisis and shortages are anticipated in the occupations which require skills to operate technologically advanced equipment.</p>
Construction	Shortages are expected across the sector, and particularly in the following occupations: house builders, spray painters and varnishers, building frame and related trades workers, concrete placers, concrete finishers and related workers, floor layers and tile setters (ERR 2021b), supervisors, specialist professions-locksmiths, structural builders and roofers. One reason for shortages in the construction industry is that many young graduates of vocational and higher education do not meet the needs of the industry and require further on-the-job training.
Agriculture	There are anticipated shortages, because the workforce replacement needs in agriculture may be above average, given the age composition of the workforce.

ICT

Current shortages exist in software development, and these shortages are expected to continue in the future. Shortages of software developers are due to the rapid growth of the industry as well as due to a need for workers to have vocational training or higher education.

Services and trade There are shortages in a number of key occupations.

Source: Produced by author based on data from Krusell et al. 2020

There are many different reasons for labour shortages in Estonia, and they differ in every sector. One reason for labour shortages in certain sectors is the need for workforce replacement because of retirement. The natural change of the Estonian working age population is negative in the long-term, further deepened by emigration. This means that unless there is immigration to compensate, it is not possible to fill all existing positions where an employee has retired or left and would necessarily mean shrinking employment. This can be thought of as a structural labour shortage. For example, in agriculture, fisheries, transport, real estate, teaching, childcare, nursing, care and construction the average age is higher than in other sectors and there will be therefore larger replacement needs.

Another reason for labour shortages in Estonia is the insufficient supply of qualified workers. In Estonia, the number of graduates in vocational training and higher education is declining, and as a result, there are problems in finding newly qualified staff (Krusell et al. 2020). There are also certain sectors, such as ICT, which are expanding at a rate that education systems cannot keep up with. A lack of qualified staff affects the following sectors: technology, production and construction, science, education and agriculture. Specifically, more workers with qualifications permitting them to work as system analysts, software developers, engineers, nurses and speech therapists are needed. Moreover, there are not enough trained plumbers, carpenters, mechatronic technicians, machine operators and plywood processing staff, as well as harvester operators and caretakers (OSKA 2020). Part of the reason for an insufficient supply of qualified workers in the sectors with shortages is because of the mismatching of labour market needs with education and training enrollment. Not only does this mean that there are many positions that are unfilled, there are also many graduates who are unemployed as their qualifications are not in line with the needs of the labour market. For example, there will not be enough work for young people who will train to become car mechanics, tailors, bookkeepers and language specialists (OSKA 2020).

Finally, there are enterprises that are priced out of the competition for labour and are seeking to hire foreign labour at a lower wage than would be required to hire locals (Cedefop 2016). One of the reasons for this has been the increasing wage level in the ICT sector which has had a spillover effect on other sectors. Lower productivity firms that have to face foreign competition on export markets are finding it difficult to hire locally, and thus have a push to hire short-term workers from outside the EU, mainly from Ukraine. This is true of the manufacturing and agricultural sectors. In agriculture, Estonian firms are struggling to stay competitive owing to high average domestic wages. There are therefore shortages of cheap labour for agricultural firms in Estonia, and more and more workers are being recruited from abroad, especially from Ukraine. A 2021 OSKA study of the manufacturing sector called for changes in migration policy to address the shortage of engineers, given that there are not enough young graduates from vocational educational institutions to fill the jobs of the manufacturing industry (OSKA 2021). There

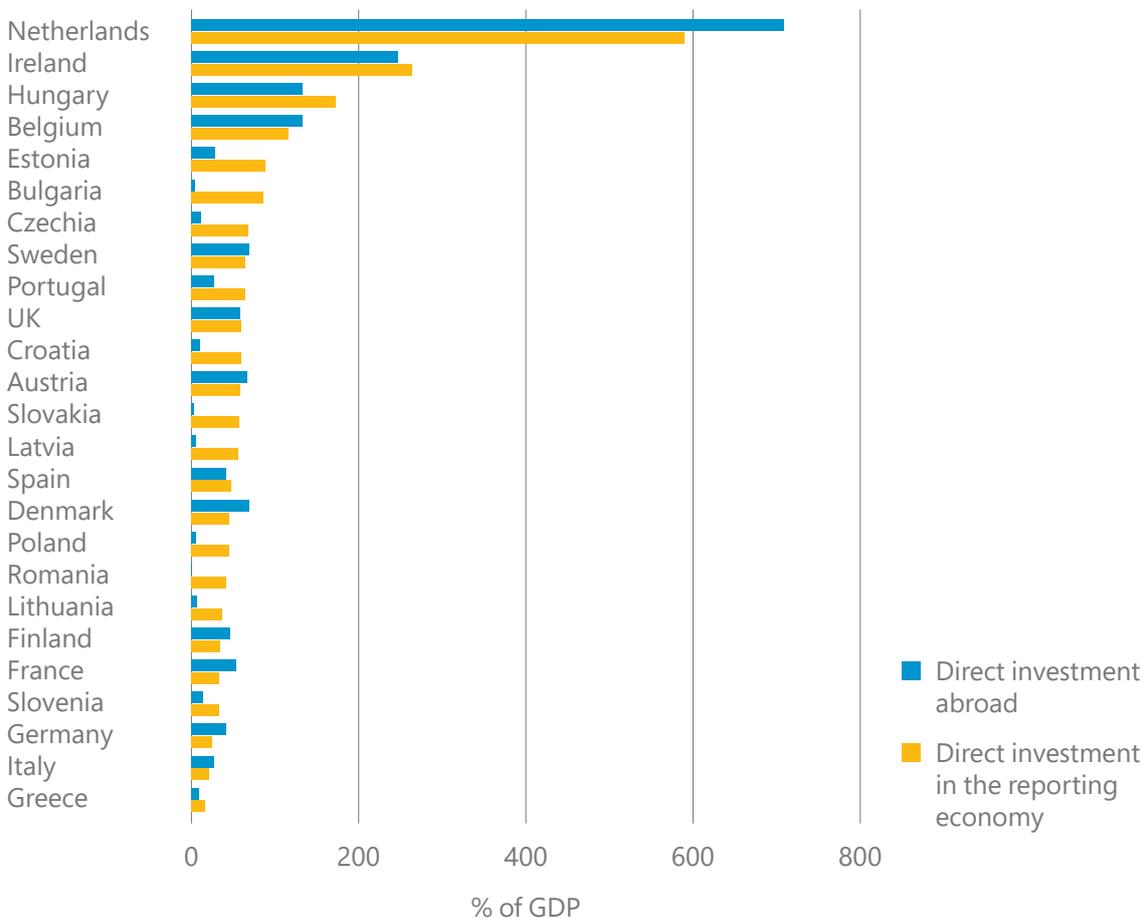
is also a shortage of healthcare professionals. An ageing population has led to a growing demand for healthcare workers, and the supply has reduced owing to the fact that wages are low in Estonia and so many people have emigrated. At the same time it is hard to recruit people to work in the healthcare sector since it is strictly regulated and prior training is necessary to work in these professions (Cedefop 2016).

4.4 KEY TARGET COUNTRIES FOR EXPORT AND INVESTMENT

The Estonian economy is small and open with exports of goods and services amounting to 71% of GDP in 2020 and 78% in the three first quarters of 2021. The main export partners of Estonia in 2021 regarding goods exports were Finland (14%), Latvia (10%), Sweden (9%) and the USA (9%). This breakdown partly reflects the fact that Estonia is integrated into production chains and produces intermediate outputs for Scandinavian firms as well as goods for parent companies located elsewhere.

As the capital stock per employee still falls behind that of more advanced economies in the EU, the inflow of foreign direct investment has been more important than outward FDI. In 2017, Estonia was among the countries with highest FDI stock relative to GDP in the EU27 (see Figure 15). In the third quarter of 2021, the total FDI stock in Estonia stood at approximately 105% of GDP.

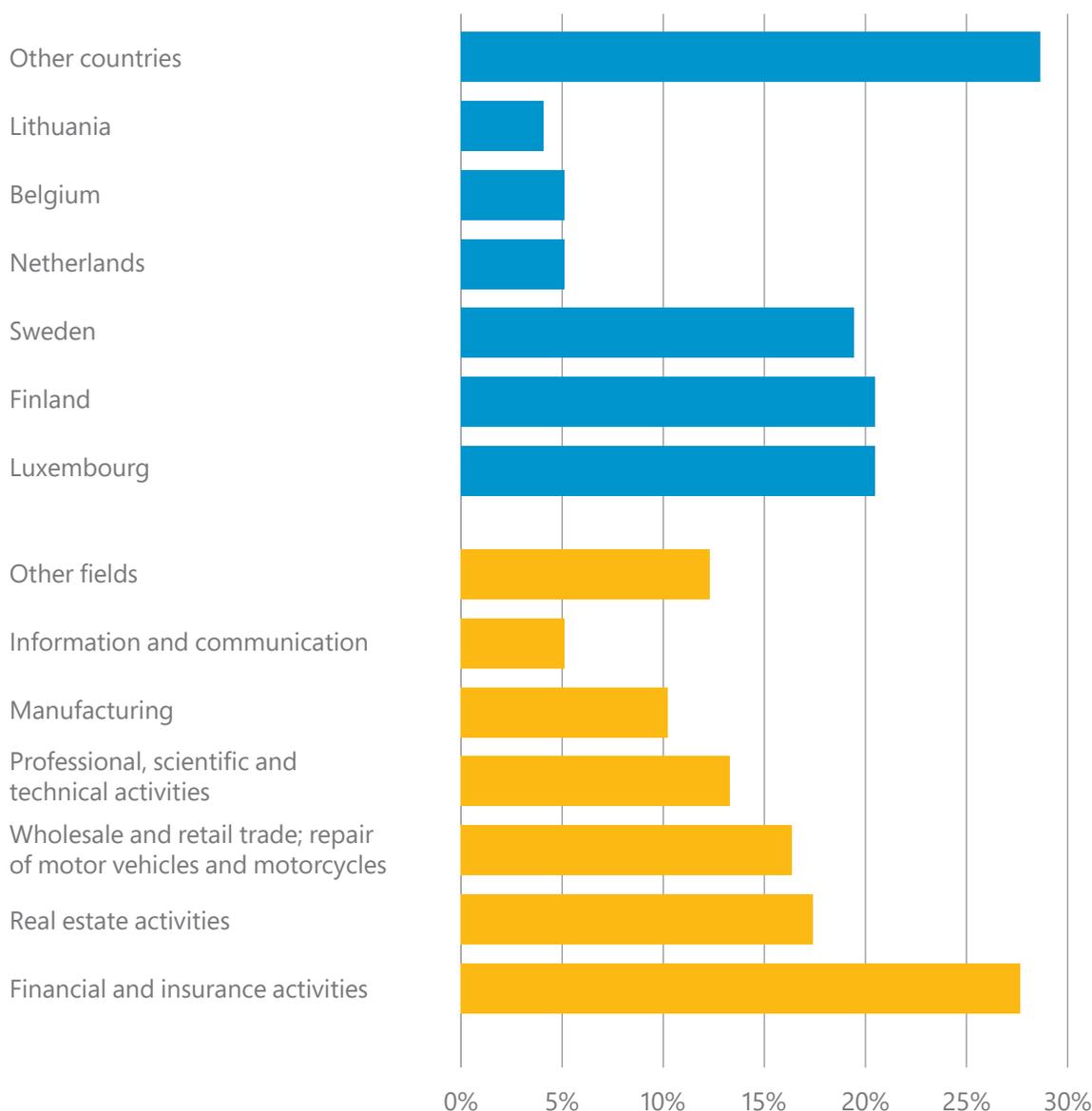
Figure 15: Foreign direct investment stock as a % of GDP in 2017



Source: Produced by author based on data from Eurostat

The biggest investors into Estonia have been traditionally Sweden and Finland – neighbouring countries with relatively high labour costs (see Figure 16). The share of investment from Luxembourg, which is a country where lots of international corporations are registered for tax reasons, rose dramatically in 2020, on account of one large investment. The high share inward FDI to the financial sector reflects the high level of integration of the banking sector with Scandinavian owned banks dominating the market.

Figure 16: Breakdown of FDI stock in Estonia by source country and field of activity, 2021 third quarter



Source: Produced by author based on data from Bank of Estonia

Estonia has close cultural cooperation with other EU member countries, but also many countries outside the EU. The cooperation is especially close with neighbouring countries that tend to have a larger Estonian diaspora (for example, Finland and Sweden), but also with Russia due to historical and cultural ties. Estonia has signed bilateral cultural cooperation agreements with about 50 coun-

tries all over the world and has cultural attachés in several of the most important partner countries. Several EU countries in turn have cultural representation in Estonia in the form of institutes (for example, France, Germany, UK and Hungary) or cultural attachés.

Estonia has been engaged in development cooperation since 1998 when, for the first time, money from the Government's funds was allocated for developing cooperation. The general goal of Estonian development cooperation is to focus on world poverty and Sustainable Development Goals. The objective of humanitarian aid provided by Estonia is to save lives, reduce suffering of people and provide necessities for decent life during and after natural and human-made catastrophes as well as provide aid in order to improve preparedness for responding to the above-mentioned situations and preventing them. Focusing particularly on the most vulnerable population groups.

Estonia has gradually become a donor country with Georgia, Moldova, Ukraine, Afghanistan, but also some African countries among the most important cooperation partners. The focus countries of Estonia's development cooperation in Africa are Kenya, Uganda, Namibia, and Botswana. The main fields of development support that Estonia is providing are digitalisation, good governance, education, health and the environment.

None of the key Talent Partnership countries are major destinations for Estonian exports. In order, the export statistics in 2021 for the Talent Partnership countries were: Nigeria \$63.93M; Morocco \$28.27M; Egypt \$23.42M; Pakistan \$4.95M; Tunisia \$1.00M; Senegal \$752.99K; and Bangladesh \$458.86K (Trading Economics 2021).

4.5 OTHER AS RELEVANT

A concern for the future labour supply is the trend of a decline in the young population. In 2018, the number of people aged 25-29 was around 90,000 - which already represented a decrease from previous years - but in 10 years this figure is expected to have fallen to 60,000. The labour shortages of young graduates is expected to impact the manufacturing and construction, science and education, and agriculture sectors.

Labour exploitation and human trafficking are common problems in Estonia. Poor working conditions and labour exploitation in Estonia affects in particular migrant workers who work under temporary residence permits, working in low-skilled sectors, such as agriculture, construction, cleaning and seasonal work. The Labour Dispute Committee deals with complaints of labour exploitation. The majority of complaints relate to monetary issues, such as not receiving salary. Many migrant workers in these sectors also may fall through the social security safety net or have no accident insurance. Complaints submitted to the Labour Dispute Committee mainly come from workers from Ukraine, but also Georgia, Russia, Turkmenistan, Latvia and Lithuania (Masso et al. 2021). Posted workers are also particularly vulnerable, indeed, one study indicated that migrants working as posted workers in the construction industry on a temporary basis were the most vulnerable to labour exploitation of all types of workers (Masso et al. 2021). Part of the reason that posted workers are especially vulnerable to exploitation is due to the role of recruitment firms, which have been iden-

tified as part of the problem. In line with this, policy measures to address exploitation have worked to improve the monitoring of recruitment companies (Säär and Kaurit 2018) In the national Strategy for Preventing Violence 2015-20, monitoring systems were expanded, in order to protect employees from recruitment firms and to improve detection of cases of exploitation and trafficking (Kriminaalpoliitika 2015).

5. PATHWAYS OVERVIEW BY CATEGORIES AND THEIR USE AND EFFECTIVENESS

The Estonian migration legislation is complex and a variety of pathways and options exist for employers and persons who want to immigrate to Estonia.

The main acts that regulate the stay and work of foreigners are the Aliens Act and Citizen of the EU Act. Many provisions in the Aliens Act are transferred from relevant EU directives in the course of transposition of EU law. Estonia has, however, also some extra options for legal migration that are not regulated at the EU level.

It is possible to come to Estonia to work on the basis of a temporary residence permit,³² short-term visa and long-term visa. To start working in Estonia, an alien (third-country national) must have registered for either short-term employment or must possess a residence permit for employment. Additionally, family members of EU citizens and third country nationals, also students, researchers have a right to work in Estonia. It is also possible to work in Estonia as a posted worker from another EU country (Government of the Republic of Estonia n.d.-c).

Residence permits for employment reasons are generally regulated via a quota system as further described in the following section. The option to apply for a temporary residence is geared towards high-skilled migrants who intend to stay longer than one year, while Estonia's need for short-term or seasonal workers is met with the possibility to register employment after coming to Estonia with a valid visa (short-term or long-term visa). A person does not have to apply for a residence permit to work in Estonia for a short time (up to 365 days in 455 days, 270 days in 365 days in the case of seasonal work). The quota does not apply to short-term work without a residence permit.

Moreover, many categories of immigrants who live in Estonia can also enter the labour market without special permission. These include legally staying family members of third country nationals, EU nationals and Estonian citizens, students, researchers, intra-corporate transferees. There are some innovative initiatives like start-up visa or nomad visa, discussed in Section 5.7.

The following sections will outline legal labour migration pathways in Estonia starting with a discussion on the quota system followed by temporary residence permits and short-term and seasonal migration. This is followed by an analysis of the application of relevant EU Directives and Estonia's innovative schemes to attract highly-skilled migrants in the IT sector.

³² Legally staying foreigners in general do not need an additional work permit. Since 01.09.2013 Estonia does not issue separate work permits and instead issues the right to work through its temporary or permanent residence permits. There is an exception for foreigners who have obtained residence permits on the basis of legal income or in the case of significant national interest. These groups of immigrants do not have a right to work. Also foreigners who are staying illegally and have been prescribed by administrative act or judicial decision an obligation to leave Estonia are prohibited to work.

5.1 NATIONAL QUOTA SYSTEM

Estonia applies a **quota system** for its temporary residence permits. This system was put in place during the 1990s after the re-independence of the country. At that time, it was justified with the high number of foreigners in the country and the difficulties of integration of non-Estonians. The Immigration quota³³ is set for each year at 0.1% of the population based on the official figures of Statistics Estonia. The **immigration quota** for 2020 stood at 1,314 and in 2021 was 1,315. For 2022, the immigration quota is set at 1,311. The quota is often already filled in January of the application year and thus does not provide for much flexibility to hire foreign workers throughout the year.

Since 1991, numerous **exemptions** have been introduced to the quota with the objective of fostering labour immigration with high added value to the Estonian economy. This is why start-up entrepreneurs, IT specialists, engineers, researchers, and highly skilled specialists who earn at least double the average salary, are exempt from the quota (Aliens' Act 1 §115). This means that employers can hire highly qualified foreign workers throughout the year by complying with legal requirements without necessarily applying the quota requirement. According to the Aliens Act § 115 the following individuals do not count towards the annual immigration quota:³⁴

- Estonians, spouses of Estonian citizens, people who reside in Estonia on the basis of a residence permit issued for the settlement with the spouse, minors and adult children, parents, grandparents and a ward of an Estonian citizens;
- students, researchers, lecturers with appropriate professional training and education;
- foreigners who participate in criminal proceedings;
- aliens to whom the issue of a residence permit is justified and who does not present a threat to the interests of Estonia and who settled in Estonia before 1 July in the year 1990 and has not left to settle in another state after the indicated deadline;
- Citizens of the USA, UK and Japan;
- aliens who have been granted the residence permit considering the fulfilment of the immigration quota, and who thereafter have not left to settle in another state;
- aliens who are granted a residence permit for settling permanently in Estonia;
- aliens who have been issued a residence permit for employment in a post in the field of speciality of information and communication technology, for employment in a start-up company, for engagement in business related to start-up business, for engagement in an enterprise as a large investor, for employment as a top specialist.³⁵

The immigration quota had an influence on the number of first residence permits. Yet, given the many exemptions introduced over time, the situation today is one in which the actual number of residence permits issued is close to double than the quota. Almost half of the permits are permits issued under exception clauses.

33 The immigration quota is established by a regulation of the Government of the Republic. (Aliens Act §114).

34 For a full list see §115 of the Aliens Act.

35 According to the law, a "top specialist is an alien who has acquired appropriate professional training in any field to whom an employer registered in Estonia undertakes to pay remuneration for professional work in the amount at least equal to the annual average gross monthly salary in Estonia, last published by Statistics Estonia, multiplied by a coefficient of 2." (Aliens Act §106). This provision was enforced on 17 January 2017 to give access to highly skilled labour.

Many employers use short-term or long-term visas for seasonal and temporary workers rather than applying for a residence permit (see Section 5.3) in order to employ people to positions which do not have a long-term perspective (construction workers, electricians, milkmaid). This has created a chain migration or circular migration of the same persons. However, these temporary workers are also hired for situations, where more stable and longer-term solutions would be needed (ERR 2021c). Moreover, the lack of labour in some job categories has created a problem of posted workers from other EU countries to Estonia that in fact are not posted workers but employed by agents (see also Section 5.4).

Given the large number of exceptions for Estonia's annual migration limit and the total immigration exceeding the yearly quota, it is sensible to review whether the quota system still supports the objectives of Estonia's migration policy (University of Tartu et al. 2021). Especially employers and employers' associations³⁶ in Estonia criticise the quota system (Valgur 2022) and for years have voiced concerns that the "*immigration quota has begun to have a negative effect on economic growth*" (Pajumets 2017: 12). One interviewee from an employers' organisation noted that the system is outdated and that the widespread use of temporary labour developed as an emergency solution to the strict quota.³⁷ There has thus been pressure from employers to increase the quota level, to provide for more exemptions or to abolish it altogether. Not all groups, however, view it this way. The Estonian Trade Union Confederation, for example, feels that sufficient opportunities for employers to bring in foreign workers exist, including, for example, through the 1+1 year option³⁸ for temporary migrants or by provisions under the posted workers' regulation.³⁹

In 2020, the Minister of the Interior established a division of the immigration quota by occupation with the aim to better serve the development needs of the Estonian economy and the society as well as to strengthen efficiency of immigration management (Luik 2019: 19). The quota is split with about 50% of places for free distribution and another 50% allocated for specific work areas. In 2022, there are 637 places for free distribution, 300 for manufacturing jobs, 200 for construction workers, 100 for workers in transport and logistics, 26 for athletes, sports coaches, officials and other staff, 23 creative workers, 20 for business and 5 for residency permits on the basis of an international agreement (ERR 2022). This distribution system has been criticised by the Estonian Chamber of Commerce and Industry, given that places allocated for creative workers, athletes, coaches and others have not been fully used in 2021 while demand exceeded the quota possibilities in other sectors such as construction (ERR 2021c).

A debate to review the immigration quota started in 2017 and the Minister of the Interior established a working group of stakeholders and experts to discuss and reform the quota. It submitted a proposal in 2018 to the Government calling for urgent changes to the quota. While the Government had no immediate plans to abolish the quota, it extended the mandate of the working group and asked it to develop concrete proposals for longer-term changes to the migration system to be presented in 2019 (Pajumets 2017: 12; Luik 2018: 24). The group was, however, disbanded in 2019 and no follow-up group was formed as further detailed in Section 1.3.

36 interview Employers Association, Association of Agriculture Enterprises.

37 Key informant interview 2022.

38 This option allows the renewal of a residence permit for short-term workers after one year with another year.

39 Key informant interview 2022 (EAKL).

5.2 NATIONAL PROVISIONS: TEMPORARY RESIDENCE PERMIT

A temporary residence permit for foreigners (regulated by Aliens Act §176) can be issued for work (employment), study, family reunion or entrepreneurship reasons. The temporary residence permits for employment are generally regulated through the quota system described above, with the noted exceptions. To qualify for a temporary permit an employer must pay a salary that is at least equal to the annual average wage in Estonia. However, a number of foreigners who belong to preferential categories (such as employees of start-ups, foreigners who have acquired higher education in Estonia, et cetera.) are exempted from the requirement of the wage criterion.

In 2020, Estonia issued 4,710 first-time residence permits. This was 21% less compared to 2019 (5984). In 2020, the main purpose for immigration to Estonia was working (2,028 permits issued for employment) and 1,958 permits for the family reunification purposes which used to be the main immigration motive to Estonia before 2020. Residence permits for working have been growing since 2015 when 1,216 such permits have been issued.

The gender proportion of first-time temporary residence permits issued is such that women tend to migrate for family reasons, while men tend to migrate for the purpose of employment or study. Between 2016 and 2018, the residency permits for employment purposes have been predominantly given to men as shown in Figure 17. This has also remained the case in 2019 (Luik 2019: 15).

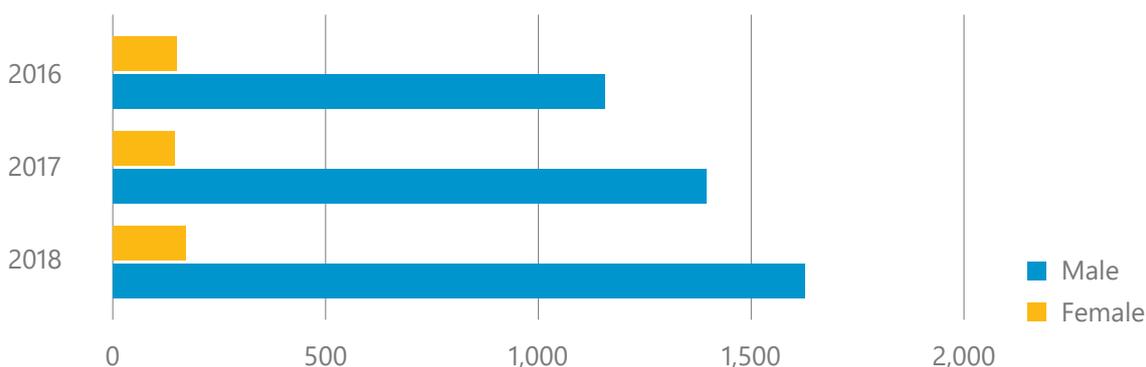
A temporary residence permit for employment is granted for a maximum period of five years, renewable for a ten-year period. After five years of continuous residence on the basis of a residence permit, you may apply for a long-term residence permit (EMN n.d.-a.).

For temporary residence permits to be granted, employers need to apply for permission to hire foreigners from the Estonian Unemployment Insurance Fund⁴⁰ who takes a decision based on labour market situation and needs and based on an assessment whether the position could be filled by a qualified Estonian citizen, EU citizen or an alien who already lives in Estonia on the basis of a residence permit and meets the job requirements. In 2019, only in 1.2% of the cases employers were refused to hire foreigners and therefore 98.8% of decisions were positive. This was similarly the case in 2020 with 98.3% positive and 1.7% negative decisions (EMN n.d.-c). Processing the application takes up to 2 months and there is no possibility for an accelerated or fast-track procedure (EMN 2021c).

Aliens Act § 176 also regulates temporary agency work. A temporary residence permit for employment may be issued to a third country national also for employment as a temporary agency worker. In this case, the employer who is registered in Estonia acts as an intermediary of temporary agency work and has to deposit funds amounting to at least 10% of the remuneration of the migrant worker. This provision entered into force on 1 July 2020.

40 Here also there are exceptions as outlined in [Alien Act §181](#).

Figure 17: First permits, employment reasons by gender, 2016-2018



Source: Luik 2018: 20

Figure 18 shows all first-time employment related temporary residence permits granted in 2018 and 2019 by type of work or pathway. Not all of these count towards the migration quota. The number of applicants for a residence permit for the purpose of entrepreneurship has been growing over time, increasing from 23 in 2015 to 134 in 2019 (EMN n.d.-a.), as have those for working in start-ups.

Figure 18: First-time temporary residence permits for working, by type of work 2018-2019

Work migration	2018	2019
General	1,224	1,283
Top specialist	228	390
Working in a start-up	186	315
Expert / advisor / consultant	58	78
Research activity / lecturer	40	42
Member of the governing body of a legal person governed by private law	37	26
Athlete / coach / referee	21	10
EU blue card	19	19
Minister of religion / monk / nun	18	16
Person engaged in creative activities	11	7
Teacher	7	15
Other	2	17
Total	1,851	2,218

Source: (EMN n.d.-a.)

5.3 TEMPORARY AND SEASONAL MIGRATION

The number of first time residence permits for employment or entrepreneurship is only a part of the migration puzzle in Estonia. It does only represent a fraction of migrant labour contributing to the economy. More significant in terms of numbers are registered workers engaging in short-term employment through temporary and seasonal migration, for which no residence permit is necessary.

Foreigners who stay in Estonia temporarily, for example based on a short-term or long-term visa or on the basis of a visa waiver, are generally permitted to work in Estonia if they have been registered by their employer with the Police and Border Guard⁴¹ prior to the start of work or if their right to work arises directly from the law. A **short-term migrant worker** can work and be registered for a maximum of 365 days within 455 consecutive days (EC n.d.).⁴² Short-term workers also do not fall under the annual migration quota.

Short-term workers⁴³ usually enter with long-stay visas (D-Visa), whereas short-stay visas (C-Visas)⁴⁴ are issued mainly for the purpose of tourism, visiting family members, business travel or sports but also for the purpose of starting up a business. Both these visas are regulated in the Schengen Visa Code. The D-visa and registration of short-term employment continued to be an alternative to the temporary residence permit for employment described above. As the EMN points out, *“the application process of D-visas is not affected by immigration quota or permission from the Unemployment Insurance Fund and processing of the applications is quicker than processing of a residence permit”* (Luik 2019: 37).

Also for short-term work, the employer is obliged to pay the employee at least the Estonian average gross salary. The wage criterion excludes people in specific job categories, such as start-up workers, teachers and researchers, seasonal workers, et cetera. Other than that, there are no specific measures like an annual quota or a labour market test.

In 2020, Estonia issued a total of 43,153 visas of which 25,764 short-term C visa and 17,389 long-term D visa. Due to COVID-19 there has been a drop from 2019 to 2020 in both visa categories, but especially for short-stay visas as shown in Figure 19 In 2019, Estonia issued 144,682 short-term C visas and 25,672 long-term D visas.

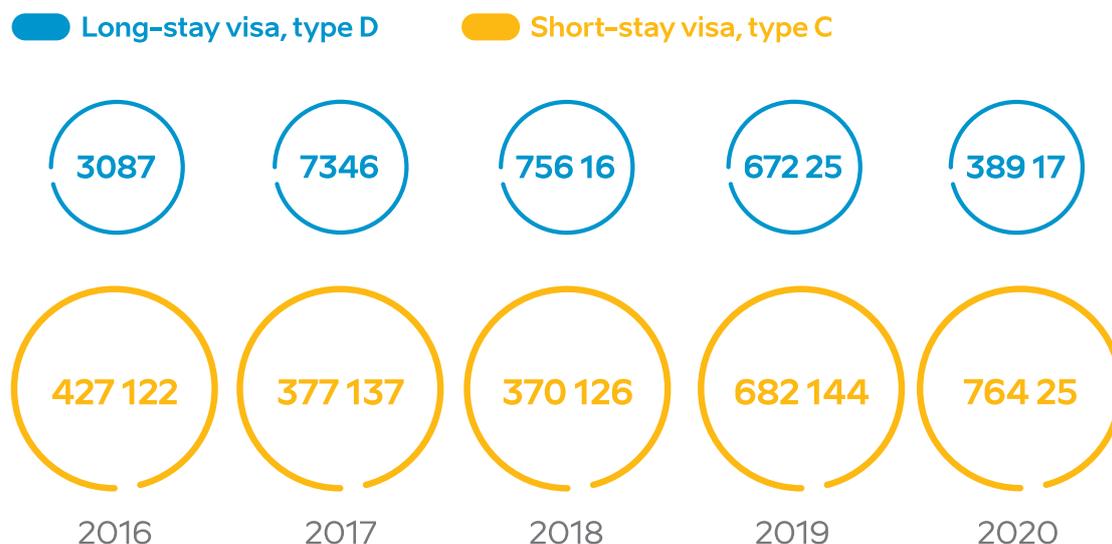
41 The short term employment does not need to be registered with the Police and Border Guard in the following cases: (i) the foreigner is a director or performs supervisory functions of a legal person or branch of a foreign company registered in Estonia; (ii) of a Foreigner who has a visa or residence permit issued by another Schengen Member State and who has a right to work in that state which issued the visa or permit and if that alien's employment in Estonia is related to the undertaking in Estonia and the alien has a legal basis to stay in Estonia; (iii) a journalist accredited by the Ministry of Foreign Affairs who has a legal basis for staying in Estonia and whose working time does not exceed 270 days during 365 consecutive days; (iv) a foreigner whose work is temporary and working time is not exceeding 5 days within period of 30 days; and (v) a foreigner who has the right to stay in Estonia arising from the expiry of the period of validity of the temporary residence permit.

42 Registration for short-term employment is possible for a longer period if you are working as a teacher, lecturer, researcher, top specialist or working in a start-up company.

43 More information about the short term employment can be found here.

44 The short term C visa enables foreigners to move within the Schengen area for a maximum of 90 days within a 180-day period. The long term D visa is issued for 365 days for consecutive 12 months.

Figure 19: Visas issued by Estonia, 2016-2020



Source: EMN n.d.-b

The number of migrant workers entering with a long-stay visa and registering short-term employment has increased over time and has become an increasingly important option. While in 2016 only 1,782 short-term workers were registered, this increased to 32,245 in 2019. In 2020, it dropped to 22,110 due to COVID-19 restrictions (EC 2018; Orloff 2019; EMN n.d.-b). Valid registrations reached almost 20,000 in September 2021. "In 2019, short-term employment accounted for almost 84% of overall immigration" (Masso et al. 2021: 21).

Figure 20: Number of registrations of short-term employment (2016-2020)

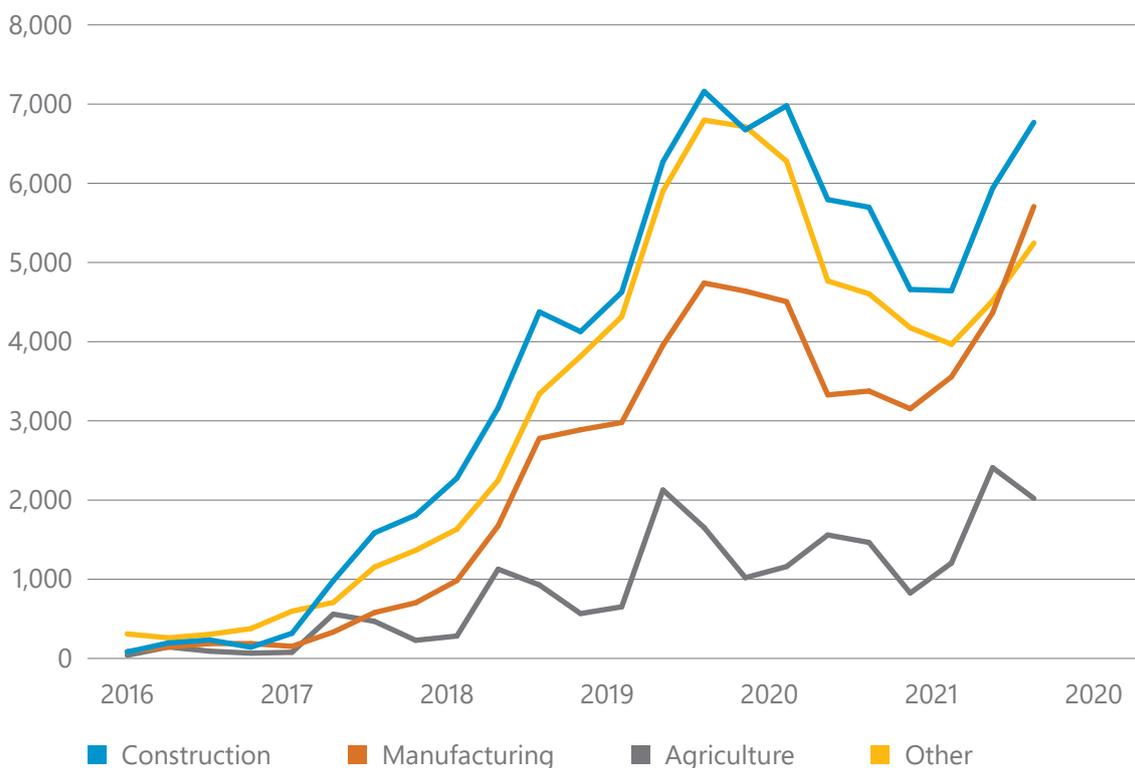


Source: EMN n.d.-b

The top 5 **citizens** in 2020 who registered as short-term labour migrants were: Ukrainian (15,820); Belarusian (1,375); Russian (1,056); Moldovan (922); and Uzbek (920). Ukraine has thus been by far the most important sending country. Based on Police and Border guard data as of September 2021, the three fields of activity with most registrations were **manufacturing, construction and agriculture**, as shown in see Figure 21.

Short-term migration with short-term visas are used mainly in agriculture and construction services but due to the limited possibility to get a residence permit, other sectors like services or production or animal farming also use this pathway in order to employ foreign labour.

Figure 21: Valid registrations of short term work



Source: Produced by author based on Police and Border Guard Board data, accessed in 2022

Seasonal workers (covered by the EU Seasonal Workers Directive) are a subgroup of those registered for short-term employment. Short-time employment for participation in seasonal work can be registered for up to 270 days during a year. One of the conditions for registering short-term employment as seasonal work is for the employer to provide accommodation or to prove that the third country national will be accommodated appropriately (EMN 2020). Compared to general temporary migrant workers, seasonal workers can only be registered in sectors that are determined through a regulation by the Government and they do not fall under a mandatory minimum wage criterion (EMN 2020). The regulation adopted in 2017 on the requirements for seasonal work lists the following sectors:

- Crop and animal production, hunting and related services;
- forestry and logging;
- fishing and aquaculture;
- manufacturing and food products;
- manufacture of soft drinks, mineral waters and other bottled waters;
- accommodation; and
- food and beverage service activities.

The number of short-term workers registered for seasonal employment has grown to 5,023 in 2019, compared to 2,782 registrations in 2018 and 1,150 in 2017 (Luik 2019: 17; EMN 2020). Due to the COVID-19 restrictions the number of seasonal workers decreased by 30% in 2020. Agriculture, forestry and fishing are the most common sectors for seasonal work, followed by manufacturing, ac-

commodation and food services (EMN 2020). Most seasonal workers come from Ukraine and are between the ages of 25 and 34 with a balance between genders (EMN 2020). Short-term seasonal work mainly takes place in the summer period with most registrations being done in between March to June. The average length of employment was between 7 to 9 months in 2018.

In 2020, the COVID-19 pandemic brought several restrictions for mobility and migration influencing the number of seasonal workers able and willing to come to Estonia. At the onset of the farming season in 2020, Estonian agricultural entrepreneurs strongly criticised the government's immigration restrictions (Jakobson and Kalev 2020). The shortage of seasonal workers and the closure of borders lead the Government to make exceptional decisions to prolong the rights to stay in Estonia for a short term labour and to register for work in the agricultural sector. The Ministry of Interior or the Director General of the Police and Border Guard was able to extend the stay for those already employed in Estonia as short term workers until 31 July 2020.⁴⁵

Those seasonal workers who had already come to Estonia prior to the restrictions thus were allowed to continue working even if their visa had expired (EMN 2020). The short-term foreign workers, who became unemployed during the pandemic got a possibility for job mediation offered by the Unemployment Insurance Fund. This practice was a hope to bring together the potential workers with employers and limit the labour shortages in agriculture and other seasonal work sectors (EMN 2021b). Nevertheless, this was not sufficient as by March 2020 only a few migrant workers had arrived despite many farmers having had signed contracts with workers from Ukraine. Estonian farmers complained that there is a shortage of about 200 seasonal agricultural workers. Although Estonia's unemployment level grew from 4.4% in the fourth quarter of 2019 to 7.1% in the second quarter of 2020 (Statistics of Estonia 2020b), farmers did not view newly or longer-term unemployed as being able to replace seasonal migrant workers (EPKK 2020a). At the same time, Finland had been attracting Estonian migrant labour with an increasing demand for labour in specific sectors, such as construction (Kortelainen 2020). Estonian farmers blamed the politicians of jeopardising the sustainability of Estonian agriculture and pointed to Finland where seasonal workers were accepted despite other travel restrictions in place (Jakobson and Kalev 2020).

During the past few years there has been a continued political debate regarding short-term work and in particular, the fast and dominating growth of Ukrainian labour migrants in Estonia. Interviewees for this study representing employees in the agricultural sector highlighted that the current visa and residence permit system is not efficient nor satisfies the needs of the employers and farmers. The EMN Estonia Focal point, however, also notes that employers of short-term labour migrants, especially from Ukraine, often do not fulfil obligations concerning recruitment of third country nationals. They may not pay the required salary, establish incomplete working agreements or let workers work below the necessary working-time. In particular, in the construction and transport sectors employers tend to engage in cheap labour. Ukrainians arriving to Estonia for short-term work are also at times confused by a misconception *"that with a visa-freedom clause they are entitled to come to Estonia to work despite not having the necessary documentation that would allow them to enter the labour market"* (Luik 2019: 14).

45 As the EMN Estonia notes, "foreigners who had legal basis for temporary stay in Estonia as of 12 March and whose return to their home country was restricted, had a legal basis for continuing to stay in Estonia temporarily until the end of the emergency situation. The TCNs whose legal stay had ended during the emergency situation had 10 days after the end of the emergency situation to leave the country or to legalise the stay. The emergency situation ended on the 17th of May" (EMN 2020).

5.4 EUROPEAN LEGAL PROVISIONS AND THEIR USE

Estonia has transposed all relevant EU migration directives into the Aliens Act and provisions are effectively in use. There is only one equivalent national scheme only for top specialists which is similar to the Blue Card - though it differs in a number of details. The EC Legal Migration Check carried out by ICF did not find any non-compliance issues (EC 2018).

The following will discuss the EU Blue Card, the Seasonal Workers Directive, Intra-corporate transferees and posted workers as they are specifically relevant for labour migration.

Application of the EU Blue Card Directive

The EU Blue Card, while quickly having been transposed in Estonian law, has not played a significant role in facilitating high-skilled labour migration compared to the national policies and schemes for high skilled workers and top specialists. In 2020, Estonia has issued only **9 EU Blue card** permits. In 2019 and 2018, **19 Blue cards** were issued for each year (EMN n.d.-b). EU Blue Card holders count towards the national immigration quota of Estonia (EMN 2018).

An EU Blue Card is granted for the duration of the employment contract plus three months, and for a maximum period of two years and three months, renewable for a period of four years and three months maximum (EC n.d.). Applicants need to show an employment contract for a high qualified job with a duration of at least one year or a binding job offer of at least one year as well as relevant qualification documents. Employers for Blue Card applicants must obtain permission to fill a position by employing a third-country national from the Estonian Unemployment Insurance Fund. There are exemptions for this requirement in case of renewal and for certain categories of workers. The wage threshold for Blue Card holders has to be at least 1.5 of the annual average gross monthly wage in Estonia and is thus lower than that of 'top specialists' (see Section 5.5) (EC n.d.; Alavi and Khamichonak 2015: 13). In 2021, this was €2,172 euro per month (Corporate Migration Partners 2021). A person holding an EU Blue Card, can apply for a long-term residence permit after five years of continuous temporary residence in the EU, if he has resided on the territory of Estonia for the last two years.

Every EU Blue Card applicant needs to pass a labour market test. This is a key difference to the application for a 'top specialist' (see Section 5.5), who are exempted from it and who can acquire a residence permit without applying the requirement for the permission of the Estonian Unemployment Insurance Fund. This may be one of the reasons why the EU Blue Card is utilised less than the 'top specialist' scheme.

Application of Seasonal Workers Directive

Estonia has fully transposed the Seasonal Workers' Directive into the Aliens Act in 2017. With this transposition, the rules for seasonal workers were simplified by abolishing the mandatory wage criterion. In Estonia, seasonal workers fall under the category of 'short-term employment'. In order

to carry out seasonal work the person needs to obtain a long-term (D) Visa and be registered for short-term employment. This is possible only in a number of sectors determined through a government regulation.

The possibility for seasonal short-term employment is described in Section 5.3 in detail and thus not further discussed here.

Generally, employers who fall within the list of sectors allowed for seasonal work prefer to register short-term employment as seasonal work as there is no salary criteria for seasonal workers. However, at times employers also prefer to register short-term employment on general grounds rather than as seasonal workers in case there is the need to employ the third country national for a longer period than the 270 allowed days within 365 consecutive days. Short-term employment on general grounds is permitted for up to 365 days within 455 consecutive days (EMN 2020).

Application of Intra-Corporate Transferee Directive

It is possible to enter, reside and work in Estonia as an **intra-corporate transferee** if the person is a manager, specialist or trainee employee. The definitions and conditions of admission are governed by the EU Directive on intra-corporate transfer (Articles 3 and 5 of Directive 2014/66/EU), which has been transposed into Estonian law in 2017.

Before being transferred from a company branch located outside of the EU to a branch in Estonia, the person must apply for an Intra-Corporate Transferee residence permit and meet certain conditions. The person must have been employed by that company for a certain time period: in case of a manager or specialist 12 months and in case of a trainee, 6 months. The transposed legislation made certain conditions more strict for ICTs in Estonia. However, foreign workers can obtain an ICT residence permit in any EU member state without then having to apply for a separate residence permit for work in Estonia, which introduced more flexibility for workers travelling between EU member states (Fragomen 2017).

In case of **short-term mobility** (a maximum of 90 days during a 180 days period) and with valid residence permit issued for intra-corporate transfer according to Directive 2014/66/EU, the person may work in Estonia for the purpose of intra-corporate transfer during the validity of the ICT permit issued by the first member state. Additional requirement is that the employer needs to notify the Police and Border Guard by filling a short-term employment registration. As an intra-corporate transferee, the work can be started as soon as the notification is sent out (electronically in the self-service, by e-mail or registered in the Police and Border Guard services). If the duration of the mobility is longer than 90 days the person is subject to long-term mobility rules.

In 2019, there were only 17 temporary residence permits for intra-corporate transferees issued in Estonia (Luik 2019), similar in number to the Blue Card. So overall, compared to the residence permits for employment on general grounds (1,283 in 2019), this pathway is not strongly used.

Application of the Posted Workers Directive

Workers that are posted to Estonia from another EU member state in order to provide a service within the framework of the company's business activity or as a temporary agency worker or as temporary employee of an employment agency, fall under the EU Directive 96/71/EC - the posted workers directive.⁴⁶

Due to the constant lack of workforce many agencies in Estonia are forced to recruit rented workers or need to post their workers from other parts of the world to Estonia. Not only the Aliens Act needs to be taken into consideration but also the Estonian Employments Act, social security regulations, health insurance and taxation measures have to be applied. Posted workers from outside the EU need to apply for a temporary residence permit as described in Section 5.2.

Irrespective of the choice of law applicable to the employment contract, the posted worker's employer must ensure that the posted worker is subject to the working conditions established by the Estonian Employment Contracts Act in Estonia, including working and rest time, compensation for pay and overtime, duration of annual leave and reimbursement. The employer must register the employees posted to Estonia with the Estonian Labour Inspectorate before the employee actually starts working.

In the case of temporary work organised by agencies, the temporary worker remains connected to the 'rental company' (the agency) while working for the 'user company'. It is the responsibility of the agency to employ the worker and to pay him the agreed remuneration. The user company can only be required to have a suitable operating environment. In this tripartite relationship, a carefully considered employment contract between an employee and a temporary agency and a co-operation agreement is needed.

While, from the employers' point of view, the recruitment of a posted worker and a temporary worker seems to be a rather temporary solution, the employment of aliens under the conditions provided in the Aliens Act are essentially for a longer-term relationship employment. However, the employer must be aware of the obligations and requirements that come with it.

The number of posted workers coming from other EU member states has increased but there is no statistics or a good overview to see how many employers use these EU-wide schemes to fill their labour shortage.

46 [European Parliament and Council directive 96/71/EC](#), 16 December 1996, concerning the posting of workers in the framework of the provision of services – the directive applies to undertakings established in a member state which, in the framework of the transnational provision of services, post workers for a limited period to the territory of a member state other than the State in which they normally work. Relevant is also [European Parliament and Council Directive 2014/67/EU](#), 15 May 2014, on the enforcement of Directive 96/71/EC concerning the posting of workers in the framework of the provision of services and amending Regulation (EU) No 1024/2012 on administrative cooperation through the Internal Market Information System (IMI Regulation) – this is the implementing directive of posted workers to enhance the application and actual enforcement of the posting of workers directive 96/71/EC, ensuring better protection of posted workers and better envisaged and more transparent legal framework for service providers. And [Directive \(EU\) 2018/957](#) of the European Parliament and of the Council of 28 June 2018 amending Directive 96/71 / EC concerning the posting of workers in the framework of the provision of services. This directive addresses the problems encountered in practice and introduces measures to better protect the rights of posted workers, eliminate unreasonable responsibilities and enhance monitoring.

5.5 POLICIES AND SCHEMES TARGETING HIGH-SKILLED WORKERS

Estonia tries to attract highly skilled workers, yet has not always managed to attract the talent it needs. A survey by Decoding Global Talent of 2021 shows Estonia ranked 79 (behind neighbouring Scandinavian countries like Finland (ranked 22) and Sweden (ranked 17)). The results of the survey show that key highly skilled workers prefer Scandinavian countries over Estonia (CV Keskus 2021). The Global Startup Ecosystem Report also shows that while Estonia is highly-ranked on the emerging IT ecosystem list and is recognised as one of the worlds' most entrepreneurial countries, it does not score high on the metric of attracting talent (Grzegorzczak 2021).

The Government aims to change this and promotes the country through dedicated websites such as *Work in Estonia*, *Study in Estonia*, *Start-up Estonia*, and *Invest in Estonia* which provide information about the possibilities to apply for a visa or a residence permit in Estonia for highly-skilled people. Estonia aims to attract, in particular, highly-skilled migrants in the IT sector, for which they have started campaigns such as 'Career Hunt', which attract a large number of foreign ICT specialists to Estonia, together with private IT companies.

Estonia has specific provisions for highly-skilled, so-called 'Top Specialists', which exists next to the EU Blue Card. Highly-skilled specialists, who earn twice the average salary level, can apply for temporary residence permits for working. Applicants need to have a job offer, have to have acquired appropriate professional training (though there is no requirement of proof) and a salary threshold (EC 2018). According to the Aliens Act, the amount of remuneration paid to foreign top specialists must be at least equal to the **double average gross monthly salary** and is thus higher than that of the Blue Card. As of 13 January 2022, the minimum amount of gross remuneration to be paid to a top specialist is €2,896 euro. An amendment of the Alien's Act in 2022 lowered the wage criterion to be 1.5 the average salary. The Tax and Customs Board has the right to check the amount of the fee paid to an alien upon submission of an inquiry to the Police and Border Guard Board. The Chamber of Commerce and Industry has criticised the salary threshold in the past as being a hindrance to hiring skilled migrants (ERR 2021d).

Since 2018, top-level specialists are not counted towards Estonia's immigration quota after the Riigikogu passed an amendment to the Aliens Act. This was mainly to respond to the growing economy's needs for specialist workforce while the immigration quota had been filled and was not flexible enough to allow employers to find the talent they need (ERR 2018).

Residence permits for employment as a top specialist can be granted without applying the requirement for the permission of the Estonian Unemployment Insurance Fund, if the alien has appropriate professional training or relevant experience for employment. This is a key difference to the EU Blue Card scheme for which a labour market test (performed by the Unemployment Insurance Fund) is necessary. However, the employer must meet several requirements, which are stricter than those for the EU Blue Card.⁴⁷

⁴⁷ Namely, the company to which the foreigner is employed must have been registered in Estonia for at least 12 months and at least one of the following conditions must be met: (i) the company has at least 65,000 euros of equity capital for which real estate, machinery or equipment has been acquired and registered as fixed assets in Estonia or for which an investment has been made in another company registered in the Estonian commercial register or an investment fund established or established on the basis of the Investment Funds Act; (ii) the company's sales revenue is at least EUR 200 000 per year; and (iii) the social tax paid monthly in Estonia for all persons working in the company is at least five times of the average monthly social tax of Estonia.

The top specialist must have the qualifications, education, health, work experience, special skills and knowledge required for the job. The top specialist must register their place of residence in the Population within a month after arrival.

Since 2021, Estonia also allows family members of employees that start working as a top specialist in a professional position at a start-up company or as an ICT specialist to bring family members immediately rather than waiting until a temporary residence permit has been issued (Government of the Republic of Estonia 2021).

In 2018, 228 top specialist residence permits for working have been issued, 390 in 2019 and 384 in 2020 (EMN n.d.-b.). This scheme has, to date, thus been more significant than the Blue Card for attracting highly-skilled workers. Yet, given the continuous concern of economic sectors in Estonia to find skilled labour, the Minister of Enterprise and Information Technology proposed at the end of 2021 to reform the rules for top specialists by lowering the salary requirement to 1.5 times the average salary, which would bring it to the same level as the EU Blue Card.

5.6 BILATERAL OR SPECIAL LABOUR AGREEMENTS AND PARTNERSHIPS

As confirmed by representatives of the Ministry of Interior and Ministry of Economics and Communication, there are currently no special agreements between Estonia and other countries to bring labour to Estonia. There are also no public discussions on introducing bilateral or multilateral migration or skills mobility partnerships and the Government has no impending plans to seek country-specific agreements (EMN 2021d).

Between 2015 and 2017, a pilot circular migration programme that employed Georgian workers to fill the needs of the Polish and Estonian labour market needs was tested. The project was implemented by the IOM in cooperation with Georgia's Ministry of Labour, Health, and Social Affairs. The reason for the scheme was to provide a pathway for the many Georgians seeking temporary employment abroad. The IOM provided vocational and educational training and pre-departure orientation in Georgia for workers to work in demand sectors in the two destination countries. However, while 19 workers were sent to Poland under the scheme, no workers went to Estonia owing to the obstacles presented by labour market quotas.

5.7 INNOVATIVE (PILOT) SCHEMES AND PROGRAMMES

Estonia is promoting itself as an attractive state to immigrate for the purpose of establishing a start-up company or for work in the IT sector. Migrant workers working for a start-up or in the IT-related sectors are exempt from the quota. In the following section, the start-up visa and the digital nomad visas will be briefly discussed.

Digital Nomad Visas (Visas for Teleworking)

The digital nomad visa (DNV) allows remote workers to work and live in Estonia maintaining, at the same time, employment outside of Estonia for their own company or company registered outside of Estonia. This visa was introduced in 2020 and is regulated in Aliens Act § 62. It allows the right for remote workers to temporarily stay in Estonia for up to one year. The digital nomad visa does, however, not confer the right of citizenship or permanent residence in Estonia or the EU.

Digital nomads need to meet a minimum income threshold, which in 2021 stood at €3,504 gross monthly salary as well as proof of insurance and ability to cover accommodation and subsistence.

A visa for teleworking may be issued to an alien whose purpose of temporary stay in Estonia is to perform work duties in Estonia as a location-independent employee.⁴⁸ For the purposes of this Act, a location-independent employee is an alien whose work does not depend on location and who uses telecommunications technology to perform work duties as telework and who continues:

1. Employment for the benefit of an employer registered in a foreign state with whom he or she has a contractual relationship;
2. business activities for the benefit of a company registered in a foreign state in which he or she has a holding; and
3. the provision of services mainly to customers whose place of business is in a foreign state and with whom he or she has a contractual relationship.

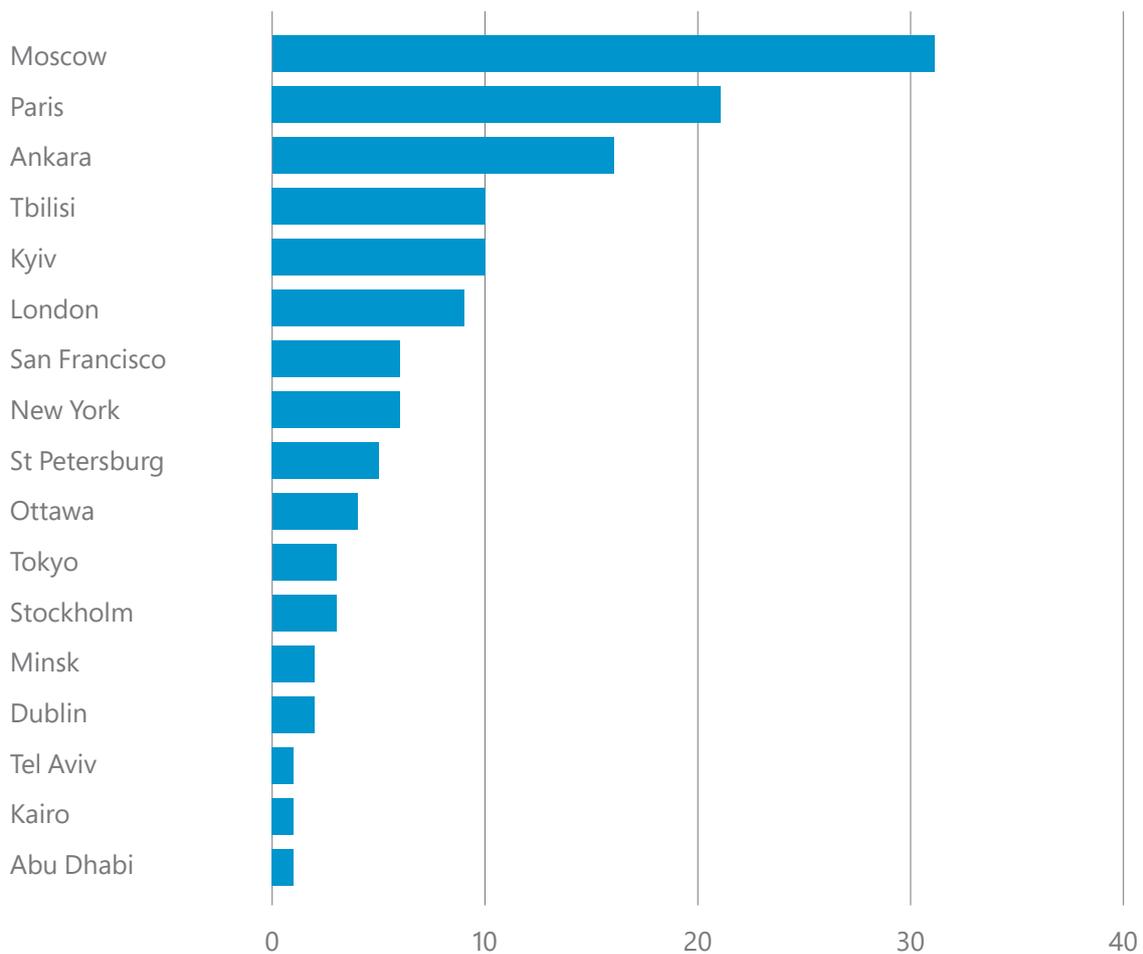
Such teleworkers were not previously covered by the Aliens' Act, which led them to often use other types of visa, primarily tourist visas. The Estonian EMN NCP points out that *"the creation of this new type of visa created a legal framework to accommodate such workers and combat misuse"* (EMN 2021e).

In 2020, only 37 long stay digital nomad visas were issued for remote work. The visa recipients were citizens of: USA, Canada, Australia, Republic of South Africa and Japan. As of June 2021, Estonia had received 93 applications and issued 65 digital nomad visas. At the end of the year, 131 such visas had been issued. Top nationalities of applicants were the USA, Russia and Canada (EMN 2021e).

Estonia also views the digital nomad visa as a tool to attract ICT talent to Estonia, to facilitate the transfer of knowledge thereby adding value for the Estonian business environment and to support the start-up ecosystem (EMN 2021e).

In the context of the Russian invasion of Ukraine in 2022, Estonia decided to stop the issuance of D-Visas from embassies in Russia. Given the high application numbers from Russia to date, this will also have an effect on the digital nomad visas (Government of the Republic of Estonia n.d.).

48 If a foreigner is issued a visa for teleworking, a short-stay or long-stay visa may be issued to the alien's spouse, a minor child and an adult child who is unable to cope independently due to health condition or disability.

Figure 22: Digital nomad visas issued in 2021 by embassy

Source: EMN 2022b

Start-Up Visa

Estonia has made it a priority to attract start-up entrepreneurs from third countries. Start-ups contribute to the Estonian economy through creating high-value jobs, attracting foreign capital and contributing to the state revenue through taxes. Availability to hire staff from abroad is important as in the growth phase, start-ups often must rapidly increase the number of employees. Availability of labour is then connected to their survival. Estonian entrepreneurs will consider moving elsewhere if they cannot find employees on the local labour market or easily hire them from abroad (Startup Estonia 2022).

Start-up visas (Startup Estonia 2022) have been introduced in 2017 and are regulated by the Aliens Act §62.⁴ A start-up visa, short- or long-stay, is issued if the stay of a foreigner is related to the foundation of the development of a start-up company⁴⁹ in Estonia. The visa is valid for up to 12 months and can be prolonged for another 6 months. Migrants working for a start-up can get a residence

⁴⁹ A start-up company for the purposes of the Aliens Act is a business entity belonging to a company registered in Estonia, which is starting activity with the purpose to develop and launch such a business model with high global growth potential, innovative and replicable that shall significantly contribute to the development of the Estonian business environment.

permit for up to 5 years which can be extended for another 5 year period. If a foreigner is issued a visa for engagement in start-up business, a visa may be issued to the spouse, a minor child or an adult child who due to his or her health status or disability is unable to cope independently, under the same conditions as to the specified foreigner. The quota does not apply to visas or residence permits for the purpose of start-up.

There is a two-level assessment, which prevents misuse. A Start-up Committee (see Section 3) assesses business proposals and vets them according to the criteria of what is considered a start-up and the Police and Border Guard Board processes visa or residence permit applications.

The new start-up-related legislation of 2017 led to an increase in the number of visas and residence permits issued for business purposes. More applications were received than had been anticipated, which put some strain on the immigration system. There has been a positive trend in the number of third country nationals working in a start-up company. In 2019, 701 employees and 201 founders settled in Estonia, an increase from the 2018 figures, which were 483 employees and 174 founders. In 2018, 186 first time temporary residence permits for work in a start-up were issued, growing to 315 in 2019 and dropping - due to COVID-19 - to 232 in 2020. In 2019, most of those receiving the start-up visa and residence permit were from Russia, Brazil, Ukraine, India and Iran (Luik 2019: 18-19). As of 2020, 1972 companies had applied for the 'start-up' status, however the success rate decreased from 43% in 2017 to only 20% in 2019.

At the same time, the government, through its initiative Startup Estonia aims to boost the Estonian startup ecosystem, including through friendly regulations and ease of hiring staff, including from abroad. Startup founders seem to appreciate the possibilities offered through the start-up visa as well as flanking measures and other existing services, such as e-residency further explored below. Some founders who have decided to build a start-up in Estonia noted the more friendly and transparent conditions of Estonia compared to other EU countries, the possibility of e-residency before starting a business providing extra time to understand the new context and to minimise risks, the possibility to hire other third country national employees as well as Estonia's thriving tech community and its reputation as a hub (EMN 2018: 4-5).

Overall, the new system is considered as well-working and the scheme as effective (Orloff 2019). The first years of the scheme however also revealed a number of challenges. Some related to limited staff resources in Startup Estonia to provide services to foreign startup founders and employees, others to hurdles encountered by third country start-up entrepreneurs in Estonia, such as opening a bank account or lack of international flight connections or language barriers and unavailability of some public information in English. A key challenge still seems to be finding relevant qualified staff: "According to the Brand Manual survey conducted in August-September 2018 among start-up founders one of the challenges for growing business is finding qualified staff, especially in coding, marketing and sales" (Orloff 2019: 42). A more recent study with start-up technology companies also finds that meeting the need for labour is difficult due to a mismatch between employers' needs and the Estonian education system or the availability of foreign migrants. Employers thus recommend for public services and the private sector to jointly continue to work on providing a suitable living environment for migrant workers in Estonia (Centar 2021).

E-residency

Estonia was the first country in the world to begin offering an e-residency or digital identity service to citizens of foreign countries. From December 2014, non-residents can apply for the status of an Estonian e-resident and obtain the ID card. It enables foreigners to use Estonia's e-services regardless of the location of that person. The e-resident's digital ID cannot be used for physical identification nor as a travel document as it does not have a photo on it. It does not grant residence rights, tax residency, citizenship nor a permission to enter to Estonia or to the EU. The term e-residency may thus be misleading as it does not confer residency or working rights. E-residents can establish a company in Estonia, perform e-banking transactions, access international payment services and file the income tax returns, sign documents digitally and use other e-services provided by the Estonian public and private entities. The total number of e-residents as of 31 December 2020 was 76,070 of which 87% are male and 13% are female. In 2020, Estonia issued 12,955 [e-residence permits](#) mainly to Russian, German, Chinese, Ukrainian and Spanish citizens.

5.8 POSSIBILITY OF STATUS CHANGE

It is possible to move from one immigration category to another. From short-term employment to the long-term visa or temporary residence permit. Students who have finished higher education facilities in Estonia can stay an additional 270 days in Estonia as a job seeker. They can apply for different positions and acquire long-term, short-term visas or residence permits. In the long run, it is also possible to apply for [permanent residency and Estonian citizenship](#) if all stay, language, and integration requirements are met.

Students, researchers, refugees, subsidiary (temporary) protection receivers and spouses can work with their residence status. Changing a status to any of the abovementioned will also give access to the labour market.

6. SUGGESTIONS FOR FUTURE ADAPTATIONS

Estonia faces labour shortages and demographic pressures. The migration system is based on a maximum annual migration quota for residence permits, which is filled early on in a given year. However, many exceptions to the quota have been introduced over time and temporary and seasonal migration - the largest group of labour migrants in Estonia - do not count towards the quota. Based on this, there have been discussions to reform and simplify Estonia's migration framework and to review objectives of migration policies (University of Tartu 2021).

Since 2014, migration trends have been changing with more immigrants coming to Estonia to live and work. This trend, characterised by short-term migration and multiculturalism, will likely continue in the future due to a combined effect of labour shortages, globalisation and an ageing society.

Beyond the objective of labour migration to contribute to Estonia's growth and competitiveness and meet the needs of employers, public and political debates also centre around taking into consideration the state's integration capacity (provision of social, health, education and language services to migrants) and preserving Estonian language and culture. Estonia's immigration policy also aims to avoid abuse of residence permits and visas so as to ensure national security.

Estonia experiences strong labour shortages for IT software developers, audiologist and speech therapists, welders and flame cutters, as well as health carers in hospitals,

Interviewees for this study agreed that there is currently no specific need or political interest to issue new types of visas, residence permits or particular labour mobility schemes. Innovations in the form of start-up and nomad visas to attract IT professionals have recently been introduced and lessons from their implementation in terms of usage and effectiveness still need to be drawn.

In May 2022, the Government already introduced a number of amendments to the Alien's Act in order to provide for more flexibility and increase Estonia's attractiveness as a destination for labour migrants. As part of the amendments of the Alien's Act passed in May 2022, the period of employment has been extended for temporary workers. It is now possible to receive a two year residence permit after a one year temporary employment in cases in which employers have been reliable and have correctly paid salaries and taxes and want to continue with the employment relationship. This corresponds to the view of interviewed stakeholders who have argued that there should be a possibility to apply for a two to three year residence permit for working purposes.

In order to also include high-skilled migrants in sectors that on average earn less than those in the ICT sector, the minimum salary requirement has been lowered to 1.5 the national average salary instead of the previous requirement of double the average national salary.

However, interviewees noted that there is a need for a review of Estonia's current migration system to make it less complicated, clearer and more transparent.

Reforming the Quota System

One key aspect to achieve this is to introduce **reforms to the quota system**. From an employers' perspective, many businesses still find it difficult to find workers with the right skills and experience and do not find that the quota system supports them in hiring foreign migrants. Employers' associations, such as the Estonian Chamber of Commerce and Industry, therefore argue to exclude more foreigners from the yearly restrictive immigration quota. One option would be to introduce specific shortage sectors in need of migrant labour or specific job groups that are needed, such as engineers, and to exclude them from the quota, if they work for a reliable and registered employer and if they earn above a certain threshold, such as 1.5 times the Estonian average salary (ERR 2021c).

Another option that has been proposed is to adopt a more flexible approach to setting the quota figure each year depending on the general economic situation of the country, Estonia's integration capacity and labour market needs. This could also be done at sectoral level introducing quotas for sectors that cannot find qualified employees from the Estonian market combining it with a salary threshold. This, however, would require a scientific monitoring system of labour market and employers' needs at sector level, capacities for integration and longitudinal data on integration of arrivals.

More fundamental reforms that have been suggested could look into applying the quota system to permanent residence permits for employment rather than the temporary ones or to take inspiration from the point based systems of Canada or Australia. This could help with strengthening more permanent high-skilled migration to Estonia.

It seems that both options, long term migration and short-term migration regulations are needed but these should not be divided according to the sectors but according to the qualifications and the current need for the workforce. At the moment, short-term employment is used predominantly in the construction and agriculture industry while long-term residence permits are given to high skilled workers and IT sector employees. There are however also positions in agriculture that are needed all year round (such as milk...) and for them a longer-term option should ideally be available. The same applies to electricians or plumbers, who can currently work only with short-term contracts on short-term visas.

Matching Labour Market Needs with Education and Training

One of the reasons behind the structural labour shortages in Estonia is the high mismatch of skills and jobs in the labour market (see Section 4). There are many available jobs for which there are not the required skills, and there are also many graduates who do not work in their field of study. The number of graduates in Estonia is not sufficient to fill these skill gaps and - next to active employment policies - labour migration is needed. However, it would be beneficial also to provide education and training to foreign workers in Estonia, as this can provide more flexibility in adapting to labour market demands.

It could thus be beneficial for the Government to provide Estonian language training for foreign workers as a lack of Estonian language skills has been pointed to as an important barrier to hiring foreigners, particularly in more high-skilled sectors. In ICT for example, many employers cited a lack of language skills as a reason for not hiring foreign workers. A lack of language skills has also increased the vulnerability of foreign workers to labour exploitation as workers become more dependent on their employers (Masso et al. 2021). Education and training that exists for the domestic population could also be made available to specific groups of foreign workers to facilitate their reskilling and upskilling.

Exploring Partnerships with Third Countries for High-skilled Migration in Specific Sectors within the EU Talent Partnership Framework

Currently, the Estonian Government has not been engaged in mobility partnerships with third countries and there have also not been comprehensive political or public discussions on exploring these further. Given that labour migration is not discussed as a key way to address labour shortages in Estonia -the government instead chooses to focus on protecting the employment of Estonians - it is perhaps unlikely that the government will establish a Talent Partnership. Yet, given the shortages in specific key sectors, such as ICT, Talent Partnerships to recruit workers in key shortage sectors could benefit the labour market.

There are 6,102 migrants currently resident in Estonia who are citizens of one of the seven Talent Partnership countries, of which the largest group are from Nigeria (2,547), and the second largest are from Pakistan (1,214).⁵⁰ A Talent Partnership with either of these countries would be able to build upon these pre-existing labour mobility pathways, and the diasporas already existing there could aid integration in the country. That being said, although the number of Nigerians and Pakistanis in Estonia is high compared to the other Talent Partnership countries, the overall number is still very low compared with other European countries.

In terms of corresponding with the Estonian labour needs, Egypt and Pakistan have the highest number of employees in the ICT sector (2,100 and 1,700 respectively), and so would be more suitable partners for Estonia's burgeoning ICT sector.⁵¹

When designing Talent Partnerships, Estonia could learn from the successful experiences of other Baltic countries, such as Lithuania's *Digital Explorers* project, which kick-started cooperation between Lithuania and Nigeria in the IT sector aiming to fill private sector needs. The government of Estonia has decided to join one of the *Digital Explorers II* tracks, offering internship and training possibilities. This could be a promising path to test new approaches and build partnerships and networks for talent mobility. Nigeria, part of *Digital Explorers II*, could be a viable partner for a Talent Partnership in the future because of its available skills in the IT sector. Moreover, the joint organization with Lithuania of this skills and mobility scheme can benefit further regional cooperation in the Baltic region.

50 MPF internal database

51 MPF internal database

Given the EU's emphasis on digital transformation, including in its relationship with third countries and Estonia's status as front-runner, combining support to third countries digital growth and ICT capacities, skills development and migration opportunities, could provide mutual benefits (Švedkauskas and Sirikupt 2022). Estonia's migration system provides opportunities for high-skilled top specialists as well as IT specialists and digital nomads to enter the labour market. Providing specific support to access these pathways combined with additional marketing could be integrated in partnerships with third countries.

Assess Flexibilisation for Foreigners to Work in Low-skilled Sectors

Estonia's policy approach to labour migration has been to focus almost exclusively on facilitating entry for foreigners to work in high-skilled sectors. While high-skilled sectors will continue to experience employment growth into the future, low-skilled sectors in Estonia are also facing labour shortages. By integrating further flexibilities for labour migration policies for work in low-skilled sectors (e.g. as concerns the short-term work pathway), the demands of employers in these sectors could be better met. However, the current political discussions are strongly geared towards protecting the local labour market. Amendments passed in 2020 included new requirements for short-term workers who lose their job and do not find a replacement and a certain time to leave the country so as to not pose competition for the local workforce.

The government has argued that employers, such as in agriculture, should aim to hire Estonians first and that there are Estonians willing to take up work in the lower-skill sector. Still, there are a number of low-income sectors experiencing labour shortages which could benefit from more legal provisions to hire workers from third countries beyond the short-term work pathway. Employers in the construction industry have experienced significant labour shortages, and while some of these shortages are in skilled positions, many are also in lower-skilled positions. Such shortages have been drastically exacerbated by the war in Ukraine, given that the foreign labour force in this sector has constituted of mainly Ukrainian workers. Pathways for workers in low-skilled sectors would also help current and anticipated shortages for sharing platform companies in the digital economy (in the service industry), as well as in agriculture.

The current 2022 amendments that allow extension of short-term work contracts for up to two years (1+2 option) if the employer adheres to certain conditions and the employer remains the same can already help to meet demands and should be assessed in view of whether they help address crucial shortages. To ensure that more legal pathways for foreign workers in low-skilled sectors do not lead to increased anti-immigrant sentiment, policies should be accompanied with effective communication campaigns by the government to emphasise the essential role of migrant labour in the Estonian economy.

Protect Migrant Workers from Exploitation

Government measures should be put in place to address the common problem of labour exploitation in Estonia (see Section 4.5) as this also links to the acceptance of admitting short-term and

lower-skilled workers. By working to reduce the risks of labour exploitation for migrant workers, Estonia would be a more attractive destination for foreigners to come and work. The sectors in which labour exploitation is most common are also some of those which are experiencing significant labour shortages, such as construction, agriculture and seasonal work. As a result, improving working conditions in these sectors would also address labour shortages. It is also an issue in the context of third country nationals who are registered as workers in other EU member states and then work in Estonia as posted or temporary agency workers. There is little control over the amount of third country citizen workers that come from other EU member states. They do not have access to integration measures, tax benefits, social security and state provided health insurance.

One action the Government should take is to end the role of immigration authorities in carrying out labour inspections. In Estonia, the Police and Border Guard Board are present at labour inspections for the purpose of detecting and responding to complaints of labour abuse alongside the Labour Inspectorate. The fact that the Police and Border Guard Board are present at labour inspections means that victims of labour abuse in Estonia may be less likely to submit complaints through fear of consequences for their right to stay and work legally (EMN 2020).

Moreover, increased controls should be placed on recruitment agencies. Recruitment firms have been identified increasing the risk of labour exploitation and human trafficking, as having a key part in part of the problem, and past efforts to address exploitation have worked to improve the monitoring of recruitment companies (Säär and Kaurit 2018; Masso et al. 2021). In the national Strategy for Preventing Violence 2015-20, monitoring systems were expanded, in order to protect employees from recruitment firms and to improve detection of cases of exploitation and trafficking (Kriminaalpoliitika 2015). While the Government has already bolstered its monitoring systems, these systems should be further improved.

Finally, to address the problem in Estonia of migrant workers falling through the social security system (see Section 4.5), the Government should offer pathways to regularisation for undocumented migrants. Not only would regularisation be an effective way of prioritising migrant welfare in Estonia and address significant causes of exploitation, regularisation would allow migrants to take up declared work.

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2. 19 jaanuar Tööandjate Keskliit, 9.30 Raul Aaron, Piia Zimmermann, NGO
3. 19 jaan kell 11.30 Eesti Pank O. Soosaar, ekspert
4. 19 Jaanuar kell 13.00 Ave Lauren EMN, ekspert
5. 20 jaan kell 12.00 Integratsiooni Sihtasutus, Kätlin Köverik, valitsus ja ekspert
6. 20 jaanuar kell 10.00 Eesti Põllumajandus ja Kaubanduskoda, Roomet Sõrmus, NGO
7. 21 jaanuar kell 10.00 Kutsekoda OSKA, Yngve Rosenblad
8. 21 jaanuar kell 14.00 Sotsiaalministeerium, Annika Sepp, valitsus
9. 25 jaanuar kell 13.00 Siseministeerium, Ruth Annus, valitsus
10. 28 jaanuar kell 14.00 Majandusministeerium, Marie Allikmaa, valitsus



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