

RESEARCH

**REPORTS**

RECOMMENDATIONS

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# THE CENTRAL PUBLIC ADMINISTRATION SECTOR IN ESTONIA

## CHALLENGES OF ORGANISING AND COLLECTIVE BARGAINING

INSTITUTE OF  
PUBLIC AFFAIRS

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Social Policy Programme

This report is one in a series presenting the findings of research carried out in Bulgaria, Czechia, Croatia, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia as part of the project CEE CAW ‘Challenges for Organising and Collective Bargaining in Care, Administration and Waste collection sectors in Central and Eastern European Countries’, which was led by the Institute of Public Affairs (Warsaw). The other partners were the: Bulgarian Academy of Sciences (Sofia), Central European Labour Studies Institute (Bratislava), Lithuanian Centre of Social Sciences (Vilnius), and Centre for Democracy Foundation (Belgrade).



Management at the Institute of Public Affairs:  
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Proofreading: Marcus Bashford

Please refer to this publication as follows:

Trankmann, S. (2024). *The Central Public Administration Sector in Estonia: Challenges of Organising and Collective Bargaining*. Warsaw: Institute of Public Affairs.

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ISBN: 978-83-7689-490-4

Publisher:

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**Co-funded by  
the European Union**

The report was co-funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or the Directorate-General for Employment, Social Affairs and Inclusion of the European Commission. Neither the European Union nor the granting authority can be held responsible for them.

## 1. Methodological preface

For this report, a documentary analysis of public sources and interviews with industry representatives were performed. The documentary analysis included a review of publicly available databases, publications, legislation relevant to the sector, and strategic documents. Unfortunately, collective agreements are not publicly available documents in Estonia.

In seeking out sector representatives for interviews, it was taken into account the fact that the trade union movement is weakly developed in Estonia and therefore it is not possible to find a sufficient number of trade unionists from all sectors. People active in the field who are in one way or another involved in employee representation or otherwise well acquainted with the specificities of the field were interviewed. Interviews were conducted with one representative of the Estonian Trade Union Confederation, one representative of a trade union of state and government employees, and one representative of workers from a state institution.

## 2. General characteristics of the sector

The public sector comprises institutions owned by the state or local government, depending on the type of owner, together with their staff. The government sector accounts for the largest share (90%) of the public sector.

The general government includes public sector entities that are not market producers and are mainly financed by the budget collected from compulsory state contributions. Estonia's government sector is divided into three sub-sectors: central government, local governments, and social security funds.

In addition to the government sector, the public sector includes public sector companies (e.g. Eesti Energia, Port of Tallinn, etc.) that produce goods and services with the participation of the state and local government, which make up 10% of the total public sector. The Bank of Estonia is an example of such companies in the public sector.

Furthermore, the civil service is part of the public sector. The civil service is understood as employment in state and local government authorities. About a fifth of the public sector workforce is employed in the civil service<sup>1</sup>.

The conditions of employment and rights of employees of the state sector are established in accordance with Estonian laws and regulations. The civil servants' employment conditions and their rights and obligations are laid down in the Civil Service Act. This law regulates the recruitment of officials, salary rates, promotion, vacation conditions and other important issues related to the work of officials.

The Estonian public sector is organised according to the areas of competence and territorial division of the authorities. Public authorities are divided into different departments, including education, health, social welfare, economy, environment, etc. In addition, state institutions are also organised by territorial entities, such as state and local authorities.

A significant part of the workforce is employed in the Estonian public sector. The volume of employment in the public sector varies between different sectors and authorities, but it includes thousands of officials and employees in various roles, from administrative specialists to policymakers. Employers in the public sector include state and local authorities and their subdivisions. Employers can be ministries, government agencies, state agencies, municipalities and agencies administered by them.

Most employees of the state sector work as officials whose conditions of employment and working conditions are defined by the Civil Service Act. However, state bodies may also have employees who work under contractual employment contracts, for example, for certain projects or temporary tasks.

The working conditions offered in the public sector vary according to the position, authority, and area of competence. Officials are normally offered stable working conditions, including competitive remuneration, rest periods and other benefits. Working conditions may change over time in accordance with political and economic conditions and changes in legislation and the conditions of the civil service. In general, the public sector seeks to ensure

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<sup>1</sup> Homepage of the Ministry of Finance [fin.ee](http://fin.ee)

a safe and stable working environment to maintain the motivation and efficiency of employees.

The number of civil servants in Estonia is 27,935. This is divided between 22,418 servants in state authorities and 5,517 in local government authorities<sup>2</sup>. The share of civil servants in the working-age population of Estonia (15–74 years old) has been stable at 2.8% over the last 10 years.

### 3. Major problems and challenges in the sector

In 2022, the average monthly salary in Estonia was 1,685 Euros. Compared to 2021, this was an increase of 8.9%, which was the biggest increase in at least the last fourteen years. The average monthly salary of the civil service (state and local government authorities) last year was 2,072 Euros (an increase of 11.9%). In the civil service, there are very strong wage pressures in certain areas (e.g. information and communication, financial and insurance activities, vocational, scientific and technical activities), as the private sector pays significantly higher salaries than civil servants. To be able to retain and recruit qualified specialists in the civil service, the wage level must be competitive<sup>3</sup>.

The civil service is significantly affected by the reorganisation of structures and functions, as well as by the development and consolidation of support services. The continued prioritisation of digital solutions, which leads to, among other things, the automation of various work processes, helps to save time and resources spent on work. In recent years, the work of national authorities has been redesigned to increase readiness for flexible services in a rapidly changing environment, where cooperation between different levels of government is increasingly important. Rethinking and developing public services according to people's needs, streamlining processes, and streamlining the administrative organisation is an ongoing process in the country.

One of the important goals of the state's personnel policy is to promote flexible nationwide recruitment in the state sector, enabling remote and hybrid work. Flexibility helps to respond to demographic and labour market changes as well as support the objectives of administrative capacity growth and regional policy. The number and share of employees working remotely

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<sup>2</sup> Statistics Estonia

<sup>3</sup> The Yearbook of Public Service 2022, Ministry of Finances, 2023

across Estonia gained significant momentum because of the Covid-19 crisis. While around 7.3% of employment participants worked remotely in 2012, this figure was close to 28% in 2022.<sup>4</sup>

According to labour market analyses, the share of remote work continues to increase. The contributing factors here are the adaptation of a new working form and the advancement of technological possibilities, due to which remote work can be applied in increasingly emotional fields (for example, robotisation in production, and agriculture). In the case of the former, employees themselves prefer more flexible working conditions, with the share of international teleworking increasing.

In the public sector, some civil servants wish to return to the office, but remote work in institutions generally continues to be encouraged and appreciated. Several government agencies have switched to activity-based offices where people do not have personal desks, but use the desks in the office as needed, and are reducing jobs in office spaces.

#### 4. Characteristics of social dialogue organisations in the sector

The Federation of State and Municipal Workers' Unions (ROTAL)<sup>5</sup> brings together about 2,000 members. Its members are from, among others, the Trade Union of Police Officers, the Estonian Rescue Workers' Trade Union, the Estonian Tax and Customs Officers' UA Association, the Social Workers' Trade Union, the Estonian Weather Service Employees' Trade Union, and the Trade Union of the National Library of Estonia. ROTAL also has departments (smaller workers' associations that do not have the will or capacity to form a separate trade union) and partner organisations.

The trade union federation aims to work together to improve working and wage conditions, as well as the social situation. They are social partners of the Government of the Republic of Estonia, ministries, agencies, the Association of Estonian Cities and Municipalities, associations of Estonian self-government associations, and other employers of institutions/companies.

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<sup>4</sup> The Yearbook of Public Service 2022, Ministry of Finances, 2023

<sup>5</sup> [www.rotal.ee](http://www.rotal.ee)

<sup>6</sup> Sabina Trankmann

ROTAL's role is to represent smaller organisations in social dialogue, for example, a dialogue is currently being held with the Ministry of Interior on the working conditions of rescue and police personnel.

ROTAL has concluded 3 agreements at a national level: "Agreement to promote teleworking" with the Minister of Public Administration, "Maintaining mental health in the working environment" with the Association of Estonian Cities, and the Estonian Association of Rural Municipalities "On the need for measures to prevent and mitigate third-party violence in the workplace".

#### 4.1. Challenges of organising employees

The challenges of finding members were considered to be similar to the situation of trade unions in Estonia in general: trade unions are not popular, probably partly because they are related to the Soviet era for people. Workers' interest in participating in organisations that unite workers is low, and since trade unions are not popular, it is also difficult for them to campaign to recruit more members. During the interviews, it was understood that there is a lack of trade unions' members in the state sector in Estonia because people tend to gather in professional associations and hope to find representation there.

Furthermore, it is believed that employees of the CPA sector are not eagerly participating in trade unions because participating would express distrust of their employer, that is to say, the state.

The small number of members, in turn, leads to a low capacity — for example, there is a desire to start collective bargaining for employees of public care homes, which would have been a sectoral wage agreement, yet the number of trade union members was too small.

ROTAL's main difficulty with negotiating sectoral agreements is the gathering of 500 members.

The trade union representative said that one of the problems in recruiting members to the trade union is the fact that the outcome of possible collective bargaining for the employee does not depend on their membership in the trade union — the benefits achieved through negotiations extend equally to all employees, unlike, for example, in Lithuania, where the benefits



for the employee may differ depending on their trade union membership. As workers' have stated, such a practice, in which some people are members of trade unions, but everyone receives benefits, does not motivate employees to participate in trade union activities or to pay membership fees.

#### 4.2. Good practices for organising employees

In the course of the negotiations currently under way with the Ministry of Interior, ROTAL is trying to introduce for the first time a practice on the working conditions of police officers and rescuers, where the working conditions achieved as a result of the negotiations are slightly more favourable for trade union members. Until now, there has been opposition from the state to such conditions due to the unwillingness to treat workers unequally, but for now it has been possible to open negotiations on this issue. By using such a method, it is hoped to convince workers that joining a trade union is really beneficial for them. No other campaigns or information events have been organised to involve employees.

#### 4.3. Characteristics of employer representation

In the opinion of our trade unionists, Estonian employers are not sufficiently represented at a European level, at least not in organisations that would support social dialogue, so unfortunately, they do not have a sufficient overview of which areas could be developed through social dialogue and what benefits the employer would have from it. For example, the Estonian Employers' Confederation is not a member of the European Employers Association.

From the point of view of public sector employees working in local governments, trade unions see the Association of Estonian Cities and Municipalities as an umbrella organisation of local governments as a possible representative of employees, but they are not inclined to take over this role. Consequently, it has to be said that the representation of CPA employees is quite weak, however, this is also the case in other areas in Estonia, as trade unions are generally not popular.

## 5. Collective bargaining and other forms of social dialogue in the sector – characteristics

A significant proportion of CPA employees are not employed under the Employment Contracts Act but under the Civil Service Act<sup>6</sup>. This narrows their possibilities for collective bargaining, since there is no clear “counterparty” for negotiations, as wages are defined by various laws and regulations and depend on the budget provided by the state to the agency. Further, these workers do not have the right to strike.

The total share of employees covered by collective agreements in Estonia is 19%<sup>7</sup>, but only a few CPA employees work on the basis of collective agreements because their employment under the Civil Service Act makes it impossible.

Interviews described the complexity of social dialogue in the CPA sector — ministers tend to argue about who is in charge of such negotiations and to shift responsibility away from them. There was a lack of willingness to learn about social dialogue, especially at a European level, with social dialogue not being considered an important enough component of the day’s politics. It was further mentioned that the unwillingness to involve trade unions more may be due to the political situation in a relatively young independent state — the laws are changed relatively frequently and the involvement of trade unions can in some cases significantly prolong the negotiations and thus the entire legislative process.

The main difficulty of the trade union movement in the state sector is considered to be the restrictions created by law on civil servants: wage conditions should be agreed upon in a collective agreement, but the Civil Service Act states that the government does not have the right to negotiate on wages. Thus, the main thing that interests people, that is, salary negotiations, is difficult.

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6 Civil Service Act: <https://www.riigiteataja.ee/en/eli/521052024001/consolide>

7 Müller T., Vandaele K. and Zwysen W. (2024) Wages and collective bargaining: the Adequate Minimum Wages Directive as a game changer, in Piasna A. and Theodoropoulou S. (eds.) (2024) Benchmarking Working Europe 2024, ETUI and ETUC.

## 5.1. Content analysis of collective agreements

There are currently two sectoral collective agreements in force in Estonia, in the transport and health sectors, the rest are local agreements with employers.

ROTAL has concluded 3 local collective agreements at the national level:

- “Agreement to promote remote working” with the Minister of Public Administration. This document describes the benefits of remote working, how it promotes workers’ freedom, and sets out the right of remote workers to equal treatment with other workers, the right to work equipment, and the importance of occupational safety and health.
- “Maintaining mental health in the working environment”, acknowledges that a large proportion of public servants are exposed to intellectual and psychologically challenging work daily, which is why maintaining mental health in the work environment is one of the most important issues related to occupational safety. The agreement aims to raise the awareness of public authorities about work-related psychosocial risks for their early prevention and management of mental health problems arising from the working environment.
- “On the need for measures to prevent and mitigate third-party violence in the workplace” formulated by the Association of Estonian Cities and the Estonian Association of Rural Municipalities. This agreement is a short document that rather simply expresses the goodwill of the parties and states that the social partners acknowledge that there is insufficient awareness in society of the third-party right, its promotion, and the alleviation of backwardness. The social partners recognise the need to implement measures to prevent third-party violence and to deal with cases of third-party violence. The implementation of measures will increase the awareness and understanding of perpetrators, their representatives, and others on the issue of third-party violence.

In the past, there has been a collective bargaining agreement for rescue workers, but it has since been cancelled because it was difficult to agree on the length of rescuer shifts within the framework of this agreement.

Rescuers preferred longer shifts than what the European Union directives recommend, making it easier for them to take on additional jobs besides relatively low-paid rescue work.

### 5.2. Other forms of social dialogue

Due to the abovementioned reasons, the social dialogue is not very active amongst CPA workers in Estonia. A tripartite ‘goodwill agreement’ expressing a commitment to increase the statutory minimum wage to 50% of the national average wage by 2027 was concluded in 2023. Due to the salaries of CPA workers often being linked to the minimum wage, it can be said that this agreement also concerns these workers.

### 5.3. Impact of European sectoral social dialogue

Trade union leaders have acknowledged that it is possible to establish a social dialogue at a sectoral level within the European Union. However, participation in this dialogue is limited in Estonia, as only two Estonian trade unions — the energy union and ROTAL — are included in the EPSU.

## Conclusions and recommendations

The ROTAL trade union representative believes that it could benefit from the Lithuanian practice, where the benefits achieved through negotiations of the trade union apply only to trade union members — in Lithuania, for example, these benefits include 2 additional days of rest, 5 health days, and 10 days of remuneration to the employee while participating in in-service training. In the Estonian public sector, it has so far been desired to avoid unequal treatment of workers, but the trade union representative claimed that in Lithuania the number of trade union members has increased by about half.

The favourable and understanding attitude of employers towards the trade union movement must be regarded as important, said the representative of workers. This will reduce the uncertainty faced by workers when joining trade unions and lay the foundations for better cooperation. It is recommended to direct larger employers’ representatives to learn from their European colleagues so that they can see how organised workers and collective agreements can also benefit the employer.

In Estonia, a tax deduction was once applied to trade union membership fees, and this practice could be restored to support the more active affiliation of lower-paid workers to trade unions.

It is important to train the leaders of the trade union movement in other European countries where the trade union movement and social dialogue are better developed. They also need to learn how to better motivate workers and explain the benefits of joining a trade union.

A representative of the Government of the Republic of Estonia could be authorised to start negotiations on wages and working conditions with public sector workers and later, with the consent of the government, to sign a wage agreement, said the representative of the Trade Unions Confederation.

Interviewees:

1. Communication Adviser of the Estonian Trade Union Confederation
2. Chairman of the Federation of State and Municipal Workers' Unions (ROTAL)
3. Worker's representative of one of the ministries (wished to remain anonymous)