

# Re-thinking approaches to labour migration

Potential and Gaps in EU Member States' Migration Infrastructures

## Case Study Summary — Estonia



### KEY MESSAGES

- Foreign workers are needed now and in the future, to address labour shortages in Estonia, which exist across various sectors and skill levels in the economy.
- Labour migration policy, which has typically been aimed at attracting workers to high-skilled sectors, could be adjusted to also address shortages in low-skilled sectors.
- Estonia's quota system could be made more flexible to allow employers to respond to labour needs, despite the political reservations that exist for opening further pathways for lower-skilled migrants.
- Estonia has implemented some innovative pilot programmes to attract workers in high-skilled sectors: digital nomad visas, startup visas and e-residency. All three schemes have shown much prospects and could benefit from more investment to increase the numbers of people coming through these pathways. Doing so would support Estonia's growing ICT sector. The government of Estonia has recently confirmed its participation in some of the components of the second phase of the [Digital Explorers](#) project.

## BACKGROUND AND CONTEXT

Estonia is transitioning from being a country of emigration to one of immigration. Since 2015, and up until the latest available data, 2022, the country has had a positive yearly migration balance (Statistics Estonia). The rise in immigration derives from Estonia's sustained economic growth over the past two decades, as well as structural labour shortages as a result of emigration and demographic ageing. The impact of the ongoing war in Ukraine is also felt in all areas of migration in Estonia. By the end of 2022, Estonia had received 41.871 applications for temporary protection. 44% of Ukraine war refugees in Estonia between the ages 20-64 are in employment.

Migrants play an important role in the Estonian economy. Migrants tend to work in manual, low-skilled jobs such as in the construction industry, but also in the ICT sector. Migration to Estonia is often temporary or cyclical by nature. Among the non-EU nationals in Estonia, Ukrainian, Russian and Indian citizens were the largest groups living in Estonia in 2022. Ukrainians and Russians are also the largest group of emigrating non-EU citizens from Estonia, which demonstrates that migration there is often circular (Statistics Estonia).



Source: <https://aimway.de/what-is-estonian-e-residency-and-how-to-take-advantage-of-it/>

## CURRENT AND FUTURE LABOUR SHORTAGES

Labour shortages exist across various sectors of the Estonian labour market. Employers in Estonia have stated that labour shortages are an important barrier to the expansion of production (EC 2022).

There are several occupations for which there are currently large labour shortages: psychologists; health carers in hospitals; special educators; secondary school teachers; audiologists and speech therapists (Estonian Tootukassa).

Labour shortages are projected to persist in the future, many of the above mentioned sectors are those which have not typically employed migrant workers. This is often due to language skills or diploma requirements. However, shortages also exist in sectors that tend to have a higher % of TCN workers such as the IT sector but also the construction sector. Anticipated future labour shortages are expected in sectors employing migrant labour: qualified workers in the timber industry, trained young graduates for electronic product manufacturing, various occupations in the construction sector, agriculture, ICT, as well as in services and trade. (Produced by author based on data from Krusell et al. 2020).

In the third quarter of 2022, the two sectors with the biggest contribution to GDP growth were information and communication technology and professional and scientific activities. According to estimates, the sectors which will be productive in Estonia and which will see employment growth will predominantly be high-skilled, whereas employment growth will decline in low-skilled sectors.

Evidence suggests that alternative labour market policies, such as measures to encourage the participation of currently inactive members of the Estonian labour market, will not be sufficient to fill gaps across the labour market, meaning that Estonia will need to recruit foreign workers (Government of the Republic of Estonia 2016a).

## LABOUR MIGRATION POLICY IN ESTONIA

Estonia does not have a coherent or explicit overarching migration policy strategy which ties the different areas of migration policy together. Estonia's approach has been selective, shown by its quota system, and based on the needs of employers, and has sought to protect the local labour market.

Labour migration policy in Estonia has typically focused more on attracting workers to work in high-skilled sectors over low-skilled sectors. Since 2015, immigration policy has become increasingly restrictive towards migrants working in low-skilled sectors. There has been little discussion on the role of labour migration in addressing labour shortages in low-skilled sectors, whereas prioritising measures to increase employment rates of Estonian workers has been a government priority.

## LEGAL MIGRATION PATHWAYS

### National quota system

Since the 1990s, Estonia has applied a quota system for the issuing of temporary residence permits, which is set at 0,1% of the population. For 2023, the immigration quota is 1307 temporary residence permits. The quota system does include some exemptions for certain types of foreign workers, such as IT specialists, start-up entrepreneurs, engineers and researchers. Foreign workers in these occupations are exempt from quotas to foster labour immigration with high added value to the economy.

The quota system has come under attention, especially from employers and employers' associations who argue that the current system does not provide employers with enough flexibility to hire foreign workers throughout the year and therefore result in shortages. Some argue that quotas lead employers to depend on temporary labour schemes because they prevent the issuance of longer-term residence permits (Pajumets 2017: 12). Employers also highlighted the 2020 amendments, which divided the quota allowance between different occupations, with each sector having its own quota, as there were some sectors for which the demand for workers exceeded the number of workers permitted by the quota.

### Temporary residence permit

Temporary residence permits can be issued for the purpose of work, study, family reunion or entrepreneurship reasons, with work and family reunion being the most common reasons. Employers must submit a request to the Estonian Unemployment Insurance Fund who then carry out a labour market test, although only very rarely are employers' requests rejected. Temporary residence permits are regulated through the quota system. These permits are only issued if an employer pays a salary above the annual average wage in Estonia, although this does not apply to all professions. A temporary residence permit for employment is granted for a maximum period of five years, after which it can be renewed for a ten-year period. After five years of continuous residence on the basis of a residence permit, foreigners may apply for a long-term residence permit (EMN n.d.-a.). In 2022, Estonia issued 5.989 first-time temporary residence permits.

### Temporary and seasonal migration

The majority of foreigners do not apply for residence permits when coming to Estonia, but instead they enter via temporary and seasonal

work schemes for which a residence permit is not required. To use this pathway, foreigners need to be registered by their employers with the Police and Border Guard, unless otherwise permitted by law. Short-term migrant workers can stay in Estonia for a maximum of 365 days within 455 consecutive days (EC n.d.). **Short-term workers usually enter with long-stay visas (D-Visa)**, (short-stay visas are mainly issued for reasons such as tourism or family visits). Short-term migrant workers do not count towards the quota, which explains why the D-Visa has become an alternative to temporary residence permits for employment. The D-Visa is also more commonly used since the processing times are much shorter than for temporary residence permits (Luik 2019: 37). The employer is obliged to pay the employee at least the Estonian average gross salary. There is no labour market test. In 2022, Estonia issued 15.820 long-term D visas. Ukrainians are by far the most numerous users of these short-term work visas, and most registrations were for employment in agriculture, construction and manufacturing.

**Seasonal workers** (covered by the EU Seasonal workers Directive) are a subgroup of those registered for short-term employment, and can be registered for up to 270 days during a year. The employer must show proof of adequate accommodation among other requirements. Seasonal workers can only be registered in sectors that are determined through a regulation issued by the Government and they do not fall under a mandatory minimum wage criterion (EMN 2020). Agriculture, forestry and fishing are the most common sectors for seasonal work, and most seasonal workers come from Ukraine (EMN 2020). The number of short-term workers registered for seasonal employment has decreased to 24.388 in 2022, compared to 32.927 registrations in 2021 (EMN 2022).

Interviewees in this study representing employees in the agricultural sector highlighted that the current visa and residence permit system is not efficient and does not satisfy the needs of the employers and farmers. At the same time, employers of seasonal workers in Estonia do not always uphold the rights of workers, for example, by not paying workers the required minimum salary.

### European legal provisions and their use

Estonia has transposed all relevant EU directives into the Aliens Act and provisions are effectively in use. The **EU Blue Card**, while having been transposed

in Estonian law, has not played a significant role in facilitating highly-skilled labour migration compared to the national policies and schemes for high skilled workers and top specialists. Effective as of April 2024, Estonia has relaxed some of the requirements for obtaining an EU Blue Card. Amongst others, the requirement for educational formal qualifications can be replaced with a minimum of five years of professional experience in a relevant field.

The **Seasonal workers Directive** was fully transposed into the Aliens Act in 2017. With this transposition, the rules for seasonal workers were simplified by abolishing the mandatory wage criterion. This is part of the reason why some employers prefer to register short-term employment as seasonal work as there is no salary criteria for seasonal workers.

The EU Directive on **intra-corporate transfer** was transposed into Estonian law in 2017, making it possible to enter, reside and work in Estonia as an intra-corporate transferee if the person is a manager, specialist or trainee. This pathway is not commonly used: in 2019, there were only 17 temporary residence permits issued for intra-corporate transferees (Luik 2019).

### **Policies and schemes targeting high skilled workers**

Despite performing well in ICT services and in entrepreneurship, Estonia has struggled to attract workers to work in high-skilled sectors. The government seeks to change this through better communication to foreign specialists, particularly in the ICT sector (see for example the [workinestonia.com](http://workinestonia.com) website).

Estonia has specific provisions for highly-skilled, through the so-called '**Top Specialists**' pathway. Highly-skilled specialists with a job offer, who earn 1,5 times the average salary level, can apply for temporary residence permits to work in Estonia. Permits issued to these specialists do not count towards the quota. Unlike the EU Blue Card, a labour market test does not need to be conducted. In 2022, 645 top specialist residence permits have been issued, 566 in 2021 and 384 in 2020, making the scheme more popular than the EU Blue Card (EMN n.d.-b.).

The government of Estonia participates in [Digital Explorers II](#). The second edition of the project, which has boosted cooperation between the IT sectors of Lithuania and Nigeria, could have a beneficial impact for Estonia's labour supply of IT workers as well

as benefit regional cooperation among the Baltic countries.

### **Bilateral or special labour agreements and partnerships**

There are currently no bilateral agreements between Estonia and other countries to bring labour to Estonia, nor are there discussions to establish such agreements in the future beyond the exploration to offer temporary internship mobility options at a smaller-scale as part of Digital Explorers II. 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. However, no workers went to Estonia owing to the obstacles presented by labour market quotas.

### **Innovative pilot schemes and programmes**

**Digital nomad visas** allow 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 pathway was introduced in 2020 and permits last up to one year. Digital nomads need to meet a minimum income threshold, which in 2021 stood at EUR 3.504 gross monthly salary as well as proof of insurance and ability to cover accommodation and subsistence. 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. In 2022, Estonia issued 191 digital nomad visas. Top nationalities of applicants were the USA, United Kingdom, India, Russia and Canada (EMN 2022). 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.).

The **startup visa** is designed to attract startup entrepreneurs, and was introduced in 2017 (Startup Estonia 2022). The visa is valid for up to 12 months and can be prolonged for another 6 months. Migrants working for a startup can get a residence permit for up to 5 years which can be extended for another 5 year period. The immigration quota does not apply to permits issued for startup workers. The startup-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. The start-up visa is complemented by the Startup Estonia scheme which has loosened regulations and made hiring easier. While Startup Estonia has been considered a success, employers still suffer from labour shortages, and have therefore called for more flanking efforts from the government to make Estonia a more attractive place for migrants (Centar 2021).

In December 2014, Estonia became the first country in the world to begin offering an **e-residency** or digital identity service to citizens of foreign countries, thereby allowing them to use Estonia's e-services regardless of the location of that person. It does not grant residence rights, tax residency, citizenship nor a permission to enter to Estonia or to the EU so is not a labour migration pathway per se. The term e-residency may thus be misleading as it does not confer residency or working rights. Yet, it facilitates processes as 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.

## SUGGESTIONS FOR POSSIBLE FUTURE ADAPTATIONS TO LEGAL MIGRATION POLICY

### *Reforming the quota system*

Employers find that immigration quotas prevent them from being able to hire enough foreign workers with the right skills and experience, and have therefore called for some foreign workers to be exempt from quotas. Exemptions from quotas could possibly be made in sectors facing labour shortages, or for those foreign workers who would come to Estonia for temporary rather than permanent work.

### *Matching labour market needs with education and training*

One of the reasons behind structural labour and skills shortages in the Estonian labour market is the mismatch between skills and available jobs; there are many available jobs for which there are not the required skills, and many graduates work in fields different to their field of study. Labour migration can play a role in addressing skills mismatches, but additional skills and language training is needed to

fully harness this potential. Language skills training for migrant workers would allow them to work in higher-income occupations, for which employers have stated that low language skills are a barrier to employing foreigners. Re-skilling and up-skilling programmes could also be made available to foreign workers in order to fill gaps in skills of higher income occupations.

### *Explore partnerships with third countries for high-skilled migration in specific sectors*

Estonia could look to expand on partnerships with third countries to attract workers to work in high-skilled shortage sectors, such as in ICT. The participation in the [Digital Explorers II](#) project is a step towards building links with third countries to attract workers to work in its high-skilled sectors. Included in the partnerships could be increased support to access and marketing of Estonia's existing opportunities for highly-skilled specialists, ICT workers and digital nomads.

### *Consider flexibility for TCNs to access work in low-skilled sectors*

Estonia's labour migration policy has mainly focused on attracting migrants to work in high-skilled sectors, but attention will also need to be paid to recruiting migrants to work in low-skilled sectors as employers in these sectors still face shortages. While the government has expressed its aim to prioritise the employment of Estonian workers and prevent job displacement, there are still sectors for which the hiring of foreigners would redress labour shortages. Greater flexibility in the short-term work pathways, as well as additional legal provisions to hire workers in low-skilled sectors would help alleviate shortages of workers in sectors such as construction, agriculture and services, particularly in the digital economy. The current 2022 amendments that allow extension of short-term work contracts for up to two years (1+2 option) if certain conditions are met, can already help to meet existing demands and should be assessed in view of whether they help address crucial shortages. To secure a positive environment for migrant workers, 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 labour exploitation*

Labour exploitation in Estonia occurs particularly in sectors which have typically employed migrants. By reducing the risks of labour exploitation for migrant workers, Estonia would become a more attractive

destination for foreign workers. The sectors in which labour exploitation most commonly occurs, are also those which face labour shortages. Therefore, making these sectors safer for migrant workers would help address these concerns. An action the Government could take is to stop immigration authorities from conducting labour inspections. This could encourage victims of labour abuse in Estonia to report their complaints without fear of repercussions on their legal right to stay and work (EMN 2020). Secondly, exploitation often occurs in Estonia partly as a result of recruitment agencies' negligence towards the rights of migrants. Although the government acknowledges this issue and has strengthened its monitoring of recruitment agencies to address the heightened risks of exploitation and trafficking they pose, additional monitoring could further improve the situation (Säär and Kaurit 2018; Masso et al. 2021). Finally, the Government could offer pathways to regularisation for undocumented migrants, to mitigate the risk factors contributing to exploitation and enable migrant workers to engage in lawful employment.



**Funded by  
the European Union**

This summary is based on findings from MPF (2024). Re-thinking approaches to labour migration. Potentials and gaps in EU member states' migration infrastructures. Case Study: Austria, Brussels: ICMPD. Research took place between July 2023 and February 2024 and the content described applies to this period. Any changes made to the labour migration system thereafter are not systematically included. This publication was funded by the European Union and commissioned through the Migration Partnership Facility. Its contents are the sole responsibility of the author and do not necessarily reflect the views of the European Union nor ICMPD.

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