

Common template for an EMN-OECD study on labour migration in times of labour shortages

1st August 2024

Common template of a 2024 EMN study Labour migration in times of labour shortages – Estonia

January 2021 – June 2024

TOP-LINE FACTSHEET

Section 1 provides an overview of labour shortages in Estonia, noting that while the country does not have a universally recognized definition of "labour shortage" or "shortage occupation," these issues are typically identified sector- and occupation-specific. Studies by organizations like the Estonian Unemployment Insurance Fund (EUIF) and the Estonian Qualification Authority (Kutsekoda) highlight labour shortages in areas such as information and communication technology (ICT), healthcare, and engineering. Discussions around labour migration have intensified, particularly concerning the limitations of Estonia's annual immigration quota, which in past has struggled to meet labour demands. In response, amendments regarding migration laws (Aliens Act) have been introduced to ease recruitment, such as lowering salary requirements for top specialists and creating new temporary residence permits for short-term workers. Public debates continue around the growing need for foreign labour and potential increases to the immigration quota.

Section 2 illustrates Estonia's labour migration policy which aims to facilitate the admission of foreigners who bring high added value to society and whose stay is in the public interest. More favourable conditions are set in the ICT sector (including startup sector) and digital services. Estonian migration policy follows a demand-driven approach and focuses on attracting foreign workers to address labour shortages in key sectors like ICT and engineering. Recent policy changes, such as expanding the startup programme, introducing a scale-up programme, and lowering salary requirements for top specialists, aim to ease recruitment in high-demand areas. Additionally, Estonia has introduced measures like a new residence permit for short-term employment and exemptions from the immigration quota. Despite these efforts, the country faces challenges related to demographic trends and skills mismatches, which impact labour

supply. Policy success relies on balancing foreign labour integration with local productivity to enhance overall economic development.

Section 3 highlights various initiatives to attract foreign talent, particularly in high-skilled sectors like ICT and startups, through programs such as Work in Estonia and Startup Estonia. However, there is no centralized national recruitment mechanism. Safeguards are in place to ensure fair working conditions and wages for foreign workers. Ukrainian refugees are viewed as a valuable addition to the labour market, and several exceptions have been made to facilitate their entry into the labour market, such as reducing bureaucratic hurdles, eliminating the need to register short-term employment, and lowering salary thresholds. Additionally, Estonia engages in initiatives such as the Digital Explorers program, which supports the training and integration of ICT professionals from different third countries.

Section 4 provides conclusions followed by national statistics. Estonia has implemented various initiatives and legislative reforms to attract foreign talent and address labour shortages, including programs like the startup visa and scale-up program. In addition to aforementioned legislative changes and introducing a new residence permit, Estonia aims to streamline application processes by adopting digital solutions and a one-stop-shop approach. While it does not directly tackle labour shortages, it facilitates the broader attraction of foreign labour. Estonia recognizes the importance of aligning migration with productivity growth for long-term economic development. Challenges include integrating foreign workers into the society and avoiding low-productivity sectors. Ongoing efforts, such as a study on future labour needs, aim to further refine the country's labour migration strategy.

SECTION 1: OVERVIEW OF LABOUR SHORTAGES DEBATE AND CONCEPTUALISATION

Kindly note that this aspect has been discussed extensively in the EMN 2015 study. If there have been no changes in your country since 2015, please summarise the information here and refer back to the 2015 study for details.

1. Does your country have a definition of the terms 'labour shortage' and 'shortage occupation'? YES/NO. If YES, please provide these definitions.

No, Estonia does not have a single, universally recognized definition for "labour shortage" or "shortage occupation". Labour shortage typically refers to a situation where employers struggle to find workers with the necessary skills or qualifications for certain positions. These terms often rise in discussions around economic development, labour market needs, and migration policy. Most often it is sector-specific and occupation-specific. Labour shortages in Estonia are identified through surveys conducted by, for example, the Estonian Unemployment Insurance Fund (hereinafter EUIF), Estonian Qualification Authority (Kutsekoda) and the Bank of Estonia etc.

The Qualification Authority carries out sectoral and thematic labour need studies and prepares cross-sectoral as well as general forecasts by using OSKA methodology¹ - mixed-methods approach to allow for thorough statistical forecasting. EUIF conducts the labour market barometer² which offers a short-term (one-year) estimation of occupational shortages or excesses at the regional level in Estonia based on a

¹ Estonian Qualification Authority, OSKA studies, available here: <https://www.tootukassa.ee/en/barometer/map>

² Estonian Unemployment Insurance Fund, Labour market barometer, available here: <https://www.tootukassa.ee/en/barometer/map>

qualitative methodology capturing employers' perspectives. The Bank of Estonia conducts economic and labour market reviews³.

2. Based on a **summary of statistical data provided in the annex 1a and b, please describe briefly in two paragraphs, which sectors are most affected by labour shortages in your country?**

Even though there is no one definition, shortage occupations include fields like information and communication technology (ICT), healthcare, engineering and certain skills.

According to OSKA forecast 2022-2031 "An overview of the state of the Estonian labour market, labour demands and resulting training demands"⁴, the greatest shortages are in specialist education (in particular science teachers, vocational teachers and educational support specialists such as special education teachers, speech therapists and school psychologists), IT (in particular software developers), healthcare and social work, industry and construction. The shortage is higher in occupations requiring higher education. The demand for high-level specialists is almost 50% higher than their corresponding supply from higher education. The demand for training skilled and manual workers and equipment and machine operators is also higher than their supply. To meet the new labour demands, 9500 people with higher education and 5700 people with vocational education are needed each year. The role of further education and retraining, including microdegrees, will increase.

3. Has there been any **discussion or public debate regarding labour migration in the context of labour shortages, as well as alternatives to labour migration (e.g. paying local workforce higher wages to motivate them to take on jobs considered as unattractive) in your country since 2021? YES/NO. If YES, please briefly describe what the key points were (possible sources: secondary literature, interviews, or media analysis of a centre newspaper)?⁵**

Yes. The need to attract highly skilled migrants or "talents" has been high on the agenda in public debate. In 2016, the immigration quota filled for the first time, creating an even higher pressure from the employers to increase the possibilities to recruit foreign labour. In 2017, several amendments to the Aliens Act entered into force, which were aimed to facilitate the recruitment of highly skilled migrants. Specific regulation for startup sectors were created and ICT workers were excluded from the immigration quota. Residence permit application processes were overall streamlined and simplified.

As the immigration quota filled in the years 2016 to 2023, significant public discussions have delved around it. The number of third country nationals who can settle in Estonia, is regulated by the annual immigration quota which cannot exceed 0,1% of the permanent population of Estonia annually. The immigration quota mainly regulates labour and business migration from third countries to Estonia. As the quota has become more and more an obstacle for employing foreign workforce, many employers and private sector organisations have started to raise their concern that the immigration quota has begun to have a negative effect on economic growth.

³ The Bank of Estonia, available here: <https://www.eestipank.ee/en/press/labour-market-review-more-jobs-have-been-preserved-during-earlier-crisis-17042024>

⁴ Available here: <https://oska.kutsekoda.ee/en/estonian-labour-market/oska-general-forecast-2022-2031/>

⁵ To avoid biases in reporting, NCPs are encouraged to select a newspaper that can be categorised as centre newspaper. In Austria this would be e.g. the Kurier.

In 2021, Estonian Chamber of Commerce and Industry stated that more foreigners should be excluded from the immigration quota as it is difficult for many businesses to find workers with the right skills, experience and knowledge in Estonia.⁶ In 2022, several Estonian industry associations, including the Estonian Employers' Confederation and the Chamber of Commerce, issued a statement supporting proposed amendments to the Aliens Act⁷ regarding short-time employment of both Ukrainians who had already been working in Estonia as well as arriving war refugees. These changes aimed to make it easier for businesses to hire foreign labour, which was seen as crucial for addressing Estonia's labour shortages and boosting economic growth. The associations argued that simplifying immigration procedures will help attract more skilled workers, thereby enhancing the country's competitiveness.⁸ Riigikogu passed the bill easing entry of Ukrainian refugees into the labour market in spring.⁹

In 2023 and 2024 debates continued. Estonia's Minister of Economic Affairs Tiit Riisalo (Eesti 200) was willing to consider hiking Estonia's immigration quota by several times to alleviate what is becoming an acute labour shortage. He stated that Estonian businesses have been saying for years that the country's immigration rules are too rigid, which makes it difficult for companies to utilize foreign labour.¹⁰ However, the Estonian Trade Union Confederation said that raising the immigration quota will not reduce the labour shortages as this limit has lost its importance, because companies bring in more people with exceptions.¹¹ According to the Aliens Act there are 22 exceptions (i.e. citizens of the European Union, the USA, Japan, the United Kingdom, as well as top-specialist to whom the employer pays at least 1.5 times the average Estonian salary, IT specialists, startup employees, lecturers, students, individuals moving to join family members and those granted international protection).

Proposals have also been made to move from employment-based system to a points-based system, where the foreign worker applying for a permit is evaluated based on their education, language and skills. The Human Development report 2016/2017¹² suggested, that Estonia could consider a more active migration policy based on points system, following the gradual phasing out of the current passive migration policy. The advantages of points system were also mapped out by the RITA-MIGRATION project¹³, which indicated that the state should mostly focus on attracting highly skilled migrants based on evaluation of their education, age, work experience etc. From state-side, changing from employment-based system to points system did not receive much approval. Among other, risks of abuse and high

⁶ "Commerce chamber: Immigration quota exacerbating Estonia's labour shortages", ERR, 05.11.2021, available here: <https://news.err.ee/1608392828/commerce-chamber-immigration-quota-exacerbating-estonia-s-labor-shortages>

⁷ Aliens Act – the main act regulating the bases for entry, stay, residence and employment of aliens in Estonia, available here: <https://www.riigiteataja.ee/en/eli/508072024002/consolide>

⁸ „Industry associations issue statement supporting Aliens Act amendments”, ERR (04.04.2022), available here: <https://news.err.ee/1608553876/industry-associations-issue-statement-supporting-aliens-act-amendments>

⁹ „Riigikogu passes bill easing entry of Ukrainian refugees into labor market”, ERR (12.04.2022), available here: <https://news.err.ee/1608562321/riigikogu-passes-bill-easing-entry-of-ukrainian-refugees-into-labor-market>

¹⁰ „Hiking Estonia's foreign labor quota to alleviate labor shortage mulled”, ERR (05.02.2024), available here: <https://news.err.ee/1609243257/hiking-estonia-s-foreign-labor-quota-to-alleviate-labor-shortage-mulled>

¹¹ „Trade unions say foreign labor quota has become irrelevant”, ERR (21.02.2024), available here: <https://news.err.ee/1609260236/trade-unions-say-foreign-labor-quota-has-become-irrelevant>

¹² https://www.2017.inimareng.ee/static_assets/pdf/Eesti%20inimarengu%20aruanne%202016-17.pdf

¹³ RITA-MIGRATION project, available here: <https://centar.ee/en/tehtud-tood/rita-migration>

administrative burden were some of the aspects highlighted by those sceptical the points system¹⁴.

Another topic has delved around salary requirements for foreign workers. In 2021, the Minister of Enterprise and Information Technology proposed plans to lower the required salary for top specialists and to allow short-term workers to obtain residence permits. The minister said the primary concern of all sectors of the economy is the shortage of skilled labour.¹⁵ In 2021, the Estonian government prepared proposals for more effective involvement of foreign labour as labour shortage was an acute problem addressed by certain sectors. In May 2022, two important amendments were passed in the Aliens Act.

Firstly, regarding highly qualified workers, top specialists' remuneration requirement was reduced from twice the Estonian average salary to 1,5 times the average salary. Previous salary requirement was mainly fulfilled by the ICT sector, where the average salary was highest in Estonia. However, highly qualified top specialists, who are increasingly more difficult to find in the Estonian labour market, are also needed in other areas/sectors where average salary is not comparable with the ICT sector. Therefore, with the salary requirement lowered, other industries such as the machinery industry are now able to recruit top specialists who are exempt from the immigration quota and work permit from the EUIF.

The second amendment introduced a new temporary residence permit for short-term employment. Residence permit for short-term employment allows foreigners who have worked in Estonia on a short-term basis for at least nine months to apply for a residence permit that is valid for up to two years (also called a 1+2 scheme). Previously, a residence permit for employment was required for stays longer than one year and since the annual immigration quota (regulating mainly residence permits for employment) is easily exhausted, many quota-exempt workers were not able to receive a residence permit. This new policy and new type of residence permit should allow these individuals easier access to reside and work in Estonia and ease labour shortages. A new temporary residence permit for short-term employment has been available for application since 2023.

Debates regarding labour migration and annual immigration quota have continued well into the 2024. Estonian Chamber of Commerce and Industry stated in October 2024 that allocation of immigration quota¹⁶ does not address the real problem. The Chamber reiterated its recommendation to eliminate the allocation of quotas by sector and instead address the underlying issue of the immigration quota's limitations. The Chamber believes that distributing the immigration quota by sector is impractical, as demand for residence permits falling under the immigration quota has consistently exceeded supply since 2017, with the exception of this year. Allocating the quota among specific sectors does not resolve the problem of the

¹⁴ "Sisserände punktisüsteem pole võlувітс", EMN Estonia (20.09.2017), available here (in Estonian) <https://www.emn.ee/sisserande-punktisusteem-pole-voluvits/>

¹⁵ „Minister proposes relaxation of Estonia's foreign worker hiring rules“, ERR (16.12.2021), available here: <https://news.err.ee/1608437885/minister-proposes-relaxation-of-estonia-s-foreign-worker-hiring-rules>

¹⁶ Since 2022, the quota has been divided between sectors to reserve a fair proportion of the quota based on residence permit statistics and short-term employment registrations from recent years. For example, in 2024 200 temporary residence permits were reserved for transport and warehousing sector, 35 for accredited journalists, 34 for sport professionals etc. Out of the 2024 quota, 289 residence permits were reserved for the above-mentioned areas, but over a thousand were freely allocated. In 2023, the situation was the opposite, i.e. only about 300 residence permits were available for free distribution.

quota filling up too quickly.¹⁷ However, as of the start of October 2023 the immigration quota was nearly 300 short of being fulfilled. According to the Ministry of Interior, the pandemic, the economic downturn and the changed security situation is likely to be behind the bulk of the downturn.¹⁸ At the same time, Minister of Economy and Industry said at the government's weekly press conference that the immigration quota limit could be raised depending on the state of the economy. The minister suggested the current limit could be raised from 1,303 persons per year – 0.1 percent of Estonia's permanent residents – to 2,600 persons under normal circumstances. But when economic growth is over 2 percent per year it could increase to 3,900 per year.¹⁹

SECTION 2: LEGAL AND POLICY FRAMEWORKS REGARDING LABOUR MIGRATION

4. What is your country's current labour migration policy approach? (Demand-driven i.e. employment-based²⁰ or supply-based i.e. occupation driven approach,²¹ or a human capital-oriented strategy²² or a mix) on the basis of its key characteristics? If the policy approach has any components that have been introduced during the study period (January 2021 - June 2024) please identify them and describe them in more detail.

Estonia's migration policy has consistently followed a principle of balance: it considers the country's development needs while also prioritizing the sustainability of the nation-state, maintaining public order, and ensuring national security. Estonia's labour migration policy follows a demand-driven approach, focusing on employment-based migration. Labour migration policy addresses labour shortages in specific sectors deemed important on state level, such as ICT and startup sector, by facilitating entry for foreign workers (e.g. start-up programme initiated in 2017 and expanded in 2023 to include the concept of growth company/scale-up programme, several exceptions regarding salary requirements, excluded from the immigration quota, exceptions also apply to top specialists etc.).

¹⁷ „Allocation of Immigration Quotas Does Not Address the Real Problem“, Estonian Chamber of Commerce and Industry (23.10.2024), available here: <https://www.koda.ee/en/news/allocation-immigration-quotas-does-not-address-real-problem>

¹⁸ „2024 temporary residence permit quota still hundreds short of being filled“, ERR (08.10.2024), available here: <https://news.err.ee/1609484782/2024-temporary-residence-permit-quota-still-hundreds-short-of-being-filled>

¹⁹ „Government mulls tripling immigration quota“, ERR (03.10.2024), available here: <https://news.err.ee/1609478018/government-mulls-tripling-immigration-quota>

²⁰ Employment based approaches accept foreign workers who have been selected by an employer, i.e. the admission is predominantly dependent on employment offered (e.g. European Union Blue Card, or H-1B Visa in the U.S.), which grant temporary residence first, and then allow for transition into permanent residence.

²¹ Occupation driven approaches grant access to people who are qualified in occupations that are decided by government to be in short supply, without necessarily requiring a work contract. Skilled Occupation lists would be a key policy instrument in such approaches.

²² A human capital-oriented approach is not based on arranged employment nor limits admission to specific occupations, instead it focuses on the observable qualifications/characteristics of the applicant. Point systems that provide points for desirable characteristics, as was used by Canada in the past, would be a key policy instrument of such an approach. These systems would usually grant permanent residence from the beginning. Regarding these typologies, see also Kolb, H., 'Labor Migration Policies: A Typology'. 2023, in Bean, F. and Brown, K. (eds.), Selected Topics in Migration Studies, Springer.

This is also evident from the long-term migration policy goals stated in the Internal Security Development Plan²³. Pursuant to the Plan, Estonian migration policy aims to facilitate the admission of foreigners who bring high added value to society and whose stay is in the public interest; adopt a flexible, people-centred approach to the rules governing the admission and legal stay of skilled and highly skilled workers, as well as high-value professionals, for both short-term and long-term stays; and in collaboration with partners, enhance awareness of Estonia as an attractive destination for qualified talent, as well as the conditions and opportunities for arriving and living in Estonia.²⁴

The "Estonia 2035"²⁵ action plan sets comprehensive goals for the country's migration, citizenship, and identity management policies, focusing on the integration and adaptation of newly arrived migrants. In terms of skills and the labour market, the plan aims to establish smart and balanced migration and integration policies that address labour market needs while ensuring access to qualified foreign workers. A key component of Estonia 2035 is the "Economic Plan"²⁶, which includes measures to alleviate labour shortages by increasing the participation of foreign workers.

However, there are several protective measures in place to safeguard the local labour market, including immigration quota, requirements for employers to obtain EUIF's permission to hire an alien (certain cases), adherence to salary criteria (more favourable conditions in the ICT sector, startup sector and other favoured groups), and specific obligations that employers must fulfil. However, due to the increasing demand for foreign labour, various exceptions have been made over the past few years, such as lowering the salary requirement for top specialist from twice the national average to 1.5 times the average, adding exemptions to EUIF's permission requirement, and creating other options to apply for residence permits for employment outside the immigration quota.

In the context of the annual immigration quota that was filled from 2016 until 2023, thereby to certain extent limiting the possibility to apply for residence permits for employment, short-term employment registration and long-stay D-type visas have been used to address immediate labour market needs. There has been a rapid increase in short-term employment registrations of third-country nationals (hereinafter TCN): from 7584 in 2017 to 32 927 short-term employment registrations in 2021 (peak). However, numbers have dropped since 2022 mainly because of Russian aggression against Ukraine and the large number of Ukraine refugees entering the labour market without having to register short-term employment or apply for visa. Option to register short-term employment is mainly used in construction, agriculture and manufacturing.

Most important components that have been introduced between 2021 and 2024 target start-ups, scale-up companies and entrepreneurship (mostly ICT sector), short-term employment (to tackle immediate labour shortages) and recruiting top specialists (lowering the salary criteria) i.e. legislative changes introduced in 2022

²³ Ministry of Internal Affairs, Thematic page "Internal security development plan 2020-2030" (in Estonian), available at: www.siseministeerium.ee/stak2030

²⁴ Ministry of Internal Affairs, Thematic page "Internal security development plan 2020-2030" (in Estonian), available here: www.siseministeerium.ee/stak2030

²⁵ Estonia 2035, Action Plan of the Government of the Republic, available here: https://commission.europa.eu/system/files/2022-04/nrp_2022_estonia_en.pdf

²⁶ Ministry of Economic Affairs and Communications, Thematic page „Economic Plan" (in Estonian), available here: <https://mkm.ee/majandusplaan#2toojou-ja-haridu>

(please see answer to Q3) can be considered as a wave of amendments in the Aliens Act reflecting employers lobbying and need for foreign workers. Thus, Estonia aims to balance attracting skilled labour and managing labour market needs through employment-driven policies.

5. Which type(s) of **labour shortages (long/medium/acute shortages) does your country's current labour migration approach **address**?**

The current migration policy has more favorable conditions for ICT and startup sector. Overall, the entry of highly skilled migrants, with salary of at least 1,5 times the average, is facilitated. This highlights a strong policy focus on attracting highly skilled workers to support particularly technology and innovation as the digital sector is a key driver of Estonia's development.

In 2016, an amendment was entered into the law allowing the Government to establish a list of sectors with high labour shortages, which would be exempt from the EUIF's permission when recruiting foreign workforce, and where the sector average salary would apply (as opposed to country's average salary requirement). However, until now the Government has not established such a list.

OSKA studies forecast horizon is ten years. EUIF's barometer offers a short-term (one-year) estimation of occupational shortages or excesses at the regional level in Estonia. According to OSKA studies²⁷, the main sectors to experience labour shortages include ICT (the demand for IT professionals, including software developers, data analysts, cybersecurity experts, and IT project managers, is high), healthcare (there is a critical need for healthcare professionals, including doctors, nurses, medical specialists, and caregivers), engineering (there is a shortage of skilled workers in the industrial sector, including mechanical engineers, production managers, and skilled trades such as welders and machinists).

According to Work in Estonia's²⁸ (hereinafter WIE) Action Plan to Involve Foreign Talent 2022-2025²⁹ there is a labour shortage in the field of ICT and natural and exact sciences. The action plan highlights Estonian Association of Information Technology and Telecommunications vision for 2030 which forecasts a shortage of around 7000 ICT specialists in the ICT sector over the next 10 years – both in ICT companies and in other sectors as in-house specialists while taking into account both new recruitment from the education system and migration. In industrial sector, it is estimated that 2/3 of engineers will be missing in the coming decade. Estonian university graduates cover only 1/3 of the industrial industry's need for future managers and specialists. The Estonian start-up sector, which is one of the fastest growing sectors in the Estonian economy, has a strong need and willingness to recruit foreign talent. While the sector employs around 6000 people today, the average annual growth in the number of employees is expected to be around 35%. WIE is currently drafting a new action plan for the years 2026-2030.

WIE, together with the Institute of Baltic Studies also conducted a study³⁰ on the recruitment and need for foreign specialists in the Estonian industrial sector. The

²⁷ Available here: <https://oska.kutsekoda.ee/en/>

²⁸ WIE - a government funded initiative to support Estonia's rapidly growing ICT and technology sector

²⁹ Available here: https://workinestonia.com/wp-content/uploads/2023/05/wie_tegevuskava-21-03.pdf

³⁰ Available here: <https://eas.ee/wp-content/uploads/2024/04/work-in-estonia-toostussektori-valisspetsialistide-varbamise-ja-vajaduse-uuring.pdf>

study focused on understanding the readiness of Estonian industrial sector companies (especially in machinery, metal, and electronics sectors) to recruit foreign specialists from abroad, their actual labour needs, and the main challenges related to employing foreign specialists. Based on the findings, industrial sector is in need of technicians and mechatronic engineers, welders, bench operators, software developers etc.

6. What are the main national labour migration policy instruments in addressing shortages (e.g. labour market tests, shortage occupation lists, streamlined procedures) in your country? Please briefly describe them.

- EUIF's permission to hire a third-country national and exceptions

In general, before a TCN can apply for a residence permit for employment, the employer must have EUIF's permission to hire that third-country national. Specifications when it is not necessary to apply for that permit are listed in § 181 of the Aliens Act e.g. for employment as a top specialist/expert/adviser/consultant, employment in a growth company/scale up, for employment as a teacher, accredited journalist, sportsman/coach/referee, employment in a performing arts institution etc.

- Salary threshold and exceptions

As a general principle, the employer must pay a foreign worker at least the Estonian average salary, both when working on basis of short-term employment and visa, or residence permit. Specific facilitation has been made for top specialist to address labour shortages and foster the entry of highly skilled migrants. A top specialist must be paid 1,5 times the annual average gross monthly salary (last published by Statistics Estonia). It is deemed, that if the labour shortage is acute enough, and the employer is willing to pay 1,5 times the average salary, it is justified to apply the exemption from EUIF's permission requirement and immigration quota.; EU Blue Card holders must be paid 1,24 times the annual average gross monthly salary etc.

Certain exemptions³¹ apply where lower salary thresholds may be allowed i.e. working in startups are excluded from salary requirements; growth companies/scale-ups are allowed to offer salaries to foreign employees that are at least 80% of the average salary in Estonia; those fleeing the war in Ukraine with legal ground to stay in Estonia as well as beneficiaries of temporary protection are required to be paid a salary at least equal to the average annual gross monthly salary of Estonia of the area of activity in which employment is commenced multiplied with a coefficient of 0,8 (to avoid exploitation) etc. In addition, exemptions apply to employment in performing arts institutions, research work and teachers, sportsmen, coaches, employment in youth projects, employment as service personnel of a foreign mission etc. (Aliens Act § 107 (1) 1¹ and 1²).

- Immigration quota and exceptions

In general, labour migration is regulated with the annual immigration quota. Specifications when residence permit for employment is not subject to the immigration quota are set in § 115 of the Aliens Act e.g. TCN-s who are granted a residence permit for employment in a professional position in information and communication technology, in a start-up and/or growth company/scale-up, for enterprise as a major investor or in connection with start-up business, to work as a top specialist, for short-term employment; also citizens of the USA, the UK, Japan,

³¹ Exemptions are listed in the Aliens Act - § 107 (1) 1¹ and 1² and § 181 (1).

Switzerland, Norway, Iceland and Liechtenstein; beneficiaries of international protection etc.

- Streamlined process for startups and scale-ups

Launched in 2017, the startup visa program was introduced to provide more favorable conditions for entering Estonia for startup founders and employees (employees working in a start-up are not subjected to salary requirements, foreign employees of a startup will not be subject to the annual immigration quota, founders are exempted from the investment requirement that hold for traditional companies etc.). The program also aimed to bolster the local ecosystem by attracting international talent. Expanded in 2023, new incentive for hiring foreign labour to a growth company or a scale-up was introduced. Growth company or a scale-up company is defined as a company registered in Estonia with the purpose to continue developing a business model with high global growth potential, innovative and replicable that shall significantly contribute to the development of the Estonian business environment. Growth companies are allowed to offer salaries to foreign employees that are at least 80% of the average salary in Estonia and residence permits issued to foreign employees of a growth company will not be subject to the annual immigration quota. Until relevant amendment was introduced, Aliens Act stipulated special incentives for hiring foreign labour only to start-up companies. At the same time, several innovative and fast-growing start-ups operated in Estonia that had grown out from the start-up phase and who had been in the market for more than 10 years but to whom favorable conditions for recruiting foreign employees no longer applied. Thus, with this amendment technology-based growth companies will have similar benefits for hiring foreign labour as is available for start-ups.

- Short-term employment and a new residence permit (1+2 scheme)

A new temporary residence permit for short-term employment has been available for application since 2023. Residence permit for short-term employment allows foreigners who have worked in Estonia on a short-term basis for at least nine months to apply for a residence permit that is valid for up to two years (also called a 1+2 scheme). The employer must meet certain requirements in order for the employee to be eligible for this type of residence permit, such as being trustworthy and having paid the employee a corresponding salary during the period of short-term employment. The residence permit is exempt from the annual immigration quota but cannot be extended. This new residence permit was introduced as a response to the annual immigration quota being easily exhausted (leaving many quota-exempt workers without the possibility to apply for residence permits for employment) and addressing the employers' concern that the actual timeframe for short-term work (365 days within a 455-day period) is disproportionately short, given that recruitment from abroad and on-the-job training are time-consuming processes.

7. Have there been any **legal and/or policy changes since 2021 to your country's labour migration framework that are related to labour shortages? YES/NO? If YES, please highlight the main changes and indicate in which ways these changes were related to labour shortages.**

Yes. A wave of amendments to the Aliens Act was introduced in 2022 (some amendments went into force starting from 2023). These amendments were highly welcomed by the employers and the bill was urged to be passed.

Firstly, salary criterion for top specialists was lowered from twice the average to 1,5 times the average annual gross monthly salary, startup program was expanded to

growth companies/scale-ups and new residence permit for short-term employment was introduced. These amendments addressed both: the need for highly-skilled workers in ICT sector which is politically and strategically favored as well as easing recruitment options for those employers mostly using short-term employment in other sectors (mainly construction, agriculture and manufacturing).

Secondly, another important amendment was aimed at simplifying the entry to Estonian labour market for people fleeing from the war in Ukraine and those who were already in Estonia but were unable to return. They were exempted from requirements set for short-term employment and a minimum salary requirement was set to protect them from possible labour related exploitation (0.8 of the average gross annual salary of the relevant field of activity where employment was commenced). This meant amendments in the Aliens Act removed bureaucratic barriers, enabling them to enter the labour market more quickly and fill gaps in the workforce, especially in industries with high demand for labour (almost quarter have been employed in manufacturing sector).

8. Has your Member States designed a labour migration policy approach to attract foreign talent? YES/NO. If YES, please describe it by filling out the table below:

What?	Yes/No/No information available – N.i.a)
Stakeholder involvement in design of policy approach and in implementation (i.e. social partners, private sector, migrant organisations, cross-government coordination, cooperation/exchange with countries of origin).	Yes
<i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021? Please also explain here, how stakeholders are involved in implementation (in addition to policy design). [...]</i>	<p>Key partners, such as the Estonian Employers' Confederation, the Confederation of Trade Unions, the Chamber of Commerce and Industry, along with various other relevant professional associations depending on the initiative, are consistently involved in the drafting of migration legislation. Additionally, stakeholders are assured the opportunity to provide their opinions and feedback on migration laws and the procedures of the Police and Border Guard Board on a continuous basis, especially when practical issues arise.</p> <p>There was also extensive stakeholder involvement during the development of the Internal Security Development Plan 2030 (STAK). Nationwide seminars were held, allowing interested parties from the private sector, third sector, and other relevant groups to participate in setting migration-related goals.</p>
Assessment of labour shortages (for instance: monitoring of present labour shortages, forecasting/anticipation of future labour shortages, analysis of underlying drivers of shortages in a specific occupation/sector, regional perspectives regarding intra-country	Yes

What?	Yes/No/No information available – N.i.a)
differences, gender perspective e.g. regarding labour market segmentation)	
<p><i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021?</i></p> <p>[...]</p>	<p>Estonia's migration policy is designed to be knowledge-driven and flexible, aligning with the objectives of other policy areas, the country's development needs, and international obligations. To support a data-informed and adaptable approach to immigration, high-quality forecasts and analyses are conducted in key areas such as the labour market, education, research, and the economy.</p> <p>In recent years, the Estonian Qualification Centre has increasingly focused on incorporating the demand for foreign labour into its forecasts and has explored methodologies to enhance this process.</p> <p>In addition, one of the sub-goals of the Internal Security Development Plan 2030 (STAK) is to compile knowledge-based analyses that serve as input for managing developments in the field of migration.</p>
Differentiation between occupational sectors and/or skill levels	Yes
<p><i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021?</i></p> <p>[...]</p>	<p>The current migration policy has more favourable conditions for ICT and startup sector. Overall, the entry of highly-skilled migrants is facilitated. This highlights a strong policy focus on attracting highly skilled workers to support particularly technology and innovation as the digital sector is a key driver of Estonia's development.</p> <p>Pursuant to the Internal Security Development Plan 2030 (STAK), Estonian migration policy aims to facilitate the admission of foreigners who bring high added value to society and whose stay is in the public interest.</p>
Facilitation of recognition of foreign qualifications regarding shortage occupations/sectors	No
<p><i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021?</i></p> <p>[...]</p>	
Measures to prevent to prevent/mitigate brain drain in countries of origin	No
<p><i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021?</i></p> <p>[...]</p>	

What?	Yes/No/No information available – N.i.a)
Safeguards to protect (vulnerable) migrant workers to counterbalance policy measures that expedite/facilitate admission of workers in shortage occupations/sectors ³²	Yes
<p><i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021?</i></p> <p>[...]</p>	<p>In combination with the increased demand for foreign labour, the number of illegal employment cases and tax evasion cases has also risen. To prevent illegal employment more efficiently, the state implements an action plan for preventing illegal employment³³.</p> <p>In addition, Violence prevention agreement³⁴ sets out measures for violence and trafficking prevention for the years 2021-2025. The agreement also includes activities addressed to migrants and employers with particular emphasis on construction, manufacturing and service sectors. These measures (among others) include:</p> <ul style="list-style-type: none"> - training will be provided to employers, in particular in the construction, manufacturing, and service sectors and in the manufacturing industry, as well as to users of seasonal workers in agriculture and elsewhere, to ensure safe and non-discriminatory recruitment chains and to improve the knowledge of employers of migrant worker recruitment rules; - inspections based on risk analysis will be organised and data exchange will be intensified to reduce the illegal employment of migrants in Estonia; - the knowledge of employees about labour laws, especially among those coming to work in Estonia from abroad, will be increased.
Agreements (or other similar arrangements) to achieve (mutual) beneficial effects of labour migration for countries of destination	No

³²In the literature countries that have especially good systems of safeguards in protecting vulnerable migrants (e.g. domestic female workers) are seen as being more competitive, hence the question. An example would be the ratification of C-189 the Domestic Workers Convention: ILO, 'C189 - Domestic Workers Convention, 2011 (No. 189)', https://normlex.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:C189, last accessed on 11 July 2024.

A more practical country example would be the "Fair Recruitment Nursing Germany" seal of approval in Germany, which sets standards to ensure a high ethical standard for the recruitment of nursing staff from third countries: Bundesgesundheitsministerium, 'Faire Anwerbung Pflege Deutschland Gütesiegel', <https://www.bundesgesundheitsministerium.de/service/begriffe-von-a-z/f/faire-anwerbung-pflege-deutschland-gutesiegel>, last accessed on 11 July 2024.

³³ Ministry of the Interior, Action plan for preventing illegal employment, Thematic page, available here: <https://www.siseministeerium.ee/en/action-plan-preventing-illegal-employment>

³⁴ Ministry of Justice, Violence prevention agreement, Thematic page, available here: <https://www.just.ee/en/crime-and-prevention-crime/violence-prevention-agreement>

What?	Yes/No/No information available – N.i.a)
and origin [to enhance the country's leverage for recruitment from abroad ³⁵ , e.g. measures or bilateral agreements/compensation/training schemes, other than mitigating brain drain- see question above].	
<i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021? [...]</i>	
Any other additional aspect incorporated in the policy approach increasing your country's competitive advantage to attract foreign talent and tackle labour shortages	No
<i>If yes, please elaborate how, and if this is a novel aspect introduced in/after 2021? [...]</i>	

9. Does your country have different types of legal entry pathways for work? YES/NO? If YES, what are the most important (in terms of numbers of arrivals) legal entry pathways currently available for foreign workforce in your country?

Notes: *-Please list a maximum of five (in case there are many different important ones, otherwise you can limit it to three) and provide key characteristics by filling out the table below.*

-In case your country applies a single permit procedure, please mention this in the third column and focus on the work-related requirements.

Legal pathway (focusing on the entry on labour migration grounds)	Skill level(s) targeted (high/medium/low/or combination of them)	Key admission conditions (describe using bullet points - e.g. separate or joint residence and work permits, minimum income; minimum language level,....)
<i>Short-term employment registration with visa</i>	High and medium skilled	<ul style="list-style-type: none"> ▪ Short-term employment must be registered by the employer at the PBGB. ▪ Short-term employment is permitted for up to 365 days within 455 consecutive days. ▪ TCN must have a legal basis to stay in Estonia e.g. apply for a long-stay D-type visa. ▪ TCN must be paid a salary at least equal to the annual average gross monthly salary in Estonia, last published by Statistics Estonia. ▪ Employer is reliable and has no previous violations.

³⁵ This question is asked since the inclusion of such considerations can expand the possibility of bilateral labour agreements. These considerations are also important in terms of policy coherence, and not undermining development agendas of EMN countries.

Legal pathway (focusing on the entry on labour migration grounds)	Skill level(s) targeted (high/medium/low/or combination of them)	Key admission conditions (describe using bullet points - e.g. separate or joint residence and work permits, minimum income; minimum language level,....)
		<ul style="list-style-type: none"> ▪ TCN must have appropriate TCN must have appropriate qualifications, training, state of health, work experience and the necessary professional skills and knowledge to assume such position. ▪ Top specialists, startup and growth company workers benefit from expedited process.
<i>Temporary residence permit (TRP) for employment</i>	High and medium skilled	<ul style="list-style-type: none"> ▪ Subjected to the annual immigration quota with exceptions. ▪ Subjected to EUIF's permission to hire a TCN with exceptions. ▪ Validity up to 5 years, extendable for up to 10 years. ▪ TCN must be paid a salary at least equal to the annual average gross monthly salary/for top specialists, average gross monthly salary multiplied by a coefficient 1,5 with exceptions. ▪ Employer is reliable and has no previous violations. ▪ TCN must have appropriate TCN must have appropriate qualifications, training, state of health, work experience and the necessary professional skills and knowledge to assume such position. ▪ Top specialists, startup and growth company and other beneficial categories benefit from exceptions.
<i>Temporary residence permit (TRP) for short-term employment</i>	Medium skilled	<ul style="list-style-type: none"> ▪ Validity up to 2 years, not extendable. ▪ TCN has been employed in Estonia for at least 9 months based on the registration of short-term employment before applying TRP for short-term employment. ▪ Employment continues with the employer who has registered short-term employment. ▪ Employer is reliable and has no previous violations. ▪ TCN must have appropriate qualifications, training, state of health, work experience and the

Legal pathway (focusing on the entry on labour migration grounds)	Skill level(s) targeted (high/medium/low/or combination of them)	Key admission conditions (describe using bullet points - e.g. separate or joint residence and work permits, minimum income; minimum language level,....)
		necessary professional skills and knowledge to assume such position.
<i>Startup program/Scale-up program</i>	High skilled	<ul style="list-style-type: none"> ▪ Possible to apply for a visa or TRP to work in a startup/scale-up or for entrepreneurship in a startup/scale-up. ▪ Startup visa or TRP: must have technology based, innovative and scalable business; must have approval from the Startup Committee/TCN can apply for a Schengen visa, long-stay D-type visa or TRP. No salary requirement. ▪ Scaleup visa or TRP: technology-based, innovative and repeatable business model with high global growth potential, which significantly contributes to the development of the Estonian business environment/TCN can apply for a Schengen visa, long-stay D-type visa/special conditions set for the scaleup/growth company/salary at least 80 per cent of the Estonian average annual gross monthly salary last published by Statistics Estonia must be paid.
<i>Digital nomad visa</i>	High skilled	<ul style="list-style-type: none"> ▪ Possible to apply for a visa up to 1 year . ▪ For those who can work online and independent of location. ▪ For employers or their companies registered abroad, or as a freelancer for clients mostly abroad. ▪ Subjected to general terms, among other applicant must have sufficient funds for staying in Estonia.

10. Are there currently any changes foreseen to the legal framework and the labour migration policy approach pertaining to labour shortages *in progress?*³⁶ YES/NO. If YES, please elaborate briefly.

³⁶ i.e. ongoing but not adopted yet

Yes. There are currently ongoing debates regarding increasing the immigration quota depending on the state of the economy. Minister of Economy and Industry suggested that the current limit could be raised from 1,303 people per year – 0.1 percent of Estonia's permanent residents – to 2,600 people under normal circumstances. But when economic growth is over 2 percent per year it could increase to 3,900 per year. The minister said different-sized quotas could be applied to each sector of the economy. Salary requirements should also be set by the government. Minister of the Interior said the quota should not be changed but more exceptions could be made. But this is only if the state, business representatives and trade unions jointly decide to raise the limit. Minister of education said her party thinks the quota should be expanded.³⁷ The debates are still ongoing.

A draft amendment to the Aliens Act is currently being prepared, aiming to streamline application processes by adopting digital solutions and a one-stop-shop approach. While it does not directly tackle labour shortages, it facilitates the broader attraction of foreign labour.

11. Does your country use indicators for monitoring, or does it conduct other evaluations (for instance collecting feedback from employers or migrants or other tools) to assess the outcomes of labour migration policies in terms of attracting and retaining foreign workforce? YES/NO. If YES, please provide examples if available.

Not specifically.

However, outcomes of different initiatives are monitored e.g. once a year, Startup Estonia publishes an overview of start-ups and scale-ups (scale-ups are included since 2023)³⁸. The overview covers different statistics such as employee count in the startup sector, biggest employers, demographics (citizenship and education), employment taxes paid, investments, salary etc.

WIE's program is based on the Action Plan to Involve Foreign Talent 2022-2025 (currently the new action plan for the years 2026-2030 is being drafted) and the program is monitored based on this action plan every year. WIE, together with the Institute of Baltic Studies also conducted a study on the recruitment and need for foreign specialists in the Estonian industrial sector³⁹. The study focused on understanding the readiness of Estonian industrial sector companies (especially in machinery, metal, and electronics sectors) to recruit foreign specialists from abroad, their actual labour needs, and the main challenges related to employing foreign specialists. Based on the findings, industrial sector is in need of technicians and mechatronic engineers, welders, bench operators, software developers etc.

12. Has your country implemented policies intended to positively influence the duration of stay of foreign talent in your country (i.e. measures to retain workers)?⁴⁰ YES/NO. If YES, please provide an example, if available?

³⁷ „Government mulls tripling immigration quota“, ERR (03.10.2024), available here: <https://news.err.ee/1609478018/government-mulls-tripling-immigration-quota>

³⁸ Last overview can be found here: <https://startupestonia.ee/statistics-surveys/2023-unveiled-triumphs-trials-and-true-grit-of-the-estonian-startup-scene/>

³⁹ available in Estonian with a summary in English <https://eas.ee/wp-content/uploads/2024/04/work-in-estonia-tootussektori-valispetsialistide-varbamise-ja-vajaduse-uuring.pdf>

⁴⁰ The insertion of question has been called for by a policy stakeholder, since policy actors are interested to learn, which policies do not only attract but also make retention of workers more likely.

No, but several exceptions have been made to streamline the process of applying for visas/temporary residence permits (covered before).

In general, if a TCN has been living continuously in Estonia for 5 years on the basis of a temporary residence permit, it is possible to apply for a permanent residence permit which will be issued for up to 10 years.

13. What are lessons learned- if any- in your MS about labour migration policy and legal pathways, regarding the objective of reducing labour shortages.⁴¹

In June 2024, the Economic Committee of the Riigikogu and the Committee of Experts on Competitiveness presented a newly completed competitiveness report. Developed by a group of experts convened in 2023, the comprehensive report titled "The Situation and Prospects of the Estonian Economy: Report of the Competitiveness Expert Group to the Riigikogu"⁴² outlined future prospects, opportunities, and challenges for the Estonian economy, along with strategic economic policy recommendations. According to the report, labour supply is shrinking due to demographic trends such as an aging population and negative net migration. Additionally, a significant skills mismatch poses a challenge. The full utilization of the local workforce is further hindered by the relatively low average number of healthy years lived.

To address these issues, it is crucial to enhance the productivity of the local labour force and to involve foreign labour effectively. Conclusions from the report highlighted that bringing in foreign labour can provide quick relief to labour and skill shortages, but this solution is not sustainable if migration does not support labour productivity and productivity growth i.e. economic development and the competitiveness of companies will not improve if foreign labour is employed in low-productivity sectors and jobs. The impact of immigration on the destination country depends largely on successful integration, and therefore, permanent migration must consider the capacity for integration. The focus on increasing foreign labour should be driven by the objective of enhancing productivity of companies. This means that the skills and knowledge of the foreign workforce should complement, not replace, those of local employees.

Another important factor is the global competition for talent. The demand for highly skilled professionals is increasing across various industries, including the ICT sector, which is expected to face a shortage of around 7,000 specialists over the next decade. Despite Estonia's strong focus on ICT, the startup ecosystem, and digital services, the country still faces challenge to compete with other regions in attracting foreign talent.

14. Please highlight the main challenges - if any- faced in your country regarding your labour migration policy and legal pathways, regarding the objective of reducing labour shortages.⁴³

Please see answer to previous question.

⁴¹ Based on expert opinions or official reports. Please clarify the sources.

⁴² "The Situation and Prospects of the Estonian Economy: Report of the Competitiveness Expert Group to the Riigikogu", available here (only in Estonian): https://arenguseire.ee/wp-content/uploads/2024/06/rk_konkurentsivoime-raport_2024_est.pdf

⁴³ Based on expert opinions or official reports. Please clarify the sources.

15. Please highlight good practices of your labour migration policy and legal pathways, regarding the objective of reducing labour shortages.⁴⁴

Good practices include:

- analysing the legal framework of migration and implementing necessary changes to address regulatory bottlenecks, facilitate the arrival of talent and investments in Estonia, while also focusing on preventing misuse of migration and ensuring efficient procedures;
- developing and updating databases that support migration management and procedures to reduce the administrative burden on applicants and enhance user-friendliness and automation;
- collaborating with partners to continuously raise awareness about Estonia, including information on opportunities to move to the country and details about living conditions.

SECTION 3: PRACTICES AND INITIATIVES TO ATTRACT AND RECRUIT FOREIGN TALENT TO TACKLE LABOUR SHORTAGES⁴⁵

*This section is meant to add aspects that are **not** covered by the 2024 Inform on foreign talent, **such as mid- and low-skilled initiatives** and recruitment practices as well as initiatives tackling internal regional imbalances, safeguards in place and synergies with EU instruments.*

16. Has your country institutionalised/coordinated a national recruitment mechanism for foreign talent in shortage occupations (e.g. via a public/state-related agency⁴⁶ offices, strategy)? YES/NO.

No.

- a. If YES, please use the list below, briefly describing the mechanisms that are in place.
- b. If NO (e.g. recruitment agencies operating **independently** without institutionalised/coordinated initiatives in place), please, if possible, explain why and how national authorities can steer recruitment (if at all) in that case (e.g. regarding safeguards for foreign talent in place and measures in place to ensure labour and social rights are upheld in the recruitment process etc., e.g. German state seal of quality, 'Fair Recruitment Healthcare Germany').

Specific requirements have been laid down for employers, including for temporary agency work/recruitment agencies. For example, recruitment agencies must have enough funds on deposit to ensure the payment of salaries to foreign workers. In addition, the average salary requirement applies and the obligation to ensure working conditions applies in the same way as for Estonian citizens.

⁴⁴ Based on expert opinions or official reports. Please clarify the sources.

⁴⁵ In your response to the questions in section 3, please refer to the shortage occupations you have identified in section 1/question 1.

⁴⁶ An example here would be the German Agency for International Healthcare Professionals.

What?	Yes/No/No information available – N.i.a)
List of specific occupations and/or mechanism to identify occupations (e.g. occupational list)	
If yes, please describe briefly [...]	
Stakeholders involved	
If yes, please describe briefly [...]	
Initiatives and venues to advertise open positions	
If yes, please describe briefly [...]	
Matching procedure for employers and employees	
If yes, please describe briefly [...]	
Facilitation of migration process (e.g. visa, travel)	
If yes, please describe briefly [...]	
Cost distribution for recruitment (incl. recruitment fees, visa, travel, translation of documents) between employers/government/migrants	
If yes, please describe briefly [...]	
Information and/or practical guidelines about labour and social rights for foreign workers	
If yes, please describe briefly [...]	
Provisions ensuring that recruitment from abroad does not substitute but complement other necessary measures to address labour shortages (i.e. a provision in recruitment strategy that this strategy has to be combined with measures regarding e.g. labour conditions and/or ongoing productivity investments in sectors)	
If yes, please describe briefly [...]	

17. Does your country have other initiatives (programmes, projects, information campaigns or other actions) in place designed to attract mid- and low-skilled workers from third countries, i.e. not yet reported under Q16? If yes, please describe up to three initiatives.⁴⁷

Estonian migration policy aims to facilitate the admission of foreigners who bring high added value to society and whose stay is in the public interest.

Initiatives like Work in Estonia (WIE) and Startup Estonia (SUE) are focused on bringing in talent for the information technology (ICT) sector and digital services. Since 2017, when Estonia launched the startup visa program, Estonia has put emphasis on creating a vibrant startup ecosystem and actively seeks entrepreneurs and startup talent. The Startup Visa program introduced in 2017, and new initiative of growth companies/Scale-up program introduced in 2023, are designed to attract non-EU startup founders and

⁴⁷ Please base your answer on expert' opinions or objective/empirical evaluation reports and include the perspective of social partners, and other critical stakeholders, in your evaluation.

their teams, facilitating the growth of innovative businesses. The amendment now extends similar benefits to growth companies, defined as matured startups – companies that have evolved from the startup phase and are older than 10 years which comply with the following conditions:

- has at least 50 employees work in Estonia;
- has paid labour taxes in Estonia in the last year for at least one million euros and;
- has the cumulative increase in labour taxes during the last three years is 20 per cent.

Since mid-2023, efforts have been directed towards researching the needs of the industrial sector for foreign talent and devising strategies to promote Estonia to these specific talents and attract them to the country. A study conducted by WIE and the Institute of Baltic Studies on the recruitment and need for foreign specialists in the Estonian industrial sector⁴⁸ highlighted the growing demand for foreign recruitment in the industrial sector despite the economic downturn.

Both SUE and WIE engage in targeted marketing activities to attract foreign talent and startup entrepreneurs to Estonia. WIE's program is structured around four key stages: attracting talent, facilitating their arrival in Estonia, helping them settle, and continuously enhancing Estonia's global reputation in the competition for talent. SUE has, among other target countries, concentrated its efforts on Brazil, an emerging market known for its strengths in technology, fintech, and digital services. Recruitment from Brazil has been particularly successful in supplying talent to Estonian startups and scale-ups.

18. Does your country offer structured legal employment pathways for irregular migrants for shortage occupations? If yes, to what extent this is a part of the overall labour migration policy strategy and a substantial labour migration channel.

No, Estonia does not have a structured legal employment pathway for irregular migrants. Working illegally can lead to penalties. Exception have only been made due to the military conflict in Ukraine by providing persons who do not have another legal basis for temporary stay in Estonia or whose basis for stay in Estonia should otherwise have expired, a legal basis for entry and temporary stay in Estonia, including the right to work without registering short-term employment to ensure smooth entry into the labour market. The Aliens Act gives the right to enter and stay in Estonia to the following:

- Ukrainian citizens, who lived in Ukraine until 24 February 2022 and left Ukraine on or after 24 February 2022, who do not have a valid Estonian visa and have not yet received a residence permit of temporary protection (irrespective of whether an application for temporary protection has been submitted or not);
- Persons who have been granted international protection in Ukraine, irrespective of their citizenship, who lived in Ukraine until 24 February 2022 and left Ukraine on or after 24 February 2022, who do not have a valid Estonian visa and have not yet received a residence permit of temporary protection (irrespective of whether an application for temporary protection has been submitted or not);
- Family members of persons mentioned in the preceding two paragraphs, irrespective of their citizenship, who lived in Ukraine until 24 February 2022 and

⁴⁸ The study with summary in English is available here: <https://eis.ee/wp-content/uploads/2024/04/works-in-estonia-toostussektori-valisspetsialistide-varbamise-ja-vajaduse-uuring.pdf>

left Ukraine on or after 24 February 2022, who do not have a valid Estonian visa and have not yet received a residence permit of temporary protection (irrespective of whether an application for temporary protection has been submitted or not);

- Ukrainian citizens who were legally staying in Estonia before 24 February 2022 and who do not have a valid Estonian visa.

19. Does your country encounter regional imbalances,⁴⁹ i.e. regional differences regarding the ability to attract foreign talent **within your country. YES/NO and if YES, are there any initiatives to mitigate those?**

Yes, Estonia has experienced regional imbalances in attracting foreign talent, with the majority of talent gravitating towards the capital, Tallinn, and its surrounding areas. There have also been proposals by employers, for example, to establish a regional wage requirement. However, it has not been implemented so far.

20. Are EU instruments on labour migration designed from 2021 onwards (e.g. Talent Partnerships, Migration Partnership Facility, and the proposed Talent Pool) used in your country to attract foreign talent? YES/NO. If YES, please refer to any insights thereto by your Member State, if available.

Yes. Supported and endorsed by the European Commission, ESTDEV carries out different initiatives including Digital Explorers II⁵⁰, which is the first collaborative projects between the Baltic States to be implemented in Africa.

This talent partnership programme creates opportunities for young ICT specialists from partner countries to accelerate their careers in Europe's leading technology hubs. Kenya, Armenia and Nigeria are leading the digital revolution in their respective regions, and Digital Explorers II will support ICT specialists in these countries as they set out on a digital career path. ESTDEV will facilitate pre-training for 40 Kenyan ICT professionals, and from those, 20 participants will be given the opportunity for further training and internship in Estonia for a duration of four months. These individuals will gain skills, connections and valuable experiences that they can apply in Kenya and globally.

Under the framework of this project, Estonia hosted 20 trainees and six representatives from the private and public sector in Kenya. ESTDEV will partner with Strathmore University in Kenya and Tallinn University in Estonia for capacity-building activities, and other companies and organisations will provide opportunities for internships and additional projects.

SECTION 4: CONCLUSIONS

- Is labour migration used by your country to tackle current and to prevent future labour shortages (in terms legislative/policy framework and/or by practical initiatives to attract and recruit foreign talent) and if so, how?

Yes, labour migration is used in Estonia to address current and prevent future labour shortages, both through its legislative and policy framework as well as through practical initiatives to attract and recruit foreign talent. Estonia has launched several initiatives

⁴⁹ For country specific examples see section 4.4. of: European Labour Authority (ELA), 'EURES Report on Labour Shortages and Surpluses 2022'. 2022, <https://www.ela.europa.eu/sites/default/files/2023-09/ELA-eures-shortages-surpluses-report-2022.pdf>, p. 39-43, last accessed on 11 July 2024.

⁵⁰ Digital Explorers II, available here: <https://estdev.ee/en/projects/digital-explorers-2>

to attract foreign talent, including programs like "Work in Estonia" (WIE) and "Startup Estonia" (SUE), which focus on high-skilled sectors such as IT and entrepreneurship. The Startup Visa program and the new Growth Companies initiative aim to bring startup founders and their teams, particularly from non-EU countries to Estonia.

Several important legislative amendments have been passed to ease the recruitment of foreign workers: to attract mid-skilled workers, a new temporary residence permit for short-term employment was introduced; salary requirement for top specialists was reduced from twice the Estonian average salary to 1,5 times; entry into labour market for Ukrainian refugees was made as smooth as possible with lowered salary threshold and exceptions from provisions regarding short-term employment. Additionally, a draft amendment to the Aliens Act is currently being prepared, aiming to streamline application processes by adopting digital solutions and a one-stop-shop approach. While it does not directly tackle labour shortages, it facilitates the broader attraction of foreign labour. It is also important to note that debates are ongoing regarding the immigration quota – how to proceed, whether it is important to increase the quota or should other measures be implemented to satisfy the employers' needs.

Even though it will not be in the scope of this study's time frame, Estonian Ministry of Economic Affairs and Communications has commissioned a study from the Estonian Qualification Authority to forecast Estonia's foreign labour needs by the year 2035. The study should be finalized in 2025.

- Which additional value do EU instruments bring to national instruments in addressing labour shortages at national level?

EU instruments facilitate cross-border collaboration, as seen in projects like Digital Explorers II, which involve multiple Baltic states working together to attract and train foreign talent, such as ICT professionals from Africa. This collaboration strengthens the regional labour market by sharing resources, expertise, and networks, thereby allowing Estonia to benefit from initiatives that may be too complex or costly to implement independently.

- What are your country's lessons learned, good practices, and challenges from using labour migration to tackle labour shortages?

Challenges include the availability of specific labour profiles and addressing areas with workforce shortages. Additionally, there are concerns related to demographic balance, internal security, and the capacity for integration. Achieving an optimal balance between the local labour supply and foreign labour is essential. Estonia has learned that while foreign labour can provide immediate relief to skill shortages, it is crucial to align migration with productivity growth to ensure long-term economic development. Good practices include streamlining migration procedures by analysing and updating the legal framework, reducing administrative burdens, and enhancing the user-friendliness and automation of migration management systems. Additionally, Estonia collaborates with partners to raise awareness about opportunities in the country, ensuring effective outreach to potential talents. However, challenges remain, particularly regarding the integration of foreign workers into the local economy, as well as preventing the use of migration in low-productivity sectors, which could hinder overall competitiveness. The focus must be on attracting talent that complements the skills of the local workforce and supports sustainable productivity growth.

ANNEX: STATISTICAL DATA ON LABOUR MIGRATION

(Annex 1 a provided by ICF & ANNEX B provided by NCPs)

Annex 1 a: BASED ON EUROSTAT DATA (PROVIDED BY ICF)

All data based on Eurostat sources will be centrally collected and used for the synthesis report. It can be hence disregarded as part of the national template, but we inserted it here for your information as it will be sent to you at the launch of the study. This data will be complemented by you when conducting this study with national statistics as requested in Annex 1b.

1. ICF please provide a separate table for each EMN Member and Observer country, in which the data on the **flows** (i.e. **first employment residence permits issued** [migr_resfas]) and **stocks** (**residence permits at end of year** [migr_resvalid]) for 2021-23. Please disaggregate by sex.
2. ICF please provide a separate table for each EMN country, in which the data on the **flows** (i.e. **first employment residence permits issued** [migr_resfas]) is broken down for the **top 10 countries of origin** (citizenship). Please disaggregate by sex.
3. ICF, please add data on foreign arrival flows (first residence permits) broken down by **legal pathway** (based on migr_resocc) for all EMN Member and Observer Countries. Please disaggregate by sex.
4. ICF please provide a table on shortages for each EMN Member and Observer country using Eurostat Data on Job Vacancies by economic activities (NACE).

Annex 1 b: BASED ON NATIONAL DATA (PROVIDED BY NCPs, IF AVAILABLE)

Please complement Eurostat data from Annex 1 a with national data. National data may be substituted (if not available) or contextualised by referencing national reports and/or expert input. If NCPs wish e.g. because of stark regional variation, they may also add information on regional data in addition to national data.

1. Which occupations does your country believe are most in need of migrant workers and how are those needs identified (e.g. based on national migration occupation shortage lists or other appropriate, objective empirical sources? In case your country also has regional shortage lists, you may also add them here.

According to OSKA forecast 2022-2031 “An overview of the state of the Estonian labour market, labour demands and resulting training demands”, the greatest shortages are in specialist education (in particular science teachers, vocational teachers and educational support specialists such as special education teachers, speech therapists and school psychologists), IT (in particular software developers), healthcare and social work, industry and construction. Shortages are evident in highly skilled professions such as civic engineers, construction engineers, electricians and carpenters.

The shortage is higher in occupations requiring higher education. The demand for high-level specialists is almost 50% higher than their corresponding supply from higher education. The demand for training skilled and manual workers and equipment and machine operators is also higher than their supply. To meet the new labour demands, 9500 people with higher education and 5700 people with vocational education are needed each year. The role of further education and retraining, including microdegrees, will increase.

According to EUIF's labour market barometer the level of skills shortages varies across occupations (where data is available). Due to rapid technological advancements, there will be a continued demand for highly skilled ICT professionals, including project managers, cybersecurity experts, and software developers. According to the Estonian Business and Innovation Agency, an estimated 7,000 ICT specialists will be needed over the next decade⁵¹.

2. Based on national statistics please report data on **stock** (permits for employment at the end of the year) and **flows** (first permits for employment) of foreign workforce broken down by **sector**.⁵²

Please provide the information in the tables below. If no data is available, insert that this information is not available (n.i.a.).

Foreign talent 2021-2023 broken down by economic sector (flow) by EMTAK activity codes (Source: Estonian PBGB)

Economic Sectors ⁵³	2021 flows	2021 stocks	2022 flows	2022 stocks	2023 flows	2023 stocks
Public administration and defence; compulsory social security	0	3	0	2	1	3
Construction	399	1050	345	1132	399	1164
Electricity, gas, steam and air conditioning supply	24	52	14	54	27	66
Financial and insurance activities	112	263	279	467	217	590
Administrative and support service activities	62	91	98	148	82	176
Education	76	208	67	222	69	213
Wholesale and retail trade;	56	229	108	293	49	268

⁵¹ Enterprise Estonia, available here: <https://eis.ee/en/for-employers/>

⁵² Regarding differentiation by sectors, see: European Commission, 'Employment and Social Developments in Europe 2023. Addressing Labour Shortages and Skills Gaps in the EU'. 2023, Luxembourg: Publications Office of the European Union, <https://ec.europa.eu/social/BlobServlet?docId=26989&langId=en>, last accessed on 11 July 2024.

⁵³ If possible, please use the NACE rev. 2 classifications: Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas, steam and air conditioning supply; Water supply, sewerage, waste management and remediation activities; Construction; Wholesale and retail trade, repair of motor vehicles and motorcycles; Transportation and storage; Accommodation and food service activities; Information and communication; Financial and insurance activities; Real estate activities; Professional, scientific and technical activities; Administrative and support service activities; Public administration and defence, compulsory social security; Education; Human health and social work activities; Arts, entertainment and recreation; Other service activities; Activities as households as employers, undifferentiated goods- and services-producing activities of households for own use; Activities of extraterritorial organisations and bodies.

repair of motor vehicles and motorcycles						
Information and communication	968	2026	1062	2465	665	2398
Real estate activities	12	30	9	38	12	40
Activities of households as employers	2	3	0	4	0	3
Arts, entertainment and recreation	50	140	36	140	51	150
Professional, scientific and technical activities	74	190	124	239	108	281
Accommodation and food service activities	124	284	94	293	135	330
Other service activities	423	1204	396	1288	290	1192
Mining and quarrying	1	3	2	3	1	3
Agriculture, forestry and fishing	41	106	23	104	60	134
Human health and social work activities	22	99	13	84	23	83
Manufacturing	745	2170	828	2413	877	2508
Water supply; sewerage, waste management and remediation activities	12	34	2	30	3	25
Transportation and storage	220	584	185	635	195	680
Other/Not specified	176	597	228	685	145	586
Total	3599	9366	3913	10 739	3409	10 893

3. Please report data on incoming foreign workers (flows) broken down by **legal pathways, which are not covered by Eurostat** (i.e. not covered by the data provided by ICF at the launch of the study in Annex 1a). For example, foreign workforce to whom national-specific short-term visas are

issued, for instance in Austria so called 'project staff'.⁵⁴ Please provide the information in the table below. If no data is available, insert that this information is not available (n.i.a.).

Foreign talent flows not covered by Eurostat, based on national data (Source: Estonian PBGB)

Name of the legal pathway	2021	2022	2023
First time TRP-s for employment	2249	2463	2054
Short-term employment registrations	32 927	24 380	7061
TRP-s for short-term employment (available since 1.01.2023)	-	-	273
TRP-s for working in a startup	190	345	116
TRP-s for working in a scale-up/growth company	-	-	12
TRP-s for entrepreneurship in a startup	55	55	69
Startup and scale-up visas (long-term D-type visas)	71	52	32
Digital nomad visa	151	191	150

⁵⁴ See Austrian Government, 'Project Staff - Fixed-term Employment', <https://www.migration.gv.at/en/types-of-immigration/fixed-term-employment/project-staff/>, last accessed on 11 July 2024.