



European Monitoring Centre on Change

Estonia: Working time flexibility

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Estonia

Phase:

Type:

Management

Working time flexibility

Last modified: 29 June, 2021

Native name:

Töölepingu seadus

English name:

Employment contracts act

Article

37

Description

If an employer, due to unforeseen economic circumstances beyond his/her control, fails to provide an employee with work to the agreed extent, the employer may, for up to three months over a period of 12 months, reduce the salary to a reasonable extent, but not below the national minimum wage if payment of the agreed salary would be unreasonably burdensome for the employer.

Before reducing wages the employer shall offer the employee other work, if possible.

Before reducing wages an employer shall inform the employee representative or, in his or her absence, the employees and consult them. The employer shall provide notice of the reduction of wages no less than 14 calendar days in advance. The employee or their representative shall give his or her opinion within seven calendar days as of the receipt of the employer's notice.

An employee has the right to refuse to perform work in proportion to the reduction of the wages. Also, an employee has the right to cancel the employment contract on the grounds, notifying thereof five working days in advance. Upon cancellation of the employment contract, the employee shall be paid compensation to the extent of one month's average wage (also, an employee has the right to receive a benefit upon lay-off under the conditions and pursuant to the procedure prescribed in the unemployment insurance act).

COVID-19 response

Between March and May 2020, employers were eligible to a governmental wage subsidy if they

- have suffered at least a 30% decline in turnover or revenue for the month they wish to be subsidised for (compared to the same month in the previous year);
- are not able to provide at least 30% of their employees (i.e. those who work with an employment contract) with work;
- have cut wages of at least 30% of employees by at least 30% or to the minimum wage.

The subsidy is paid by the Estonian Unemployment Insurance Fund (EUIF). Employers fulfilling the above criteria can apply for a governmental wage subsidy covering 70% of the average monthly wage of the employee, up to € 1,000. The employer must additionally pay a wage of at least €150 to the employee, as well as the national taxes on the wage. If approved, the subsidy is paid directly to the employee. Meanwhile, the employment and social security taxes will be covered by the EUIF.

The above measure was prolonged to June 2020, while the terms were changed. In June 2020, employers were eligible to the wage subsidy if they

- had suffered at least a 50% decline in turnover or revenue in June compared to June last year;
- were not able to provide at least 50% of their employees with work and the work load of the employees has been cut by at least 30%;
- had cut the wages of at least 50% of employees by at least 30% or down to the minimum wage.

As of 1 April 2021, the subsidy can be applied by employers whose turnover in March or April 2021 declined by at least 50% compared to the period of December 2019 to February 2020 or to the average turnover of the second half of 2020 (thus including those companies who started their activities in 2020). The budget for this round of wage subsidy is €140 million, of which €38 million is covered by the EUIF and the rest by the government.

Employees who work in the company as of 1 January 2021 and whose workload or pay has decreased can enjoy the subsidy. 60% of the

average gross wage of the employee (max €1,000) will be subsidised. Meanwhile, the employer must pay additionally at least €200 before submitting the application. The subsidy is also eligible for the self-employed in the amount of €584 (national minimum wage) if their business income in 2020 was 50% lower than in 2019.

Comments

Reducing salary enables employers to react to changes in the economic situation flexibly and for a limited period of time. In response, employees are allowed to reduce their working time accordingly.

Uptake of the COVID-19 measure by month

March 2020: Employees of 6,738 companies received the subsidy in the total amount of €27.6 million.

April 2020: Employees of 16,064 companies received the subsidy in the total amount of €113.7 million.

May 2020: Employees of 10,489 employers received the subsidy in the total amount of €90.4 million.

June 2020: Employees of 4,106 companies received the benefit in the total amount of €24.8 million.

Altogether 17,644 companies used the wage subsidy scheme in 2020. This is around 12.5% of all economic units/organisations based on the Estonian Tax and Customs Board data. The total number of employees receiving the subsidy was 138,349, which is 20.3% of all employees.

According to the analysis by Praxis published in February 2021, the measure has prevented the potential rise in relative poverty as well as inequalities. For example, the poverty rate would have increased by 4 percentage point without the measure (Koppel, Laurimäe, 2021).

Cost covered by

Employer
National government

Involved actors other than national government

Works council

Thresholds

No, applicable in all circumstances

Sources

- [In Estonian: Töölepingu seadus](#)
- [In English: Employment contracts act](#)
- [EMCC ERM Restructuring support instruments database](#)
- [DG Employment, Social Affairs and Equal Opportunities/Héra, Selected companies' legal obligations regarding restructuring, 2011](#)
- [Tööhõiveprogramm 2017-2020/Employment Programme 2017-2020](#)
- [Explanatory note \(in Estonian\)](#)
- [ILO overview of policy responses to COVID-19](#)
- [OECD overview of policy responses to COVID-19](#)
- [PolicyWatch database - Temporary subsidy programme](#)

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