

Working Conditions and Industrial Relations in the Central Public  
Administration: Conducting in-depth case studies in Member  
States which have joined the EU since 2004

Case Study Report: Estonia

Authors: Märt Masso, Liina Osila, Jane Järvalt,  
Praxis Center for Policy Studies  
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## Executive summary

After regaining independence in 1991, Estonian parliament passed employment contract act in 1992 and public service act in 1995. This established civil service system where civil servants have had a special status of employment compared to public employees and employees in private sector. This special status, on the one hand, have limited servants' discretion in employment relationship, but, on the other hand, established favourable working conditions. This system had been evolving till 2013 when the civil service was reformed.

The Estonian civil service system has been based on the principle that terms of employment and working conditions that are regulated by the legislative body shall not be changed in favour of servants. In consequence, individual and collective bargaining is possible only to the extent enabled by law. However, this central coordination has not been all embracing due to both scope of the regulation and the implementation gap. Also, the central public administration (CPA) in Estonia has been very decentralized and consequently every government organization has been expected to act as an employer taking the responsibility to develop terms of employment and working conditions. This weak central coordination has resulted in uneven development and fragmentation of employment policies in the Estonian CPA and consequently differences in working conditions that are not always justified.

The recent civil service reform in 2013 reduced the proportion of civil servants with special status of employment and significantly reduced differences between civil servants' and public employees' working conditions. These changes, on the one hand, will further increase organizations' prerogative in developing employment and personnel policies, but, on the other hand, could increase both individual and collective bargaining in CPA. However, in practice this is questionable due to both employers' and civil servants' limited interest in concluding collective agreements. In principle, the reform further endorsed the decentralised nature of the Estonian CPA, although, there are on-going debate on how to coordinate personnel policies and working conditions not by law but by using other measures like analysis, consultation, dissemination of best practice, collective bargaining etc. Even more, these developments could bring about differences in coordination in different personnel policies or in different sections of CPA.

In general, low level of collective bargaining characterizes Estonian central CPA, although there are a few government organizations where labour unions are active and bargaining takes place regularly. Limited importance of collective employment relations could be explained by the deterministic legislation, the lack of right to strike in case of conflict of interest during bargaining, and not supportive stand of the recent coalition governments to bargaining. However, the recent reform partially reduced institutional restriction of collective employment relations in CPA as the proportion of public employees whose working conditions are to a lesser extent determined by law, could collectively bargain, and have right to strike in case of interest conflict.. Social dialogue in CPA is not separately recognizable from the social dialogue in the society in general. Despite the modest importance of national level bargaining or social dialogue in terms of employment and working conditions in CPA, employee participation and consultation at workplace level could be quite important in shaping organisation practices or finding consent for planned reforms.

In this general employment relations framework, also working conditions have been in flux in CPA. Employment in CPA increased during the boom years, but decreased in time of recession due to budget cut backs and government's effort to increase efficiency in the administration. However, although the share of employed persons with special status of employment is about to decrease, the total share of employment in CPA is more likely remain the same during the coming years. The economic arguments were also used to shorten the mandatory pre-notification periods of cancellation of employment or service and severance payments both in public administration

and in private sector. These changes reduced job security and social protection for employees and servants in CPA, although also equalized working conditions for employees and servants.

The financial crisis had also effect on wages and training opportunities in CPA. During the recession years, the labour costs and monthly salaries decreased but have recovered to certain extent during the recent years. Before the crises variable pay components like bonuses were widespread, but significantly cut during the recession. Sharp decline in training budget and training practices took place in 2009 to reduce the operating costs of CPA under the influence of economic and financial crises. Reduction in variable pay components and training budgets was motivated to preserve as much as possible employees fixed wage level and their employment. During the recent years there have been signs of recovery.

Both the economic arguments and new public management arguments where used during the legislation reform to equalize terms of employment and working conditions of civil servants and employees. Arguably most notably, the right for training, right for annual leave, redundancy regulation, and work time regulation were all equalized. These changes have diminished the special status of employment of civil servants, and call into question their lack of certain rights, like limited right to bargain working conditions or lack of right to strike to empower servants in collective bargaining.

## Contextual aspects and background

Estonia is a small parliamentary democracy with a population of 1.29 million, spread over 45,227 square kilometres. Estonia regained its independence from the Soviet Union in August 1991. Since then, the rather small Estonian state has gone through major economic and administrative reforms, modernising also its civil service. This allows exploring critical factors that have influenced the development of employment relations and working conditions in the central public administration (CPA).

The executive power in Estonia rests with the government. One of the key features of the Estonian administrative system is its reliance on ministerial (and other administration organizations) responsibility. Ministries form strong administrative actors, which have considerable leverage over the issues belonging to their areas of governance. Such decentralised setup of the government has effectively reproduced itself and the organisation of employment matters in the public administration also follows the pattern. Every ministry and executive agency is responsible for the recruitment, training, and setting of salary level of its staff and other work arrangements and working conditions (except few top-officials who are selected and trained centrally).

Horizontal coordination mechanisms are mostly based on network-type cooperation and the central coordinating units in the system are equipped with restricted coordination powers and often also with quite limited resources (Randma-Liiv, Metsma and Sarapuu, 2013). In addition, the limited central coordination of the civil service and personnel policies is fragmented among several institutions and none of them has the power to develop government's personnel policy as several previous studies have indicated (Meyer-Sahling 2009; Järvalt and Randma-Liiv 2010). While the new Civil Service Act adopted in 2012 made the Ministry of Finance responsible for the general development of public administration, the development of training and remuneration policy in the civil service, but also for budgeting and financial management, there are a few other institutions, which have specific coordination responsibilities:

- The Government Office (previously called State Chancellery) is responsible for the recruitment, selection and development of civil service top executives;
- The Ministry of Justice is responsible for general public-law development, including civil service legislation;
- The Ministry of Interior is in charge of the development of regional and local administration;
- The Ministry of Social Affairs is responsible for the area of employment relations in general.

CPA in Estonia includes ministries, administrative agencies, boards and inspectorates, constitutional institutions and county governments. CPA workers can be divided into two big groups — civil servants and public employees. According to the new Civil Service Act § 7, only those who exercise public authority are considered civil servants and others are employees (employment relationship is regulated via private law).

The public administration in general and CPA in particular, has gone through periods of transformation. **The years 1990-1996** can be characterised as an **initial transformation**, when the whole politico-administrative system inherited from the Soviet Union was dismantled and needed to find new identities, rules and practices of functioning. The period was characterised by a great deal of instability and volatility in contextual conditions as major political, economic and social changes were taking place simultaneously. Although the complexity and uncertainty made the formulation of elaborate reform strategies rather difficult, major critical decisions on the administrative system were made at that time. The first democratic elections of 1992 were won by the nationalistic-conservative anti-communist Pro Patria Union, which ran its campaign with the slogan “Clean the house!”, referring to the sharp break with the communist past and large-scale

dismissal of former civil servants (estimated at around 37%). The centre-right government coalitions of the 1990s implemented a liberal “shock therapy” in the Estonian economy (i.e. rapid transformation from the planned economy to liberal market economy) and the neo-liberal worldview had a strong impact on the way the state was perceived. Several critical combinations of legal-political, socio-cultural, economic and organisational factors appeared that contributed to the institutionalisation of administrative structure and to the evolvement of current fragmented system of CPA.

Several authors (Ridley, 1995; Verheijen & Coombes, 1998; Drechsler, 2000; Goetz, 2001) have noted that the absorption of decision-makers in burning economic, political and social problems of post-communist transition tended to downgrade **administrative reforms** and the development of civil service to a lesser priority. However, it was understood in Estonia that an underdeveloped civil service shaped by inconsistent and inadequate employment and human resource policies was likely to put the political and economic reforms at risk and major organisational reforms of civil service were started in the early 1990s (Randma-Liiv, Nakrošis, and Hajnal 2011). It could be argued that the creation of many new functions, procedures, organisations, units and individual jobs during a short period of time in the 1990s led to unclear hierarchical relationships, overlapping functions, a duplication of duties and a lack of consensus on the principal questions of civil service (Järvalt and Randma-Liiv 2010). As the civil society itself was going through major changes, it was possible to carry out considerable changes without critical evaluation or public debate. The initial approach has caused the challenge for the later stages of development to move from the management practices of early transition years, where new institutions and policies had to be adopted immediately, to more careful preparation and evaluation of initiatives.

One of the main problems in developing civil service stemmed from a communist tradition of not regarding civil servants as a category apart from other types of employees. Thus, at the beginning of the 1990s, civil servants were subject to general labour codes, and enjoyed no special status, or any particular guarantees. Estonia passed **Civil Service Act** in 1995 that went into force in the following year. The regulation defined the scope of the civil service, granting civil servants a special status and deliberately emphasising the principles of legal predictability and accountability (Randma-Liiv and Järvalt 2011a). Although this legislation was not fully implemented (Meyer-Sahling, 2011; Verheijen, 2007), the endorsement created a basis for the development of the merit principle. Through that, sub-fields of employment matters and human resource policies (for example, recruitment, and training, career and reward systems) in the civil service were fundamentally challenged and in most cases also reformed.

Estonia started out its reconstruction of democratic institutions and state building efforts with a firm will to re-join the Western democracies. The early years of transition coincided with a period of Western thinking about the state that was dominated by neo-liberal concepts of public management. **New Public Management** (NPM) ideology sat well with the country that did not favour big state apparatus, and was abolishing its one-sector economy and carrying out large-scale privatisations. Fast and radical economic transition brought along organisational changes, such as downsizing, delayering, decentralisation and reorganisation in the 1990s (Randma-Liiv, Nakrošis, and Hajnal, 2011). During the early transformation period, two intensive waves of structural reforms took place. Ministries and agencies were created on the basis of existing Soviet units, but several of them were also terminated through mergers or absorption (Sarapuu, 2013). In personnel policies, the extensive organisational changes in combination with NPM ideology led to solutions based on deregulation and decentralisation, as well as on the concept of “letting the managers manage”. The research (Rees, Järvalt, and Metcalfe 2005) has shown that organisational restructuring led to shortened and blurred career paths, decreased job security, work intensification, multi-functional jobs, and sometimes to excessive competitive behaviour. However, the changes also provided opportunities for “winners” of transition, such as greater

functional flexibility, increased external market recruitment and bigger jumps in responsibility in case of promotion.

In the socio-cultural sphere, **demographic trends** were a key driver of developments as the dilemma between continuity and change in the civil service became an important issue during the early years of transition. In order to contend with the communist legacy that included patronage networks and considerable ideological influence (Rees, Järvalt, and Metcalfe 2005), remarkable changes in personnel were carried out in 1992-1993, when 37% of civil servants were replaced (Drechsler 2003). Consequently, the Estonian civilservice could be characterized by the growth of young officials that arguably resulted in greater adaptability to changes and provided many career opportunities for the younger generation (Rees, Järvalt, and Metcalfe 2005). But it also caused accelerated turnover, loss of institutional memory, conflicts between different generations at the workplace and unfulfilled career hopes for the “losers” of transition.

The ground-breaking political and economic developments had also a powerful impact on **cultural values**. In the 1990s, the importance of materialist values increased in Estonia. Although at the beginning of the transition period, many of the nation’s best and brightest joined civil service for mainly altruistic reasons, this motive receded in the mid-1990s, and the materialist values became more dominant (Lauristin 1997). At the same time, the cultural shift from the supremacy of collectivism toward more individualistic and achievement orientation took place, having an impact on career- and reward-related behaviour (Lauristin 1997). A rapidly developing private sector created many new jobs that required new qualifications and provided interesting opportunities for personal growth. The public sector was losing out to the private sector, which was preferred by labour market “winners” on account of higher salaries and better growth prospects. This in turn, became an obstacle in designing and implementing civil service reform (Randma-Liiv and Järvalt 2011b).

In **the years 1997-2004 the accession to the EU** dominated as the main driver of change. The pursuit of EU membership was characterised by the notion of “conditionality” – Estonia had to demonstrate its administrative capacity and the ability to effectively apply the *acquis communautaire* before accordance of full membership. European integration was one of the few stable strategic goals and a significant factor behind administrative reforms in Estonia, also creating an important motive for the systematic development of personnel policies and practices (Viks & Randma-Liiv, 2005; Meyer-Sahling, 2011). However, the interplay of international conditions and domestic factors was important, as the Estonian public administration system had gone through radical transformation and had its new basic features already determined by the time of meeting the with the refrom pressure from the EU.

Although civil service personnel policies *per se* was not part of the *acquis* to be formally incorporated into a country’s legal framework in order to join the EU, entrants were required to have a functioning administrative system and the Europeanization process focused to some extent on changes in the legal framework. At the same time, the **implementation gap** between the adoption of formal acts and their realisation in the daily practice of civil service management was pointed out as a problem in Estonia, e.g. in the fields of remuneration or evaluation of civil servants (Meyer-Sahling 2009).

There were several **initiatives of civil service development** during the Europeanization period. For example, adoption of the Anti-Corruption Act and related Code of Ethics for civil servants, which became an Appendix to the Public Service Act, could be seen as an improvement from the EU perspective. Moreover, it could be argued that the EU efforts to pay particular attention to depoliticisation and professionalization and ensure principles of impartiality, political neutrality, fairness and merit paid off (Meyer-Sahling, 2011). Politicisation of the civil service, which has been pointed out as a challenge in the Central-Eastern European (CEE) countries, did not turn out to be a major problem in the Estonian context (Meyer-Sahling 2009). Training policy and

practices were also high on the agenda since the accession period. The EU has played an important role as a sponsor of civil service development initiatives and training and development programmes (Randma-Liiv, Metsma and Sarapuu 2013). However, other more comprehensive administrative reform initiatives, including attempts to pass new Civil Service Act in 2002 and in 2009, did not succeed at that time due to changes of government coalitions and lack of consensus among political and administrative players in civil service development ([www.avalikteenistus.ee](http://www.avalikteenistus.ee)). One of the critics to the new act was the Estonian Trade Union Confederation, pointing out that diminished social guarantees and benefits of civil servants should have been balanced with the increased role of social partnership and collective agreements ([www.eakl.ee](http://www.eakl.ee)).

In terms of organisational changes, another two waves of reforms took place during the pre-accession period. The agencies were established as well as shut down and moved between the ministries (Sarapuu 2013). However, the changes did not affect the general setup of the civil service. Despite the fact that the Europeanization process contributed to the general development of coordination culture in Estonia (Viks & Randma-Liiv, 2005), it still remained insufficient.

**Weak coordination and decentralisation** resulted in uneven development and fragmentation of employment and personnel matters and policies in the Estonian civil service. Every unit of the CPA, was responsible for recruitment, training, setting of pay levels of its staff, developed its own particular practices, culture and work habits, resulting in the emergence of “many civil services” within one country. Instead of co-operation, public organisations found themselves in a situation where they competed with each other. The “success stories” with modern employment and personnel policies and more generous working conditions tended to coexist with essentially unreformed organisations and personnel policies. Better coordination and horizontal management systems, such as stronger central civil service unit, could have prevented the introduction of conflicting regulations and policies by different public organisations. Instead, problems with equal opportunities raised and the transparency of personnel policies decreased during that period (Randma-Liiv and Järvalt 2011b). There were a number of limitations, but, in fact, also some opportunities to this kind of decentralised human resource management system. A lack of central personnel policy strategy and weakness of central coordination made it possible for government units to flexibly consider specific environmental factors surrounding each organisation. This was particularly important in the highly dynamic context, which inevitably required considerable institutional and employment and personnel policy flexibility to adapt rapidly to changing tasks, environment and mobile workforce (Järvalt and Randma-Liiv 2010; Meyer-Sahling 2009). Organisations could develop their own innovative initiatives in the field of people management, tailor-made to their own needs, and thereby become more competitive and attractive as employers.

The phase of **development after the accession to the EU from 2004** can be seen as period when the EU conditionality ceased, the internal factors became prominent again in the design of reforms. By that time, the Estonian politico-administrative system was already institutionalised. Estonia arrived at issues of performance and efficiency similar to those of the first phase, but in a substantially different context. The global financial crisis with its intensive pressure on Estonian government after the economic boom based on the influx of cheap foreign credit emerged as the defining feature of the final years of the two decades of change.

**Large-scale cutbacks** as the responses to the crisis have led to changes in employment policies as well as working conditions (Raudla, Savi, and Randma-Liiv 2013). The main cutback instruments contained reducing operational costs, including personnel costs, such as reducing the number of civil servants, working time, training and development costs or remuneration. In Estonia, the cuts were equal amount in operating costs for all institutions, and ministries had some flexibility in deciding, which measures to use to achieve the “cutting” targets, e.g. either



cutting labor costs or operating costs. In practice, the approaches did differ across the public sector organisations.

The years of recession also brought along complex mergers or reorganisations of government agencies, often also embracing functions from outside the centre of government (Sarapuu 2013). For instance, integration of the environmental offices of the Ministry of the Environment, State Centre for Nature Protection and Estonian Radiation Protection Centre into Environment and Nature Protection Board to Environmental Board took place, although in addition to economic reasons, the reforms were motivated with arguments that government agencies would become more “sustainable” through the establishment of multifunctional agencies and that the reorganizations would lead to economies of scale. Several agencies ended their existence due to mergers to bigger multi-functional structures, leaving its footprints also on the civil servants and their employment relations. For example, high turnover of competencies and secondary employment among civil servants can be noticed. It was partly due to the reason that there have been no resources to value and reward competencies sufficiently (Järvalt & Randma-Liiv, 2012; Meyer-Sahling, Vass, & Varga, 2012). The search for efficiency and effectiveness has also led Estonia to consolidate financial and payroll accounting and personnel records (support services) under the leadership of the Ministry of Finance (Tammel 2013).

In the context of sharply decreasing economic growth, **civil service values**, i.e. finding a healthy balance between democratic and technocratic goals has become a challenge in Estonia. Limited resources have brought pressure on governments to adopt a cost-concerned and efficiency-oriented approach and rely on “technocratic” or “rational” goals such as value-for-money and fast decision-making. This approach could be seen in conflict with several democratic goals such as transparency, openness, equal opportunities, access to public services, fair procedures, accountability and participation in decision-making (B. G. Peters, Pierre and Randma-Liiv, 2011; Diefenbach, 2009).

The sustainability of civil service reforms in Estonia after the accession to the EU has essentially been dependent on domestic factors, namely the commitment of government coalitions to continue with the civil service developments pursued before the accession. In the case of Estonia, the political environment has been stable after the accession, but the political forces have been rather reluctant to conduct reforms going beyond a cosmetic treatment of the underlying issues (Randma-Liiv and Järvalt 2011b). In general, the political consent and consistency in civil service reform policies has been missing up to 2012, when the **new Civil Service Act** (discussed in more detail in next chapters) was drafted and adopted (Verheijen, 2003; Randma-Liiv et al., 2011). It could be argued that the financial crisis shaped the rhetoric of the reform and provided an opportunity to finally come to an agreement between the coalition parties to implement the changes. Moreover, at the peak of the crisis in 2009, a new Employment Contracts Act, aimed at achieving labour market flexibility, had been implemented. Both the Employment Contracts Act and the Civil Service Act were implemented despite strong negative reactions from trade unions. This act also affected employment relationships in the civil service and opened a window for changes in the legal framework of the Estonian civil service after more than a decade of continuing debate over the need for new Civil Service Act. Over the years of debate, trade unions and employers’ associations have had the opportunity to express their opinion regarding different legislative acts. However, as the information and consultation process both at the organizational and national level has been rather unregulated, the actual practice of engagement of social partners and their impact on law drafting has varied.

The 2013 civil service reform further endorsed the open and decentralised nature of the Estonian civil service, leaving the question of how to back up the decentralisation efforts by other cohesion-building tools on the macro level of the civil service. Finding an optimal balance between **centralisation and decentralisation**, i.e. how the roles and responsibilities are divided

between the central coordinating institutions of public administration and individual organisations has been and remains to be a challenge after the reform of 2013 in Estonia. Several initiatives have been started by the Ministry of Finance to mobilise the political will for civil service development (e.g. drafting the “Green Paper” and “White Paper” for the state as an employer and personnel policies in public administration), develop horizontal values and knowledge-sharing mechanisms between various government units and enhance vertical coordination by centralising support functions. Similarly to the Western Europe, rising attention is drawn to the emergence of “the whole-of-government” approach, at least in the rhetoric, as a response to the problems of fragmentation and tunnel vision caused by the NPM reform programmes over the years (Christensen & Lægneid, 2007a; Meyer-Sahling & Yesilkagit, 2011).

The decentralisation and centralisation dilemma also raises the question of **the role of the managers and top civil servants**, as they can substantially impact the design of management principles, employment relations, initiate and maintain changes (or resist these) and, even more importantly, impact their actual implementation in individual public organisations (Randma-Liiv & Järvalt, 2011b; OECD, 2008). They interact with the politicians and directly influence the development of civil service values and common identity (Randma 2001). If they do not have the skills and competencies needed to manage people, not forward looking, subjective and discretionary decision-making in employment matters can be the consequence of their incompetence. Estonia has paid particular attention to strategic leadership development through the central competency framework and different training programmes for top civil servants. Special unit in the Government Office is responsible for the recruitment, selection and development of civil service top executives. Despite these efforts, there are still symptoms of ill-developed management systems and lack of sufficiently skilled and experienced managers and the work needs to be continued (Randma-Liiv, Nakrošis, and Hajnal 2011).

In the Estonian CPA, **public service motivation** is an important social factor that needs to be taken into account in developing the personnel policies (Rees et al., 2005; Perry, Hondelghem, & Wise, 2010). The trend of treating the civil service as a private enterprise, the popularity of ideas related to minimal state and NPM as well as the missing positive concept of the state are considered to be a great risks as it fails to acknowledge the unique motives underlying the employment in CPA. Also, the substantial differentiation of salaries across government institutions in Estonia (OECD 2013) does not fit with the European principles of administration, which favour the concept of equal pay for equal work, regardless of the location in the governmental apparatus. Lower levels of commitment of civil servants, including managers, as compared to the commitment of employees in the private sector also represents a serious challenge for the Estonian CPA (Randma-Liiv & Järvalt, 2011b; Järvalt & Randma-Liiv, 2012). Also, relatively high employee turnover around 10% could be the consequence of low motivation (see also paragraph Working Conditions).

## **Current situation and changes in employment relations and working conditions**

### **Employment relations**

#### *Status of employment and co-determination*

**Status of employment.** At the beginning of the 1990s due to path-dependency to the communist tradition, employment in CPA was not regarded as category apart from other types of employment, and thus employees in administration were subjected to general labour codes and enjoyed no special status or any particular guarantees. Since the beginning decade, it was debated

about the need for stable public administration and civil servants' special status in serving public interests. As a result, Estonia passed **Civil Service Act** in 1995, defining the scope of the civil service, granting civil servants a special status and deliberately emphasising the principles of legal predictability and accountability (Randma-Liiv and Järvalt 2011a). While the act went into force in 1996, the legislation was not fully implemented and led to implementation gap (Meyer-Sahling, 2011; Verheijen, 2007) especially in the fields of remuneration and evaluation of civil servants (Meyer-Sahling 2009).

In parallel to developing special employment regulation for civil service, step by step soviet period labour code was repealed and new laws regulating the employment relations were put into force, including Employment Contracts Act that went into force in 1992 (Tavits 1996). During the Soviet regime, the employment relations and working conditions were centrally planned. Path-dependently, the employment relations and working conditions were rather extensively regulated both in civil service, public and private employment until the recent reforms in 2009 and 2013. All in all, the terms of employment and civil service went through some changes, especially during the EU accession period, but in principle the stability describes the period.

Lately, there have been crucial reforms that have changed status of employment and civil service in CPA. In 2009 the reform of individual employment relations aimed to increase flexicurity by deregulating employment relations and promoting negotiations between employers and employees that considerably influence public employees in CPA. Also, in 2013 the civil service system was reformed to decrease the proportion of civil servants with special status engaged in executing the public power in administration, and abolished large proportion of the disparities in rights and obligations that there were between civil service, public employment and private-sector employment. Though some differences in civil servants and public employees' rights and obligations still remain, the special status of civil servants that includes broader responsibilities is not that extensively balanced by greater rights. However, differences in rights usually do not limit fundamental rights of civil servants, for instance freedom of actions<sup>1</sup>.

Due to differences in status of employment also **co-determination** of terms of employment and working conditions of civil servants and public employees differ. Since the middle of the 1990s, the terms of employment and working conditions of civil servants are regulated by public law and of workers by private law. It comes from that civil servants' terms of employment and working conditions are quite extensively determined by the law and these could not be changed or negotiated in favour of employee. In private employment (and in public employment), on the contrary, the terms of employment and working conditions are negotiable and parties could agree on working conditions that are in favour of employees and in most of the cases the contracts are binding and cannot be changed unilaterally. As a result, civil servants in Estonian CPA have been able to negotiate and government organisations as employers have been able to develop their personnel policies only in the range preconditioned by the legislation (for instance in the salary range) or working conditions that are not determined by the legislation (for instance schedule). Also, interviews with experts and workplace level informants indicate that although the

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<sup>1</sup> Also, in addition to this general employment system, there are career-based sections in the administration that are regulated by special statutes, for instance foreign service, police service, border guard, the court system and a few institutions within the administrative area of the Ministry of Defence. These categories of servants have special status that also legitimized some special regulations, for instance they might have limited right to participate in entrepreneurship to avoid conflict of interests.

legislation was rather deterministic, in practice there was an implementation gap that increased organizations flexibility in developing their own employment and personnel policies and allowed to informally consult and negotiate the terms with employees and civil servants.

The recent reforms of individual employment relations and civil service at least in theory have increased public sector employers' authority in developing employment and personnel policies and enabled parties to negotiate terms of employment and working conditions. Firstly, the civil service reform increases the proportion of public employees in CPA whose status of employment is regulated by private law. Secondly, the new civil service regulation increases organizations authority in developing personnel policies in some areas, for instance the central wage scale was abolished. Thirdly, the reform of individual employment relations promotes negotiation between employers and employees. In practice, the result depends on the use of managerial prerogative of organizations in developing employment and personnel policies, and civil servants' and employees' willingness and bargaining power to negotiate terms and conditions. Here, similar to large organizations in private sector, big governmental organizations usually are not open to negotiations with different outcomes for different sections of organizations or groups of employees, but these practices are to be challenged.

These principles of co-determination also call into attention the question of **employer representation** in Estonian CPA. The legislative body of Estonia, the parliament, is representative of employer only to the extent that it has the power to pass, amend, and repeal laws, regulations regarding employment relations and working conditions. The role of government as employer of the administration is more complex. The CPA in Estonia has been very decentralized, government organizations have been expected to act to large extent as independent employers, taking the responsibility for development of employment relations and working conditions. Government organizations and agencies, represented by the head of the organization shall co-determine terms of employment and working conditions and enter into individual and collective bargaining. Regarding the legislation of employment and civil service, only the core of the public administration (11 ministries, 6 constitutional institutions, 25 boards, 5 inspectorates and 15 county governments) is covered by the civil service system, initially established in 1995 by the Civil Service Act. In the rest of the agencies, people work under the general labour law. The number of staff varies across different institutions. Police and Border Guard Board is the biggest with 5,553 civil servants, but there are also a few boards and inspectorates in Estonia, which have less than 20 civil servants. This high degree of decentralization means that the organisations' employment and personnel practices and thus employment relations can be very different resulting in the emergence of "many civil services" within one system.

This distribution of authority and decentralization has been called into question by experts and social partners. For instance, labour unions have requested the central government to have greater role in bargaining as governments in modern democracies have comprehensive decision making authority. The national budget and budget of the government organizations is managed by the government and therefore representatives of the government organizations cannot make the decisions regarding terms of employment and working conditions that necessitate increase in the budget. Similarly, in case of collective labour dispute in public sector but not in CPA social partners have appealed that government should participate in the dispute resolution and negotiation because only the government can make decisions regarding contingencies of negotiation.

To overcome the dispersion of authority and tackle negative effects of decentral administration, there have been debate and initiatives to clearly define the scope of responsibility and roles of different authorities in developing civil service and personnel policies in CPA throughout the periods and the debate continues. As even now when according to the Civil Service Act, the

Ministry of Finance is responsible for the general development of public administration and in theory should be in charge of the coordination, the law itself is still based on network type cooperation principles sharing decision making power between different coordination units.

### *Industrial relations*

The discussion on co-determination and employer representation draws attention to employee representation, collective bargaining, and employee participation. The cornerstone of collective employment relations is a right for employee representation. During the Soviet time everything including working conditions was centrally planned and **employee representation** in nowadays sense did not exist, although majority of the employees belonged to labour unions. The modern industrial relations system had to be built and at the beginning of the 1990s, dual employee representation system was created that also covered civil service. All employees and civil servants have the right to found or join to a trade union, and also could choose employee trustee in staff meeting. Employees' Trustee Act determines the election and authority of the trustee and these provisions also apply to public sector together with the trustees' right to receive information from the employer that is necessary to perform their duties and the right to consult with the employer on the basis of that given information. Also, work councils and other employee representation forms are possible, but in practice not relevant in Estonian CPA.

In practice, the employee representation has gone through drastic changes. Due to influence of the Soviet system, right after regaining independence, trade union density was very high around 88% (Philips 2013), but started to fall sharply and currently it is estimated that trade union density in Estonia is around 6% (Põldis and Proos 2013). According to Work Life Survey 2009 (WLS 2009) data, 16.7% of state and local government agency employees belonged to a trade union and 27.6% worked in an organisation that had employees' trustees. In comparison, 8.1% of employees working in private sector companies belonged to a trade union and 27.2% worked in an organisation that had employees' trustees (WLS 2009).

The decline in labour union density was triggered by number of factors such as individualization of employment relations, change in trade unions perceived role, and mind-set of governing political powers that throughout independence period have not favoured the development of trade unions (Casale 1999). This was deepened in civil service, where the working conditions have been to large extent determined by the central legislation, which does not motivate CPA workers to associate in trade unions and trade unions oftentimes lacked experience and skills to represent employees and servants in changed circumstances. Also, employers are not interested in concluding collective agreements that give favourable working conditions to only a group of employees (that belong to a trade union) arguing that this is unequal treatment and therefore extend the working conditions concluded in collective agreement to all employees although the Equal Treatment Act (§ 9 section 3) allows such a distinction. According to trade union representatives, such attitude and behaviour has had a negative effect on trade union membership as belonging to a trade union does not give any advantages compared to employees who do not belong to a trade union.

Overall, employee representation in Estonia and in CPA is decentralised and weak. The only national level trade union in Estonia representing employees (regardless of their employment relationship status) working in CPA is Estonian Federation of the Trade Unions of State and Municipal Agencies Employees (ROTAL). However, most of ROTAL's members are police, border and rescue workers (ROTAL homepage), who are considered CPA workers, but whose duties, responsibilities and obligations are set by specific laws different from Civil Service Act. In 2011, officials and workers of state and municipal agencies (none of them working in ministries) formed around 2.5% of ROTAL members. Although there are no representativeness criteria set for trade unions, low representation rate of civil servants is used as the main reason by the state to

not start collective bargaining negotiations arguing that the trade union does not have a mandate to represent and negotiate over all civil servants working conditions. Based on the interviews it could be argued that employee representation in organizations have developed quite path dependently – where the strong representation developed it is well established currently, but where the representation come apart or did not emerge, there seems to be little initiative and enabling contingencies to foresee the expansion of collective employment relations.

As mentioned above, during the building of the state phase from 1990-1996 and after, human resource management in CPA has been influenced by NPM ideology. This has led to decentralised human resource management in CPA meaning that managers have extensive decision making power within their organisation and there is no central representative body that would represent all CPA employers in negotiations with employees or with the government in Estonia. Therefore, in addition to weak and powerless trade union, there is no central body representing CPA employers.

Similarly to employee representation, regardless of the employment status, servants and employees in CPA have had the right to **collectively bargain** working conditions and to conclude **collective agreements**. The form and provisions that could be determined via collective agreement are set by the Collective Agreements Act and there are no differences set for central public administration (but also depend of either Employment Contract Act or Civil Service Act). According to the Collective Agreement Act (§ 3), employer and trade union could conclude collective agreement, in case there is no labour union, employee trustee instead concludes the agreement. Thus, although there is dual channel of representation in Estonian employment relations system, trade unions have prerogative to bargain. Collective agreements in both public and private sector are mostly used to determine wage, and working and rest time conditions (Põldis and Proos 2013). When a collective agreement is concluded it becomes legally binding to the parties and it is valid for one year if the parties do not agree otherwise (Collective Agreements Act § 11 section 2). Until May 2012, parties had the obligation to comply with the terms and conditions of the collective agreement even after it had expired, but a new agreement had not been concluded. This system of collective bargaining was found to be limiting the freedom on entrepreneurship and therefore violating Estonian constitution (Liina Osila 2012). Therefore it was decided to change the system so that if a party of an agreement would like to end it, they would have to give a written notice to the other party three months before the collective agreement expired or six months in case the collective agreement was open-ended (Ibid.). Trade unions (EAKL) strongly opposed the amendments and a protest was organised by the Independent Trade Union of Miners and Energy Workers (EPTAL), however the amendments were still implemented (Ibid.). According to the law, the parties are obligated to follow the collective agreement and refrain from calling a strike or lock-out (Collective Agreement Act § 11 section 3).

In sum, collective bargaining is nearly non-existent in CPA. In recent years, only some organisational level collective agreements have been concluded in CPA meaning that collective bargaining in CPA is decentralised. Collective bargaining is a bit more widespread in part of CPA where there are a larger proportion of public employees. Still, state and local government agencies conclude more collective agreements compared to enterprises (according to a study on industrial relations in state and local government agencies collective agreement existed in 15.5% of state and local agencies and only in 4.2% of enterprises (Espenberg 2011). Overall, it can be considered that the lack of traditional industrial relations model, lack of tradition to join trade unions and conclude collective agreements in nowadays sense, and that civil servants working conditions are quite extensively determined by the law are the main reasons for low collective bargaining in Estonia in general. On the national level, until 2007, civil servants wages were negotiated between the government and labour unions. However, the last collective agreement on

wage conditions for civil servants was concluded in 2001 (Nurmela 2007). After that, negotiations were held annually, but they failed (Ibid.). During the interviews, the experts argued that central collective bargaining is non-existent due to the right wing government's lack of willingness to bargain and conclude the agreement. As explained above, balance between centralisation and decentralisation in CPA still remains to be a debated topic in Estonia.

Although in recent years more attention has been turned to the "whole of government" approach to answer the problems that have been raised due to NPM reform programmes over the years (Christensen & Lægneid, 2007a; Meyer-Sahling & Yesilkagit, 2011), the administrative and civil service system still stems from the network type of cooperation principles (shared decision-making power) and in practice has not changed the balance between centralisation and decentralisation when it comes to collectively bargain over working conditions. Experts have argued that the newly reformed civil service could in theory lead to more widespread collective bargaining in CPA as the share of public employees who can negotiate over their working conditions increased. However, in practice this is questionable due to employers' lack of interest in concluding collective agreements that give favourable working conditions to only a group of employees, and while it could be a good support to workplace level democracy, it could also lead to negative practices in case it increases competition between employers and lead to non-justified differences in working conditions of comparable workers. Then the question of central coordination and employer representation in CPA would even more seriously emerge.

The question of **right to strike** to empower civil servants in case of interest conflict has been long debated in Estonian industrial relations system. In case of opposite conflicting interests, civil servants and public employees can seek for solution to **collective labour dispute** via their central representatives or via national conciliator recommended by employers' and workers' federations and appointed by the Government employers' and workers' federations on the basis of three years (Collective Labour Disputes Resolution Act § 7 and § 8). Conciliators role is to mediate the dispute by examining the causes of labour disputes, and the facts and propose solutions. This institutional framework and process has been in force since the beginning of the 1990s (Collective Labour Disputes Resolution Act went into force 1993). However, in the context of small level of collective bargaining, there has not been any collective labour dispute in CPA. There have been no disputes mainly because of the lack of collective bargaining negotiations that could end with conflict of interest, and in some degree by the fact that civil servants do not have the right to strike making it practically impossible to show their dissatisfaction with the situation in case of dispute. Up until April 2013, Collective Labour Dispute Resolution Act, implemented in 1993, stipulated that **strikes** were prohibited in government agencies and other state bodies and local governments and in the Defence Forces, other national defence organisations, courts, and firefighting and rescue services. No differentiation based on employees' status (civil servants or public employees) was made and everyone working in above mentioned organisations was not allowed to strike. Compared to other workers who according to the law have the right to organise a strike to influence the settlement of a collective labour dispute civil servants only options to resolve their collective labour disputes were negotiations and mediation of a conciliator (Collective Labour Dispute Resolution Act).

Labour unions, including ROTAL criticised the system arguing that these dispute resolution options were not sufficient in case the parties did not reach an agreement during the conciliation process. ROTAL also turned to International Labour Organisation (ILO) already in the end of 1990s who supported ROTALs request to enable the right to strike for public employees (Eamets 2005). In 1999, ROTAL turned to the Ministry of Social Affairs arguing that constitutional rights of civil servants are restricted by the current legislation and made a proposal to amend the law by prohibiting strike action only to leaders of local municipalities and state agencies, employees employed under the terms of the Civil Service Act, and military, defence and rescue officials

(including judges, police etc.) (Eamets 2005). Despite the fact that the Draft Act passed first reading in the parliament, it was rejected afterwards. Among others, the Chancellor of Justice has also criticised the total strike ban (Karu 2006). There has been two arguments used for justify the strike ban for civil servants: 1) it could lead to inadmissible interruptions of essential services and 2) cause damage to public finances (Eamets 2005). Since early 2000, the issue has remained controversial, and the amendment in the Collective Labour Dispute Resolution Act regarding strike restrictions was only made in April 2013 when the new Civil Service Act took effect. The amendment expanded the right to strike to employees who work in government agencies and other state bodies and local governments, but whose employment relationship is regulated through Employment Contracts Act (Collective Labour Dispute Resolution Act § 21). Still, the new regulation does not expand to employees working under Employment Contracts Act in rescue services and in defence organisations (the Ministry of Defence, Estonian Defence Forces, Estonian Defence League, and Defence Resource Agency). According to explanatory note to Civil Service Act, this change is considered to be in compliance with ILO recommendations according to the government, but still questioned by some experts and labour union representatives.

Despite the controversy in the right to strike, over the years, there have been some small-scale other types of industrial action organised by the civil servants mainly demanding higher wage or the right to strike. One on 15 April 2004, where 80 members of ROTAL took part in the picket in front of the government and the Ministry of Finance demanding for pay rise and the right to strike, however without result (Lauringson 2004a), and another in May 2004 when members of the Federation of Estonian Customs Officers' Trade Unions (Maksu- ja Tolliameti ametiühing) demanded an increase in wages and more investments to be allocated in in-service training and held a picket in front of government building (Lauringson 2004b). In September 2005, another small demonstration organised by the Federation of Estonian Customs Officers' Trade Unions (ETAL) was held in front of government buildings (Philips 2005). Still, no general strikes regarding CPA workers have been held as they did not have the right to strike until 2013 and those small protests that have been organised have so far had no influence.

As we have seen, co-determination via (collective) negotiations is rather limited in Estonian CPA and this increases the importance of **employee participation and social dialogue** in developing employment relations and working conditions. The legislation (Employees' Trustee Act) determines the civil servants' and public employees' right to elect employee trustee and also its authority, but does not apply the regulation of the process of information and consultation to employment in civil service. Thus, the process of information and consultation in the CPA is to a larger extent at the discretion of employers and employees. Also, in the Civil Service Act it is stated that the head of authority has to notify officials and may ask opinion before enacting some service-related acts (such as the general guidelines for occupational health and safety), however it is not binding to the employer and employer does not have to take the employees opinion into account. It has been brought out by trade unions that the regulation of information and consultation enables employers to not invite employee representatives to meetings claiming that information and consultation process set in the Employee Trustee Act is not applied in state and local government agencies (Espenberg 2011). Overall, due to the regulation, the degree, form, level, range of information and consultation vary from organisation to organisation. Thus, every organisation can decide and practice the system of information and consultation they prefer. In conclusion, the same pattern can be observed as it is with collective bargaining.

Differences in regularity, range and form of servants' and employees' participation and social dialogue is also supported by available data. According to Work Life Survey 2009, 92.3% of employees working in state and local government agencies said they could express their opinion about the activities, work management and working conditions of their organisation to their



manager and 3.5% to their employee representative. The results differ somewhat from those of employees working in private companies (83% and 7.4% accordingly) (Work Life Survey 2009). According to study made by Espenberg et al (2011) organisation of work and working time, wage, training and strategic decisions are the main topics of information and consultation in the sector (Espenberg 2011). During the crisis, issues related with the crisis and its effect on the organisation was also on the table. For instance, reduction in pay was made effective only after consultation with employees and servants, as the decision could not have been made unilaterally according to the regulation that was in force then (ibid.).

According to Work Life Survey 2009, 83.2% of state and local government agency workers were satisfied with how informed they were of organisation activities, work management and working conditions. Still, the study made by Espenberg (2011) revealed several problematic issues that hinder information and consultation in public sector such as dependence of managers and employees interest and initiative; info movement is hierarchical and does not reach to lower levels; relationships between the colleagues within the organisation effects info movement; lack of resources to organise proper information and consultation process and timeliness of the information (Espenberg 2011).

On national level, the **social dialogue** process is based on the good legislative practice to ensure timely and substantive engagement of different stakeholders such as trade unions and other employee representatives or employer associations in developing relevant policies. For that, Technical Rules for Drafts of Legislation of General Application has been elaborated (in force since 1.01.2012) that establishes the rules of authority, procedure, form and publishing of the legislation. Overall, currently, employer and employee representatives have the opportunity to express their opinion in matters they are interested in (opinion regarding different legislative acts) and also may be asked to give their opinion (specific Acts that they have special interest in or their opinion is valuable such as in case of Employment Contracts Act, Civil Service Act, etc.). However there are no tripartite bodies or agreements. Nevertheless, the social dialogue practices have been different in quality in different times. For instance, during the late 1990s-early 2000s, it was common that social partners together drafted the employment legislation. Later, the government have been more in a position that it is their authority to make decisions regarding employment law. Due to this, government have consulted with social partners about employment law, including recently reformed Employment Contracts Act and Civil Service Act, but at least according to social partners, the government has not been a good listener and has not taken their proposals into account. This has also resulted in practices that some issues are not brought out during the consultations with the social partners but lobbied via political parties, especially Social Democrats during parliamentary debate.

### *Enforcement*

In addition to determination and negotiation of terms and conditions, some attention shall be paid to **enforcement and dispute resolution** in case of non-application or misapplication of act, contract or rule. Before and after the civil service reform, the legislation of civil service does not give supervisory authority and responsibility to any body or agency. At the same time, public employees with employment contract are covered by administrative labour inspection. Though, the scope of the working conditions to be inspected (for instance working time limits) has become quite limited after the individual labour law reform in 2009. And in practice Labour Inspectorate has focused on inspection of private sector organizations rather than CPA organizations.

It has been already discussed that CPA is decentralised and there is weak central coordination and that includes other central enforcement practices. Though the Ministry of Finance has the authority to centrally develop employment and personnel policies, in case of non-compliance it could only point out the issue by analysing the situation, consulting with organizations and

spreading the best practice, but it does not have the right to apply any coercive measures. Therefore, both civil servants and public employees have to have good awareness and knowledge about their rights (and obligations) and in case of non-compliance could rely on juridical process.

**The disciplinary proceedings** are specific to the civil service. The aim of disciplinary proceeding is to quickly and completely identify disciplinary issues and determine the fair disciplinary action. Before and after the reform, disciplinary offence is considered violation of obligation, but the new civil service act aims to make this clearer and there are fewer forms of disciplinary punishment. The new proceedings are expected to improve the system, including increase the protection of employees, for instance by giving the person more time to give opinionated response and objection to the matter.

The juridical processes for servants and employees for settlement of right disputes have been different. Civil servants have had the right of recourse to court, while public employees have had the right of recourse to tripartite pre-court system Labour Dispute Committee or to court. And yet, in case of collective labour dispute regarding rights and obligations determined in law or contract, civil servants and public employees could recourse to a Labour Dispute Committee or to court.

Matters of labour disputes are resolved by Labour Dispute Committees consisting of three members of both employees' and employers' representatives, whose decision is binding to the parties. If the parties do not agree with a decision of a Labour Dispute Committee, the parties have recourse to court for hearing of the same labour dispute. Also, in case of disputes, employees could request their representatives, for instance employee trustees to represent them in a labour dispute with the employer before having recourse to a labour dispute resolution body (Employees' Representatives Act, § 10). Additionally, the Gender Equality and Equal Treatment Commissioner monitors compliance with the requirements of Gender Equality Act and Equal Treatment Act that includes equal treatment clauses regarding employment and work. In practice, the body monitors the compliance by collecting complaints from public employees and civil servants. It follows, that although the disputes in civil service have been rather rare, civil servants have somewhat higher barrier to seek solution to their dispute regarding their rights due to costs and complexity of court system relative to dispute committees. This was also debated during the recent civil service reform, but the labour unions proposal to design pre-court system for civil service was not endorsed by the government as the number of cases would be small and civil servants are professionals that are expected to be able to stand up for their rights in the court system.

## Working Conditions

### *Recruitment, termination*

As discussed in the previous chapter, employment in Estonian CPA includes both civil service and public employment. According to Statistics Estonia, in 2012 there was 624 000 employed persons of which 165 000, i.e. 26% worked in public sector including local governments. Statistics from the Ministry of Finance shows that CPA forms around 12% of total employment and 33% of employment in public sector (Rahandusministeerium 2013).

**Table 1: Employment in private and public sector**

	2006	2007	2008	2009	2010	2011	2012
<b>Employment in private sector</b>	483,500	497,100	501,000	437,300	413,200	449,700	459,000

<b>Employment in public sector</b>	162,700	158,300	155,500	158,600	157,700	159,300	165,400
<b>Employment in CPA</b>	57,214	57,585	57,539	56,411	54,873	55,313	54,600
<b>...Civil Service in CPA</b>	23,376	24,554	24,217	23,307	23,169	22,286	22,043
<b>Change in Employment in private sector</b>	5.5%	2.8%	0.8%	-12.7%	-5.5%	8.8%	2.1%
<b>Change in Employment in public sector</b>	9.2%	-2.7%	-1.8%	2.0%	-0.6%	1.0%	3.8%
<b>Change in employment in CPA</b>	-1.2%	0.6%	-0.1%	-2.0%	-2.7%	0.8%	-1.3%
<b>...Change in civil service in CPA</b>	-1.1%	5.0%	-1.4%	-3.8%	-0.6%	-3.8%	-1.1%

Source: Avaliku teenistuse aastaraamat 2012.  
[http://www.avalikteenistus.ee/public/statistika/Avaliku\\_teenistuse\\_aastaraamat\\_2012.pdf](http://www.avalikteenistus.ee/public/statistika/Avaliku_teenistuse_aastaraamat_2012.pdf)

In 2012 54,600 persons worked in CPA of which 22,043 were civil servants. The employment decreased during the economic crisis, but it decreased at the lower rate in the CPA than in private sector. Employment in private and public sector started to increase in 2011, but continued to decrease in CPA. Comparing 2011 to 2008, the employment in CPA has decreased about 4% and in civil service about 9%. As discussed above, the recent civil service reform that went into force on the 1<sup>st</sup> of April 2013, redefined employment in public administration. According to the most recent statistics, the number of workers in CPA increased from 54,600 in 2012 to 55,300 in 2013, but the number of civil servants declined from 22,043 in 2012 to 17,747 in 2013

(Rahandusministeerium 2014). In sum, in its first year in force, the civil service reform has caused the share of civil servants in CPA to decline from around 40% to around 32%. At present, it remains to be seen what the proportion of civil servants with special status of employment will become during the coming years. However, according to recent discussion, the share of employment in public sector and CPA is about to remain largely in the same proportion, but due to the ageing of the population, the absolute number is about to continue to decline gradually.

Although most of the civil servants and employees hold permanent job positions, there were 691 temporary public servants (either civil servants or public employees) employed in the CPA in 2011 (Rahandusministeerium 2012a).

The number of temporary staff has increased 20% as compared to the pre-crisis period in 2008. According to experts and workplace level informants estimation, one of the reasons behind this is the increase of project-based work, oftentimes funded by EU. Also, the interviews indicated that oftentimes the temporary employment is used to fill the position left vacant during parental leave.

Although the population of Estonia is decreasing and ageing, Estonian civil servants and public employees are still considered to be rather young. Over the last decade, the proportion of servants in higher age groups have increased and in lower age groups decreased. For instance while in 2000 29% of servants were in the age group 21-30 in 2011 the group has decreased to 22%; also in 2000 21% of servants were in the age group +50 in 2011 the age group has increased to 24% (Rahandusministeerium 2012). On the one hand, these developments are related to general demographic trends, but more importantly organizational developments in CPA. During the state

building period (1990-1996) and accession period, big number of relatively young persons entered into CPA and have aged during the following years. During the workplace level interviews it was discussed that it has been considered the best practice to have more equal distribution over age groups to avoid accumulation of organizational risks related to lifecycle, for instance retirement or lack of experience.

Since 2008, the gender distribution in CPA has been equal. In 2011, 47% of public servants are men and 53% women, but it varies considerably across organizations, for instance, in the police and military service the percentage of men is over 70% and 90% respectively, whereas in the ministries about 70% of civil servants are women (Rahandusministeerium 2012). Also, experts debated that the top public service positions are male dominated that could point to the glass ceiling for women.

**Recruitment.** In principle, the Estonian civil service system has been based on the system, where the recruitment takes place to all positions and servants are expected to have competencies, educations, skills, experience to do his/her work. One can enter into service either by competition or direct recruitment. Before the civil service reform in 2013, quite often employees entered into CPA without competition. According to statistics, in 2009 32.3% and in 2010 27.6% of vacancies were filled without open competition (Rahandusministeerium 2010). The system had been criticized for long time. For instance, in 2011 Cardona (2011) pointed out that as competence based competition is not mandatory for all civil servants on appointment and there are number of ways to sweep under the carpet the legal framework of civil service. The competence based competition contributes to greater openness of civil service and ensures the optimal quality of civil service, as the best fit candidate is selected. This reasoning was also used during the civil service reform that established the rule that the vacancies of civil service positions shall be filled by way of competitions, and the competition shall be announced publicly. Also, the reform more clearly specifies the conditions when only in-house competition is allowed. Although the staff search and organizing competitions is still decentralized and the responsibility of employer, information about vacant positions is distributed centrally in the in the central civil service portal/website.

The civil service reform is about to change working conditions related to recruitment. Before the reform, it was employers' discretion whether to apply **probation period** of up to six months. After the reform, it is stated that the civil service will be temporary initially, and the four month trial is obligatory for all servants. The same up to four month probation period could be applied for public employees. It is stated that the probation period is to assess whether civil servant's education, work experience, knowledge, and skills meet adequately the service requirements. The employer is required to carry out evaluation and career development meeting with the servant before the end of the probation period.

It was discussed above that during the recent years the employment in CPA has decreased about 4%. In relation to the discussion of changes in employment in CPA also some attention should be paid to **tenure and turnover**. Administrative statistics show that about 34% of civil servants have worked in the office more than 10 years, 55% 1-10 years and 11% less than one year (Rahandusministeerium 2013). Experts and workplace level informants argued that civil servants with long length of service ensure institutional stability and professionalism, shorter spell of service however helps to transfer knowledge and introduce change. Turnover in CPA has varied between 9% and 16% during the period 2008-2011 (Rahandusministeerium 2012). Turnover was at its peak in 2008 when labour scarcity and better working conditions in private sector pulled employees out of public sector, later the economic and financial crises decreased employment security and turnover decreased. In 2012 the turnover was around 12% (Rahandusministeerium 2013).

About 10% of the turnover is caused by the mobility within the CPA and about 6% is caused by restructuring. During the period 2008-2011, 2107 employees left service due to redundancy, closing down the organization or the end of temporary service, of which about 75% is between the years 2008 and 2009 (Rahandusministeerium 2012a). During the financial crises, the redundancy was mainly used to make ends meet, but also to reconsider organization structures to make it more effective. In the latter cases, employers and managers could use the savings to preserve or improve the working conditions of the remaining personnel.

Terms of cancellations of service were also under discussion during employment relations and civil service reform. In case of redundancy, **mandated pre-notification periods** are used to foster transition employment status and adapt to the circumstances. The employment relations reform in 2009 and civil service reform in 2013 equalized civil servants and (public) employees mandated pre-notifications periods. For instance, in case of tenure less than a year, the notification period decreased from 1 month to 15 days, and in case of tenure more than a year, it decreased to one month from up to 3 months. These changes were reasoned, firstly, by the flexicurity debate to increase employers' flexibility in changing employment economic circumstances and, secondly, by need to equalize working conditions of civil servants and (public) employees.

In connection to the mandatory pre-notification period, the reforms have also changed employees and servants' right related to **severance payments and insurance payments**. The reform both reduced the severance payment that the employer was obliged to and equalized the severance payment for employees and civil servants. Before the reform, severance payment depended on length of employment and varied from compensation equal to 2 month's average wage to 4 month's average wage for employees and from compensation equal to 2 month's average wage to 10 month's average wage for civil servants. After the reform, upon termination due to redundancy, the employer shall pay the employee and servant compensation of one month's average wage of the employee or servant. In addition to payments from the employer, both employees and servants are entitled to insurance payment from Unemployment Insurance Fund. This insurance payment was introduced during the private labour relations reform. The insurance payments are also based on the longevity of employment/service: (1) in case employee or servant have worked for 5-10 years, he/she is entitled to insurance payment for one additional month; (2) in case employee or civil servant have worked for more than 10 years, he/she is entitled to insurance payment for two additional months.

The reduction of pre-notification and payment period were heavily debated during the reform as employee representatives were afraid that the changes would undermine employees' security. Still, the changes were pushed through to increase flexibility of employers and sustainability of unemployment insurance system. Also, the changes undermine the special status of employment of civil servants, and indicate that NPM principles and ideology still has significant influence on the development of CPA in Estonia.

### *Skills and skill development*

**Training system.** The general assumption in the training system has been that if a civil servant takes a position in the administration one already has qualifications, competencies, knowledge and skills for the professional work. According to statistics, 59% of servants in CPA have at least higher education while around 30% of employees in total employment have at least higher education, and the proportion of servants with at least higher degree has increased slightly during recent years (Rahandusministeerium 2012).

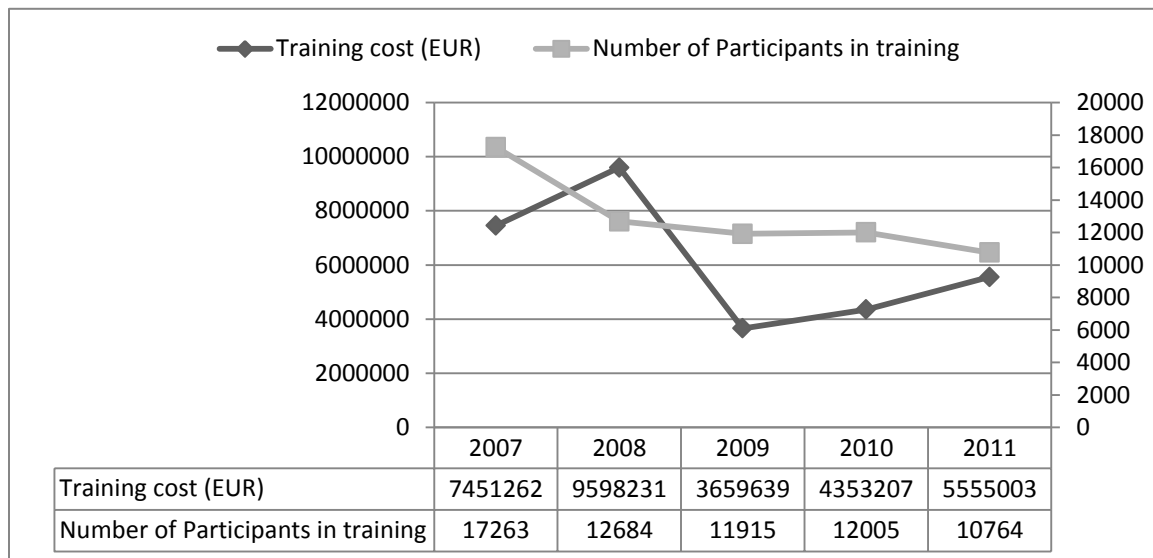
That being said, skills and skill development of servants has been one of key topics in employment issues and personnel policies in CPA. One of the most crucial changes in the training system has been the abandoning of the **attestation system**. Before the civil service reform, once

in every three years servant's job performance and compliance with the requirements of his/her position had to be attested. Although formally the system was abandoned only recently, in practice the formal attestation system was rarely and at reducing rate used in most of the organizations in CPA. For instance, in 2007 only 24 organizations attested 972 servants and in 2011 already only 4 organizations attested 21 servants (Rahandusministeerium 2012). Public sector organizations have argued that the attestation system was too rigid and formal (Rahandusministeerium 2008). According to interviewees, instead of the formal attestations, organizations developed and implemented their own evaluation systems and the attestation system was found unnecessary additional commitment. This illustrates that although quite rigid civil service system was introduced during the 1990s, due to the implementation cap, the central coordination have been rather selective. As a result, the civil service reform replaced the attestation with more flexible evaluation and development system that obliges employers in administration to carry out evaluation interviews with employees and civil servants once in a year to assess their performance, professional development and training needs and discuss work tasks and goals. Also, the evaluation interview is set up for employees to discuss management issues and make one's suggestions for training, and therefore could be considered one formal channel of information and consultation. The recent statistics shows that in the ministries around 37% of servants have had interview with their manager to discuss the evaluation and professional development (Rahandusministeerium 2013).

**Right for training.** The right for training have been somewhat different for employees and servants, and the recent civil service and employment relations reforms have also changed these conditions. Before and after the employment relations reform, employers have had obligations to develop employees' competencies and skills. After the reform in 2009, the legislation explicitly also says that employees' have the obligations to participate in the development of their professional knowledge and skills. According to the explanatory note of the act, the amendment is expected to enhance employees' awareness of their training obligation, motivate their participation in skill development and support individual access to development and training that one himself/herself considers important. Contrary to employment law, civil service legislation before the reform in 2013 did not explicitly state employers and civil servants obligations regarding professional development. The reform introduced in the legislation employers obligation that it shall take measures to develop the professional knowledge and skills of servants, including budget the necessary funds, and that servants have to develop their professional knowledge and skills. The legislation states that it is employer prerogative to decide servants' participation in training, but servants have institutionalized channel via evaluation meeting to discuss the professional development plans.

In addition to the right for training, there have been changes in training practices in CPA. Statistics show (Rahandusministeerium 2012) that sharp decline in training costs took place in 2009 to reduce the operating costs of CPA under the influence of economic and financial crises. Although during the following years there have been signs of recovery, the cost level in 2011 is still around 58% of the level before the decline. In conjunction with the training costs also the number of participants declined during the economic recession but has only stabilized during the recent recovery period.

**Figure 1: Training in CPA**



Source: Avaliku teenistuse aastaraamat 2011.

[http://www.avalikteenistus.ee/public/statistika/Avaliku\\_teenistuse\\_aastaraamat\\_2011.pdf](http://www.avalikteenistus.ee/public/statistika/Avaliku_teenistuse_aastaraamat_2011.pdf)

During the interviews it was discussed that training budget cuts helped to preserve employment and salaries in CPA, but also forced to reconsider priorities of training. Based on statistics, it has been estimated that around 1.8% of salaries fund is for training (Rahandusministeerium 2013). Before the economic crises it was the obligation of public sector employers to budget 2-4% of salaries fund for training. The obligation was abolished to adapt to financial situation and increase public sector organizations' discretion in personnel policies.

Regarding coordination of training in CPA there are three levels of training: decentralized training at the employer level, centralized training of top-civil servants, that is the responsibility of the Government Office, and centralized training that is the responsibility of Ministry of Finance. The budget of centralized trainings is about 10% of training costs in civil service (Rahandusministeerium 2013). It has been argued (Randma-Liiv et al. 2011) that fragmented organization level perspective dominates in skill development and training, and central coordination and cooperation is not systematic and strong in developing coherent competencies in CPA. On the other hand, according to experts and workplace level informants' evaluations, as different organizations have different competencies requirements also the training practices in general shall be organizations' responsibilities. These contrasting opinions have impelled the discussion on the coordination practices of skill development policy in CPA.

In addition to training obligations and rights, both civil servants and public employees have right for **study leave**. The right was somewhat changed during the employment relations reform in 2009. Before the reform, the general right of employees and servants for study leave for formal education depended on form of learning and load (for instance, externs and part time students were not covered). The reform abolished this precondition for study leave. Also, the reform equalized the total number of days and compensated days that employees and servants can use. The number of days one could use for study leaves for formal education decreased but the number of days for vocational training increased. As a consequence, for the majority of employees the opportunities to use the study leave expanded. Currently, servants and employees have right for 30 day study leave in a year, of which 20 days are compensated in case the leave is for formal education or vocational training. Also, one is entitled for additional 15 days compensated leave for completing the formal educations with a degree. Still, there was an

exception that differentiated civil servants and public employees right for study leave. Before the civil service reform, civil servants had an additional right once in five years to take a paid three month long study leave. This right was cancelled during the reform to equalize civil servants' and employees' rights and working conditions.

The other important change regarding skill development is related to changes in remuneration system that is in more detailed discussed in the following part. The civil service reform simplified and made more transparent the remuneration system by abolishing extensive bonuses system. Before the reform, there were also bonuses for academic degree and foreign language skills. As a result the new system does not motivate skill development via remuneration. These changes once again exemplify the diminishing differences between civil servants and (public) employees in terms of employment and working conditions.

### *Remuneration*

It has been argued that remuneration system and practices in the Estonian civil service are rather problematic due to deficient coordination. For instance, Cardona (2006) stated that the salary system is fragmented and the differences between the salaries in various organizations are not justified; the discretion of managers in determining salaries is too big and the variable component relative to fixed component is too big. Similarly in 2011, the OECD (2011) pointed out that the wages in public sector are not transparent and suggested to modernize and harmonize the remuneration system by clearly specifying requirements, clarifying the roles and responsibilities of each position and specifying principles of wage calculations while maintain the flexibility.

These concerns induced to abolish the central wage scale, reduce the wage components and limit their use, and establish classification and grading of places of employment at the workplace level during the recent civil service reform. Before the reform, there was additional pay for seniority, for academic degree, for foreign language skills, etc. The current system stresses that civil servants salary shall comprise the basic fixed pay that is based on the job description, official functions and knowledge, skills, and experience.

According to the new legislation, the variable component of civil servant's salary is an irregular part of the remuneration of an official which may be paid as a performance payment, as an additional payment for the performance of additional duties or as a bonus for exceptional service-related achievements. To achieve better transparency of the system, the new legislation limits the variable pay up to 20% of the civil servant's annual base salary. Before the reform, different employers paid different bonuses (for instance for birthday, vacations), supplements, but the newly reformed system allows only bonuses for performance and additional duties. However, there have been some concerns about the applicability of the new variable pay system, as not all the civil servants and employees could even in best case scenario achieve exceptional service-related achievements due to their job description.

Before the reform, central wage scales determined by the government were used to coordinate the remuneration in CPA. However, there was substantial implementation gap due to extensive use of variable pay components that lead to decentralized remuneration system. Currently, the approach to coordinate the remuneration system is based on classification of positions and salary guide. Every organization as an employer has to develop a salary guide that determines basic salary rates or salary ranges and coordinates the guide with the Ministry of Finance. The salary guide shall be publicly available as well as the salary of civil servants and public employees. It is expected that central analysis of these salary guides by the Ministry guarantees transparency and equal treatment of servants that do comparable work, and enables adequate comparison of wages between public and private sector to increase competitiveness of civil servants salary.



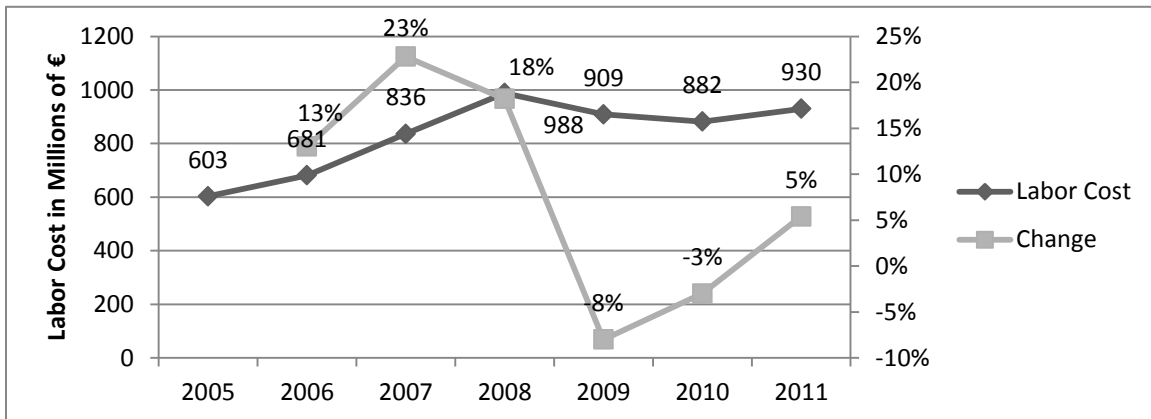
Also, it has been debated that in the decentralized system, activities and occupations more open to labour market competitions would more likely have comparable wage levels, but other occupations where the open labour market has not developed employees have not had very competitive wages. For instance, it has been a tendency that wages in the field of education, culture, and social affairs are significantly lower than in in field of finance and economy. This has induced the Ministry of Finance to discuss and prepare steps to increase the competitiveness of wages in these sectors and achieve also more equal treatment of comparable civil servants.

It follows that the remuneration system is quite deterministic – although the government does not centrally predefine rates or salary ranges, it expects every organization to develop the rates or ranges based on the job analysis. In principle, this leaves room for individual and collective bargaining and consultation regarding development and application of the salary ranges. Also, as discussed above, public employees have more contractual freedom compared to civil servants. Nevertheless the practice has emerged that organizations state in the salary guide that they remunerate their comparable public employees similarly to their civil servants. On the one hand, this improves equal treatment of servants and employees, but, on the other hand, diminishes contractual freedom in favour of managerial prerogative.

Regarding managerial prerogative to unilaterally decrease pay, both the employment relations reform and civil service reform state legally that salary shall not be reduced unilaterally but specifies the economic conditions when an employer has legal right to do it. In the civil service the reduction is allowed if there is a global recession and the administration budget reductions are necessary to maintain confidence in the economic environment. This crucial change in civil servants working conditions was made due to the recent financial crisis. Before the reform reduction of civil servants salary was not foreseen by the civil service act. Nevertheless, in practice the salary was reduced by losing variable pay or cutting fixed pay. These changes entailed consultation process with employees and their representatives, and mostly the reduction was understood and accepted in the face of severe economic downturn and hope to preserve the employment.

**Evolution of Pay Level.** According to the statistical report by the Ministry of Finance (Rahandusministerium 2012b), in 2001 there were 55.3 thousand full-time equivalent civil servants and employees in CPA, and the labour cost (that includes bonuses and benefits but not taxes and insurance payments) 930 million EUR. Before the economic crises, the labour cost increased rapidly, but decreased in 2009 and 2010.

**Figure 2: Labour Cost in Estonian CPA**



Source: Avaliku sektori ja valitsussektori töötajate arv, tööjõu- ja palgakulu ning keskmine brutokuupalk 2011. <http://www.fin.ee/doc.php?107466>

Previous studies (Leping 2005; Virkus 2011) that have focused on public and private sector pay differences have shown that in general pay level of lower paid employees is equal to or higher but of higher paid employees is lower in public sector than in private sector. This suggests that the incentives for lower paid employees to work in public sector are higher than for higher paid employees.

**Figure 3: Average Monthly Gross Wages**



Source: Avaliku sektori ja valitsussektori töötajate arv, tööjõu- ja palgakulu ning keskmine brutokuupalk 2011. <http://www.fin.ee/doc.php?107466>

According to the statistics of the Ministry of Finance (Rahandusministeerium 2012b), during the recent economic developments public sector average wages decreased by 1.3% in overall public

sector and 1,2% in CPA comparing wages from 2011 to wages in 2008 (see figure Average Monthly Gross Wages). Also, the graphs indicate that wages in CPA increased quicker during the years of rapid economic growth but have also decreased more than in private sector during recent economic recession.

According to the report (Ibid), bonuses and allowances were very wide spread before the crises, but during the 2005-2009 there has been clear downward trend of their share. The reduction of use of bonuses was motivated to preserve employment and fixed wages as much as possible. Data indicates that on average variable wage components made about 6% of the wage in CPA in 2008. By 2011, the proportion has diminished to 2%.

### *Work time arrangements: work & work-life balance*

**Work time.** Work time arrangements of civil servants and public employees have not gone through drastic changes during the reforms. Most importantly, during the individual employment relations reform in 2009, the working time was a bit more extensively regulated to ensure minimum daily and weekly rest periods and maximum total working time. The same principles are now reflected in the new Civil Service Act.

There are no statistics about contracted and actual working hours in CPA and therefore, also, there are no accurate estimations about share of part time work. Still, the workplace level interviews indicated that employers are open to negotiate working time and agree on part time work, especially to reconcile work with learning and parental commitments, if work arrangements allow.

Interestingly, conditions of over-time work for civil servants and public employees have been changed somewhat differently. Before the civil service reform, overtime work for servants and employees were regulated similarly. Still, in practice, the formal overtime work was rarely used and in case servants had to carry out additional work tasks or duties they had a right for bonus payment. After the civil service reform, employer can require a servant or employee to work outside predetermined-negotiated working hours when the public service tasks must be implemented immediately under extraordinary circumstances, while employer and public employee can agree on overtime work even if there are no unforeseen circumstances, in particular, prevention of damage. Additionally, there is crucial difference in compensation of overtime. In private employment relations, the overtime work has been compensated by either spare time or additional monetary pay. Before the individual employment relations reform, the legislation did not favour one form of reimbursement to the other and the form of compensation had to be determined by the parties' agreement. The new labour contract act specifies that overtime work shall be compensated primarily by free time to protect the health of workers. However, the new civil service regulation seems to prefer monetary compensation of working time, though servant could request time off equivalent to the overtime. Monetary compensation of overtime of both servants and employees is 1.5 times the salary. The difference in compensations is not explained in the explanatory notes of the legislations nor were they clarified by the expert-interviews. Nevertheless, it is likely that these differences could be explained by the extraordinary circumstances that legitimizes the employers' request.

**Timing of work.** According to the legislation, work time arrangements, especially timing of work in workday and workweek is the managers' prerogative. Thus public sector organizations can develop organization of working time that serves the best the organizations' interests. This also makes possible to motivate civil servants and employees by using work time arrangements that help them reconcile work and life. Also, in case it is required to change the work time arrangement in the interest of the administration or the organization, employers have to pre-notify their civil servants and employees to make sure that they could make changes in their living arrangements (for instance reorganized parental care).

Based on expert opinions and workplace level interviews, organizations and agencies have determined the time of work during the usual work hours and to varying degree allow employees and civil servants to choose timing of their work. Thus, as a rule, there are no employees and civil servants that according to their terms of employment work during non-standard, un-social working hours. In everyday practice it happens that due to contingencies there is need to work outside normal working hours but it was not considered widespread or problematic during the interviews.

Still, the regulative framework of evening and night work changed due to the individual employment relations reform in 2009. The reform deregulated night work, but regulates more restrictively night work to prevent possible work related health problems associated with working during nights. The change could also motivate not to use night work in the public sector.

**Annual holiday.** Civil servants' and public employees' terms of annual leave were quite stable though different before the reforms. Before and after the individual employment relations reform in 2009, the length of annual leave for public employees was 28 calendar days and for civil servants 35 days. Still, before the reform there were tenure based component in the annual leave policy that was abolished in 2013. Civil servants with at least three years of tenure had a right for each subsequent year one additional day of vacation for up to 10 calendar days. This way, the maximum length of holiday before the reform was 45 days for civil servants and 28 days for public employees. Thus, although during the reform the general idea was to equalize working conditions of different groups the 7 day gap in the length of annual leave is, on the one hand, still there, but, on the other hand, are in principle the only favourable condition comparing civil servants to public employees. Even more, according to the expert interviews, organizations mostly apply the same 35 day annual leave on public employees to treat civil servants and employees equally, diminishing the potential effect of this favourable working condition even further.

The length of the holiday in a given year depends on the duration of the employment or service, and therefore temporary employees or employees that have just started their work have the holiday in proportion to their duration of service or employment. At the same time, the length of the holiday is the same for part time workers and full time workers meaning that the principle of *pro rata temporis* is not applied here.

The holiday for a given year expired in four year before the reform and in one year after the reform. This amendment was made to motivate employees and civil servants to take annual leave in each year or otherwise lose it in order to avoid overworking and offer the possibility of regular annual leave from the work routine and environment.

At the beginning of the year, the holiday schedule is designed to give both sides the opportunity for planning work and holiday. According to the legislation, the employer has the prerogative to determine the timing of the leave, but it has to take into account the wishes of employees which are reasonably compatible with the employer's interests. Regarding the holiday days that are not in the schedule, the employees and civil servants can use these in their will by notifying the employee 14 days before the leave. The schedule may be amended by agreement of employer and employee. In this institutional framework, employers have used the right to schedule collective holidays.

All in all, the recent changes made within private labour reform and civil service reform have resulted in more equalized working conditions for civil servants and employees working under private labour law as civil servants lost most of its entitlements over regular employees. And while it has been argued that recent civil service reform could at least potentially increase collective bargaining in CPA as the proportion of civil servants whose working conditions have been largely set by the law has been decreased, the actual practice seems to be that employers do not like to set favourable conditions to only some employee groups and treat all employed persons the same way. This means that the working conditions for public employees working in

CPA under private law improved even by the right to organise a strike in case of conflict of interest. However, it could be argued that for civil servants, at least for now, when collective bargaining in CPA remains weak, the opportunities to stand for its working conditions have deteriorated.

## **Conclusion**

Soon after regaining independence in 1991, the debate started about how the public administration and civil service shall be organized. One of the crucial outcomes of the debate was the introduction of civil service system in 1996 where civil servants have a special status of employment compared to public employees and employees in private sector. This special status, on the one hand, have limited civil servant's discretion in employment relationship, but, on the other hand, established favourable working conditions. However, the considerable share of public employees whose employment relationship and working conditions are determined by private employment law makes the employment system in Estonian CPA a dual system. This system had been evolving till 2013 when the civil service was reformed.

In conjunction to development of civil service system, the Estonian administrative system evolved. One of the key features of the Estonian administrative system is its reliance on ministerial (and other administration organizations) responsibility. Ministries form strong administrative actors, which have considerable leverage over the issues belonging to their areas of governance. Such decentralised setup of the government has effectively reproduced itself and the organisation of employment matters in the CPA also follows the pattern.

Estonian civil service system has been based on the principle that terms of employment and working conditions that are regulated by the legislative body shall not be changed in favour of civil servants. Due to this the individual and collective bargaining and consultation over civil servants working conditions are possible only as much as possible in the legal framework. However, this strong central coordination has not been all embracing due to both scope of regulation and implementation gap. Other than this legal framework, the limited coordination of the employment matters and personnel policies is fragmented among several institutions that are equipped with restricted coordination authority and often also with quite limited resources. In consequence, the CPA in Estonia has been very decentralized and every government organization have been expected to act as an employer taking the responsibility to develop employment relations and working conditions. This weak central coordination has resulted in uneven development and fragmentation of employment matters and policies in the Estonian CPA, and consequently differences in industrial relations and working conditions.

Thus, the deterministic civil service legislation on the one side and decentralized public administration on the other side have shaped employment in Estonian CPA. However, the recent civil service system reform is expected to enable new developments regarding industrial relations and working conditions in CPA. In 2013 new civil service act that redefines the scope of the civil service and reducing positions with special status in CPA went into force. The reform increased the proportion of public employees in administration whose terms of employment and working conditions are regulated by private employment law. The crucial reform also significantly reduced differences in civil servants' and public employees' (and private sector employees) working conditions centrally determined by law. Thus, the proportion of employees with special status of employment is about to decline, but also their special status has waned to a large extent.

At the same time, the larger proportion of public employees in central administration and less deterministic employment law and civil service law could in theory both increase individual and collective bargaining in CPA. However, in practice this will depend on public employees' and civil servants' and their employers' willingness to bargain, and also employers' willingness to

conclude collective agreements that give favourable working conditions to only a group of employees.

Also, although the decentralization remains the key characteristic of Estonian CPA, the reform addresses the concern of fragmentation by developing network type coordination that includes central analysis of differences in personnel policies and consequently differences in terms of employment and working conditions across administration units, and through sharing of the best practices and allocating resources improve transparency and equal treatment. It remains to be seen, how employment relations, personnel policies and working conditions start to evolve due to these incentives.

Although both civil servants and public employees have had right to association, during the last decade only in a few organizations in CPA labour unions have been actively representing their members and collective bargaining have taken place. The collective employment relations in CPA have developed rather path dependently. Where the strong representation and bargaining have developed, it is well established and is seen to continue well into the future. However, where the representation and bargaining is weak or non-existent, there seems to be little initiative and enabling relations to foresee the expansion of collective employment relations. This tenuous and decentralized industrial relations practices could be explained by quite deterministic legislation, the lack of tradition to join trade unions and conclude collective agreements, the lack of rights of civil servants to strike in case of conflict of interest and therefore empower their position in bargaining, and not supportive stand of the recent coalition governments and administration to bargaining. Still, although the civil servants lack the right to strike, due to the recent civil service reform the proportion of public employees, therefore also the proportion of employees with the right to strike is about to increase in CPA.

Though collective bargaining is not widespread in CPA, the social dialogue at the central level and information and consultation in workplace level is quite common. During the recent legislative reforms, the government discussed the changes with social partners. However, rarely changes to the reform plans were made according to suggestions by labour unions (for instance the right to strike of civil servants). Regarding the workplace level information and consultation, there seems to be evidence that personnel policies and employment relations practices have been discussed with servants and their representatives, for instance, there were consultations over changes in working conditions during the economic downturn or legal reforms.

Regarding the enforcement of civil servants' right to working conditions determined by legislation, agreed in private or collective contract or employers' personnel policies, there is no formal juridical enforcement mechanisms and the administrative processes have been rather limited in civil service system. The supervisory authority and responsibility in CPA is not designated to any body or agency. Still, the Ministry of Finance has the responsibility for the general development of personnel policy in CPA and it makes efforts to coordinate implementation of these policies via analysis, dissemination of information, consultation, and other soft measures.

For settlement of a labour dispute, civil servants have had the right of recourse to court, while public employees have had the right of recourse to a Labour Dispute Committee or to court (in case of collective dispute, also civil servants have the right of recourse to the dispute committee). It follows that civil servants have somewhat higher barrier to seek solution to their dispute due to costs and complexity of juridical process. However, the disputes in civil service have been rather rare.

In this general administrative system and employment relations framework, working conditions in CPA have been in flux. In principle, the Estonian civil service system has been merit based system, where the recruitment takes place to all positions and civil servants are expected to have

competencies before taking the position. The recent civil service reform more boldly established the rule that the vacancies shall be filled via open competitions that is expected to increase openness and employment opportunities for the entire workforce. In 2013, 55,300 persons worked in CPA of which 17, 747 were civil servants. Employment in CPA increased rapidly before the recession due to increase in public budget during the economic boom and due to post-EU accession increase in functions of the administration, while decreased during the recession due to budget cut backs and recession triggered efforts to increase efficiency in the administration. In its first year in force, the civil service reform has caused the share of civil servants in CPA to decline from around 40% to around 32%. At present, it remains to be seen what the proportion of civil servants with special status of employment will become during the coming years. However, according to recent discussions, the share of employment in public sector and CPA is about to remain largely in the same proportion, but due to the ageing of the population, the absolute number is about to continue to decline gradually.

In addition to decline of the employment in CPA during the recession, the legislative reform that was based on the economic argument to make employment law more flexible, shortened mandatory pre-notification periods of cancellation and severance payments of employees and servants. Thus, the recession and legislative reforms reduced job security and safety network for employees and civil servants in CPA.

Also, the working conditions related to employee development opportunities changed during the recession. Sharp decline in training budget and training practices took place in 2009 to reduce the operating costs of CPA under the influence of economic and financial recession. During the following years there have been signs of recovery. The reduction in training budget also helped to preserve employment and wages in administration, and it was also used to reconsider recruitment policies, for instance efforts were made to employ public servants with required high skills and competencies. The recent employment and civil service reforms have also shaped the training policies in CPA as the reforms equalized employees and civil servants' right to training and as a consequence the civil servants length of study leave have decreased.

Changes in pay system well describe employment relations system developments in Estonian CPA. Before the civil service reform, the legislation centrally determined wage scales and extensive list of bonuses for servants. Still, in practice decentralized system emerged where the discretion of organizations in determining wages was extensive. That resulted in the fragmentation of salary system where the differences between the salaries in various organizations were not always justified. The recent civil service reform abolished central wage scales and reduced the usage of bonuses. As a result, the wages are determined at the workplace level via employer discretion or individual bargaining, and centrally coordinated via job and wages analysis and allocation of resources to different bodies. During the recession, the labour costs and monthly wages in CPA decreased but have recovered to certain extent during the recent years. Before the crises variable pay components like bonuses were widespread, but significantly cut during the recession. This was motivated to preserve as much as possible employees fixed wage level and their employment.

Changes in working time developments also reflect the general tendency to equalize working conditions of civil servants, and (public) employees. The civil service reform reduced the gap in the length of annual leave remarkably. Even more, as in many bodies civil servants and public employees work next to each other, public employees are granted annual holidays in the same length as civil servants to guarantee equal treatment of comparable workers. After the reform, the longer annual leave is in principle the only favourable right of civil servants to compensate their special status of employment, and then, however, civil servants and public employees have the same working conditions in practice.

In sum, changes in industrial relations and working conditions in Estonian CPA could be summarized with three key developments. Firstly, the special status of civil servants has diminished, if not lost, as differences in working conditions of civil servants and public employees have decreased. Secondly, the decentralization of public administration and reducing the number of employees with special status could at least in theory lead to more extensive individual and collective bargaining in CPA but also diversity of working conditions in CPA. To avoid negative aspects of these developments, e.g. too competitive practices of public sector organizations or unequal working conditions of comparable workers, more extensive central coordination or central bargaining might be a necessity. Thirdly, both the civil service reform and changes in working conditions were influenced by the recent economic developments. Recession triggered the cut backs in administration that led to decrease in employment, reduction in wages and making cuts in training practices to make the administration more cost effective. Still, there has been some recovery in these working conditions in recent years.



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## Annex A: Supplemental Tables

**Table 2: The external context of central public administration: some key drivers of change and their implications on civil service**

Factor	Period	Examples of key drivers of change	Implications on public service
Legal-political	1990-1996 Initial transformation	Reforms of transition	Creation of many new functions, structures, procedures and individual jobs Considerable changes without public debate, lack of consensus and continuity in civil service reforms
		Adoption of legislation	Establishment of legal framework for civil service, introduction of merit principle Development of HR policies (recruitment, training, remuneration, etc.)
	1997-2004 Accession to the EU	Implementation gap	Gap between adopted formal acts and their realisation in the daily practice, e.g. in the fields of remuneration or evaluation of civil servants
		Initiatives of civil service development, interplay between EU and domestic factors	Application of EU standards of civil service policy, e.g. adoption of the Code of Ethics, efforts of depoliticisation, provision of EU-related trainings No success in implementing more comprehensive administrative reforms due to domestic political context
2004-2013 Post-accession	Adoption of legislation	Adoption and enforcement of new Employment Contracts Act (2009) Adoption and enforcement of new Civil Service Act (2013)	
Economic-organisational	1990-1996 Initial transformation	NPM ideology, “marketisation” of state	Organisational changes, such as downsizing, delayering, decentralisation, leading to flexibility, “flat” structures, devolution of responsibility, managerial discretion and accountability in organisation of work Decreased job security, work intensification, greater functional flexibility Individualist, competitive and flexible notion of employment relationships, declining membership of trade unions; individualisation of rewards, systematic assessment of performance

	1997-2004 Accession to the EU	Weak central coordination	Fragmentation and unequal development of civil service Flexibility on the organisational level in highly dynamic environment
	2004-2013 Post-accession	Consequences of financial crisis	Reducing number of civil servants, working time, training and development costs and remuneration Mergers and reorganisations of government agencies; consolidation, centralisation and standardisation of support functions
		Further endorsement of open and decentralised civil service	Wider managerial responsibilities in human resource matters Search for cohesion-building tools on the macro level to emphasise the “whole-of-government” approach in civil service development
		Role of managers	Training and development efforts directed at top managers
Socio-cultural	1990-1996 Initial transformation	Demographic changes	Career opportunities for younger generation, greater adaptability to changes Unfulfilled career hopes for “losers” of transition
		Dominance of materialist and individualist values	Rapidly developing private sector preferred to public sector on account of higher salaries and better growth perspectives
	1997-2004 Accession to the EU	Prospect of major freedoms and the greater labour market within the EU	Appealing international careers and rewards for civil servants
	2004-2013 Post-accession	Civil service values	Dilemma between democratic and technocratic values in the context of financial crisis Pressure for transparency of rewards, focus on merit principle in recruitment and career management, attempts to implement performance management
		Public service motivation	Impact on the level of commitment in the civil service, on fairness at the workplace and on employee turnover Lack of interest in civil service careers; absence of a common administrative culture; public discontent with civil service rewards
		Small-state factor	Informal networks for career-related purposes; shortage of high-level competencies; cross-sectoral mobility; individualisation of rewards; multiple roles and duties

## Annex B: Methodology

In order to draw up a summary of the existing information about employment relations and working conditions in Estonian CPA, a large number of administrative documents, but especially legislation and official civil service yearly reports were studied. However, during the literature review, a number of knowledge gaps were identified. Additionally, experts' opinionated interpretations were considered valuable in itself to explain changes and developments in CPA. In selecting the experts for informants, the length of their experience and expertise was given priority over their current performance on given function. Altogether, 5 expert interviews were carried out in 2013 that ranged from 70 – 100 minutes. The experts are listed in the following table.

**Table 3: List of experts interviewed for the country report**

Nr.	Name	Position	Institution
1	Eiki Nestor	Politician. Member of the 7th, 8th, 9th, 10th, 11th and 12th Parliament of Estonia, being a Minister of Social Affairs from 1999 to 2002.	Parliament
2	Margus Sarapuu	Chancellor	Ministry of Justice
3	Cerlin Pesti	Head of the Public Administration and Public Service Department	Ministry of Finance
4	Anu Peljo	Advisor, Public Administration and Public Service Department	Ministry of Finance
5	Kalle Liivamägi	President	Federation of the Trade Unions of State and Municipal Agencies Employees

In addition to expert interviews, workplace level case study research was conceived and executed. Ministry of Finance and Estonian Tax and Customs Board was selected for the workplace level studies as these have been affected by both economic developments, organizational reforms and civil service reform. Also, Estonian Tax and Customs Board was selected as it is one of the rare organizations in Estonian CPA where there are active and representative labour union and where civil servants collectively bargain terms of employment and working conditions. Altogether, 5 workplace level interviews were carried out that ranged from 60 – 90 minutes. The workplace level informants are described in the table below.

**Table 4: List of workplace level informants interviewed for the country report**

Nr.	Name	Position	Institution
1	Mall Kolju	Estonian Tax and Customs Workers Trade Union	Estonian Tax and Customs Board
2	Marek Helme	Director General (He was also Deputy Secretary General on public governance policy of the Ministry of Finance of the Republic of Estonia during 2009 – 2011)	Estonian Tax and Customs Board
3	Marge Dubrovnik	Head of the Personnel Department	Ministry of Finance
4	Veiko Tali	Chancellor	Ministry of Finance

