



# **Mutual Learning Programme**

DG Employment, Social Affairs and Inclusion

**Host Country Discussion Paper - Estonia**

## **Does more information on wages equal pay transparency?**

**Peer Review on "Reducing the gender pay gap through pay  
transparency - legislative measures and digital tools  
targeted at employers"**

**Online, 15-16 April 2021**

*Written by Mari-Liis Sepper, in collaboration with ICF and IRS*

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Directorate-General for Employment, Social Affairs and Inclusion

Unit A1

Contact: Shui-Beam LAM

E-mail: [EMPL-A1-UNIT@ec.europa.eu](mailto:EMPL-A1-UNIT@ec.europa.eu)

Web site: <http://ec.europa.eu/social/mlp>

European Commission

B-1049 Brussels

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## **Executive summary**

Pay transparency is considered a remedy against pay discrimination and its impact on narrowing the gender pay gap has been highlighted and measured by studies using quantitative methods (Baker et al., 2019). Pay transparency measures, as envisaged by the European Commission Recommendation on strengthening the principle of equal pay between men and women through transparency (2014/124/EU), feature various approaches from providing wage information to employees to improving the enforcement and monitoring mechanisms of equal pay rule. Some of these measures are adopted in Estonia, however not always for the reason of enforcing the equal pay principle.

The paper gives a brief overview of the situation on the Estonian labour market, where women seem to act on the same footing with men. Women are highly educated, a large proportion of them work full time and they are by no means newcomers in the labour market, and yet Estonia carries the shameful label of having the highest gender pay gap in the EU. Some of the reasons behind the gender pay gap as established by various studies from 2010 onwards are presented in this paper. Deeply rooted gender stereotypes and the highly segregated labour market and education are some of the factors that account for part of the gap.

The paper discusses the measures provided by law in force and those debated in Parliament in 2019. The country has struggled to give employers any additional duties to monitor and tackle the gender pay gap on the organisation level. The recent failure to adopt a law which would have introduced several of the measures presented in the 2014 EC Recommendation has led to a situation where there are few binding rules as to the role of employers in narrowing the gender pay gap. Even more of a reason to approach enterprises with alternative means of reducing the gender pay gap.

The final part of the paper, consequently, introduces two digital tools aimed to improve access to wages data and raise employers' as well as employees' awareness on the gender pay gap.

## 1 Introduction

*C'est dur la culture quand on a pas de chevaux*

*[Cultivation is hard when one has no horses]*

French proverb

Pay transparency is considered a remedy against pay discrimination and its impact on narrowing the gender pay gap has been highlighted and measured by studies using quantitative methods (Baker et al., 2019). Pay transparency is believed to give more salary bargaining power to women and employees in general, however, its effect on wages is not entirely clear. By contrast, there are also authors who claim that transparency gives more bargaining power to employers and may not lead to higher wages, just more equal wages (Cullen & Pakzad-Hurson, 2019). This paper presents the Estonian context and asks critically whether more information on wages equals transparency which paves the way to pay equality. Moreover, one should inquire whether it should be women who take on the burden of negotiating their way out of the gorge or should the employers instead be held accountable for narrowing the gap. Despite the critical view, it is needless to say that any measure or tool developed with the aim of overcoming the pay gap is like a horse in the proverb above - without it, labouring towards equality is hard.

The Estonian labour market is characterised by the high level of employment of women aged 15-74 (63.3% in 2020), but also by one of the widest gender pay gaps in the European Union (EU) and a highly segregated labour market. Women have been, almost equally to men, active members of Estonian labour market since the 1950s, but still bear the bulk of child rearing responsibilities. In 2019, men accounted for 12% of parental benefit recipients, and their average monthly benefit was EUR 1 728, calculated based on previous salary. Women earned on average EUR 1 133 under the generous parental benefit scheme<sup>1</sup> originally developed to compensate loss of income for 1.5 years when becoming a stay-at-home parent.

Most enterprises (94% in 2017) in Estonia are micro size companies with less than ten employees.<sup>2</sup> Less than a tenth of the labour force are members of unions. Part-time work is not very common in Estonia. In 2020 18.3% of employed women worked part-time and only 8.9% of men. The gender gap in part-time employment is therefore much lower than the EU-27 average (21.6%).

The gender pay gap in Estonia has remained high throughout the past 30 years but nevertheless shows signs of slowly closing. The size of the gap depends on the data used for calculating it. Statistics Estonia and Eurostat use different data to calculate the gap.<sup>3</sup> The calculation of the gender pay gap by Statistics Estonia is based on the combined database including data of the Estonian Labour Force Survey and the Estonian Social Survey. Wage data from the register of taxable persons of the Estonian Tax and Customs Board have been linked to the combined database.

The following graph shows the gender pay gap over the last few decades as calculated by Statistics Estonia, peaking during early 1990s and the 2009-2010 financial crises.

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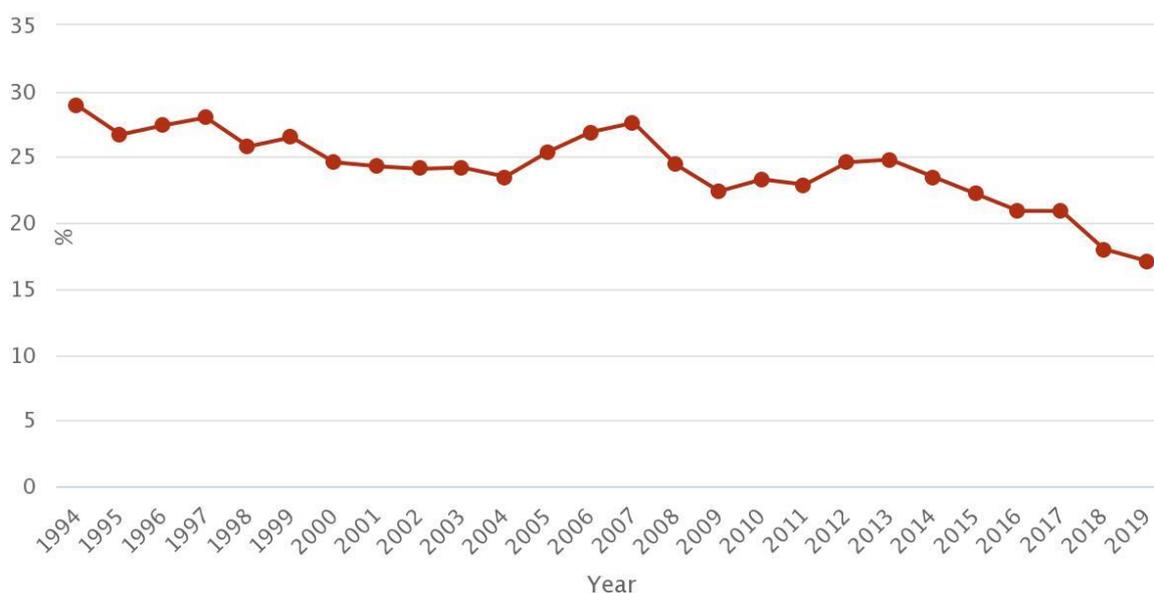
<sup>1</sup> Statistics Estonia: <https://www.stat.ee/en/uudised/news-release-2020-078>

<sup>2</sup> [https://www.stat.ee/et/uudised/artikkel-2018-05-23\\_majandusüksuste-arv-mullu-suurenes](https://www.stat.ee/et/uudised/artikkel-2018-05-23_majandusüksuste-arv-mullu-suurenes) (12.03.2021).

<sup>3</sup> The Statistics Estonia calculation of the gender pay gap combines the data from surveys and national database data. In Eurostat statistics, the pay data in companies and institutions with fewer than ten employees are not included, nor are included the salaries of people working in agricultural, forestry, fisheries, public administration, and defence sectors. According to Eurostat the gender pay gap in Estonia for 2018 was 21.8%, the number by the Statistics Estonia is 18.7%.

Figure 1.

## Gender pay gap, 1994-2019



Source: Statistics Estonia

The gender pay gap is widest in the age groups 25-34 years and 35-44 years referring to the possible negative impact of "fertile years" when employees start families and women are "penalised" while men "awarded" for becoming parents. In 2010 the Mincer type regression analysis demonstrated that women with children earn on average 1.2% less than women with no children (per child) (Anspal et al., 2010). When analysing men with children aged 0-3 the results showed that for every child men earn almost 5% more compared to other men.

A breakdown of the different sectors of the economy shows considerable differences in the pay gap according to the sector of activity. In 2019 the highest gender pay gap<sup>4</sup> (29%) was in wholesale and retail trade. The gender pay gap was lowest in transportation and storage where women are better paid than men (-5%). In sectors dominated largely by women, such as education and human health and social activities the gender pay gap is considerable: 17 and 23% respectively.

Occupation-based gender segregation, which shows the concentration of women and men in different occupations, has been diminishing slightly in Estonia since 2006. At the same time, economic activity-based gender segregation, which shows the concentration of women and men in different economic activities, has increased.

Women hold 37.1% of all managerial positions and this rate has oscillated between 30-38% over the past ten years. Labour market segregation has been popularly considered one of the main reasons behind the gender pay gap in Estonia. Pay differences in the same occupational group can, without doubt, be partly explained by the vertical segregation and the glass ceiling effect. The gap is also larger between the wages of highly-paid women and highly-paid men (a gender pay gap in the upper part of the wage differential). The next passage will discuss some of the factors behind the pay gap.

<sup>4</sup> The gender pay gap is calculated as the difference between the average gross hourly earnings of male and female employees, divided by the average gross hourly earnings of male employees, and is expressed as a percentage. The average gross earnings, as used in the calculation of the gender pay gap, do not include irregular bonuses or premiums.

## 1.1 Explaining the gender pay gap in Estonia

The most influential factors behind the gender pay gap are probably the deeply rooted gender stereotypes, including which jobs are of more value to society and whether by norm these should be held by women or men. The highly segregated labour market and education accounts for part of the gap. Women and men have different career and study paths and are very likely motivated by different considerations, goals and motivators when choosing their field of study or occupation. Estonian society has been discussing gender pay gap since the early 2000s, yet there is a wide toleration of systematic discriminatory practices in the workplace such as poor work and family life balance, laying off and/or demoting women post-childbirth, glass elevators promoting young men over more experienced older women. Most wages in the private sector are subjected to individual wage negotiations, which have inspired a number of opinion articles and studies blaming women and their limited bargaining abilities for the pay gap.

The awareness of gender equality law is generally modest. A study from 2015 revealed that the awareness of the Gender Equality Act among Estonian employers was low (Turk et al., 2015). Only 4% of the employers claimed that they are well aware of this law. Most of the respondents (46%) had heard about the Act, but did not know the contents of the law.

The 2010 study 'Gender Pay Gap in Estonia' (Anspal et al., 2010) analysed the gender pay gap in Estonia from 2000 to 2008. The study found that on average 24% of the overall pay difference cannot be explained. If the education level of women and men is taken into account, the unexplained share of the gender gap increases even more as women are more educated than men in Estonia. Even if more detailed occupation and industry data is used, the unexplained gap does not disappear (Anspal, 2015).

The authors of the most recent pay gap analysis suggest that it is hard for Estonian women to capitalise on their higher education.<sup>5</sup> It is even more difficult for Russian speaking women in Estonia, who have difficulties to find a job that corresponds to their qualification.

In Estonia 54% of young women (25-34-year-olds) have attained tertiary education, the same is true for only 34% of young men. Women graduates have also become the majority at the doctoral level - in 2017, 58% of the doctoral graduates in Estonia were women (OECD, 2019).

A new gender wage gap study conducted by researchers from Tallinn University, Tallinn University of Technology and Statistics Estonia, points towards faster and greater wage growth for men (Täht, 2019). One of the hypotheses of the study is that since women have more difficulties to reach executive positions than men, this may explain the wage gap between the high-income earners. The same study concludes that the data used suggests that the gender pay gap is bigger in companies employing more women than men. If there are fewer men working at an organisation, it is easier for them to stand out and get promoted as a result.

Examples of such organisations are educational institutions. Estonian teachers are predominantly women (around 80%), at the same time men working as teachers have higher hourly wages than women working in the same position (Taimalu et al., 2020). Men working in third level schools are also more contented about their salary compared to women (45% of men compared to 38% of women). This suggests that men are more valued in contexts where there are more women and may receive higher wages resulting in inequality in pay for work of equal value.

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<sup>5</sup> Interview with the authors of the 2019 study: <https://www.tlu.ee/yti/meediavarav/blogid/naiste-korgem-haridustase-ei-tahenda-eestis-alati-korgemat-palka>

## 2 Legislative and policy measures to support equal pay

The European Commission's Recommendation on strengthening the principle of equal pay between men and women through transparency 2014/124/EU (hereafter the Recommendation) contains a number of suggested measures for Member States with the aim of implementing the equal pay principle more efficiently. This section will present the legislative and policy measures in Estonia in the order of the measures provided in the Recommendation. It will largely focus on the law in force, as Estonia has only sporadically relied on national strategies of gender equality and/or action plans, meaning that the country has no tradition of comprehensive and specialised strategic documents aiming to reduce the gender pay gap. There are some measures aiming to tackle the gender wage gap as elaborated in the Welfare Development Plan for 2016-2023. The new government action plan for 2021-2023 also mentions the goal of narrowing the gender pay gap.<sup>6</sup>

Along with the law in force this section will discuss the Gender Equality Act and Other Acts Amendment Act prepared by the Government (2013-2018). The Act was planned to enter into force on 1 July 2020. The draft was prepared since 2016, and was tabled in the Parliament in September 2018, but was not adopted before the new parliamentary elections on 3 March 2019, and therefore dropped out of the legislative proceedings. The present Government plans to have another go with amending the Gender Equality Act in 2022.<sup>7</sup> The draft law deserves attention among other things from the perspective of the monitoring and control mechanisms it foresaw, as these are as crucial to ensure effective reaction to pay disparity as the willingness of the organisations to go in pay audits beyond what is required by the law (Eurofound, 2018).

### 2.1 Right of employees to obtain information on pay levels

The Recommendation (point 3) suggests that Member States should ensure that employees can request information on pay levels, broken down by gender, for categories of employees doing the same work or work of equal value.

A legal definition of pay is not provided in the Estonian Employment Contracts Act (ECA)<sup>8</sup>, instead the concept of pay could be derived from several articles. Pay is remuneration for work and, according to Articles 5(5) and 5(6) of the Employment Contracts Act, the employment contract should contain the agreed remuneration payable for the work (wages), the manner of calculation, and other benefits if agreed upon. Therefore, in case of a legal dispute in relation to pay discrimination, European court practice should be relied upon to determine what is pay, for example if bonuses should be included in determining whether pay is discriminatory.

People working under an employment contract have information rights that oblige the employer to inform them about the main terms of their employment contract. Meaning that one can only access one's own remuneration data and pay conditions that apply. Hence, this provision does not qualify as a recommended core pay transparency measure in view of equal pay for women and men (Veldman, 2017). Article 28(13) of the Employment Contracts Act stipulates that the employer has no right to disclose to a third party information about wages without the employee's consent or without a legal basis. This provision has led to a widespread and popular misapprehension that pay is a confidential matter and one cannot disclose one's own wages. In practice the wages are usually set by individual negotiations and the use of contractual non-disclosure clauses by the employers is also common.

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<sup>6</sup> <https://www.valitsus.ee/valitsuse-moodustamise-kokkulepe-aastateks-2021-2023>

<sup>7</sup> Vabariigi Valitsuse tegevusprogramm 2021-2023: <https://www.valitsus.ee/valitsuse-moodustamise-kokkulepe-aastateks-2021-2023>

<sup>8</sup> In Estonian Töölepingu seadus, 17 December 2008, entered into force on 1 July 2009. Translation in English: <https://www.riigiteataja.ee/en/eli/529122020003/consolide> (10.03.2021).

Article 10(1) of the Civil Service Act<sup>9</sup> stipulates that the Government shall establish by a regulation the procedure for drafting the salary guide and determination of the salary components in public service. This regulation has not been passed.

Article 61 of the Civil Service Act deconstructs the salary of a civil servant. It is comprised of the basic salary, variable salary and additional remuneration provided by the various articles in the Civil Service Act. The basic salary is a fixed part of the salary determined on the basis of the functions of a position and the service-related knowledge, skills and experience of the official. The variable 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. A variable pay of up to 20% of the basic salary of the official may be paid in addition to the basic salary of the official. An official cannot be paid any additional remuneration or allowance which is not prescribed by the law.

Article 63 of the Civil Service Act determines what is a salary guide in the public service. The salary guide is the procedure for the determination and payment of a salary. It prescribes the basic salary or the basic salary range for the post, the conditions and procedure for payment of the variable salary, additional remuneration and benefits provided by law.

The Gender Equality Act<sup>10</sup> requires employers to provide written explanations when an employee suspects that they have been a victim of pay discrimination (Art 7). An employee has the right to demand that the employer explain the basis for calculation of salaries and obtain other necessary information on the basis of which it is possible to decide whether discrimination has occurred. This measure was initially introduced to provide a person who suspects being a victim of pay discrimination necessary data to ground their claim.

## 2.2 Reporting on pay

According to the Recommendation (point 4), Member States should ensure that employers in organisations with at least 50 employees regularly inform employees, workers' representatives and social partners of the average remuneration by category of employee or position, broken down by gender.

The Estonian public sector has an obligation to make the salaries of all public servants publicly available. Article 65(1) and 65(2) of the Civil Service Act stipulates that the wages of public servants should be published on the Ministry of Finance homepage. Article 65(3) of the Civil Service Act furthermore provides that the salary guide of the authority shall be disclosed on the web page of the organisation. Wages are however published without reference to the average pay broken down by gender. Wages info does not provide gender-disaggregated information because the transparency rule was introduced for purposes other than the strengthening of the principle of equal pay between women and men (Veldman, 2017).

State-owned companies<sup>11</sup> like Estonian Energy and Estonian Post (Omniva), are not obliged to make their CEOs' wages public, a practice which has been criticised in the media (Ruuda, 2019).

The Gender Equality Monitoring population survey results indicate that 24% of respondents agreed to making salary-related information available for everyone (also in the private sector), 31% of respondents agreed to company-internal publication of salaries, and 37% did not agree to salary publication (Turu-uuringute AS, 2016). The notion of including salary information / salary rates in job ads gained wide-based

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<sup>9</sup> Avaliku Teenistuse Seadus, 13 June 2012, entered into force on 16 July 2012. Translation in English: <https://www.riigiteataja.ee/en/eli/525032019003/consolide> (10.03.2021).

<sup>10</sup> In Estonian Soolise võrdõiguslikkuse seadus, 7 April 2004, entered into force on 1 May 2004. Translation in English: <https://www.riigiteataja.ee/en/eli/516012019002/consolide> (10.03.2021).

<sup>11</sup> List of state-owned companies: [https://www.eesti.ee/eng/contacts/riigi\\_osalusega\\_ariuhingud\\_2](https://www.eesti.ee/eng/contacts/riigi_osalusega_ariuhingud_2) .

support (88% in favour). The 2017 Special Eurobarometer showed that 57% of Estonian employees are in favour of the publication of average wages by job type and gender in their organisation (*Special Eurobarometer - Gender Equality, 2017*).

The Gender Equality Act (Art 11) requires employers to inform employees of the rights ensured by the Act. They should regularly provide information to employees and/or their representatives concerning equal treatment of men and women in the organisation and measures taken to promote equality. The provision as it is in force does not discuss pay transparency.

The draft Gender Equality Act and Other Acts Amendment Act envisaged that both private and public sector employers must inform employees or their representatives at least once every two years about measures adopted in the organisation to promote gender equality. The information was supposed to include a comparison of average pay of women and men by groups or categories of jobs or public service posts. If organisation has not grouped the jobs by category the comparison was supposed to be carried out by individual jobs.

### **2.3 Pay audits**

The Recommendation (point 5) suggests that pay audits are conducted in organisations with at least 250 employees. These audits should include an analysis of the proportion of women and men in each category of employee or position, an analysis of the job evaluation and classification system used and detailed information on pay and pay differentials on grounds of gender. These audits should be made available to workers' representatives and social partners on request.

The law in force in Estonia prescribes no duty to conduct pay audits. Since in private sector, by rule, no pay systems or schemes are in place (the wages are instead determined through individual negotiations), it might be difficult to introduce the duty to carry out pay audits.

### **2.4 Collective bargaining**

The Recommendation (point 6) suggests that, without prejudice to the autonomy of social partners, the Member States should ensure that the issue of equal pay, including pay audits, is discussed at the appropriate level of collective bargaining.

The collective bargaining handbook targeted at Estonian social partners refers to collective bargaining as an excellent mechanism to introduce gender sensitive job evaluations. It also considers agreements on wage rates and other remuneration conditions to promote the principle of equal pay and to decrease the gender pay gap (Nestor et al., 2011). In practice, however, as pointed out above, the wages are mostly negotiated through individual negotiations and collective bargaining plays an insignificant role in determining salaries. According to an analysis by the Ministry of Social Affairs from 2014 less than 50 new collective agreements were concluded in 2013 and between 2008-2012 the number of agreements oscillated between 52 and 73.<sup>12</sup>

Since 2017 the Estonian Trade Union Confederation has an action plan to narrow the gender pay gap. The plan is co-signed by several human rights NGOs, women's groups, and the Equality Commissioner.<sup>13</sup> However, the plan does not mention collective bargaining, instead it suggests employers to consider voluntary audits.

### **2.5 Concept of work of equal value**

The Recommendation (point 10) calls on Member States to clarify the concept of 'work of equal value' in their legislation. The value of work should be assessed and compared

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<sup>12</sup>[https://www.sm.ee/sites/default/files/content-editors/Ministeerium\\_kontaktid/Valjaanded/toovaldkonna\\_areng\\_2013.pdf#%5B%7B%22num%22%3A131%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22FitR%22%7D%2C-368%2C-4%2C964%2C847%5D](https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Valjaanded/toovaldkonna_areng_2013.pdf#%5B%7B%22num%22%3A131%2C%22gen%22%3A0%7D%2C%7B%22name%22%3A%22FitR%22%7D%2C-368%2C-4%2C964%2C847%5D) (23.04.2021).

<sup>13</sup> <https://eakl.ee/kuus-meedet-palgalohe-vahendamiseks> (23.04.2021).

based on objective criteria, such as educational, professional and training requirements, skills, effort and responsibility, work undertaken, and the nature of tasks involved.

Estonia has transposed the provisions on equal pay of Directive 2006/54 through the Gender Equality Act which, among other things, defines pay discrimination by an employer. An employer's activities are considered discriminatory if they establish conditions for remuneration or benefits that are less favourable for an employee of one gender compared with an employee of the opposite gender doing the same work or work of equal value. What the law does not provide is the criteria of equal or equivalent jobs.

The draft law for amending the Gender Equality Act provided the criteria to determine which jobs can be considered the same work or work of equal value. These were: how complicated is the work, level of responsibility, level of effort required, working conditions and results acquired. It remains to be seen whether the Parliamentary deliberations planned for 2022 will result in introducing this provision as law.

## 2.6 Job evaluation and classification systems

The Recommendation (point 11) advocates to promote the development and use of gender-neutral job evaluation and classification systems to prevent and tackle possible pay discrimination based on gender-biased pay scales. The employers and social partners should be specifically encouraged to introduce gender-neutral job evaluation and classification systems.

In the Estonian public sector, Article 10 of the Civil Service Act grants the Government the legal basis to issue a job classification.<sup>14</sup> The classification focuses on the description of tasks and responsibilities, while there is no reference to the qualifications or effort needed to execute the tasks described. The Ministry of Finance has ordered detailed guidelines on how to develop a pay system in public sector organisations (Fontes, 2014), but the document does not mention the gender pay gap nor pay equality. There exists also the handbook on public service jobs evaluation (Rahandusministeerium & Fontes, 2011) and similarly the handbook is entirely gender insensitive.

## 2.7 Equality Bodies

According to the Recommendation (points 13 to 15), the national equality bodies' powers and mandates should cover gender pay discrimination, including transparency obligations. Where applicable, Member States should give equality bodies the right to access the information and audits referred to in points 4 (reporting on pay) and 5 (pay audits) of the Recommendation. Moreover, the Recommendation makes a point of reducing procedural obstacles to the bringing of equal pay cases to court by enabling equality bodies to represent individuals in cases of pay discrimination. Member States should also ensure closer cooperation and coordination between the national equality bodies and national bodies that have an inspection function in the labour market.

In Estonia discrimination disputes, including the pay discrimination cases are resolved by a court or a labour dispute committee. Discrimination disputes are also resolved by the Chancellor of Justice by way of conciliation proceedings. The labour dispute committee is accessible and affordable since no legal representation is needed.

The Gender Equality and Equal Treatment Commissioner, a national equality body, gives opinions as to the occurrence of pay discrimination on ground of gender and is entitled to carry out an investigation, including demanding from the respondent party any information needed to form the opinion.<sup>15</sup> The Equality Commissioner may ask the employer to disclose wages and salary rules, and the employer should provide

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<sup>14</sup> Full list as the annex 4 of the regulation in Estonian: [https://www.riigiteataja.ee/aktilisa/1160/2202/1004/Lisa\\_4\\_11022021.pdf#](https://www.riigiteataja.ee/aktilisa/1160/2202/1004/Lisa_4_11022021.pdf#)

<sup>15</sup> Equal Treatment Act (Võrdse kohtlemise seadus) of 11 December 2008, entered into force on 1 January 2009. In English: <https://www.riigiteataja.ee/en/eli/503052017002/consolide>

explanations and to prove that there has been no breach of the principle of equal treatment.

In practice, however, there are very few gender pay discrimination cases solved in courts, instead the pay discrimination cases connected with the return to work after parental leave are investigated by the Gender Equality and Equal Treatment Commissioner and solved in the labour dispute committees. According to the law, these cases are direct discrimination cases. Only a small number complaints out of all complaints to the Equality Body concern pay discrimination. There were six complaints in 2018 (out of a total of 304 complaints) and nine complaints in 2017 on pay discrimination.<sup>16</sup> In 2019 the Commissioner received seven complaints, in 2020 five complaints or requests regarding pay discrimination.

The Estonian Labour Inspectorate (LI) presents annual reports featuring sections on unequal treatment. The Labour Inspectorate receives many complaints regarding pay (unpaid salary, unpaid compensation etc.), but virtually no claims on pay discrimination. The number of claims related to unequal treatment has not increased in recent years. In 2018, there were 19 complaints where unequal treatment was pointed out, decision by the labour dispute committee was made in 11 cases. The majority of complaints were related to bullying at work, some to sexual harassment, working conditions and unlawful termination of the employment contract.

The compensation of pecuniary and non-pecuniary damage is usually small and pose a question whether compensations or reparations are effective, dissuasive and proportionate in Estonia.

## **2.8 Monitoring and enforcement**

According to the Recommendation (point 16), Member States must ensure the consistent monitoring of the principle of equal pay and the enforcement of all available remedies for pay discrimination.

The current enforcement mechanisms and legal remedies in Estonia, especially regarding the pay discrimination cases, were discussed above. In addition, the draft Gender Equality Act and Other Acts Amendment Act envisaged a reform regarding the monitoring of equal pay implementation. A Pay Competence Centre at the Labour Inspectorate was to be set up with a mandate to advise employers and monitor the remuneration and benefits paid by employers to men and women for equal work or work of equal value.

The Labour Inspectorate does not currently have a clearly defined role in the enforcement and supervision of the respect of equal pay rights. The general mandate of the Labour Inspectorate is to act as a supervisory body for the implementation of employment related legislation.

The draft Gender Equality Act and Other Acts Amendment Act envisaged that the Labour Inspectorate would conduct once a year for each public sector employer a comparison of wages disaggregated by gender and public sector job/post classification. The results of the comparison were meant to be sent to each employer and the organisation had an obligation to publish these on its webpage.

## **2.9 Awareness-raising activities**

The Recommendation (point 17) asks Member States to raise awareness among public and private undertakings and organisations, social partners and the general public to promote equal pay, the principle of work of equal value and wage transparency, to tackle the causes of the gender pay gap, and devise tools to help analyse and assess pay inequalities.

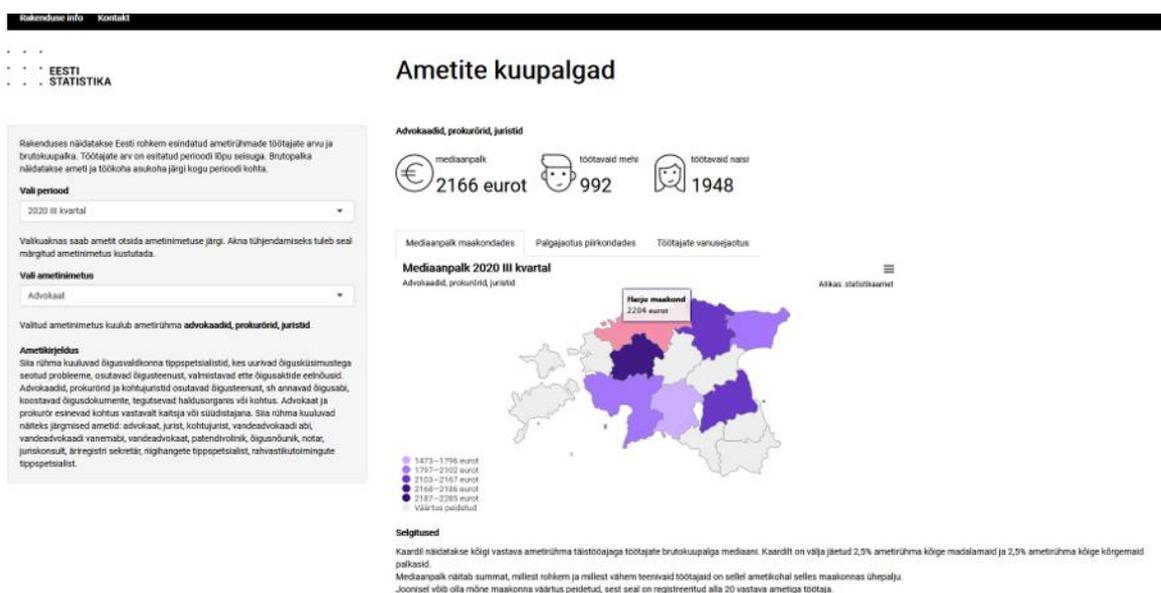
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<sup>16</sup> Information collected by Praxis through consultation with Equality Body representative in 2019.

Over the past few years there have been several initiatives by Estonian government agencies and universities carrying out studies on the gender pay gap to introduce new digital tools which would raise awareness on gender pay gap and support employers to take action on organisation level to enforce pay equality. The two initiatives are presented below.

### 2.9.1 Statistics Estonia wages and salaries application

Since 2020 Statistics Estonia has a wages and salaries application, which visualises median wages by Estonian regions and counties for the 110 most common occupations (see below the visualisation of the application which is currently online only in Estonian).<sup>17</sup> The application is meant to add transparency and openness to the Estonian labour market. The wages and salaries application uses data from the employment register (TÖR) and the Estonian tax declaration form TSD Annexes 1 and 2. As of the first half of 2019, employers are required to enter the job title, workplace location and working hours of employees into the employment register. The application was developed to give entrepreneurs a possibility to use this data and assess the labour market situation and compare wage levels. The quality of the displayed data depends on how accurately enterprises submit data to the employment register and update this information when there are changes.<sup>18</sup> The application also features a time dimension which allows changes in wages and their distribution by quarter to be studied.



Statistics Estonia is working with the Estonian Gender Equality and Equal Treatment Commissioner and the researchers at the University of Tartu and Tallinn University of Technology to develop and add a gender component to the wages application.<sup>19</sup> The gender dimension will facilitate comparing wage data by gender and is expected that this will add greater transparency and knowledge regarding the wages of men and women working in the same occupation and region. The gender dimension of the application is a tool targeted for women to use in the salary negotiations.

The gender dimension data will be based also on the employment register. The application displays the differences in the monthly gross wages of women and men working full-time by county, by occupation and by quarter. The application displays data in Estonian, in English or in Russian. The median wage and average wage are both displayed. The information is displayed at the lowest level of the Classification of

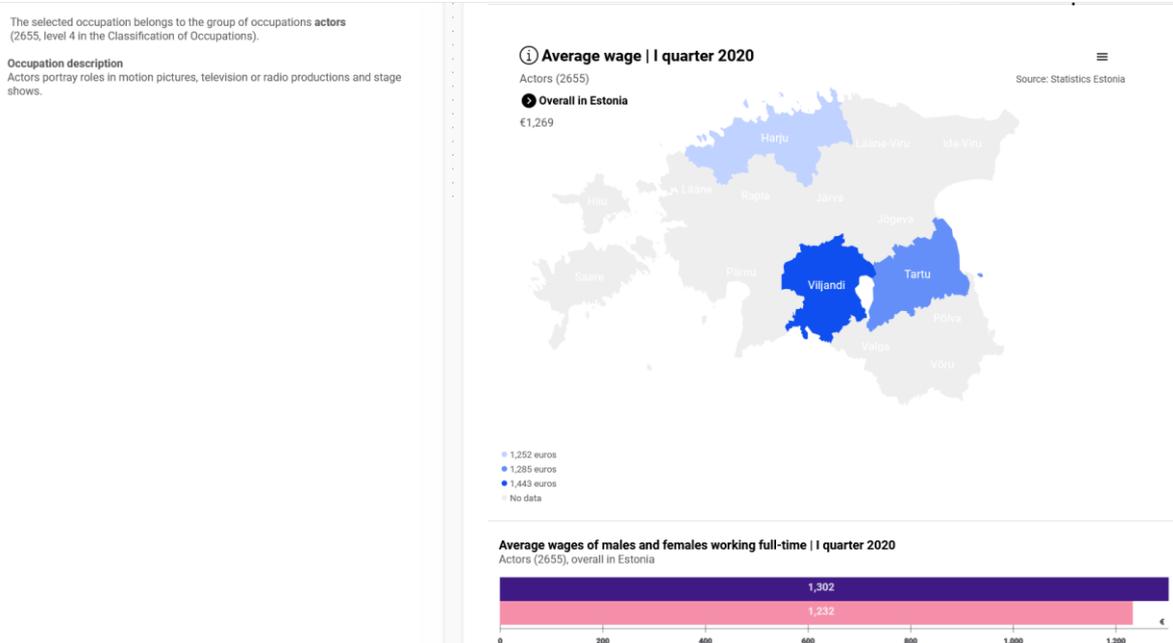
<sup>17</sup> The application website: <https://andmestikud.stat.ee/ametipalk/> (25.02.2021).

<sup>18</sup> For more details: <https://www.stat.ee/en/uudised/news-release-2020-051>.

<sup>19</sup> See the prototype: <http://inwege.cloud.ut.ee/> (21.02.2021).

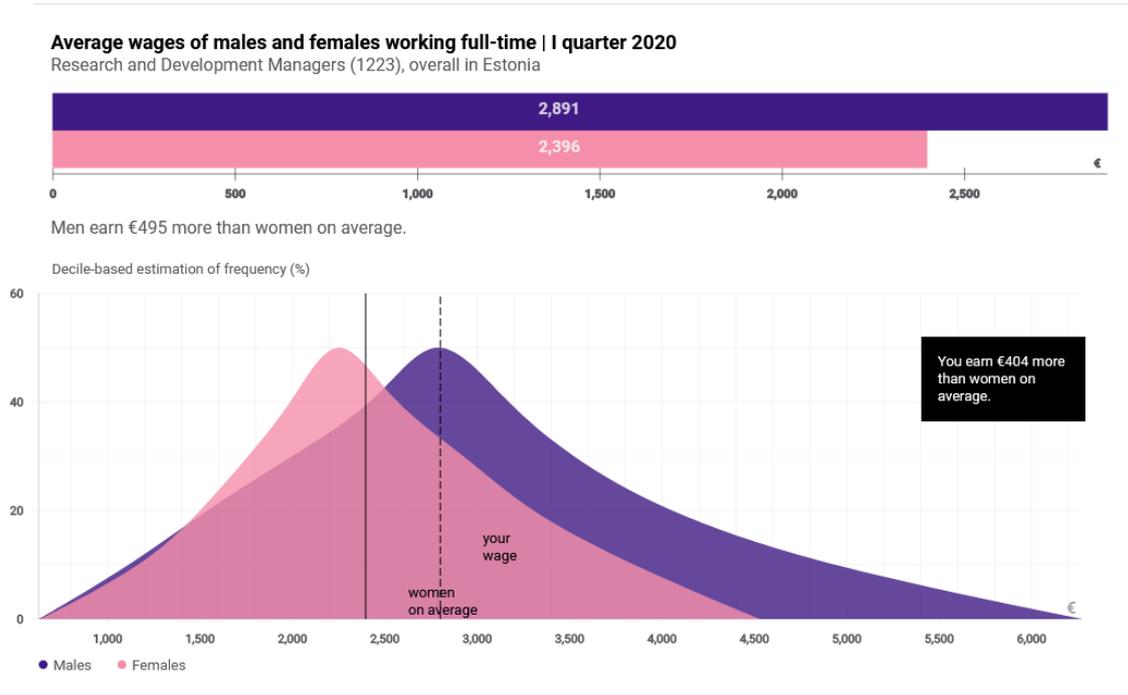
Occupations that is available for the county and occupation selected on the map of Estonia. Below is the illustrative view of the gender dimension of the application with an example of the occupation of actors and their average wages in three regions (Harju, Viljandi and Tartu). The horizontal graph below the map indicates the gender pay gap of the average monthly wages of actors and actresses in all Estonia.

Figure 2.



The application also features the function of comparing the user's average gross wages with the women and men working in the same occupation. Users are invited to insert their gender and average gross wages to make the comparison. See below the visual illustration of the function, which gives information of the average wages of women and men in the occupation selected, the number of women and men doing this job and the assessment compared to the wages of the visitor.

Figure 3.



**Total number of full-time employees**

Research and Development Managers (1223), overall in Estonia



When assessing the potential impact of the application it must be said that it would be very difficult to measure its impact on the gender pay gap. It will enhance accessibility of pay information across occupations and regions, but not pay transparency on the organisational level. Moreover, in order for this digital tool to be used widely and to change women’s bargaining power it should be widely promoted among employees and employers.

Strengths of the application are the very detailed list of occupations with a great number of titles, easy to use and accessible design with a visual accent on gender pay gap (in the gender dimension prototype). The personal wages and gender comparison function will most likely impact employees as intended (i.e. raise their awareness), but will most likely have very limited positive effect on employers. However, the individual user wages comparison (“You earn X euros more/less than women/men on average) features only the comparison with the employees of the same gender, which does not necessary push people to engage in pay negotiations to demand higher wages.

The main constraints for its implementation are lack of nudges or any legal obligation for the employers to consult the data when making pay related decisions. In the worst case scenario it may indicate to an employer that women could be hired with a lower salary and normalise gender pay gap even further.

**2.9.2 Pay mirror for employers**

By a request of the Ministry of Social Affairs the team of scholars from Tallinn University studying the factors of the gender pay gap are currently developing a digital toolbox for employers. The rationale for targeting employers being that the results of their study showed that organisations and employers have a central role in influencing practices and workplace structures that cause and perpetuate the gender pay gap. The study also showed that the awareness of the gender pay gap is still very low among employers.

The employers do not see themselves as actors who have a role in narrowing the pay gap.<sup>20</sup>

The development is still in the early stages, but the key rationale of the tool is to raise awareness on the gender pay gap among companies, by offering in a systematic way easily accessible information about pay levels and pay gap in their organisation without any additional administrative burden for them. The tool will use existing data from public registers and will most likely mirror the situation of the gender pay gap in an individual organisation and in the respective field of economic activity in the form of a report generated by the digital tool or similar.

Negotiations are on the way to ensure the sustainability of the pay mirror toolbox and to hand over the management and updating functions of the toolbox to a public entity such as Statistics Estonia.

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<sup>20</sup> The information obtained in an interview on 8 March 2021 with the representative of the project team.

### 3 Conclusions

Publicly available pay information is an established principle in the Estonian public sector. As a rule, the private sector operates with notions of wage confidentiality and this is not likely to change in upcoming years without any legislative initiative. Estonia has made efforts to make sure that employers and employees have access to information on gender pay gap, but it is difficult to say whether this will trigger action on behalf of employers to make pay equality a reality. In the light of the recent research pointing at the low awareness of private sector employers of the gender pay gap, the change will not likely happen without external encouragement. The digital tools discussed above can be viewed as gentle nudging towards action, however, their impact can be expected to be only modest.

Information on wages, especially if the information is available only on sector or occupation level, does not equal pay transparency, it is just one step on the path towards pay transparency and pay equality. One can only agree with the conclusions of the evaluation of pay transparency measures in four European countries, which emphasised that only if the information on pay inequality is sufficiently detailed and if it is further scrutinised, will the reports and audits become an effective and powerful instrument (Eurofound, 2018). Companies interviewed in Austria, Belgium, Denmark, Italy, Lithuania and Germany found that simple pay reporting instruments applied there are not perceived as beneficial for companies or workers (Eurofound, 2020). Eurofound, therefore, rightfully suggests considering "more meaningful pay audits", analysis and required action plans (*Ibid.*). This should be at the back of the minds of Estonian scholars developing the pay mirror for employers. The digital toolbox generating gender pay gap reports for individual companies will be an efficient measure only if the reports are public, they are accompanied with practical recommendations on how to close the gender gap and if there is a public authority assisting and monitoring the actions of companies around pay equality. Since Estonian employers in the private sector mostly operate without pay systems or schemes and rely heavily on individual wage negotiations, it can be complicated to introduce a (legal) duty to carry out pay audits without a longer transition period for its implementation.

In short, Estonia still needs to put in place efficient measures to narrow the gender pay gap. The European Commission's proposed Directive on pay transparency and enforcement measures lends itself as inspiration when planning further measures.<sup>21</sup>

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<sup>21</sup> [https://ec.europa.eu/info/sites/info/files/aid\\_development\\_cooperation\\_fundamental\\_rights/com-2021-93\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/aid_development_cooperation_fundamental_rights/com-2021-93_en_0.pdf) (10.03.2021).

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### **National development and action plans**

Welfare Development Plan 2016-2023, <https://www.sm.ee/sites/default/files/content-editors/eesmargidjategevused/welfaredevelopmentplan2016-2023.pdf>

Government Action Plan 2021-2023 (Vabariigi Valitsuse tegevusprogramm 2021–2023), <https://valitsus.ee/valitsuse-eesmargid-ja-tegevused/valitsemise-alused/tegevusprogramm>

