



Employers' Manifesto 2026

Time to give 110%

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110%

The Manifest is prepared by the Estonian Employers' Confederation. The Union joins more than 2000 Estonian companies directly and through branch associations, which in turn employs 250 000 employees. The Union is an apolitical private organisation.

“Fortune always favours the persistent.”

August Gailit

Table of Contents

VISION	4
I ADDRESS OF THE PRESIDENT OF THE EMPLOYERS' CONFEDERATION	5
II BUSINESS ENVIRONMENT.....	10
III EDUCATION	17
IV LABOUR MARKET	23
V HEALTHCARE	26
VI FUTURE-PROOF ECONOMY	31
VII INNOVATION	36
VIII CALLS TO EMPLOYERS	40
IX CALLS TO EMPLOYEES.....	42
X TOGETHER, LET US CREATE THE CONDITIONS FOR ECONOMIC GROWTH.....	43

VISION

Employers' Manifesto 2026: Time to give 110%

The productivity of the Estonian economy must reach at least 110% of the European average. The well-being of the Estonian people depends on achieving this.

Productivity is not just a dry economic concept. It describes the value and opportunities created for businesses, people and the state. This in turn depends on the success of the company, the amount of wages and tax revenue from which the state finances education, health care, social costs and national defence.

It is not easy to achieve this productivity growth. Today, an Estonian person creates less value per hour than a European on average. The less we create, the harder it will be to decide how to find money for teachers' pay, for shortening treatment queues or for national defence.

Reality is always simple: money comes only from where value is created, i.e. from business. Only what was created before can be reallocated.

This is why the proposals of the Employers' Manifesto of 2026 are the main objective: to increase the competitiveness of the economy, as it will lead to economic growth and thus to society's prosperity. Only in this way will we have enough money in Estonia for what is important and expected: good wages and growing well-being, strong and effective health care, competitive education, preparedness for crises and climate change, and a protected state.

Fine-tuning will not lead to strong growth. In an open and competitive world, stagnation means going backwards in recent years, we are quite behind the European Union average with our productivity. To reach 110%, the Estonian economy needs to grow twice as fast as it has been, and this requires bold and now difficult decisions.

The Employers' Manifesto brings together the proposals of Estonia's leading companies, entrepreneurs and professional associations to achieve this ambition, recommendations for both the state and entrepreneurs. Success can only be achieved through cooperation, by working together towards a common goal.

We call on political parties and members of the Riigikogu to make the growth of economic competitiveness and productivity the most important objective of the next two electoral cycles, and to make all important decisions on this basis.

We have no other option, because the wealth of society is created in an evolving, growing and competitive enterprise.

I Address of the President of the Employers' Confederation

Estonia's economic policy must be as bold, radical and pragmatic as it was in the 1990s. Fine-tuning will not take us any further.

The glass is half full. While the economic downturn and the cost of living seemed to be slowing down and the most painful and darkest records will soon be erected in the economy, the latest statistics will inject moderate optimism.

The economy rose faster than the euro area in the first half of 2026 and the price increase is calming down, and investors have become more confident than ever before and are not prone to easily selling and leaving their business. There has been a renewed dialogue between the government and businesses for a long time.

Thus, four years ago, several of the proposals formulated in the manifesto of the Estonian Employers' Confederation have already become or are becoming a reality. For example, the state is rapidly reducing the bureaucracy that stifles entrepreneurship, helping to alleviate the shortage of workers with the necessary skills through more flexible employment relationships and easier recruitment of foreign workers. The competitive electricity price for business is now responsible, and the state has speeded up planning procedures. These are critically important and commendable changes for economic development.

It is equally true that government expenditure continues to grow faster than the economy. There is no alternative; the state has to take control of its costs as a matter of urgency and declare no new tax and tax increases over the next four years in order to restore business security. The tax increases made during the declining economy gave the opposite result, increased prices and reduced the competitiveness of our companies.

We need a longer view and greater ambition: Estonia's economic policy must be just as bold, radical and pragmatic as it was in the 1990s. Fine-tuning will not take us forward, and over the last few years, we have lost much of the success and competitive advantage we have won.

Estonia's long-term strategy, "Estonia 2035", sets the goal of increasing productivity to 110% of the EU average. As employers, we support this because Estonia's future success depends on productivity growth. However, in order to achieve this goal, we must start to develop twice as fast, which is what has been done so far, and it will not be possible to continue it alone. A clear target needs to be set and work towards this, both in business and in the country, and effective cooperation.

At the same time, we need to improve our position in the international investor community. It may sound incredible, but for investors, Estonia is still in the lowest category, i.e. the frontier-market category. This means that a large share of the world's investment capital never reaches Estonia.

Although the country rating is good, or A+, our goal must be the highest, or AAA, rating and place among the developed markets. It sends a signal that it is safe to operate for a long time here, makes loan money more favourable for companies and people, and wages will also increase as the economy develops.

These issues raised are not just economic issues, because **only a successful, growing and competitive state can fulfil the Constitution's primary objective of ensuring the preservation of Estonian nationality, language and culture.**

85% of the country's income is made up of taxes on consumption and labour. The income of these taxes from the common state budget depends on the size of the salaries paid by the companies here. This, in turn, depends on how competitive businesses and economic space are.

On 7 March 2027, the people of Estonia will once again elect their representatives to Parliament. Estonia's future success will depend on the choices and decisions these leaders make. They will be responsible for setting a clear direction and leading bold change.

We expect answers from the politicians who have received the mandate to the following questions: what is the plan to put the state's finances in order? How can the crisis of the shortage of workers in a society with an ageing and shrinking working age population be addressed? How can education be turned into business competitiveness? How can health care be financed by raising healthy and healthy years for society? How can we support business innovation? What conditions can we offer in Estonia to create a competitive, growth-friendly environment?

The Employers' Manifesto helps them to respond with the views of the top leaders and specialists of the Estonian economy, by formulating a number of solutions and proposals in addition to the challenges facing Estonia in the following chapters.

Their aim is to promote the well-being of Estonian people through a better economic environment.

Important choices lie ahead, and they require responsible leadership. The Estonian Employers' Confederation is ready to contribute – both in word and in deed.

We look forward to the new government and the composition of the Riigikogu, who will understand the importance of decisions to be made in the coming years and will be ready to take responsibility for bringing the Estonian economy and the welfare of the people to a solid growth. Employers are ready to work together and to work together on this.

Mr Ain Hanschmidt
President of the Estonian Employers' Confederation
Chairman of the Management Board of AS Infortar

Employers' Manifesto

Manifest's proposals were drawn up in the spring of 2026 by the members of the Estonian Employers' Confederation, i.e. the larger employers here and professional associations representing the most important economic areas.

The aim of the Manifest's proposals is to increase the competitiveness of the Estonian economy, through which the well-being of the Estonian people will increase.

The Confederation of Employers represents more than 2000 Estonian companies directly and through branch associations, employing nearly 250 000 people. The Union is an apolitical non-state organisation.

Manifesto is traditionally published before the Riigikogu elections.

The first employer manifest appeared in 2007.

Key proposals from the previous Employers' Manifesto, published in 2022, that have either been implemented or are currently being implemented:

CUTTING RED TAPE: In cooperation with businesses, the government is working to reduce unnecessary bureaucracy and the administrative burden. To support this effort, the Estonian Employers' Confederation collected more than 200 proposals from its members.

MODERN EMPLOYMENT RELATIONS ALIGNED WITH LABOUR MARKET NEEDS: Flexible employment contracts were introduced, along with an exemption allowing sectors facing labour shortages to recruit foreign workers.

THE AFFORDABLE ELECTRICITY PRICE: Elering is now responsible, alongside the security of electricity supply and environmental sustainability, for ensuring that its price is competitive compared to the average in the Baltic Sea countries.

REDUCING THE ADMINISTRATIVE BURDEN ON BUSINESSES: Planning procedures are being simplified—detailed plans will be required in fewer cases, and the procedures will become faster and more flexible. The government is also automating and digitalising data exchange between businesses and public authorities. In addition, burdensome sustainability reporting requirements have been significantly reduced at the European Union level.

EDUCATION ALIGNED WITH LABOUR MARKET NEEDS: The government is reorganising the vocational school network and, in cooperation with educational institutions and businesses, has launched the Engineering Academy to address the shortage of engineers. Labour market needs are increasingly being taken into account at all levels of education.

PROMOTING INNOVATION AND RESEARCH AND DEVELOPMENT: An applied research centre was established, and the applied research programme was expanded to increase the value added generated by businesses. The government also piloted a support scheme for hiring research and development specialists. Through public–private cooperation, the innovation capacity assessment tool Innotrepp and the joint innovation initiative “Ambition Is a Choice” were created.



II Business environment

Government expenditure is growing at an unsustainable rate

General government expenditure and investment and economic growth 2019–2026

Total general government expenditure



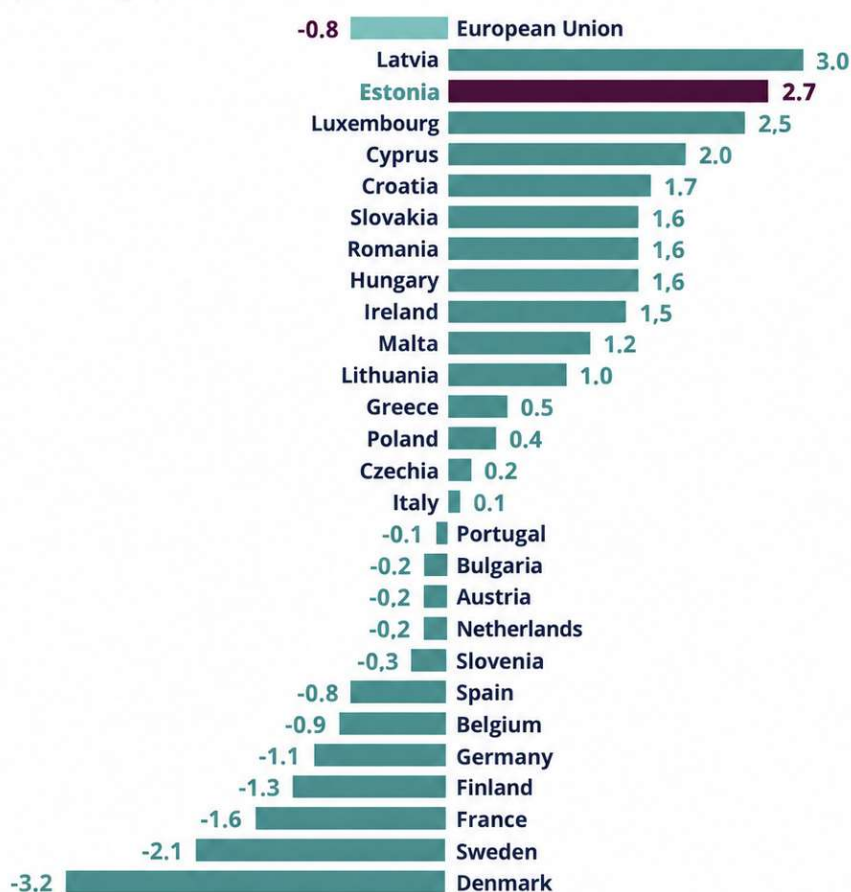
GDP at current prices



Source: Ministry of Finance

Estonia leads Europe in tax burden growth

Increase in the tax burden in 2021–2025 or latest available year, percentage points



Source: Eurostat

AN EFFICIENT STATE AND BUSINESS ENVIRONMENT FOSTER PRODUCTIVITY GROWTH

Competitive companies and competitive economic space need not only inputs such as capital, energy, workers and raw materials but also a favourable environment: predictable and business-friendly regulation, low regulatory costs (taxes, fees, and other statutory obligations) and high-quality international connections and other infrastructure. If we want people's incomes in Estonia to rise, we must continuously improve these foundations for economic growth.

Vision: Estonia's economy grows faster than the European Union average, while a predictable and favourable business environment that encourages investment attracts entrepreneurs. Government expenditure is under control, and tax revenue is used efficiently.

ECONOMIC POLICY DECISIONS MUST INCREASE ESTONIA'S PRODUCTIVITY

The Riigikogu has adopted the "Estonia 2035" strategy, which sets the goal of increasing the productivity of Estonia's economy to 110% of the European Union average. This is an ambitious and appropriate goal. However, changing circumstances—such as the uncertainty caused by wars and the rapid development of artificial intelligence—mean that the strategy must be continuously updated.

Proposal: The objective of economic policy decisions must be to increase the productivity of Estonia's economy. The work of the Council for Efficiency and Economic Growth, which operates under the Government, should continue. The Council has proven its value since its establishment, enables a rapid response to changing economic conditions and demonstrates that achieving economic growth is a government priority.

BALANCE PUBLIC FINANCES AND SET LIMITS ON THE TAX AND DEBT BURDENS

Over the past seven years, general government expenditure has grown significantly faster than the economy, resulting in the fastest increase in the tax and debt burdens in Europe. Once public debt exceeds 30% of GDP, its harmful effects begin to intensify.

Proposal: Balance tax revenue and current expenditure and establish clear limits: public debt must not exceed 30% of GDP and the tax burden must not exceed 35% of GDP.

MAKE ESTONIA MORE OPEN TO INVESTMENT

Policymakers are often reluctant to welcome investment, even though it is essential for economic development.

Proposal: Develop a clear plan for attracting strategic investment and provide potential investors with certainty.

DEVELOP BUSINESS TOURISM TO HOST MAJOR INTERNATIONAL CONFERENCES

Business tourism brings us closer to foreign investors. Estonia could, for example, aim to host the Annual Meeting of the European Bank for Reconstruction and Development (EBRD) or the World Bank Annual Meetings.

Proposal: Explore opportunities through public–private cooperation to establish a large conference centre capable of accommodating 3,000–4,000 guests. Develop business tourism and improve air connections to attract more potential foreign investors and customers to Estonia.

DEVELOP ESTONIA'S CAPITAL MARKET

Companies have limited access to equity, and the domestic market is small. A strong capital market and a good sovereign credit rating reduce the cost of capital across the economy.

Proposal: Designate a political lead for the development of the capital market and prepare a strategy for developing the market and improving access to equity. Advance the Tallinn Stock Exchange to developed-market status and raise Estonia's sovereign credit rating to at least AA (Fitch), with AAA as the longer-term objective. The funded pension system must not be weakened or dismantled.

IMPROVING PUBLIC SECTOR EFFICIENCY

CONTINUE TERRITORIAL ADMINISTRATIVE REFORM

Estonia has too many local authorities – 79 in total. Not all of them have sufficient people or financial resources to provide high-quality services, and the population outside the major cities is declining rapidly. A suitable model for Estonia would be to organise local authorities around the 15 county centres, with subdivisions for Tallinn and Tartu, as recommended by the Foundation for State Reform.

Proposal: Continue administrative reform, for example by merging local authorities in which education expenditure accounts for more than half of the budget and develop an action plan to improve the efficiency of local services.

REFORM PUBLIC SERVICES AND REDUCE GOVERNMENT FUNCTIONS

The number of employees in the public sector has increased by around 5% over the past for years, while employment in the private sector has declined. This is not sustainable in Estonia, where the working-age population is shrinking. Many services can be digitalised, make maximum use of the opportunities offered by artificial intelligence or be purchased from the private sector, the state owns more than 200 companies. The state's share of the economy must decrease, not increase.

Proposal: Reduce government functions and the state's participation in the economy in areas where the market functions effectively and ensure that the public sector's share of total employment does

not increase. Privatised or listed on the stock exchange state-owned companies that are not of strategic importance. This would bring capital, foreign investment and new growth to Estonia.

CONTINUE REDUCING THE ADMINISTRATIVE BURDEN AND BUREAUCRACY

Data exchange between businesses and the government must be automated, including through the use of artificial intelligence.

Proposal: Reduce the volume of regulation and excessive reporting obligations by at least 25% and automate data exchange between businesses and the government according to the once-only principle: data submitted once in machine-readable form must not be requested again. Estonia should transpose European Union rules only to the minimum extent required and must not add national requirements of its own.

ACCELERATE PLANNING AND PERMITTING PROCEDURES

Slow procedures hold back economic development. The first amendments simplifying these processes in the Planning Act and the Building Code entered into force in 2026. Alongside implementing these amendments, it is important to continue with legislative changes that will have an even greater impact.

Proposal: Accelerate and simplify planning and permitting procedures at both national and local levels, particularly for strategic projects and priority sectors such as food, timber, healthcare and digital services.

MAKE PUBLIC PROCUREMENT SMARTER AND MORE SUPPORTIVE OF INNOVATION

Every year, the government conducts procurements worth billions of euros, making public procurement an important tool for shaping the business environment. At present, the lowest price dominates the evaluation process, while businesses bear the risk of price increases.

Proposal: Take innovation, sustainability and whole-life costs into account in public procurement and ensure technological neutrality and transparency.

ENERGY AND INFRASTRUCTURE

ENSURE SECURE ENERGY SUPPLIES AT A COMPETITIVE PRICE

Investments in the energy sector are made with a view to the decades ahead. Developers of additional generation and storage capacity therefore need a predictable, clear and market-based plan from the government. We support the objective set out in the Estonian Energy Sector Development Plan 2035 (ENMAK 2035) of keeping the final price of electricity below the average for the Baltic Sea region. However, the rapid increase in regulated charges included in the final electricity price over the past four years casts doubt on whether this objective can be achieved.

Proposal: Use a clear national energy plan to ensure security of supply and a final electricity price below the average in Estonia's main export markets. The plan must also provide energy producers with the certainty they need to invest.

IMPLEMENT STRATEGIC INFRASTRUCTURE PROJECTS

Major projects can succeed only with stable funding. Repeated delays make them more expensive and postpone the benefits they provide.

Proposal: Ensure the implementation of important strategic infrastructure projects and maintain investment at the most stable level possible, prioritising connections with the rest of Europe.

USE EMISSIONS TRADING REVENUES TO IMPROVE EFFICIENCY

Under the EU Emissions Trading System (EU ETS), businesses pay for their CO₂ emissions. However, this revenue is not currently channelled back systematically to improve the competitiveness of those paying into the system.

Proposal: Channel EU ETS revenues back to those paying into the system to improve their energy and resource efficiency.

INTERNATIONAL COOPERATION

USE EU FUNDS FOR INVESTMENTS WITH A LASTING IMPACT

The availability of funding is not a solution in itself. EU funds have too often been used to cover current expenditure or projects with no lasting impact. Every investment must increase productivity or strengthen the structure of the economy.

Proposal: Set a clear objective for the use of EU funds: to increase the productivity and competitiveness of businesses.

DEVELOP COMMON EU POLICY POSITIONS WITH NORDIC-BALTIC PARTNERS

Estonia can amplify its voice and influence in the EU by working with its Nordic-Baltic partners, with whom we form a significant economic area and are closely integrated.

Proposal: Develop common regional positions with Nordic-Baltic partners in EU policymaking, including on a common capital market, cross-border infrastructure and other shared interests.

“Countries’ tax policies do not need to be identical, but every country needs a plan to put its public finances in order.”

Vincenzo Guzzo
IMF Mission Chief for Estonia

97%

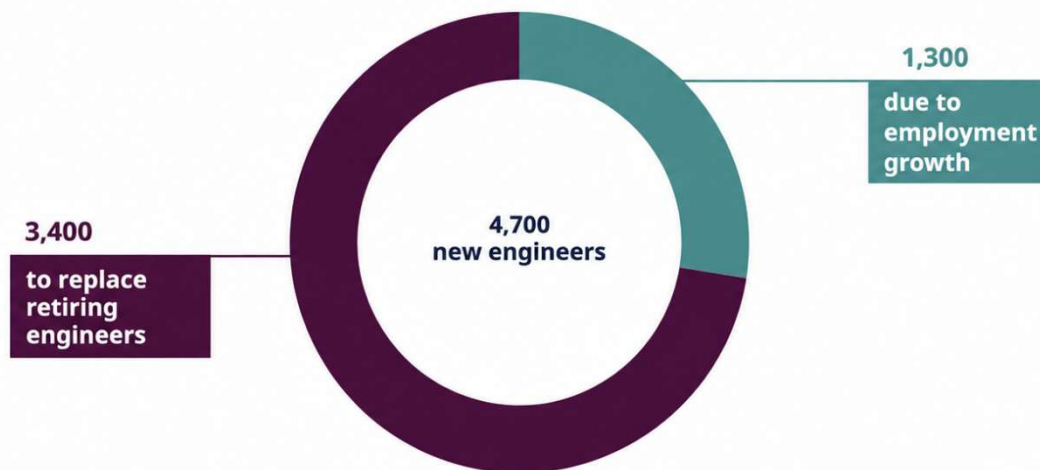
of executives and entrepreneurs consider turbulence in the country’s economic and tax environment to be the most significant factor affecting them in the coming years and are concerned about the growing state budget deficit.

Source: University of Tartu, Estonian Employers’ Confederation



III Education

In 2026–2030, the labour market will need 4,700 new engineers



Source: OSKA 2026 data

EDUCATION AND KNOWLEDGE STRENGTHEN COMPETITIVENESS

Education is the foundation of Estonia's economic competitiveness. Our students rank among the best in the world, and we are satisfied with the education provided in Estonia. At the same time, education expenditure has increased by approximately 40% since the previous Manifesto, and at 6.3% of GDP, Estonia's education expenditure is among the highest in the European Union – yet the productivity of our economy has declined. This is not sustainable. The problem therefore cannot be the overall level of expenditure, but rather how the funding is allocated.

For example, training engineering and technical specialists offers the greatest opportunity to increase value added per employee – in other words, productivity – and thereby improve society's well-being. Although the decline in productivity also has cyclical causes and causes arising from the external environment, education policy must support the objective of increasing productivity faster than the average European country.

Vision: Estonia's education system remains world-class, is guided by clear objectives and aligned with labour market needs. Its impact is reflected in the economy through increased productivity. We invest in education efficiently.

GENERAL EDUCATION

CONSOLIDATE RESPONSIBILITY AND STREAMLINE THE SCHOOL NETWORK

The governance and funding of general education is fragmented between the state, municipalities and school. The governance and funding of general education are fragmented among central government, local authorities and school leaders, resulting in dispersed responsibility for the quality of general education. Responsibility for the quality of teaching should lie with the authority responsible for operating the school.

Proposal: Clearly define the rights, responsibilities and resources of central government, the regional level and school leaders. Central government should assume responsibility for upper secondary education. Establish principles specifying when the government should intervene if the authority operating a school has failed to ensure the quality of education. In addition, develop a concrete action plan for optimising the school network in response to demographic change. Various experts, including the OECD, Praxis and the National Audit Office of Estonia, have been drawing attention to the need to make the school network more efficient for many years.

USE EDUCATION DATA AND DIGITAL TOOLS TO SUPPORT MANAGEMENT

Large amounts of data are collected, but they are not used centrally for systematic management. There is no publicly available and comparable overview of the quality of learning outcomes.

Proposal: Invest in integrated education data infrastructure and digital learning resources, create a digital solution supporting each learner's individual learning pathway, and publish comparable statistics on the quality of learning outcomes by region and school. These data should also be taken into account in education management.

LINK FUNDING TO THE QUALITY AND OUTCOMES OF EDUCATION

School funding is not currently linked to learning outcomes and is mixed with regional policy objectives. These components must be separated in the funding model. Learning outcomes do not refer only to subject knowledge reflected in grades, but also to learning skills and individual progress.

Proposal: Introduce more rigorous quality assessment in general education and link funding more closely to learning outcomes, separating the education component from the regional component in the funding model.

RAISE THE STANDARD OF MATHEMATICS, SCIENCE AND TECHNOLOGY EDUCATION

The foundations of a technology-intensive economy are laid at school. However, the option of choosing the narrower and less advanced mathematics course in upper secondary school allows students to avoid more demanding mathematics and science subjects, restricts their subsequent career choices, and is compounded by unequal access to extracurricular education.

Proposal: Discontinue the narrow mathematics course in upper secondary schools, improve the quality of mathematics and science education, and introduce technology education and artificial intelligence skills in every school.

VOCATIONAL EDUCATION AND TRAINING

LINK VOCATIONAL EDUCATION FUNDING TO OUTCOMES

The extension of compulsory education has created a need for additional resources in schools. This makes it even more important to direct funding to where it produces results and meets labour market needs. Good labour market outcomes will also help make vocational education more attractive to young people.

Proposal: Introduce performance-based quality assessment in vocational education and training – for example, based on graduates’ employment outcomes and wage levels – and link funding to results and OSKA data. Reforms must have clearly defined objectives and be reflected in education funding.

GIVE VOCATIONAL EDUCATION A GREATER ROLE IN ADULT RETRAINING

Almost half of labour market participants require substantial upskilling or retraining, but restrictions on repeated study are among the obstacles preventing this.

Proposal: Give vocational education and training a greater role in adult education and remove restrictions on repeated study in fields experiencing labour shortages.

HIGHER EDUCATION

IMPROVE THE EFFICIENCY OF HIGHER EDUCATION AND ALIGN IT WITH LABOUR MARKET NEEDS

Estonia’s higher education landscape is fragmented for a country of its size: study programmes overlap, and support services are maintained separately by different institutions. At the same time, it should be acknowledged that several necessary steps have already been taken to improve efficiency. Nevertheless, we believe that there is scope to proceed further and faster.

Although labour market needs are increasingly being taken into account in higher education, the number and distribution of study places are still not sufficiently aligned with the needs of the economy. The need to improve the efficiency of higher education institutions was already highlighted in the report of the working group led by Gunnar Okk. Some of its recommendations have been implemented, while others have not.

Proposal: Reduce duplication in study programmes and functions, create fair competition between private universities and universities established under public law, develop shared support systems for universities, and allocate study places and funding according to labour market needs, using sources such as OSKA data.

ATTRACT MORE PRIVATE FUNDING TO HIGHER EDUCATION

Taxpayers continue to fund higher education in fields in which graduates often do not subsequently work or in which students would be willing to pay for their studies themselves. This places a burden on the state budget at a time when public funds are limited. At the same time, a growing number of students and employers are willing to contribute additional funding towards education. The government should enable them to do so.

Proposal: Remove barriers to attracting private funding through tuition fees, endowment funds and other sources.

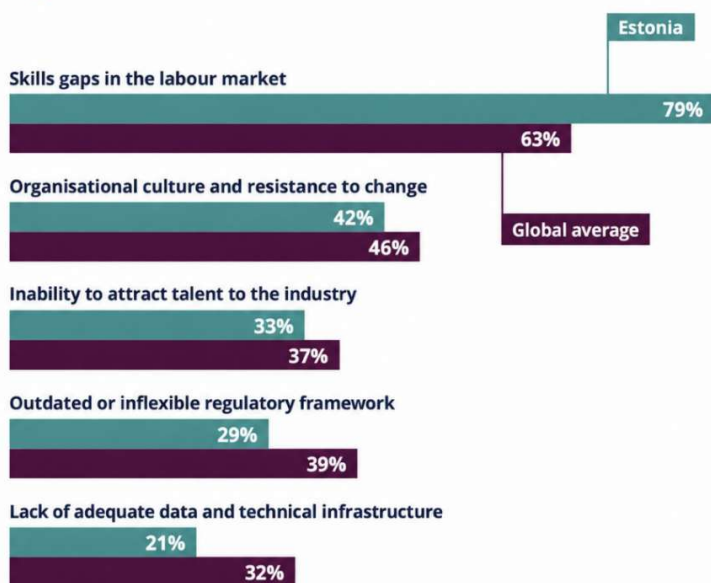
OPEN HIGHER EDUCATION TO INTERNATIONAL STUDENTS AND ACADEMIC STAFF

Higher education offered only in Estonian may not be competitive. International students and academic staff bring an international dimension and support economic development.

Proposal: Develop a dedicated talent policy for Estonia, make it easier to attract international students and academic staff, and increase the number of English-language study programmes in fields experiencing severe labour shortages or in disciplines where there is demand for such programmes.

Skills shortages are holding back business development in Estonia

Key barriers to business transformation



Source: World Economic Forum

EDUCATION SYSTEM AND LABOUR MARKET

ALIGN THE EDUCATION SYSTEM SYSTEMATICALLY WITH LABOUR MARKET NEEDS

In some fields, too many people are trained, while in others there is a shortage of graduates. This is neither economically sustainable nor fair to taxpayers or students.

Proposal: At all levels of education, take labour market needs into account when determining the number of publicly funded study places, based, for example, on OSKA data; measure the economic impact of the education system; and develop education policy on the basis of outcomes. Continue to prioritise the development of ICT and engineering education.

MAKE LEARNING MORE ACCESSIBLE TO PEOPLE IN EMPLOYEMENT

Adult learners need flexible solutions that allow them to develop their skills alongside work and family commitments.

Proposal: Increase flexibility in formal education and develop distance, virtual and hybrid learning solutions that make it easier for people in employment to participate in lifelong learning.

MAKE REPEAT UNEMPLOYMENT INCURANCE BENEFITS CONDITIONAL ON SKILLS DEVELOPMENT

Repeated unemployment among people without professional qualifications indicates a mismatch between their skills and labour market needs. Benefits alone will not solve this problem.

Proposal: For repeat benefit recipients who lack professional qualifications, make continuing education a precondition for receiving benefits and provide more training through cooperation between the Estonian Unemployment Insurance Fund and employers

Those who chose narrow, and therefore easier, mathematics score

30%

fewer points in the state examination than those who took extensive mathematics.

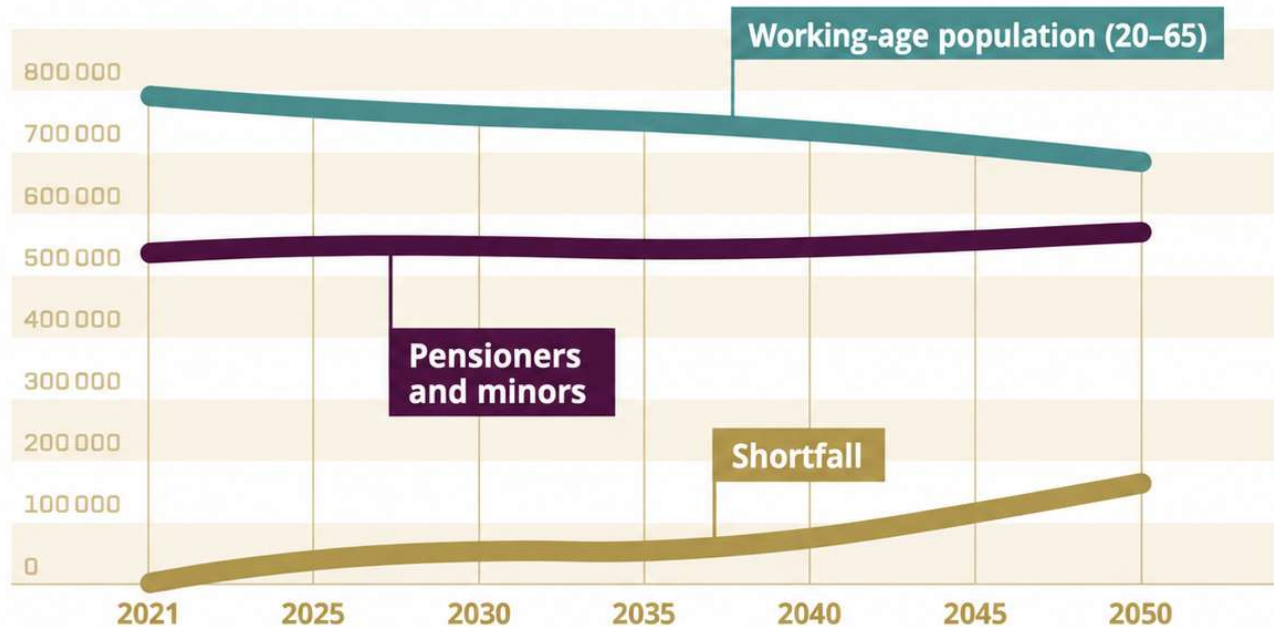
Source: Estonian Education and Youth Board



IV Labour market

The number of workers is declining every year

Demographic projections indicate that, to maintain the 2021 dependency ratio, the annual shortfall in the working-age population will be approximately 6,000 people



Source: Eurostat demographic projections 2021

FLEXIBILITY AND SMART SOLUTIONS CAN ADDRESS LABOUR SHORTAGES

Estonia's labour market is characterised by a growing shortage of workers with the necessary skills. The population is ageing, the working-age population is declining, and not everyone of working age is economically active due to health, skills-related or geographical factors. Strict migration rules have hindered the wider recruitment of foreign workers.

Vision: Estonia's economic model functions in the context of a declining population – more people are engaged in the labour market, labour law keeps pace with the times and changes in the labour market, and the necessary foreign labour is well integrated.

BRING MORE PEOPLE INTO THE LABOUR MARKET

Employment can be increased by engaging more young people, older people and people with reduced work capacity. Each of these groups requires different support measures and flexible solutions.

Proposal: Make it easier for young people to enter the labour market by developing traineeship opportunities, strengthening career guidance and promoting flexible forms of work. Support flexible working arrangements for older people and introduce more effective measures to help people with reduced work capacity enter and remain in employment.

MODERNISE LABOUR LAW TO ACCOMMODATE FLEXIBLE FORMS OF WORK

The regulation of the contract of employment is stuck in the old model, which requires a fixed location and working time, and does not, for example, support hybrid work. With flexible employment relationships, Estonia can be an attractive target country for investments.

Proposal: Establish clear regulation for hybrid work that recognises the shared responsibility of the employer and the employee and allow more flexible fixed-term employment contracts.

IMPLEMENT CONTROLLED LABOUR MIGRATION AND TALENT POLICIES

In the coming years, the education system will not meet the full demand for skilled labour. Foreign labour must be seen as a strategic opportunity for the economy and the state, not as a temporary solution.

Proposal: Develop a targeted foreign labour and talent policy that supports specialists in coming to Estonia, staying here and integrating.

DEVELOP THE TRAINEESHIP SYSTEM

Current regulation treats a traineeship as an ordinary employment relationship, although its purpose is learning. This makes it more difficult to engage trainees and for young people to move from education into working life.

Proposal: Distinguish traineeships from ordinary employment relationships and organise them on the basis of their learning purpose, while providing employers with clear incentives to engage trainees.

2100

professionals and skilled workers are lacking from the labour market each year, according to OSKA data, and graduates of Estonia's formal education system cannot meet this demand.

The need for foreign workers is growing.

Source: OSKA



V Healthcare

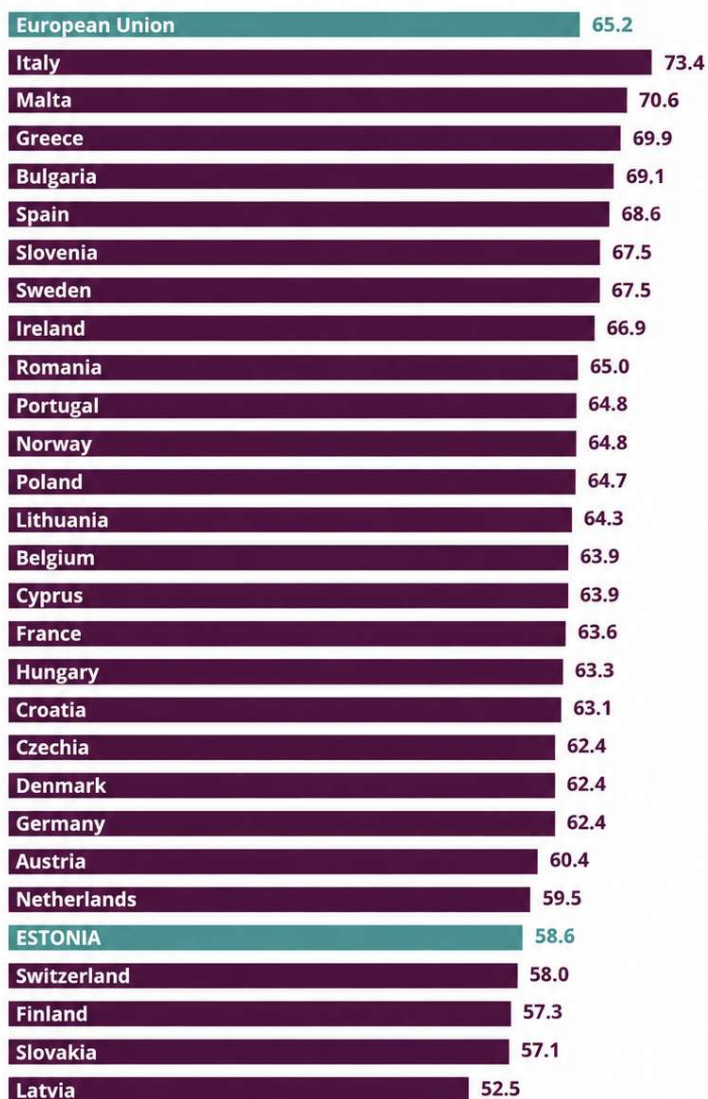
HEALTHY PEOPLE ARE THE FOUNDATION OF A HEALTHY SOCIETY AND ECONOMY

Estonia's healthcare expenditure has doubled over the past seven years, but Estonia ranks among the lowest in Europe in terms of healthy life years. In an ageing society with a declining working-age population, it is vital to maintain good physical and mental health—in other words, to preserve people's capacity to work and increase the number of years lived in good health.

Vision: Estonia's healthcare system delivers better outcomes for the same amount of money—the growth in health expenditure is affordable for society, funding follows the patient and the outcome, prevention is part of everyday practice, and data move securely. Healthy people remain active in the labour market for longer.

Despite rapidly rising healthcare expenditure, Estonia has one of the lowest numbers of healthy life years in Europe.

Healthy life years at birth



Source: Eurostat 2024

FUNDING

MOVE TO AN OUTCOME-BASED FUNDING MODEL

Healthcare is currently funded mainly on the basis of services provided, which encourages more activities, such as tests, procedures and hospital days, rather than better treatment outcomes. Paying for outcomes – for example, the stable condition of a chronically ill patient rather than the number of visits – provides more healthy life years for the same amount of money. This is an increase in efficiency without raising taxes.

Proposal: Fund healthcare not only on the basis of procedures performed but also according to measurable outcomes. Direct healthcare funding to where it produces the greatest number of healthy life years.

INTRODUCE OWNERSHIP-INDEPENDENT PROCUREMENT OF HEALTHCARE SERVICES

Adequate preparedness and coverage of the health care system (e.g. emergency medicine, obstetrics, intensive care) must be financed as a national reserve regardless of use. In other services, the money must follow the patient to a public hospital, a municipal hospital or a private doctor's centre. This creates competition based on quality.

Proposal: Healthcare funding must follow the patient's choice, not the hospital's form of ownership.

ENSURE STRICT BUDGETARY DISCIPLINE AT THE ESTONIAN HEALTH INSURANCE FUND

Political decisions have imposed new obligations on the Estonian Health Insurance Fund without providing permanent funding, as a result of which funding is taken from elsewhere or waiting lists grow. The health insurance component of social tax revenue (13%) is intended for healthcare, not for covering social expenditure.

Proposal: No new obligations may be imposed on the Estonian Health Insurance Fund without a permanent source of funding.

INCREASE THE TAX EXEMPTION FOR EMPLOYERS' HEALTH EXPENDITURE

A greater contribution from employers brings additional funding into the sector, reduces illness and keeps people active in the labour market.

Proposal: remove the limit on employers' tax-exempt health expenditure (currently EUR 400 per employee per year) and extend the tax exemption to all services included in the list of healthcare services

UNREALISED OPPORTUNITIES

REFORM THE FAMILY DOCTOR SYSTEM AND REMOVE OWNERSHIP RESTRICTIONS

At present, a company providing family doctor services may be owned only by a family doctor working there. However, a family doctor is a doctor, not an entrepreneur, but must manage the premises, equipment and staff. Removing the restriction would allow investment in primary care, bringing better technology and services to areas where family doctors are in short supply.

Proposal: Remove the ownership restriction on family doctors and bring investment into primary care.

USE OCCUPATIONAL HEALTH SERVICES FOR PREVENTION AND EARLY INTERVENTION

Through mandatory occupational health services, employers invest nearly EUR 30 million a year in employees' health, and problems requiring further treatment are identified in 20–30% of health examinations. However, the care pathway is often interrupted because further action depends on the individual's own initiative.

Proposal: Enable occupational health physicians to carry out the necessary examinations on site and, where necessary, refer patients directly to a specialist physician without the intermediate step of consulting a family physician. This would keep the care pathway integrated and shift the focus towards prevention and early intervention.

ALLEVIATE THE SHORTAGE OF HEALTHCARE PROFESSIONALS BY REDISTRIBUTING ROLES AND USE TECHNOLOGY

The number of doctors is limited and their time is expensive, while nurses, midwives and pharmacists could perform more tasks independently. If pharmacists were able, for example, to renew prescriptions or provide initial advice, primary care could reach more people without requiring additional resources. Technology also makes it possible to monitor more patients: blood tests at a location close to home, follow-up appointments by video, remote monitoring, and the use of artificial intelligence to manage images and waiting lists. This frees doctors from routine work.

Proposal: Redistribute roles in healthcare so that every professional can work to the fullest extent of their competence, and make intelligent use of hybrid services, remote monitoring and artificial intelligence

SYSTEMATICALLY PREVENT MENTAL HEALTH PROBLEMS

The loss of working time caused by mental health problems is increasing sharply. To preserve people's capacity to work and keep costs under control, the focus can be placed on accessible solutions: strengthening the capacity for self-help (for example, through evidence-based applications, artificial intelligence solutions and online courses) providing community-based services such as counselling and support groups, and reducing the fragmentation of healthcare services so that people know how to help themselves and do not have to turn to expensive psychiatrists and psychologists with long waiting lists.

Proposal: Bring mental health support closer to people and strengthen the capacity for self-help through evidence-based solutions, so that everyone knows how to help themselves and when to consult a specialist

MAKE PREVENTION SYSTEMATIC AND CONVENIENT

Prevention that would help avoid health problems arising or worsening and avoid the use of more expensive treatment is currently inconsistent. Preventive measures must be integrated into every interaction at a pharmacy, with a family physician and in occupational health services, without requiring any separate effort from the individual

Proposal: Integrate prevention into every interaction with the healthcare system.

INTRODUCE A COMPETITION-BASED MODEL FOR HOSPITAL NETWORK MANAGEMENT

Modern healthcare requires fewer large inpatient hospitals, as procedures that previously required a week-long hospital stay are now performed as day surgery. As a result, large buildings are becoming partially oversized. Investments in the hospital network are often made using European Union funding, which creates pressure to keep the hospitals that have been built full of patients, even when this is not reasonable.

Proposal: Hospital network management must be based on competition, efficiency and the need for treatment

DIGITAL TRANSFORMATION AND THE USE OF DATA

Standardise health information systems and open data for research

Not all service providers submit data – diagnoses, medicines, examination results or information about previous treatment – and there is therefore no comprehensive overview of public health and prevention. In addition, large amounts of health data are collected in Estonia, but they are not used for research, innovation and business development.

Proposal: Make the submission of data a condition for obtaining an operating licence, so that a healthcare professional qualified to provide treatment can see the complete picture. Make de-identified health data available for research and innovation under clear rules.

EUR 4.4 billion

was the cost to the state and the economy in 2025 of days of absence from work due to health reasons.

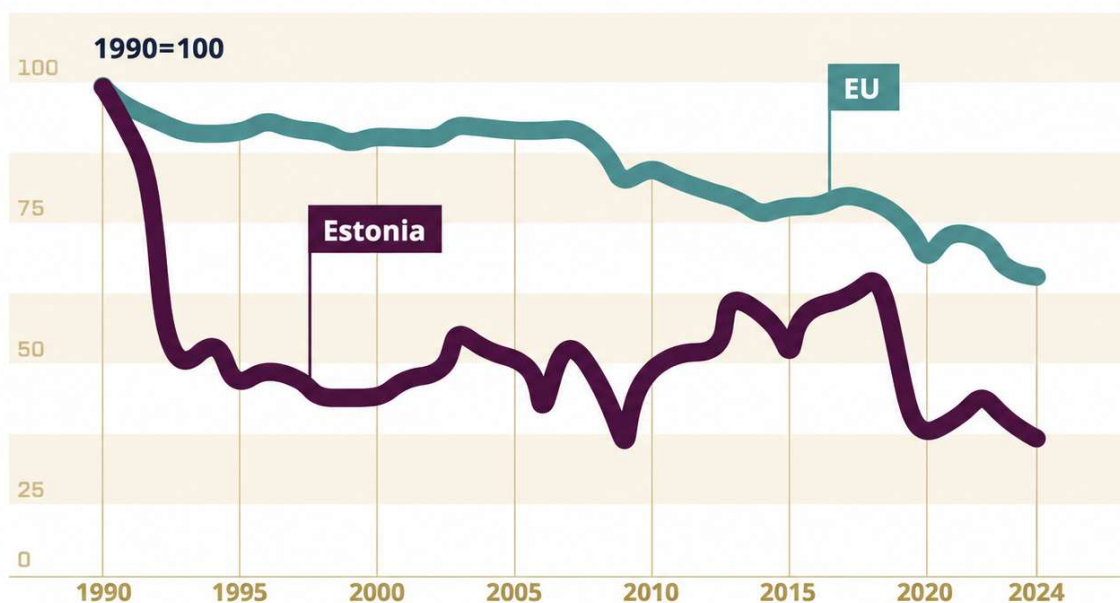
Source: Estonian Health Insurance Fund; calculations by the Estonian Employers' Confederation



VI Future-proof economy

Estonia is ahead of other EU countries in meeting climate targets

EU and Estonian net greenhouse gas emissions compared with 1990



Source: Eurostat

A FUTURE-PROOF ECONOMY SAFEGUARDS THE CONTINUITY OF THE ESTONIAN STATE

In an uncertain world, it is important to ensure that the Estonian state, society and economy are future-proof – that our people and businesses are able to cope and manage. However, preserving the natural environment around us is not enough to ensure our continued existence: for society to function, both the economic and socioeconomic systems must be able to continue operating.

A prerequisite for a future-proof economy is the readiness of strategically important sectors to adapt to climate change. This requires identifying the sectors most affected and developing long-term adaptation plans for them that support the operational continuity of businesses, the economy and the state.

From an economic perspective, security means the ability to produce locally in Estonia what is necessary for society to function. This requires adding value to local natural resources, as well as using materials that have already passed through the production cycle as resources and repeatedly returning them to circulation.

Vision: Estonia is able to produce locally what is essential for the functioning of society, turn its resources into products with greater added value, and is prepared for crises and for coping with climate change. Climate targets are achieved and the environment is protected through cooperation between businesses and the state, ensuring the implementation of reasonable and

effective measures. When investing in national security, as much as possible of the increase in defence expenditure is also channelled into the Estonian economy.

COMPREHENSIVE DEFENCE CAPABILITY

CHANNEL DEFENCE EXPENDITURE INTO THE ESTONIAN ECONOMY

Estonia benefits more from defence expenditure when local companies can also contribute. This concerns not only defence industry companies, but also the construction, catering, electronics and ICT sectors. Our objective must be comprehensive national defence.

Proposal: Identify the capacity of Estonian companies to support the defence industry and involve companies at an early stage in planning national defence capabilities and developing procurement requirements, as well as establish localisation requirements through procurement. For example, if the state purchases defence equipment from a foreign company and the transaction amounts to EUR 10 million or more, the foreign supplier must ensure that 25% of that amount remains in Estonia (e.g. through subcontracting, cooperation or other means).

ADDING VALUE TO LOCAL RESOURCES

TREAT LOCAL RESOURCES AS STRATEGICALLY IMPORTANT

Land, forests, peat, mineral resources and food production capacity form the foundation of Estonia's economy, security of supply and regional development. Government policy must support the sustainable use of these resources and their local transformation into products with greater added value.

Proposal: Define sectors that add value to local resources as strategically important, increase local value creation and export capacity, and prepare a national assessment of land-use potential in order to make informed and balanced decisions between resource use and nature conservation objectives.

ADD VALUE TO LOCAL NATURAL RESOURCES

The use of renewable natural resources is the foundation of the country's operational continuity. As a society, we must agree on how much of Estonia's natural resources will be used to create added value and how much will be excluded from economic use.

Proposal: Simplify and support the creation of added value from bioresources and encourage the development of value-chain-based industrial clusters. When applying restrictions in sectors that add value to natural resources, do not impose stricter requirements than the minimum agreed at the EU level.

SUPPORT THE CIRCULAR ECONOMY AND RESOURCE EFFICIENCY

Resource-efficient solutions reduce waste and increase efficiency, but require investment. To achieve economies of scale, the production inputs required for the circular economy and the resources intended for recycling must be available on the open market.

Proposal: Support companies' industrial investments in the circular economy and increase the motivation of local authorities to contribute to the functioning of the circular economy by setting recycling targets not only for municipal waste but also for other collected waste (e.g. sewage sludge, etc.).

ENSURE THAT CLIMATE TARGETS ARE AFFORDABLE FOR SOCIETY AND THE STATE

Estonia has performed well in meeting its climate targets and has thereby managed to preserve a natural environment that has already disappeared in many developed countries. Further progress requires cooperation between the public and private sectors in developing and adopting cleaner technologies.

Proposal: Support the use and development of cleaner technologies, including through public procurement, while also setting the public sector the objective of becoming more resource-efficient and sustainable. When setting new climate targets, proceed on a scientific basis and follow principles that safeguard the competitiveness of the Estonian economy and companies' capacity to invest, while taking into account both strategically important sectors and the maturity of technological development.

ACHIEVE EFFECTIVE COOPERATION BETWEEN COMPANIES AND THE ENVIRONMENT BOARD AND THE MINISTRY OF CLIMATE

Environmental permits and their processing are part of companies' daily operations, but the process currently burdens businesses with excessive bureaucracy, unclear requirements and inconsistent supervision. The state has an important role in environmental protection, but reasonable solutions can be developed only through cooperation between companies and officials. This enables companies to continue their operations in a reasonable manner.

Proposal: When establishing environmental requirements and carrying out supervision, follow Estonian and EU legislation and do not impose requirements or conditions that are stricter than those laid down in that legislation. Significantly simplify the environmental permit procedure and establish clear and unambiguous rules for officials when setting sector-specific conditions and requirements for companies.

CRISIS PREPAREDNESS

RECOGNISE LOCAL INDUSTRY AND PRODUCTION AS STRATEGICALLY IMPORTANT

Estonia must be able to ensure that critical raw materials and the products and services required for the functioning of the state – including food, construction, transport, energy and industrial supply chains – remain available during crises. For this purpose, local industry and production must be competitive, open to innovation and export-oriented.

Proposal: Treat local industry and production as a nationally and strategically important sector, increase the innovation and export capacity of the manufacturing industry, and maintain the capacity to produce local raw materials and add value to them locally.

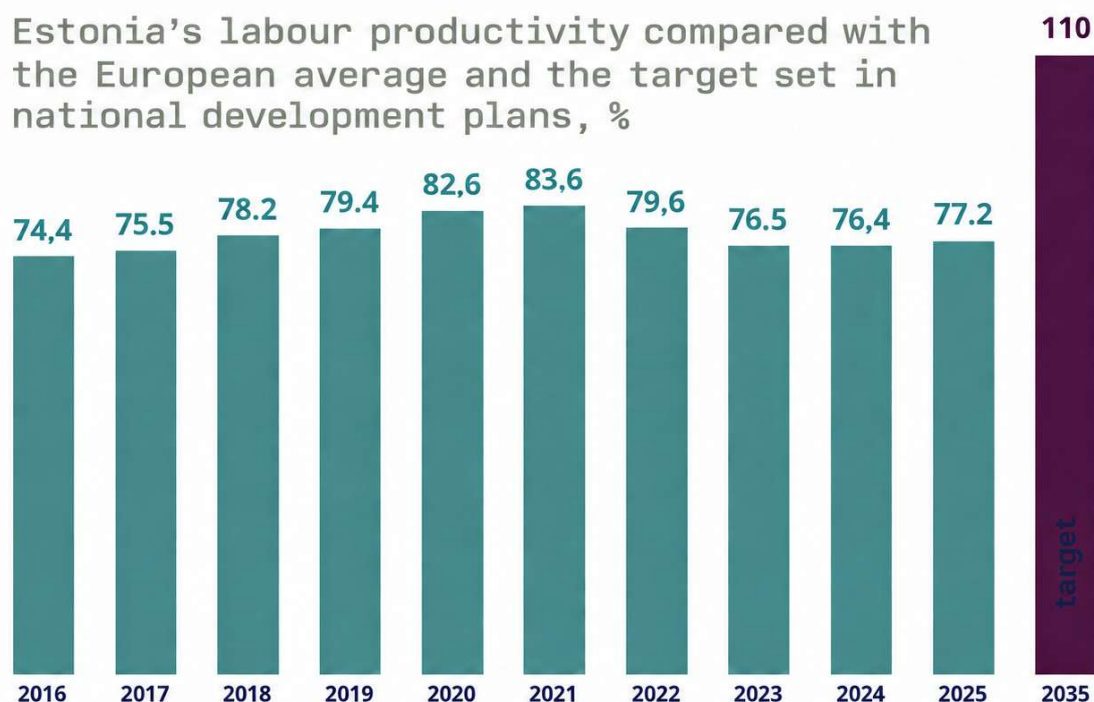
ESTABLISH CLEAR REQUIREMENTS AND AFFORDABLE FUNDING FOR PROVIDORS OF VITAL SERVICES (PVSSs)

The requirements imposed by the state on providers of vital services are often general and unrealistic, requiring investments amounting to millions of euros without providing the necessary funding.

Proposal: Clearly define providers of vital services and their roles and agree on financially realistic sector-specific requirements together with implementation guidelines and action plans. In sectors that are important for the functioning of the Estonian state, also provide funding to improve crisis preparedness.



VII Innovation



Source: Statistics Estonia

A LEAP IN INNOVATION, EXPORTS AND TECHNOLOGY

Growth in Estonia's productivity and competitiveness requires three leaps: faster adoption of technology by companies, focused investment in research and development (R&D) with ambitious objectives, and growth in the volume of high-value-added exports together with new export markets.

Vision: Estonia's research and development reaches the economy, and the productivity of the economy moves towards the desired target – reaching 110% of the EU average by 2035. Estonia breaks through in foreign markets as a provider of industrial products and products with high added value, and exports are no longer dependent on a small number of destination countries.

A LEAP IN RESEARCH AND DEVELOPMENT

SUPPORT GROWTH IN PRIVATE-SECTOR R&D INVESTMENT AND TRANSLATION INTO INNOVATION

To achieve a leap in innovation, private-sector research and development (R&D) investment must become more ambitious, increasing from the current level of nearly 1% to 3% of GDP. The Applied Research Programme (RUP), through which the state co-finances companies' product development, has proven its value. It is also important to support initiatives by R&D institutions to establish endowment funds and similar funds that attract private capital and promote the fulfilment of universities' third mission.

Proposal: Continue and expand the Applied Research Programme by doubling its budget and maintain public-sector R&D funding at no less than 1% of GDP through effective targeting. One measure of RUP's success is whether innovation reaches the market.

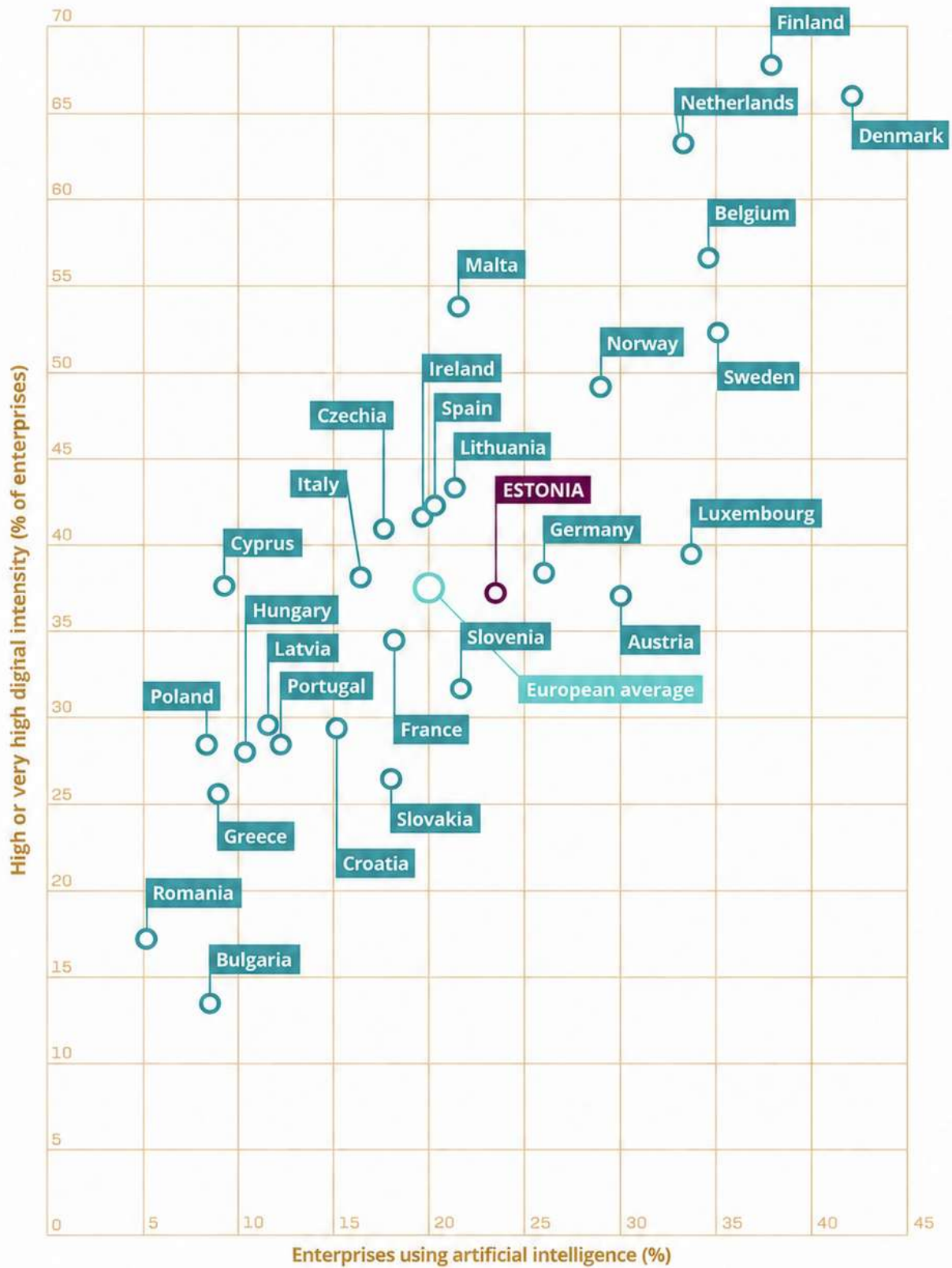
MAKE RESEARCH AND DEVELOPMENT ITSELF AN EXPORT PRODUCT

Research and development (R&D) can itself be a high-value-added export product. Teams of technology companies can operate in Estonia without capital-intensive production facilities.

Proposal: Agree on separate targets with R&D-based exporters and attract international technology companies and talent to Estonia through targeted measures, including tax incentives, simpler permit procedures and Estonia's image as a secure digital state.

Estonia performs well in the use of technology,
but remains behind the digital leaders

Enterprises using artificial intelligence and the digitalisation of enterprises



Source: Eurostat

A LEAP IN TECHNOLOGY ADOPTION

MANAGE STATE ORGANISATIONS SUPPORTING INNOVATION AS AN INTEGRATED ECOSYSTEM

Several state institutions, including the Metroserf Applied Research Center, the Estonian Research Council (ETAG), the Estonian Business and Innovation Agency (EIS) and AI & Robotics Estonia (AIRE), as well as the Adapter and Eesti.ai networks, support technology adoption and innovation. At the same time, these activities often overlap. The state can take a clearer role in maintaining focus on the development and adoption of new technologies.

Proposal: Manage state innovation institutions more clearly and promote focused cooperation towards the shared objective of modernising the economy and increasing added value.

AN EXPORT LEAP AND BREAKTHROUGH FOR THE ESTONIAN BRAND

REDUCE EXPORT RISKS AND DEPENDENCE ON A SMALL NUMBER OF DESTINATION MARKETS

Exports account for more than 80% of GDP but are heavily dependent on three or four destination countries, mainly in Scandinavia, which makes us vulnerable. To enter new markets, the strategy must be data-driven, flexible and able to respond rapidly to changing circumstances.

Proposal: Accelerate funding decisions that help provide guarantees for ambitious export projects. Ensure the availability of a state guarantee measure that covers the risks of bold export projects in new destination markets, as well as a destination-country focus programme offering advice, representation, trade fairs and financing.

BUILD THE ESTONIAN BRAND ACROSS SECTORS

Estonia is particularly well known for IT and start-ups, but remains unknown in destination markets as a smart industrial country.

Proposal: Direct the state's focus towards building the Estonian brand across sectors in destination markets, rather than limiting it to the export of IT or e-residency, while making use of Estonia's international recognition as a digital state.

Up to 24%

productivity growth can be achieved in companies where automation is accompanied by organisational innovation.

Automation alone increased productivity by 6–9%.

Source: Foresight Centre

VIII CALLS TO EMPLOYERS

We are ambitious in our plans and actions

Estonian companies have outstanding success stories, but the economy is being held back by the mediocrity trap. Setting our sights higher will help us break free from it. This means investing in innovation and thereby offering products and services with greater added value, expanding the selection and reach of export markets, increasing company efficiency and cooperating with others. Ambition is a choice

The quality of management determines everything

A company's long-term success is not a matter of chance. Whether a company, and Estonia as a whole, reaches the top tier of the economy depends on its leaders, their skills and a results-oriented management culture. We invest in developing our leaders and management culture. We also develop our employees, because without doing so it is impossible to remain competitive.

We create distinctive products and services.

We develop products and services with a distinctive competitive advantage within the company, in cooperation with researchers or by involving technology-savvy young people. Each year, we set a target for increasing the share of turnover generated by products and services with greater added value. The 2% Club of the Estonian Employers' Confederation, for example, collects and shares the experience of companies that have done this.

Every year, we take steps to increase our export capacity.

We extend our company's export ambitions beyond the domestic market and neighbouring countries, with the aim of systematically increasing export volumes and raising them above the average in our sector. This helps mitigate the risks to our companies arising from downturns in their main export markets.

We will find more opportunities for cooperation.

Estonian companies are small by European and global standards. Closer cooperation, both with one another and in clusters, provides the strength needed to enter foreign markets and compete with large corporations.

We involve young people and systematically develop the next generation.

Providing young people with employment and traineeship opportunities helps reduce youth unemployment and develop the organisation's future talent. If you do not do this, a competitor will

and will snap up the valuable employee. We establish contacts with schools, introduce our activities to young people and exchange information about traineeship and employment opportunities

We are open to international talent.

Our organisations are prepared to involve talent from outside Estonia, both by recruiting people and by offering traineeship opportunities to students. This brings fresh ideas and international experience.

We participate actively in shaping the economy.

Entrepreneurs know what the business environment needs in order to increase competitiveness and can serve as dialogue partners for the state in taking the necessary steps. Sectoral professional associations and the Estonian Employers' Confederation, as an umbrella organisation, provide valuable opportunities to participate in the discussion and also help expand professional networks.

IX CALLS TO EMPLOYEES

Take care of your most valuable asset: your health

The length of active working life is increasing. Although the role of employers in contributing to health is being discussed more and more, expectations have grown and employers are also willing to invest in employees' health, each individual is primarily responsible for maintaining their own physical and mental health. This includes, for example, complying with occupational safety requirements. Learn to understand yourself and your limits, and ask for help when necessary.

Invest in increasing your own value.

Those who create value within organisations through their work and activities secure a successful career, self-fulfilment and income for themselves. As working life is changing rapidly, this requires continuously improving your knowledge and skills, learning new things, adapting and making use of the opportunities offered by technology, such as artificial intelligence

Take responsibility with confidence.

Alongside skills and knowledge, getting things done is important, because results and success are achieved through action. Taking responsibility stands out. It develops independence, decision-making ability and leadership skills, and increases the desire to get things done and set new goals.

Be entrepreneurial.

Try your hand at entrepreneurship. It enables you to turn your ideas into reality, fulfil your ambitions and have a broader impact on the world. In addition to creating a job you enjoy for yourself, it enables you to create jobs for others.

X TOGETHER, LET US CREATE THE CONDITIONS FOR ECONOMIC GROWTH

Several good plans have been developed in Estonia over the past decade, but there has not been enough courage to implement them.

However, the cooperation between employers and government partners over the past year shows that even within a short period it is possible to make major changes for the economy, reduce bureaucracy and create the conditions for economic growth. Entrepreneurs are worth listening to because, by operating on the ground in real competition every day, they know what needs to be done to develop the economy. When the economy develops and grows, the well-being of the people of Estonia also improves.

The newly completed Employers' Manifesto identifies the bottlenecks in Estonia's economy and provides recommendations on how to secure Estonia's place in the top tier of the economy.

The Estonian Employers' Confederation provides a strong platform for this, as it represents approximately 2,000 companies that employ more than 250,000 people in Estonia. These companies pay more than half of Estonia's tax revenue. In other words, when they do well, Estonia does well.

Join the Estonian Employers' Confederation and help shape a better business environment and increase Estonia's prosperity.

Hando Sutter

Managing Director of the Estonian Employers' Confederation

Get in touch: hando@employers.ee

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“Only a successful and growing country with a competitive economic environment can fulfil the principal objective of the Constitution: to ensure the preservation of the Estonian nation, language and culture.”

AIN HANSCHMIDT

President of the Estonian Employers’
Confederation