

The Employers' Manifesto 2022

In an era of crisis, it is more important than ever
that the Estonian state is run strategically and responsibly,
standing up for the well-being of Estonian people and businesses, now and in the future.

'Time to be ahead of the times'

The Manifesto has been prepared by the Estonian Employers' Confederation. The Confederation brings together, directly and through its branches, more than 2,000 Estonian companies, which in turn employ 250,000 people. It is an apolitical, non-governmental organisation.

'In a changing world, whoever keeps up the pace and goes a little faster than the world, wins. He who can get ahead of the world, can anticipate the problems, the questions, the solutions that life throws at him.'

Lennart Meri, President of the Republic of Estonia from 1992–2001

Time to be ahead of the times!

In an era of rapid change, the well-being of the Estonian people depends on how quickly we can adapt to new conditions and be prepared for crises. This is exactly what the members of the Estonian Employers' Confederation, the largest employers, and professional associations in Estonia want to say to politicians, entrepreneurs, and the Estonian people with their new Employers' Manifesto.

While crises are difficult, employers also see them as an opportunity to make the necessary changes to move on with more strength. The future may not be in our hands, but the more systematic and strategic we are, the better prepared we will be.

Each of us is responsible

The next elections to the *Riigikogu* will be held on 5 March 2023. So now is the time to remind ourselves of our responsibilities. This is the responsibility that politicians take before Estonia and the Estonian people when they stand for the *Riigikogu*. But to the voter, we emphasise the weight of their choice and vote, as it is up to each of us to decide how Estonia is prepared for the future.

Employers are also involved in shaping life in Estonia by preparing the Manifesto. We know the importance of a strategic approach and leadership. Distinguishing the important from the unimportant. Setting ambitious goals, a clear work plan, allocating resources, and taking responsibility. Looking for solutions instead of blame and excuses. That is how things get done. This is what we expect from the Estonian state.

The Employers' Manifesto's emphases and proposals have one goal – to increase the well-being of the Estonian people. To achieve this, employers have identified challenges and solutions in several areas, based on the four pillars.

EMPLOYERS' MESSAGE TO POLITICAL PARTIES AND NATIONAL LEADERS:

1. The Estonian state needs long-term strategic leadership.
2. Growth in prosperity comes from increasing productivity and value added in the economy.

3. We only live well with smart and healthy employees.
4. A smartly managed green transition opens up new opportunities for the economy.

The Employers' Manifesto 2022

1. The Estonian state needs long-term strategic leadership.

Estonia has done better than its peers, but a continuation of its success is not inevitable in an open world. If we fail to develop our strengths, we not only stagnate, we also lose compared to others.

But overcoming this challenge will require greater strategic leadership from national leaders, with decisions and initiatives going beyond the four-year electoral cycle. Decisions should not be evaluated on a scale of 'popular/unpopular', but rather 'necessary/unnecessary', especially in terms of meeting long-term objectives.

Recent crises have highlighted the consequences of short-sighted and weak leadership – the pandemic exposed persistent shortcomings in health, energy, and governance, and similarly deepening crises in both education and the labour market. These are prominent symptoms of indecision.

Estonia's goal must be to create the most competitive business environment in the region, with an attractive tax system, a reliable legal framework, reasonable energy prices, and hard-working people. Estonia must be a country that attracts, not repels, new investment.

Estonia's competitive advantage has been a transparent and efficient state. However, in order to maintain this advantage, state reform must continue, as the ambition and achievements of its current agenda are insufficient. In the public sector, before any extra money is allocated, it is important to ask what has been done to make a public service or organisation more efficient and what added value this extra cost brings to the Estonian people.

The advantage of the Estonian state must be a smart state, i.e. simple services provided by the state that evolve and take advantage of the opportunities offered by technology, with clear benefits for businesses and citizens alike. In a simple country, the administrative burden on business is small and justified, and starts by weeding out resource-wasting bureaucracy. Smart government means legislation that encourages, not discourages, entrepreneurship.

2. Growth in prosperity comes from increasing productivity and value added in the economy.

At times, society seems to have forgotten that the prosperity of a country and its people grows through entrepreneurship, not through tax increases or aid distributed by the state. There is no state aid. It is simply redistributing what we, employees and employers, collect through taxes or borrow from future generations.

Wage growth is a prerequisite for the growth of the welfare of both citizens and the state, as 80% of Estonia's tax revenues are linked to wages. Wage growth, on the other hand, depends on growth in business value added and productivity, driven by innovation. Only companies with growing productivity can increase their employees' wages and owners' profits.

Estonia has defined its directions for prosperity growth in the strategy 'Estonia 2035', which outlines 27 major changes in different areas that citizens need. Whether it is boosting birth rates or investing in education, public health or high-speed internet, all of these require tens to hundreds of millions of euros of public investment.

However, we can only make these investments if the state budget grows. A prerequisite for the growth of the state budget is the growth of productivity and value added in the economy, driven by innovative companies. As a strategic and smart country, Estonia must focus on increasing the value added of the economy and the investments that promote it, in order to achieve human well-being.

Estonian companies have been trapped in the average productivity trap for the past decade, below the European average by a fifth. At the same time, the 'Estonia 2035' vision document predicts that entrepreneurship will become more innovative in the coming years at twice the current pace and will soon exceed the European average.

Such a leap forward is possible, but it will not happen on its own and will require determination and support at national level, in addition to the efforts of businesses.

3. We only live well with smart and healthy employees.

People form the economy and a successful economy is based on a labour market that meets the needs of the labour market. However, Estonia has been in a demographic crisis for some time now, with fewer people entering the labour market every year and the number of dependants increasing. Labour shortages have been one of the main factors holding back business growth in recent years.

While digitalisation and automation are alleviating the shortage of lower-skilled primary employees, a more complex problem is the growing shortage of professionals with specialist skills. A company may have state-of-the-art technology, but it does not have the people to manage it.

While in the short term, greater involvement of foreign labour would provide relief, for future sustainability, Estonia needs to reorganise its education system and vocational training and

ensure effective retraining for those who have lost their jobs. The quality of education in Estonia is key to the future of our economy.

Labour legislation also needs to change, as new generations see work and working differently than before. The legalisation of flexible employment would allow more people to enter the labour market and would also provide social guarantees under employment contracts for the part of employees currently employed under other forms of contract.

With an ageing population, it is important to keep people active in the labour market even in old age. However, this can only be done if the number of years of healthy life increases. Given the burden on the medical system and the limited availability of simpler treatments, the state must encourage employers to contribute to improving employees' health.

Estonia has one of the highest employment rates in Europe, but if we want to be a country with a growing economy and prosperity in the future, we need flexible regulations, additional manpower and a long-term plan to ensure we have enough skilled employees.

4. A smartly managed green transition opens up new opportunities for the economy.

Fighting to reduce the effects of climate change and preserve biodiversity is one of the most important challenges of our generation. It is a multi-faceted issue with long-term implications and requiring global agreements that cannot be successfully addressed at the local level alone. Therefore, it makes sense for Estonia to actively contribute to the shaping of international agreements, in particular the common policies of the European Union.

However, Estonia has been so passive compared to other European countries on many environmental and climate issues that several requirements from EU directives are catching Estonian people and businesses by surprise. As these problems are complex and responsibilities are fragmented between different agencies, politicians tend to talk about them in slogans and fail to understand the complexity of the challenges facing businesses.

In Estonia, we were ten years late in starting the green transition, and therefore instead of calmly changing direction, the Estonian people now have to make a substantial U-turn in several areas in order to meet European requirements. Doing so has a painful impact on businesses and citizens alike. A green transition is not feasible by continuing with the old economic models. This means that the green transition is not an evolution, but a revolution. To succeed in this, more needs to change than is currently perceived by the public in Estonia.

Employers understand that a sustainable business model is a competitive advantage. However, change is not easy without the right technology, sufficient demand or the right

people with the right skills. A smart green transition must also take into account the international competitiveness of Estonian companies.

Coordinated and balanced national leadership is needed to ensure that the green transition does not turn out to be a shock that takes years to recover from.

Employers' expectations and proposals to national leaders

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I The Estonian state needs long-term strategic leadership

Strategic and systematic implementation of the vision

At times, the country has too many development plans, with the consistency and systemic nature of the implementation of the strategic objectives leaving much to be desired. If we have spent a great deal of time and gained such broad support in society for a development document, as in the case of Estonia 2035, it must be implemented. This will give investors and residents a sense of confidence regarding long-term decisions. The reforms needed for the country's development will not be achieved if only the problems of the day are dealt with and if there is no unified leadership and cooperation within government.

As entrepreneurs, we consider it crucial to address the question of how to make Estonia's business environment competitive enough to move us from the top of the Eastern European income league to the top of Western Europe. We can no longer rely on random changes alone to realise the lively Estonia image, but we must decisively limit administrative burdens, look for ways to manage natural resources wisely, foster innovation, and implement strategic governance.

Attractive tax environment

We need to do all we can to keep what is good in the Estonian economy – a simple tax system, a stable business environment, and an educated and active population. At the same time, however, we need to look for new competitive advantages and provide investment certainty for active people. Foreign investment, exports of goods and services, and higher value added bring prosperity to the country. The tax environment must encourage this, not discourage it.

Tax burden must not be increased

The attractiveness of Estonia's tax environment is among the best in the world in international rankings. This is an important competitive advantage that must not be destroyed lightly. A responsible state budget is the other side of the fiscal coin. The budget is there to manage expenditures. We expect stability and fiscal discipline from the government. Raising the tax burden and using borrowed money for running costs is incomprehensible at a time when wages and budget revenues are rising by nearly 10% a year. Nor have we seen any impact studies prior to the tax debate, but we have seen a lot of wishful thinking and populism.

The tax burden and debt servicing is made increasingly difficult by the shrinking working-age population and the relentlessly rising number of dependants. In addition, there are difficult tax reforms coming under external pressure, such as the European green transition regulation or the OECD agreement on minimum income tax rates.

Increasing people's own contribution to the financing of social services is essential to change both funding and attitudes. This concerns, for example, funded pensions, education and health insurance. Incentives and disincentives must be created for employers to contribute voluntarily, for example, in setting up occupational pensions, promoting health and contributing to people's education.

Tax policy must not repeat the mistakes made with excise duties, where high tax rates led to border trade that exported sales and tax revenues to neighbouring countries. Excise and taxes must always be competitive with our closest neighbours.

Shifting focus on adding value instead of redistribution

Any extraordinary increase in pensions or unemployment benefits means that other public services have to be cut. Raising taxes on companies' profits also reduces the money available to pay wages and discourages entrepreneurship and job creation. To help the less well-off, it is more sustainable to increase their competitiveness by improving mobility or skills. The best social policy is smart economic policy.

Business-friendly economic space

Competitively priced energy is critical for business

The energy crisis has proven that a diverse energy mix and reasonable prices are a vital issue for citizens and businesses alike. Our grid connections with neighbouring markets need to improve, but Estonia must also have the capacity to produce the necessary energy itself.

To ensure security of energy supply and a competitive price level, the development of renewable energy production, as well as managed generation capacity and storage technologies, must be addressed. The availability of local energy resources must also be taken into account to ensure the international competitiveness of Estonian companies. Bottlenecks in stock exchange rules and market organisation need to be urgently addressed, as well as speeding up planning and impact assessment procedures.

Employers expect a clear plan from the state, instead of sloganeering, on how to encourage the construction of new generation capacity that will provide businesses with affordable energy all year round.

Estonia's openness to the outside world must be increased

Estonia is too small to rely solely on the internal market for economic development. We also need to take into account good external relations and markets to boost competitiveness. We desperately need the foreign talent and investment that all developed countries are fighting

for. This requires that Estonia has an impeccable and progressive international reputation. Estonia must be an open and trustworthy country with a simple and predictable economic and legal environment. Of course, we need good international connections and an attractive living environment to attract smart people and smart money.

Local authorities must have an interest in business development

Bringing new investment and production facilities to Estonia has become increasingly difficult. We propose to change the revenue base of local governments so that it is more directly dependent on business or jobs in the municipality. We also recommend that municipalities set up compensatory measures to increase interest in farming, in order to increase the incentive to develop entrepreneurship. The development of the business environment can also be defined as a mandatory task for local authorities in the Local Government Organisation Act. Local residents and municipal leaders need to understand that the funding of their public services depends on the level of economic activity in the municipality.

Smarter public procurement

Every year, the Estonian state carries out several billion euros worth of public procurement, which is an important tool for shaping the economic environment and implementing national strategies. We propose to explore, in cooperation with business organisations, possibilities for indexation of multiannual procurement or other flexible solutions to cope with large price fluctuations. Public procurement should also take into account qualitative criteria of innovativeness and sustainability, and the life-cycle cost of a product or service.

Create a longer-term plan for infrastructure and public investment

Public investment, carried out in a comprehensive way, will help to achieve sustainability goals as well as significantly boost local competitiveness and create jobs close to home. Infrastructure planning must therefore take into account the needs of economic development, i.e. external connections, communications, the energy network, and the wishes of local authorities. Other public investments also need to be planned for the long term. This gives residents and businesses a clear perspective and creates the conditions for counter-cyclical investment.

Wise and sustainable use of natural resources

There needs to be a well-thought-out strategy and clear rules for the use of Estonia's common assets. Any restrictions must take into account the fact that businesses located outside centres of attraction and jobs in rural areas will be most affected. These consequences must not be ignored when regulations and restrictions are introduced. We need to preserve both Estonia's forest richness and its autonomy to manage it sustainably.

Experts and businesses must be involved in key decisions

Governments cannot improve people's well-being and achieve the SDGs without using economic expertise. Economic experts and business organisations must be involved in the tax debate, in drafting economic development bills, in planning European money, in development plans and in national budget strategies. A mere political agreement in a coalition agreement should not free politicians from substantive debate and impact analysis.

Relaunching state reform

Crises and political instability in recent years have left governance reforms in the background. There is no clear vision, no work plan and no leader. With the labour market, the economy and public finances under strain, the next government has a moral obligation to press ahead with public reforms.

State reform must focus on the comprehensive modernisation of services and functions. Services must continue to be developed through automation, digitisation and the use of data. Consolidation of government departments and delegation of services to the private sector must improve the quality of services and reduce labour intensity.

Estonia's government sector is thinner than the national average, but there is room for improvement. In the previous Manifesto, we proposed a target to reduce the number of civil servants by around 3,000 a year, but in the meantime, the number of public sector employees and their share of the workforce has increased. In a country with a shrinking working-age population, maintaining an expanding civil service is not sustainable.

We expect the government to be productive in reducing the flood of legislation and regulation. A zero bureaucracy project should be relaunched to give businesses more time to add value. Creeping over-regulation strangles business and makes public spending more expensive.

Administrative burdens can also be significantly reduced through the transposition of EU initiatives such as the minimum wage, the global minimum income tax, sustainability due diligence and reporting directives. Statistical reporting is also a big burden for business, but it is not always clear what the value of using data is to society.

II Growth in prosperity comes from increasing productivity and value added in the economy

Innovation as the best investment for productivity growth

The well-being of the Estonian people and the country will increase if wages grow and tax revenues accrue to the state, as more than 80% of tax revenues are linked to wages. However, only companies that increase productivity through investment and innovation can raise wages. Although Estonian companies are highly innovative, only a tenth of them are systematically developing a differentiated product or service. This demonstrates a broader societal need to recognise the critical role of innovation in business and its impact on Estonia's wider prosperity.

The competitive advantages that have attracted foreign investment and allowed Estonia to rapidly improve living standards, such as low labour costs and favourable access to natural resources, are being exhausted. Increasing the volume of investment by high value-added companies and improving competitiveness are priorities for the Estonian economy.

In the vision 'Estonia 2035', the goal of economic productivity is set at 110% of the European Union average. To reach this ambitious target, we need a productivity leap from the current level of 80% twice as fast as today, and to achieve this we should aim to become the most effective environment for collaborative innovation in Europe, with a rapidly growing number of companies with higher added value, and a rapidly growing volume of R&D by these companies.

National governance of the innovation ecosystem

To become Europe's most influential innovation country, we need systematic and strategic management of the innovation ecosystem by the state, where actors are inspired by the same vision (common narrative), understand each other's language (agreed definitions), align behind unambiguous vision objectives (key results with understandable content), and actions are taken with a conscious choice of target audiences, based on a commonly agreed framework for the development of the innovation capacity of enterprises (innovation ladder).

A national innovation leverage policy must be launched

A national innovation-nurturing policy would consist of three elements: financially stimulating R&D spending to bring innovation to the attention of enterprises, the provision of the data that underpins it as an annex to the mandatory annual report, and feedback of the collected data through an enterprise portal that would reveal the position of the business innovation intensity relative to the competitive market.

Obstacles to business innovation must be removed

The most important of these is the creation and implementation of a vision for applied research. This removes the constraint of finding initial co-funding for strong ideas.

The state must lead by example and bring major public companies into the 2% club

The country must deliver on its pledge to invest at least 1% of GDP in R&D each year. The state can set an example of good stewardship elsewhere by setting an innovation target for state-owned companies with a long-term development perspective, i.e. to invest 2% of turnover or more than EUR 1 million in R&D.

III We only live well with smart and healthy employees

The Estonian labour market has been characterised by a shortage of skilled labour for years. Thousands of taxpayer employees will be lost every year for decades to come and the number of dependants will grow. With this comes increasing pressure on tax and maintenance burdens, and with an ageing population, the cost of pensions and healthcare. Harsh demographic trends, combined with the needs of the labour market, reinforce the knowledge that we only live well with smart and healthy people. Every pair of hands is becoming more and more valuable.

Technological advances and longer life expectancy allow older people to remain in the labour market longer, but this is not enough. Alongside increasing the activity and productivity of local people, one solution in all developed countries is to involve foreign labour. However, the immigration quota and the wage criterion mean that Estonia is among the last in the world in terms of opportunities to attract foreigners. There is also room for improvement to increase the employment of the local population, but this also requires more flexibility from the legislator.

Flexible labour market

The labour market is in a constant state of flux, and therefore needs to take into account new forms of work, the needs and expectations of employees and employers. Traditional ways of working will remain, but flexibility will be introduced in terms of both time and place. This is why we need to continue to make labour law more flexible, but not over-regulate it to keep pace with changes in working life.

External recruitment needs a restart

In the face of rising labour shortages, external labour policy as a whole should be reassessed. Many sectors need skilled employees who cannot be trained quickly in Estonia. The solution would be controlled migration, i.e. the recruitment of foreign labour, which would also ensure that labour taxes are paid to Estonia.

Immigration ceilings should be abolished and the use of foreign labour should be controlled by other measures such as minimum wages and sectoral differentials. The wage criterion for foreign employees should be set at 1.5 times the minimum wage in Estonia. Also relax

language requirements in the short term to help foreign employees integrate into society and the labour market. The employer would take part of the responsibility for ensuring that the employee receives the necessary language training and that customers receive service in Estonian.

Remote working has become the norm, but the division of responsibilities needs to be better regulated

During the crisis, many got used to working away from their employer and many employees prefer to work from a place and at a time of their choosing, i.e. to decide their own balance between rest and working time. At the same time, the employer's responsibility for workplace safety and compliance with working time standards is maintained. As many employees want to continue working where they choose, they should also assume greater responsibility for their own health and safety.

The Employment Contracts Act needs updating as it no longer reflects labour market realities

It is younger employees and those with important family responsibilities who want to take short jobs rather than being tied to one employer for a long period or who have employers offering short-term work. At present, this can be made possible to a limited extent through a fixed-term contract, but the Employment Contracts Act is not flexible enough to allow short-term work. However, various contractual obligations leave employees without social protection.

The employment contract must allow for more flexible working arrangements

Allow the workload to be defined in the employment contract in terms of periods, such as variable hours, by agreement with the employee. Flexibility in working hours is particularly relevant for less employed people who face barriers to full-time work, such as caring for family members, studies, a second job or health reasons.

Changes to on-call time would reduce labour needs

On-call time does not mean being on call at the workplace and doing work. In many cases, employees do not need to go to the workplace, but can spend their on-call time at home doing their daily tasks, and in many areas, work can be done easily and quickly with IT tools.

The incentive must be to work, not to live on benefits

Work ability reform should be completed. Assessment systems and services for people with a loss of work ability are in place, but prevention is lacking. Current benefit systems should also be critically assessed, as both questionable incapacity for work and regular proof of irrecoverable incapacity for work coexist. Surely living on benefits should not be the norm.

Labour shortages in business can be alleviated by public sector reform

Cooperation between municipalities and the resulting efficiency should be increased. The number of civil servants in central government can be reduced through innovation and the use of smarter technology. A sustained shrinkage of the public sector also frees up labour for the private sector, whose tax revenues finance public spending.

High-quality education

The growing underfunding of education goes against the desire of Estonian society to be a wise and educated nation. In a country with an open economy, world-class education is not just about culture, it is also key to business success and the resulting prosperity. But lack of money is only one aspect of ensuring quality education. In addition, the necessary reforms must be made, for example, to streamline the school network and curricula, which in turn will provide additional internal resources.

While education and the labour market should move in step, young people with vocational and higher education will not be able to meet the labour needs in the next decade. Estonian companies will see 2/3 of engineering jobs alone going unfilled in the next decade. The shortage of engineers is already hampering economic development.

Despite increased take-up of education curricula in recent years, there is still a shortage of teachers, with the situation particularly bad for maths and science teachers. According to the Estonian Education Personnel Union, there will be a shortage of about 1,000 teachers with the right qualifications in Estonian schools in the school year 2022/2023. The average age of teachers is high and the trend is getting worse.

Growing labour shortages will in turn lead to longer working lives and the need to develop new skills alongside work and private life. This is why the education system must also become more flexible, allowing and encouraging self-improvement. However, hobby training at taxpayers' expense must be completed both in training courses mediated by the Unemployment Insurance Fund and elsewhere in education.

Competence and workload of the teaching profession implies significantly higher wages

High quality and competitive education starts with the teacher and valuing and motivating them. The most important part of this is the wage. Teachers' wages in general and vocational education must increase to 1.2 times the average Estonian wage by 2023 and at least 1.5 times by 2026. Wages for the most severely underpaid science teachers are set to rise to double the average wage by 2026. In addition, the wage level for vocational teachers must allow for the inclusion of sectoral specialists as teachers.

Beginning teachers need support

Estonia's education system must ensure support for early career teachers and professional development throughout their careers. This will help them to stay in the teaching profession, as half of those who have trained as teachers now leave.

The school network needs a systemic overhaul

The upper secondary school network needs to be restructured in order to respond to demographic changes and to provide quality education. The organisation of secondary education should be coordinated by the state, as local authorities are unable to close secondary schools with few pupils in their schools. An optimal school network also provides an internal financial win, for example, to raise teachers' wages.

More science and technology education in schools

We need to stop dividing the maths curriculum into narrow and broad, as national exam results show that the basic knowledge of secondary school students is deteriorating. Young people who choose narrow maths narrow their choices, both in terms of continuing their education and in the labour market. As the role of technology in our lives increases, so does the need to understand and use it to participate in the labour market. We will support compulsory technology education, including engineering and robotics, and more entrepreneurship education in schools.

Vocational education and training must be made more popular

The acquisition of vocational skills is important and therefore vocational education and training must be an attractive option for young people and meet the needs of employers. To this end, the funding of vocational education and training should be performance-based and take more account of the cost of the specialisations and the outcome of the studies, i.e. the completion of school and the transition to work or further study in the specialisation studied. The system of study grants must support those who would otherwise not be able to pursue vocational education.

Vocational education and training and the necessary specialisations need to be popularised, in particular to attract young people from primary and secondary schools. VET graduates must also be guaranteed equal opportunities with upper secondary school leavers to continue their studies in higher education.

Vocational education and training curricula and school networks must meet labour market needs

Support the development of joint curricula between vocational educational institutions, institutions of professional higher education and universities, which is currently prevented by law. When ordering training places, the labour market needs analyses of the Estonian

Qualifications Authority (OSKA) should be taken into account and the renewal of curricula should be made flexible, for example by offering micro-qualifications. This would provide an opportunity for staff to upgrade their professional skills in the form of further training, rather than forcing them to complete the whole curriculum if there is no need or opportunity to do so. The network of vocational schools also needs to be reorganised, including school specialisation. We will support the implementation of the Vocational Education and Training Centres of Excellence scheme.

Higher education in Estonia must be competitive

Both public and private higher education institutions have an important role to play in training the highly skilled specialists Estonia needs. The state must fulfil its obligations in financing higher education, and it is not right to restrict the possibility for higher education institutions to raise private money while failing to fulfil state obligations. A long-term view and a specific target (similar to defence spending as a share of GDP) will help to ensure sustainable funding for higher education.

In addition to public funding, we support the introduction of part-fee learning to help alleviate the education sector's financial constraints and increase students' commitment to their studies. At the same time, the student loan system needs to be updated.

The number of engineers needs to grow to meet labour market needs

Too few engineers will be trained in Estonia's higher education institutions in the next 10 years, according to the Estonian Qualifications Authority. As many as 2/3 of managers and specialists in manufacturing, construction, and energy are missing. There is also a growing shortage of professionals in the fast-growing IT sector. The next generation of engineers can be nurtured, for example, through a national programme to increase interest and take-up in engineering, manufacturing and construction curricula, and to strengthen curricula with well-trained lecturers and good apprenticeships.

Higher education must be international

Due to Estonia's small size, specialised training cannot guarantee expertise in all areas. Therefore, the training of the necessary specialists in foreign universities and the involvement of researchers and technology experts from foreign universities in Estonian universities as well as in various innovation funding programmes targeted at businesses should be supported. An industrial doctorate also helps transfer knowledge from universities to businesses.

Education sector needs to become more flexible

Many are unable to take part in higher education because schools do not offer enough online or distance learning courses. Independent learning would allow better use of the input of

lecturers and could be managed with fewer lecturers. We recommend a review of higher education standards and school services to make them more flexible.

Managed health

A healthy person is the foundation of a healthy economy and society

Maintaining and enhancing employee well-being, already highlighted in previous Manifestos, is the basis for better industrial relations, innovation and increased work efficiency, especially in the new environment of teleworking and hybrid working. Flexible working requires good infrastructure as well as access to health services.

In addition to physical health, mental health is also increasingly in need of attention, skills, and services, and the crises of recent years have exposed its emergency situation in all age groups. Mental health risks can lead to major health problems, absenteeism, reduced quality of work and life.

Like education, health needs more money, but this alone will not be enough if the necessary reforms are not made and the potential of the technology and data being collected is not exploited. There is a lot of digital health data in Estonia, but little use is made of it to develop new services and change the system. Combining social and labour market services with health services also brings savings.

Involve more private money in health care

Greater involvement of voluntary private medicine and insurance will help to prevent illness, shorten waiting lists and worsen chronic diseases, which in turn will save money on treatment.

Make the current system more efficient

Internal resources are everywhere. In addition to avoiding duplication, for example, access to primary care can be improved, hospital networks can be optimised through the wider use of telehealth and other digital solutions, and by reducing the Emergency Medical Department visits and fragmentation of hospital information systems. It will also have the effect of accelerating the transition to a health service that is close to home and person-centred, taking into account the individual as a whole and his or her responsibility for maintaining and ensuring his or her own health. Greater use of health data will also help to prevent disease, predict morbidity and optimise hospital networks.

Exempt from tax the costs incurred by the employer in contributing to the health of the employee

We recommend that employers' expenditure on prevention and health care for employees be exempt from labour taxes. This applies not only to health checks but also to health services, medicines and medical devices.

The tax exemption will increase employers' willingness to contribute to health care, thus reducing sickness, speeding up return to work and reducing the need for compensation for temporary incapacity for work. To avoid abuses, the exemption can be limited to services on the list of healthcare services and to names on the register of medicinal products and medical devices.

Increase competition between health service providers

Patients should be allowed to move freely within Estonia, i.e. the patient's health care money moves with him or her and he or she can choose whether to use a private or a public institution.

A sensible treatment pathway must be simple and people-centred

People should receive services as they need them, and not have to navigate between different levels and systems of health care to get help. Involving the patient in the treatment process and in the measurement of their own health outcomes allows the treatment team to monitor the patient's progress in real time and make treatment recommendations on the fly. This improves health outcomes and saves healthcare costs, as there are fewer Emergency Medical Department visits and fewer emergency hospitalisations. In addition, the data collected will allow better management decisions to be made in the health system.

Experience with medicines in other countries must be used

To bring the level of availability of medicines authorised in Europe to that of countries with economies similar to Estonia. In the case of higher producer responsibility, the manufacturer covers part of the cost of the drug for a minor effect. When financing medicines and medical devices, it is important to find ways to avoid or reduce the costs to society, in addition to taking into account the needs of individual patients. We recommend that hospital medicines and medical devices should be subject to price limits similar to those for retail medicines, which would increase flexibility, improve access to treatment, and avoid additional costs for health insurance.

Staff shortages can be reduced by reassigning health employees to other jobs

The coronavirus pandemic highlighted bottlenecks in the health workforce. This could be alleviated by redistributing the tasks of staff with different levels of basic healthcare education, i.e. assessing which tasks can be passed from doctor to nurse, nurse to pharmacist, etc.

Occupational health needs to be linked to primary care

Occupational health should be linked to primary health care, because, in addition to the risks arising from the work environment, other health risks that require intervention by primary care or specialist doctors are also identified during health surveillance. On the other hand, there is a huge shortage of occupational doctors and not enough time to deal with occupational diseases.

Performing the eHealth Tiger Leap

The Public Information Act does not allow for machine-to-machine communication and this is holding back the development of new health services and making the system more efficient. In addition, there is a need to harmonise the principles for the implementation of data protection safeguards, as the requirements of the General Data Protection Regulation (GDPR) are often interpreted differently by database owners and processors. This makes it difficult to carry out data analyses.

Digital services must be made a routine part of health services

Evidence-based digital solutions developed by the private sector should also be allowed to be funded by the Health Insurance Fund, i.e. digital services could be prescribed in a similar way to how, for example, medicines or medical devices are prescribed. Improving the digital literacy of health professionals and patients will help to increase the uptake of digital solutions in practice and maximise their benefits, such as reduced visits and improved health outcomes.

Broader use of health data would support research and development activities

By respecting privacy requirements and using data that is compliant with data protection, new services can be developed. This will require an overhaul of the national health information system and the availability of classified data that can be accessed for research and development. This will both enable international research and provide accurate epidemiological information nationally. In addition, the data can be used to analyse the health problems of the population, for example, by occupation or workplace, and to develop a prevention action plan.

Health information must be easily accessible

Health information systems are fragmented and do not allow for quick and easy access to the information needed about a person's health and the tests they have had. This leads to duplication and unnecessary visits. Health information needs to be accessible and easy to understand for different health care providers, be they pharmacists, occupational health, family doctors or specialists.

IV A smartly managed green transition opens up new opportunities for the economy

Consumers, employees, investors and the public value sustainable assets, products and services more than ever and are putting pressure on businesses to move towards sustainability. This is why businesses are ready to move ahead with responsible business models. Resource efficiency and social responsibility reduce costs and risks for business.

However, the pace of greening proposed by the European Commission is not affordable for everyone. It takes a lot of time and money to redesign supply chains, renovate buildings, and introduce similar energy carriers or heating systems. Many people are also reluctant to adopt more sustainable solutions out of convenience, sort waste, use reusable packaging, or limit consumption.

The green transition needs a comprehensive action plan

A sustainable green transition is only possible through an ambitious innovation strategy and the introduction of new business models. Adequate timeframes and legal certainty are essential to transform current business models. So far, the green transition has largely been planned by officials. Political accountability is dispersed between different institutions and levels of governance. As a result, employers and the people of Europe perceive the enforcement of the European Green Deal as fragmented, forced and over-stretching. However, business alone cannot make the green transition happen. The national action plan and governance of the green turnaround must be truly inclusive and well thought through. At the same time, entrepreneurs expect the representatives of the state to defend Estonia's interests and special characteristics much more vigorously in the negotiations with the European Union.

Sustainable development needs new knowledge and technology

Some green transition plans are within the reach of society, but for others there is neither the knowledge nor the technology. In this case, we need to start with technology development planning, giving education and research institutions and businesses a clear perspective for investing in sustainable technologies and innovation, training and recruiting the necessary experts. Only in this way will there be enough new technological solutions to make the green transition competitive and achievable.

Competitiveness as the key to the green transition

The aim of the European Green Deal is to reduce the negative impact of human activities on the natural environment by turning sustainable business models into a competitive

advantage. Competing with third countries will initially become exponentially more difficult with the implementation of the Green Deal. Therefore, the decisions taken for the green transition should be assessed through the question of how it will affect the competitiveness of Estonian companies. To transform supply chains outside Europe and maintain the competitiveness of domestic businesses, sustainability must also be demanded of suppliers of imported goods and services.

The circular economy must be developed by the state, businesses and consumers together

We are aiming for waste managers to be significant producers of industrial raw materials in the future. To achieve this, businesses need clear plans and co-funding from the state, and consumers need more informed choices, in particular waste sorting.

Bio-economy as the cornerstone of sustainability

Greater valorisation of and innovation in local bio-resources must be a cornerstone of sustainability for both the state and businesses. We need to ensure that our local renewable bio-resources are harnessed as efficiently as possible to reduce the use of fossil minerals.

A sense of responsibility towards the state, businesses and citizens

Employers want society to embrace environmental, social, and responsible business (ESG) principles. At the same time, the volume of new EU regulations and reporting is exploding. Obligations developed for companies are becoming disproportionately burdensome, increasing the risk that obligations are met to the minimum possible extent and that there are insufficient resources for meaningful action.

We recommend that countries develop proposals to streamline and simplify ESG reporting, due diligence and other requirements. The sustainability due diligence directive and other initiatives that disproportionately increase administrative burdens should also be rejected.

ANNEX: Employers' proposals for businesses and employees

The crises of the last few years have shown that companies that have a strategy in place, which is regularly updated and where there is a plan for how this strategy will be implemented in different business cycles, are more likely to survive in difficult circumstances.

Here are some recommendations from the members of the Estonian Employers' Confederation to improve the competitiveness and sustainability of your business in a changing economic environment:

1. Draw up a clear **action plan** on how to protect your competitiveness and increase added value in an environment of rapidly rising input prices and labour costs. In doing so, boldly pursue **digitalisation**, robotisation, and automation.
2. **Invest** systematically in R&D and innovation to stay competitive in the long term. This also means recruiting the necessary experts and investing in the education of your staff.
3. Prepare well in advance to adapt to the regulations and economic impacts of the **green transition** and responsible business. **Environmental awareness, energy saving, and circular economy** principles are the new normal.
4. **Collaborate** more with other businesses, business organisations and research institutions. Estonian companies are tiny in the global competition, which is why we need to pool our resources and knowledge more to overcome the complex challenges we face (green transition, innovation transition).
5. Make a conscious effort to improve your organisation's **management skills**. The lack of the necessary management skills is considered to be the main obstacle to the growth of Estonian businesses, according to surveys.
6. **Adapt jobs** for young people, the elderly and people with disabilities. This is necessary to alleviate the labour crisis and help people feel valued in society.
7. Support the **integration** of non-Estonians and foreign employees into Estonian life as much as possible, as this will reduce fears in society and increase labour market supply.
8. Offer employees **more flexible working options**. Employees' expectations have changed significantly over the years and staying competitive also requires flexibility from employers.
9. Contribute to the **mental and physical health** of your employees by providing opportunities for sport, health checks, healthy working conditions and, where possible, treatment. The working environment must be safe and healthy.
10. Offer **work-based learning** and apprenticeships in your companies. This will help find the best people for the future and strengthen the link with the education system. Evaluate the acquisition of professional certificates and new skills.

In a labour shortage, employees have a great opportunity to find a job where the organisational culture, management quality, and pay are all up to expectations. However,

basic skills and knowledge are no longer sufficient to cope in the modern workplace, and you need to contribute to your own development programme.

To find the best job for their career, employers advise employees to do the following:

1. **Skills and knowledge need to be constantly updated.** Take part in regular training and retraining – it is the only way to stay competitive in the labour market in the long term. People's active working lives are getting longer and the retirement age is rising. Being successful requires continuous learning and acquiring new skills throughout your career.
2. **Your health is your most precious asset, take care of it.** It is, after all, you who are responsible for staying healthy and complying with occupational safety requirements, not the state or your employer. Do not be afraid to ask for advice or help if you need it.
3. **Study technology-related subjects.** Not everyone needs to be an engineer or an IT expert, but digital skills and the ability to use technology are already indispensable.