

# Changes to the Employment Contract Act starting from the 1st of August 2022

30 November 2022

On the 1<sup>st</sup> of August 2022 amendments were made to the Employment Contracts Act in order to align with the transparent and predictable working conditions set in the European Union. These changes are connected to the minimum amount of information that the employer must provide an employee in order to ensure adequate working conditions.

The Act adds new information which the employer must provide to the employee in order to employ him/her. The employer must inform the employee about:

- the training offered by the employer;
- the paid holiday;
- the duration of the probationary period;
- the overtime and overtime compensation arrangements;
- the form of termination of the employment contract and the obligation to state the reason for termination;
- and the institutions receiving taxes and payments and the protection they provide.

In the event of any changes in the data, information on the change is presented to the employee in writing no later than on the day the changes take effect. The Act also provides for protection against unfavourable treatment of an employee where the employee relies on or points out a breach of his or her rights and obligations or supports another employee in defending his or her rights.

It is important to note that the changes do not oblige the employer to rewrite all the employment contracts or other written notification documents, such as work organisation documents, that have been concluded in the company until now. A worker who was employed before August will only have to be provided with additional information on working conditions if the employee asks for it. The employer will have to provide information in accordance with the new rules for workers who start their employment from the 1<sup>st</sup> of August 2022.

## The training offered by the employer

The employer must inform the employee about the training offered. The new changes do not require the employer to provide detailed information on the training (e.g., date, duration of training). Therefore, the information provided can be of a general nature (i.e., information on the general policy of the institution). The employer may provide details of the number of training days that the employee is entitled to per year, as well as other relevant information about the employer's general training arrangements. No information must be provided to the employee if training is not provided by the employer.

## The paid holiday

After the changes, it is necessary to provide additional information on the employee's holiday. Although it was necessary to provide information about holiday to the employer according to the former Act, then now, for the sake of clarity, it is specified that it is the duration of annual holiday that must be reported. Other forms of paid holiday must also be referenced if the employee is entitled to it and if the employer pays for it. Such leave is:

- study leave;
- other paid leave if the employee is entitled to it by agreement between the employee and the employer (e.g., days of additional leave provided by the employer);
- other statutory leave paid by the employer even if reimbursed to the employer from the national budget (e.g. carer's leave).



## The duration of the probationary period

The former Act created the requirement of a four-month probationary period. Written notice of the probationary period only had to be given if the parties to the employment relationship agreed on a probationary period shorter than four months. After the change the length of any probationary period must always be notified. Although the law required written agreement in all cases if the parties agreed on a probationary period, the employee must now also be informed in writing of the application of the four-month probationary period.

## The overtime and overtime compensation agreements

The new regulations require information to be provided on overtime worked and the arrangements of compensation. The information may be provided in the form of a reference to legislation or a collective agreement. The obligation to provide information must include, as a minimum, information that overtime is worked by agreement and that overtime is compensated, either in time off or, by agreement between the parties, in cash, at the rate of 1.5 times the remuneration.

## The form of termination of the employment contract and the obligation to state the reason for termination

According to the new changes in addition to the previous notice periods, the employee must also be informed of the formal requirements for termination. The employer must inform the employee of two things:

- the notice of termination must be given in a form which can be reproduced in writing; (§ 95(1) of the Employment Contracts Act)
- the reasons for termination must be given. (§ 95(2) of the Employment Contracts Act)

In the case of the obligation to give reasons, information must be provided in particular with regard to the fact that the employer must always state the reasons for termination and the employee must state the reasons for extraordinary termination.

It is important to note that the obligation to inform includes the obligation to inform the employer of the termination of the contract during the probationary period in respect of all the conditions mentioned (form, reason, deadlines). During

the probationary period the contract can also be terminated by giving notice in a form which can be reproduced in writing, explaining the following points the reasons for the termination (e.g., unsatisfactory results of the probationary period).

The above information may be provided by reference to legislation or collective agreement. For example, by referring to § 95 (1) and (2) and § 97 and § 98 of the Employment Contracts Act. When informing about the probationary period, it would also be appropriate to refer to § 96 of the Employment Contracts Act.

## The institutions receiving taxes and payments and the protection they provide

The last change to the Act instructs employers to provide the employee with information on taxes and payments. In addition, information must now be provided on the institutions to which the taxes and payments are paid and the protection afforded to the employee by the payment of the taxes or payments. A simple way to inform the employee of information on taxes and payments instead of a reference could be by including the following illustrative table in the contract.

Tax or payment	Institution receiving the tax or payment	Protection which may be attached to the tax or payment
Income tax	Estonian Tax and Customs board	Income tax is used to finance the government activities of the state and local government units
Unemployment insurance contribution	Estonian Tax and Customs board	Unemployment insurance contribution finances unemployment insurance, which under certain conditions provides protection (benefits, allowances and services) to the employee in case of unemployment
Compulsory funded pension contribution	Estonian Tax and Customs board	The compulsory funded pension contribution finances the second pillar pension
Social tax	Estonian Tax and Customs board	The social tax finances health insurance and pensions under the first and second pillar