

Estonian Labor Law Insights: What You Need to Know

Estonian labor law is mainly regulated by the Employment Contracts Act of 2008. It creates a framework for relations between employers and employees. In addition to this Act, several other regulations shape labor relations, such as the Working Conditions of Employees Posted to Estonia Act. This newsletter provides a comprehensive summary to better understand the legal structure of labor relations in Estonia.

1. The establishment of an employment relationship

The conclusion of an employment contract in Estonia requires compliance with certain requirements. Contracts can be concluded for either a fixed or indefinite period and must be in writing. They can be signed by hand or digitally. An employment contract should contain details of the employer and employee, the completion and start date, a clear description of the duties, an agreement on remuneration and payment arrangements, regulations on working hours and location, holiday entitlements, and regulations on the termination of the contractual relationship. In addition, the contract should include references to the employer's work organization, collective agreements (if applicable), the treatment of overtime, and the duration of the probationary period.

2. Important aspects during employment

The remuneration regulations in Estonia stipulate that wages are paid once a month on a fixed day. Payment is usually made by bank transfer to the bank account specified by the employee. However, it is also possible to arrange a cash payment. The minimum wage for 2024 is EUR 4.86 per hour or EUR 820 per month for full-time employees.

Full-time employment in Estonia consists of 40 hours per week or 8 hours per day, divided into five working days. Overtime can be agreed upon, but it must not exceed an average of 48 hours per week over a four-month period. Additional overtime is possible, but the total working time, including overtime, must not exceed an average of 52 hours per week over the same period. Generally, overtime is compensated with paid time off, unless a financial compensation of 1.5 times the regular salary has been agreed upon.

Paid leave amounts to at least four calendar weeks (28 days) per year, not including public holidays. The full holiday entitlement arises after at least six months of employment.

The employee can receive up to 182 calendar days of paid sick leave. In the case of tuberculosis, this is 240 consecutive days. During this period, the gross salary is 70 % of the average salary of the previous year. The employer pays the salary from the 4th to the 8th day of illness. From the 9th day, the state takes over payment.

According to the Employment Contracts Act, a probationary period of four months is mandatory. However, the parties involved can mutually agree to shorten or waive this period.

3. Termination of the employment relationship

An employment contract may be terminated by mutual agreement, upon expiration of the term, or in the event of the death of one party. Additionally, a fixed-term employment contract will automatically end upon the expiration of the agreed-upon period.

Understanding Estonian labor regulations thoroughly is vital for ensuring compliance and avoiding complications. Should you have any inquiries about Estonian labor law, do not hesitate to get in touch with us.

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