



Labour Market 2035

Research Summary



Executive summary

This report is a bird's-eye view of the main challenges and development perspectives of the Estonian labour market in the context of major and emerging global trends. The purpose of the report is to demonstrate what the Estonian labour market could become in the next decades in combination of the factors affecting us the most and what are the most important decision points emerging from the development trajectories already today.

Technological development has been forcing the labour market to change already since the industrial revolution and the global economy has gone through several waves of technological development over the centuries with the help of economic innovation. But the developments of the last 10–15 years have been faster than the previous ones. The introduction of automated solutions is already today reducing the number of jobs requiring routine low levels of skills and little cognitive skills. Even though future prospects suggest different volumes, then one thing is certain – the loss of routine jobs is only a matter of time in many fields. But the loss of jobs is not a zero-sum game. At the same time, the existing jobs become more complicated and new kinds of jobs emerge, the nature of which we can only assume at the moment. We know only that a large amount of these are con-

nected either to the people's ability to apply technology or make things with the help of skills that a machine cannot do, for example solve problems creatively, be empathic, operate together.

We should be satisfied with the changes because most of the difficult jobs signify a move towards a knowledge-based and innovative economy, which in turn means higher wages and livelihoods and satisfaction. However, the data shows that the duality of the labour market and the polarisation of people's wages is intensifying instead of the increase in skill needs – positions requiring average or low skill levels are disappearing, but the more complicated positions are limited to only some and not everyone in the society would be capable of customising their skills according to these. When the prosperity grows, the demand for simpler personal and convenience services increases, which means that one may be employed, but oftentimes the income from that position is several times lower than the position requiring higher skill levels.

Changes in the way of working also present challenges. Digital platforms and the widely spread Internet have in several ways expanded the understanding of what a normal way of working looks like. The change has already been happening for some time

within the traditional employment relationship, where the opportunity to work at anytime and anywhere in regards to many positions has prompted a general discussion on working hours and flexibility. In the last decade, the change has been created by digital platforms whereby it is easier to work also for a short period of time – this is called the gig economy. The supporters of this type of employment see this as a great opportunity to give the worker free will to decide when to work and live a varied and interesting work life by doing different jobs. At the moment, the majority of the work done in the project economy is comparatively poorly compensated and the legal status of the person working is obscure – is one an entrepreneur or a worker? During the harsh economic times, the large number of workers without the social security network may cause serious societal issues.

When looking into the future of the labour market, there is no way around the topic of demographic development and migration. The demographic trends in Europe show that the rising life expectancy and the birth rate lower than the level of replacement have resulted in the fact that the proportion of dependents is gradually rising in comparison to the working age population. Estonia is no exception. A legitimate question is raised, whether labour markets should try to manage with the current number of people or find new ways of involving labour force from other countries? In the recent years, the migration issue has become

extremely critical in the plans of the European Union and at the moment it is unclear if future developments of the EU migration policy move in the direction of it being more closed or open than at the moment. It should not be overlooked that rapid technological progress means that people with specific skills and knowledge, who know how to implement the technology at the right time, will be needed in an increasing number. The existence of such people/talents is appealing also to innovative companies that prefer to move to areas with a strong base of talents. Many cities and countries across the world are already actively engaged in talent policy.

The combination of factors and trends described above lead to four alternative development paths called “Tööturg 2035” (Labour market 2035). Scenarios are development paths with several versions where their principal possibility is essential. All of the observed scenarios might materialise and we must be ready that each of them can become a reality.

The basis for the development of scenarios were the assessments created for a research project about working flexibly, virtual work, mobile work, the development of long-term migration and demography in Estonia and the legal status of workers. Several discussion seminars with Estonian opinion leaders in economy and society, policy makers and experts took place during the process (see the participants of the scenario workshops in Annex 1 and chapter 2 of scenarios).

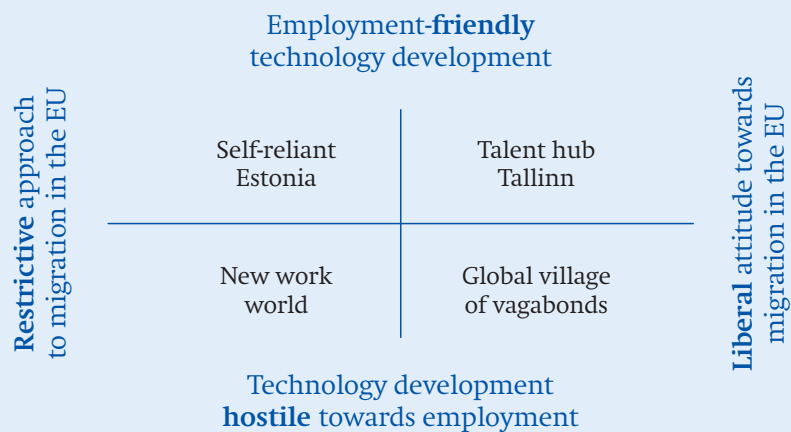
The main impact factors in the scenario packages are the effects of technological development on the labour market and changes in labour migration in the European Union. The statuses of those factors influencing the framework of the scenarios are briefly referred to as "employment-friendly technology development", "technology development hostile towards employment", "a more open EU towards labour migration" and "a more closed EU towards labour migration".

- **Employment-friendly technology development** – the loss and creation of jobs can be observed in the scenario, but the effect of creating jobs is dominant during the scenario period. The requirement for this is the success of an innovative business model and digitalisation in economy.
- **Technology development**

hostile towards employment – the loss and creation of jobs can be observed in the scenario, but the effect of losing jobs is dominant during the scenario period. The requirement for this is the success of automation in economy.

- **A more open EU towards labour migration** – migration policy and attitudes towards labour migration from third countries are becoming more open in the European Union.
- **A more closed EU towards labour migration** – migration policy and attitudes towards labour migration from third countries are becoming more closed in the European Union.

The specifics of the situation in Estonia play their role in every scenario, resulting in a unique scenario world and its possible development paths.



Talent hub Tallinn

The skilful use of the development of technology and the opportunities of global labour market create workplaces that use smart, flexible and different work methods. Tallinn is developing into an international centre for talents and economy is growing rapidly, but a certain part of the labour force is dissatisfied with the raise in social and regional inequalities and they consider the change to be too big.

Global village of vagabonds

Estonian companies are postponing automation because it is quite easy to find and employ lower-paid labour force from third countries. Elsewhere, automation creates a victory in efficacy and, in time, the Estonian companies are also forced to invest into technology or they will lose competitiveness. High level of migration, poor wage growth and rising unemployment will lead to social dissatisfaction.

New world of work

As a result of automation and restricted labour migration, the fall in employment rates as a part of routine work and a lack of

people necessary in the fields requiring more difficult skills will arise simultaneously. Routine work will start disappearing, but there are not many new work opportunities. Society will face a new complex challenge.

Self-reliant Estonia

Estonian companies have the opportunity to modernise their operations and processes and transition to more innovative business models, but the resulting shortage of talents due to restrictions to labour migration sets boundaries to the development. Estonian economy suffers from the lack of innovation and the shortage of starting breakthrough companies, which also means a slow change in employment structure and limited opportunities for self-realisation in the labour market.

