

Minimum Wage & Collective Bargaining in Estonia 2025

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Estonia

Statutory Minimum Wage ✓

• Monthly Min. Wage 886.00€

• Hourly Min. Wage 5.31€

54.00%

• MW as % of Median Wage

42.00%

• MW as % of Gross Average Wage

• Gender pay gap 16.90%

19.00%

• Collective bargaining coverage

• Process of transposition:
Not transposed yet

↔ Compare with other countries



Minimum wage system in Estonia

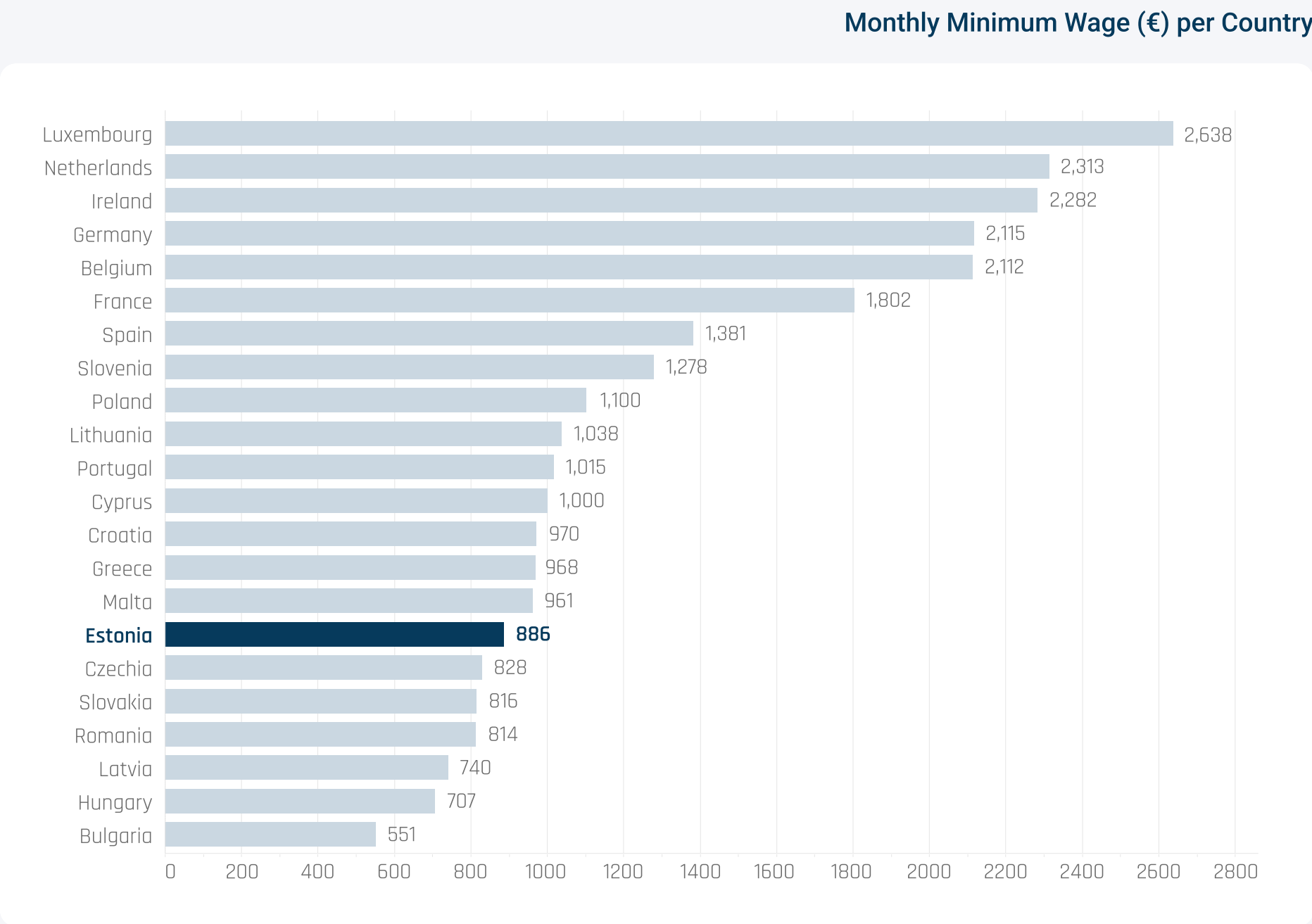
A statutory minimum wage was introduced in 1991 with the transition to a market economy. In the 1990s, when the basis was laid for the labour market and social policy of the regenerating country through tripartite social dialogue, raising the minimum wage was a key issue. Despite the relatively constant increase in the level of the state-regulated minimum wage, it remained at between 25 and 33 per cent of the average wage during those years. In 2001, tripartite negotiations took place on a general labour market policy agreement. The issue of how to raise the minimum wage to 40 per cent of the average wage was discussed. Finally, the minimum wage negotiation was separated and became a topic for bilateral negotiations between trade unions and employers. In 2001 the agreement was concluded on the minimum wage rate for 2002 and the principles for raising it. The relevant formula was fixed with the calculation procedure, and the goal was to reach 41 per cent of the average wage by 2008. Negotiations to increase the minimum wage took place every year, but the corresponding level was reached only in 2024. The statutory minimum wage still plays an important political role in Estonia in several respects. On one hand, collectively agreed wage protection is very weak because of the very low level of collective bargaining coverage (just under 19 per cent).

The statutory minimum wage therefore has an important anchor function for overall wage developments. The share of those receiving the minimum wage has been stable at 3–4 per cent of employees over the years.

The legal basis for the minimum wage is laid down in the [Collective Agreements Act](#). It stipulates that the minimum wage is to be negotiated by employers’ and employees’ central organisations and the minister must declare it generally binding. Based on the agreement and according to the [Employment Contracts Act](#), the Government of the Republic establishes the minimum wage by a regulation corresponding to a specific unit of time. It is not permissible to pay wages below the statutory minimum wage established by the government. In 2025 the minimum wage is 886 euros (€) per month and €5.31 per hour.

The minimum wage applies without exceptions and deviations to all employees working under an employment contract.

The statutory minimum wage in Estonia is based on a cross-industry agreement between the largest trade union confederation Eesti Ametiühingute Keskliit (EAKL) and its counterpart on the employers’ side, Eesti Tööandjate Keskliit (ETK). Changes to the minimum wage also take place through negotiations between unions and employers. In 2023, EAKL and ETK signed a goodwill agreement to increase the minimum wage to 50 per cent of the average wage by 2027 (42.5 per cent in 2024, 45 per cent in 2025, and 47.5 per cent in 2026).



<div>Statutory Minimum Wage</div> <div>Yes</div>	<div>Wage inequality (inter-decile Ratio P90/P10)</div> <div>4.70</div>	<div>Gender Pay Gap</div> <div>16.90%</div>
<div>Hourly Minimum Wage</div> <div>5.31€/hour</div>	<div>Nominal Growth rate of Wages</div> <div>8.00%</div>	<div>In-work poverty rate</div> <div>10.30%</div>
<div>Monthly Minimum Wage</div> <div>886.00€/ month</div>	<div>Real Growth rate of wages</div> <div>4.20%</div>	<div>% of workers covered by minimum wage</div> <div>3.60%</div>



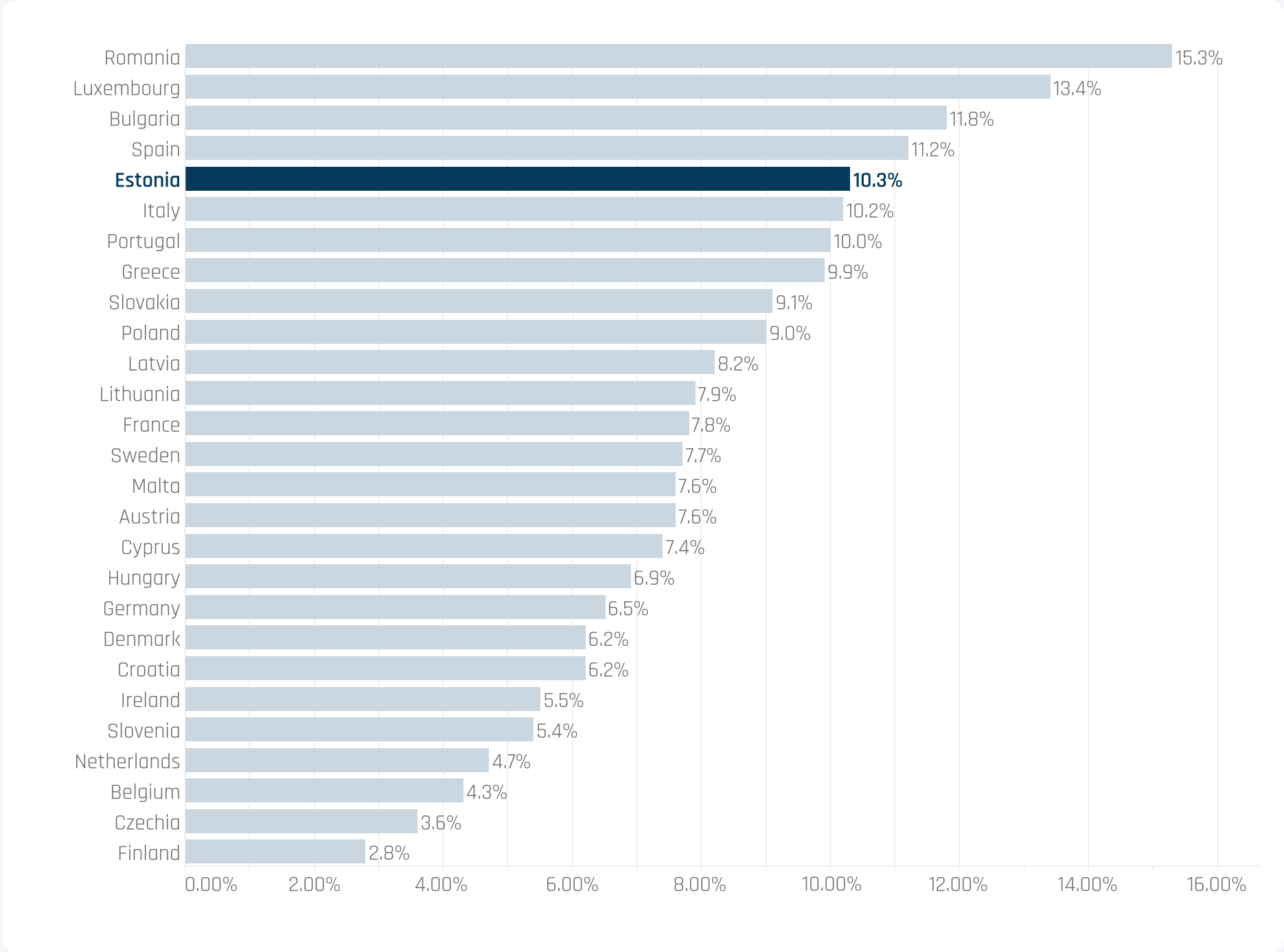
Minimum wage system in Estonia

The agreement also includes criteria for setting the minimum wage. The growth rates will be reviewed and may be changed if at least one of the following conditions is met: (i) the economy is suffering a downturn in the current or future calendar year, according to the latest economic forecasts; (ii) unemployment has increased significantly in the previous three quarters compared with the previous period; (iii) the number of companies likely to be incentivised to pay so-called ‘envelope’ wages has increased significantly, and this can be attributed to the rapid increase in the minimum wage; and (iv) the prerequisites for a goodwill agreement, such as the definition of the unemployed, the level of benefits or the average wage structure, have changed significantly. If these conditions apply, this will affect only the agreement on the minimum rate of the particular year. The maximum increase per year is 16 per cent. Because of Estonia’s negative economic growth in 2024, the parties to the agreement postponed implementation of the 50 per cent minimum wage target until 2028.

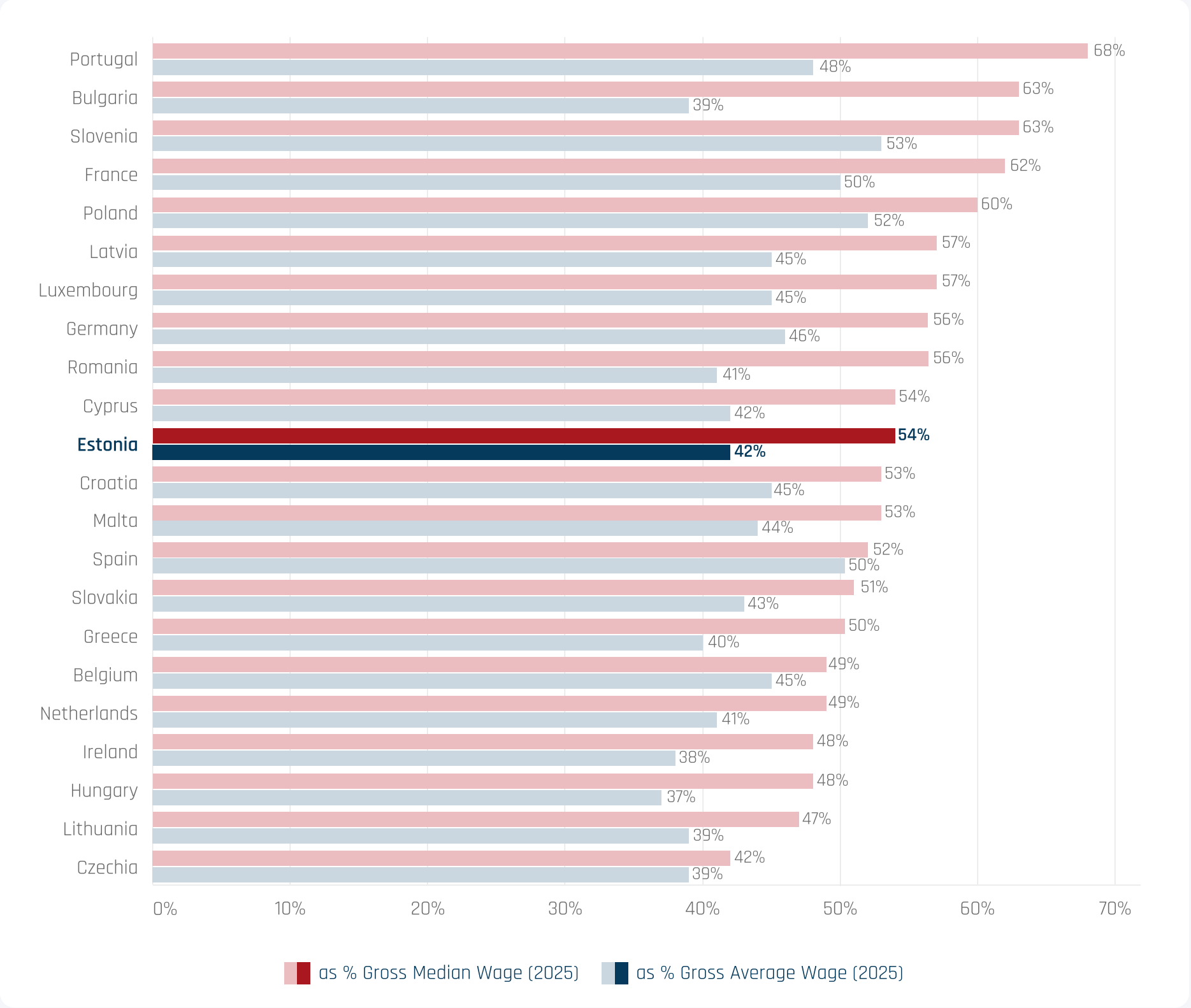
The level of the minimum wage has increased every year, with some exceptions. The minimum wage was €584 per month in 2020 and stood at €886 per month in 2025, an increase of 52 per cent in five years, with a growth rate of 3 to 9 per cent per year. Although since agreement was reached on the minimum wage in 2001 the goal has been to achieve a faster growth rate than the average wage,

they have nevertheless risen at the same pace (except in 2021 when the minimum wage did not increase because of Covid-19). The ratio of the minimum wage and the average wage has increased from 40 per cent in 2020 to 42 per cent in 2025, and the ratio of the minimum wage and the median wage increased from 49 to 50 per cent in the 2024.

In-work poverty rate (%) per Country



Minimum Wage as % of Gross Median and Gross Average Wage per Country





Collective Bargaining system in Estonia

The legal basis for collective bargaining is the [Collective Agreements Act](#) of 1993, which determines the legal basis for the conclusion and implementation of a collective agreement. It is stipulated that a collective agreement is a voluntary compact between employees or an association or a federation of employees and an employer or an association or a federation of employers, and state authorities or local governments, which regulates employment relationships between employers and employees. The law gives trade unions and employers' organisations free rein to initiate and conclude contractual negotiations. Should such negotiations fail, the parties have the option of turning to a national mediator, who works based on the [Statute on the National Mediator](#). If no agreement is reached, the parties have the right to take industrial action.

The main level for concluding collective agreements is the company. This has been usual since the transition period when there were enterprise level agreements at all companies. The first sectoral agreements were concluded in sectors in which privatisation took place more quickly and the social partners were able to modernise their organisations. The number of sectoral agreements has decreased over time, however, and currently only two are in force, in road transport and health care.

The creation of new extended agreements is difficult because the size of the trade unions and the employers' organisations in terms of the number of employees represented correspond to the changes made in the Collective Agreements Act in 2021. These amendments establish that the extension of terms of a collective agreement may be agreed when trade union members in this sector constitute 15 per cent of all employees in that sector or have at least 500 members, and the employer association members employ at least 40 per cent of employees in the sector to which the extended collective agreement applies.

Because of strong resistance from employers and the high degree of trade union fragmentation, bargaining coverage in Estonia has been declining steadily. While in 2019, 32.5 per cent of employees were covered by collective agreements, in 2021 it was already 19.1 per cent. The main reason coverage is low – and decreasing – is that in many areas there are no trade unions, or they are very weak. The overall unionisation rate is 5.6 per cent, the lowest in Europe. The constant decrease in the number of trade union members is making them weaker and weaker. The employers’ organisations also have problems. Employers, especially small and medium-sized enterprises, are not members of employers’ organisations. Furthermore, 95 per cent of companies are SMEs and 0.1 per cent of companies have more than 250 employees.

Employers’ organisations do not see themselves as social partners. Social dialogue has been replaced by lobbying. Unfortunately, several state agencies also refuse to conclude collective agreements with trade unions, which illustrates the government’s lack of support for collective bargaining.

Other structural features of the Estonian collective bargaining regime include the following:

The validity of collective agreements after their expiry

Upon expiry it is deemed that a collective agreement shall remain valid indefinitely unless either party to the agreement notifies the other in writing at least three months beforehand that it does not wish for the agreement to be extended. In the event the collective agreement becomes valid for an indefinite period, the parties are required to comply with its terms and conditions until a new agreement is signed or it is terminated by cancellation. A collective agreement that is valid for an indefinite period may be cancelled by either party to the agreement by notifying the other party thereof no less than six months in advance. The obligation arising from a collective agreement to refrain from calling a strike or a lock-out ends as of the submission of a notice concerning the cancellation of the collective agreement.

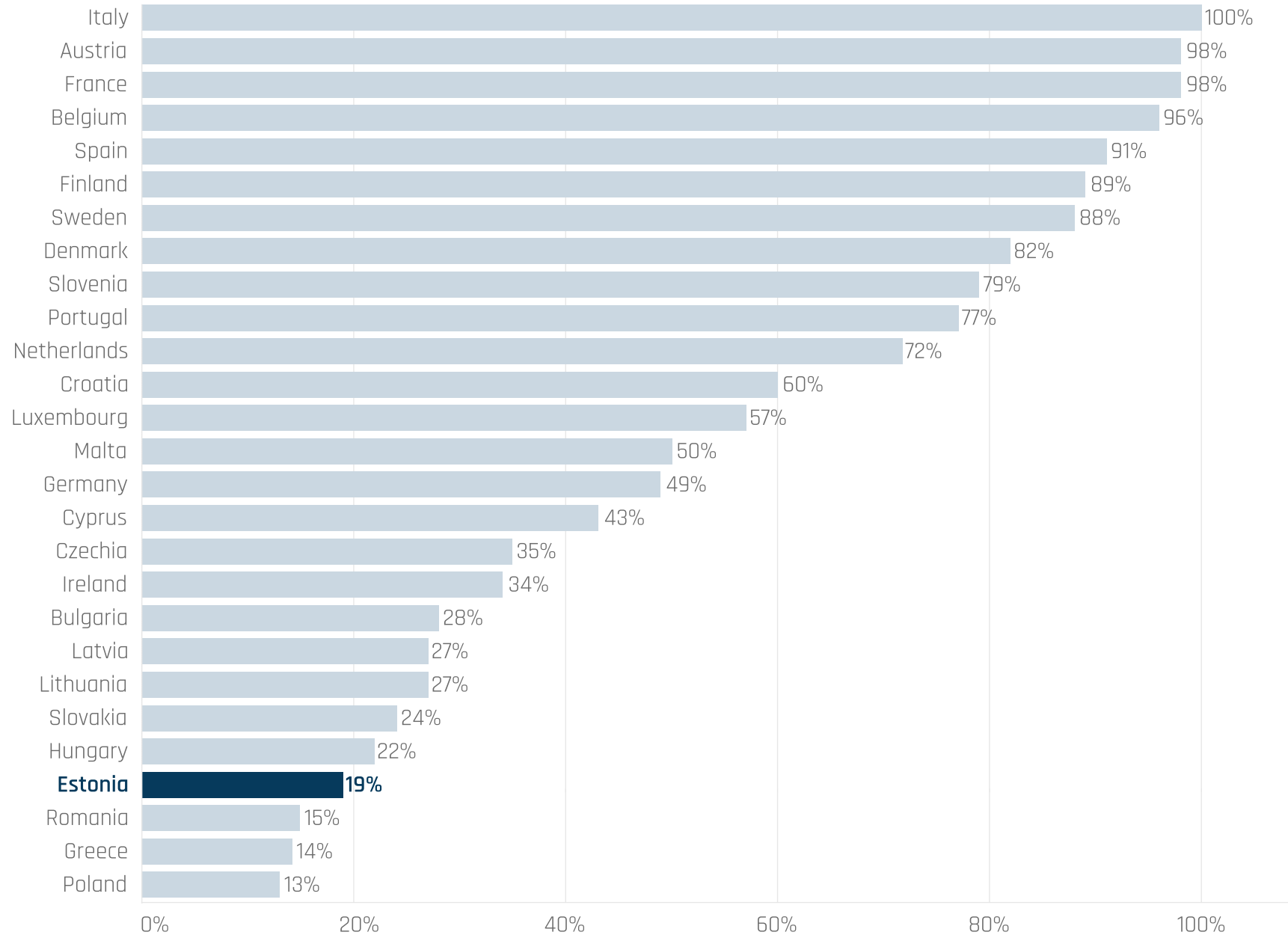
Collective Bargaining Coverage
19.00%

Trade Union Density
6.00%

Validity of Collective Agreements after expirations?
Yes

Extension Mechanism
Rare extension

Collective Bargaining Coverage per Country (%)





Collective Bargaining system in Estonia

Exclusion of certain groups of employees from bargaining

Only active military personnel are excluded from bargaining. According to the [Trade Union Act](#), they are prohibited from establishing or joining a trade union. Because only trade unions can conclude collective agreements, active military personnel cannot collectively negotiate their working conditions.

Collective bargaining clauses in public procurement procedures

According to the [Public Procurement Act](#), the contracting authority can, but does not have to, exclude from the procurement procedure a tenderer who has violated applicable social or labour law obligations arising from legislation or a collective agreement. The condition has been used in bus transport procurements where there is a sectoral agreement.

Right of access to workplaces for trade unions

By law, the employer must permit trade union representatives to examine without hindrance organisation work and working conditions in the company or other organisation where members of the trade union are employed. The right of access to workplaces for organising is not regulated or guaranteed.

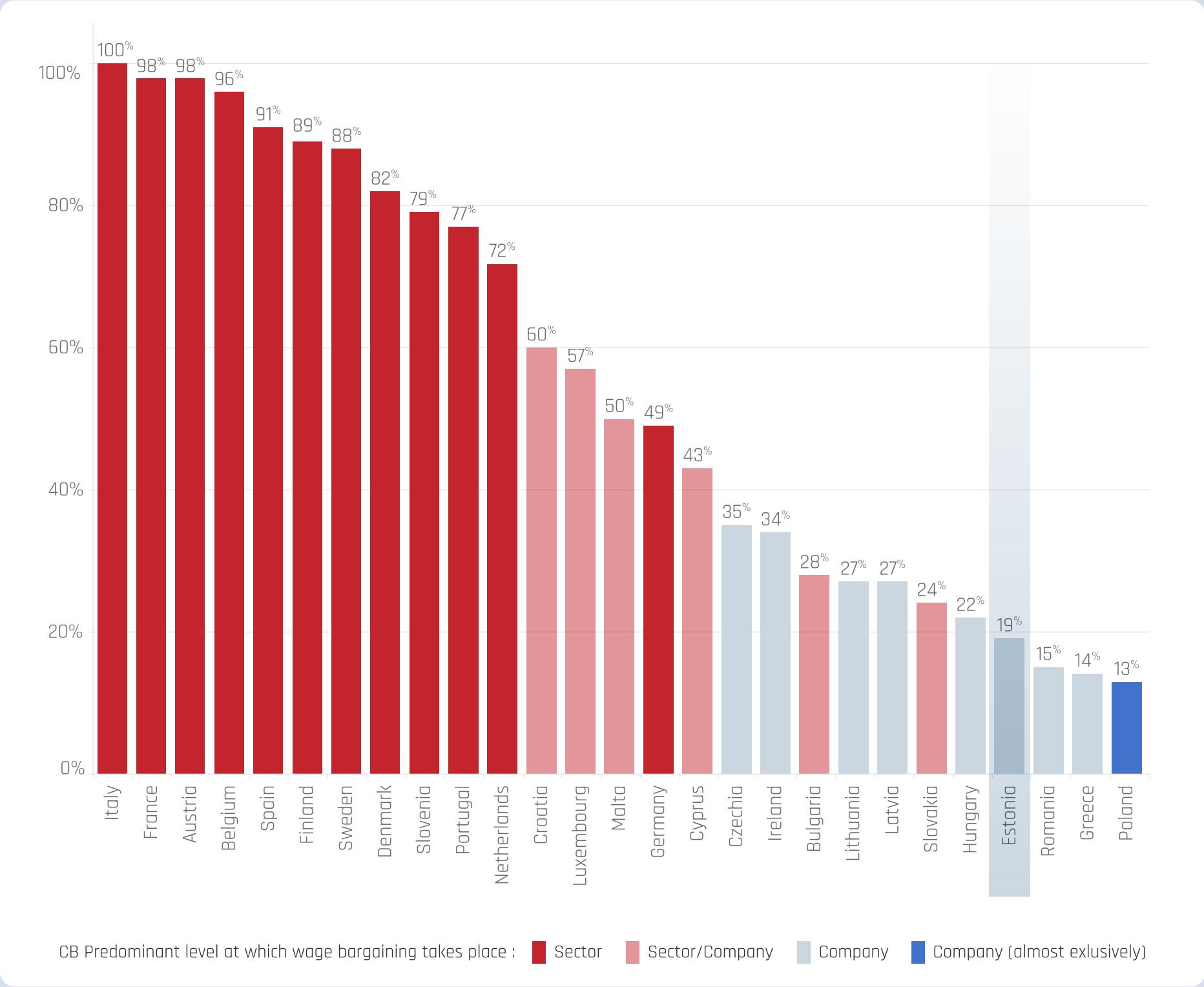
Protection of workers and trade union reps from dismissal and discrimination

Protection of workers and trade union representatives from dismissal and discrimination is regulated by the Collective Agreements Act and the Employment Contracts Act. An employer may not terminate an employment contract on the grounds that the employee represents other employees. Therefore, if the employer terminates the employment contract, the law assumes that the termination of the employment contract is unlawful. In that case, a court or a labour dispute committee obliges the employer to pay the employee compensation in the amount of the employee's average 12-month salary. The employer must prove that the employment contract has been terminated on a legal basis, for example due to a breach of work obligations. During negotiations, all participating employees are considered union representatives.

Obligation for employers to engage in collective bargaining with trade unions (at different levels)

The obligation for employers to engage in collective bargaining with trade unions is the same at all levels. The Collective Agreements Act stipulates that if the initiator of the negotiations has forwarded the draft agreement, the parties shall commence negotiations within seven days of receiving the relevant notice.

CB Predominant level at which wage bargaining takes place per Country





Transposition of the European Directive on Adequate Minimum Wages in the EU

As part of the transposition of the Directive, the Estonian Employers' Confederation, the Confederation of Estonian Trade Unions and the Ministry of Economic Affairs and Communications concluded a 'goodwill agreement' on 16 June 2023 on the level and adjustment method of the minimum wage for 2024–2027. The goal was to increase the minimum wage to 50 per cent of the average wage by 2027. However, because of Estonia's negative economic growth, employers and unions postponed implementation by a year, and for 2025 a smaller minimum wage increase was agreed than the one initially agreed (42.5 per cent of the average wage instead of 45 per cent).

The Ministry's position is that Estonian law is in line with the Directive. The minimum wage is already negotiated by trade unions and employers, and the state has no role in this. According to the government, the only measure needed to fulfil the obligations of the Directive is the establishment of an action plan to promote collective bargaining because bargaining coverage in Estonia is far below 80 per cent.

The Ministry intended to transpose the Directive at the tail end of the draft amendments to the Employment Contracts Act. Because of EAKL's opposition to these amendments and the court case on the Directive, the draft is on hold. There is no document on the transposition of the Directive as yet.

Tripartite meetings on the action plan have been held since the second half of 2022. The Ministry's position is that promoting collective bargaining is a matter between the social partners. After the tripartite meetings the first draft action plan was submitted by the government in April 2024. Trade unions assess that the measures included in the action plan do little to strengthen collective bargaining. In November, the government proposed a new plan, taking the analysis of the reasons for low collective bargaining coverage out of the initial action plan.

The Ministry and employers are satisfied with the current situation, while trade unions would like more measures to strengthen the social partners. The plan has been proposed for 2025–2026. There have been no public or parliamentary discussions on the topic.



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WAGE-UP is the ETUC Monitoring Tool presenting information on Minimum Wage setting procedures and Collective Bargaining systems in all EU countries, as well as the progress in EU countries toward the transposition and the implementation of all the provisions of the Directive on adequate minimum wages in the EU (2022/2041).

www.wage-up.etuc.org/



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