

BRIDGING THE 82-KM HAPPINESS GAP

CAN ESTONIA STEM THE LABOUR EXODUS TO FINLAND?

ARTICLE BY
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Exactly 82 km south of Finland – “the world’s happiest nation” – we find Estonia, a former Soviet state where average earnings are roughly 40 per cent of Finnish incomes. With tens of thousands of Estonian workers shuttling back and forth on the two-hour ferry voyage between Tallinn and Helsinki, we look at a snapshot of Estonia’s ongoing struggle with brain drain.

Tiny Estonia, an EU member since 2004, has a modern market economy and higher per capita income levels than most of its East European neighbours. Since independence in 1991, Estonians have been migrating abroad to build a better life. In addition to this permanent population loss, countless workers regularly commute across the Gulf of Finland to earn up to four times the income they would back at home.

One of them is Alar Soosaar (name changed). On Sunday afternoon, he packs his bags in Tallinn, kisses his wife and five-year-old son goodbye, and heads for the Tallink terminal, where he swipes his season ticket and boards the Helsinki-bound Superstar ferry. Roughly two hours later, he arrives at the flat he shares with six other construction workers from Estonia. The digs are modestly furnished, but Soosaar isn’t there to enjoy the creature comforts. He is in Finland temporarily, earning extra cash to send back to his family.

Soosaar has been working in Helsinki since 2016 as a demolition worker. Four days a week, he wakes at five in the morning, starts work at 7:00 am, and ends each workday at 17:30. The hours are long, but Soosaar appreciates the flexible schedule. Fridays are reserved for his family.

“I work in Helsinki from Monday to Thursday and return home to Tallinn on Thursday evening. I don’t commute every single week, because my son is five, and you only get to enjoy that once in a lifetime,” says Soosaar with a wistful smile.

When Soosaar arrives at the worksite early in the morning, he dons the proper protective gear: safety boots, helmet, gloves, and goggles. He has no complaints about his Finnish employer or the conditions, and he plans to continue working in Finland “until Estonian employers treat their workers as well as they do in Finland”.

“But I’ll definitely switch jobs if a better option comes along closer to home,” he hastens to add.

NO ‘TYPICAL’ CASE

Soosaar is one of an estimated 10 000 or more Estonian workers who regularly commute to Finland, the most popular destination for Estonian guest workers. The Finnish construction industry would grind to a halt without Estonian semi-skilled labour, as roughly half the construction workers in the Helsinki region are from Estonia. Significant numbers of Estonians also work as bus and lorry drivers, and in the hotel, cleaning, and catering industries.

Finns stereotypically associate the idea of ‘Estonian labour’ with blue-collar workers,

but research indicates that the reality is much more diverse. Educated labour is in high demand. “Many Estonians in Finland are working students and researchers, and they have white-collar jobs in fields like medicine, finance and technology,” explains Eveliina Louhivuori-Lampe, a PhD student of sociology at the University of Helsinki.

“My research in the tech industry has identified two groups of Estonian migrant workers. The first group have a full-time contract; they are permanent residents protected by Finnish labour laws. The other group have short-term contracts with temporary work agencies. They live in poorer but expensive accommodation, and their situation is much more precarious,” reports Louhivuori-Lampe.

There is also a growing tribe of professionals, academics, and specialists who commute up to several times per week. One of them is Aet Toots, a lecturer at the Estonian Business School in Helsinki. She has been commuting to Helsinki regularly since 2012.

“Travelling gets a little tiring, but it’s a good change. I haven’t encountered any problems or discrimination in Finland – only positive attitudes,” notes Toots.

There are no comprehensive statistics on the exact number of Estonian commuters, as foreigners residing in the country for less

than 12 months are not counted by Statistics Finland. Estimates vary wildly between 10 000 and 100 000, but the University of Tartu places the real figure around 20 000. In addition to commuters, there are over 50 000 Estonians residing permanently in Finland, reports Statistics Finland.

THE MONEY MAGNET

Even in the absence of exact statistics, a Sunday evening ferry trip from Tallinn to Helsinki confirms that Estonian workers are shuttling across the Baltic in staggering numbers. But what is driving them?

“Usually when we interview Estonian workers and ask them ‘Why are you in Finland?’ they reply: ‘Of course for the money!’” says Rolle Alho, a sociologist and postdoctoral fellow specialising in migration and labour market research at the University of Helsinki.

Their greatest motivator is indeed the prospect of higher earnings. According to Statistics Estonia, the average monthly gross income per employee in 2016 was 1073 euros, with 21.1 per cent of the population (nearly 276 000 people) living in relative poverty. By comparison, Statistics Finland reports that mean monthly incomes in Finland totalled 3368 euros in 2016.

Kaspar Oja from the Bank of Estonia predicts that Estonia is unlikely to attain Finland’s standard of living for at least another 30 years. Until then, the lure of a fatter pay packet will see a significant proportion of Estonia’s young workforce jetting off to greener pastures, primarily to Finland, but also to Germany and Sweden. “The income gap is vast, and Estonia is no longer a cheap country. Estonians who work in Finland come here for a better life, which effectively means a better income, but they also appreciate Finland’s good healthcare and social services,” notes Alho.

PLUGGING THE BRAIN DRAIN

The impact of ‘brain drain’ is an ongoing debate in Estonia. The loss of skilled labour is mentioned as one of the main threats to Estonian society in the *Estonian Human Development Report* for 2014/2015, but certain studies refute that labour migration is seriously damaging the Estonian economy.¹

One sector is undeniably impacted: healthcare. There are no reliable statistics on the number of doctors who have emigrated, but Estonia’s Healthcare Board reports that since EU accession, roughly 8 per cent of registered physicians have applied to practice abroad. With Finland suffering from a shortage of doctors, many young Estonian physicians

¹ Anniste, K., Tammaru, T., Pungas, E. & Paas, T. (2012). *Emigration after EU Enlargement: Was There a Brain Drain Effect in the Case of Estonia?* University of Tartu, Tartu.

are jumping at the chance to accept a well-paid position in Finland. As a result, Estonia's small towns and rural hospitals have been hard hit by the mass departure of skilled health professionals.

Healthcare aside, temporary emigration has many positive impacts on Estonia, for instance by increasing people's knowledge and skills.

Remittance inflows – money transfers sent home by foreign workers – possibly account for up to 2.5 per cent of GDP. The loss of working-age population is inarguably serious for Estonia, but certain analysts believe this problem is less related to emigration than to trends such as the low birth rate and the ageing of the population.²

SOCIAL EUROPE VS COMPETITION EUROPE

At the individual level, the opportunity to earn a better living in a foreign country is clearly a positive: Who would deny Alar Soosaar the right to secure a better future for his five-year-old son? Yet the transnational labour market has problematic implications, with broader social reverberations also felt in Finland.

“All across the continent, we are seeing unhealthy opposition between ‘Competition Europe’ and ‘Social Europe’. When foreign workers come to a new country and do the same jobs for less pay, this breeds ethnic tension, and we are seeing the consequences erupting partly in the form of Brexit and far-right populism,” theorises Alho.

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The EU Commission plans to address this issue by setting up a new authority crack down on worker abuse and to ensure that rules on labour mobility are effectively enforced. The new European Labour Authority should be up and running in 2019 and reach full operational capacity by 2023.³

Estonian workers, too, have suffered abuses at the hands of foreign rental work agencies, but fortunately most cases of serious exploitation are a thing of the past. “There were Estonian workers being paid only a couple of euros per hour, and instances of private agencies duping workers by charging exorbitant commissions,” says Alho.

“But that was 10 years ago,” he adds. “Today, Estonians are better protected against unfair

² Among others, Lauri Peterson has argued that Estonia should refrain from a protectionist approach toward emigration and that the current system benefits both those who stay and those who leave. See *Emigration and its Effects on the Estonian Labor Market* (2013). bit.ly/2Hliby3

³ The European Labour Authority will be a new EU agency providing information on working in, or hiring people from, another EU country. It will also have a mediation function in case of cross-border disputes.

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compensation and other forms of exploitation. In this respect, the Nordic states are different from countries like the UK and Ireland, where collective agreements offer less coverage.”

Like other Nordic countries, Finland has a high trade union density and legal structures ensuring that collective agreements have wide coverage. Finland’s comprehensive collective agreements specify the minimum terms and conditions of employment, such as pay, working hours, sick pay, and public holiday compensation, and also protect the rights of migrant workers, including those brokered by private agencies.

BEYOND THE SWEATSHOP

The moniker of ‘migrant worker’ often evokes the image of fearful labourers exploited by greedy bosses. Alho points out that this sweatshop stereotype does not really fit Estonian workers in Finland.

When Estonia joined the EU in 2004, there was a two-year transition period when Estonians needed a permit to work in Finland. This requirement was lifted in 2006, and it was during the first wave of labour migration that Estonians encountered problems.

“There was a fear that Estonians would arrive in masses and destroy our entire labour market with cheap labour. There were negative attitudes and cases of exploitation back then, but today Estonian workers enjoy comparatively good conditions in Finland, certainly compared to migrant workers in many other EU countries,” observes Alho.

This is not to say that labour exploitation is non-existent in Finland. Although Finnish legislation is in order, proper enforcement is sometimes lacking due to a shortage of resources. Appalling cases of unskilled migrants living in back rooms of restaurants and working seven days a week virtually without pay have recently made the headlines.

“Extreme cases of human trafficking mainly affect undocumented migrants from non-EU countries who do odd jobs in the catering and cleaning industries. They are third-country nationals such as asylum seekers from Iraq and other countries whose applications are turned down, so they go underground,” explains Alho.

Another group recently in the news are seasonal berry pickers from Thailand, who come for intense stints of summer work. “These workers are vulnerable to wage exploitation, because they lack official employee status. They are classed as self-employed entrepreneurs.”

‘GOOD’ VS ‘BAD’ MIGRANTS

Posted workers (employees sent by their employer to carry out a service in another EU Member State on a temporary basis) have also encountered problems. Alho offers the example of Polish construction workers employed at the Olkiluoto nuclear plant built by the French company Areva and its subcontractors. “The Poles have been living in cramped barracks for years – the project is running a whole decade behind schedule – and their family relationships have suffered. It’s unethical to subject workers to such poor conditions for such a prolonged period of time.”

Estonians are largely safe from such abuses, as they are mainly employed directly by Finnish companies, often in regulated industries or the

public sector. Estonian healthcare workers, for instance, enjoy identical rights and salaries to their Finnish colleagues.

Based on Alho’s research, Estonians are well-apprised of their rights in Finland. “Estonians generally speak Finnish quite well, so it’s easier for them to acquaint themselves with local practices. In this respect, they’re better off than, say, Poles or Russians. The Estonian community in Finland also readily shares useful information with fellow expats through social media networks.”

Negative attitudes and discrimination towards Estonians have subsided in the past decade in Finland. “Initially many Finns associated Estonians with crime and poverty. Today they are generally well-accepted and well-integrated in the labour market. In surveys, they are always top of the list of ‘good migrants’,” says Alho.

Research conducted by Louhivuori-Lampe nevertheless suggests that ethnic discrimination and stereotyping still goes on. “The most significant challenges were faced by female migrants, especially younger females with temporary contracts. One case involved a young Estonian programmer. In her male-dominated workplace she received a lower salary and was assigned irregular working hours. She also faced jokes and taunts which were highly sexualised in nature.”

Even in Finland's 'mild' case, such examples show that more effort must be made to protect the rights of migrants. "Key challenges range from ethnic and racial discrimination to lack of equal access, recognition, and pay, to severe exploitation. If we are to promote freedom of movement as a key European value, we need to address systemic challenges to both the economic and social rights of all migrants," she states.

TUNNEL OF PROSPERITY

Although income levels remain significantly lower in Estonia than in Finland, there is growing economic cooperation between the two countries. "There is a lot of start-up collaboration, many Finnish entrepreneurs are establishing businesses in Tallinn," says Alho.

Estonia, moreover, is not an economically homogenous country. Tallinn is quite wealthy compared to other parts of the country and benefits from Helsinki's proximity, in terms of business and tourism.

Mobility between the two northern capitals is set to grow exponentially in the future, with plans afoot to construct a new Helsinki-Tallinn railway tunnel connecting the Arctic region to the rail network of Central Europe. Travel time between the two cities would be reduced to only 30 minutes, creating a metropolitan twin-city region, 'Talsinki', of 3 million

inhabitants. "In the best-case scenario, we will see two connected capitals helping each other to become prosperous," predicts Alho.

Perhaps one day, in the not-so-distant future, Finland and Estonia might add substance to the notion of European citizenship and a fair labour market unfettered by national boundaries, as originally envisaged in the Maastricht Treaty 26 years ago.



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