

Personal and household services in Estonia Improving working conditions and services through industrial relations

Project PERHOUSE



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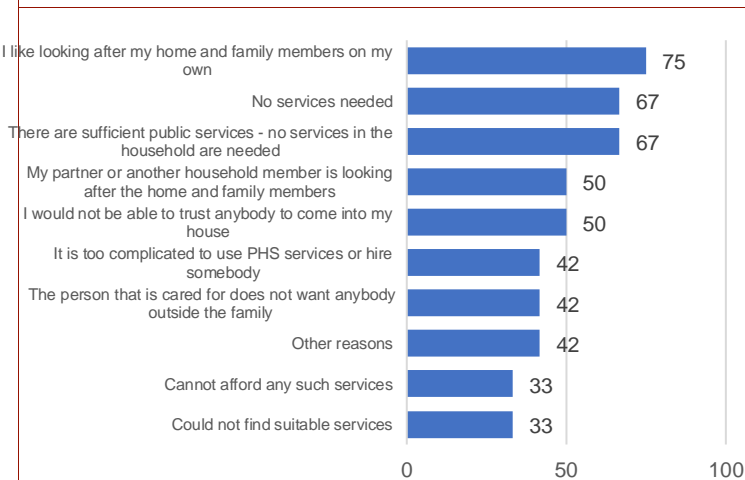
Policy Brief

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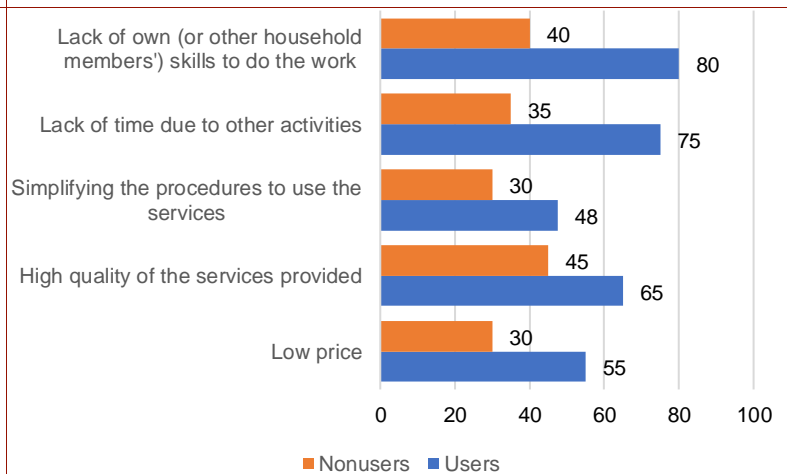
The main characteristics and challenges of the personal and household services

- The share of formal employees in the PHS sector is lower than 2%, but the number of informal workers is estimated to be high.
- Micro-enterprises and sole proprietors in the PHS sector are more likely to offer services uniquely to households, but large enterprises usually do not consider serving private households as their core activity (e.g., gardening and cleaning companies).
- The high proportion of informal work results partly from low wages in the sector and partly from the low purchasing power of customers. It is also difficult to check agreements between private individuals.
- The job market for babysitters and cleaners on social media is very active. Very few of these jobs are mediated by the Estonian Unemployment Insurance Fund.
- Formally, private individuals can provide services through a special entrepreneur account that allows taxes to be deducted and sent to authorities automatically. Social insurance applies if the collected tax reaches a certain threshold. Often, the work in the PHS sector is only a side job and used for extra monetary returns; in such a case, having health insurance through this work is not particularly important.
- In the care sector, the government has commissioned several studies, new laws have been implemented, the problems are defined and gradually solved. The goal is to modernise the long-term care system. In 2023, the care reform was carried out, but the reform directed local governments to fund primarily institutional care. Thus, the demand for nursing homes increased abruptly. At the same time, home care services also need attention and support from the government.
- The need for personal assistance is growing, but national support measures could help to activate the supply side of personal assistance.
- Due to the relatively large share of family caregivers, developing the PHS sector would help to include more people in the labour market.
- The demand for PHS in Estonia is lower than the average in the European Union.
- According to the PERHOUSE web survey (based on a relatively small sample), non-use of PHS services is related to people's preference to care for their own home or another family member; strangers are not particularly trusted. (see Figure 1).
- Distrust of strangers is also reflected in the way service providers are found. Recommendations from acquaintances and word-of-mouth information about PHS employees offering high-quality service are mainly used. Women and people of working age, who largely answered the questionnaire, use the services mainly to perform repair work in their household because customers do not have the specific skills needed for the corresponding work.
- In addition to the lack of skills, users of PHS services have mentioned the lack of time and the quality of services as reasons to use PHS workers in the household; the same three reasons are mentioned most frequently by the non-users, but for non-users, the quality is relatively more important (see Figure 2).
- In the care sector, wages are low, workloads are heavy, and family caregivers are often too exhausted to search for information on the support measures offered by local authorities.

Graph 1: Answers to the question „Why PHS are not used (%).“



Graph 2: Reasons for using PHS or starting to use them (%).



The biggest challenge in the PHS sector is the high share of informal employment, that employees tolerate due to small and irregular incomes and customers' demand due to low purchasing power; this hinders professionalisation and the development of the PHS sector in Estonia.

Key findings on social dialogue in personal and household services

- Organising employees is a major challenge in the PHS sector due to the lack of interest. No direct practical benefit seems to arise from the unionisation (e.g. salary issues are not solved). Non-care PHS workers like their independence and generally do not feel that any issues in their working conditions need to be addressed. The workload of family caregivers may be too heavy to deal with additional responsibilities.
- Entrepreneurs are more interested in forming unions than employees; joining professional associations enables consultations with other entrepreneurs, and it is useful to refer to the views of many entrepreneurs as a group in communication with officials and politicians.
- At the same time, the lack of resources is also an important concern in the unionisation of entrepreneurs. The financial resources of small companies are limited, but managers also lack the time and skills to delve into the laws themselves, and joining an employer's union does not necessarily guarantee the desired result.
- The development of social dialogue, in general, is hindered on the one hand by Estonia's small size (not enough people interested) and path dependency (it is difficult to reach a higher level of social dialogue from a very low level due to the post-communist past, young people lack experience).
- The dependence of trade unions on membership fees reduces their capacity. More diverse sources of income would enable collecting lower membership fees, which in turn would increase the benefits of joining for new members.
- The limited finances of the current organisations also hinder cooperation at the European level. General information about developments at the European level reaches Estonia through central national organisations.
- The need and opportunity for unionisation are likely to increase with the growth of the PHS sector.
- Although the scale of schooling in health care has increased formally, the workload and responsibility have also grown; thus, young people prefer working in beauty services after graduation instead of health care.
- Social dialogue in health care has helped to improve the working conditions of caregivers in terms of salary, but broader collective agreements across the sector are needed, including agreements on other working conditions.
- Social dialogue in the PHS sector is considered necessary, but it is not considered the main tool for solving the sector's challenges. The subsidisation of services, legislation and professionalisation of the workforce were mentioned.
- In general, social partners in Estonia tend to focus on domestic dialogue, whereas cooperation with social dialogue structures of the European Union is moderate. In the PHS sector (without social dialogue), no attention is paid to social dialogue at the EU level.

Social dialogue in the PHS sector does not exist. Although companies are interested in organising unions, the opposite side of the social dialogue, unions of employees are missing. Employees do not find the benefits of unionisations practical and useful and do not believe that unionisation could help solve the problems in the PHS sector.

Solutions and policy implications

- Greater professionalisation is needed in the PHS sector. If the barriers to entering the sector were higher for professionalised workers, that would encourage unionisation.
- Low wages in the sectors serve as a motivation to increase income by avoiding paying taxes, i.e. by working informally. A large part of the work in the PHS sector is mediated through platforms, but even the platforms usually do not have the power to influence the clients and workers to reach official agreements and pay taxes.
- For many employees, the work in the PHS sector is a side job that provides additional income, and thus, social guarantees related to PHS work are not important; this is partly responsible for the high share of informal work. In addition to side job status, the PHS work is often considered temporary, hindering the organisation of employees in the PHS sector.
- Since monitoring the agreements between private individuals is impossible, it can be assumed that motivating consumers to ask for official services could help decrease the supply of informal services in the market.
- To motivate consumers to pay taxes and ask providers for official services, the following measures were mentioned: partial compensation of service prices, tax compensation or the possibility to deduct expenses from taxes for certain groups in need (e.g. old age pensioners).
- New laws have been implemented in the care sector, but in 2023, the care reform indicated clearly that support measures for institutionalised care can not be developed separately from home care. Both types of services should be developed in a mutual balance, considering the preferences and wishes of those in need.
- In the long term, it may be necessary to finance the care system through insurance, using the system of co-payments to provide high-quality service. The development of insurance still requires that home care and institutionalised care are both included in the system.
- The creation of a new organisation seems to be necessary for organising family caregivers, who may also need external help to form unions due to their heavy workload.
- Training and counselling by the state could encourage existing organisations to expand their range of activities.
- In developing social dialogue, it is necessary to ensure the balance between employers' and employees' unions, e.g. by coordinating training. It is also important to take into account that the PHS sector is heterogeneous, and the situation of sub-branches is very different.
- In order to develop organisations, it would be necessary to study the best practices abroad and also in other Estonian sectors. It is also necessary to study whether and how it would be possible to overcome the inevitable limitations resulting from Estonia's small size.
- National policy should ensure that overregulation does not crowd out social dialogue, policies are stable independent of election cycles, and adherence to agreements would encourage social dialogue.

Project information

Project outputs include a comprehensive report on personal and household services and social dialogue in [country] and a comparative report for 12 Central European Countries. All project outputs are available at <https://celsi.sk/en/projects/detail/209/>
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