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Research project I:

**Labour Mobility and its impact on rural depopulation
in Estonia and Finland.**

**Recent patterns of labour mobility in the Baltic states (incl. returning
migrant workers) and its impact on rural revitalisation**

Research summary

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Patterns of labour mobility from Estonia to Finland since 2004

I. Labour mobility in the years after Estonia's EU accession

After Estonia's EU accession in 2004, 'neighbouring' Finland has quickly become the number one destination for Estonians moving abroad, and, as a result, is now the country with the largest Estonian foreign community. Well over half of all people leaving Estonia head to Finland – most of them to Helsinki, which is located a mere 82 km north of Estonia's capital Tallinn. With the ferry ride between the two capitals taking a mere two hours, not only more permanent labour mobility, but also commuting from Estonia to Finland for work purposes has become a common phenomenon. As a result, 51,805 Estonians resided in Finland as of 2021.¹ While this number does not sound exorbitant, it still poses nearly 1% Finland's overall population, which is just over 5 million. In addition, as many new arrivals or short-term foreign residents are not reflected in the statistics – the Finnish government only counts people who have lived for at least one year in the country as 'residents' – the real number of Estonians residing in Finland is unknown. Research suggests that around 10,000 to 20,000 Estonians commute weekly between the two countries, which raises the number of Estonians in Finland up to 70,000.² If not only these weekly commuters, but also unregistered Estonian workers or accompanying family members that are not shown in the official statistics, are added, as many as 100,000 Estonians – 7% of the country's entire population – could reside in Finland.³ This is a considerable figure and since most of these Estonian residents in Finland are of working-age (and an active part of the Finnish labour force), such large-scale labour mobility from Estonia to Finland does not come without leaving an impact on the Estonian labour market.

Also for Finland, Estonian workers play a considerable role in their labour market. Despite the small population size of Estonia, Estonians nowadays pose the biggest group of immigrants registered by Statistics Finland. Not only have Estonians surpassed the Russian foreign community (previously the largest migration group in Finland), but their size is now around 170% of that of Russians in Finland. For comparison, the next biggest group of expatriate EU mobile citizens, the Swedes (at 7,921 people), are only around 15% the number of Estonians residing in Finland.

The Estonian supply of labour force is vital for the Finnish economy, especially in the southern capital region Uusimaa, where more than two thirds of all registered Estonians reside. It is above all semi-skilled Estonian workers, such as in the construction industry, that Finland could not do without: it is estimated that about half of all employees in the construction sector in the capital region are from Estonia.⁴ Considering that Estonians only pose 1% of all permanent residents in Finland, this figure is substantial and reveals the high dependence of Finnish construction companies on Estonian labourers. As Kudel put it, the "Finnish construction industry would grind to a halt without Estonian semi-skilled labour."⁵

¹ Statistics Finland (2022). *Population and Society*. Retrieved from https://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html

² Kudel, Silja (2018). „Bridging the 82-km Happiness Gap: Can Estonia Stem the Labour Exodus to Finland?“, *Green European Journal*, 17 Maay 2018. Retrieved from <https://www.greeneuropeanjournal.eu/bridging-the-82-km-happiness-gap-can-estonia-stem-the-labour-exodus-to-finland/>

³ Komp, Lennart, Parkkinen, Terttu, and Kaisa Jokela (2016). Estonians in Finland p- a two bladed sword. Retrieved from <https://siirtolaisuus-migration.journal.fi/article/view/89730/49010>.

⁴ Kudel (2018).

⁵ Ibid.

But it is not only the construction sector that reveals a high dependence on Estonians. Estonians also pose a rising share of drivers (e.g. busses and lorries), cleaning staff, and workers in the hospitality sector (hotel and catering/gastronomy). Finland's dependence on EU mobile citizens working in the aforementioned sectors (construction, drivers and hospitality) is far from being exceptional; a similar trend can be observed in many wealthier EU member states, where many positions in the often physically demanding semi-skilled sectors cannot be filled by domestic workers, who are often discouraged by the comparatively low wages and demanding working conditions in these sectors.

Yet, for many Estonians, taking up even such positions means a considerably higher income and the chance to save money for their children's education or to have a better life once they return to their home country. While in Estonia, despite considerable wage increases over the past years, the average monthly gross income per employee stood at 1,383 Euro in 2020, total earning for full-time employees amounted to around 3,441 Euro per month in the Uusimaa region.⁶ The comparison of average full-time wages in Estonia and Finland reveals an income gap of over 300%, which has functioned as the main driver for labour mobility between Estonia and Finland. As many people receive a salary considerably lower than the median salary, 2.2% of Estonians lived in absolute poverty, with another 20.6% being at risk of poverty in 2020. This compares unfavourably to Finland's risk of poverty rate of 10.9% in 2020 and is another reason for the exodus of Estonian workers to Finland.

Higher salaries are not the only reason for Estonians to choose Finland as their new (temporary) home. Another major reason why the vast majority of Estonians pick Finland as their destination (and not other Scandinavian countries with even higher average salaries) is the historic, cultural and linguistic proximity between the two countries. Emigration to Finland is considered less challenging than, for example, to Sweden, because of the linguistic ties the two countries share. As both Estonian and Finnish are part of the Finno-Ugric language group, over half (60%) of the words are similar, which makes language acquisition much easier than, for example, in Sweden or Denmark. In addition to language ties, the two capitals also share historic similarities and have a long history of economic cooperation. As former members of the Hanseatic League, the medieval commercial and defence cooperation that connected many market towns in Central and Northern Europe, the two capitals share a long history of trade, economic cooperation, and common defence activities. The geographical proximity between Tallinn and Helsinki, which are divided by the 82 km wide Gulf of Finland, makes it furthermore easier to commute between the two countries on a weekly (or even daily) basis – something 10,000-20,000 Estonians are believed to do –, and reduces the opportunity cost of moving from Estonia to Finland. Being able to stay connected with their home country and having the chance to return there frequently (often also to see family and friends who are often left behind) lowers the hurdle to move to Finland significantly.

II. From blue-collar to white-collar mobiles

While shortly after Estonia's EU accession, many mobile workers found a job as unskilled or semi-skilled labourer in and around Helsinki, a growing number of Estonians working in Finland nowadays have white collar jobs, often employed as highly skilled professionals in the medical sector, in academia, finance or technology (or as other specialised professionals).

⁶ Statistics Finland (2021). Wages and salaries higher in Uusimaa than elsewhere in the country. Retrieved from https://stat.fi/til/pra/2019/pra_2019_2021-03-11_tie_001_en.html; Statistics Estonia (2022). In 2021, average monthly gross wages and salaries rose by 6.9%. Retrieved from <https://www.stat.ee/en/node/258660>

With rising demand for educated labour, an increasing number of highly educated Estonians find well-paid, prestigious employment in the aforementioned sectors. A reason for the high interest among professionals to work in Finland is not only the high salary, but also good social security – which is, in most cases, identical to what Finnish workers get. While there are reports of Polish or Russian workers who work in Finland on short-term contracts, often for temporary work agencies (who recruited them in their home country) who have only reduced access to the Finnish welfare state, most mobile Estonians are directly employed by Finnish companies and thus have the same rights as Finnish workers. As most of them furthermore work in regulated industries or in the public sector (such as in healthcare), they “enjoy identical rights and salaries to their Finnish colleagues”.⁷ As many Estonians mobile workers speak (or at least understand) Finnish relatively well due to shared language roots, Estonian workers tend to be aware of their rights in Finland to a higher degree than most other foreign workers, leading to less abuse and exploitation. As a result, working in Finland has become more popular among white-collar workers who, despite the rising wages back home, remain interested in jobs in Finland. While the Estonian community in Finland is not growing as rapidly as shortly after 2004, the number of Estonians residing in the Scandinavian country is still rising, even with the Covid-19 pandemic. One reason is that more useful information on jobs is available online, also posted by Estonian expats on social media, and that the view of Estonian mobile workers among the Finnish has improved significantly: “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’” according to Rolle Alho.⁸ Due to their often higher level of education and professional skills than among migrants from third countries, “negative attitudes and discrimination towards Estonians have subsided in the past decade in Finland”, so Silja Kudel.⁹

Return mobility to Estonia

While Finland has become more open and welcoming regarding Estonian workers, predominantly in an attempt to secure labour in high-demand professions, and despite the considerably higher wages paid in Finland, most foreign workers from Estonia do not intend to live in Finland forever. In most cases, their migration patterns are only temporarily, with many Estonians already having left the Scandinavian country. The main reasons are rising wages and improved living standards in their home country, often coupled with the realisation that despite speaking the local language, it is not always easy to fully integrate into Finnish society. Former Estonian ambassador to Finland, Harri Tiido, explains the improved economic conditions in Estonia with the following words: "On average, Estonia's economy is growing faster than the EU and faster than Finland's. Salaries have gone up because competition for jobs is fierce". While the average salary in the small Baltic country was only around 825 Euros in 2008, it has risen to 1,383 Euro in just 12 years, marking an increase of nearly 70%. Due to the low birth rate in Estonia, which plummeted from 2.27 children in 1988 to 1.28 ten years later, the Estonian labour market is much less saturated nowadays as compared to the early years of the new millennium, when thousands of Estonians left for Finland year by year. Since 2000, due to the low birth rate in the 1990s and the emigration of thousands of young Estonians after 2004, the number of young adults in the job market has decreased by over 30%. This means that competition for jobs among young adults have become much less fierce

⁷ Kudel (2018).

⁸ Ibid.

⁹ Ibid.

and increased the employment rate of Estonians to 66.8% in 2021 – a figure only marginally lower than Finland’s 71.9%. Looking at the unemployment rate, Estonia even fares better than its norther neighbour: while the unemployment rate in Finland was 7.9 in 2020, it was a mere 6.8% in Estonia. In the second quarter of 2022, unemployment in Estonia was even down to 5.8%, one of the lowest rates in the EU.

As a result of the improving labour market back home, the stream of new Estonian migrants to Finland has slowed down over the past years. Additionally, many Estonian workers have turned their back on Finland and returned to Finland. As a result, while from 2004 to 2014 net migration to Finland was positive, with several thousands more leaving Estonia for Finland than moving back home, net migration turned negative in 2017. This is mainly because Estonian workers have ended their stay in Finland, but also because Finns have started to look for jobs in Estonia (around 6,300 Finns currently call Estonia their home). The main reason for the exodus of Estonian workers from Finland is because construction workers have found (comparatively lucrative) jobs back home so that their number declined by over 30% as compared to the peak migration years. This finding is in line with our previous observation that the Estonian workforce in Finland changed from largely blue-collar worker to a mix of white- and blue-collar workers over the last years.

Is there a brain drain?

One professional group that has not returned on a larger scale, however, are Estonians working in healthcare. While there is no exact data on Estonian doctors working in Finland, about 8 per cent of registered physicians applied for (and received) the Certificate of Acquired Rights, which allows them to work in all EU member states just between Estonia’s EU accession in May 2004 and late 2005, according to Estonia’s Healthcare Board. At least 100 of Estonia’s 5,100 registered doctors are believed to have left for Finland in the first 18 months.¹⁰ As of 2019, around 4,000 Estonian doctors work in foreign countries – and many of them in Finland, where there is not only a shortage of doctors, but also competitive pay and where working conditions are relatively good.¹¹ While the number of doctors who apply for a certificate of professional qualification to work abroad has decreased since 2011, when 141 physicians were awarded the above-mentioned certificate, a considerable number of Estonian healthcare workers still leave their home country for more lucrative employment in Finland.¹²

According to Katrin Rehemaa, Secretary General of the Estonian Medical Association, Estonian doctors are not returning to a large degree because of the “heavy workload, poorer organization of work and extra workload with non-clinical tasks”. According to Rehemaa, the higher salaries abroad are still attractive, but it is often the massive amount of “paperwork and poorly functioning digital solutions” that prevent Estonian doctors from returning.¹³ However, while return migration (and thus brain circulation) is still not a major phenomenon among doctors, there is no clear evidence for an ongoing brain drain from Estonia to Finland. According to the chairman of the Estonian Hospitals Association, Urmas Sule, “[t]oday, young physicians no longer think so much about going to work in Finland. Years ago, we were in a situation where entire residency teams left to work abroad.”¹⁴ Yet, although the number of

¹⁰ Roman, Steve (2006). Estonia faces medical brain drain. *Baltic Times*, 18 January 2006. Retrieved from <https://www.baltictimes.com/news/articles/14443/>

¹¹ Esti Haigekassa (2018). Physician shortage poses challenges to health care. 8 October 2019. Retrieved from <https://www.haigekassa.ee/en/uudised/physician-shortage-poses-challenges-health-care>

¹² Ibid.

¹³ Ibid.

¹⁴ Ibid.

practicing physicians per 100,000 inhabitants is about the EU average, the supply for medical professionals in the countryside has suboptimal. "Estonia's small towns and rural hospitals have been hard hit by the mass departure of skilled health professionals", so Kudel.¹⁵ Rehemaa provides the example of rural hospitals increasingly lacking specialised staff: "Small hospitals do not have enough specialized physicians to cover necessary on-duty shifts, which is why in some places physicians are constantly on-call at home - for example, gynecologists in Põlva and Kuressaare".¹⁶ However, the problem of a lack of medical staff, especially specialised doctors in rural areas, is not only unique to Estonia, but a common phenomenon in many EU member states and can not only be traced back to Estonian doctors moving abroad, such as to Finland.

Summary

This research overview showed that while Finland is still the number one destination for Estonian mobiles, it has lost some of its attractiveness over the past years due to rising wages and its domestic labour market which has become increasingly tight. While shortly after Estonia's EU accession, net migration from Estonia to Finland was in the thousands so that Estonians quickly became the Number 1 minority group in Finland, growth has slowed down considerably. While the number of Estonians residing in Finland is still increasing, growth is very modest – the Estonian community in Finland has increased by a mere 349 people between 2018 and 2021, with the numbers declining even before the Covid-19 pandemic started to severely impact international migration.

While the number of Estonian permanent residents in Finland (residing there for at least one year, as measured by Finish statistics) seems to be levelling out (mainly due to the exodus of many low- and semi-skilled construction workers, who have found well-paid employment back home), the number of both Estonian white-collar workers and weekly/daily commuters (which are not reflected in the statistics above) seem to be increasing. Thus, it can be said labour mobility from Estonia to Finland has changed over time: while initially, it were mainly low- and semi-skilled workers employed in construction, hospitality, cleaning services and as drivers (e.g. lorry drivers) who moved to Finland in search for higher wages and a better quality of life, the past years have seen a rise in skilled and highly-educated Estonians moving (temporarily or permanently) to Finland to work in academia, healthcare or as professionals (e.g. in finance, banking and IT). Another new phenomenon is that due to rising wages in Estonia and a declining wage gap in some areas such as the IT sector, Finns have started to move to Estonia (albeit still to a much smaller degree than vice versa). Highlighting the much lower living costs in Estonia, most Finns residing in Estonia seem to be happy with their new life and would recommend other Finns to move to Estonia, according to interviews.

In contrast to migration decades ago, which often tended to be long-term or even permanent, labour mobility in the EU is much more fluid and temporary. This is also reflected by the fact that we can already see return mobility by Estonians who have started to leave Finland to return to their home country. The close proximity between the two countries – Tallinn and Helsinki are a mere 82 km apart – makes it easy for mobiles to stay connected with family and friends, and the low costs for moving abroad and travelling between the two countries are another factor that increases mobility (and also return mobility later). Although Estonians have a good image among the Finns and often considered hard-working and educated, and despite many of them being able to speak and understand Finish, many mobile

¹⁵ Kudel (2018).

¹⁶ Eesti Haigekassa (2018).

Estonians do not see them well-integrated into Finnish society, so the result of several interviews. As a result, with the Estonian labour market offering plenty of relatively well-paid jobs, thousands of mobile Estonians have turned their back on Finland and have returned home.

While this research aimed to investigate the impact of the changing patterns of labour mobility on rural development in both Estonia and Finland, the findings are not conclusive, mainly because much of the labour mobility from Estonia is to the Finnish capital region, and not to more rural areas. It is estimated that around two thirds of Estonian mobile workers reside in and around Helsinki, with only around 15,000 in the regions outside of Uusimaa. What can be said, however, is that the exodus of medical doctors and healthcare professionals from Estonia to countries such as Finland has left many countryside hospitals without specialists. While Estonia does not yet suffer from a huge undersupply for doctors (at the moment, the ratio of doctors to citizens is around the EU-average) and that the country also has not experienced a dramatic brain drain due to EU labour mobility, it is important to secure adequate medical services in all parts of the country, including rural areas. Estonia has acknowledged that it needs to make its medical system (including the pay, working conditions, and medical equipment supplied in hospitals) more attractive to keep its doctors in the country. While some of its attempts have been fruitful, with fewer doctors leaving the country and much fewer medical students expressing a plan to move abroad after their studies, return mobility of Estonian medical doctors is still marginal.

As a conclusion, it can be stated that labour mobility between Estonia and Finland is important for both countries, with Finland benefitting from the supply of Estonian labour, especially in construction, where many building projects in the capital region could not be executed without Estonians. Also in hospitality and cleaning services, or other areas with a relatively low pay, which makes it increasingly unattractive for native Finns, South-Finnish firms often count on Estonian workers. For Estonians, Finland has posed a great chance to significantly increase their salary (and often their living conditions) without high opportunity costs due to the geographical, cultural, and linguistic proximity of the two countries. Estonians in Finland most often enjoy the same social benefits and are paid the same wages as local Finns, which has made the country an attractive destination for mobile Estonians. While net migration from Estonia to Finland is decreasing, also due to return mobility, Finland remains the Number One destination of Estonians wishing to work abroad and both countries continue to benefit from this.