

# THE IMPACT OF DIGITALISATION ON EMPLOYMENT RELATIONSHIPS



# The Impact of Digitalisation on Employment Relationships

Digitalisation has been one of the areas of focus for Estonia throughout the period following the restoration of its independence. The Tiger Leap brought digital skills to every corner of Estonia, and 10-20 years ago the small and agile country was still a role model for the world with its digital solutions. Other countries have now caught up with Estonia and, according to several of the criteria of the Digital Economy and Society Index (DESI), Estonia is no longer a world leader. Across Europe, competitiveness concerns, labour shortages and also the COVID crisis are giving new impetus to the need for digitalisation. Digital solutions have an important role to play in innovation, education, improving the quality of services and reducing labour intensity, as well as increasing the mobility of the existing workforce. Nearly all product or service innovations involve or consist entirely of digital solutions. The Estonian Employers' Confederation

commissioned a survey in order to determine the impact and presumptions of digitalisation on employment relationships.

According to the results of a survey commissioned by the Estonian Employers' Confederation, over half of the digitalisation options used by companies were: securely accessing data on the organisation's servers from an external location (87%), digitising paperwork related to employees (61%), and teams sharing work results virtually (52%). In half (50%), data have been centralised in a single accessible piece of software (50%), and for one-fifth (22%), production is controlled remotely. Listed under other responses (6%), were a lack of teleworking or access to a server, and everything being on paper.

<sup>1</sup> Available: <https://digital-strategy.ec.europa.eu/en/policies/desi>, 07.03.2022

<sup>2</sup> This information material is largely based on the survey "Challenges and policy recommendations related to digitalisation from the perspective of employers" commissioned by the Estonian Employers' Confederation in 2020 and conducted by Viilup Uuringud OÜ.



## There are a number of terms associated with digitalisation:

- ✓ **INDUSTRY 4.0** put simply, the digitalisation of manufacturing (Schneider, 2018)
- ✓ **DIGITISATION** the conversion of analogue information into digital information (Conde and Wasiq, 2021)
- ✓ **DIGITAL TRANSFORMATION** organisations can implement a number of digitalisation processes, while digital transformation refers to a major strategic and philosophical change: in the way a company is managed, in its processes, in the way it addresses customer needs, etc. (Peril, 2018)
- ✓ **SERVITISATION** adding services to existing products (Martín-Peña, 2018)

## DEFINITION OF DIGITALISATION:

the adoption of digital tools within organisations, aiming to increase organisational performance.

## Which digitalisation options are in use within your enterprise? More than one answer is possible.

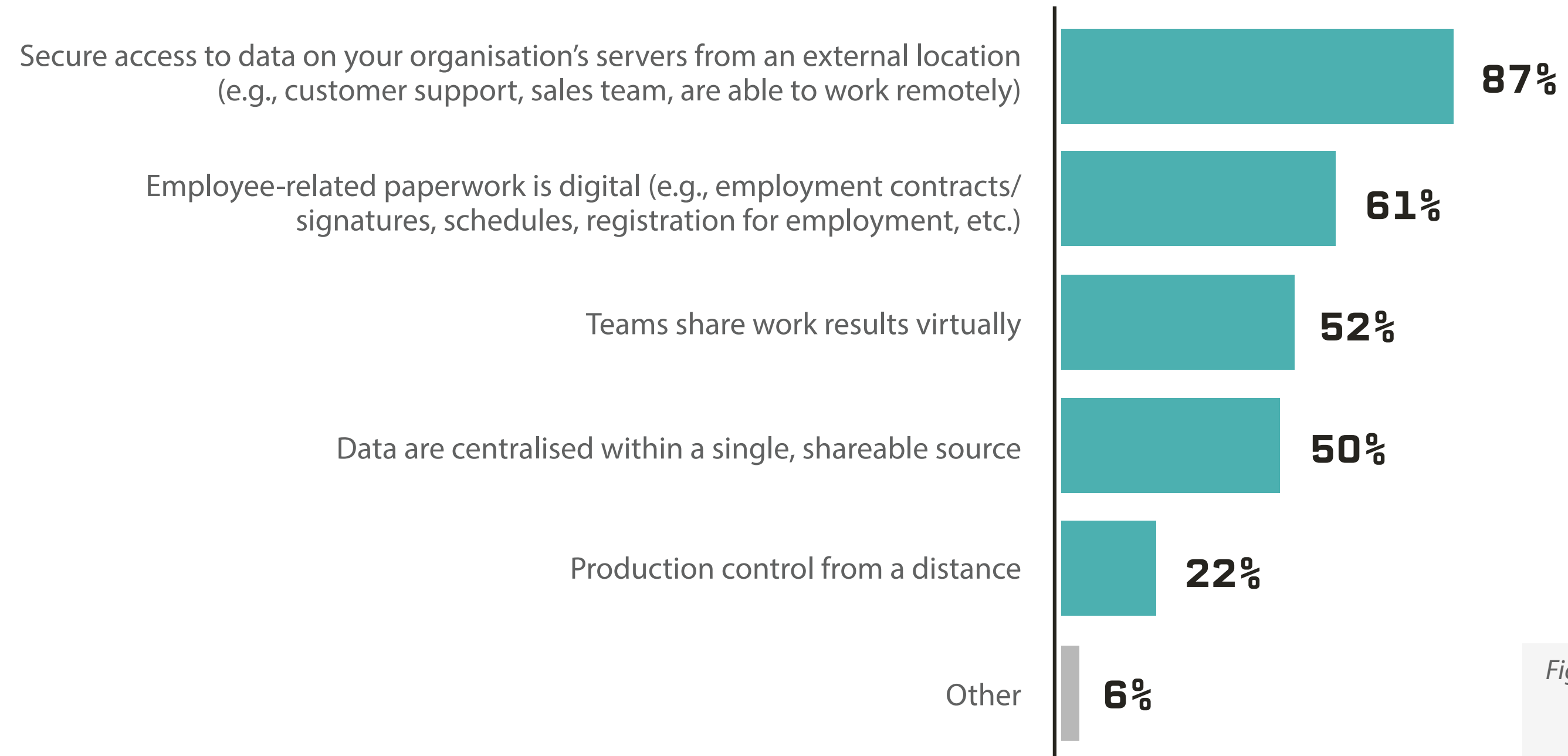


Figure 1. Utilising the opportunity for digitalisation in businesses (Viilup Uuringud 2021)

## Key challenges facing digitalisation

Employers have also encountered a number of challenges in digitalisation. Some of these are directly related to the resources needed for

digitalisation – finances and qualification – but others are also manifested through the new forms of work and other changes in society made possible by digitalisation.

## Highlighted within the study:

- ✓ Lack of digital skills and reluctance of some employees to upgrade their skills, as the area of specialisation is too complex
- ✓ Costs accompanying the training of employees (including training provided free of charge by the Estonian Unemployment Insurance Fund, although the employer has to pay extra for the time spent training)
- ✓ Costs and technical problems related to the implementation of new software (including software licences, hiring of IT specialists)
- ✓ Rapid and investment-intensive need for secure access and the digitalisation of previously paper-based data as a result of the shift to home offices in the wake of the health crisis
- ✓ Poor quality of home internet connections for employees does not allow for teleworking
- ✓ May also lead to the need for retraining or loss of employment
- ✓ Regulations related to contracts of employment do not allow for the corresponding (contractual) flexibility, which hinders further development



## Employer proposals concerning digitalisation

### SKILLS:

- ✓ Digitalisation creates new management-related challenges, the state could further support business leaders with consulting and training (technology training, business model training, change management training, digital marketing training, etc.)
- ✓ To accelerate the uptake of new digital solutions and the development of new business models in traditional enterprises, digitalisation-themed ecosystems, so-called HUBs, should be created. These HUBs would enable the exchange of knowledge and skills, and support cooperation between start-ups and existing businesses
- ✓ The Estonian Unemployment Insurance Fund today presently provides financial support to enterprises that want to raise the digital literacy of their employees. It is worth disseminating this information more vigorously. Qualitative

interviews reveal that the digital training offered by the Estonian Unemployment Insurance Fund could be more flexible and that employers are not willing to pay for the working time spent on training

- ✓ As the needs of the labour market are changing rapidly, there should be an even stronger push to create and popularise opportunities for retraining. And not excluding people working under so-called non-traditional contracts
- ✓ Traditional education is in need of modernisation – it is important to integrate digital issues more strongly into our existing education curricula. In addition, the process of acquiring education could be made more flexible, for example, by offering shorter (e.g., 6-month long) continuing education and retraining opportunities (e.g., Nanocrates Estonian Business School) in the national curriculum, alongside the current Bachelor's and Master's level degree programmes
- ✓ As organisations themselves often lack a clear understanding of what skills they need, enterprises should be consulted when it comes to identifying gaps in skills and selecting quality training



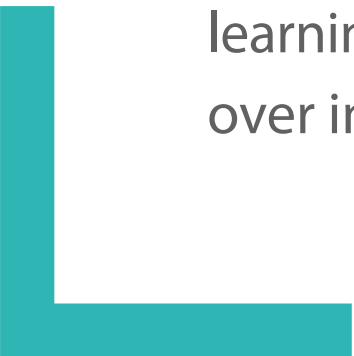
## A FLEXIBLE WORKPLACE :


- ✓ Introduce a specific health and safety exemption associated with teleworking, making employees who are working remotely responsible for the safety of their own workplace. The employer can help and support them in this (both financially, and by jointly assessing risk factors). Qualitative interviews reveal that employers view the fact that the employer must be responsible for the health of employees – while being unable to control working conditions – as one of the biggest obstacles to teleworking
- ✓ The state could bring together representatives – employees, employers, and officials – to find the best way forward for all of the parties involved, which would also make it easier for employees to be reimbursed for reasonable expenses relating to teleworking. In addition, consideration could be given to teleworking-related allowances or benefits, so that employers do not have to bear the double cost of allowing employees to work from home and from the office. Expenditures on teleworking should not be taxed (i.e., they should be considered business-related expenses). With qualitative interviews, employers are looking for better regulation of how taxation

takes place when a company has no physical office and employees are located in a mobile office in another country. In the quantitative survey, employers considered it important or very important to increase tax-free health compensation to support mental and physical health and to exempt teleworking equipment from fringe benefit tax

- ✓ It remains important to pay attention to the risks to both the physical and mental health of employees posed by teleworking. The more assistance (various guidance materials, research questionnaires, etc.) that can be provided by the state, the easier it will be for enterprises to assess and mitigate the relevant risks within their enterprise. Risk assessments of the working environment must be living and useful documents in enterprises, requiring little in the way of bureaucracy. If possible, a digital solution specific to e-government could be used here instead of the Excel spreadsheets that are commonly found. Companies that have taken a more systematic approach to teleworking and the risks it entails are also better able to implement teleworking



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- ✓ For its part, the state could develop clear instructions and guidelines on how to protect the privacy of employees. For example, in order to assess the psycho-social risks of a position in a home office without unduly intruding on the privacy of employees, it would be useful to develop the necessary guidelines and research questions. In addition, clear guidance should be provided on the extent to which an employer can require an employee to be available in order to reduce the so-called grey area. The given proposal received the most support from quantitative analysis, where employers identified this as an important issue
  - ✓ Working time and rest time – similar to the Finnish model, the Employment Contracts Act would require greater flexibility in defining working time. For example, in terms of their working time, an employee may decide up to 50% of where and when they work
  - ✓ In the case of teleworking solutions, the state must ensure adequate information and, where necessary, counselling
  - ✓ Nationally, a contribution must be made to the creation of a socio-culture that is trusting, learning and open to change – which also carries over into management practices

- ✓ The need to invest in IT infrastructure, i.e., expanding high-speed internet access, remains, in order to make teleworking run more efficiently. It is also worthwhile to create locations where those whose home environment is not conducive to teleworking, for one reason or another, can work. A good example of this is the Netherlands, and also Finland, where public libraries are becoming modern teleworking sites. In qualitative interviews, undertakings and employers consider the provision of high-speed internet in rural areas to be important. More than three quarters of respondents to the quantitative questionnaire considered the further development of infrastructure, including high-speed internet access, and nationally training more professionals with skills that will be needed in the near future, to be important or very important
  - ✓ The state must ensure the availability of adequate information and support services for hiring foreign labour
  - ✓ Separate safety regulations from the contract of employment – align them with the position, as has been done in Australia, Ireland, Lithuania, Turkey, and England
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## FLEXIBLE WORKING TIME:

- ✓ Introducing the concept of an employee with independent decision-making powers, where the employee is responsible for their own working time and rest time. The employer supports/guides the employee in doing so. More than three quarters of the respondents to the quantitative questionnaire considered it important or very important to assign greater responsibility to the employee to ensure (work) safety in the teleworking location
- ✓ Introduce an on-call time specification in the Employment Contracts Act for posts where on-call time does not in fact constitute a workload or reduce resting time

## FLEXIBLE CONTRACTS:

- ✓ In the qualitative study, interviewees found that employers should be as flexible as possible regarding working time and workload, to help them find good employees and motivate them to work efficiently. It was pointed out during interviews and in the focus group, that there are fewer and fewer people who want to work standard hours, both among the younger generation and older people who are no longer able to work full-time. It is also convenient for new parents to work part-time (without losing parental benefits). The result of the quantitative questionnaire revealed that the vast majority of respondents were dissatisfied with the current Employment Contracts Act, saying that it is

outdated and is in need of major or substantial renewal (41%) or partial amendment (39%). Slightly less than half of respondents considered it important to align the rights and obligations of platform employees and other employees with non-standard contracts with those of employees with standard contracts of employment.

- ✓ Extension of training allowances to self-employed persons. Support could be linked to the payment of social tax. On the one hand, this would increase the incentive to pay social tax and, on the other hand, it would reduce the risk of certain groups in society falling behind others in terms of skills and knowledge

Õppematerjal on valminud rahvusvahelise koostööprojekti Norway Grants „Facilitated access to work through flexible work“ raames.

**SOURCES USED:** VIILUP UURINGUD. CHALLENGES AND POLICY RECOMMENDATIONS RELATED TO TELEWORK FROM THE EMPLOYERS' PERSPECTIVE. TALLINN 2021.

