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Can Digital Tools Substitute for Law? Pay Transparency in Estonia

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Abstract

Estonia has one of the largest gender pay gaps in the European Union, while its legal framework for pay transparency remains limited. This paper examines Estonia's approach to addressing the gender pay gap, focusing on the development of the voluntary digital tool Pay Mirror against the background of incomplete transposition of the EU Pay Transparency Directive.

It argues that digital tools can facilitate employers' awareness and monitoring of pay disparities, but cannot substitute for binding transparency and reporting obligations. The Estonian experience illustrates both the potential and the limitations of relying on voluntary digital solutions where legislative action has repeatedly stalled.

1. Country context

1.1 Gender pay gap in Estonia

Similar to other countries with high employment rates of women, Estonia is characterised by a large gender pay gap. According to Statistics Estonia[1], the gender pay gap stood at 12.2% in 2025 which is all time lowest.[2] The average gross hourly earnings for women were EUR 11.4, compared to EUR 13 for men.

One of the factors contributing to the gender pay gap is the high level of occupational and sectoral segregation in Estonia, which is among the highest in the EU. As the gender pay gap is most pronounced among employees aged 25-34 and 35-44, it is likely attributable to the potential negative impact of 'fertile years', when employees start families and women are 'penalised' while men are 'rewarded' for becoming parents.

The phenomenon of the 'motherhood penalty' is a salient issue in Estonia. Despite the passage of time, the wage of mothers remains at a level that is lower than the pre-

[1] The size of the gap depends on the data used to calculate it. Statistics Estonia and Eurostat use different data to calculate the gap. The calculation of the gender pay gap by Statistics Estonia is based on survey data taking into account organisations with at least one employee. Eurostat uses data on enterprises employing 10 or more employees and excludes data on certain sectors like fisheries etc.
[2] Data available at: https://stat.ee/et/avasta-statistikat/valdkonnad/tooelu/palk-ja-toojoukulu/palgalohe.

motherhood wage, even several years after the birth of their first child. A study of wage levels in the post-partum period, i.e. seven years after childbirth, has revealed that the average wage of mothers is, on average, one-third lower than it was prior to childbirth (Unt et al., 2021).

Since the early 2000s, Estonian society has been engaged in discussions on gender pay gap. However, there is a general tolerance of systematic discriminatory practices in the workplace, including layoffs and/or demotion of women post-childbirth. Furthermore, the majority of wages in the private sector are subject to individual negotiations, a practice which has prompted a number of opinion articles blaming women and their limited bargaining abilities for the pay gap (Sepper, 2021).

1.2 Legal provisions

In general, there are very few legal norms in Estonia supporting pay transparency. Estonia has transposed the Pay Transparency Directive only partially.

The Gender Equality Act is the main law promoting gender equality and prohibiting gender discrimination, including pay discrimination on grounds of gender. The Act requires employers to provide written explanations when an employee suspects that they have been a victim of pay discrimination (Art 7). An employee has the right to demand that the employer explain the basis for calculation of salaries. This measure was initially introduced to provide a person who suspects being a victim of pay discrimination necessary data to ground their claim.

A legal definition of pay is not provided in the Estonian Employment Contracts Act (ECA), instead the concept of pay could be derived from several articles. Pay is remuneration for work and, according to Article 5(1), the employment contract should contain the agreed remuneration payable for the work, the manner of calculation, and other benefits if agreed upon.

Unlike the private sector, the Estonian public sector is obligated to make the salaries of all public servants publicly available. Article 65(1) and 65(2) of the Civil Service Act stipulates that the basic salary and variable pay, as well as other income arising from the functions of public servants, should be published on the homepage of the public service. Furthermore, Article 65(3) of the Civil Service Act stipulates that the salary guide of the authority must be disclosed on the organisation's website. However, it should be noted that wages are routinely published without reference to the average pay broken down by gender. It must be emphasised that the transparency rule was introduced for purposes other than the strengthening of the principle of equal pay between women and men.

On 17 June 2026, the Riigikogu adopted amendments to the Employment Contracts Act, which partially transpose the Pay Transparency Directive. The amendments provide for the provision of information to job applicants regarding remuneration, or the range of possible remuneration, prior to a job interview. They also prohibit asking questions about previous pay. The employers are also prohibited from preventing employees from disclosing their own pay. The amendments were brought into force

on 13 July 2026. The new amendments include no reporting obligation for larger employers as the Directive requires.

The Labour Inspectorate, who oversees abidance with the labour regulation, has been given a new task: to monitor that employers provide pay information prior to an interview. Curiously, the Labour Inspectorate has no mandate to supervise the implementation of the provision which prohibits employers from preventing employees from disclosing their own pay. As the Inspectorate already has the power to oversee job contracts, it would have been logical to give it also the task to see that no disclosure prohibiting clauses are entered into contracts.

According to the estimation of the Equality Unit of the Ministry of Economic Affairs and Communications[3], the provision on obligatory publication of pay prior to interviews is likely to result in a greater number of employers publishing pay information in job announcements. This will put employers under pressure to give more consideration to and provide clearer explanations of their pay decisions. The unit has learnt that many employers are already willing to make pay public in job announcements, and that the provision will only expand this number.

1.3 Policy measures

There is no national gender equality strategy, as the government has taken an approach to not commence sectoral strategies. Gender equality is included in the Welfare Development Plan, 2023–2030. The policy targets include tackling the gender pay gap. The Gender Equality and Equal Treatment sub-goal of the Plan includes activities which are aimed at tackling the gender pay gap. As one of the activities, a digital tool called Pay Mirror was created for employers to allow calculate the organisation's gender pay gap based on the public registries data (see below in p. 3.1).

In the Estonian public sector, Article 10 of the Civil Service Act grants the legal basis to issue a job classification. The classification focuses on the description of tasks and responsibilities, while there is no reference to the qualifications or effort needed to execute the tasks described. The Ministry of Finance has detailed guidelines for the public sector on how to develop a pay system in public sector organisations (Fontes, 2014), but the document does not mention the gender pay gap nor pay equality. There exists also the handbook on public service jobs evaluation (Rahandusministeeerium & Fontes, 2018) and similarly the handbook is entirely gender insensitive.

In 2025, a new gender-sensitive job evaluation toolbox and guidance was developed, with the purpose of supporting employers to create fairer and transparent pay systems.[4] The toolbox and guidance are for voluntary use by employers. The Ministry of Finance public service web page on job evaluation does not even reference the

[3] Written communication with the Equality Unit from 19 August 2026.
[4] More information and links to the outputs of PALK project at: https://www.ti.ee/uudised/tooandjad-saavad-kasutada-toode-vaartuse-hindamise-metoodikat.

new gender-sensitive guidance but instead continues to promote its gender insensitive method mentioned above.[5]

2. Policy Debate

Estonia has a considerable legislative history of failed attempts to upgrade legal standards of equal pay and pay transparency (in 2018, in 2022, and in 2026). In these attempts, a progressive draft law was developed by the Equality Unit of the Ministry of Economic Affairs and Communications (or, in some cases, the Ministry of Social Affairs, a former institution where the unit was located), but dropped out of legislative process either in government level or in Parliament.

The most recent debate, or rather an outcry by various stakeholders, took place in April 2026, when the Minister of Economic Affairs and Communications, Erkki Keldo, announced that the government has reconsidered and does not plan to transpose the Pay Transparency Directive. Presently, no new bills are being developed nor debated. Estonia will have general elections in March 2027, after which the new government is likely to be under increasing pressure to transpose the Directive.

3. Practical Examples

3.1 Pay Mirror

Following a request from the Equality Unit at the Ministry of Social Affairs (now part of the Ministry of Economic Affairs and Communications), a team of scholars from Tallinn University studying the factors of the gender pay gap developed a digital toolbox for employers called Pay Mirror.

The rationale for targeting employers is that the results of the study demonstrated that employers have a central role in influencing workplace structures that perpetuate the gender pay gap. The study also revealed that awareness of the gender pay gap remains limited among employers.

Pay Mirror is a solution that supports employers by enabling them to monitor the gender pay gap situation in their organisation on a quarterly basis and based on public registry data. The employers do not need to provide any additional data. Pay Mirror can be used by all employers with at least 3 men and 3 women working for them. The pay gap calculated by the Pay Mirror is not recorded by the Labour Inspectorate, nor further analysed. This guarantee of non-disclosure was enshrined in the Gender Equality Act, most likely to ensure the employers that the tool is entirely voluntary and does not seek to oblige employers to report their gap. Anyhow, Pay Mirror cannot be

[5] Ministry of Finance, public service web: https://www.fin.ee/riigihaldus-ja-avalik-teenistus-kinnisvara/avalik-teenistus/palgakorraldus#ametikohtade-hindami.

used to submit the gender pay gap report because the indicators in the application are not the same as those required by the Directive.

On average, Pay Mirror is utilised by between 250 and 300 users per month. The Ministry has not yet collected systemic feedback from users. Nonetheless, in the course of a series of events, employers have provided informal feedback. The toolbox is characterised by its ease of use, with the pay gap data being calculated on the basis of public registry data. Employers encounter challenges in interpreting gender pay gap data, as this requires comprehending the methodology underlying the calculation of the gap. Furthermore, concerns have been raised regarding the potential disclosure of organisation´s gender pay gap even though Pay Mirror does not record the gap info.[6]

3.2 Statistics Estonia wages and salaries application

Since 2020 Statistics Estonia has a wages and salaries application developed in cooperation with the Estonian national equality body the Equality Commissioner. The application visualises median wages by Estonian regions and counties for the 110 most common occupations. The application is meant to add transparency and openness to the Estonian labour market. The wages and salaries application uses data from the employment register and the Estonian tax declaration form TSD. The application was developed to give entrepreneurs a possibility to use this data and assess the labour market situation and compare wage levels.

4. Transferability Aspects

The Slovenian situation seems to be similar to the Estonian one, with the exception of the Slovenian digital tool being developed to assist the implementation of the planned bill of law, and the host country's will to transpose the Directive concerning the reporting obligation. Estonia is in a position to learn from the host country how to calibrate a digital tool in a way that meets the reporting requirements of the Directive.

5. Conclusions and recommendations

The Estonian approach to pay transparency has been somewhat unorthodox, with the development of digital tools to support implementation preceding the amendment of legislation. In this context the primary recommendation for the Estonian government is to transpose the Directive, and to avoid the fallacy that the standards set out in the Directive can be reduced.

According to the literature, only if the information on pay gaps is sufficiently detailed and it is further scrutinised, will the gap reports and pay audits become an effective and powerful instrument. Pay Mirror, generating gender pay gap reports for individual

[6] Written communication with the Equality Unit from 19 August 2026.

companies, will be an efficient measure only if the reports are made public, and if there is a public authority assisting and monitoring the actions of companies around pay equality. At present, this is not the case in Estonia.

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