



# Foresight Centre Scenarios Labour Market 2035

New technologies, diversification and increasing ambiguity of employment relationships, possibility for cross-border work and structural reshaping of the labour markets as a result of technological development bring along changes that have, on the one hand, immensely broadened the range of opportunities for making a living and seeking self-realisation with increasing flexibility; however, on the other hand, it has begun to engender insecurity among workers, employers, and also policy makers.

Labour Market 2035 scenarios have been developed to expand the debate on the development of labour market and economy in

Estonia, and to provide food for thought on the route to take in case any of the developments starts to dominate.

The main variables in the scenarios are the impact of the technological innovation on the development of the labour market and the attitude regarding labour migration in the European Union. We combined these variables and analysed their significance for the **scenarios on employment, spreading of atypical work, Estonia's migration volumes and structure, risks to social protection, and economic growth perspectives.**

## FRAMEWORK OF SCENARIOS





## TALENT HUB TALLINN

More employment friendly technology; EU with an open attitude to migration

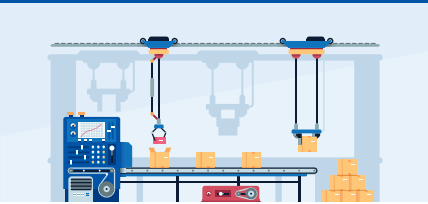
Rapid development of technology; innovative businesses (start-ups) and high-skilled labour force concentrate in Tallinn; large migration flows in both directions among low-skilled as well as high-skilled workers; increasing pay gap and polarisation of tasks (increased share of low-skilled and very highly specialised jobs); increasing unhappiness about social and regional disparity.



## GLOBAL VILLAGE OF NOMADS

Job automation technology; EU with an open attitude to migration

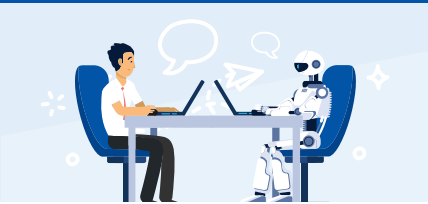
Low innovation at the initial stages of the scenario; postponing automation and massive immigration of low-skilled workers; at the final period of the scenario, introduction of digital and automatic solutions or loss of competitiveness in Estonian businesses; high unemployment rate among low- and medium-skilled workers; relatively high number of immigrants, but also massive emigration; challenges to integration as well as to the creation of a social support network.



## NEW WORK WORLD

Job automation technology; EU with a closed attitude to migration

Loss of routine jobs through automation and robotisation; low innovation and insufficient spreading of new types of businesses, magnified by shortage of talents. This means few new job opportunities. Individual social status is reinvented, with job and employer no longer at its core.



## SELF-RELIANT ESTONIA

More employment friendly technology; EU with a closed attitude to migration

Shortage of talents and the consequent fairly slow structural change in the economy; strong pressure towards retraining and refresher training of the existing human capital, with employers prepared to provide funding for this; mitigation of the shortage of talents by creating virtual global teams; Estonia becomes a technological straggler. Emigration pressure possible in the longer run.



# What would the scenarios mean for workers?

## Self-Reliant Estonia

- The scenario offers excellent work opportunities for ambitious high-skilled workers.
- In the long run, other countries offer better development opportunities to talents than Estonia.
- Not many fall behind in this scenario because automation either does not bring a major increase in unemployment, or employees are highly motivated to invest in the retraining or refresher training of employees.
- Jobs become more complicated and workers are expected to update their skill sets or acquire a new profession through retraining.
- Work life is fairly comfortable and safe; however, wages and their increase is lower than in other countries.
- Low-skilled workers may face unemployment at the final period of the scenario.

## New Work World

- Routine jobs are about to disappear and low-skilled workers might not find new work opportunities easily.
- Routine jobs are about to become extinct forever. A change of profession or other ways to make a living must be found.
- One possible solution could lie in the personal or comfort services industry, or entrepreneurship in the creative field.
- Ambitious high-skilled workers will find opportunities for development to be limited.
- Virtual work can partly compensate for the lack of professional opportunities among both high- and low-skilled workers.
- Untying the link between the social status and the profession and job creates an opportunity to live different lifestyles and/or be part of different communities, if lower material wellbeing is not seen as a problem.

## Talent Hub Tallinn

- Constant training is a natural part of the working life. Even unskilled jobs integrate more tasks that expect robot-human cooperation.
- Employee-employer relations are on their way out and entrepreneurship is what matters. More working relationships are based on cooperation networks.
- The globalised labour market offers increasing opportunities for **short-term and project-based jobs**. At the same time, this means increased instability and interruptions in income.
- The spreading of virtual work means freedom to choose the location of the job. Big cities offer more challenges but virtual work allows the worker to live in the middle of a forest.
- Labour migration opportunities to various countries are good. At the same time, we must also take into account the stiffer competition on the local labour market, caused by international labour migrants.

## Global Village of Nomads

- Open migration means that at least at first there are opportunities for work both in Estonia and abroad.
- Low innovation leads to limited working and development opportunities for high-skilled workers.
- Postponing automation will halt wage growth among low- and medium-skilled workers.
- In the second half of the scenario, routine jobs start to disappear. Retraining and entrepreneurship play a bigger role in finding a new job or in being temporarily self-employed.



**Table 1.** Labour Market 2035 scenarios by main indicators

|  | Talent Hub Tallinn  | Global Village of Nomads   | New Work World   | Self-Reliant Estonia   |
|--|---|--|--|--|
| <b>Labour demand and employment</b>                  | High labour demand and employment but also more frequently interrupted employment and income.   | High demand for labour at the start, and unemployment later. Postponed automation and lack of solutions that create new jobs.  | High employment rate or labour shortage among high-skilled workers; reduced demand for routine jobs, which increases unemployment.                       | Demand for high-skilled workers is increasing but the choice is mainly limited to local labour force, which leads to labour shortage.  |
| <b>Spreading of atypical work</b>                    | Opportunities-based part-time work and virtual work among high-skilled workers; needs-based and insecure platform work among low-skilled workers. | At the start of the scenario, there are few incentives for the spreading of atypical work; in the second half of the scenario, new forms of platform work, part-time work, virtual work and other forms of work spread to compensate for the loss of income. | Limited labour migration can increase the spreading of atypical work but low demand and certain types of technological development can become obstacles. | The share of virtual teams grows at the initiative of employers to compensate for labour shortage. This may offer opportunities for self-realisation for high-skilled local residents as well.               |
| <b>Volumes and structure of migration in Estonia</b> | Intense migration flows in both directions and among workers of various skill levels.   | At the start of the scenario, there is extensive immigration of medium- and low-skilled labour force. Later, those who have lost their job will look for opportunities for work elsewhere and there will be a shortage of talents.                           | Restrictions keep migration flows low. In Estonia, the hope to emigrate dominates both among low- and high-skilled workers.                              | Migration is influenced by talent shortage. If favourable conditions combine, it might be possible to find labour from other EU Member States. Emigration appears in the long run.                           |
| <b>Risks to social protection</b>                    | Polarisation of wages, regional and ethnicity based segregation.  | Unemployment crisis in the second half of the scenario deepens inequality and reduces average well-being; challenges to integration.   | Unemployment increases and social protection coverage decreases significantly.   | In the first half of the period, low unemployment rate combines with limited technological development, caused by the shortage of talents, and holds back both the increase in inequality and in well-being. |
| <b>Economic growth perspective</b>                   | Good conditions for rapid economic development.   | Reduced international competitiveness in the long run.   | Limited opportunities of economic growth.  | If transfer to new business models fails, economic growth might fall behind.   |

## **Foresight Centre**

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