

FREELANCER

Fostering future and current entrepreneurs' soft skills and self-employability through market adapted training

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Task 2 of Work Package 2:

Mapping and stock taking of Entrepreneurship challenges for aspiring freelancers

Country Snapshot Estonia

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Introduction

Freelancers face several significant challenges, beginning with income stability and fluctuations. The unpredictable nature of freelance work can make financial planning difficult, leaving freelancers vulnerable to market volatility.

Another major hurdle is the lack of access to health and social benefits, such as health insurance and pensions, which are typically provided to traditional employees. This situation can also complicate obtaining car leases or favourable health insurance terms. Additionally, freelancers must manage their own tax obligations, a task that can be complex and often requires a good understanding of tax laws or the assistance of an accountant.

Balancing work and life is another difficulty many freelancers encounter, especially when irregular working hours and the blending of personal and professional life occur, particularly when working from home.

Securing consistent work is also a challenge, as building a stable client base can be tough due to the competitive nature of freelancing. Furthermore, freelancers need to navigate various legal and contractual issues, including contract negotiations, ensuring timely payments, and protecting their rights. The freelance market is increasingly saturated, especially in sectors like coaching, beauty services, and personal training, adding to the pressure of maintaining consistent work.

However, there are emerging trends that are shaping the freelance landscape. Hybrid freelancing models, which combine long-term contracts with short-term gigs, offer freelancers more stability while still providing variety in their work.

The rise of remote-first work, accelerated by the COVID-19 pandemic, has opened up opportunities for global collaboration. In terms of skills, there is a growing demand for specialized expertise in areas such as AI, blockchain, data science, and cybersecurity.

Freelancers are also increasingly forming collaboration networks to share skills and work on projects together, fostering a sense of community. There is also a heightened focus on well-being, with an emphasis on maintaining mental health, achieving work-life balance, and ensuring financial stability.

Moreover, regulatory scrutiny is increasing, with new regulations and tax policies being introduced that specifically target freelancers. Lastly, initiatives like e-residency and digital nomad visas are facilitating more legal and efficient operations for remote workers, especially within the European Union.

While Estonia supports startups through various incubators, there's a lack of dedicated initiatives for freelancers. Platforms like meetfrank (IT), hange.ee (construction), goworkabit.com (general), and job portals (such as kandideeri.ee) help freelancers find work, indicating a high demand for freelancing opportunities.

Thus, it can be summarised, that there is a significant gap between the number of freelancers and the support provided, highlighting the need for more targeted training and support networks. By addressing these challenges and leveraging the emerging trends, Estonia can better support its growing freelance community and harness the potential of this flexible workforce model.

Quantitative indicators on freelancing and self-employment in Estonia

In 2021 there were 642 391 people working in Estonia, of which 97% stated that their main income came from being a regular employee, and 3% stated that their main income came from entrepreneurship. Whereas within those 3% there were twice as many men as women. While entrepreneurship does not seem to be the main source of income for many, it can be considered an important additional source of income, which is illustrated by the following findings.

In Estonia, most of the freelancers work under an Ltd. (private limited company), since it is easiest in terms of establishing, book-keeping, reporting, and most beneficiary in terms of taxes. It is thus hard to know how many freelancers are in Estonia and how many of the LTD- companies are representing Freelancers.

One indicator may be the number of people working in the LTD-s (Tearu, 2023). In Estonia there are 71 000 micro-enterprises (with 0-9 employees) (Statistica, 2022). Not knowing how many, but it is clear that a certain % of those 70,000 include freelancers. Also, when talking about Freelancing, there are definitely a number of freelancers, who cannot thus be counted.

Freelancers in Estonia work (Tearu, 2023):

- in the culture sector (actors, singers, book writers, etc)
- as hairdressers, nailartists, cosmeticians
- as taxi-drivers (Bolt, Uber)
- in food delivery
- as personal trainers
- in IT
- as crafters (ceramists, painters, etc).
- in construction field (painters, plumbers, etc.)
- book-keepers*
- trainers/consultants*

The latest statistics show that 20% of Estonians would like to start entrepreneurship but see the **lack of financial resources** (47%) and **lack of skills and knowledge** (32%) as **main barriers** (SEB, 2023).

The highest interest in entrepreneurship (17%) is among young people (aged 18-29), followed by 15% in the age group of 30-39. Those, who earn at least 1000 Euros (net) per month are more interested in entrepreneurship, compared to those, who earn between 550-1000. Entrepreneurship is seen as a potential future career more among (SEB, 2023):

- managers
- specialists
- people working in the services sector
- and people on parental leave.

According to Tearu (2023), several trends are contributing to the rise of freelancing. One key factor is the growing tendency of companies to purchase services from abroad, such as software development, which expands opportunities for freelancers globally. Additionally, employers are increasingly turning to freelancers as a way to optimize their tax obligations, reduce risks, and minimize the resources required to maintain full-time employees.

On the other hand, many employees now prefer flexible working conditions, where they have greater control over when and where they work. This preference for flexibility aligns with the growing number of individuals who are choosing to work as freelancers alongside other commitments, such as parental leave or full-time (or part-time) employment. These trends together are driving the continued increase in freelancing across various industries.

Freelancing is an essential gateway to entrepreneurship, offering individuals the opportunity to develop business acumen, gain market exposure, and build networks with minimal risk. In Estonia,

known for its thriving digital economy and pro-business environment, freelancers contribute significantly to the country's innovation and economic resilience.

By supporting the growth of freelancers through mentorship, funding, and training, Estonia can nurture a vibrant pool of future entrepreneurs. Freelancing allows individuals to refine their skills, understand client needs, and navigate challenges independently—all critical qualities for launching a successful business venture. For many, it is the first step toward founding startups or scaling into larger enterprises, enhancing Estonia's reputation as a startup hub.

While Estonia is a global leader in digital entrepreneurship, only about 12% of startup founders are women (see **Table 1** below), highlighting a significant gender gap in the startup ecosystem. By fostering freelancing opportunities for women, Estonia can help close this gap and promote more diverse leadership in its entrepreneurial community.

Freelancing offers women a flexible entry point into the business world, allowing them to gain confidence, develop business strategies, and balance other responsibilities. Targeted programs, resources, and incentives aimed at women freelancers can empower them to transition from independent contractors to startup founders, leading to greater gender equity in the Estonian startup scene. Nurturing female freelancers could thus be pivotal in achieving a more inclusive and innovative entrepreneurial landscape.

Freelancing offers women in Estonia an effective way to supplement their income, thus playing a vital role in addressing the gender pay gap. Despite Estonia's advancements in economic and digital sectors, women still earn less on average compared to men. Freelancing provides women with opportunities to leverage their skills, expertise, and creativity outside of traditional employment, allowing them to access better-paying projects, clients, and industries.

By choosing freelancing, women can diversify their income sources, negotiate better rates, and take advantage of flexible work arrangements that accommodate personal and family needs. This additional income stream not only empowers women financially but also contributes to reducing the persistent pay gap.

Table 1: Female founders in Estonia			
	2018	2019	2020
Number of transactions	41	74	66
Female founders	6	16	12
Male founders	35	58	54
Total sum of investments	€325,888,524	€301,297,849	€462,786,224
Female founders	€3,214,087	€9,773,826	€13,666,368
Male founders	€322,674,437	€291,524,023	€449,119,856
Average transaction size - median	€1,000,000	€625,000	€1,096,500
Female founders	€295,000	€275,000	€920,000
Male founders	€1,000,000	€1,000,000	€1,200,000

Source: Own Elaboration

To help women in Estonia thrive as freelancers, they need tailored support in several key areas. First, access to skills development programs in areas such as digital marketing, tech, and project management can enable women to build competitive freelance profiles. Mentorship from experienced freelancers or entrepreneurs is another crucial factor in providing guidance on client acquisition, contract negotiation, and scaling their business. Additionally, creating a supportive ecosystem, including platforms that connect women freelancers with potential clients and projects, would help increase visibility and business opportunities.

Financial assistance, such as grants or microloans specifically for women looking to start freelance work, can alleviate the initial economic barriers. Furthermore, promoting a culture of work-life balance through policies that support parental leave, flexible workspaces, and childcare options would make freelancing more accessible and sustainable for women in Estonia.

Qualitative indicators on freelancing and self-employment in Estonia: skills-gap and need assessments

Top 10 trends regarding freelancing in Estonia (based on expert opinion from Estonian HR Association PARE): Freelancers are increasingly adopting hybrid models that combine long-term contracts with short-term gigs, offering both stability and variety in their work.

The shift towards remote-first work has been accelerated by the COVID-19 pandemic, allowing Estonian freelancers, like their global counterparts, to collaborate with clients and teams from anywhere in the world. In addition, there is a growing demand for freelancers with specialized skills, particularly in fields such as artificial intelligence, blockchain, data science, cybersecurity, and e-governance.

To further enhance their opportunities, freelancers are forming networks and communities for skill sharing, mentorship, and project collaboration, which broadens their client base and enhances their expertise. At the same time, there is a heightened focus on freelancer well-being, with increased attention to work-life balance, mental health, and financial stability.

As the freelance sector grows, governments, including Estonia's, are paying more attention to it by introducing new regulations and tax policies, particularly on how to collect taxes from platform workers.

Estonia stands out by offering unique opportunities like e-residency and digital nomad visas, which make it easier for freelancers to operate legally and efficiently within the European Union. These options are especially attractive to remote workers and digital nomads, as they allow e-residents to establish and manage companies remotely from anywhere in the world.

Opportunities: training available and operational tools

There are no country-level initiatives focused solely on freelancing. While Estonia has a strong support network for startups (inc several incubators - Tehnopol, Ülemiste City, Startup Estonia, etc) - those support systems are strongly skewed towards radical innovation (IT, engineering, etc).

At the same time, Estonian Unemployment Fund, regional development centres, and some other initiatives do support individuals who wish to start their own businesses in other fields such as agriculture, arts, services, etc. However, again, the focus on regional support networks is more on establishing a small business - rather than creating a parallel revenue stream for oneself - such as through freelancing. *

What is interesting though, is that there are many web-based service providers, where freelancers can sell their services, including:

- meetfrank (IT)
- hange.ee (construction)
- <https://goworkabit.com/> (basically anything)
- Career, CV, Job offers, Job kannouncements, Vacancies, Job portal (kandideeri.ee)
- Specific FB groups

The availability of such intermediary service providers shows that Freelancing is indeed popular in Estonia, and thus there is a gap in terms of supply (support networks and trainings) and demand (nr of freelancers and to-become freelancers), which the governments nor regional institutions have not yet been able to solve.

*Based on qualitative analysis of the websites of existing support providers such as:

- Estonian Unemployment Fund
- Enterprise Estonia
- Regional development centres

Challenges

Main challenges faced by Freelancers in Estonia, include (based on expert opinion from Estonian HR Association PARE):

Freelancers often face income instability and fluctuations, as their earnings can be unpredictable compared to traditional employees who receive a fixed monthly salary. This makes financial planning more difficult, and freelancers are more exposed to market fluctuations and economic downturns. Interestingly, some of the most influential investment figures have emerged from the freelance sector.

In Estonia, as in many other countries, freelancers may not enjoy the same access to health insurance, pension schemes, and other social benefits typically provided by employers in traditional jobs. For instance, banks may be reluctant to issue car leases to sole proprietors without additional personal guarantees, and the terms for complementary health insurance tend to be less favourable compared to those offered by larger employers.

Managing tax obligations is another challenge, as freelancers must handle their own tax filings and navigate complex tax laws and systems. This can often require hiring an accountant to ensure everything is done correctly. Balancing work and personal life also proves difficult for many freelancers, especially since irregular working hours and the blurred lines between home and work environments can make it hard to maintain boundaries.

Finding consistent work is a significant hurdle, particularly for those just starting out. Building a stable client base is tough in the highly competitive freelance market, where freelancers must constantly seek new opportunities and market their skills effectively. Additionally, freelancers are responsible for drafting, negotiating, and understanding contracts with their clients, which requires them to be vigilant about protecting their rights, ensuring timely payments, and comprehending the terms of their agreements.

The rise of the gig economy has led to market saturation and increased competition in many freelance sectors, such as coaching, beauty services, housekeeping, personal training, and financial advising. Standing out in this crowded marketplace presents yet another challenge for freelancers looking to secure consistent work.

Conclusions

To summarize the earlier points, alongside general challenges such as regulatory and financial issues, one of the biggest challenges freelancers in Estonia face is the lack of dedicated initiatives tailored specifically to them. While startups benefit from support through various incubators, freelancers often lack similar resources. In terms of skill development, new initiatives—whether private, governmental, or EU-funded—should prioritize helping freelancers enhance their abilities in key areas.

These include improving remote work skills, effectively using AI tools, managing work-life balance, and handling finances. Additionally, there is a need for better access to knowledge regarding government and legal nuances, as well as information on available support systems and where to find relevant resources.

Freelancing in Estonia can play a pivotal role in addressing both the gender gap in entrepreneurship and the persistent gender pay gap. With only about 12% of startup founders being women, freelancing provides a flexible entry point for women to develop business skills, gain confidence, and manage responsibilities.

By supporting women freelancers through targeted programs, mentorship, and financial assistance, Estonia can empower them to transition from independent contractors to startup founders, promoting more diverse leadership in the entrepreneurial ecosystem.

Additionally, freelancing helps women supplement their income, negotiate better rates, and access better-paying opportunities, contributing to reducing the gender pay gap. Building a supportive infrastructure that offers skills development, work-life balance policies, and networking platforms will make freelancing more accessible and sustainable for women.

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