

Avo Trumm

**Structural shifts
in providing social assistance:
Response to changing living conditions
in Estonia**

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Introduction

The social cost of social and political reforms has been unexpectedly high in Estonia as well as in the other countries of Eastern Europe. The extensive deterioration of economic and social resources has led to intensive losses in objective and subjective wellbeing. As a result, almost one fifth of the population form the most vulnerable group, living below the poverty line and being highly dependent on social welfare schemes in Estonia. Another fifth lives at the risk of falling under the determined poverty line¹ (Poverty reduction 1999). Increasing poverty and inequality, as well as decreasing social and political participation have suppressed the overall solidarity and social integration.

BOX 1.

Social protection – A wide term covering all social security systems plus the systems of guaranteed minimum incomes, plus not only medical care but also social work services and domiciliary and residential care for children, families, old people, the handicapped and disabled and other vulnerable groups, operated both by public and private organisations.

Social security – Generally used to refer to public social protection with the exception of social assistance.

Social services – Used either to describe the main social programmes of the state including education and employment services as well as social protection, or more narrowly to describe non-medical services for special groups provided by social protection agencies

Social assistance – May refer to all various kinds of means-tested assistance in money or in kind to persons who lack the necessary resources to cover their basic needs or to be used more narrowly to apply to assistance paid by local authorities.

Source: *Social Protection in Estonia: Handbook and Dictionary*, Copenhagen 1998.

In the last decade Estonia's social protection system has gone through rapid changes, due to new emerging social problems, ideological and political changes, and economic constraints. There are not adequate socio-political means that could be applied for solving problems in the unique socio-economic situation of transforming societies. Moreover, the impact of the newly introduced socio-political regulations is not sufficiently examined.

This paper attempts to contribute to an expansion of social policy research in Estonia. The main focus is devoted to the analysis of structural shifts in the system of social assistance. It aims at evaluating the efficiency

of changes introduced to increase the economic coping capacities of the least advanced groups of society. The main tasks of the paper are:

- To determine main preconditions for a reformation of the social protection system;
- To provide a systematic description of the formation and re-formation of the institutional set-up of the social protection system in general and the social assistance system in particular;

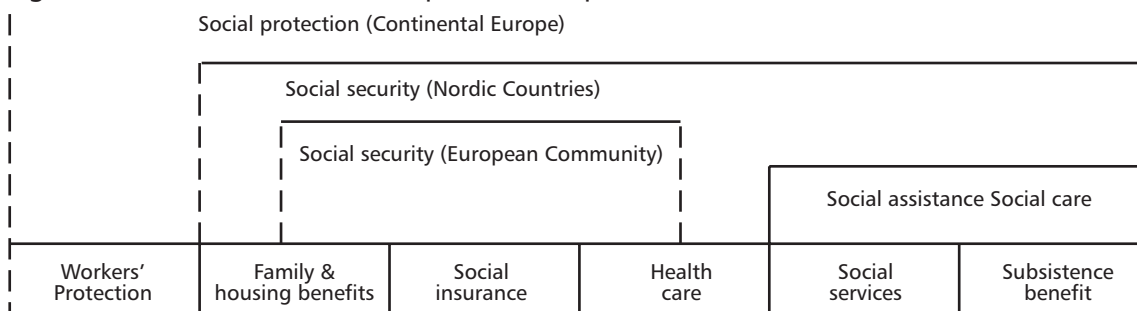
¹ In 1997, the national poverty line was set on the level of 1250 EEK (about USD 90) per consumption unit per month.

- To analyse the impact of social assistance provisions on the welfare of vulnerable groups;
- To outline the main hardships and shortages for the program of targeted social benefits.

The paper is a background document of the research project “Social policy and social exclusion in the Baltic countries” which is carried out in co-operation between the University of Tartu (Estonia) and Fafo, Institute for Applied Social Science (Norway) and is supported by the Research Council and Council of Universities of Norway through the Cooperation Programme with Central and Eastern Europe.

The basic terms applied in the document are *social protection*, *social security*, and *social assistance*. Different academic and social policy scholars have developed different definitions to these widely used terms. The figure 1 explains the terminological differences in different regions and institutions.

Figure 1 The differences in concepts of social protection (Malvet, Mikkola 1998: 23)



Preconditions for shifting social protection in Estonia

Changing principles of social protection

Social protection can be theoretically dealt with proceeding from three basic questions (Social Protection...1998: 12)

- **What You Have** (or the “Compensation” concept)
- **What You Have Done** (or the “Reward” concept)
- **What You Are** (or the “Status” concept)

The essence of the **Compensation** concept is that it is limited to those who cannot reach an acceptable standard of living by any other mechanisms in society (i.e. family support, own economic activity, property, etc). In other words, it is social protection as compensation. On necessity it entails a “means-test” and is “residual” in the sense that in general it meets only the basic physiological needs, or a proportion of them. When social protection is organised around this concept in public schemes, it is usually classified as “social assistance”. The main providers of benefits are regional and local administrations in co-operation with NGOs. The benefits (whether cash or services) are usually available only to persons below the means test level who are in certain categories. The main attraction of the concept is that it has a clear moral basis and it involves a minimum redistribution of resources. The shortcomings of the compensation concept are related to stigmatisation of recipients, decreasing the motivation to work and leading to poverty traps.

The essence of the **Reward** concept is that it is awarded in recognition of some form of achievement or financial contribution and is proportional to it, at least to some degree. The benefits must be earned or purchased, and it has some of the characteristics of a contract (insurance schemes). Benefits are offered in return for services or financial contributions, or both. In the case of service schemes the persons “covered” and eligible for benefits, are employees in the industry concerned. In the case of contribution schemes, the persons “covered” are those who have made the requisite payments. Schemes frequently combine service and contribution requirements. This is usually the case with social insurance schemes imposed by law– the “insured person” must be in employment covered by the program and paid the necessary contribution. The main providers of benefits are employers (especially in the case of public service schemes) and payment schemes can be funded (pre-paid) or based on current income (*Pay As You Go*– PAYG). Traditionally, the benefits are delivered in case of old age, disability, sickness, unemployment, etc., i.e. the receivers (contingencies of the beneficiaries?) are strictly defined. The implementation of the reward concept avoids stigma and it encourages rather than discourages earnings and savings. However, most of

the redistribution of income under “reward schemes” is horizontal rather than vertical. The biggest benefits tend to go to those who have been the most fortunate in life.

The main question of the **Status** concept is not “who you are” but “what you are”, or more precisely, in what situation you have arrived. Eligibility rests on twin criteria. The claimant must first demonstrate that he belongs to the eligible sector of the population (field of personal application) either by having resources below a certain level or by having performed in a certain way (field of material application). As far as most of the population is concerned, the single criterion is the contingency. The contingency may be very narrowly defined and depend on the interaction of several factors or it may embrace huge number of people, as far as the contingency of having survived to a certain age or having acquired responsibility for a child below a certain age (demographic criteria). The limitations of personal coverage are the exclusion of foreigners who do not fulfil the minimum residence criteria and the criteria of presence. The status schemes are almost always public schemes and financed and administered by the central authority. The benefits are delivered in the case of the same risks as the reward concept, and are flat rate in most of the cases. The status concept is the simplest approach to social protection, even though it may have more complications than one might expect. There are no problems of stigma, no need for keeping employment or contribution records, etc. The main negative effect of the status concept is the high cost. It is more expensive than compensation or reward schemes. In most of the countries of the developed world the share of the universal “status-based” benefits has been decreased in parallel with the increase of insurance-based or means-tested schemes.

In conclusion, the different concepts of social protection have their objective advantages and disadvantages, but the particular welfare mix is a matter of political choice, reflecting the political and ideological fashions of the day. The economic, social and political changes in Central and Eastern European countries in transition have significantly impacted the ideology of the social protection systems. The clear shift from universal “status-based” schemes towards “insurance-based” and “means-tested” schemes has become evident.

The *objectives* of social protection are similar in different systems throughout Europe, but vary with emphasis on replacement of previous income and minimum protection from absolute poverty at each end of the scale. All the systems distinguish, though with slightly different boundaries, between social security, by which is meant contributory systems, however financed, and social assistance, by which is meant state-funded income protection for those with inadequate or non-existent incomes from employment, assets or social insurance.

The state has been seen as a main actor in social protection provision. However, the supremacy of the state in social protection systems is being challenged throughout Europe (Duffy 1999). There are questions about the values and objectives of the social protection system. First, questions over the legitimacy of inter-personal redistribution seem likely to lead to reduce access by the least advantaged to the collective resources of a society. Second, there is a question of the objective of income support: minimum protection or income maintenance.

The trend everywhere away from “passive” income support towards “active” labour market policy heralds a shift towards minimal protection, partly as a means to strengthen work incentives and support the development of a low-wage sector. In this way, the role of social protection system is not so much to counteract the impact of the market, but to expose citizens to the “discipline” of the market (ibid.).

Societal transitions challenges for social protection

The milestones of changes in social protection are:

- Economic decline (hyperinflation, decrease in living standards),
- Introduction of an ideology of market economy,
- Implementation of the new model of governance leading to a diminishing role of the state institutions, rise of third sector and de-centralisation process,
- Shifts in general value-orientation of the population towards individualistic values with pragmatic focus.

The most important impact of the tremendous economic decline in Central and Eastern Europe is the widening imbalance between the needs for and resources of social protection. At the initial period of transition Gross Domestic Product in 1990–1994 fell about 20% in Central Europe, 45% in the Baltic countries and 40% in the member countries of the Commonwealth of Independent States (Poverty in transition, 1998). Consequently, the means for social protection diminished accordingly. Hyperinflation of the rouble, increasing prices of food and housing, devaluation of salaries and social benefits led to a dramatic fall in living standards. As a result, the need for social protection in society rose considerably.

The establishment of market relations introduced several new principles impacting the system of social protection. The main result was abandonment from the principles of subsidies, full employment and privileges not suitable for the ideology of market economy and replacement of them with systems of basic pensions, subsistence and other cash benefits.

The democratisation process initiated social dialogue (incl. listening to the vulnerable groups) in society on social security issues forming preconditions for considering public needs in the decision-making process. Enhancing political culture has brought the third sector to the arena of social actors and put the hegemony of the state under strain. As an outcome of the de-centralisation process, the leading role in social welfare provision was delegated to local governments.

The transforming socio-economic situation has psychosocial outcomes as well. Political and economic liberalisation suppressing personal responsibilities and opportunities approached the general value orientation to individual pragmatism and re-oriented the individual locus of control from outer (learned helplessness) to the inner (self-help mentality) focus.

New social problems

Employment trends and emerging unemployment

As a result of the demographic trends of decreasing birth rate and increasing emigration, as well as the changed economic environment, the labour force has been reduced (table 1).

Table 1. Employment trends in 1994–1999

Indicator	1994	1995	1996	1997	1998	1999, II q.
Population of working age, in thousands	1 069,4	1 061,6	1 054,1	1 047	1 096,3	1 042,5
Labour force (aged 15-69), in thousands	749,4	726,4	717,6	713,5	711	691,6
Labour force (aged 15-69) participation rate	70.1	68.5	68.1	65.1	64.4	63.1
Employment, in thousands	692,6	656,1	645,6	644,1	639,5	610.5
Employment rate, %*	64.8	61.8	61.3	58.8	58.1	55.8
Average salary, EEK	1734	2375	2985	3573	4125	4440

* Labour Force Survey, 1993–1996: population aged 1–69; 1997–1999: population aged 1–74
Source: Statistical Office of Estonia

However, there could be a reverse trend in the labour force caused by an increase in the retirement age in 1998. The biggest changes took place at the time of the first economic reforms in 1993 and 1994 when total employment fell by 5.3% and 7.5%. During 1989–1997 the number of employed persons fell by 193 800 persons or 23.1%, coupled with a fall in employment from 76.4% to 61.5%. The simultaneous increase in inactive population has helped the number of the unemployed stay at around ~ 70 000. This figure remains high though, resulting in unemployment of around 10 %.

A fall in employment and a rise in unemployment have caused additional social problems. Some of the workers who were made redundant from primary and secondary sectors have found employment in service industries. As a rule, however, these persons have insufficient qualifications and are not prepared to re-locate in search for work (Eamets 2000).

Unemployment and economic inactivity grew notably during the period in review (Table 2). The number of unemployed rose to 69,400 and the number of economically inactive people to 333,600. Data about the non-active population by gender shows that the economic inactivity of women increased by 28.8% and economic inactivity of men by 36% from 1989 to 1997. In 1997 figures, there were 210 400 economically inactive women and 123 100 inactive men. Among all women in that age group, economically inactive women represented 38.8%. For men the share was 24.7%.

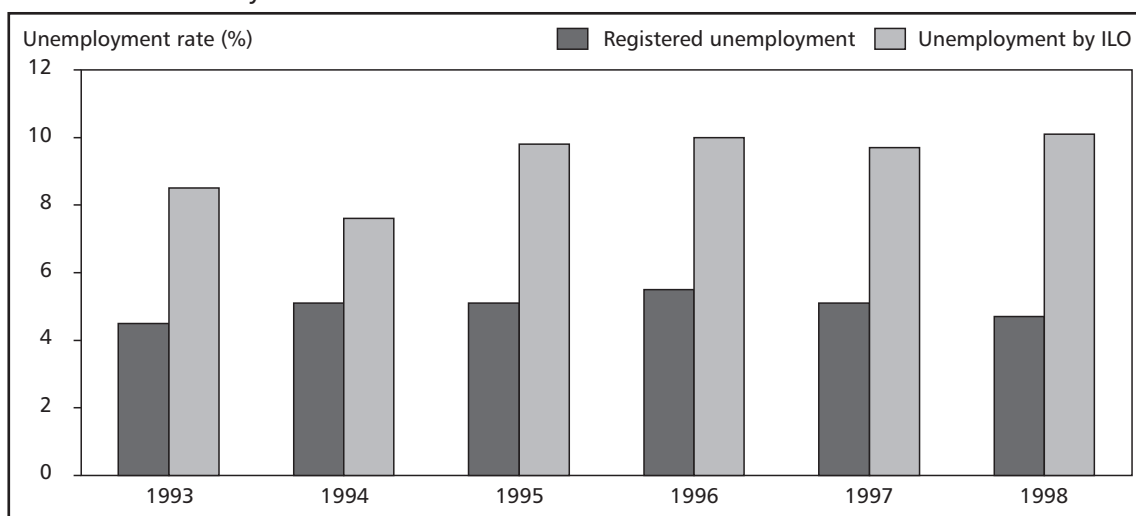
Table 2. Unemployment trends in 1994–1998

Indicator	1994	1995	1996	1997	1998	1999
Population of working age, in thousands	1 069,4	1 061,6	1 054,1	1 047	1 096,3	1 042,5
Unemployed, in thousands	56,7	70,9	71,9	69,4	71,5	81.1
Unemployment rate, %	7.6	9.7	10.0	9.7	10.1	11.7
Long-term unemployment, %		31.8			45.0	40.0
Youth unemployment (15-24 yrs old), %	11.6	14.1	16.0	14.4	14.5	16.7
Persons who have dropped out from the vocational educational system in the respective age group from, %						10.4
Registered unemployed	18 266	16 003	18 418	21 749	19 848	26581
Registered unemployment, %*	1.9	1.8	2.2	2.3	2.2	3.4
Inactive population, in thousands	320,1	334,6	336,5	333,6	385,3	402,6

* Ratio between the registered unemployed and the population aged 16 to pension age),
Source: Statistical Office of Estonia

According to the Estonian Labour Force Survey, the unemployment rate in 1998 was 10.1%. The registered unemployment rate was at the same time 4.7% (Figure 2). Such a significant difference between two unemployment levels gives evidence about the low motivation for formal registration of unemployment from one side and several restrictions in assessing status of registered unemployed from another.

Figure 2. Registered and actual rate of unemployment in 1993– 1998 (%). Source: Estonian Labour Force Survey



Unemployment in Estonia is mainly structural in character, which means that the knowledge and skills of people are at variance with the requirements of the economy. There are large regional discrepancies. One of the specific features of a transitional economy is a good share of highly qualified specialists in agriculture who, for the reason of economic re-construction, have lost their jobs. At the same time the labour force is not mobile enough, mainly because of the immobile housing market, which is a hindering factor for the development of the competitiveness of the economy.

Unemployment among the young and long-term unemployment continue to be high and growing. The rate of unemployment varies significantly between regions and the situation is quite complicated in the agricultural and former industrial regions. The greatest problems in the coming years are connected with the development of the North Eastern part of the country, where restructuring has led to redundancies of skilled labour.

Gender. A comparison of data collected in the Estonian Labour Force Survey on unemployed men and women aged 15–69 shows that the share of unemployed men is notably larger than unemployed women. The share of unemployed men was 57% in the second quarter of 1998. At the same time there were notably more women among all unemployed job seekers (61%) registered in state employment offices. This is attributable to the fact that the Estonian legislation enables women to register as unemployed several times at certain conditions (if they have children who are younger than 7 years of age, etc.) A similar right does not extend to men – they can register as unemployed only within a certain period and will lose their status of unemployed after a certain period. In this connection it should be mentioned that registration at the employment office as an unemployed job seeker opens the access to social assistance.

Age. Data on unemployment by age groups show that the main problem is the high level of unemployment among the young. In the nearest few years the unemployment among the young is expected to rise even more. The rate of unemployment in the age group 1–24 was 14.5% in 1998's second quarter. Recruiting youth is often complicated because of missing professional skills, work experience and knowledge of the Estonian language.

Ethnicity. Unemployment is notably higher among non-Estonians who do not speak Estonian than among Estonians (unemployment rates of 14.4% and 7.8%, respectively in the age group from 16 to retirement age). This is partly attributable to the fact that the Russian-speaking population often works in the sectors that have been ailing since Estonia's independence. Another major reason is that employers tend to prefer employees who speak Estonian.

Duration. There has been a constant increase in long-term unemployment. In 1995, the share of those who were seeking job more than 12 month was 31.8%; in 1998 it had risen to 45%. This means that about 30,000 people who would like to work, have not found a job for one year or longer. Particularly difficult is the situation in rural areas where there are practically no vacant jobs.

Long-term unemployment is especially a serious problem in *Ida-Virumaa* where 54% of all unemployed in 1998 were without work for more than a year (including both the rural and the urban population). In West- and South-Estonia the share of long-term unemployed was respectively 46% and 43%. Unemployment in *Ida-Virumaa* has deepened as a result of the sluggish privatisation process of the energy companies and the collapsed Russian market that have become the major obstacles to business development. Long-term unemployment that is taking root in West- and South-Estonia is mainly attributable to the low internal mobility of the workforce and insufficient entrepreneurship.

The inactive. Despite of the population decrease in the nineties the total sum of inactive persons being out of labour force has been rising remarkably. In 1998 the number of inactive people aged 15–69 reached 337,000. Among them are students (the number has increased), retired people (the number has decreased due to the regulations of the pension reform), mothers on maternity leave, etc., also the so-called *discouraged workers*, who have given up searching for a job because they believe that they will not find work. Altogether there are around 19,000 discouraged workers.

Poverty

The Household Income and Expenditure Study, 1999 revealed that a drop below the poverty line most often starts by the loss of a job. The poverty risk is greater in households where no persons are in paid employment (over 80% of those are endangered by poverty or have resources below the poverty level). Families with (one or more) members employed are in a relatively better situation: over 90% of these households are not poor and only 5% are at risk of poverty.

Calculations demonstrate that if every job-loser found at least a part-time job (less than 10 hours a week), the proportion of unemployed living in poverty would be reduced markedly (to approximately one-third of those living under the poverty line and to one-quarter of those in direct poverty). However, a person with a low level of education, a reduced abil-

ity to work, with low professional skills and low self-esteem has a greater probability of remaining unemployed for a longer time. And most often the poverty trap endangers the whole family.

The disruptive impact of the risk of poverty affects primarily the *nucleus of society— the work-capable family with children*. About one fifth of families with children, a quarter of families with two children, and a third with more than two children had an income less than 80% from poverty line in 1999 (Poverty reduction... 1999). Therefore, poverty does not only threaten families with unemployed or single parents; it is also a problem for households with two parents, especially when one of the parents stays at home or when there are more than two children in the family.

Children are the group most vulnerable to poverty among the individuals. Many children are raised in large families where the relative number of employed members is small. Therefore, children tend to belong to the poorer strata of society. It is also confirmed that on average, *small children are at a substantially greater risk of ending up in direct poverty than the remainder of the population*.

Where do the direct poor children live? It would be incorrect to assume that it is mainly the children of unemployed single parents who are direct poor. The poorest children are from families where one parent goes to work while the other stays at home. However, a large proportion of the direct poor children belong to families where both parents have paid employment. These are mainly children from large families (Kutsar 2000).

Over one-third of elderly people live below the poverty line. They are the second vulnerable group after children. The dependency status of elderly people is less clearly defined than that of children, but it is clear that the opportunities for elderly to improve their situation are limited.

Poverty has generally decreased over the period of observation (Figure 3). Approximately 4% of households have risen above the proposed poverty line² and the number of households living in direct poverty has dropped by 1.7% each year. As a result, the number of non-poor households has increased by 3.6% per year (Estonian Human Development Report 1999: 78).

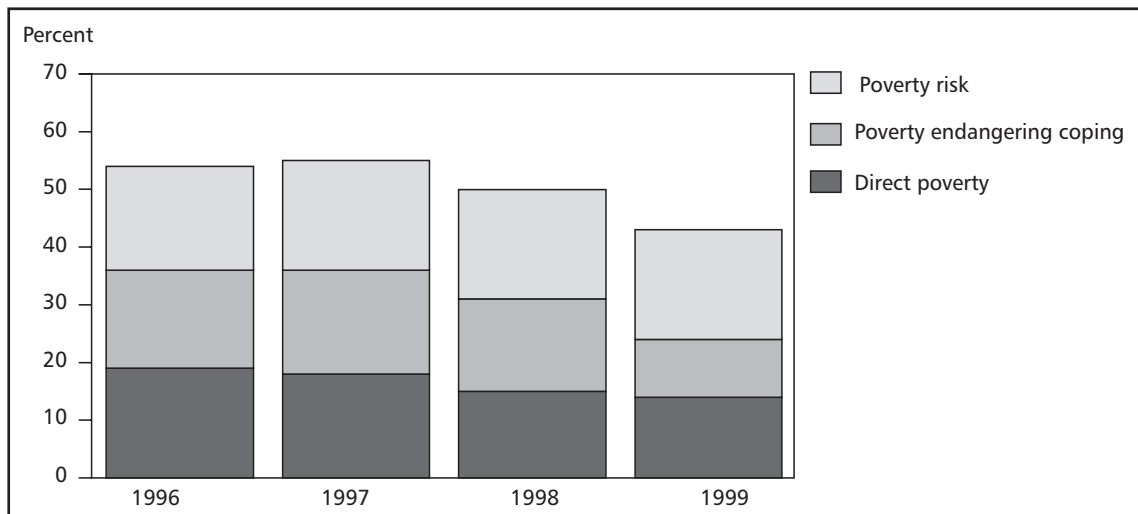
The general reduction in poverty can be explained by economic, social and psychological changes in society. The most important factor in poverty reduction has been the rebound of Estonia's economy, which started at the beginning of the 1990s with a rapid economic growth (up until the first half of 1998). Estonia saw a rise in income and a halt in the cost of living during this period.

Of the changes in the social sphere, the widening economic opportunities and increased effectiveness of the state social protection system have had some beneficial effects. They have led to a reduction of the poverty risk for elderly people. On the down side, there has been no improvement in social protection for the unemployed.

The reductions in poverty in Estonia should not make us too optimistic. Like in the other transitional countries of Central and East Europe, poverty touches almost everyone in the first years of transition and is reflected in high numbers of people below the poverty line.

² The annual poverty line changes according to the changes in consumer price index. In 1997, the poverty line was 1250 EEK, in 1998 and 1999 – 1330 and 1360 EEK respectively.

Figure 3. Changes in poverty distribution for households, 1996–1999



Poverty risk (income 100-125% of poverty line).

Poverty endangering coping (income 80-100% of poverty line)

Direct poverty (income less than 80% of poverty line).

By today, poverty has acquired a clearer shape; the poverty trap endangers the poor more than ever before and the need for social assistance is growing most evidently.

Social exclusion

The poor are with high probability excluded from several social arenas. They are unable to participate in the society and the labour market, access to social resources are fewer, and have a higher probability of experiencing social isolation and psychological alienation.

Social exclusion is a layered process. All socially excluded are not excluded in the same way, but its severity is determined by a collection of factors. The more factors excluding people from the society, the more severe the exclusion is, and the more interventions are needed for them to return. Generally speaking, the means to return the excluded contain different measures of capacity building to overcome the burden of excluding factors. Unfortunately, social exclusion in the most severe cases means in addition exclusion from social protection, including social assistance.

Shifts in institutional settings

The social protection system in Estonia has been radically changed since Estonia regained independence in 1991. During the Soviet period social protection was used for ideological purposes, demonstrating the social advantages of the Communist system and enhancing the dependency of people for ideologically controlled state-centred schemes of social insurance. The state was the only one who paid and who provided. The workplace (trade unions) played an important role in this system, e.g. providing of social assistance and housing. All other forms of social protection were administered and financed by the state: pensions, motherhood allowances and nursing homes, medical care and education (Social Protection... 1998: 83).

With the restoration of Estonian independence work started to re-organise and re-vitalise social protection to make it more flexible and economically sustainable, and to share responsibilities between the state, municipalities, private providers, voluntary organisations and the families.

Principal shift

The social protection system under the socialist regime was funded mainly by contributions from employers to the state budget. There was comprehensive social protection based on full employment, and additional targeted services at the enterprise level. The former communist and state-socialist systems provided old age pensions, high child support, subsidised housing and basic goods. There was a limited emphasis on cash transfers and a greater emphasis on services such as health and education. There were no special benefits for the poor as income distribution was fairly flat. The system was comprehensive, but offered low choice and often limited quality and availability (table 3).

Table 3. A system of welfare across Eastern Europe and the Soviet Union (Deacon 1992)

Advantages	Disadvantages
Job security for many	Inadequate or absent unemployment pay
Workers' wages represent high percentage of average wages	Hidden privileges of party state bureaucrats
Free health services (but oiled with bribes and gifts)	Underdevelopment of preventive approach to health. High mortality/ morbidity rates
Three year child care grants for working women and the right to return to work	Obligation upon women to work and care. Sexist division of labour
Highly subsidised flats	Maldistributed flats so better-off live in most heavily subsidised
State-organised social security pension and sick pay system	No index linking of benefits and heavily work-record regulated. Totally inadequate back up social aid
Party-state/ workplace paternalism	Total absence of rights to articulate social needs autonomously from below

These differences resulted in the situation where there was no need for unemployment benefits, housing and subsistence benefits as well as “social pensions” and services for the poor. However, despite of the lack of traditional social assistance in the Soviet times of in-kind benefits, subsidies covered the functions of social assistance (table 4).

Full employment and consumer subsidies, the two basic pillars of the universal communist welfare state, have been explicitly abandoned since 1989, and the societies in transition became aware of emerging new social problems– unemployment, poverty and social exclusion. Since the need for new principles of social protection became evident, the old principles of social assistance could no longer be applied, even if they were preferred by some political groups (table 4).

Table 4 Adaptations of the social protection system to the principles of market economy (Malvet & Mikkola 1998)

CASH BENEFITS		IN-KIND BENEFITS	
Preserved	Introduced	Preserved	Removed
Social (private) insurance	Social assistance -regular income support (subsistence benefit) Housing benefit	Social assistance -institutional care -shelters -privileges -single benefits	Subsidies for public goods and services
Employment insurance -pensions -other	Social (national) pension	Health care -hospitals -outpatient clinics -ambulances -sanatoriums	Full employment
Family allowances -large families -single parents	Unemployment benefit		

Adjusted legislation

The framework of Estonia's current social protection system is built on:

- International legal acts which the Republic of Estonia has accepted, the most important of which is the European Social Charter, as well as the obligations undertaken through multilateral agreements,
- Principles resulting from Estonian development (experience) and societal consensus, which are contained in the Constitution, legislation and documents "of a conceptual form".

The principles contained in international legal acts, adjusted in Estonia, are:

- Subsidiarity (i.e. the delegation of tasks to a level of society which is the most suitable and effective),
- Equal rights for citizens and foreigners in the core areas of social protection,
- Equal access to public benefits (education, health protection),
- Emphasis on individual freedoms (right to freely choose a field of activity, profession and place of employment), which affects the organisation of social protection,
- The eventual responsibility of the state (aid to individuals) regarding old age, inability to work, loss of provider and the deficiency.

The Constitution of the Republic of Estonia, the basis for the entire legislation, in its §28 states as follows:

An Estonian citizen has the right to state assistance in the case of old age, inability to work, loss of provider, or need. The categories and extent of assistance, and the conditions, and procedure for the receipt of assistance, shall be provided by law. Citizens of foreign states and stateless persons who are in Estonia have this right equally with Estonian citizens, unless otherwise provided by law.

The state shall promote voluntary and local government welfare services.

Families with many children and persons with disabilities shall be under the special care of the state and local governments.

Today, rule of law has been established in Estonia. The law regulates all sectors of social life. As the regulators of the social welfare system, the following acts could be mentioned (Box 2). In conclusion, legislative innovations have been directed to approaching to the European standards concerning social security. The recommendations and prescriptions of supra-national agencies (EC; UN, IMF; WB, etc) have had a considerable impact on this process.

SELECTION OF LEGISLATIVE ACTS OF SOCIAL POLICY IN ESTONIA

General organisation of social policy

- Constitution of the Republic of Estonia (1992)
- Government of the Republic Act (1995)
- Local Government Organisation Act (1993)

Social Insurance:

- Social Tax Act (1990)
- State Pensions Act (1991)
- Superannuated Pensions Act (1992)
- Old-age Pensions on Favourable Conditions Act (1992)
- Health Insurance Act (1992)
- State Pension Insurance Act (1998)

Protection of families and children:

- Child Protection Act (1992)
- Child Benefits Act (1997)
- Family Law Act (1994)

Health care:

- Health Care Organisation Act (1994)
- Public Health Act (1995)
- Medical Products Act (1996)

Social assistance:

- Social Welfare Act (1995)
- Social Benefits for Disabled Persons Act (1999)

Employment:

- Work Protection Act (1992)
- Employment Contracts Act (1992)
- Republic of Estonia Holiday Act (1992)
- Work and Leisure Time Act (1993)
- Collective Agreements Act (1993)
- Wages Act (1994)

Unemployment

- Social Protection of the Unemployed Act (1994)

Current structure of social protection

Estonia's social protection system consists of **social security** and **social assistance**. The **social security system** of Estonia comprises six schemes:

- Pension insurance,
- Health insurance,
- Family benefits,
- Unemployment benefits,
- Funeral grant,
- Social benefits for disabled persons.

The schemes of health insurance and pension insurance are **financed** primarily through social tax revenues. Because of this they are considered as contributory social security schemes or insurance-type schemes. The schemes of family benefits, unemployment benefits and funeral

grants are financed from the general state taxes, and are therefore regarded as non-contributory social security schemes. Social benefits for the disabled form a new scheme introduced in 2000. The benefits for disabled are categorised as special non-contributory benefits, and have the same time characteristics as social security and social assistance (for more detailed information about social security schemes see e.g., Leppik 2000).

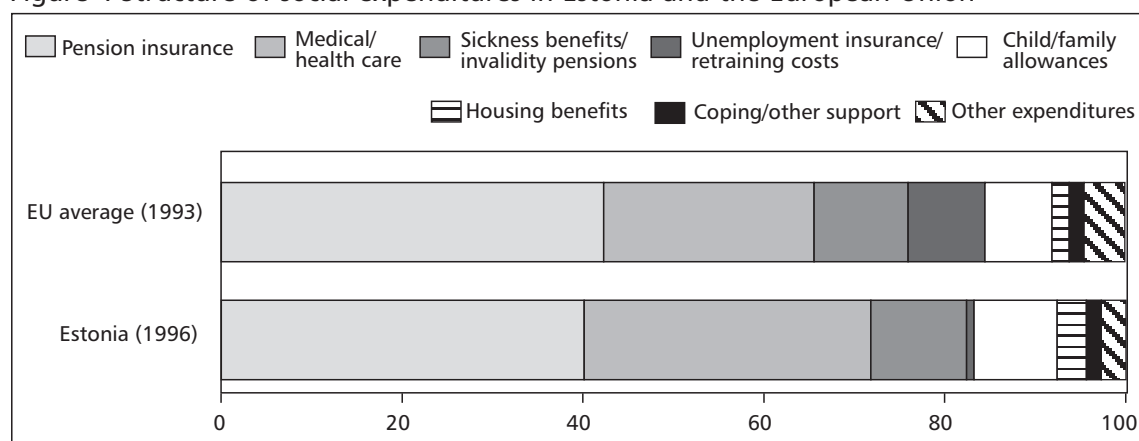
The overall **administration** and policy development in the areas of social security and social assistance lie within the competence of the Ministry of Social Affairs of Estonia. However, the practical administration of different branches of social security lies within the competence of specialised agencies, which function under the auspices of the Ministry of Social Affairs. The schemes of pension insurance, family benefits and funeral grants are administrated by the National Social Insurance Board. The Central Sickness Fund administers the health insurance, and the National Labour Market Board the unemployment benefits.

Social assistance cash benefits and **social services** are provided under the system of **social welfare**, which is separate from the system of social security.

Social protection expenditures

The level of a state's social protection in general is characterised by the relative importance given to social protection in the Gross Domestic Product (GDP). In the EU countries (12 states excluding Austria, Finland and Sweden), social expenditures in 1993 amounted to on average 28.7% of GDP, ranging from 16.3% (Greece) and 18.3% (Portugal) to 33.6% (The Netherlands) (Estonian Human Development Report 1998). In Estonia the corresponding figure in 1996 was 16.6%. Thus, the proportion of GDP spent on social protection in Estonia is considerably lower than in the EU with the exception of Greece. Pension insurance forms the major part of social protection expenditures in Estonia and the EU countries, (figure 4). In the area of distribution, the structure of Estonian social expenditures is quite similar to that of the EU, while the most marked discrepancy is contained in the smaller relative importance of unemployment insurance and other unemployment-related costs in Estonia. In light of the exceptionally low unemployment benefits compared

Figure 4 Structure of social expenditures in Estonia and the European Union



to the EU the small number of registered unemployed persons in Estonia comes as no surprise. Compared to the EU, health care expenditures are greater in Estonia (relative to the GDP). Health care organisation differs greatly within the EU where the share of health care costs in total social expenditures range from 14% in Greece to 28% in Ireland (Estonian Human Development Report 1998: 83).

An even bigger disparity between Estonia and the EU countries manifests itself in social expenditures per capita. In 1993 the EU per capita average was ECU4200 while in 1996 in Estonia the per capita equivalent was a mere ECU382 (5754 kroons) which is more than ten times lower. Considering purchasing power, the per capita social protection expenses are highest in Luxembourg (ECU6600) and lowest in Greece (ECU1600). Estonia could be compared to the latter.

The high level of social protection in the European countries is a result of social policy developing over several decades, aiming to guarantee people's welfare. Recently, however, social protection expenditures beyond the economic capacity have grown into an alarming tendency in several EU states. In 1990–1993, the relative importance of social expenditures in GDP grew on average by 0.8% a year in the EU states. It is conspicuous that the fastest growth came in less-developed countries like Spain and Portugal whose goal is to catch up with the more developed states. In countries where the level of social protection is high, like Germany, Belgium and Sweden, the relative importance of social expenditures in GDP has remained unchanged. In Estonia, social protection expenditures grew by 0.4% a year between 1994 and 1996 and decreased by the same share between 1998 and 1999 (figure 5). Thus, despite the relatively low level of social protection, Estonia falls behind the EU with respect to growth of social expenditures. Unlike the recent tendencies in the social policies of the less-developed EU states, it shows that in Estonia, social protection has been overlooked. In order to reach the EU level, Estonia need to look for additional resources to finance social protection.

Figure 5. The share of social expenditures from GDP in 1996–1998 (data from Social sector in figures 1999: 6).

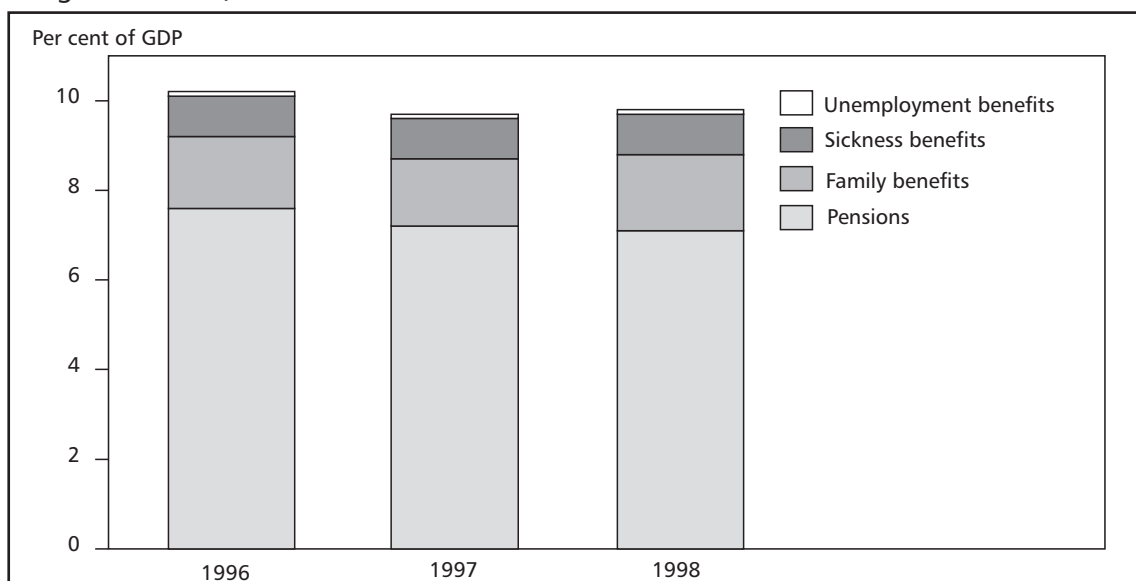


Table 5. Budget of social benefits financed from state budget in 1996–2000

Kind of benefit	Report				Budget
	1996	1997	1998	1999	2000
Child and family benefits	820.9	935.1	1158.9	1146.2	1338.4
Subsistence benefit and supplementary social benefit	351.5	406.1	411.6	336.1	319.5
Unemployment benefit	39.0	50.1	57.1	120.3	118.4
Retraining scholarship	4.8	5.3	4.1	6.0	6.4
Funeral benefits, medical treatment vouchers	32.2	33.8	40.0	38.4	39.7
Supplementary holiday payments	24.4	29.9	36.6	41.1	18.0
Benefits in case of work accidents and occupational diseases	4.6	7.9	13.4	12.8	16.9
Monthly benefits to the disabled*					63.9
Study grant for the disabled					1.1
Partial compensation of the price of devices for the disabled	18.0	21.9	23.5	24.7	23.2
Benefits for sufferers of Chernobyl catastrophe	2.8	2.7	2.6	2.7	3.0
Transport subsidies for the disabled	2.3	7.4	9.0	9.0	9.0
Telephone subsidy for the risk groups	2.0	1.9	2.0	2.5	2.5
Benefits for persons released from prison**	0.1	0.2	0.2	0.09	

* The monthly benefits for the disabled were formerly partially paid as other benefits – child benefit, disability pensions for children

** Benefits for persons released from prison have been financed from the budget of the Ministry of Justice since the second quarter of 1999, for the year 2000 – 0,2 million kroons have been foreseen in the budget for this expenditure. The increase in resources from the state budget has mainly been caused by the growth of resources of child and unemployment benefits. However, a remarkable increase in particular benefits during the last year is still insufficient for guaranteeing minimum security for households and individuals who are in a less advantaged economic situation.

Transfers from the state budget

The total budget of social benefits that are covered from Estonia's state budget has increased by 66% during the period of 1996–2000 (table 5). The additional resources are mainly allocated into child and family benefits (they increased by 63% between 1996–2000) and unemployment benefits (increased 300%!). These shifts in the state budget for the social sector reflect that compared to other vulnerable groups, children and unemployed have a high priority for the government.

Social assistance

Social assistance as the part of the social safety net encompasses a range of benefits and services with the aim to guarantee the minimum level of subsistence for people in need.

Social assistance requires a special attention in a situation with high unemployment and a notable level of households low-income groups in a society. In a transitional country, the social assistance system goes through major changes; it becomes more de-centralised and gets threatened by its own incompleteness. Like other transitional countries Estonia's, social assistance system is overloaded by these needs because of the under-developed social security system and shortage of resources. For example, a too large proportion of individuals live on social assistance for long periods of time. The balance between the principles of universality and targeting are still undetermined. In Estonia, before 1991, the obligation to work subsidised the consumption, and widespread provision of low-cost services implied that only 'socially deviant' persons were in need. During transition, income testing became the 'screening' mechanism, but without a 'gap-fill' guarantee. At present, households with unemployed members, low income, and big families with many children make up the main focus of the social assistance. At the same time, there are categories of the population in need for social assistance who are left out of or removed from the system.

Basic principles

The provision of social assistance is regulated by the Social Welfare Act (1995). The purpose of social welfare is to assist people or families in preventing, eliminating and relieving difficulties in coping, and to take care of persons with special social needs in social security, development and integration into society. The principles of social assistance are:

- The observation of human rights;
- The responsibility of persons for their own and their family members' ability to cope;
- Provide assistance if the potential for a person or family to cope is insufficient;
- Promote the ability of persons and families to cope. (Social Welfare Act §3)

Structure of social assistance

The system of social assistance consists of **social benefits** and **social services**. The main social assistance cash benefit is **subsistence benefit**. There are also two types of supplementary state social assistance benefits: a transport allowance for disabled persons, and a telephone benefit. The **transport allowance** is available for non-working disabled persons who need individual transportation to treatment or rehabilitation procedures and to satisfy daily primary social needs, or to a family member of the disabled person who provides transportation to the person. A **telephone benefit** is available for the blind, diabetics, asthmatics, persons suffering from hypertension and other chronically ill persons who do not work and live alone and who, due to their state of health, need frequent medical care at home. The same benefit is available also for families with many children, families with special needs, and for single

parents who are raising a disabled child who suffers from hypertension, diabetes, asthma, or epilepsy. The benefit is paid in the amount of the basic monthly phone fee.

The main **social services** provided in the frames of social assistance are:

- Counselling;
- Provision of prosthetic, orthopaedic and other appliances;
- Home services;

Table 6. Functions of the different actors in social welfare provision

Ministry of Social Affairs	County governor	Local governments
<ul style="list-style-type: none"> • development of national social welfare policy • drafting of bills and other regulation of social welfare • development and co-ordination and administration of national social welfare programs and projects • specification of training standards for welfare workers, participation in the organisation of training, and organisation of employee evaluations • administration of state vocational training institutions for the disabled • organisation of the manufacture and procurement of prosthetic, orthopaedic and other appliances and identification of the demand therefore • collection and analysis of information relating to social welfare and dissemination of information to the general public • administration of the national social register and maintenance of national social statistics • requesting supplementary financial resources for local governments for social welfare • drafting of legislation regulating the work of guardianship authorities • organisation and adoption from and to foreign states and maintenance of a corresponding register • licensing of social welfare institutions and welfare workers • performance of other functions related to social welfare assigned to the Ministry of Social Affairs by other Acts or legislation <p>SWA §6</p>	<p>In co-operation with a local government authorities and other legal persons and natural persons, the duties of county governors in the administration of social welfare are, within the limits of their competence:</p> <ul style="list-style-type: none"> • development of county social welfare policy • development, co-ordination and administration of social welfare programs and projects in the county • organisation of training for county welfare workers • administration of state social welfare institutions located in the county • supply of prosthetic, orthopaedic and other appliances in the county • collection and analysis of information relating social welfare in the county and dissemination of information to the rural municipality governments and city governments and the general public • analysis of information received from the local social registers and forwarding of such information to the Ministry of Social Affairs • organisation of the work of county guardianship authorities • organisation of adoption and maintenance of a corresponding register • performance of other duties related to social welfare assigned to the Ministry of Social Affairs by other Acts or legislation <p>The county governor or a person authorised by him or her shall supervise the quality of social services and other assistance provided in the county and the use of financial resources allocated by the state for social welfare</p> <p>SWA §7</p>	<ul style="list-style-type: none"> • drafting of a local social welfare development plan as a part of the rural municipality or city development plan • administration of the provision of social services and other assistance, and the grant and payment of social benefits • establishment and maintenance of a local social register and dissemination of information received from social registers pursuant to the procedure established by the Ministry of Social Affairs • organisation of the work of guardianship authorities <p>SWA §8.</p>

Source: Selection of Estonian Labour and Social Legislation, Volume III Social Welfare, Phare Consensus Programme 1998: 32-34.

- Housing services;
- Foster care;
- Care and rehabilitation in social welfare institutions;
- Other social services to support coping.

Persons who are in need of prosthetic, orthopaedic or other appliances due to illness, advanced age or disability have the right to receive the appropriate appliances. The Ministry of Social Affairs establishes the list of prosthetic, orthopaedic or other appliances, which are compensated either in full or in part by the state. The Social Welfare Act also prescribes special social protection measures for the particular social groups (children; disabled persons; elderly; persons released from penal institution).

A new Law on Social Benefits for the Disabled has been put forward, which will introduce new types of social allowances for the disabled. This scheme will enter into force from 1999.

Budget

The state social assistance benefits are **financed** from resources allocated in the state budget. The Ministry of Social Affairs divides the state budget resources between the local municipalities through the county councils. The local governments administer the payment of benefits.

Local governments may grant and pay supplementary social benefits from the local budget (i.e. from their own resources) under the conditions and pursuant to the procedures established by them.

Table 7. Structure of expenditures of social assistance (mill. EEK) 1997–1999

Expenditure	1997	1998	1999
Social benefits, of which	419.3	425.6	350.3
- Subsistence benefits	406.1	411.6	336.1
- Other benefits	13.2	14.0	14.2
Welfare institutions, of which:	168.2	176.5	210.7
- Special welfare institutions for adults	85.8	94.5	112.3
- General welfare institutions for adults	7.5	6.5	7.1
- Welfare institutions for children	74.9	75.5	91.3
Other expenditures	64.4	67.5	77.5
Total	651.9	669.6	638.5

The budget for state social assistance makes up about 7% of the total social expenditure. That share has remained stable over the last five years. In absolute numbers term the light decrease of resources between 1998–1999 is evident. The decrease has been caused by remarkable reductions of subsistence benefits, which totals slightly more than half of the total budget for social assistance (table 7). At the same time the state financial support for welfare institutions has grown by one fifth.

Local governments as main providers of social assistance

The current system of local government

The legal basis of the local government system of Estonia is formed by the Constitution of the Republic (1992) and the Local Government Organisation Act (1993), which establish the functions, jurisdiction, responsibilities and organisational structure of local authorities—council and government— their relationship with local bodies and with the national government. The major principle of local authority is “the independent and final resolution and regulation of local issues”. Everything considered to be of local importance should be decided locally.

The main responsibilities of primary level authorities include: education, cultural activities, health care, social services, administration of central government reforms and maintenance of public facilities.

Estonia is divided into counties, towns and rural municipalities. There are 247 units of local government, representing both rural (205) and urban municipalities (42), and ranging in size from Tallinn with 427,500 inhabitants to Ruhnu with as few as 68 (table 8). As more than two-thirds of the municipalities have a population of under 3,000, many of them have found it advantageous to co-operate in providing services and carrying out administrative functions.

Table 8. Distribution of local governments by population size

Population size	No of local governments		
	Urban (Towns)	Rural (Parishes)	Total
0-1000	0	22	22
1001-2000	4	92	96
2001-5000	15	78	93
5001-10000	8	13	21
10001-20000	9	0	9
20001-50000	1	0	1
50001-100000	3	0	3
Over 100000	2	0	2

Source: <http://www.sisemin.gov.ee/omavalitsus>

Local Authority Finance

The increase of local government responsibilities has been hampered by a severe lack of resources. Budgets for local governments are regulated by the Municipal and Town Budgets Act (1993) and Local Taxes Act (1994). These acts give the following main revenues for the local government: taxes, subsidies from state budget, income from economic activities (from entrepreneurship, property income, etc), loans and other revenues.

Tax revenues form the main share of the budget of local governments in Estonia. From all tax revenues the personal income taxes received through central government taxation³ predominate (table 9).

Table 9. Local government revenue structure, 1996

Revenue	Share from total
Local taxes	5.2%
From which:	
- land tax	4.2%
- motor vehicle tax	0.2%
- advertisement tax	0.6%
- other	0.25%
Transfers from the state budget	65.1%
Of which:	
- personal income tax	48.0%
- subsidies from the state budget	17.1%
Transfers from other local governments	1.7%
Loans	15.8%
Other	12.2%

Source: <http://www.einst.ee/society>

Another major source of income are the subsidies from the state budget. The allocations from the state budget to local governments include both general purpose and targeted subsidies. As the targeted subsidies are allocated for implementing specific functions of the central governments delegated to local governments, their size and use are envisaged in the state budget. General-purpose subsidies are intended to cover the costs of the obligations that are imposed by legislation. These obligations include operation and maintenance of schools, kindergartens and sport facilities, maintenance of local road networks and streets, providing emergency services, housing maintenance, communal services, etc. As an average, the budget of the local governments per capita was 5,557 EEK in 1999.

Functions and expenditures of local governments

Rights and responsibilities of Estonia's local governments are determined by laws. While the basic concepts are provided by the law regulating local governments, special laws (for example, the elementary and high school law, the social welfare law, the construction and planning law, etc.) spell out the tasks of local governments more specifically. In addition to the responsibilities assigned to them by law, local governments have the right to take on problems that have not been assigned, by legal measures, to any other party to decide or to regulate. There are two main elements regarding division of tasks: 1) the formal foundations (laws, regulations, etc. and 2) the practical division of tasks. No countries fully avoid

³ The shared taxes between the state and local governments are personal income tax (44% state, 56% local) and fees for the use of natural resources (shares vary according to the resource)

unclear areas of division of tasks between the administrative levels and some areas of overlapping functions. This is also the case of the Estonian system of local governments.

According to the law on local governments, the local authorities in Estonia have comprehensive tasks but these tasks are not very specified in the different legislative acts, and the level of detail varies across sector areas. In general, the local authorities feel that the legal basis is unclear and that there are many areas (such as public order, rescue, social welfare and health care) of shared and unclear competencies. Table 10 gives a description of the distribution of roles between central and local governments.

Table 10. Distribution of responsibilities between central government and local governments:

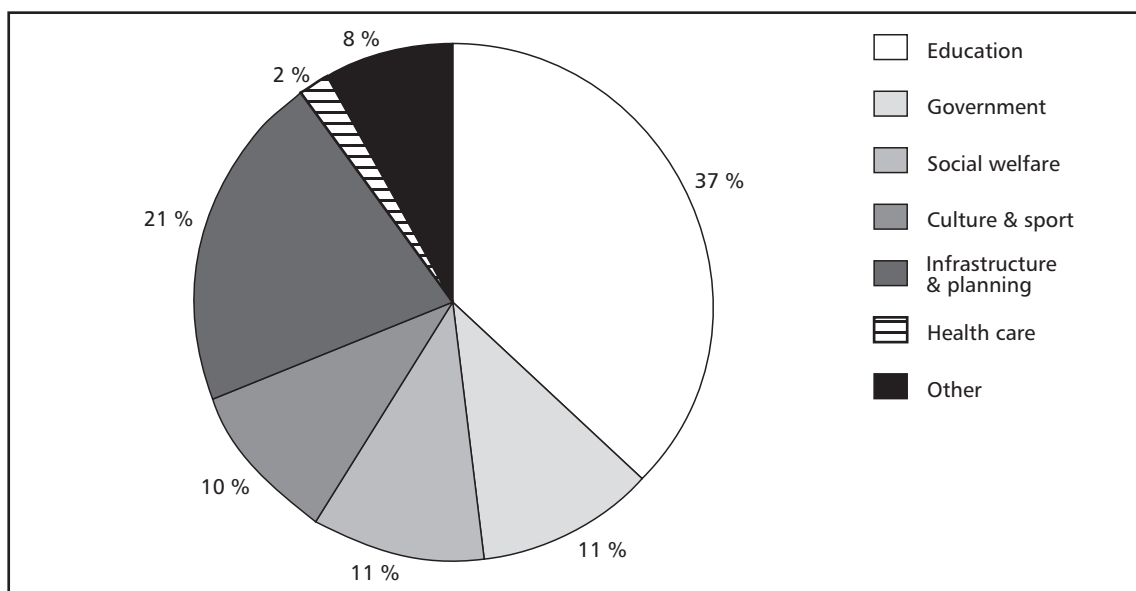
Function	Central Government	Local Government
Defence	Entire responsibility	-
Justice/Internal safety	Entire responsibility	-
Foreign Economic Relations	Entire responsibility	-
Education	All universities and research institutions Teacher training; Salaries and social security of teachers in primary and secondary schools, and textbooks; Some investment grants	Construction, operation and maintenance of primary and secondary schools, kindergartens and art schools, sport facilities, houses of culture and community centres; vocational, hobby and sport schools
Health	Research medical institutes, special service hospitals and tertiary hospitals. (There is a national health fund which covers individual medical expenses)	Capital investment and maintenance for municipal hospitals and polyclinics
Roads	Construction of national highways Maintenance of state highways and any other roads linking cities and villages	Maintenance of local networks and town streets
Public Transportation	Intercity buses by State enterprise; Airports; railway subsidy, subsidy for local transportation	Local public transport
Fire protection	-	All fire protection services and emergency services
Culture (Libraries, museums)	National library and museums	Local libraries, cultural centres
Police services	National police	-
Sanitation	-	Garbage collection and street cleaning
Water and sewage	Some investment grants	Operation and capital expenditures
Public utilities	Electricity provided by state enterprise. Gas also provided by State enterprise	District heating
Housing	-	Housing maintenance and communal services
Social welfare	Unemployment benefits, subsidies to local governments for other welfare	Care for the elderly, home visits, and other social services including housing and living allowances
Environment	Responsible for national environment issues	Local environment issues

There are several tasks which according to law should be carried out by the State, but are taken over by the local governments (e.g. financing of some part of the police), and also the other way around (financing of different municipal institutions). In general, the local

governments feel that their responsibilities are overwhelming given their limited resources. The State transfers many new tasks without increasing funding and creates apathy among the local governments and practice of simply non-compliant with the law. As a consequence many new laws and initiatives are not or only partially implemented. One example is the new regulation on fire protection of schools and institutions, which have not been fully implemented at local level. Therefore, there is a clear need for closer co-ordination and consultation on implementation of the present tasks and a need for a clear definition of the responsibilities for each level of administration in terms of decision-making power, administration and economy (Kaldmäe & Kampus 1999).

Figure 6 presents the average structure of expenditures of local governments. The highest share is spent for education. Expenditures for social welfare constitute 11%.

Figure 6. Structure of expenditures of the local governments (%), 1999



Subsistence Benefits in Focus

Regulations

A new system of subsistence benefits was introduced in September 1993. Benefits are paid to persons residing in Estonia, whose income after fixed housing expenses corresponding to the standard living space is below the subsistence level. Subsistence benefits are based on the income of all family members living in the same household.

The Government establishes the subsistence level, which serves as the basis for determining the right to subsistence benefits and for the calculation of the amount of payable benefits. The amount of subsistence benefit is calculated as the difference between the subsistence level and the family disposable income. The dynamics of subsistence level is presented in table 11.

Table 11. Changes in subsistence line 1994–1999 by family type

Family type	Subsistence level in EEK established in				
	01.10.94	01.02.96	01.01.97	01.11.97	01.01.99
Single person	320	390	460	500	500
2-members	544	663	782	850	900
3-members	768	936	1104	1200	1300
4-members	992	1209	1426	1550	1700
Every next member increases the level by	224	273	322	350	400

Real provision

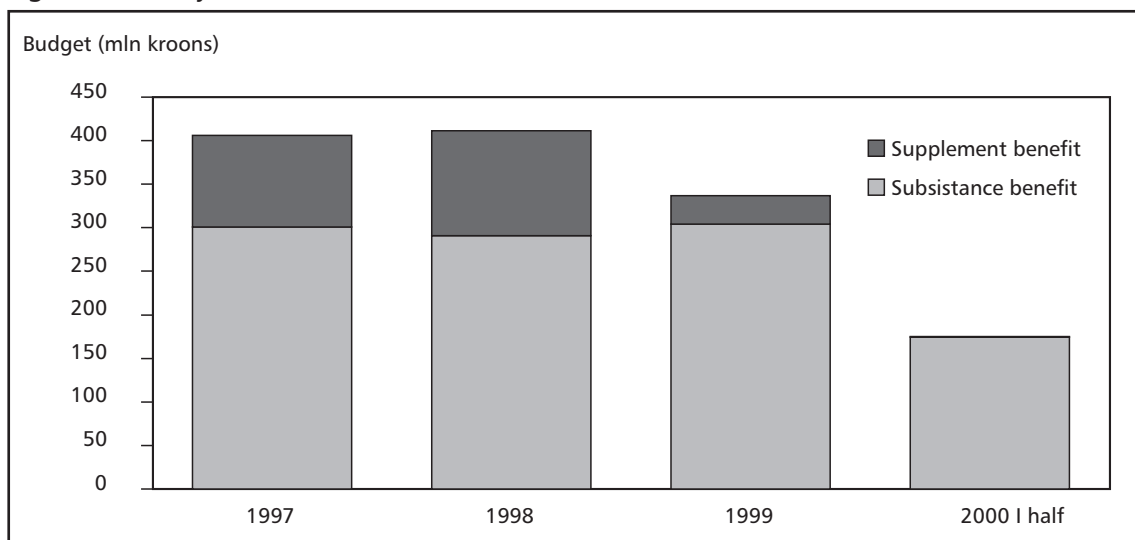
The following section contains information about the recipients of subsistence benefit in Estonia in 1999. The data used in the analysis are collected by Estonia's Ministry of Social Affairs.

Budget

The budget of subsistence benefits has increased between 1996 and 1998, but due to the cut-offs of supplementary social benefits in 1999 the budget has been reduced by one fifth. The new regulation about the subsistence benefits implemented in 1999 has considerably changed the principles for provision of social assistance. The share of additional benefits from all social assistance has decreased from 26% in 1997 to 10% in 1999. According to the recent

report of the Ministry of Social Affairs, the share of subsistence benefits in the first six months of year 2000 was **only 0.06%** (Figure 7).

Figure 7. The dynamics of subsistence benefits resources in 1997–2000.



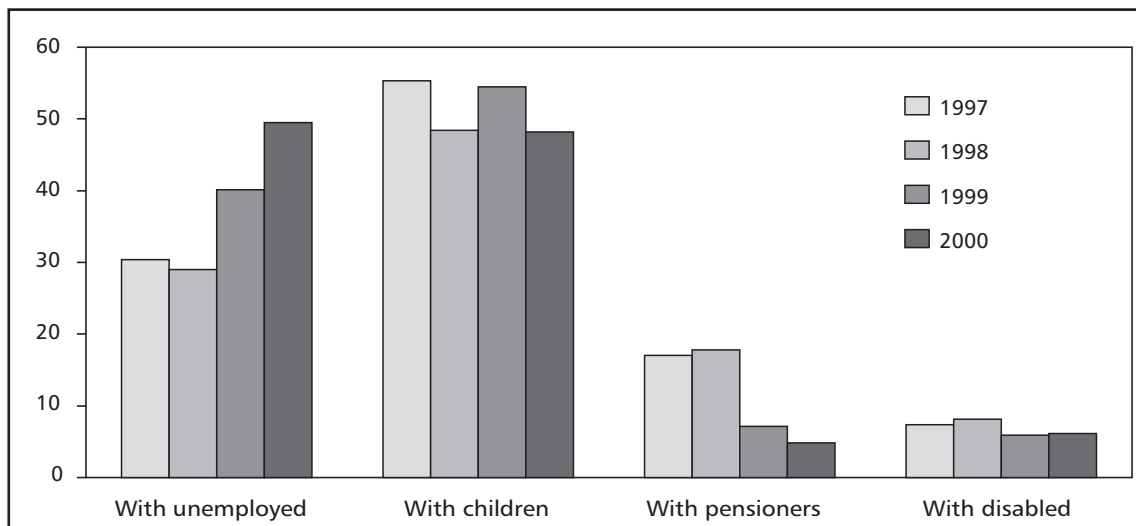
The tremendous decrease of supplementary benefit in 1999 and 2000 has been caused by the implementation of the Regulation No 318 of the Government of the Republic on July 1, 1999. According to this regulation, the resources for subsistence benefits are delivered by the State Treasury to the municipalities in an amount assuring to guarantee a minimum subsistence level for vulnerable groups. The regulation was introduced for more purposeful usage and control of the public sector resources. One main problem was the uneven distribution of resources between the municipalities, where better-off regions benefited more compared to the less developed municipalities. For example, some of the municipalities share of supplementary benefits was 100%. The new regulation limits the percentage of additional benefits to 5%

Recipients

The share of households entitled to subsistence benefit during the last years has been around 10%. Since 1997 the number of households has steadily decreased (in 1997 70,861 households per month, in 1999– 53,400 and in the first half of 2000– 49,790 households. Figure 8 indicates the shifts in structure of subsistence benefits recipients

During the period of study the share of households with unemployed members has steadily increased (by 20%). Another regularity concerns the decline of the share of senior citizens (by 10–15%). These clear trends are directly related with the changed pension regulations (i.e. increase of national pension over the subsistence level) and subsistence benefits provision (removal of supplementary benefits accessible for pensioners). However, the unemployment benefit is the only measure, which has not increased compared to the average income.

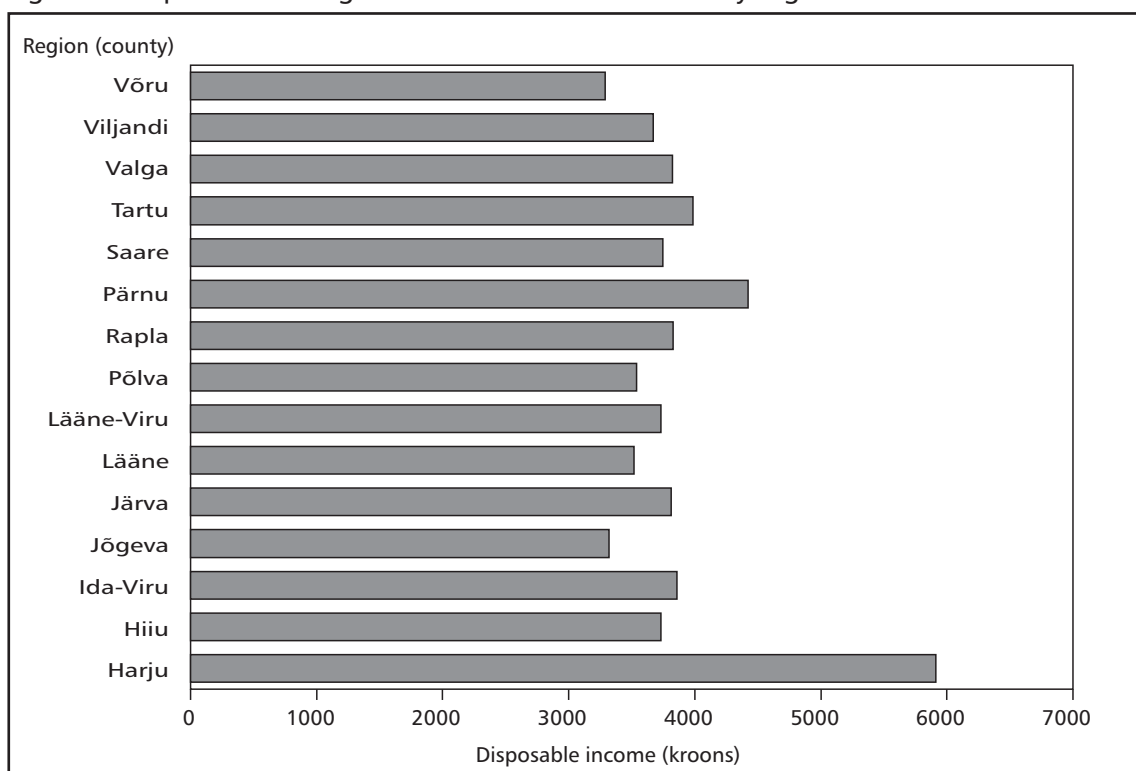
Figure 8. Structure of the subsistence benefit recipients (The sum may exceed 100% – one household may be counted as a household with unemployed, but in case of having children, also as household with children)



Regional distribution

The provision of subsistence benefits has a clear regional pattern. Despite the small size of Estonia, the regional disparities are rather high. According to data from the Household Income and Expenditure Survey carried out by the Statistical Office of Estonia, the average disposable income of households in 1999 was 3,879 kroons (about USD240). Income levels

Figure 9. Disposable average household income in 1999 by regions.



between different counties varied from 3,288 kroons (85% of the average) in Võru County in the South East Estonia, to 5913 kroons (152% of the average) in Harju County in the capital area (including Tallinn) (Figure 9).

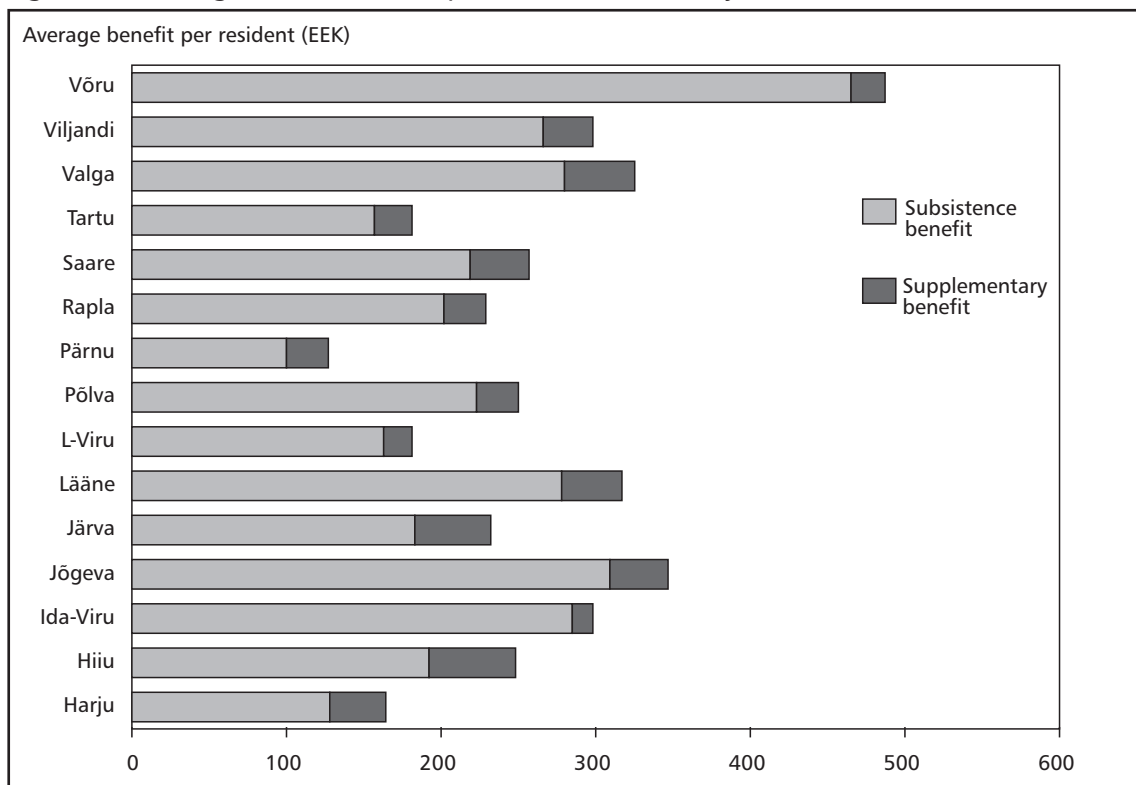
The figures illustrate the clear centre-periphery pattern in the income distribution, where peripheral regions in the eastern and southern parts of Estonia (Jõgeva, Valga, Võru, Põlva) have a lower level of resources than counties close to Tallinn (Harju, Rapla).

The World Bank analysis of poverty (1996) revealed even larger disparities, according to which the poverty rates in Valga and Võru counties exceeded the average level by 105% and 72% correspondingly. At the same time the poverty rate for Tallinn constituted only 67% of the average for the country as a whole.

In conclusion, the need for subsistence benefits is higher for less-developed regions, and the corresponding resources should be distributed accordingly.

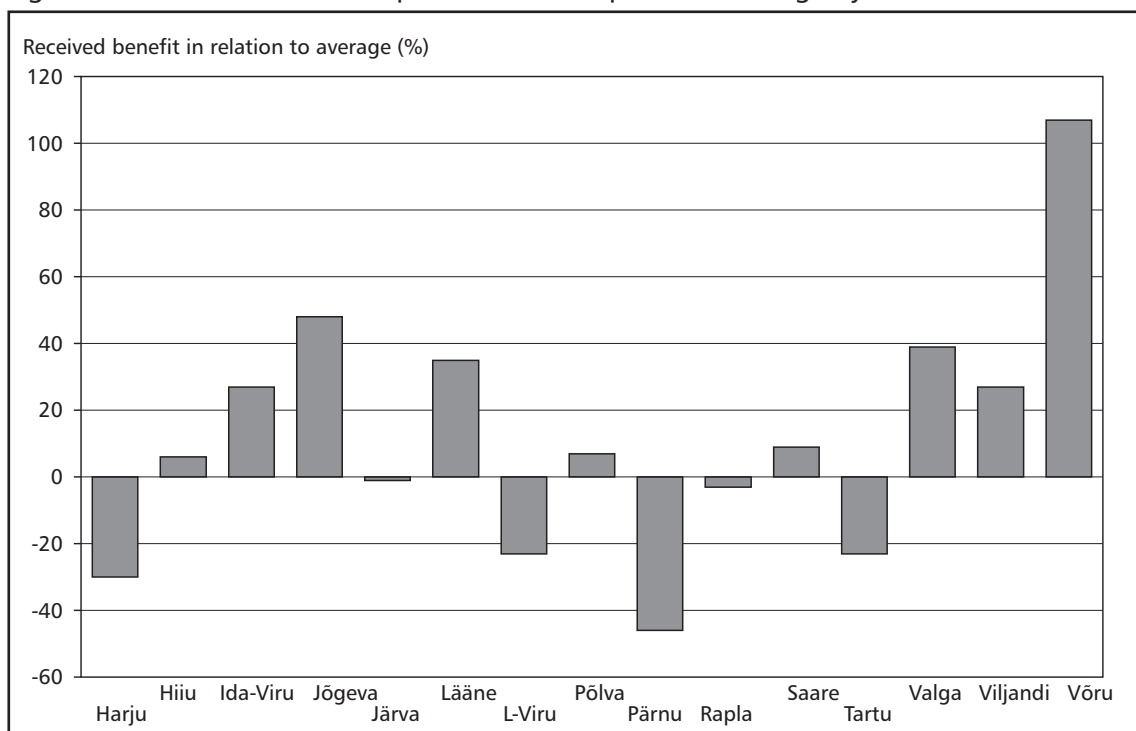
Analysis of subsistence benefits provision reveals that the poorest regions actually receive a larger proportion of benefits compared to the well-off areas. The level of annual benefits per permanent resident was highest in Võru county (487 kroons) and lowest in Harju county (164 kroons) (figure 10).

Figure 10. Average annual benefit per resident in 1999 by counties



The same data represented in relative figures expose the differences even more clearly (figure 11).

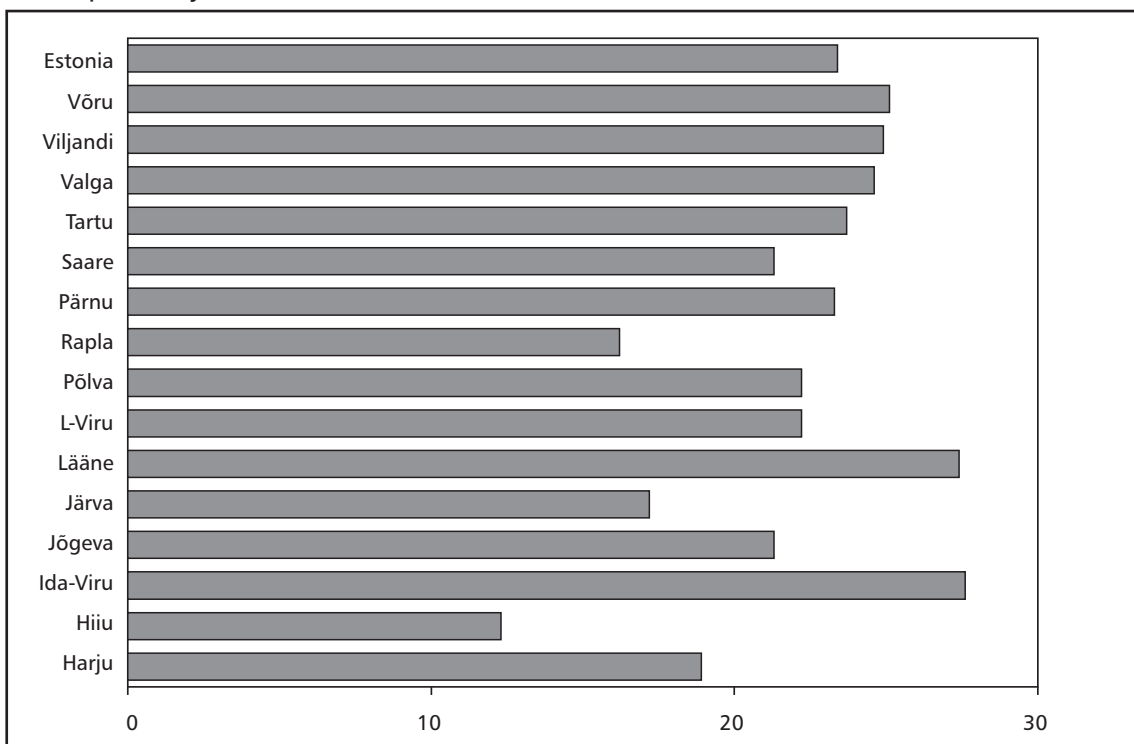
Figure 11. The level of benefit per resident compared to average by counties in 1999.



Duration of assistance period

Subsistence benefits in the frame of overall social protection has been seen as a short-term intervention aimed to relief the temporary coping problems of individuals. However, in real terms the share of long-term recipients of social assistance comprises about one fourth of all recipients. The regional disparities between different regions are visible but rather random and not principal in character. However, in more developed regions (Harju, Hiiu, Järva, Pärnu) long-term recipients make up a smaller share than the national average (figure 12).

Figure 12. Share of long-term welfare recipients (received benefit at least 6 months) from all recipients by counties in 1999.



Conclusion

Our analysis, which is based on data collected by the Ministry of Social Affairs, reveals that the resources for subsistence benefits provision have diminished considerably in recent years. The number of recipients has decreased correspondingly. Budget cuts and the introduction of new regulations have led to substantial shifts in the structure of recipients. There has been a clear increase in the share of unemployed and a reduction of retired persons.. The regional distribution of the benefits corresponds to the actual level of local resources expressed in terms of average disposable income. The data also show a relatively high share of long-term subsistence benefits recipients among the persons entitled to this particular measure.

Evaluation

Hardships and problems

Low resources compared to actual needs

Societies in transition face several newly emerged social problems: unemployment, poverty and social exclusion. The collapsed economy has caused a high level of material and social insecurity, and the number of people with problems of everyday coping has increased tremendously. The decline of the national wealth (expressed by GDP) sets serious limits to the social protection system in solving the problems arisen. Because of the liberal ideological orientation, the relatively low tax levels (as a main income source for social protection expenditure) are rather decreasing than increasing in Estonia. The analysis of Estonia's social protection system in a comparative perspective (made by Olli Kangas in the frames of the project on poverty reduction) revealed:

As in all countries in transition, the resource base for social protection in Estonia is very low compared to the welfare states. The resources allocated to social protection depend on the wealth of the country. In implementing an internationally recognised poverty line— 50% of the median GDP—Estonia's indicator was determined as 21% in 1995 (Poverty Reduction in Estonia 1999: 27).

Low interrelatedness of different social protection schemes

When analysing the support schemes, one striking feature is the low share of specially targeted benefits compared to universal benefits. One of the most important assessment measures for social benefits is the effectiveness of the paid benefits in ensuring the minimal economic coping for the population. Analysis shows that universal benefits do not always guarantee a minimal subsistence to the recipients. In this case, the needy person applies to another system for assistance in sustenance, i.e. applies for subsistence benefit in the form of social assistance (Table 12).

Of the basic systems ensuring sustenance by one or other of the groups, the systems meant for the unemployed (unemployment benefits) and single parents (child benefit and single parent benefit) are the worst in fulfilling their tasks. People in these two groups are relatively frequent applicants of subsistence benefit. To some extent, the state social assistance system relies on the other agents of help and support. An individual especially children and elderly by a traditional understanding may be cared and protected by the family means. Unfortunately, in a long run, the informal networks decline with age and are overburdened or tired.

Table 12. Interrelationship between benefit categories

Family type	Size in numbers	% of all households	No of families receiving subsistence benefit	% of recipient families
Families with an unemployed person	46679	7.2	21564	46.2
Single-parent families (family receiving single parent support)	25280	3.9	9537	37.7
Families with many children (family with at least 3 children receiving child benefit)	32911	5.1	7327	22.3
All families with children (receiving child benefit)	216322	33.6	39174	18.1
Families with a child invalid (receiving child invalid pension)	4477	0.7	538	12.0
All families with a recipient of invalidity pension	59938	9.3	5214	8.7
Families with a recipient of old age pension	286198	44.4	12059	4.2

Source: J. Kõre, Analysis of support systems ensuring coping. Interim report by working group III. Tartu, 1998.

Inadequate targeting of benefits

The low targeting of social assistance to the poorer income groups deserves particular attention— the income group with the one-fifth lowest income receives only one-quarter of the support payments. Extensive subsistence benefit being paid to persons receiving relatively high incomes indicates the insufficiency of the current regulations and their lack of transparency (table 13). The following problems become apparent:

- A disproportion in the distribution of support resources between the local governments, resulting in relative plenty of support resources in some local governments, and shortages in others
- Insufficient targeting of supplementary subsistence benefits to persons on low incomes
- High dependency of subsistence benefits on housing costs
- Insufficient opportunities (rights) for social workers to assess the actual material situation of the support applicant

Table 13. Distribution of social assistance according to income quintiles (% of total)

Benefit	Group I (bottom)	Group II	Group III	Group IV	Group V (top)
Total benefits	14.0	26.1	25.3	18.1	16.1
Social assistance	25.6	18.9	21.9	19.7	13.9

HIES, 1997

The changed resources and needs as well as ideology of social protection has exposed entitled social assistance schemes as a primary relief for problems of everyday material coping.

The analysis of interrelation between income poverty (defined at the level of 50% from median disposable equivalent income) and entitlement to the subsistence benefits revealed a low correlation— from all households only 1.3% were income poor and received benefit simultaneously (Kutsar, Trumm 1998).

Low flexibility of regulations

Effective targeting of means-tested assistance is difficult without certain administrative structures and sufficient resources. In these circumstances, many people may have few expectations of the system. In 1996, 33% of people confirming the need for social assistance, had sought it through social workers, and 71% were satisfied to some extent. However, 67% did not ask because they did not expect help, because the system was too complicated, or because they believed the help was insufficient (Estonian Human Development Report 1998). Another problem may also occur: living illegally and not registered (not even having a passport); these people stand out of the whole social protection system.

Removal of supplementary benefits has reduced the opportunities of the social workers to decide who has the most pressing need for additional resources— in order to prevent accumulation of social problems. The application of the traditional method of social work— proceeding from the needs of the clients— became rather complicated.

Findings

The current study has revealed several turning points in the development of social protection in Estonia. The shifts in sphere of social protection in general and social assistance in particular can be categorized into two types: 1) expected (planned and implemented) structural shifts; 2) unexpected shifts, which can be dealt with as a side-effect of expected changes.

Expected shifts are related with the stepwise transformation from universal “status-based” benefit schemes towards “reward-based” insurance schemes. Introduction of health insurance and unemployment insurance systems are real examples of the particular development. Another major structural shift concerns attempts to increase the proportion of active socio-political measures from all means of social protection. Active employment policy measures (training and re-training system) and activation centres for long-term (and marginalised) unemployed are only few achievements of the process. A decreasing role of the state in the provision of social security, increasing responsibilities of individuals and families, as well as widened third sector responsibilities form an additional peculiarity of the development of the social protection system in Estonia.

In addition to the expected (and positive) outcomes of the structural shifts (decentralisation, increase of self-help mentality, more effective use of resources) several **unexpected shifts** are emerged. The principal shift in the structure of social assistance recipients became evident between 1996–1999. The diminished share of retired persons and a growing percentage of children and unemployed among recipients demonstrate the changed focus for

social assistance. A reduction of the resources for social assistance and a removal of supplementary benefits have had an impact on the principles for entitlement of social assistance. As a result, the determination of needs for social assistance (decision-making) is proceeding only from disposable income of the applicant.

Concluding remarks

The system of social protection in Estonia is still under development. Compared with the family benefits or pension schemes, which are rather stable and well functioning, the organisation of social assistance has remained rather chaotic. The problematic fields in social assistance provisions are related with the “theory” of social protection systems. Estonia’s social policy needs systematic understanding about the aims, tasks and functions of social protection in a troublesome socio-economic situation. What are the means and ends of different security schemes? How could one reach to a smooth “role division” between different measures? What could be achieved implementing universal benefits and services, and what benefits should be means-tested? Insufficient attention is still paid to the fiscal analysis of the measures including questions like. “What is the effect of a particular measure in money-terms?” We still know too little about administrative costs, costs related to targeting errors and “latent costs” caused by decreased motivation, and increased passivity of the client.

The current paper has not touched the issues of professionalism, democratic dialogue between different actors, beliefs and values of providers and recipients— factors what more or less impact the final result of social protection— increase in welfare. These issues are still undiscovered areas of social policy analysis, which should be carefully studied in the future.

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