

**SOCIAL POLICY DEVELOPMENT
IN ESTONIA IN LIBERAL POLITICAL
AND ECONOMICAL
CIRCUMSTANCES.**

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The development of Estonian social protection in 20th century



3 quite different social protection regimes were in use in Estonia

- ⌘ To 1940 the Bismarck's insurance system
- ⌘ From 1940(44)-1991 socialist corporate social protection. Soviet social protection became universal in 1964-1984
- ⌘ 1991 – Welfare mix

The Estonian social protection in 1990.s was influenced

- ⌘ By the pre war corporate social model (an example for health insurance)
- ⌘ Work related social protection tradition common to the soviet rule (an example for pension insurance)
- ⌘ Policy transfer

IMF/World Bank had the greatest influence on social protection transition countries

- ⌘ Health care organisation based on health insurance - was rooted in all transition countries
- ⌘ The three pillar pension system – was rooted in most transition countries
- ⌘ World Bank attempted in the middle of 1990s to influence the principles of paying child benefits.

The economic context of social policy




- ⌘ Estonia is one of the most trade-intensive economies of the world (export and import amounted 138% of GDP in 2001)
- ⌘ Although Estonia lags behind the member states of the European Union by its economic indicators (GDP 40% from EU average level), it is bound to organise the social protection system the same way as the EU member states.

The economic context of social policy (2)




- ⌘ Politician handle openness, economical growth and welfare as linearly connected factors
- ⌘ Scientists confirm that economical growth is product of inner (innovation, human capital) and outer factors (access to modern technologies) (Purju, 2004)

The political background of shaping social policy



- ⌘ The right – or right-centrist governments have taken populist steps in social policy (1999/2000 and 2005/2006 – deficits in pension budgets)
- ⌘ The development of social protection has been throughly planned in periods, when social-democrats have been in the government

Building up a new social protection system



Social protection has developed in two "waves":

- ⌘ 1991-2000 - New principles of social security were formed and new insurance systems were created.
- ⌘ 2000 began the correction and further development of these systems (pension and health insurance, unemployment insurance, children- and family support systems).

Building up a new social protection system - „second wave“ (2000-)

- ⌘ The clients role grew in paying the insurance contributions and paying for services (visit fee and in - patient fee for health services)
- ⌘ Employers full responsibility replaced by shared responsibility of both-employer and employee solidary guarantee (second pillar of pension insurance, unemployment insurance)
- ⌘ In service market the part of private service providers as grown and the part of public subjects has decreased
- ⌘ The solidary responsibility is step by step being replaced by individual responsibility (7-10% of residents without health insurance)

The social security system of Estonia comprises of 7 schemes



- ⌘ pension insurance
- ⌘ health insurance
- ⌘ unemployment insurance
- ⌘ state unemployment allowances
- ⌘ family benefits
- ⌘ social benefits for disabled
- ⌘ state funeral benefits

The social security system of Estonia – growing individual responsibility



- ⌘ Contributions to health and pension insurance are paid by employers as payroll tax (20% for pension and 13% for health insurance)
- ⌘ Shared responsibility of employer and employee - second pillar of pension insurance, unemployment insurance
- ⌘ State unemployment allowances, family benefits, social benefits for disabled and funeral benefits are financed from state budget,
- ⌘ Social services are financed from state and local budget and from client (client family) fees

The EU-s effect on Estonians social policy



- ⌘ Direct influence – the overtaking of EU-s aquis. Estonia did not need transition period in effectuation of 20 chapters, including chapters which concern social and work policy
- ⌘ Indirect influence - the ratification of European Social Charter in 2000 and enforcement of the European Social Protections Codex in May, 2005
- ⌘ Estonia's biggest backwardness compared to the former EU countries is in labour market politics

Modernized social protection system in EU and in Estonia - the same key words

- ⌘ social protection as productive factor
- ⌘ more employment-friendly social policy
- ⌘ adapted to the demographic ageing social protection
- ⌘ from passive to active labour market policies
- ⌘ social protection to promote inclusion
- ⌘ sustainability of systems.

Health insurance in Estonia



- ⌘ Health insurance is regulated by the Law on Health Insurance (from 1991, with biggest amendments in 1994 and 2002).
- ⌘ Health insurance in Estonia is defined as a compulsory system of health retaining, paying the expenses of medical treatment, compensation for pharmaceuticals, cash benefits in the case of sickness, injury, pregnancy and child birth.

Health insurance in Estonia (2)



- ⌘ As estimated, 7% of the working age population is not insured. All those are provided only with emergency medical services, financed by the state budget.
- ⌘ Partly the municipalities are covering the expenses of medical treatment of persons without insurance.
- ⌘ Health insurance survived financial crises after 5 years (1994/95, 2001/2002, 2005 /2006).
- ⌘ After these "crisis" the share of participation demanded from the beneficiaries of health care was rising.

In health care centralization and concentration has been taken place.

- ⌘ In 1990 in Estonia there were 125 hospitals, 19044 hospital beds, 5498 physicians (121,5 beds and 35,1 physicians per 10000 inhabitants).
- ⌘ In 2000 there were 68 hospitals, 9323 hospital beds, 4414 physicians (71,9 beds and 32,3 physicians per 10000 inhabitants).
- ⌘ An exception is the primary health care, where instead of big policlinics the service is provided by general practitioners. The number of family doctors in year 1995 was 104, in 2001 557.

Steady financing makes it better to prognoses the health care and its development

- ⌘ According to the Estonian health care reform 2015, the planned reorganizations create a three-leveled system of health care providence: highly concentrated intensive care (4 centers), lowly concentrated long term care (mainly in county centers) and deconcentrated primary health care (general practitioners). The reducing of the durability of medical care in hospitals creates a need for developing home nursing services and home care.

Pension insurance – the most controversial subject of social protection

- ⌘ Objective situation (aging population, the part of the occupied is quite small (63%), the ongoing restructuring of economy) does not allow to rise pensions in fast tempo
- ⌘ Subjective circumstances (pensioners are active electorers) create constant pressure to rise pensions
- ⌘ Due to indexing the pensions, the pensioners are relatively protected from poverty

The reasons of passive labour market policy

- ⌘ 1992-2002 – low unemployment benefits, politicians believe in market self regulations
- ⌘ 2002 – the validation of unemployment insurance
- ⌘ 2004 – rising investments on labour market, due to the resources of EU-s Social Fund

Children- and family policy – steady, expensive but ineffective



- ⌘ The principles of paying child- and family benefits have been quite sustained since 1992
- ⌘ The share spent on child benefits is quite big from GDP. But due to the low support rates the child benefits don't relatively influence the budget of family with a medium income
- ⌘ The decreasing number of children living in poverty (in 1997 47%, in 2002 34%) is based on the rise of incomes and the decreasing number of children in the family

The development of Estonian social welfare



The social welfare is less developed than the insurance (ca 5 years behind)

- ⌘ 1985-1995 – time of learning and practicing
- ⌘ 1995 - Social Welfare Act
- ⌘ 1995-2004 - politics concentrated on developing social welfare services
- ⌘ 2004 - The concept of Social welfare
- ⌘ 2004- individual-based welfare development

decentralization and services are provided by smaller institutions.



- ⌘ In 1991-95 the institutional part of welfare decrease, the number of adult inmates decrease from 4800 to 4600, the number of children in social welfare institutions (1500) didn't change.
- ⌘ In 1996-2000 the number of inmates grew both in children and adult social welfare institutions.
- ⌘ The size of social welfare institutions was decreased and the institutions have become more "client friendly."

in public assistance dominates decentralization and services are provided by smaller institutions

- ⌘ In 1990 the average number of places in children's social institution was 59, in 2000 49.
- ⌘ In adults social welfare institutions these numbers were 129 and 50.
- ⌘ In 2001 the number of places for residential care per 100 person over the age of 65 were 2,8 (level of South-European countries)

The demands towards the provider differ both in healthcare and in public assistance

- ⌘ In social welfare big role play informal sector and the growing activity of not for profit organizations. In year 2002 the number of not for profit associations in Estonia was 17700, 1500 theme was involved in social welfare.
- ⌘ By Law of Social Welfare (1995) a social worker doesn't have to have a license.

Social assistance benefits



- ⌘ Extensive payment of social assistance benefits takes its beginning from 1992.
- ⌘ Two main welfare benefits (housing allowance and means-tested living allowance) were joined to a one social assistance benefit in 1997.
- ⌘ According to the information Estonian Statistical Office, social allowances were paid to 20% of households in 1994 and 12% in 2001.

Social assistance benefits



In 2003 from all the households who got the social assistance benefits 61% were households with unemployed persons, 39% with children, 8% households with pensioners, 6% persons with disabilities.

Social assistance benefits



- ⌘ The share of households, received social assistance benefits once in year, in 1998 were 21% and in 2001 14%.
- ⌘ The share of households, received social assistance benefits 12 time year in 1998 were 12% and in 2001 18%.

Social benefits for disabled




- ⌘ In 2001 in Estonia in a full scale was implemented a new system of social benefits for people with disabilities.
- ⌘ The benefits are: disabled child allowance, disabled parents allowance, education allowance, disabled adult allowance, caregivers allowance, rehabilitation allowance, in-service training allowance
- ⌘ The number of beneficiaries were in 2002 115 thousand.

The relative risks of social exclusion are:



- ⌘ *Gender.* Women are at greater risk of social exclusion than men;
- ⌘ *Age.* Persons in early middle age (31-45 years) had the least risk of social exclusion;
- ⌘ *Nationality.* A non-Estonian runs a greater risk of falling into a social or information vacuum;
- ⌘ *Education level.* The higher the individual's level of education is, the lower are the risk of social exclusion.

The relative risks of social exclusion are (2):



- ⌘ Estonia's rapid regeneration has resulted in a weakening of social cohesion.
- ⌘ Estonia, in contrast to Western democracies, has not had time for constitutional development or redistribution policies, nor to mature gradually.
- ⌘ No model exists to follow, nor is there a supreme power to direct Estonia to the so-called right path.

Stable share of population below the poverty line



- ⌘ The poverty line (60% of the equivalised nation median income) was 1196 kroons in the year 2001 (ca 75 Euro)
- ⌘ The share of population below the poverty line has been stable during 1996 to 2001
- ⌘ The most drastic change was a rise by almost 2 percentage points in 1999.

Stable share of population below the poverty line (2)



- ⌘ In 2001, 17% of Estonian population (about 230,000 persons) lived below the poverty line
- ⌘ In the 15 member states of the European Union the average share of population living below the poverty line was 17% in 1996 (Joint Inclusion Report 2001)

Stable share of population below the poverty line (3)



- ⌘ Children have the highest risk of poverty in Estonia. Every fourth child lives below the poverty line in Estonia. In the countries of European Union every fifth child lived below the poverty line in 1996.
- ⌘ Every fifth person aged 16-24 lives below the poverty line, in 1996 (in the European Union) the situation was similar.

The proportion of social protection expenditures of GDP is falling

- ⌘ In 1999-2001 social protection expenditures increased 4-5% in a year
- ⌘ Share of expenditures of social protection in the GDP was 17,0% in 1999 and 14,9% in 2001
- ⌘ The share of employer of financing social protection decreased 3% in 1999-2001 (75,4% in 2001) and the share of public sector increased 3% (24,4% in 2001)

The proportion of social protection expenditures of GDP is falling (2)

The share of social protection expenditures (% of GDP in 2001) are

- ⌘ old age and survivors (6,54%) (EU 15 12,2%)
- ⌘ sickness/health care (4,68%) (EU 15 7,4%)
- ⌘ family and children (1,68%) (EU 15 2,2%)
- ⌘ disability (1,19%) (EU 15 2,3%)
- ⌘ social exclusion (0,33%) (EU 15 0,4%)
- ⌘ unemployment (0,28%) (EU 15 2,3%)
- ⌘ housing (0,09%) (EU 15 0,6%)

Estonian social protection system - a mix of different elements



- ⌘ Today Estonian social protection system is a mix of liberal, conservative and social-democratic elements.
- ⌘ The main goal that Estonian social protection system pays attention to, is to share social responsibilities between state, municipalities, private providers (profit and non-profit), families and individuals to make system more flexible, economical and sustainable.

Social problems in Estonia



- ⌘ Low birth rate & high death rate (due to the risk behaviour)
- ⌘ High unemployment and relative importance of inactive persons, regional poverty
- ⌘ Employers with low salary and people living on the social benefits and welfare transfers - have a high poverty risk
- ⌘ Low sustainability of insurance systems (financial crisis in health insurance in 1994/95 & 2004/05)
- ⌘ The high difference in incomes (Index of Gini in 1988 0,23, in 2003 0,35)

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YOUR ATTENTION**