



IMPACT OF SOCIAL POLICY ON POVERTY AND SOCIAL INCLUSION IN ESTONIA:

**Learnings from the research project
“Poverty, social assistance and social
inclusion – developments in Estonia and
Latvia in a comparative perspective”**

Avo Trumm



Main issues of the project

- **Poverty trends** and structures of social exclusion
- **Policy responses** – socio-political understandings of poverty alleviation and social inclusion
- **Social practice** – implementation and impact of policies
- **Policy learning** – mapping good and bad practices



Outcomes:

- **Policy report** – Analysis of changes in social policy environment in Estonia (Jüri Kõre)
- **Poverty report** – Analysis of poverty patterns and trends (Avo Trumm)
- **Study of long-term poor** in Jõgeva county (BA thesises by Helena Roop and Kristi Kallas)
- **Focus group interviews** with social workers in Tallinn, Jõgeva and Pärnu counties (Riina Kiik)



Theme 1:

Poverty trends and patterns in Estonia (1996-2002)



Data and method:

- The analysis of poverty patterns and trends is based on the data from Estonian Household Income and Expenditure Survey (HIES) carried out by the Statistical Office of Estonia (sample of the survey is 820 households per month).
- The analysis applies the Eurostat poverty line (60% from median disposable income with equivalent scales 1:0.5:0.3), endorsed by the Laeken council.

Effect of different equivalent scales for the poverty thresholds of the households of different type (2002)

Household type	Total consumption coefficient		Poverty threshold (<i>EUR per year</i>)		EU/ EST threshold ratio (%)
	National	EU	National	EU	
One-person household	1	1	1222	1324	108%
1 adult + 1 child	1,8	1,3	2200	1721	78%
1 adult + 2 children	2,6	1,6	3177	2118	67%
1 adult + 3 children	3,4	1,9	4155	2516	61%
2 adults	1,8	1,5	2200	1986	90%
2 adults + 1 child	2,6	1,8	3177	2383	75%
2 adults + 2 children	3,4	2,1	4155	2780	67%
2 adults + 3 children	4,2	2,4	5132	3178	62%
3 adults	2,6	2	3177	2648	83%
3 adults + 1 child	3,4	2,3	4155	3045	73%
3 adults + 2 children	4,2	2,6	5132	3442	67%
3 adults + 2 children	5	2,9	6110	3840	63%



Comparing equivalent scales

- EU modified equivalent scales tend to underestimate the share of individual consumption of household members and/ or the national scales give to the children and spouses too high consumption load.
- The difference between the national and EU poverty thresholds is the greatest in the case of households with many children (EU poverty line is about $\frac{2}{3}$ from the national poverty threshold).



Poverty and the structure of society

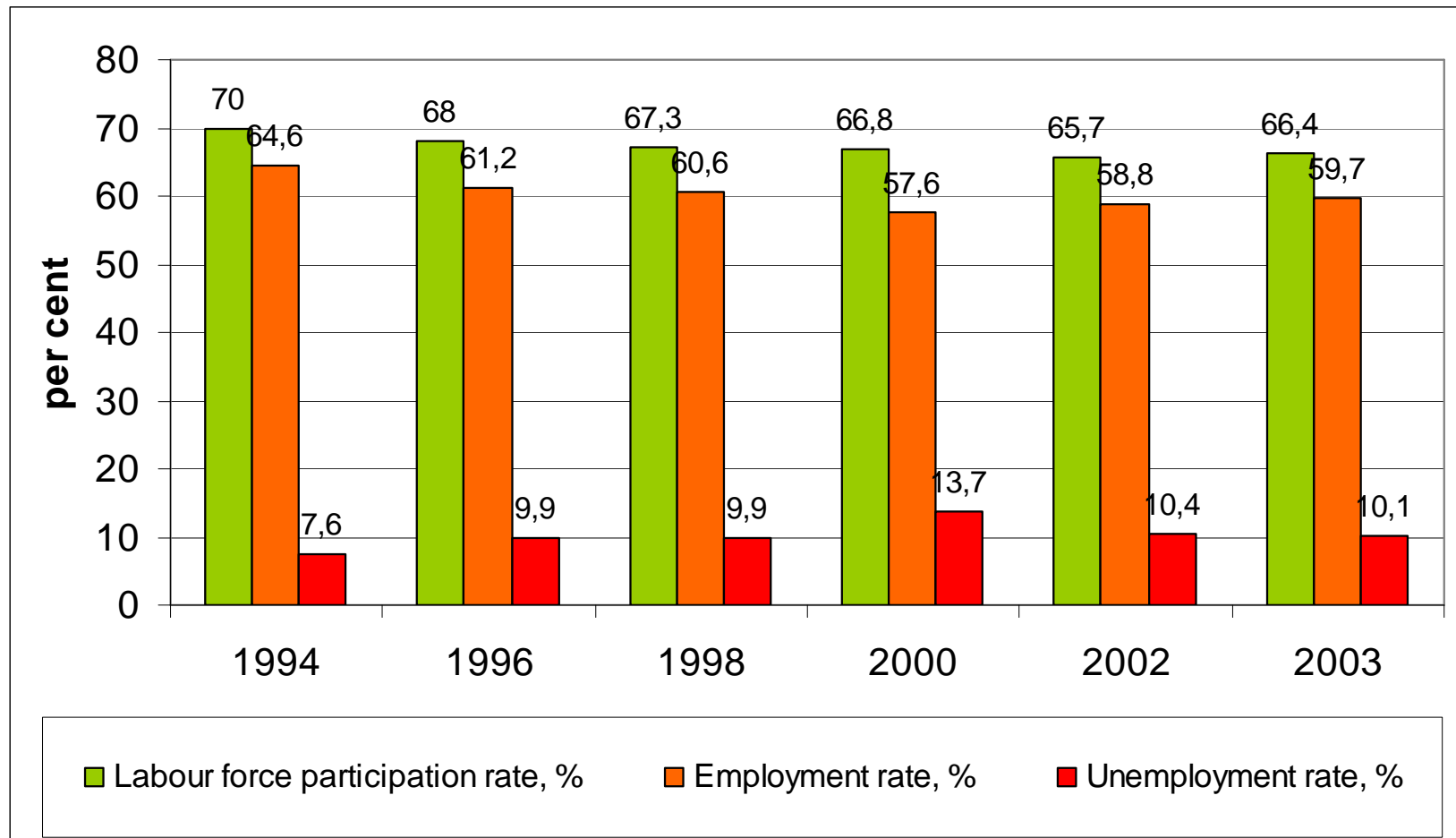
- The characteristic features of the 'transitional poverty' is its massiveness and structural nature.
- During the transition there have been not only a substantial increase in the proportion of the population living in extreme poverty, but also the actual character of poverty has changed as well.
- During the state socialism period the poverty was mainly a life-cycle phenomenon, today social class (and possibly ethnicity and/ or gender) appear to play a more significant role in predicting or explaining who becomes poor.



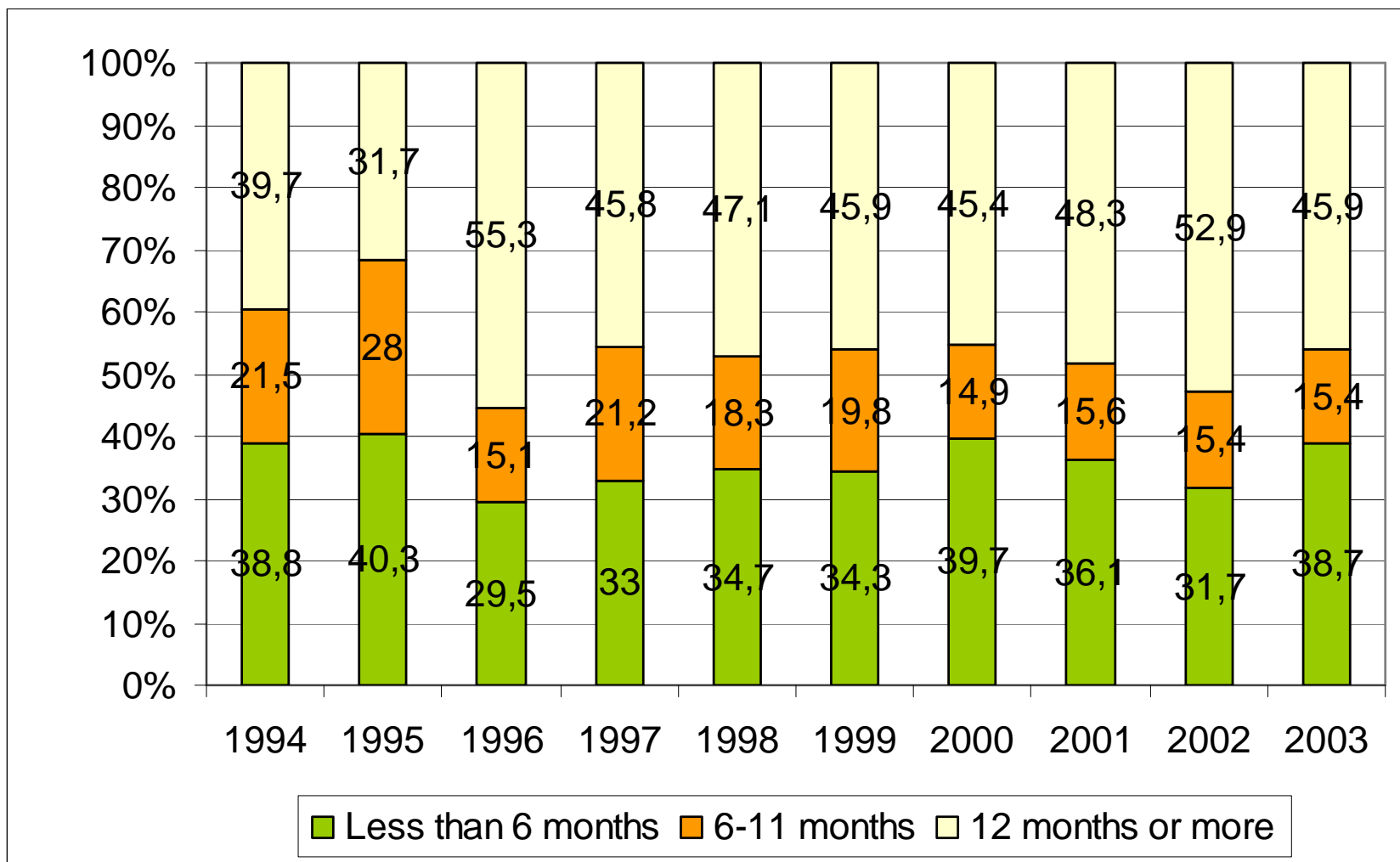
Stages of structural poverty:


- **Period of introduction of radical reforms (1989-1994):** Poor material situation was equally distributed and collectively shared. At the initial period of reforms the poverty in Estonia had temporal character without clear social structure and particular risks.
- **Period of stabilisation (1995-1999)** In the conditions of increasing segmentation of society the 'poor-rich opposition' transforms into 'division of people between winners and losers'. Poverty has become a multifaceted phenomenon with interrelated economic, social and psychological risks, which often results in accumulation of social deficits
- **Preparation of EU accession (2000-2003)** As an outcome of economic growth, increased real wages, and better labour market situation, the structural risks of relative income poverty have declined in the last years, and the poverty rates have been fallen.

Main labor market indicators in 1994-2003



Duration of unemployment in 1994-2003

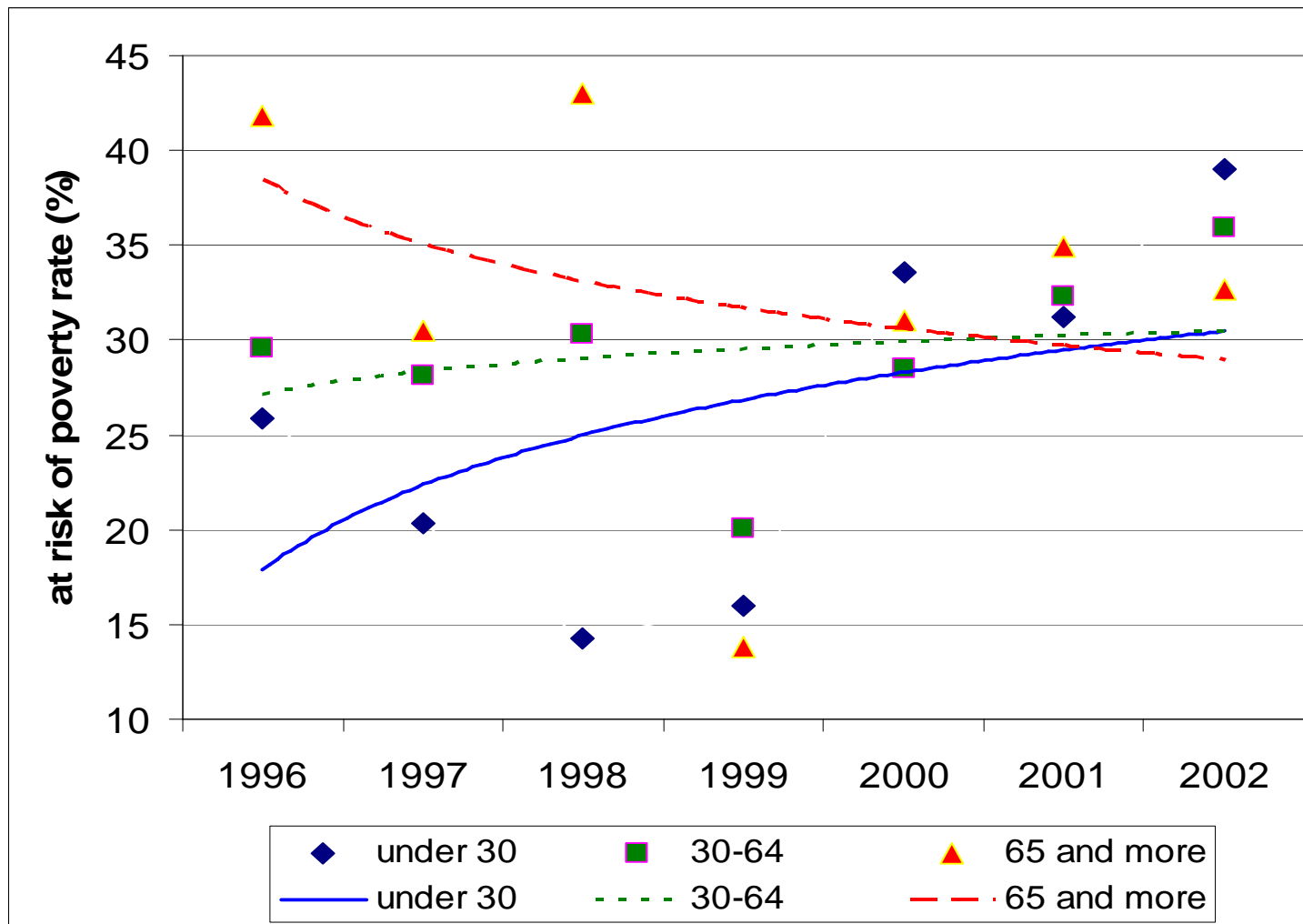


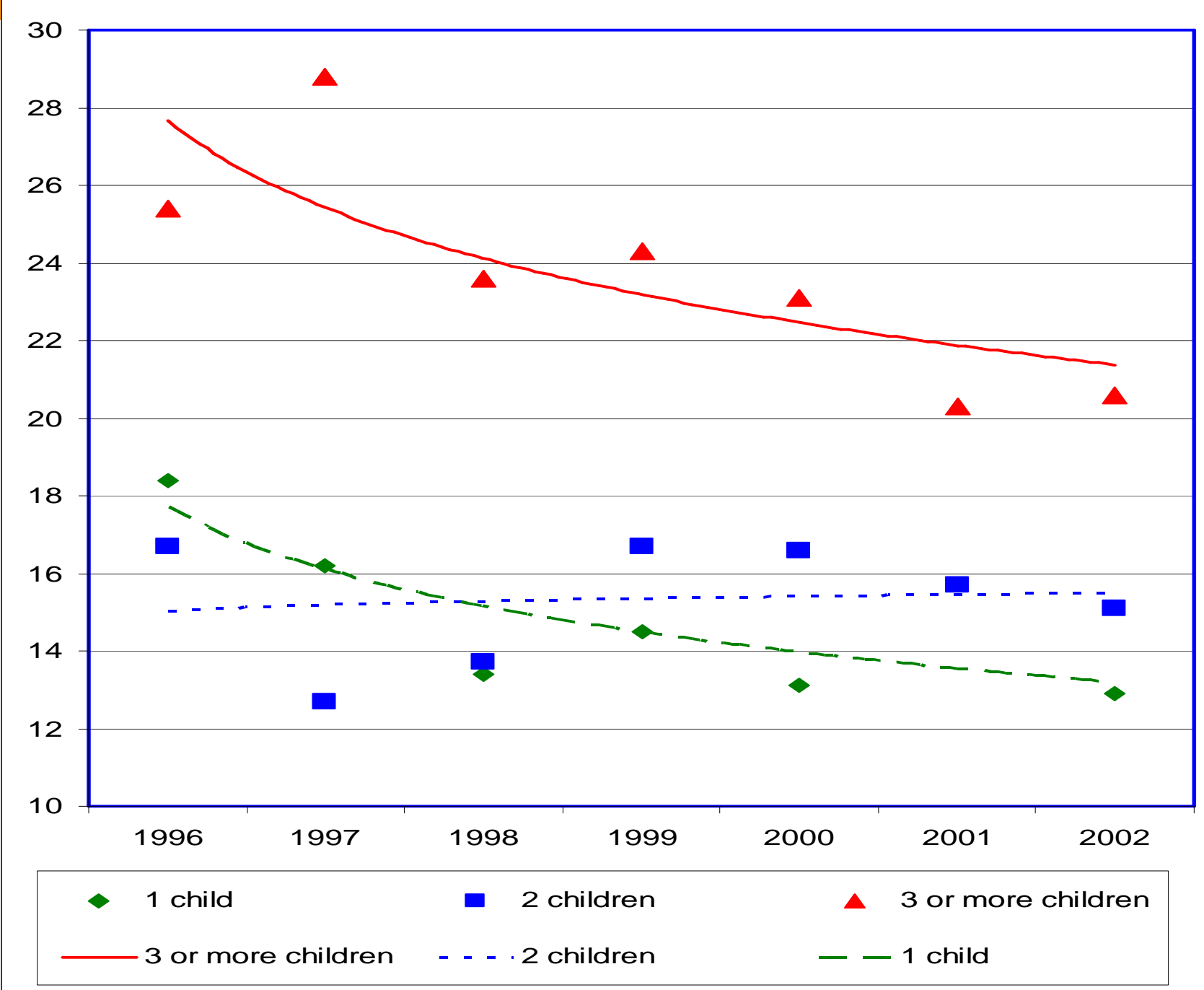


At risk of poverty rate for all households
*(60% median disposable equivalent income,
scales 1: 0.5: 0.3)*

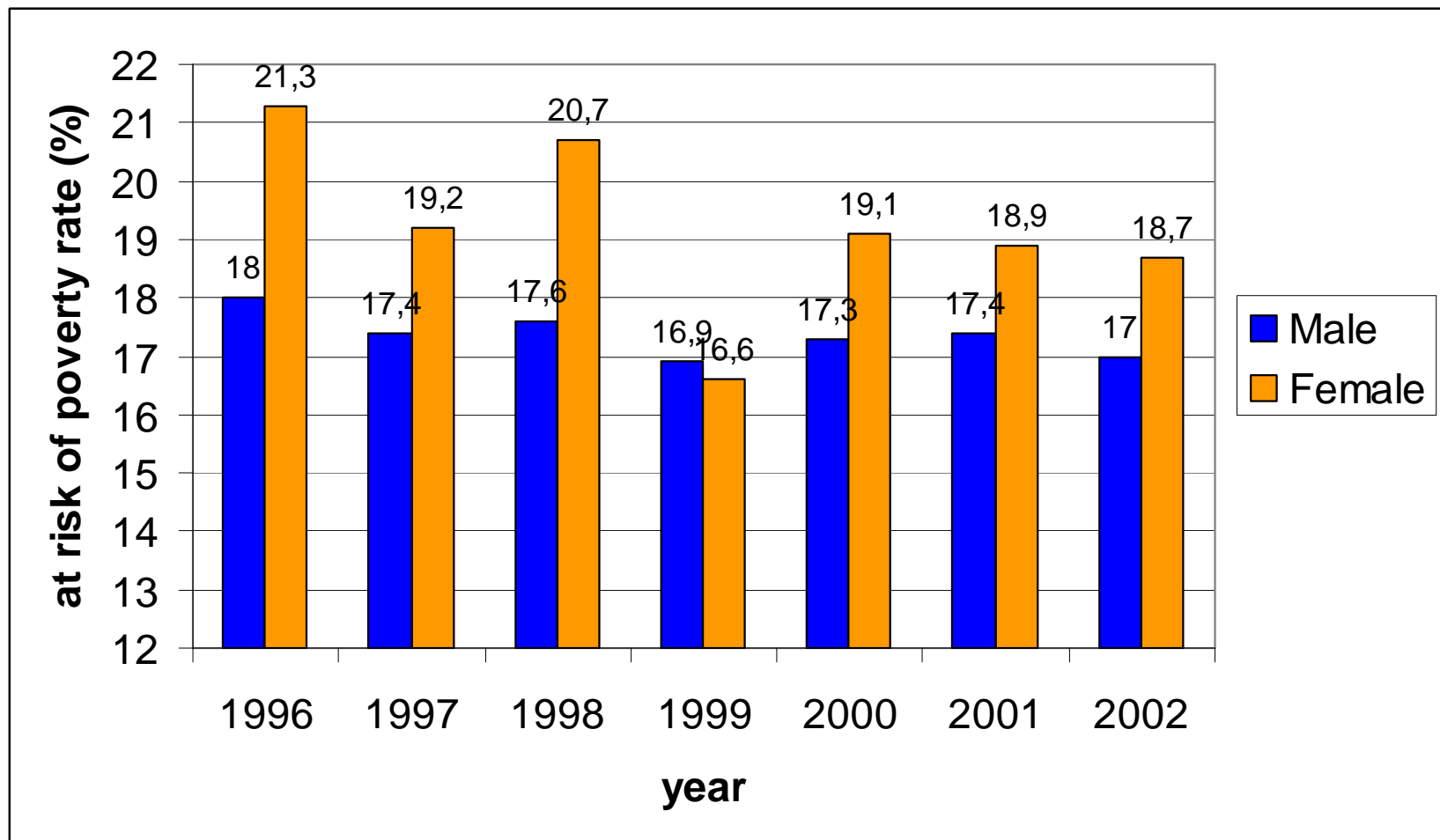
Year	1996	1997	1998	1999	2000	2001	2002	2003
% of poor households	19.9	18.5	19.4	16.7	18.3	18.2	17.9	18.2

Income poverty trends for one-person households of different age

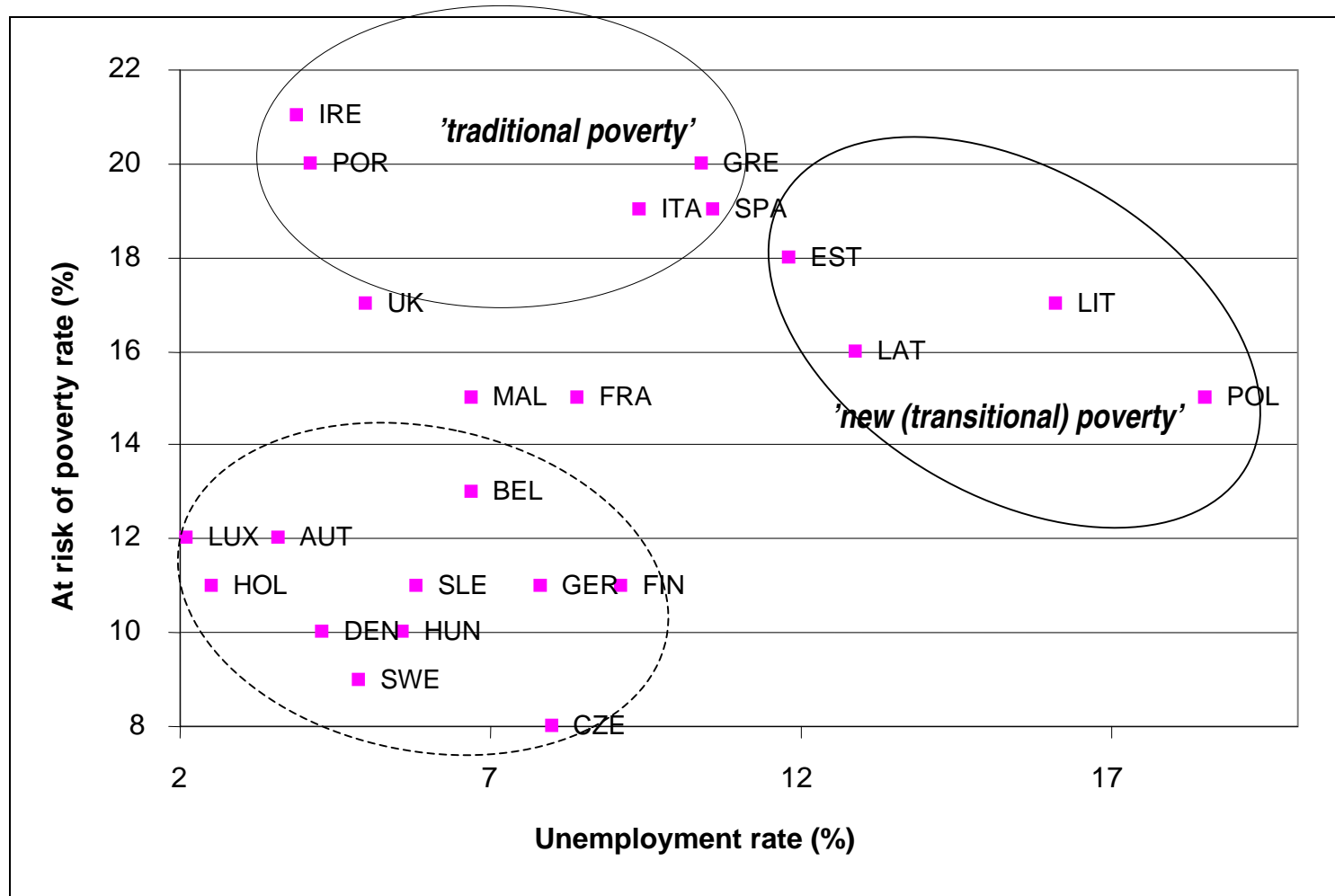




Poverty rates for men and women in 1996-2002




Relation between unemployment and poverty in the European Union in 2001



At risk of poverty rate by social status in 1996-2002

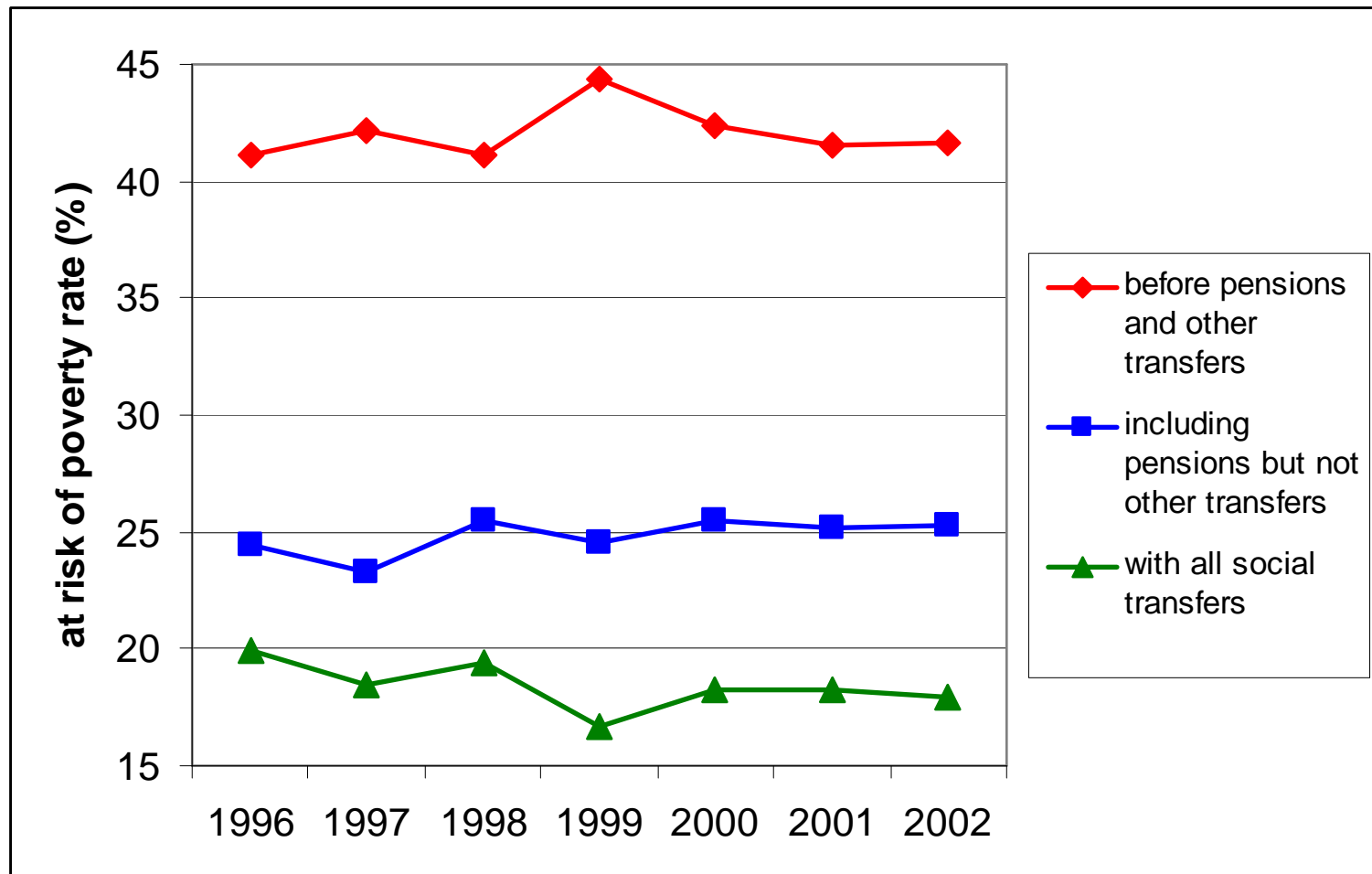
Social status	1996	1997	1998	1999	2000	2001	2002
Employed	11,9	11	10,4	10,9	9	9,1	8,7
Self-employed	23,4	25,5	26,1	19,8	16,8	15,8	13,1
Unemployed	48,1	44,2	50,1	48,2	49,5	46,9	48,4
Retired	22,8	20,1	27,2	11,2	18,1	21	20,6
Other inactive	26,7	24,6	25,2	27,9	27,9	27	28,3



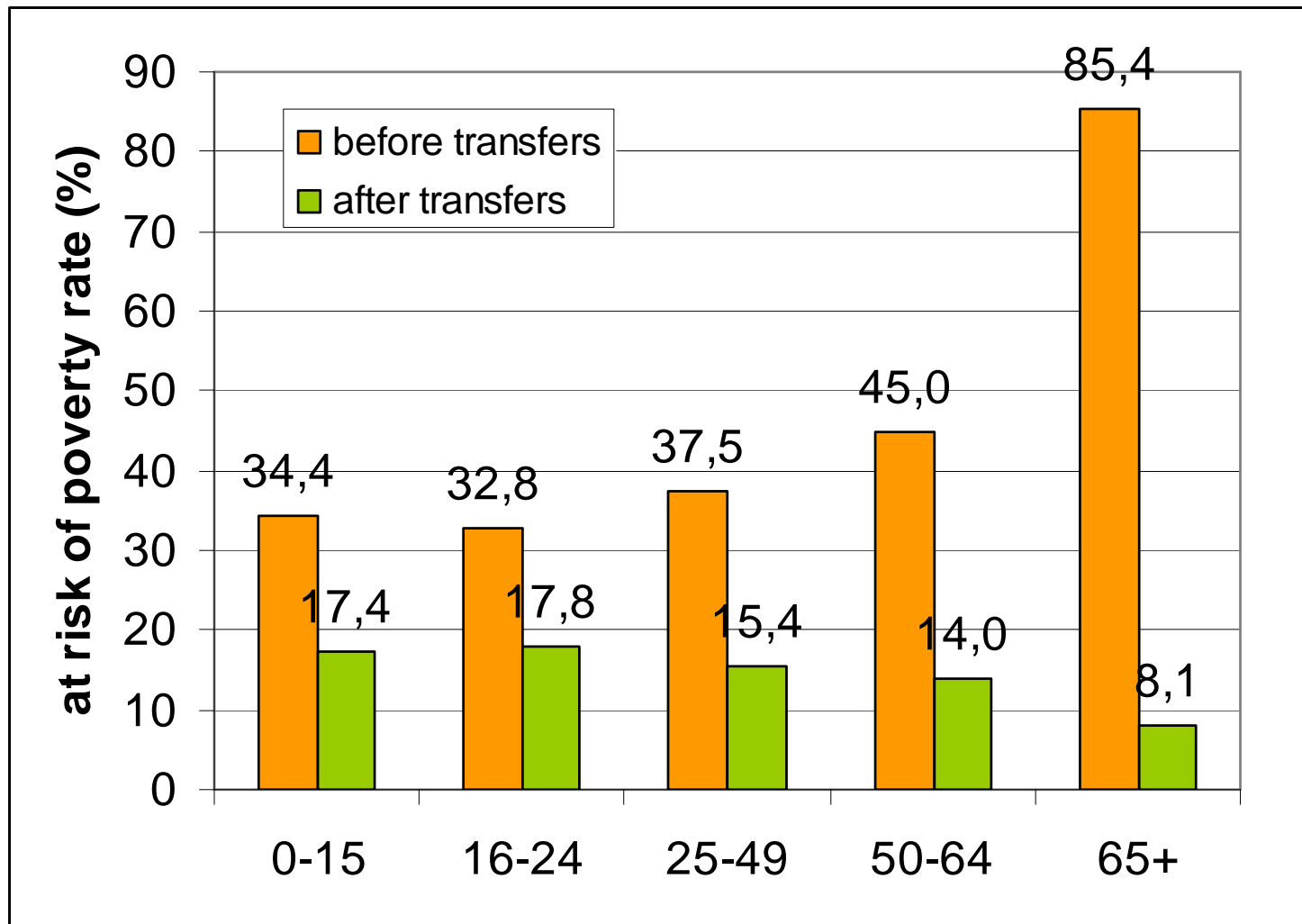
Expenditure on social protection as a share of GDP (percentage)


Expenditures	1997	1998	1999	2000	2001
State pension insurance	7.3	7.1	8.5	7.5	6.9
State health insurance	5.3	4.9	5.1	4.8	4.5
Health care from state budget		0.5	0.6	0.6	0.5
Child and family benefits	1.6	1.7	1.7	1.7	1.5
Social protection of the unemployed	0.1	0.1	0.3	0.3	0.3
Social assistance benefits and services	1.0	0.9	0.8	0.7	1.1
Total:	15.3	15.2	17.0	15.6	14.8

At-risk-of-poverty rates before and after pensions and other social transfers in 1996-02



At risk of poverty rate before and after social transfers in 2002 by age groups





Household type	Subjective poverty	Income poverty
Single pensioner	10.7	6.9
Single in working age	14.6	18.7
Retired couple	1.9	3.9
Couple (at least one of working age)	3.5	9.5
Single parent with 1 child	18.4	28.5
Single parent (2 or more children)	10.5	27.9
Couple (1 child)	1.6	11.8
Couple (2 children)	2.6	13.4
Couple (3 and more children)	5.5	21.5
Couple with adult and underage children	4.5	16.6
Two generation households	6.8	15.0
Three generation households	5.9	16.5
Other households	5.3	19.8
All households	7.3	17.9



Conclusions 1:

- As an average of the years 1996-2002, the poverty rate has been quite stable on the level of bit less than 20% (with slightly declining trend).
- The pattern of poverty in Estonia has a rather traditional character - single parents, young, and retired living alone, as well as households with many children carried the highest risk of poverty, compared to other household types.



Conclusions 2:

- Poverty among youth and working-age singles is increasing, while among retired slight decrease is evident.
- Poverty rate for households with three and more children has decreased relatively more compared to households with smaller number of children, and the differences between the poverty rates of the households with different number of children tend to decline.
- In Estonia, the difference between poverty rates for employed and unemployed is bigger than in most of the EU countries' average.
- The poverty rate for unemployed has not been changed during the period of 1996-2002 and forms about a half from all unemployed persons.



Conclusions 3:

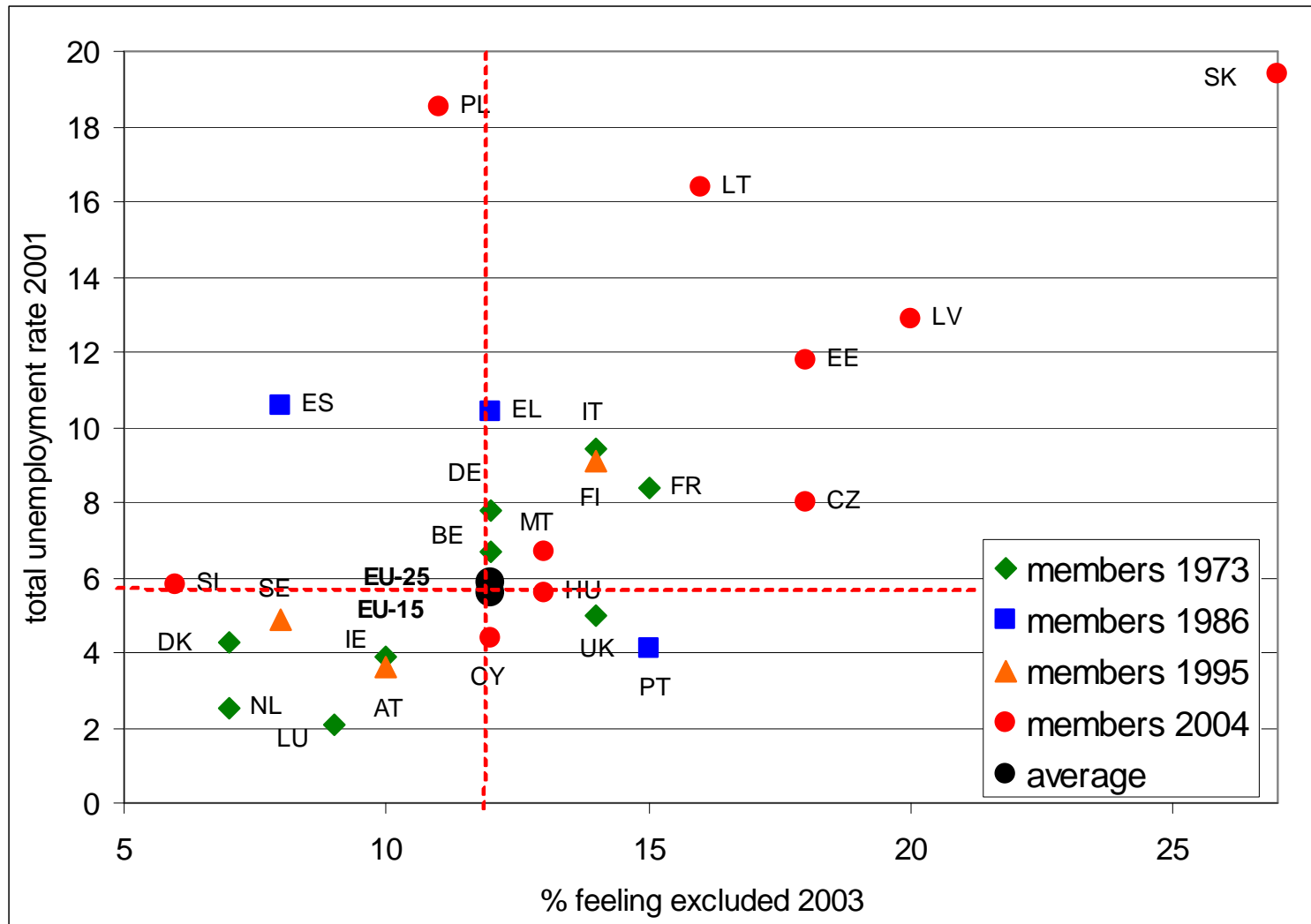
- Higher education increases the competitiveness and flexibility on the labour market and as a result a higher income and lower vulnerability.
- The poverty rate for the households where the head of the household had primary education in 2001 was 21%, at the same time the same figures for secondary and higher education were 19% and 9% respectively.
- Analysis of poverty has revealed considerably similar level of resources of Estonians and non-Estonians. As an average, the non-Estonians have 1-2 per cent point higher poverty rates than Estonians.



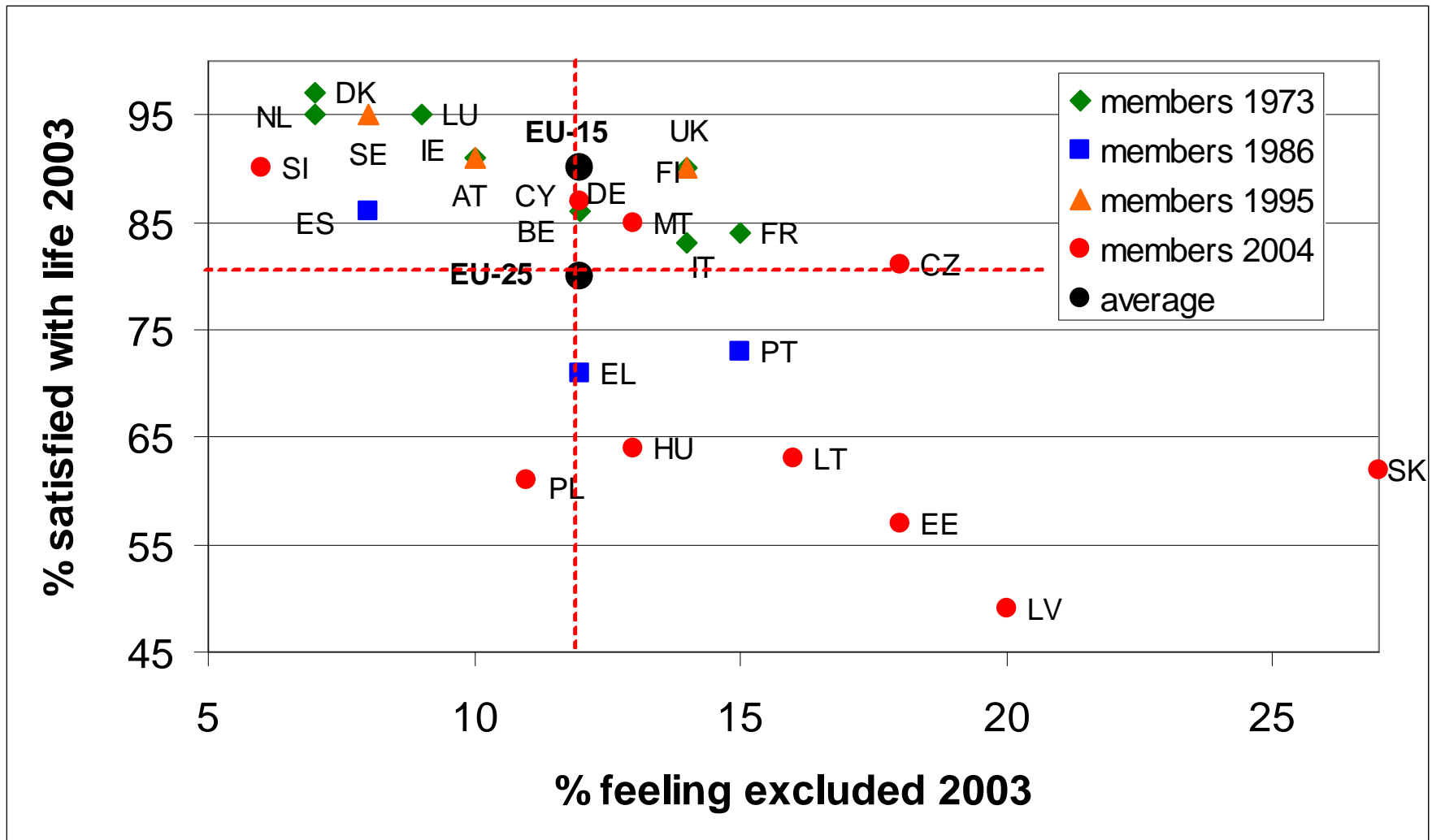
Conclusions 4:

- To conclude, the poverty rates in Estonia are in decline. More and more people experience that the growth of the economy and increase of employment are improved their personal material situation, and for them, the years of poverty are remaining in the past.
- However, Estonia still has a great number of people who are poor; and for many people today's situation is not better (or is even worse) than it was before.
- Duration of experience of poverty is permanently increasing, and the poverty culture and deepening social exclusion becomes evident.

Unemployment is a main determinant of social exclusion



Exclusion creates dissatisfaction





Theme 2:

Listening to the poor: In-depth interviews with long-term poor in Jõgeva county



In-depth interviews with the long-term poor individuals

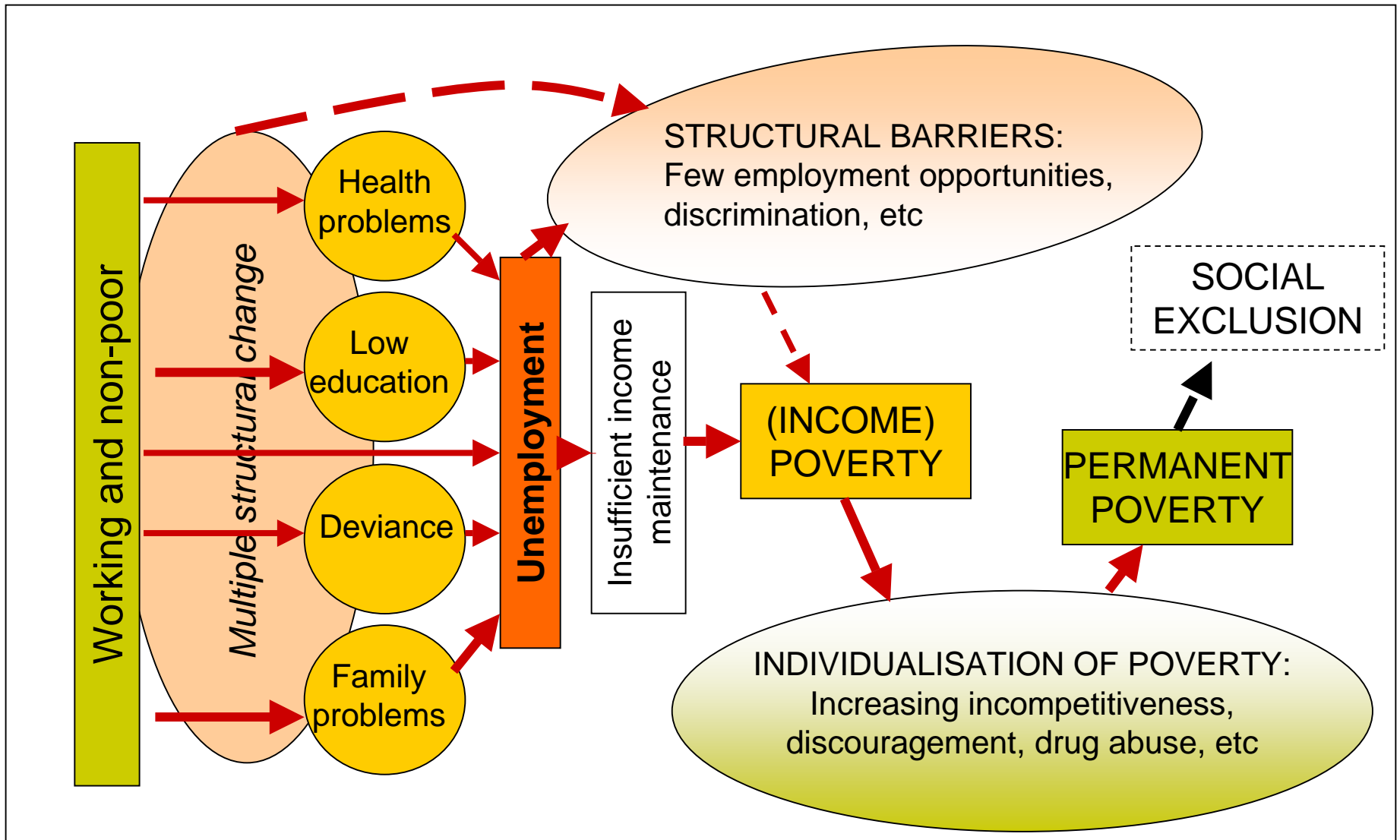
- The aim of the study was to learn the coping strategies and personal policies of the permanent poor
- The study concerned individuals who have been entitled to subsistence benefits at least four last years.
- Sample consists of nine long-term poor individuals from three local municipalities in Jõgeva county.



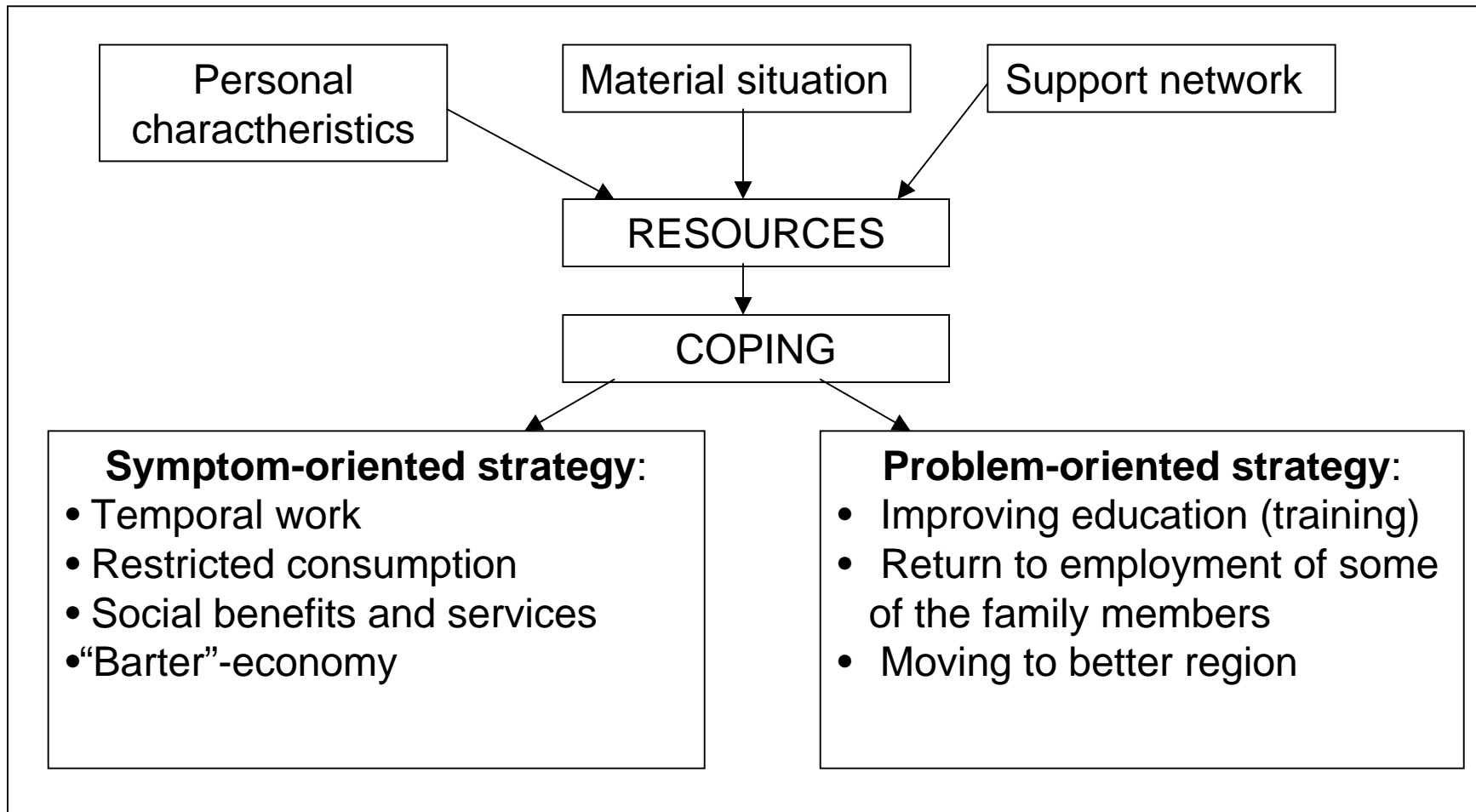
Two bachelors' theses:

- Kristi Kallas (2005) Individual and structural causes of long-term poverty in transitional society. The case of Jõgeva County
- Helena Roop (2005) Coping strategies of the households in the conditions of permanent poverty. The case of Jõgeva County

Individual and structural causes of long-term poverty in Estonia (based from Kallas 2005)



Coping strategies of the long-term poor (Roop 2005)





Theme 3:

**The effect of social work practice
on poverty and social exclusion**



Social workers in focus:

- Follow-up to the study carried out in 2000 including three focus-group interviews with social workers in Jõgeva and Pärnu counties and in Tallinn
- Aim: understanding of social inclusion processes of the most vulnerable and paths to greater social cohesion
- Focus on changes (2005 compared to 2000) in social exclusion patterns, social work practices and in profession of social workers



Some preliminary findings (1): Changing nature of poverty and social exclusion

- The level of complexity of the problems of clients has increased
- The share of clients applying only for welfare benefit has decreased, the share of clients with problems concerning unemployment as well as clients with problems related to the children has increased.
- The number of clients with severe health problems has increased
- The clients have become more conscious - they are more aware about their rights and opportunities, and thereby more demanding



Some preliminary findings (2): Changing character of social work

- In recent years several new regulations have been implemented and the social work becomes more 'multidimensional'.
- As a result of EU accession, the number of policy documents has significantly increased. However, the social workers have an opinion that the policymaking process is up to their heads.
- The counselling work has become dominant over the counting and bookkeeping exercises.
- The level of resources for social work has increased, but is still insufficient for solving the problems of the clients.



Some preliminary findings (3): Changing situation of social workers

- The overall work load of social workers is permanently increasing.
- The need for training and 'life-long' learning increases in parallel to the increase of complexity of social problems
- The need for supervision and psychological counselling has increased, the risk of burnout is high
- The work has become more challenging and interesting; the motivation to continue with the same work is high.
- International social work as a new field of work has emerged in Tallinn