



ESPN Thematic Report on minimum income schemes

Estonia

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Summary¹

A means-tested subsistence benefit regulated by the Social Welfare Act is considered to be the main monetary minimum income scheme in Estonia. It is a state social assistance that is paid after other measures for alleviating poverty have been proven to be insufficient. Households whose net income after the deduction of eligible housing costs is lower than the subsistence level, established by the Parliament, are eligible for the subsistence benefit. The benefit is financed from the state budget, but the entire administration of the scheme is the responsibility of local governments.

The subsistence benefit scheme is a comprehensive scheme open to all residents of Estonia. Although there is no time limit for receiving the subsistence benefit, the right to the benefit has to be renewed each month. The subsistence level is established by the Parliament for each budget year in the state budget. The level of benefits is set on an arbitrary basis, as there is no indexation or any other clear mechanism for periodic review of the subsistence level.

Our analysis suggests that the subsistence level is inadequate. Whatever adequacy indicator is chosen, be it just the minimal food basket, the absolute poverty line (the estimated subsistence minimum) or the 60% of median equivalised income threshold (the EU at-risk-of-poverty or relative poverty threshold) – the subsistence benefit falls below all these indicators. Studies suggest that compared to other benefits, increasing the subsistence level is the most cost-effective way of reducing direct poverty.

While the subsistence benefits guarantee a minimum income for households, the formula of the calculation of benefits may cause disincentives to work for low-wage earners in certain household types. Local governments have a right not to grant subsistence benefits to people of working age or capable of working who are not studying or working and who have repeatedly and for no good reason refused to accept suitable positions. Local governments may also require the recipients of benefits to be registered at the Estonian Unemployment Insurance Fund (EUIF). Besides keeping them actively seeking for a job, all registered unemployed people are also covered by the public health insurance. Local municipalities must assess whether recipients of subsistence benefits need additional social services. Actual access to services, however, varies considerably between municipalities. Unfortunately, the lack of data does not allow any deeper analysis whether and in what form the recipients of subsistence benefits also receive activation services either by local governments or by the EUIF.

Our analysis shows that more than 80% of unemployed people who receive subsistence benefits are also registered at the Unemployment Insurance Fund, and hence, potentially receive activation measures.

2016 should see improvement in the minimum income support, as the subsistence level increases substantially and amendments to the Social Welfare Act should improve the quality and availability of the social welfare services by developing a common framework for them. Local governments will also be supported in providing social services by the European Social Fund.

¹ This report was prepared in October 2015, but has been updated to include some more recent developments.

Part I - Description of main features of Minimum Income Scheme²

1 Governance arrangements

1.1 Levels of governance

In Estonia, a means-tested subsistence benefit regulated by the Social Welfare Act³ is considered to be the main monetary minimum income scheme.⁴ It is a state social assistance that is paid after other measures for alleviating poverty, or the risk of poverty, have been proven to be insufficient. More precisely, households whose net income, after the deduction of housing costs, is lower than the subsistence level established by the Parliament are eligible for the subsistence benefit, to ensure they have a decent level of living, i.e. guaranteeing minimum income for covering expenses related to primary needs.

The administration of the subsistence benefit scheme is the responsibility of local governments. They manage applications, assess which households are eligible for the benefit and arrange for payment of the benefit. Subsistence benefits are financed from general tax revenues and earmarked funds are allocated from the general government budget to local governments each year.

The general rules determining a household's eligibility for the subsistence benefit and the calculation of that benefit are stipulated by the Social Welfare Act. The subsistence benefit depends on the subsistence level, which is established by the Parliament for each budgetary year. Although it is a political decision affected by fiscal considerations, the Act stipulates that a new subsistence level must not be lower than the level in force, and the level should reflect the minimum expenditure needed to ensure a decent standard of living for those in need.⁵

The subsistence benefit depends on the household income, household structure, subsistence level and housing costs. The housing costs are taken into account when assessing the eligibility to and calculating the total sum of the benefit. Although the Social Welfare Act states general rules on how and which housing costs are covered, the upper limits to the components of housing costs vary among local governments. Therefore, the exact amount of benefits may vary slightly among local governments.

1.2 Delivery arrangements

The subsistence benefit is a monthly benefit, based on the household's previous month's income and on housing costs to be paid in the current month. In order to apply for the subsistence benefit for a given month, an applicant needs to submit an application to the local government in which administrative jurisdiction the person is living permanently not later than on the twentieth day of that month. The subsistence benefit is granted within five working days following the submission of all necessary documents, and local municipalities should pay the calculated amount of benefit

² This thematic report was compiled by Andres Vörk and Cenely Leppik from Praxis Center for Policy Studies. The report relies heavily on two previous comprehensive reports of minimum income support in Estonia. Viies (2009) was a report carried out by the EU Network of Independent Experts on Social Inclusion in 2009. Leppik (2014) was a country report for the European Minimum Income Network (EMIN) in 2014. The current thematic report includes extracts from these two previous reports if there have been no changes in the relevant legislation or statistical data. We also thank Svetlana Karpoviš and Hede Sinisaar from the Ministry of Social Affairs for the data they provided for this report.

³ The most recent version of the Social Welfare Act was adopted on 9 December 2015 and it took effect on 1 January 2016. "Sotsiaalhoolekande seadus", available at <https://www.riigiteataja.ee/akt/130122015005>

⁴ Beyond the subsistence benefit as a state cash benefit, the constitutional right to state assistance in case of need is also covered by emergency social assistance granted by local municipalities to persons without sufficient means of subsistence and guaranteeing at least food, clothing and temporary shelter.

⁵ "Toimetulekupiiri kehtestamisel lähtutakse minimaalsetest tarbimiskuludest toidule, riietusele ja jalanõudele ning muudele kaupadele ja teenustele esmavajaduste rahuldamiseks."

within three working days of the benefit granting decision being made. The applicant should indicate the preferred form of payment, having a choice between the following alternatives: bank transfer to a designated bank account, by post or cash payment. As the subsistence benefit is granted only for a given month, a person's eligibility is re-assessed every month.

According to the new Social Welfare Act that took effect on 1 January 2016, local municipalities must assess whether the applicant or his family members need also other social welfare services. In addition, there may be discounts for different services, e.g. reduced child care fees, for them, but it is on a voluntary basis and is not an obligation for local governments. Local governments may also require applicants/recipients of subsistence benefit to be registered at the Estonian Unemployment Insurance Fund to keep them actively seeking for a job, enabling their health insurance coverage and their participation in labour market services.

1.3 Rights-based versus discretionary benefits

Local governments may exercise a certain discretion within the limits set out by the Social Welfare Act. For example, the municipality may refuse to grant the subsistence benefit if a household has real estate or other property able to provide them with sufficient resources for coping. The legislation thus allows for a discretionary asset-test to be conducted by a local municipality.

At the same time, the Social Welfare Act allows for discretionary punitive action, giving the local municipalities the right to refuse subsistence to a person capable of work between the age of 18 and the pensionable age who is not working or studying and who is not registered as unemployed with the Estonian Unemployment Insurance Fund or who has, more than once and without good reason, failed to comply with the Individual Action Plan or turned down suitable work offered to him or her, or has refused to participate in social services or study directed towards independent ability to cope.

Finally, an applicant may be refused the benefit if the applicant or her/his household member has a right to receive maintenance from another person, but refuses to submit a document certifying the right to receive the support, or refuses to claim the support.

However, there are no statistical data on how often these discretionary actions are used. Local governments are reluctant to implement such sanctions as the refusal of subsistence benefit would leave the person and her/his household basically with no income at all. This has also raised questions about whether these sanctions are in compliance with the constitutional right of every citizen to receive state assistance in case of need.

2 Design of minimum income scheme

2.1 Level of benefit

The subsistence benefit is a last resort benefit that is paid to individuals/households who are living below the subsistence level, i.e. without sufficient means of subsistence, to ensure them and their dependents a decent level of living. The assessment and determination of eligibility rely on the income that remains after the housing costs are deducted, and on comparison with the subsistence level.

The assessment of eligibility and calculations of subsistence benefit amount are conducted on the basis of net income in the preceding calendar month, housing expenses in a given month within the limits established by local governments, and on the subsistence level. The subsistence level is set to reflect the minimum expenditure needed for a decent level of living, as established by the Parliament.

The usual income sources used for assessment and calculations include the total net income of all family members or a single person in the preceding calendar month, i.e. taxable income, pensions, unemployment benefits and family benefits. In cases where

a person is without regular income, the average income over the six preceding months may be taken into account when assessing eligibility and calculating the amount of subsistence benefit.

Other sources of income not included in the calculations are:

- lump-sum discretionary benefits paid from the state budget or local budgets;
- other regular means-tested benefits or repayments of service fees paid by local governments;
- social benefits for disabled persons paid on the basis of the Social Benefits for Disabled Persons Act, except the disabled parent's allowance;
- student loan granted with security guaranteed by the state;
- grants (i.e. stipends) and transport and accommodation benefits paid to unemployed persons on the basis of the Labour Market Services and Benefits Act;
- needs-based study allowance paid on the basis of the Study Allowances and Study Loans Act;
- child allowance for the third and each subsequent child paid on the basis of the State Family Benefits Act: EUR 45 for each entitled child;
- needs-based family benefit paid on the basis of the Social Welfare Act.

The last three cases refer to relatively new benefits in Estonia – from 1st July 2013 child allowances for the third and each subsequent child substantially increased and an additional needs-based family benefit was introduced. The needs-based study allowance was introduced in September 2013. The amounts of needs-based family benefit and the subsistence level for minors increased in 2015.

The list of housing-related expenses that is used for estimating a person's or a household's means of subsistence (residual income) after deduction of housing costs includes the following:

- the actual rent or maintenance fee of the apartment;
- value of thermal energy or fuel consumed for heating or supply of hot water;
- value of used water and sewerage services;
- value of used electricity;
- value of used household gas;
- expenses on land tax, which is calculated on the basis of the size of land that equals three times the area under the dwelling;
- expenses made on building insurance;
- the actual carriage charge for municipal waste.

The "housing allowance" component of the subsistence benefit is on the one hand influenced by the socially justified standards of dwelling size stipulated in the Social Welfare Act and on the other hand by the limits on the deductible sum of housing costs established by local governments. Thus the "housing allowance" component of subsistence benefit varies among local governments. Standards set on the size of the dwelling by the Social Welfare Act are 18 m² for each member of the household and an additional 15 m² per household. Accordingly, for a single person the socially justified standard living space is 33 m² and for a family of two persons the standard living space is 51 m². However, if the number of rooms in the dwelling equals the number of persons living in the dwelling and the total area of the dwelling is larger than the socially justified standard, the total area of the dwelling is taken into account. This means that if a single person lives in a single room apartment (kitchen, bathroom, and toilet are not calculated as rooms) and the size of the apartment is for example 38 m², then 38 m² (and not 33 m²) is taken into account. If a family of two persons lives in an apartment of 2 rooms and the total area of the apartment is larger

than 51 m² (for example 60 m²), then again the total area of the apartment is taken into account.

For pensioners (recipients of any type of state pension) living alone, the socially justified standard of the dwelling is considered to be 51 m². The latter is an exception to the general rule applying to single persons (33 m²) and apparently serves the purpose of maintaining a familiar home setting for persons upon retirement or who have suffered a disability.

Students up to 24 years of age who are enrolled in daytime study at a basic school, upper secondary school or vocational educational institution and students up to 24 years of age who are enrolled in full-time or part-time study at a university, institution of professional higher education or vocational educational institution, whose address details of their residence entered in the population register do not coincide with the address details of the residence of the family members, have the right to receive a subsistence benefit from the rural municipality or city government of their residence entered in the population register provided that their family was granted a subsistence benefit in the previous or given month.

Subsistence levels used for determining eligibility, i.e. comparing the residual income after the deduction of housing costs, is set for every budgetary year by the Parliament. Subsistence levels for the first person (or a single-person household) and children are equal to the subsistence level. The subsistence level for the second and each subsequent adult of a household is 80% of the subsistence level. These equivalence scales are in force since January 2015, whereas before children were also weighted at 80%.

There is no regular indexation of the subsistence level, and it has been changed in a discretionary manner. In 2015, the subsistence level in force was EUR 90 per month, and it will be EUR 130 for 2016. Thus for the second and each subsequent adult the subsistence level is EUR 72 in 2015 and EUR 104 in 2016. The Social Welfare Act stipulates that the subsistence level has to cover the minimum expenditure needed to ensure a decent standard of living, more precisely minimum expenses on food, clothing, footwear and other goods and services necessary to satisfy primary needs.

There is also a supplementary benefit of EUR 15 per month (since 2011) that is paid to a person who is entitled to the subsistence benefit and whose dependants/family members are all minors, i.e. it is a lump-sum top-up benefit for single-parent households. The supplementary benefit is part of the subsistence benefit scheme and therefore financed from the state budget as well.

The general formula for the subsistence benefit is the following:

$$B = \max (L - (Y - C); 0)$$

B = subsistence benefit;

L = subsistence level for a household;

C = actual costs related to the dwelling that do not exceed maximum limits set by the local government and which are calculated on basis of socially justified standards;

Y = household income according to the income definition for the subsistence benefit purpose.

Examples of subsistence benefits in 2015

In all cases below, we assume that the household members do not receive any labour earnings or unemployment benefits (i.e. unemployment allowance or unemployment insurance benefit).

Case 1: divorced singles without children

Case 2: married couples without children

Case 3: married couples with two children aged 7 and 14

Case 4: divorced single parents with one child aged (2 years old)

Table 1: Examples of subsistent benefit calculation, EUR, 2015

	Income components¹ EUR per month / household type	Divorced singles without children	Married couples without children	Married couples with two children aged 7 and 14	Divorced single parents with one child aged (2 years old)
(1)	Unemployment earnings (assumption)	0	0	0	0
(2)	Labour earnings or other market income (assumption)	0	0	0	0
(3)	Child allowance			45+45=90	45
(4)	Child-care allowance ²				38.35
(5)	Needs-based family benefit (not included in the means-test)			90	45
(6)	Total income subject to means-test (1)+(2)+(3)+(4)	0	0	90	83.35
(7)	Eligible housing cost (assumption) ³	80	120	168	104
(8)	Subsistence level for the household⁴	90	90+0.8*90=162	90+0.8*90+90+90=342	90+90=180
(9)	Amount of subsistence benefit (7)+(8)-(6)	80+90=170	120+162=282	168+342-90=420	104+180-83.35=200.65
(10)	Total income list of household (9)+(5)+(6)	170	282	420+90+90=600	200.65+45+83.35=329
(11)	Total income of household after the housing expenses are paid (10)-(7)	170-80=90	282-120=162	600-168=432	329-104=225

¹ – Sums of child benefits and the level of subsistence benefit used as of 2015;

² – Childcare allowance is paid up to the child's age of three;

³ – Average housing cost per application was EUR 128 in the first half of 2015;

⁴ – Equivalent scales used 1:0.8:1.

2.2 Eligibility conditions

The eligibility conditions for the subsistence benefit stipulated in the Social Welfare Act are the following:

- permanent residents of Estonia;
- aliens residing in Estonia on the basis of residence permits or right of residence;
- persons enjoying international protection staying in Estonia.

The Social Welfare Act ensures equal treatment of nationals and non-nationals as there are no nationality requirements to be eligible for the subsistence benefit. All citizens of Estonia residing in Estonia and all aliens (both from the EU Member States and from third countries) residing in Estonia on the basis of a residence permit or right of residence have the right to receive the subsistence benefit and also other forms of social welfare. Basically all legal residents of Estonia are covered by the subsistence benefit scheme, with the exception of asylum seekers who do not yet possess a residence permit. However, asylum seekers are granted a special monetary

benefit which is equal to the applicable subsistence limit. Thus effectively the minimum income scheme in Estonia covers all lawful residents.

There are also no age requirements to receiving subsistence benefit. As the legal representatives of children are their parents (who have the right of custody), the application for subsistence benefit is made by an adult member of the family.

As outlined in chapter 2.1, the eligibility of subsistence benefit also depends on:

- the income of the applicant;
- the subsistence level established by the Parliament;
- housing expenses payable in a given month;
- the limits of deductible housing costs established by local governments.

Changes in any of these four factors may influence the eligibility for subsistence benefit as well.

2.3 Conditionality rules

A local government has the right to refuse a subsistence benefit:

- to a person between the age of 18 and the pensionable age capable of working who is not working or studying and who is not registered as unemployed with the Estonian Unemployment Insurance Fund or who has, more than once and without good reason, failed to comply with the Individual Action Plan or turned down suitable work offered to him or her, or has refused to participate in social services or study organised by a rural municipality or city government directed towards independent ability to cope.

The legislation thus contains a so-called activation clause. However, local governments may hesitate to implement such sanctions as the refusal of subsistence benefit would leave the person and his household basically with no income at all. This has also raised questions about whether such an activity requirement is in compliance with the constitutional right of every citizen to state assistance in case of need. Even if local governments require applicants for subsistence benefit to be registered as job seekers at the Estonian Unemployment Insurance Fund, the main reason for this is to enable them to be covered by public health insurance.

- if the subsistence benefit applicant or a child entitled to receive maintenance who lives together with the applicant, or other descendant or ascendant who needs assistance and is unable to maintain himself or herself has the right to receive support but refuses to submit a document certifying the right to receive the support or refuses to claim the support;
- if the corresponding local government finds that the movables and immovables used or owned by an applicant or his or her family ensure sufficient funds for coping for the person or his or her family. The legislation thus allows a discretionary asset-test to be conducted by a local municipality, but there are no formal criteria or rules. However, local government shall not refuse to grant the subsistence benefit if only one dwelling used for permanent habitation and objects essential for everyday life, studies and employment are used or owned by the applicant or his/her family.

And of course, when the person has cheated in his benefit application about his income, the benefit is not granted or the person has to pay it back.

2.4 Duration

A subsistence benefit is granted for a given month and is renewed on a monthly basis by local governments. There is no limit to how many times the benefit can be renewed.

2.5 Transitions

After the entitlement to unemployment benefits – unemployment insurance and allowance – has expired, i.e. a maximum duration of 360 calendar days for unemployment insurance and 270 days for unemployment allowance, the unemployed person has the right to apply for the subsistence benefit from his/her local government (it is also possible to apply while receiving the abovementioned unemployment benefits).

Local governments may require the applicants or recipients of subsistence benefit to be registered at the Estonian Unemployment Insurance Fund (EUIF) to keep them actively seeking for a job, ensuring they are covered for health insurance and also enabling their participation in labour market services. However, since the subsistence benefit an unemployed person might eventually lose if they did not follow an individual action plan prepared by the EUIF is rather small, the effect of the threat is rather moderate.

The subsistence benefit scheme also includes an inactivity trap as the marginal effective tax rate is 100% up to a certain earnings level, which often does not make low-paid work pay off. There was an option until 2014 in the Social Welfare Act that in case a person is without regular income, the average income of the six preceding months may be taken into account when assessing the eligibility and calculating the amount of subsistence benefit. Technically this clause allowed for smoothing the transition to work by gradually increasing the proportion of labour earnings that would fall under the means-test. It is not known, however, how often local governments applied this option. Since 1 January 2015 the Act has allowed smoothing of earnings only if earnings are received in advance or retroactively for several months.

3 Links with other social benefits and services

3.1 Components covered by MI schemes

According to the Social Welfare Act, the subsistence level shall be established on the basis of minimum expenses made on the consumption of foodstuffs, clothing, footwear and other goods and services which satisfy the primary needs. The category of other goods and services is interpreted as including goods for basic hygiene, medicines, fees for doctor's visits, public sauna fees and public transport tickets. The subsistence level itself does not include minimal housing costs, but the calculation of the subsistence benefit includes a compensation for housing costs within established limits.

For the calculation of the subsistence benefit, the principle remains that child allowance for the first and second child will be taken into account as household income, the child allowance for the third and each subsequent child will be taken into account only partly, and needs-based family benefit will remain exempt. In addition, social benefits for disabled persons, except the disabled parent's allowance; needs-based study allowance; and stipends, transport and accommodation benefits paid to unemployed persons are also exempt from the income calculation.

There is a supplementary benefit of EUR 15 per month (since 2011) that is paid to a person entitled to the subsistence benefit and whose dependants/family members are all minors, i.e. it is a lump-sum top-up benefit for single-parent households. The supplementary benefit is part of the subsistence benefit scheme and therefore financed from the state budget as well.

3.2 Other means-tested benefits

Needs-based family benefit was introduced in July 2013 as an additional targeted (means-tested) scheme for low-income families with children. Similarly to the subsistence benefit, the needs-based family benefits are granted and paid by local municipalities, but financed from the state budget.

According to the Social Welfare Act, a family with at least one child that is eligible for child allowance has the right to receive needs-based family benefit on condition that:

- 1) the average monthly net income of the family is below the income threshold (EUR 329 in 2015) of needs-based family benefit or
- 2) a subsistence benefit was granted to the family for the month preceding the application for a needs-based family benefit.

The income threshold of needs-based family benefit is based on the relative poverty threshold (which in turn is based on the Eurostat at-risk-of-poverty threshold) as published by Estonian Statistical Office by 1 March of the year preceding the budgetary year. Reference to the relative poverty threshold means that beyond families/households who are beneficiaries of the subsistence benefit scheme other low-income families not qualifying for the subsistence benefit can also receive additional financial support to alleviate the risk of poverty. In 2015, the needs-based family benefit for families with one child was EUR 45 and for families with at least two children EUR 90 per month.

Unlike the subsistence benefit which has to be applied (and renewed) every month, the needs-based family benefit is granted for three months at a time.

As derives from the qualifying conditions, all families with children receiving subsistence benefit are simultaneously eligible to the needs-based family benefit. The applicant only has to submit the application for subsistence benefits to become eligible.

Needs-based study allowance is a cash allowance based on the economic situation of the person and is granted to students (except doctoral students) to cover expenses related to the acquisition of higher education. Needs-based study allowance was introduced in September 2013 for students who were admitted to the university in the 2013/2014 academic year.

A student has the right to receive needs-based study allowance if:

- 1) he or she is an Estonian citizen or is staying in Estonia on the basis of a long-term or temporary residence permit or on the basis of a permanent or temporary right of residence;
- 2) he or she studies full-time and has by the starting semester cumulatively completed 75% of the study load required in the previous semesters, or studies full-time in the first semester;
- 3) his or her average monthly income does not exceed the maximum average income calculated for the receipt of needs-based study allowance established annually by the state budget (currently the applicable income maximum is EUR 329 per family member).

The needs-based study allowance is paid at three different levels: EUR 75, EUR 135 and EUR 220. The receipt and amount of the allowance depends on the average income of the student and their family members in the previous calendar year. The family's average income is calculated on the basis of taxable income in the calendar year preceding the academic year of application for the allowance.

A student is considered to belong to the same family as their parents until the age of 24, unless the student is married, a parent or a guardian: in these cases, the student is considered as a separate family.

The unemployment allowance is paid to the unemployed who do not qualify for or whose right to unemployment insurance benefit has expired. The unemployment allowance is granted to a person:

- who is registered as unemployed and is actively looking for work;
- whose income is lower than the rate of the unemployment allowance (i.e. 31 times the daily unemployment allowance rate);

- who has been employed or engaged in an activity equal to work for at least 180 days during the preceding 12 months.

The unemployment allowance is technically means-tested: it is paid only if a person's income is lower than the 31-fold daily unemployment allowance rate (EUR 112.22 in 2014, EUR 124.31 in 2015 and EUR 136.71 in 2016). The unemployment allowance is paid for up to 270 calendar days.

As noted, unemployment allowance is included for the purpose of calculating subsistence benefit. However, a large share of beneficiaries of the subsistence benefit is unemployed, and many receive unemployment allowance and the subsistence benefit simultaneously. Therefore there is a significant overlap between the two schemes, which has raised doubts and questions from policy analysts about the rationality of parallel schemes (both providing means- or income-tested benefits at rather low rates).

Local municipalities may establish supplementary social benefits payable from the local government budget. In this case, the local municipality council has full discretion on setting the relevant conditions and procedures as well as establishing the level of such benefits. Examples of needs-based social benefits are school lunch support, allowance to buy glasses or medicines, funeral benefits, one-time benefits for emergency expenses, heating allowance etc. There are also some local social benefits targeted at low-income individuals and families, which are paid on a regular basis as a supplementary income on top of the state subsistence benefit.

There is also a special scheme for disabled people based on the **Social Benefits for Disabled Persons Act**. Social benefits for disabled persons are exempt from household income calculation for the subsistence benefit and accordingly are paid in addition to the subsistence benefit. The Social Benefits for Disabled Persons Act stipulates the following categories of social benefits for disabled persons:

- disabled child allowance;
- disability allowance for a person of working age;
- disability allowance for a person of retirement age;
- disabled parent's allowance;
- education allowance;
- work allowance;
- rehabilitation allowance;
- in-service training allowance.

Disabled parent's allowance is considered as family income when calculating subsistence benefit. The other disability benefits are exempt, meaning that benefits aimed at partially compensating for disability-related additional costs are not regarded as income in the context of the subsistence benefit scheme. In other words, the risks of need and disability are regarded as separate categories, and the state of need for persons with disabilities entails higher financial expenditure.

3.3 Passport to other services and benefits

According to the new Social Welfare Act that took effect on 1 January 2016, local municipalities must assess whether the applicant or his family members need additional social welfare services. Local governments may also organise public works together with the Estonian Unemployment Insurance Fund. In fact, public works are also defined as one of the labour market services under the Labour Market Services and Benefits Act. The municipality must pay remuneration at a rate not less than the hourly minimum wage, and such remuneration is counted as income for the purpose of calculating the subsistence benefit. However, the motivation to provide such activation measures is low.

Receipt of the subsistence benefit does not provide health insurance coverage for unemployed people. However, local governments may require the applicants or recipients of subsistence benefit to be registered at the Estonian Unemployment Insurance Fund (EUIF). Besides keeping them actively seeking for a job, all registered unemployed people are also covered by the public health insurance.

In terms of measures to support and encourage (re)entry of unemployed persons into the labour market, the Labour Market Services and Benefits Act prescribes several targeted labour market initiatives. Labour market services under the Labour Market Services and Benefits Act are:

- provision of information on labour market services and benefits;
- job mediation;
- labour market training;
- career counselling;
- work practice;
- public works;
- coaching for working life;
- wage subsidy;
- business start-up subsidy;
- adaptation of premises and equipment;
- special aids and equipment;
- communication support at work interviews;
- working with a support person.

An Individual Job Search Plan is developed in cooperation between the unemployed person and the official of the Estonian Unemployment Insurance Fund, setting out the activities necessary for finding work, labour market services necessary for employment and other measures, along with the division of responsibilities and an implementation schedule. A case management method is applied to implement individual job search plans.

The Social Welfare Act entrusts local municipalities with the task of providing and financing a set of social services. These include:

- social counselling;
- debt counselling;
- home care services;
- personal assistant;
- social housing;
- adaptation of dwelling;
- social transport;
- general care homes;
- child care service.

Five core services – social counselling, home care services, social housing, social transport and general care homes – are provided (either organised by municipalities or subcontracted from other providers) by over 90% of municipalities.

In 2011-2012 the Ministry of Social Affairs elaborated voluntary quality standards, a set of 15 general guidelines for local governments aimed at supporting the convergence of the quality criteria of the social services offered by municipalities.

However, as the instrument was non-binding there was no mechanism to endorse its implementation.

A new Social Welfare Act was adopted on 9 December 2015 and entered into force on 1 January 2016. The amendments should improve the quality of the social welfare services by developing a common framework for the quality of the services that will guarantee uniform quality of the services all over Estonia. Note that the minimum requirements on quality of services will be applied from 1 April 2016 to give a short transition period for local municipalities. The Ministry of Social Affairs will financially support local governments in providing social services in co-operation with the European Social Fund.⁶

⁶ Ministry of Social Affairs (2015), press release <http://www.sm.ee/et/uudised/linnade-valdade-sotsiaalteenused-muutuvad-kvaliteetsemaks>

Part II - Analysis of Minimum Income Schemes

1 Assessment of adequacy, coverage, take-up and impact

1.1 Adequacy

The main indicators for assessing the adequacy of the subsistence benefit are the absolute poverty line or subsistence minimum, which is based on a minimum reference budget for a single person, and the relative poverty line, which is the usual 60% of median equivalised income per household member. There is also a reference budget for families with children measuring the realistic cost of raising a child, but this indicator has been calculated on an *ad hoc* basis (twice over the last decade⁷) and it is not updated annually. Statistics Estonia regularly calculates both the absolute and relative poverty thresholds, i.e. both indicators are in 'official' use in Estonia. The methodology for calculating the estimated subsistence minimum was developed in 2004 by researchers from Tartu University, in cooperation with representatives of the Ministry of Social Affairs, the Estonian Statistical Office and the Estonian Society of Nutritional Sciences. Whereas the relative or at-risk-of-poverty threshold is calculated as a fixed share of median household income (thus reflecting the distribution of disposable income), the estimated subsistence minimum is based on calculated minimum expenditure in real prices.

The estimated subsistence minimum includes three main expenditure groups: expenditure on food, expenditure on dwelling, and individual non-food expenditures. The values of abovementioned expenditure groups are presented as a time series in Table 1 in Annex.

The estimated subsistence minimum for a single person household was EUR 203 per month in 2014 (Table 1). Food expenditure is calculated on the basis of the minimum food basket and priced at EUR 92 and minimum expenditure on dwelling was counted as EUR 76 EUR in 2014. As can be seen, expenditure on food and housing comprise 83% of the subsistence minimum, while 17% (EUR 35) remains for all other types of expenditure.

The Ministry of Social Affairs has also defined four poverty strata (Table 2 in Annex) on the basis of the estimated absolute poverty line (subsistence minimum) for capturing different poverty layers:

- direct poverty – income up to 80% of the absolute poverty threshold;
- poverty endangering subsistence – 81–100% of the absolute poverty threshold;
- poverty risk area – 101–125% of the absolute poverty threshold;
- poverty-risk-free area – over 125% of the absolute poverty threshold.

It follows that according to the Estonian absolute poverty concept, a single person with a net income over EUR 257 per month (or 125% of EUR 205) would be considered out of the risk of poverty in 2013, while according to the relative poverty indicator the same person would be considered at risk of poverty. There is thus a substantial gap between those who are considered as poor or at risk of poverty using the absolute poverty measure and those identified by the relative poverty measure.

⁷ Tiit, E.-M. (2004) Lapse ülalpidamiskulude arvutamise meetodika. (Methodology for calculating child maintenance costs). <http://www.andmemasin.eu/reports/failid/608-lapse-ualalpidamiskulude-arvutamise-meetodika.pdf> ,

Sammul, M., Tiit, E.-M., Varblane, U. (2013). Lapse ülalpidamiskulude arvutamise meetodika uuendamise ja analüüs (Analysis and updating of methodology for calculating child maintenance costs). http://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Sotsiaalvaldkond/lapse_ualalpidamiskulud_lopparuanne_dets2013.pdf

Thus, Estonian social policy targets various poverty rates and also applies somewhat different income thresholds for means-tested benefits. The poverty lines and the income thresholds are not always in accordance with each other. The Ministry of Social Affairs simultaneously targets both absolute and relative poverty rates. The subsistence level, which is lower than the absolute poverty line, is used as a basis for subsistence benefits. Three years earlier the relative poverty line was used as a basis for means-tested family benefits. Different benefit schemes also apply slightly differing methods for finding households' equivalised incomes. Hence there is no direct match between the targets of the social policy and its instruments. Figure 1 (see Annex) presents an overview of different poverty lines and subsistence benefit thresholds for various household types.

There is a significant difference between the indicators in terms of what relative weight is given to expenditure on children. While the subsistence level, which is the basis for the subsistence benefit, and the absolute poverty line are considerably lower than the relative at-risk-of-poverty threshold, the first two give higher weights to the share of children in the total household expenditure (1.0 and 0.5 versus 0.3 respectively). In other words, whereas for single adult persons the difference between absolute and relative poverty thresholds is higher, the difference is smaller for families with children. Giving higher weights to children has been motivated by the actual expenditure structure of Estonian households, while it is also a political decision which favours families with children (at least compared to single adults).

The subsistence benefit depends on the subsistence level, which is established by the Parliament for each budgetary year and should reflect the minimum expenditure needed to ensure a decent standard of living for those in need. In theory, the level is established on the basis of minimum expenditure on the consumption of foodstuffs, clothing, footwear and other goods and services which satisfy primary needs. In practice, the subsistence level is a political decision, influenced by budgetary constraints. The subsistence level itself should not cover housing costs but the calculation of the subsistence benefit includes a compensation for housing costs within established limits (see Part I, Section 2.1).

Figure 2 (see Annex) outlines the changes in subsistence level over the period between 2004 and 2014 and compares the components of the estimated subsistence minimum, i.e. the minimum food basket together with a basket of services. As is apparent from the figure, the subsistence level barely covers minimum expenditure on food. In 2014 the minimum basket of foodstuffs cost EUR 91.96 per month⁸, whereas the subsistence level that besides the foodstuffs should also cover the costs related to footwear and other services/goods needed to satisfy primary needs was EUR 90. The upcoming substantial increase in the subsistence level for 2016 to the level of EUR 130 is necessary to somewhat relieve the situation of recipients of subsistence benefit.

Figure 3 (see Annex) compares the average amount of subsistence benefit to other social security benefits, and also to different poverty lines and the minimum wage. It should be borne in mind that the amounts are not directly comparable as the poverty thresholds and other minimum amounts of benefits and minimum wage are related to single person households whereas the average subsistence benefit relates to the average benefit for all household types. As is apparent from the figure, the average subsistence benefit is higher than the subsistence level as housing expenses are compensated on top of securing the subsistence level. The gap between the average subsistence benefit and the subsistence level has increased over the last decade. There are two possible explanations for this. Firstly, housing costs have increased at a higher rate than other expenditure and secondly, compensation of housing costs has followed actual developments in housing prices while there is no regular upgrading of

⁸ According to the Statistics Estonia, [Ühe liikmega leibkonna arvestuslik elatusmiinimum, 30 päeva minimaalse toidukorvi maksumus ja mittetoidukulutuste maksumus](#)

the subsistence level based on price increases. The graph also reveals that the average amount of subsistence benefit that also takes into account a housing component falls remarkably below the estimated subsistence minimum as well as below the relative poverty line.

Figure 3 also illustrates that all discussed social security benefits are below the minimum wage, which in turn is below the at-risk-of-poverty threshold (EUR 358 in 2013). In this context, raising the minimum rates of benefits faster than the minimum wage would alter the work incentives, i.e. the motivation of unemployment insurance or subsistence benefit recipients to return to work. Therefore, maintaining the 'making work pay' principle would require a simultaneous increase in the minimum wage⁹.

To sum up, whatever adequacy indicator is chosen – be it just the minimal food basket, the absolute poverty line (the estimated subsistence minimum) or the 60% of median equivalised income threshold (the EU at-risk-of-poverty or relative poverty threshold) – the current subsistence benefit which should ensure a decent standard of living falls well below. The upcoming increase in the subsistence level in 2016 to the level of EUR 130 should somewhat relieve the situation of recipients of subsistence benefit.

1.2 Coverage

The administrative data of the Ministry of Social Affairs indicates that the number of recipients of the subsistence benefits has followed the economic cycle quite closely. There was a steady decline in the number of subsistence benefit recipients from 2004-2008, an increase in 2009-2011 and a decline since then. The number of household members that have received subsistence benefits has varied between 1.5-5.2%. (See Figure 4 in Annex)

Being the last resort safety net measure, the scope of the minimum income scheme is highly dependent on the rest of the social protection system, and more specifically, to what extent other social protection schemes are geared towards low-income individuals and households. The number of recipients depends also on the subsistence level, which determines the eligibility to the benefit. Notably, there have been several occasions when the subsistence level was not upgraded: 2002-2004, 2008-2010, and 2011-2013 (see Figure 3 in Annex). The absence of regular indexation/upgrading of subsistence level also contributed to the decline in the number of beneficiaries during the years of economic growth when household disposable incomes increased (2002-2004 and 2011-2013).

A closer look at beneficiaries of the subsistence benefit (Table 3 in Annex) reveals the types of households and social groups who are the main beneficiaries of the minimum income scheme.

Households with unemployed persons are the biggest group among subsistence benefit recipients. In the prevailing number of cases these are unemployed persons who are not entitled to unemployment insurance benefit or the state unemployment allowance (due to qualifying conditions), or long-term unemployed persons who have exhausted their rights to unemployment benefits (due to expiry of the maximum period of payment of unemployment benefits). Slightly over 30% of all households benefiting from the subsistence benefit scheme are households with children. Single parent households are the biggest subgroup in this category. Over a quarter of all households benefiting from the subsistence benefit scheme are households with pensioners. The largest group here are recipients of work-incapacity (disability) pensions. In contrast, the share of old-age pensioners among recipients of subsistence benefit is relatively low. The old-age pension, despite its relatively low

⁹ In October 2015, The Estonian Trade Union Confederation and The Estonian Employers' Confederation came to an agreement on further developments in minimum wage – substantially increasing from EUR 390 per month to EUR 430 by 2016 and EUR 470 by 2017.

replacement rate, keeps most old-age pensioners above the subsistence level. However, some old-age pensioners receiving lower than average pensions may qualify for the subsistence benefit during the winter months when housing expenses on heating are higher.

1.3 Take-up

Benefit non-take-up has not been directly studied, and there is no direct information on how many persons who otherwise would be eligible do not submit applications for the subsistence benefit. However, some estimations of non-take-up can be based on comparison of the subsistence benefit data with absolute poverty data (see Figure 5 in Annex).

According to the Ministry of Social Affairs, in 2012 subsistence benefit was paid to 39,333 persons, which was approximately 3% of the Estonian population. At the same time, in 2012, 4.8% of the Estonian population lived in direct poverty with incomes less than 80% of the absolute poverty threshold and 2.6% of the population lived in poverty endangering subsistence, with incomes between 80–100% of the absolute poverty threshold. The share of population below the absolute poverty line was 7.3%. The difference (1.8% of population) can then be explained either by factors such as the housing expenditure of these households being less than EUR 73 per month or by non-take-up.

1.4 Impact

There are a few studies that have analysed the impact of subsistence benefits on the reduction of poverty. Trumm and Kasearu (2011)¹⁰ analysed the 2009 registry data for recipients of subsistence benefits and their total household income. They compared the total household income after subsistence benefits with the absolute poverty line. Their analysis showed that only for single elderly people was the final income after subsistence benefits higher than the absolute poverty line (about 135% of the poverty line). Households with disabled member(s) had a total income of 95.3% of the absolute poverty line. The total income of lone parents was 80.7% of the absolute poverty line on average. All other risk groups fell below 80%, i.e. below the deep poverty line. The subsistence benefit was not enough for families with children as their total income after receiving the benefit was only 64.3% of the absolute poverty line.

Trumm and Kasearu (2011) also simulated the impact of a substantial rise in the subsistence level (from EUR 64 to EUR 96 and EUR 128) on the reduction of absolute poverty for those households which already received subsistence benefits. They showed that for households with children about 21% of households escaped from absolute poverty when the EUR 96 subsistence level was applied and 77% for a subsistence level of EUR 128. The results for households with unemployed persons were 23% and 57% and for single parent households 55% and 90%.

During the last years there have been many changes to better support families with children, e.g. introduction of needs-based family benefits, substantial increase in child allowances and equalizing children's weight with household's first member's weight when calculating subsistence level for the household (i.e. scales currently in force 1:0.8:1).

Võrk, Paulus, Leppik (2014) carried out numerous hypothetical benefit policy simulations to reduce the absolute poverty rate using the microsimulation model EUROMOD. They calculated that an increase of subsistence level from EUR 90 to EUR 125 would reduce the absolute poverty rate among children from 6.7% to 4.5%. They also concluded that the most cost-effective policy measures for reducing

¹⁰ Trumm, A., Kasearu, K. (2011). Study on the use of subsistence benefit and its impact on alleviating poverty in 2005-2010. A final research report. Ministry of Social Affairs, Resta, Tartu University.

absolute poverty among families with children were changes in the subsistence benefits; either additional top-ups for families with children or increasing the child's weight in the formula of subsistence benefits (see also Figure 6 in Annex). That was followed by an increase in the needs-based family benefits. About 90% of the additional expenditure that occurs due to these policy measures goes to families with children below the absolute poverty risk threshold (125% of absolute poverty line). On the other hand, less than 10% of the increase in universal family benefits would go to families below the absolute poverty line.

2 Links to other two pillars of active inclusion

2.1 Inclusive labour markets

Local governments may require the applicants or recipients of subsistence benefit to be registered at the Estonian Unemployment Insurance Fund (EUIF) to keep them actively seeking for a job, ensuring their health insurance coverage and also to enable their participation in labour market services. However, since the subsistence benefit that an unemployed person might eventually lose if they were not following an individual action plan prepared by the EUIF is rather small, the threat effect is rather moderate.

Analysis of 2014 data suggests that about 83% of unemployed people who receive subsistence benefits are also registered at the Estonian Unemployment Insurance Fund (see Figure 7 in Annex). Hence the majority of unemployed people also receive at least some kind of active labour market measures. Our analysis shows that women and middle aged people (25-54) have a higher proportion of registered unemployed.

In addition to the measures offered by the Unemployment Insurance Fund, local municipalities can organise public work for recipients of the subsistence benefit. In fact, public work is also identified as one of the labour market services under the Labour Market Services and Benefits Act. Public work is defined as temporary employment not requiring prior training, such as public maintenance, cleaning of streets, parks and other public spaces, or different community support work. Participation in public work is not strictly speaking mandatory for unemployed persons, but requires the consent of the person, and cannot exceed more than 10 working days or 50 working hours in any calendar month. However, the legislation contains a so-called activation clause (see below), allowing for termination of the subsistence benefits in cases of repeated refusal to participate in public work. The municipality must pay remuneration at a rate not less than the hourly minimum wage, and such remuneration is counted as income for the purpose of calculating the subsistence benefit. However, municipalities question the financing principles of such activation measure. The organisation of such public work and payment of remuneration are obligations of the local municipalities, which brings savings to the state budget resources (as expenditure on the subsistence benefit would decline), but increases the expenditure of municipalities.

However, according to the statistical data of the Unemployment Insurance Fund, only 297 people entered the public work programmes in six counties.¹¹ Of those 67% were from Harju County.

Unfortunately there are no evaluations that would have analysed the effect of active labour market programmes on subsistence benefit recipients.

The subsistence benefit scheme also includes an inactivity trap as the marginal effective tax rate is 100% up to a certain earnings level and therefore often does not make low-paid work pay off.

¹¹ Estonian Unemployment Insurance Fund. Statistical data on active labour market measures, file https://www.tootukassa.ee/sites/tootukassa.ee/files/almp_1.xls, sheet "sisenemised" (Tööturuprogrammidesse sisenemised / Inflow to active measures)

In Estonia, which has very simple income tax rules (basic tax allowance and a constant marginal income tax rate), negative labour supply incentives for low-wage earners arise mainly from means-tested subsistence benefits and needs-based family benefits (see Figure 8 in Annex). It means that additional increases of either subsistence benefits or means-tested family benefits would reduce labour supply incentives for certain income ranges even more.

- To reduce the 100% marginal effective tax rate created by the subsistence benefit formula in certain income ranges when person enters the labour market with an initially low wage, for example during a probationary period, local governments technically might take the average income of the six preceding months into account when assessing the eligibility and calculating the amount of the subsistence benefit until 2014. This would reduce the marginal effective tax rates during the first six months of employment. However, it is not known how often this option to smooth the transition from inactivity to work was used. Since 1 January 2015 the Social Welfare Act has allowed smoothing of earnings only if earnings are received in advance or retroactively for several months.
- The average number of satisfied applications per year was 6.1 in 2014 (see Figure 9 in Annex). Households with long-term unemployed have the largest average number of applications, 7.1, and households with old-age pensioners the smallest number, 2.9. The latter reflects winter months when housing costs are higher. As disability pensions are lower, disability pensioners also have a higher average frequency of applications.

2.2 Access to quality services

In order to alleviate an individual's situation, local governments employ both social services and other forms of social assistance, depending on the situation in question. According to the Social Welfare Act, local municipalities must assess whether the applicant or his family members need additional social welfare services. The benefit recipients may receive additional services from the Estonian Unemployment Insurance Fund (see Part I, section 3.3).

The thematic report on the integrated support for the long-term unemployed (Võrk, Leetmaa, Leppik 2015) outlined that since 2011 one of the aims of the EUIF has been to collaborate with local municipalities to help long-term unemployed people and individuals coping with difficulties to return to the labour market. A case worker from the EUIF and the social worker of a municipality 1) select the individuals in need, 2) assess the difficulties those individuals face in finding a job, 3) plan the services and activities needed for those individuals to overcome the difficulties together, and 4) conclude cooperation agreements that specify how these services are to be provided. Most often, tailor-made coaching and job clubs are provided to the unemployed as a result of this cooperation. Different types of counselling including psychological, social and debt counselling, training or practical activities related to local community services may be provided.

Unfortunately, according to personal communication with the Ministry of Social Affairs, there is no available registry of data that can show how often households who receive subsistence benefits also receive various labour market services or counselling, either by the EUIF or by local municipalities. Only unlinked aggregate data exist on the number of participants of a few services by municipalities.¹² Aggregate data for municipalities is available for the following services: home care service (*koduteenus*), personal assistant (*isikliku abistaja teenus*), child care service,

¹² Technically the register of recipients of subsistence benefits could be merged with the register of the Unemployment Insurance Fund to analyse which labour market services are used by the recipients of subsistence benefits.

social housing (*eluasemeteenus*), foster family (*perekonnas hooldamine*), and support person service (*tugiisikuteenus*).

Leppik (2014) relying on unpublished data (see Table 4 in Annex) summarizes that effective access to services varies considerably between municipalities. Five core services – social counselling, home care services, social housing, social transport and general care homes – are provided by over 90% of municipalities. For other services, gaps in coverage are substantially higher.

On 24 September 2015 the government approved draft amendments to the Social Welfare Act. The amendments should improve the quality of social welfare services by developing a common framework that will guarantee uniform quality and availability of the services all over Estonia. The Ministry of Social Affairs will financially support local governments in providing social services in co-operation with the European Social Fund.¹³ The draft amendments are also part of the implementation of work capacity reform. This development is in accordance with country specific recommendations for Estonia in 2014, which emphasised the need to improve the efficiency of local governments and ensure the provision of quality public services at a local level, especially social services complementing activation measures.

¹³ Ministry of Social Affairs (2015), press release <http://www.sm.ee/et/uudised/linnade-valdade-sotsiaalteenused-muutuvad-kvaliteetsemaks>

3 Summary table

Assessment of MI scheme(s)				
	Assessment			Evolution over time
Adequacy How adequate is the level of MI benefits?	Adequate	Somewhat inadequate	Very inadequate	
			X	P (rise in 2016)
Coverage How extensive is the coverage of people in need?	Fairly comprehensive	Partial	Very limited	
		X		SQ
Take-up How complete is the take-up of MI benefits by those entitled to them?	Fairly complete	Partial	Quite limited	
	X			SQ
Impact on Poverty Reduction (1) What is the impact of MI provision in reducing the at-risk-of-poverty?	Strong impact	Partial impact	Very limited impact	
			X	P (rise in 2016)
Impact on Poverty Reduction (2) What is the impact of MI provision in reducing the at-risk-of-poverty depth?	Strong impact	Partial impact	Very limited impact	
		X		P (rise in 2016)
Link to Active Labour Market Policy (ALMP) In practice, how effective are the links between MI scheme(s) and ALMP measures?	Very effective links	Mediumly effective	Very ineffective	
		X		SQ
Link to Adequate Services In practice, how effective are the links between MI scheme(s) and access to adequate services?	Very effective links	Mediumly effective	Very ineffective	
		X		SQ

Notes: X in one of the three "Assessment" columns and a P (Positive evolution), SQ (Status Quo), N (Negative evolution) in the "Evolution over time" column.

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Annex

Table 1: Estimated subsistence minimum per 30 days for one person household, EUR, 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Estimated subsistence minimum	169.1	170.0	174.8	186.3	195.6	205.3	203.4
Minimum estimated food basket	75.5	75.3	77.6	85.1	88.3	92.0	92.0
Non-food expenditures	93.6	94.7	97.2	101.2	107.3	113.3	111.5
housing	59.1	59.7	61.4	65.0	70.9	77.1	76.0
health	7.2	7.5	7.6	7.6	7.6	8.0	8.3
communication	7.4	7.4	7.7	7.4	6.9	6.2	5.9
clothing and footwear	4.7	4.7	4.8	5.0	5.2	5.5	5.5
transport	4.2	3.9	4.2	4.4	4.5	4.4	4.3
education	4.3	4.5	4.6	4.7	5.0	4.8	4.0
miscellaneous goods and services	2.8	3.0	3.1	3.2	3.2	3.3	3.4
recreation, entertainment	2.6	2.6	2.6	2.6	2.6	2.7	2.8
household goods	1.3	1.3	1.3	1.3	1.3	1.3	1.4

Source: Statistics Estonia, on-line database, table LE27 "[Ühe liikmega leibkonna arvestuslik elatusmiinimum, 30 päeva minimaalse toidukorvi maksumus ja mittetoidukulutuste maksumus](#)", last accessed on 20 October 2015. Note: for a single person household.

Table 2: Poverty strata on the basis of estimated subsistence minimum (i.e. absolute poverty line) and relative poverty line, EUR, 2008-2013

year/ indicator	80% of absolute poverty line	absolute poverty line	125% of absolute poverty line	relative poverty line	Subsis- tence line	Average subsistence benefit per capita
2008	135	169	211	310	63.9	95.7
2009	136	170	213	286	63.9	106.5
2010	140	175	219	280	63.9	123.8
2011	149	186	233	299	76.7	147.0
2012	156	196	244	333	76.7	150.1
2013	164	205	257	358	76.7	155.9

Source: Statistics Estonia, on-line database, table LES06 "[Leibkonnaliikme ekvivalentnetosissetulek ja vaesuse piir](#)", own calculations, last accessed on 20 October 2015. Note: for a single person household.

Table 3: Beneficiaries (households) of subsistence benefit by household type in 2012 - 2014

	2012		2013		2014	
	Number of households	%	Number of households	%	Number of households	%
Total	21,585		19,320		16,571	
With registered unemployed person(s)	14,669	68.0%	12,244	63.4%	9,742	58.8%
with child(ren)	4,348	20.1%	3,698	19.1%	2,960	17.9%
with long-term unemployed person(s)	4,699	21.8%	3,499	18.1%	2,318	14.0%
With child(ren)	6,788	31.4%	6,123	31.7%	5,294	31.9%
with one adult (single parent)	4,295	19.9%	3,956	20.5%	3,480	21.0%
With pensioner(s)	5,003	23.2%	5,180	26.8%	4,887	29.5%
with old-age pensioner(s)	851	3.9%	861	4.5%	715	4.3%
with pensioner(s) for incapacity for work	3,726	17.3%	3,881	20.1%	3,698	22.3%

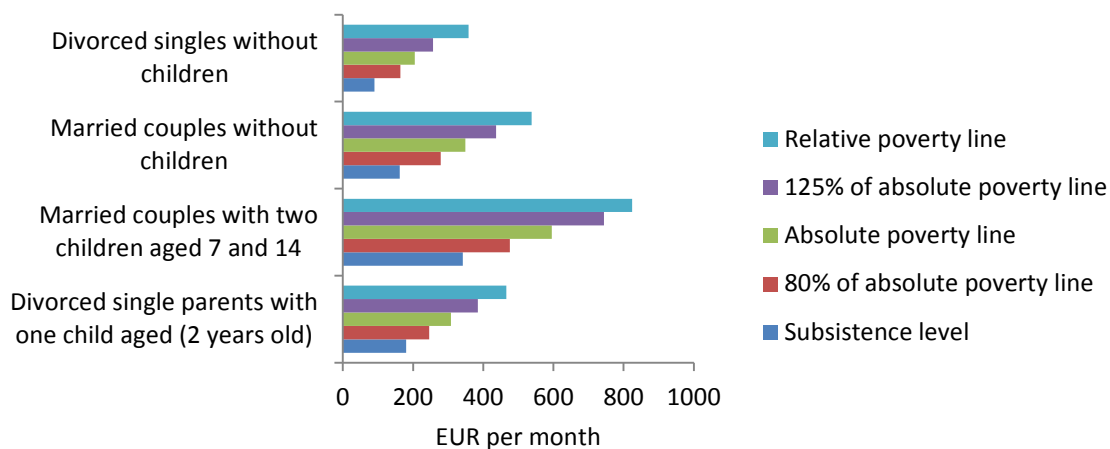
Source: Ministry of Social Affairs. Note: Only the main household types are included in the table. A person may simultaneously belong to several household types, e.g. an unemployed single parent. Therefore the sum of main household types is more than 100%.

Table 4: Share of municipalities not providing specific social services in 2013 (n=225)

Social service	Share of municipalities not providing this service
night shelter	62%
personal assistant for disabled persons	61%
day centre for children/youth	58%
support person for adults	56%
child day care service	50%
adaptation of dwelling	49%
child shelter	47%
day centre for disabled persons	42%
support person for children	42%
day centre for elderly	39%
debt counselling	25%

Source: Leppik (2014), Table 2, referring to data collected by Kriisk, K. and Piho, M.

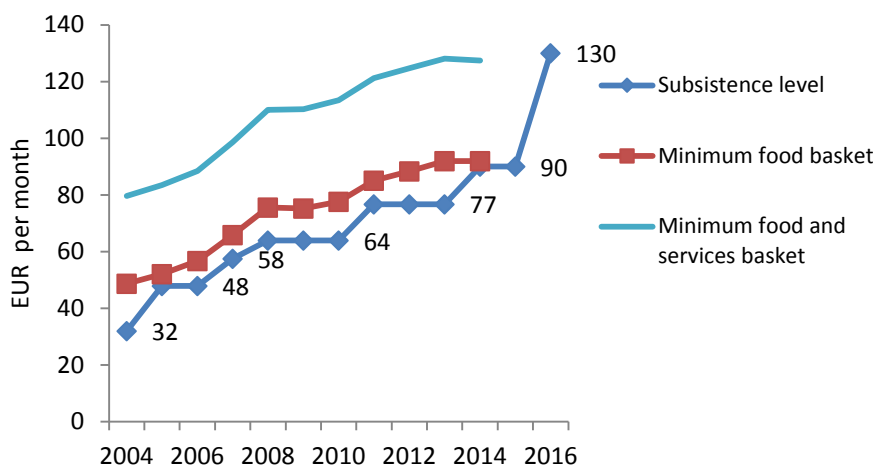
Figure 1: Different poverty lines (2013) and income threshold of subsistence benefit (2015) for different household types



Source: Statistics Estonia, on-line database.

Notes: In case of relative poverty line the scale 1:0.5:0.3, in terms of absolute poverty line the relevant scale 1:0.7:0.5 and for the subsistence benefit level 1:0.8:1 is used. Relative and absolute poverty lines are as of 2013 and the subsistence benefit threshold/level as of 2015 for the first member of household. Subsistence level does not include housing component.

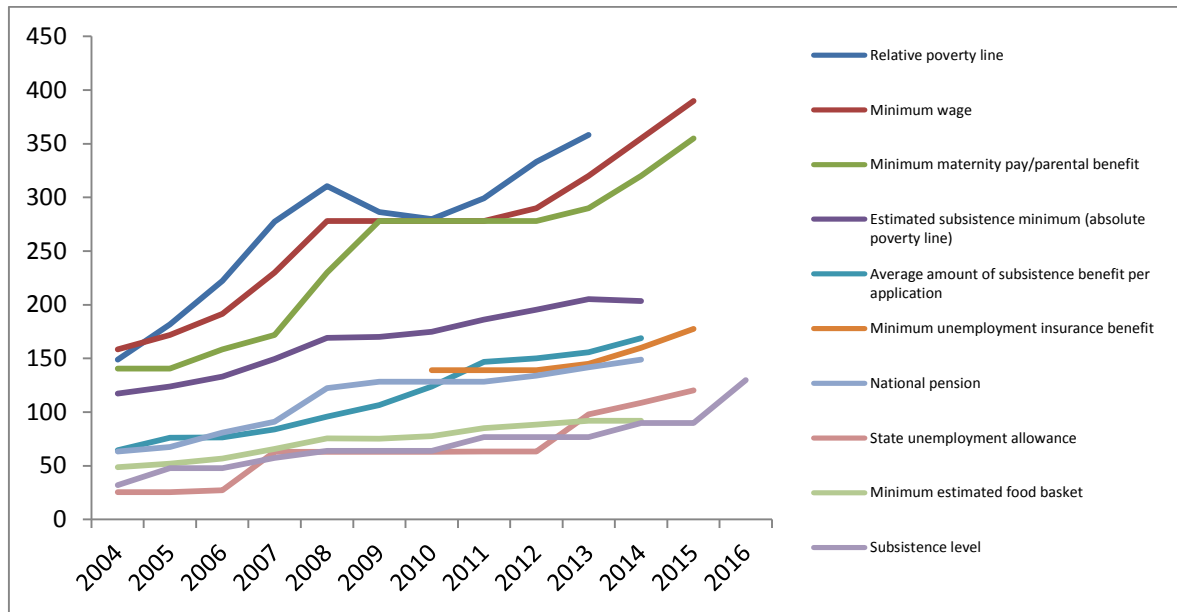
Figure 2: Subsistence level versus the cost of minimum food basket and the basket of minimum food and services, EUR, 2004-2016



Source: Statistics Estonia, on-line database, table LE27 "[Ühe liikmega leibkonna arvestuslik elatusmiinimum, 30 päeva minimaalse toidukorvi maksumus ja mittetoidukulutuste maksumus](#)", last accessed on 11 October 2015.

Note: for a single person household. Subsistence level does not include housing component.

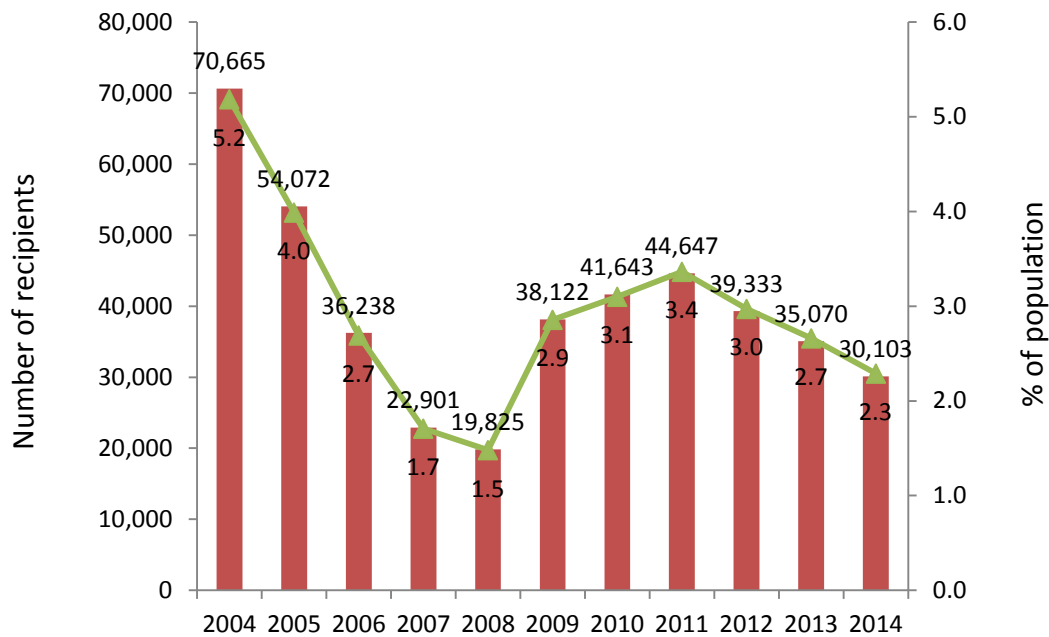
Figure 3: Rates of subsistence level, minimum social security benefits, minimum wage, average amount of subsistence benefit per application, and absolute and relative poverty lines in Estonia 2004-2015, EUR



Source: Statistics Estonia, Ministry of Social Affairs, on-line databases.

Note: all amounts, except the average amount of subsistence benefit, are presented for a single person household. The minimum unemployment insurance benefit, the minimum parental benefit and the minimum wage are subject to income tax but here the amounts are presented in gross terms. Subsistence level does not include housing component.

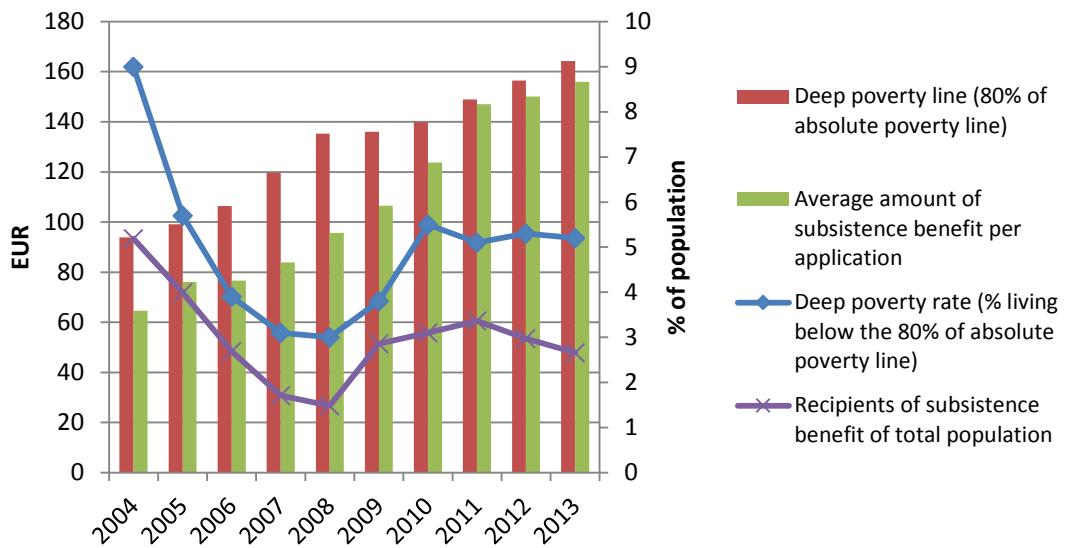
Figure 4: Beneficiaries of subsistence benefit 2004 - 2014



Source: Ministry of Social Affairs.

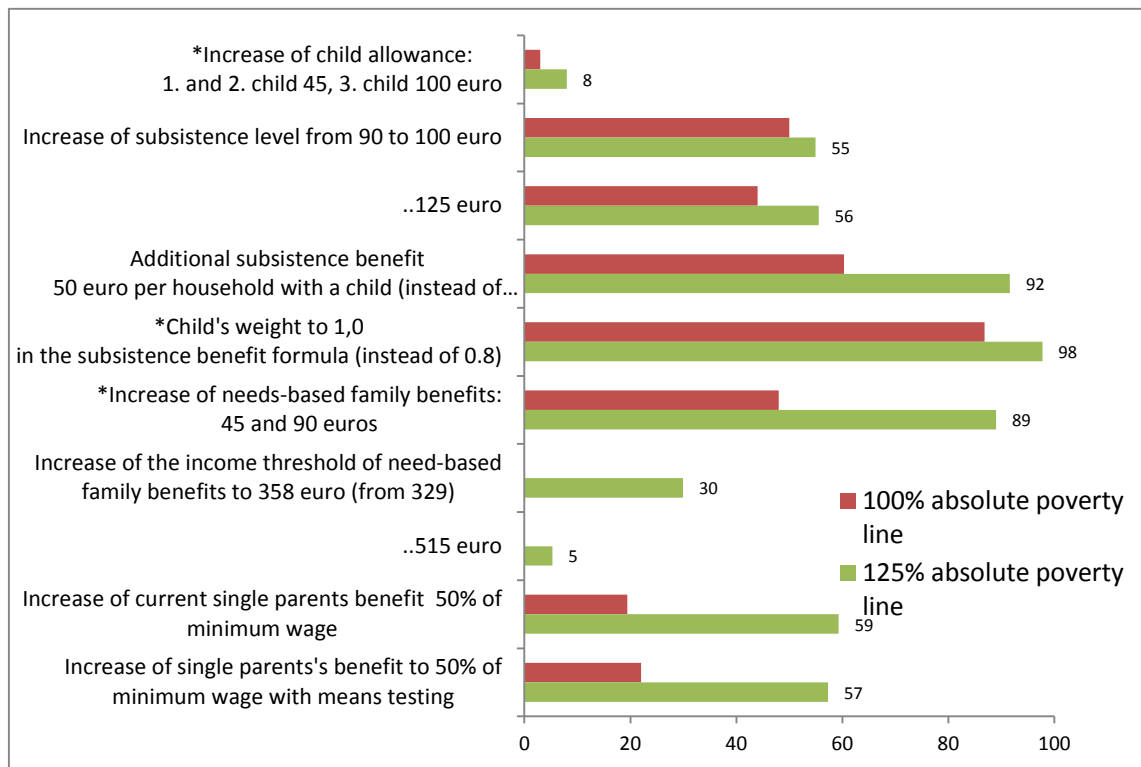
Note: year 2010 covers only II – IV quarter

Figure 5: Beneficiaries of subsistence benefit and absolute poverty rates



Source: Ministry of Social Affairs.

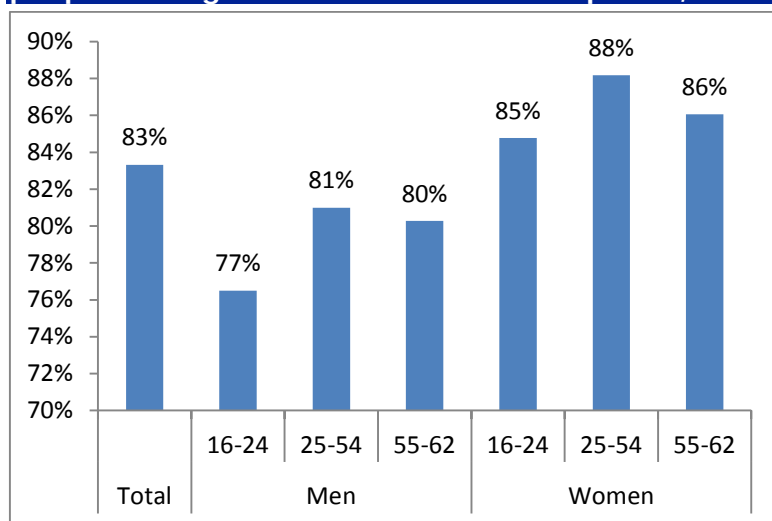
Figure 6: Proportion of simulated additional benefits going to families with children below absolute poverty line



Source: Vörk, Paulus, Leppik (2014).

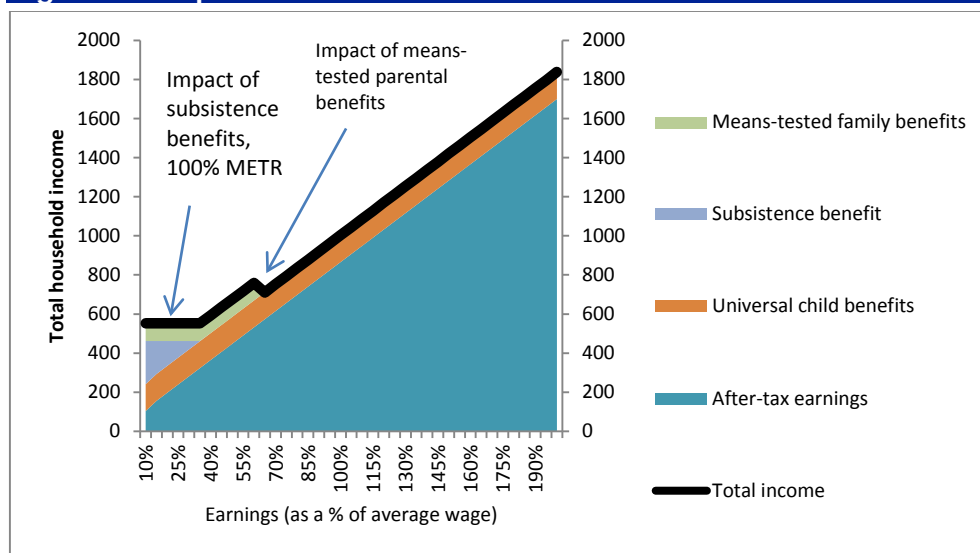
Note: policy measures with * denote those that will be implemented in 2015 according to the new government coalition agreement from March 2014.

Figure 7: Proportion of registered unemployed among total unemployed people among subsistence benefit recipients, 2014



Source: Ministry of Social Affairs, own calculations.

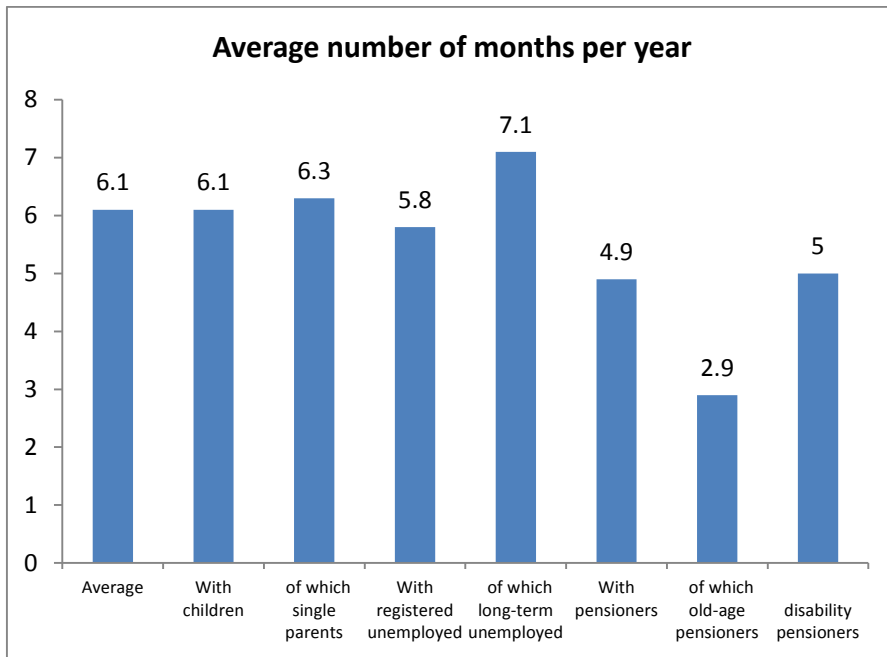
Figure 8: Impact of means-tested benefits on households' net income, 2015



Source: Vörk, Paulus, Leppik (2014)

Note: calculations for a family with 2 adults, one being inactive, and 2 children (aged 2 and 6).

Figure 9: The average number of satisfied applications per year by household type



Source: Ministry of Social Affairs, http://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Statistika/Sotsiaalvaldkond/Sotisaalhoolekanne/2014._aasta.docx

