



New scheme to support single parents and punish maintenance allowance debtors in Estonia

ESPN Flash Report 2016/48

ANDRES VÖRK AND HANNA VSEVIOV – EUROPEAN SOCIAL POLICY NETWORK

JULY 2016

Description

Estonia's new Family Benefits Act extends the maintenance support paid by the state to single parents when the other parent has not fulfilled the obligations decided on by the court. The government will claim the amounts from the debtor parent using administrative measures. The new scheme will encourage single parents to go to court, and reduce their risk of poverty.

LEGAL NOTICE

This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

In Estonia, about 16.2% of children lived with a single parent in 2014 (EU-28 16.6%; Eurostat). Most single parents are mothers (92% according to 2011 Population Census). At the same time, single parent households face a considerably higher risk of poverty or social exclusion (44.2% in 2014) than the general population (26.0%). (The EU-28 respective figures are 48.3% and 24.4%; Eurostat.) The proportion of single parent households who live below the nationally set subsistence minimum was 15.6% in 2014, which is also considerably higher than the population average of 6.3% (Statistics Estonia).

One of the reasons for the high poverty risk of single-parent households is that the other parent, i.e. the father in about 97% of cases (court statistics), sometimes does not pay maintenance for the children. In 2014, there were about 9000 parents of minor children, which is about a quarter of single parent households, who did not pay maintenance, although they had been ordered to do so by the court. In total they owed their children about €10.8 million (i.e. the equivalent of around 60% of all family benefits paid by the state to single parent families). The average maintenance payment set by the court was €160 per month and the average outstanding debt was €960 in 2013 (source: Explanatory note to the Family Benefits Act).

On 15 June 2016, the Estonian Parliament unanimously adopted a new Family Benefits Act (Perehüvitiste seadus) that enters into force on the 1st of January 2017. With the new act, when a parent does not fulfil his or her maintenance obligation towards his or her child, the maintenance support (elatisabi) is paid by the state. The state will then claim back the support from the debtor parent. The state may take considerable administrative measures to collect the debt, such as rescinding a driving license, restricting entrepreneurial support, publishing the list of debtors (the entire list is not published currently, but everyone can introduce a query on a particular individual), etc. Many changes came into force in March 2016 in the Code of Enforcement Procedure that has widened the list of possible sanctions.

Maintenance support includes two types of support: maintenance support that is paid during the court proceedings, which already exists, and maintenance support that is paid during the enforcement proceedings, which is a new benefit.

With the new regulation, the duration of the payment during the court proceedings increases from 90 to 150 days, which is about the average duration of proceedings, and the amount increased slightly to 100 euros per month (this is about a quarter of the

post-tax minimum wage in 2016).

Maintenance support paid during the enforcement proceedings is a completely new regime. In such a case, the court in its decision must have obliged the other parent to pay the child maintenance. If the other parent does not fulfil his or her obligation, enforcement proceedings for the court ruling must begin. The maintenance support during the enforcement period is also up to 100 euros per month and it is paid until the child reaches the age of 18 or, if the child continues his or her studies, up to the age of 21.

The support is paid by the Social Insurance Board. IT solutions have been created that facilitate automatic data exchange between the data system of bailiffs (who execute judicial decisions) and the Social Insurance Board to reduce the administrative burden resulting from the new scheme.

Outlook & Commentary

The difficult economic and social situation of single parent households has been a topic of discussion both in the public media and among policymakers for some time now in Estonia. The explicit decision to strengthen the role of the state in the relationship between a child and a parent who does not pay maintenance was

included in the current government's coalition agreement in Spring 2015.

The newly adopted Family Benefits Act received unanimous political support from both the coalition and the opposition parties – a situation in the Estonian Parliament that has not been seen for a long time in the area of social policy. It is believed that the state has higher chances of collecting debts from debtors than single parent households would have, and this way the socio-economic situation of single parents should improve.

The new scheme should reduce the risk of poverty of single parent households. Vörk, Paulus and Leppik (2014) showed that family benefits targeted at single parent households are a cost-effective way to reduce poverty. The open question is whether it would have been cheaper to simply raise child benefits to single parent households rather than creating a special institution to deal with parents who do not fulfil their obligation. However, it is expected that the possible behavioural effects will outweigh the additional administrative costs of the scheme. The new scheme should encourage more single parents to claim their legitimate rights in court and reduce the evasion of maintenance payments.

Further reading

Perehüvitiste seadus (Family Benefits Act), available at <http://www.riigikogu.ee/download/0aa3282b-b828-4097-aa2d-5280dbc93ba1>

Explanatory note to the Family Benefits Act, available at <http://www.riigikogu.ee/download/2970ae35-508c-431d-abaf-232dbfb76906/old>

Andres Vörk, Alari Paulus, Cenely Leppik. 2014. Peredele mõeldud toetuste ning alushariduse ja lapsehoiu rahastamise mõju analüüs vaesusele ja töötamise stiimulitele (Analysis of the effects of family benefits and financing of early childhood education and care on poverty and work incentives). Tallinn: Praxis Center of Policy Studies. English summary available at http://www.praxis.ee/wp-content/uploads/2014/03/Perepoliitika_3.pdf

Eurostat. Share of children (aged less than 18) living with their parents by type of household, http://ec.europa.eu/eurostat/web/products-datasets/-/iic_lvps20, accessed 16 June 2016

Eurostat. People at risk of poverty or social exclusion by income quintile and household type, http://ec.europa.eu/eurostat/web/products-datasets/-/iic_peps03, accessed 16 June 2016

Statistics Estonia. Tables HHS01: Poverty and material deprivation rate by age group and sex, and HHS03: Poverty and material deprivation rate by type of household, http://pub.stat.ee/px-web.2001/1_Databas/Social_life/13Social_exclusion_Laeken_indicators/003Poverty_and_inequality/003Poverty_and_inequality.asp, accessed 16 June 2016

Author

[Andres Vörk](#), Praxis Centre for Policy Studies and [Hanna Vseviiov](#) (hanna.vseviiov@sm.ee), Ministry of Social Affairs