



Estonia

Minimum Income Schemes

A Study of National Policies

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Disclaimer: This report reflects the views of its author and these are not necessarily those of either the European Commission or the Member States. The original language of the report is English.

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Executive summary

In Estonia, under minimum income schemes mainly the subsistence benefit has been considered. A person living alone or a family whose monthly net income, after the deduction of the fixed expenses connected with dwelling in the amount established by local municipality council is below the subsistence level has the right to receive a subsistence benefit (in addition, supplementary benefits in certain cases):

- eligibility conditions -- 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;
- link with other social benefits -- subsistence benefit is paid if all other measures for the alleviation of poverty and difficulty have proven ineffectual;
- transition into employment -- the low subsistence level has been justified by political decisions and budgetary constraints, as well as by the need to keep up interest in employment as the main opportunity for ensuring economic subsistence and escaping from poverty. The wide range of new labour market services enabled tapering out of benefits and transition into employment until the mid-2008, but these services largely do not satisfy the changed needs in the situation of the financial and economic crisis;
- amounts of benefits -- the subsistence level for person living alone or a family is established by the Parliament for each budget year in the state budget (1,000 EEK per month for a person living alone or the first member of a family and 800 croons for the second and each subsequent member of the family; since 2005, a supplementary social benefit of 200 EEK is paid to the recipient of subsistence benefit whose all family members are under age);
- time duration -- a subsistence benefit is granted for the given month;
- conditionality rules -- local governments have a right not to designate 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;
- governance arrangements -- the procedure for applying for, calculating, grant and payment of subsistence benefit are in place.

Assessment of minimum income schemes:

- in 2001-2008, the number of families who received a subsistence benefit, number of applications and funds on benefit payments decreased notwithstanding even that the subsistence level was raised, mainly due to the growth in average income of families as a result of fast economic growth, growth of employment and reduction of unemployment;
- a comparison with absolute and relative poverty thresholds, with levels of disposable income and consumption expenditure per household member per month, average monthly gross wage, old age pension per month, monthly minimum wage, monthly disposable income per household member in the I decile illustrates the very low subsistence level. It

may be said that the subsistence level is unreasonably low as it does not cover even the minimum food basket cost;

- while the subsistence benefits guarantee a minimum income for households, it simultaneously creates disincentives to work for low-wage earners in certain household types;
- need for the further development of the system of labour market services to satisfy a greater degree the actual needs;
- to support subsistence benefit recipients in terms of access to quality services -- active labour market policy measures and their funding need to be essentially increased, including it would be important to pay greater attention to preventive activity;
- the increase in the need for subsistence benefit during the last months (a 1.3-fold increase in the number of applications, a 1.4-fold increase in the number of households, etc.) shows that financial and economic crisis has caused a significantly increased need for financial resources.

1. Analysis of the situation in relation to minimum income schemes in Estonia

The aim of the present report is to assess the adequacy of the income support as the first pillar of the active inclusion strategy of people excluded from the labour market in Estonia.¹ In Estonia, under minimum income schemes mainly the subsistence benefit has been considered. The subsistence benefit, which is paid to persons living alone or families whose income is small. It is paid from the state budget resources by the municipality and it is the most important social benefit. For all citizens of Estonia it is possible in the State Portal eesti.ee to learn about what is this benefit, who are entitled to subsistence benefit, how to apply for the benefit and how the benefits are granted.² More precise information about the subsistence benefit is provided for all citizens on the website of the Ministry of Social Affairs.³

1.1 Brief panorama and description of the institutional design of minimum income schemes

The procedure for applying for, calculating, grant and payment of subsistence benefit is provided in the Social Welfare Act, Chapter 4.⁴

1.1.1 Eligibility conditions

Like all social services, social benefits and other benefits, entitled to subsistence benefit are:

- 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.

A person living alone or a family whose monthly net income, after the deduction of the fixed expenses connected with dwelling in the amount established by local municipality council is below the subsistence level has the right to receive a subsistence benefit. In the grant of a subsistence benefit, persons who are married or living in the same dwelling in a conjugal relationship, their children and parents who are maintained by them or other persons using one or more sources of income jointly or with a shared household are deemed to be family members. In the grant of a subsistence benefit, pupils and students who are enrolled in daytime study at state educational institutions of the Republic of Estonia or educational institutions to which an education license has been issued by the Ministry of Education and Research, and who temporarily stay away from their family are also included in the family if the data concerning the address of their residence as entered in the population register coincides with the data concerning the address of the residence of their families. Pupils and students the address details of whose residence do not coincide with the address details of a family member are entitled to subsistence benefit from the rural municipality or city government of their residence according to the population register provided that the pupil's or student's family was the recipient of a subsistence benefit in the previous month.

¹ The report addresses minimum income schemes in relation to people of working age.

² The State Portal eesti.ee. Subsistence benefit. 2009. http://www.eesti.ee/est/toimetulek_2/toetused_ja_hyvityised/toimetulekutoetus?style=2.

³ Subsistence benefit. 2009. <http://www.sm.ee/tegevus/sotsiaalhoolekanne/toimetulekutoetus.html>.

⁴ Social Welfare Act. 2009. <https://www.riigiteataja.ee/ert/act.jsp?id=12976574&searchCurrent>.

In addition to the subsistence benefit the Social Welfare Act stipulates supplementary social benefits in the following cases:

- the recipient of subsistence benefit whose all family members are minors has the right to receive supplementary social benefit from the state budget;
- rural municipality governments and city governments may grant and pay supplementary social benefits from a local government budget under the conditions and pursuant to the procedure established by the local government council;
- a monthly social benefit at the national pension rate if the monthly income of the person is below the national pension rate for an Estonian citizen who has settled in Estonia from a foreign state, a person of Estonian origin and the spouse, children and parents who have settled in Estonia together with him or her and who have attained the pensionable age.

1.1.2 *Link with other social benefits*

The subsistence benefit is a form of state assistance for those in difficulty and is paid by the local government. In order to alleviate a person's situation the local government employs both social services and other forms of social assistance, depending on the situation in question. The benefit is paid if all other measures for the alleviation of poverty and difficulty have proven ineffectual. The subsistence benefit is to ensure minimum income to cover minimum expenses on consumption which satisfies the primary needs. The subsistence benefit is paid to people living below the subsistence level, including people who have no place of residence, for buying food, clothes and other goods and services which satisfy the primary needs. Subsistence benefit is paid to a person living alone or a family whose monthly net income, after the deduction of the fixed expenses connected with dwelling in the amount established by local municipality council, is below the subsistence level.

The subsistence benefit is calculated based on the net income received during the preceding month of the applicant for the subsistence benefit or her/his family members. Subsistence benefit for persons who have no regular income is calculated based on the average income of such person during the six months preceding application for the subsistence benefit. Persons who are engaged in maintenance or support work on the territory of a rural municipality or city are paid remuneration for the performed work which, upon calculation of a subsistence benefit, is included in the income of a person living alone or of his or her family and the work performed is not subject to coverage out of subsistence benefit funds.

Upon calculation of a subsistence benefit, the following shall be included in the monthly income of the applicant for the subsistence benefit or her/his family members:

- remuneration;
- parental benefit;
- alimonies;
- benefits for temporary incapacity for work;
- pension (all kinds of pension including survivor's pension);
- official caregiver's allowance;
- disabled parent's allowance;
- benefits paid based on the State Family Benefits Act⁵;
- unemployment benefit;

⁵ State Family Benefits Act. <http://www.legaltext.ee/text/en/X60007K3.htm>

- income from entrepreneurship and individual labour income (incl. income from entrepreneurship based on ownership);
- income from sale and rent of movable and immovable property;
- income from sale of securities and privatisation vouchers;
- stipends;
- education allowance;
- royalties;
- interests from credit institutions and compensation funds;
- other income.

Upon calculating a subsistence benefit, the following is not included in the income of a person living alone or a family:

- single benefits paid to a person living alone, a family or members thereof out of the funds of the state budget or local budget;
- benefits paid on the basis of the Social Benefits for Disabled Persons Act⁶ paid to disabled persons, except for the disabled parent's allowance;
- student loan granted with security guaranteed by the state;
- the stipends and transport and accommodation benefits payable for participation in vocational training and the transport and accommodation benefits payable for participation in work practice based on the Labour Market Services and Benefits Act⁷.

1.1.3 *Minimum income schemes and the transition into employment*

In the following viewpoints of the Ministry of Social Affairs about subsistence benefits we can find general principles⁸ about relations between minimum income schemes and the transition into employment:

- subsistence benefit is the last resort to alleviate poverty, which is paid in case a person is not capable for work or other means, primarily social insurance benefits (pensions, family benefits, sickness and unemployment benefits), of providing for himself/herself and his/her family sufficient means of subsistence;
- subsistence benefit is a temporary measure, long-term payment of which increases helplessness and non-working;
- the more advanced the social insurance system is, the fewer people live under the poverty line and need subsistence benefit;

⁶ Social Benefits for Disabled Persons Act. <http://www.legaltext.ee/text/en/X30031K6.htm>.

⁷ Labour Market Services and Benefits Act. 2006. <http://www.legaltext.ee/et/andmebaas/tekst.asp?loc=text&dok=XX00039&keel=en&pg=1&ptyyp=RT&tyyp=X&query=t%F6%F6turuteenus>.

⁸ Sõmer, S. 2005. Sotsiaalabi meetmed täna ja võimalikud arengud tulevikus. Seminar „Vaesus ja sotsiaalabi tõhusus Eestis“ (Social assistance measures today and possible developments in the future. Seminar 'Poverty and efficiency of social assistance in Estonia). Tallinn: Ministry of Social Affairs, Center for Policy Research Praxis.

- work is an important way of alleviating poverty – from benefit to work is a way of escape.

The low subsistence level throughout its enforcement period has been justified by political decisions and budgetary constraints, as well as by the need to keep up interest in employment as the main opportunity for ensuring economic subsistence and escaping from poverty. The first Estonia's National Action Plan for Social Inclusion (2004-2006)⁹ has presented research results on the effectiveness and influence of social benefits on the supply of labour force¹⁰ – that although the level of benefits is relatively low, benefit recipients are in certain cases still not motivated to accept jobs for a minimum or slightly above minimum salary (although minimum salary is relatively low, the income earned by working may turn out to be smaller than benefits due to the additional costs connected with going to work). Essential changes in the approach to the linkage of subsistence benefits and employment in recent years have been made possible by the implementation of the Labour Market Services and Benefits Act in 2006 and the European Social Fund (ESF) programme 'Increasing the supply of a qualified labour force 2007-2013'¹¹, which besides passive measures of social assistance has created possibilities to develop provision of active measures in the form of various services. The wide range of new labour market services enabled tapering out of benefits and transition into employment until the mid-2008, but unfortunately the services largely do not satisfy the changed needs in the situation of the financial and economic crisis.

The Ministry of Social Affairs has since January 2009 submitted prompt information on changes in the labour market.¹² Fast growth of unemployment (registered unemployment of workforce aged 16 to retirement age was 9.1% and 59,877 unemployed persons were registered as of April 24, 2009, whereas in February 2008 only 16,740 unemployed persons were registered), different nature of unemployment than previously demands quite a new approach and new measures. First of all, we need new measures for employment training, as the organisational side (bureaucratic system of procurement, long waiting lists, etc.) as well as the number of specialities do not satisfy the changed situation in the labour market. A completely new problem is that there are no suitable training courses for highly skilled unemployed persons.¹³ The newest measures to improve the labour market situation representative of the employers, employees and the government in March 2009 agreed to introduce an individually registered training allowance to simplify training of the unemployed; allow quitting training also for those who find a job during the training course; as well as enabling training for those who work part-time or are on lay-off.¹⁴

⁹ Estonia's National Action Plan for Social Inclusion 2004-2006. 2004. Ministry of Social Affairs.

¹⁰ Kuddo, A., Leetmaa, R., Leppik, L., Luuk, M., Võrk, A. 2002. Sotsiaaltoetuste efektiivsus ja mõju tööjõupakkumisele (The effectiveness and influence of social benefits on the offer of labour force). Centre for Policy Studies Praxis.

¹¹ ESF programme 'Increasing the supply of a qualified labour force 2007-2013'. 2009. http://www.sm.ee/fileadmin/meedia/Dokumendid/Toovaldkond/TTO/Additional_services_benefits.pdf.

¹² Pressibriifi materjalid: muutuv tööturg (Press briefing materials: changing labour market). 2009. Ministry of Social Affairs. <http://www.sm.ee/aktuaalne/uudised/b/a/pressibriifi-materjalid-muutuv-tooturg-6.html>.

¹³ Tampere, H. 2009. Tööturukoolitusest (Employment training). Pressibriifi materjalid: muutuv tööturg (Press briefing materials: changing labour market). 2009. Ministry of Social Affairs. <http://www.sm.ee/aktuaalne/uudised/b/a/pressibriifi-materjalid-muutuv-tooturg-2.html>.

¹⁴ Eesti tegevused töötuse leevendamisel on olnud õiged (Activities in Estonia to alleviate unemployment have been right). 2009. Uudised (News). Ministry of Social Affairs. <http://www.sm.ee>.

1.1.4 Amounts of benefits, for different individuals and household types

Subsistence level is established based on minimum expenses made on consumption of foodstuffs, clothing, footwear and other goods and services which satisfy the primary needs. The subsistence level for a person living alone and to the first member of a family is established by the Parliament (*Riigikogu*) for each budget year in the state budget (until 2001 with a Government regulation) and the new rate may not be smaller than the previous one. The subsistence level of the second and each subsequent member of a family is 80 per cent of the subsistence level of the first member of the family. The State Budget Act for 2009 sets the subsistence level as 1,000 EEK per month for a person living alone or the first member of a family and 800 EEK for the second and each subsequent member of the family.¹⁵

A subsistence benefit is calculated based on the net income of a person living alone or the sum of the net incomes of all members of a family during the preceding month, the fixed expenses connected with dwelling and the established subsistence level.¹⁶ A rural municipality or city government shall not refuse grant of subsistence benefit for the reason that the movables and immovable used or owned by an applicant or his or her family ensure sufficient funds for coping if only one dwelling used for permanent habitation and objects essential for everyday life, studies and employment are used or owned by the applicant for the subsistence benefit or his or her family.

The subsistence level was established for the first time in September 1993 in the amount of 280 EEK (17.9 EUR) per family member per month, which was 25% higher than the cost of minimum food basket then.¹⁷ Having been unchanged since November 1997 (500 EEK or 32.0 EUR per month), the monthly subsistence benefit rose in 2005 to 750 EEK (47.9 EUR) and in 2008 to 1,000 EEK (63.9 EUR) for a single person or the first member of family (Annex, Table 1).

In the case of a surplus in the funds allocated for subsistence benefits, rural municipality and city governments may pay social benefits to persons in need of assistance in order to contribute towards coping or provide social services under the conditions and pursuant to the procedure established by local governments. According to the Social Welfare Act, since 2005, a supplementary social benefit of 200 EEK (12.8 EUR) is paid to the recipient of subsistence benefit whose all family members are under age.

1.1.5 Time duration

A subsistence benefit is granted for the given month and is not granted retroactively for the preceding months.

1.1.6 Conditionality rules attached to them and any sanctions or exclusions from minimum income

A rural municipality or city government has the right to refuse to grant a subsistence benefit:

¹⁵ Subsistence benefit. 2009. <http://www.sm.ee/eng/activity/welfare-services/subsistence-benefit.html>.

¹⁶ Upon grant of subsistence benefit, pre-existing arrears in payment of fixed expenses connected with dwelling are not included in the fixed expenses connected with dwelling payable during the given month, and such arrears are not subject to coverage out of subsistence benefit funds.

¹⁷ Viies, M. 1998. Differences in the distribution of income in Estonia. In: Estonian Human Development Report. UNDP Estonia, p. 52-58.

- to a person between the age of eighteen and the age of retirement with capacity for work who is not working or studying, and who has, more than once and without good reason, turned down suitable work offered to him or her, or has refused to participate in employment services or in social services or study organised by a rural municipality government or city government directed towards independent ability to cope;
- a person who, or whose ward has the right to receive support but who refuses to submit a document certifying the right to receive the support or refuses to claim the support;
- if the corresponding committee of a rural municipality government or city government finds that the movables and immovable used or owned by an applicant for subsistence benefit or his or her family ensure sufficient funds for coping for the person or his or her family. However, a rural municipality or city government shall not refuse grant of 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 for the subsistence benefit or his or her family.

The Social Welfare Act establishes the right of local governments not to designate 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.

Upon the calculation of a subsistence benefit to a family, a rural municipality government or city government may take into consideration a family member who temporarily does not live with the family due to studying when determining the socially justified standard for the dwelling.

1.1.7 Governance arrangements

Riigikogu establishes the subsistence level for a person living alone and the first member of a family for each budgetary year in the state budget. A new subsistence level shall not be less than the rate in force. Subsistence benefit is granted and paid by rural municipality governments and city governments to the extent of, under the conditions and pursuant to the procedure established by Social welfare act from funds accrued in the rural municipality or city budgets from the state budget. A rural municipality government or city government shall also pay supplementary social benefits (together with subsistence benefit) from the state budget allocations.

In order to obtain a subsistence benefit for a given month, an applicant for the subsistence benefit shall submit a corresponding application to the rural municipality government or city government in whose administrative jurisdiction the person is permanently living not later than on the twentieth day of the given month. In the application, the applicant shall specify the names and personal identification codes or dates of birth of the persons to be considered upon the grant of a subsistence benefit and submit documents which shall prove:

- the right to use the dwelling (shall be submitted upon primary application);
- income received during the preceding month, income tax deducted the reform and amount of paid support of a person living alone or of the members of a family (if any type of income cannot be documented, an applicant for a subsistence benefit shall verify the amount thereof by his or her signature);

- fixed expenses connected with dwelling payable during the given month. A pupil or student the address details of whose residence do not coincide with the address details of a family member shall submit, in addition a document certifying the fact that his or her family was the recipient of a subsistence benefit in the previous month. Upon the grant of a subsistence benefit to a family, a rural municipality government or city government shall take into consideration, as an additional expense, the housing expenses of the pupils and students who are enrolled in daytime study at state educational institutions of the Republic of Estonia or educational institutions to which an education license has been issued by the Ministry of Education and Research, and who temporarily stay away from their family.

Upon application for subsistence benefit for the first time or changes in the composition of objects in the following list, an applicant shall submit a written list which sets out the following objects used or owned by the applicant and his or her family:

- immovable and dwellings which are movables;
- vehicles within the meaning of the Traffic Act;
- securities within the meaning the Securities Market Act.

In the grant of a subsistence benefit, the legal bases for the use of dwelling are:

- the right of ownership on the dwelling;
- membership in a housing association (housing cooperative);
- a residential lease contract.

A subsistence benefit is calculated taking into account the following fixed expenses connected with dwelling payable during the given month, within the limits of the socially justified standards for dwellings¹⁸ and within the limits established by local government councils (in order to grant subsistence benefit, local government councils establishes the limits for the expenses, which ensure decent subsistence for persons):

- 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 made on land tax, which is calculated based on the size of land that equals three times the area under the dwelling;
- expenses made on building insurance, calculated for used dwelling;
- the actual carriage charge for municipal waste.

Within five working days after the submission of all documents, a subsistence benefit shall be granted to a person living alone or to a family in an amount which, together with the incomes of all family members ensures an income within the subsistence level, after the fixed expenses connected with dwelling or residential space have been deducted the reform to the extent and according to the structure specified in Social Welfare Act. Other expenses made by a person or a family during the given month shall not be taken into consideration upon the grant of a

¹⁸ The government has established a socially justified standard dwelling at 18 m² per every member of family and an additional 15 m² per family. Upon the grant of a subsistence benefit, total floor space shall be taken into account if the number of rooms in the dwelling is equal to the number of people living in that dwelling and the floor space of the dwelling is bigger than the socially justified standard. Upon the grant of a subsistence benefit to pensioners living alone, the standard floor space is 51 m². (Eluruumidele esitatavad nõuded (Requirements for the dwellings). 2009. <https://www.riigiteataja.ee/ert/act.jsp?id=846015>).

subsistence benefit. A rural municipality or city government also shall provide social counselling services to the applicants for subsistence benefit and their family members in need of assistance. A rural municipality government or city government shall pay the amount calculated as subsistence benefit, within three working days after the date on which the corresponding resolution is made, to an applicant for a subsistence benefit to his or her bank account, by post or in cash, taking into consideration the corresponding wish of the applicant as expressed beforehand.

1.2 Assessment of minimum income schemes

1.2.1 Coverage and take-up

According to the Ministry of Social Affairs, the amount of monetary resources paid for subsistence benefits (to ensure the subsistence level) in 2008 was calculated to be 88,922 thousand EEK (353,308 thousand EEK and 135,450 thousand EEK in 2001 and 2006, respectively). The number of families who have received subsistence benefit and the amount of monetary resources paid for subsistence benefits have decreased significantly in recent years (Annex, Table 2). However, the size a benefit per application has increased by 695 EEK in 2001-2008 (1.9 times). Due to the changes in the subsistence benefit calculation procedure and the rise in the subsistence level, the growth has varied from 7 EEK to 182 EEK across the years.

A survey of the Ministry of Social Affairs on the social sphere development in 2000-2006¹⁹ tells that the number of families who received a subsistence benefit decreased from 70,400 to 19,200, meaning 3.7 times in 2001-2006 (comparative data on families who have received the benefit are available since 2001). The number of families who have received the benefit decreased especially fast in 2004-2006 and in 2008 decreased to 2.2% of total number of families (12.4% in 2001). The fact that the amount of applications accepted for ensuring the subsistence level has decreased faster than the number of families who have received a subsistence benefit (7.4 and 6.2 times, respectively) shows that the average number of applications per family has decreased in a year. In 2001, a family received the benefit 6.3 times a year, in 2008 5.2 times. The amount of funds spent on subsistence benefit payments decreased at a slower rate (4 times), as the size of benefit per application increased from 797 EEK to 1492 EEK in 2001-2008.

According to the Ministry of Social Affairs, the supplementary benefit allocations totalled 31,764 thousand EEK in 2008 (57,308 thousand EEK in 2006) (Annex, Table 2). The fast growth of funds spent on supplementary benefits in 2001-2006 was mainly caused by a law amendment enforce in 2005 and that the funds used for the subsistence benefit payments have decreased over years and the surplus was used by local governments for payment of supplementary benefits. The share of subsistence benefit (to ensure subsistence level) therefore has decreased from 100% in 2001 to 73.7% in 2008 in allocations for subsistence benefits.

According to the Ministry of Social Affairs, 18-20% of the subsistence benefit allocations (to ensure the subsistence level) were spent on housing expenses in 2005-2008 (25-27% in 2002-2004).

¹⁹ Mäe, Ü., Karpovitš, S. 2008. Toimetulekutoetus (Subsistence benefit). In: Sotsiaalvaldkonna arengud 2000-2006 (Social sphere developments 2000-2006). 2008. Ministry of Social Affairs. Sotsiaalministeeriumi toimetised (Proceedings of the Ministry of Social Affairs), 2. [http://213.184.49.171/www/gpweb_est_gr.nsf/HtmlPages/Trendid2007-mai/\\$file/Trendid2007-mai.pdf](http://213.184.49.171/www/gpweb_est_gr.nsf/HtmlPages/Trendid2007-mai/$file/Trendid2007-mai.pdf).

In 2001-2008, the number of families who received a subsistence benefit, number of applications and funds on benefit payments decreased notwithstanding even that the subsistence level was raised (in 2005, 2007 and 2008), mainly due to the growth in average income (growth of average and minimum wages, pensions, benefits) of families as a result of fast economic growth, growth of employment and reduction of unemployment (sharp decrease in the number of unemployed, long-term unemployed and job-seekers), and definitely also implementation of the unemployment insurance system (in 2004).

Subsistence benefits by type of family (with an unemployed person, children, pensioner, disabled person and student family), were paid most often to families with an unemployed person (to 74,863 families, which accounted for 2/3 of all accepted applications in 2006).²⁰ Of those families early 2/3 were families with a long-term unemployed person or a non-working job-seeker and 1/3 families with an unemployment benefit recipient (Annex, Table 3). In 2006, there were 11,068 families with an unemployed person who had received subsistence benefit and ne such family received the benefit on 6.8 occasions during the year. Among the benefit recipient families with an unemployed person, the share of families with a person receiving unemployment benefit has decreased 5.2 times (until 2005 unemployment benefit) (26,798 applications in 2006).

41,155 applications from families with children were accepted in 2006 (6,967 families or nearly 4% of total number of families with children), which accounted for 36.4% of all applications for subsistence benefits. Half of the applications made by families with children included families where one member had no employment. In 2001-2006, the number of families with children who received subsistence benefits decreased 3.7 times and the number of applications 4.1 times.

In 2006, 3,385 families with a pensioner received a subsistence benefit and they submitted a total of 12,356 applications (10.9% of all applications). Over the period 2001-2006, the number of families with a pensioner who had received a benefit decreased by 2.6 and the number applications 2.8 times. The fact that changes in respect to families with a pensioner are not so significant as in other groups of subsistence benefit target groups can be explained by that usually families with a pensioner are not among the recipients of subsistence benefit, but in winter months some of them are forced to apply for a subsistence benefit because of large dwelling expenses. Against the background of general decrease in subsistence benefit applications, the share of families with a pensioner of total number of families who have received the benefit has risen from 7.7% in 2001 to 10.9% in 2006.

Changes in the applications for a subsistence benefit submitted by student families (decrease in the number of families 31 times and decrease in the number of applications 36 times) have been due to the amendment to the Social welfare act that came into force in 2003 regarding the regulation of benefit payments to students, according to which only those students are live as a separate family, are married or live in a conjugal relationship.

In 2006, the applications granted to families with a disabled persons accounted for 8.7% of all applications accepted (9,861 applications were accepted from 2,335 families with a disabled person). Also the share of families with a disabled person among the families who received the benefit has increased (from 5.8% in 2001 to 8.7% in 2006).

²⁰ Mäe, Ü., Karpovitš, S. 2008. Toimetulekutoetus (Subsistence benefit). In: Sotsiaalvaldkonna arengud 2000-2006 (Social sphere developments 2000-2006). 2008. Ministry of Social Affairs. Sotsiaalministeeriumi toimetised (Proceedings of the Ministry of Social Affairs), 2.

In 2006, the recipients of subsistence benefit divided on the basis of the social status of a family member (113 thousand applications for a subsistence benefit were accepted, and subsistence benefits were paid to 20,172 people) as follows:

- non-working (unemployed, long-term unemployed, job seekers) family members 40.8% (36.4% in 2001), of them 2/3 job seekers and long-term unemployed;
- children 34.9% (33.6% in 2001);
- staying at home (on parental leave and people entitled to that according to the State Family Benefits Act, caregivers to disabled persons) 7.9% (5.4% in 2001);
- pensioners 8.5% (6.3% in 2001);
- employed people 3.7% (4.8% in 2001);
- students 2.4% (10.8% in 2001).

Introduction of laws and benefits does not automatically lead to their implementation and payment of benefits, because some people do not apply for them though they are entitled to. The reasons for non-take-up are partly caused by people, but they also depend on the system and administrative circumstances. The take-up and non-take-up rates have not been directly studied in Estonia, but various survey results allow assuming that the benefits' non-take-up probability is quite high.²¹ If to analyse reasons for non-take-up, it appears that the first precondition for application – awareness of the potential client – was badly fulfilled (80% of the people who felt a need for social service but had not used it where the main reason for non-take-up was insufficient information).²² Hence there are many indirect indications that despite social services are available, their accessibility is limited and potential clients themselves think they are short of information. Also quite traditional is the low reputation of services and providers of services, which obviously does not facilitate take up. The factors inducing non-take-up may also be in the system of benefits. M. Karu (2005) has noted that the non-take-up rate for the subsistence benefit, which is a benefit paid on the basis of assessed means of subsistence, may be quite high due to the problems of adequate assessment of incomes (fear of officials in assessing property status etc.), due to the compulsory element caused by linking the benefit to labour market measures, as well as problems in organising application for the benefit.

SWOT analysis of the situation of state social welfare services, which was prepared on the basis of auditing conducted by KPMG²³, stated that strengths are the existing supervising structure of services, experiences in elaborating and implementing legislation, information available on the best practices implemented in rendering the services, existing tuition materials prepared by practitioners, motivation of key persons working in the supervisory system and their readiness to develop the system. As weaknesses the audit mentioned insufficiency of supervision criteria and insufficient efficiency of supervision; a way out may be establishment of a supervisory organisation. Potential risks are that no consensus is gained as for the need for changes and

²¹ Saar-Poll. 2004. Hoolekandesüsteemi kliendiuuringu aruanne (A welfare system customer survey report). <http://www.sm.ee>; Faktum. 2003. Tööturusteemi kliendiuuring: aruanne (A labour market customer survey: report). <http://www.sm.ee>; Medar, M. 2001. Sotsiaalteenuste vajadus ja kasutamine – sotsiaalsed ja kultuurilised erinevused (Need for and utilisation of social services - social and cultural differences). Rahvastikuminstri büroo. <http://www.riik.ee/rahvastik/>

²² Karu, M. 2005. Taotlemine ja mitte-taotlemine: kas sotsiaaltoetused jõuavad sihtrühmadeni? (Take-up and non-take-up: whether social benefits reach the target groups or not?) Acta politica, No 2. Tallinn: Tallinna Ülikooli kirjastus (Tallinn University Publishers). TLÜ Riigiteaduste osakonna väljaanne (A Political Sciences Publication of TLÜ). 21. sajandi sotsiaalpoliitika: uued riskid, uued valikud. (Social policy in the 21st century: new risks, new options).

²³ Riiklike hoolekandeteenuste järelvalve hetkeolukorra SWOT analüüs (SWOT analysis of the current situation in the surveillance of national welfare services). Tallinn: KPMG. <http://www.sm.ee/tegevus/sotsiaalhoolekanne/2005-aasta-seminari-materjalid.html>

their implementation that no uniform quality can be ensured in the system implementation, possible role conflicts between different levels etc.

According to the Ministry of Social Affairs, 98.2% of the subsistence benefit applications (60,661 were submitted and 59,587 granted) were granted in 2008 (98.6% in 2005), which very indirectly shows something about non-take-up (the main reason for non-granting was non-conformity of the income mentioned in the application to the requirements). As much indirect is the assessment of non-take-up on the basis of absolute poverty strata: according to the Ministry of Social Affairs, in 2006, 3.9% of the households lived in direct poverty (income per member of household smaller than 80% of the absolute poverty line per month), which is less than 1,665 EEK (106 EUR) in 2006), which may be compared to that 3.4% of all families received a subsistence benefit. Unfortunately it is not possible to submit more precise data on the extent for non-take-up and give examples of any policy measures to increase take-up in Estonia.

1.2.2 Adequacy of minimum income schemes

As it was mentioned above, for various reasons (political decisions, budgetary constraints, need to retain interest in working) the subsistence level has been kept low throughout the period it has been in use. Therefore the subsistence level is not directly linked to any national indicator such as the minimum means of subsistence (this term has been used in Estonia as an equivalent of the absolute poverty line), cost of minimum food basket, at-risk-of-poverty thresholds, average disposable income, household consumption expenditure, the level of prices or minimum wage, etc.

In 2005, researchers of the University of Tartu, in co-operation with the Statistics Estonia and the Estonian Nutrition Science Society, elaborated methods for calculating new minimum means of subsistence.²⁴ The new minimum means of subsistence (approved in 2006 and Statistics Estonia calculated its size retroactively starting from 2004) means the calculated minimum means of subsistence a person needs in order to retain and rehabilitate her/his capacity for work. The calculated minimum means of subsistence of an one-member household per month (30 days) contains the cost of minimum food basket, dwelling expenses and personal non-food expenses. The diurnal energy value of the minimum estimated food basket updated by the Estonian Nutrition Science Society is 2400 kcal. The cost of foodstuffs is calculated using the new methods on the basis of average purchase prices of the expenditure on food in the households in five lowest consumption deciles and dwelling expenses are calculated using the median expenditure on dwelling.

If to compare the dynamics of the subsistence level and minimum means of subsistence (absolute poverty line) (as a result of changed methods, comparative data are available since 2004), we can see that despite the 2-fold growth in the subsistence level in 2004–2008, it did not cover the cost of the minimum food basket,²⁵ not even in the years the subsistence level was lifted (Annex, Table 4).

²⁴ Tiit, E.-M. 2005. Tarbimiskaalud, absoluutne vaesus ja elatusmiinimum (Equivalence scales, absolute poverty and minimum means of subsistence). Seminar „Vaesus ja sotsiaalabi tõhusus Eestis“ (Workshop ‘Poverty and efficiency of social assistance in Estonia’). Ministry of Social Affairs, Center for Policy Research Praxis.

²⁵ Ühe liikmega leibkonna arvestuslik elatusmiinimum ja 30 päeva minimaalse toidukorvi maksumus (Calculated minimum means of subsistence and cost of minimum estimated food basket for 30 days of an one-member household). 2009. Statistics Estonia. http://pub.stat.ee/px-web.2001/Database/Sotsiaalelu/02Leibkonnad/04Leibkonna_eelarve/04Kuu_sissetulek/LE24.htm

Table 5 (Annex) provides a comparison of some national indicators and changes in the subsistence level in 2001-2007. Evaluating the adequacy of minimum income schemes (subsistence benefit), a comparison with absolute and relative (at-risk-of-poverty) poverty thresholds, and with levels of other national indicators (disposable income and consumption expenditure per household member per month, average monthly gross wage, old age pension per month, monthly minimum wage, monthly disposable income per household member in the I decile) illustrates the very low subsistence level. It may be said that the subsistence level is unreasonably low, the subsistence benefit should at least cover the minimum food basket cost. Also the decline in the real purchasing power of the subsistence level due to the consumer price index growth should be taken into account: for example, compared to 2001, the purchasing power of the subsistence level dropped by 20% in 2007 (CPI in 2001 = 100).

1.2.3 Effectiveness of minimum income schemes

Notwithstanding that the guaranteed minimum income in Estonia is low, it can be effective during an unlimited time period and may reduce people's motivation to find employment for low wages. Several studies (Kuddo et al., 2002; Tiit et al., 2004; Kallaste et al.)²⁶ on the relations between social benefits and employment more or less have identified that notwithstanding the low level of subsistence benefit in many cases it is more useful to live on benefits than go to work for minimum or close to minimum wages, especially considering the additional expenditure involved in employment, such as transport, eating out, child care etc. As the subsistence benefit depends on household's income, then one member of the household not working may diminish the motivation to work also of other members of the household, since the small gain in income from small wages lowers the subsistence benefit by an equal amount. As a result, wages within certain limits reduce the subsistence benefit of the household in the same amount as the net income from labour increases, which might diminish the motivation to increase the household's employment (e.g. the second member of the household wants to work part time). The studies showed that the negative stimuli are bigger for families with many children, where parents earn low wages, or where one of the parents is working and another is thinking of going to work for lower wages, because the biggest the family the biggest their subsistence benefit, which they lose when they go to work.

By order of the Ministry of Social Affairs the Centre for Policy Research Praxis conducted, using a micro simulation method, a survey to investigate the impact of taxes and social benefits on people's labour supply stimuli²⁷. The survey found that the Estonian social welfare system in many cases creates the situation where a small increase in work contribution or working part time does not increase their final income but altogether makes it smaller, e.g. unemployment benefit, unemployment insurance benefit, early retirement pension, subsistence benefit or parental benefit. In these cases, so as people went from inactivity or unemployment to work they have to take up a job with sufficiently long hours or high wages, so as to give up social benefits. In order

²⁶ Kuddo, A., Leetmaa, R., Leppik, L., Luuk, M., Võrk, A. 2002. Sotsiaaltoetuste efektiivsus ja mõju tööjõupakkumisele (The effectiveness and influence of social benefits on the supply of labour force). Centre for Policy Studies Praxis; Tiit, E.-M., Leppik, L., Võrk, A., Leetmaa, R. 2004. Euroopa Liidu ühiste pensionieesmärkide mõju Eesti pensionisüsteemile (Impact of the European Union common pension objectives on the Estonian pension system). PRAXIS'e Toimetised (Proceedings of PRAXIS), 14; Kallaste, E., Võrk, A., Leetmaa, R., Roosmaa, E.-L. 2005. Töövaldkonna indikaatorite arendamine (Development of labour sphere indicators). Centre for Policy Studies Praxis.

²⁷ Võrk, A., Paulus, A. 2006. Eesti sotsiaaltoetuste ja maksude mõju inimeste tööjõupakkumise stiimulitele (The impact of taxes and social benefits on people's labour supply stimuli in Estonia). Uurimisprojekti raport (Research project. Report). Center for Policy Research Praxis.

to enable people return gradually to the labour market, it should be possible to combine social benefits and wages more flexibly. This survey analysed the impact of policy changes on employment stimuli and applying for a subsistence benefit. For comparison a situation where the subsistence level was 750 EEK and dwelling expenses were deducted from income based on actual costs in the limits of established expenses. When dwelling expenses were calculated using average expenses, it had no effect whatsoever. On the other hand, an analysis showed that a rise in the subsistence level will increase more than twice the potential number of recipients of subsistence benefit. If to reduce the subsistence benefit step-by-step and wages increase, it has a potentially positive effect on the stimuli to work.

A study of the effect of financial benefits to families on the mitigation of poverty in Estonia²⁸ suggested that the allowance to families with many children has the highest take-up rates among policy measures and it is also the most cost-effective in mitigating poverty, followed by child care benefit, supplementary tax-free income from the third child, child benefits and parental benefit.

1.3 Link between minimum income schemes and the other two pillars of the active inclusion strategy

1.3.1 Support to minimum income schemes recipients in terms of (personalised) employment and training programmes

According to the Labour Force Survey, positive developments in the labour market in recent years (employment rate for those aged 15-64 rose to 69.5% and unemployment rate for those aged 15-74 5.6% in 2008) have led to improvement in the situation of the risk groups in the labour market. Youth unemployment decreased remarkably (unemployment rate of those aged 15-24 fell from 22.2% in 2001 to 10.0% in 2007, albeit rose again to 12.0% in 2008), and also the very long-term unemployment decreased (30.7% of the unemployed had been looking for a job for more than 12 months or longer in 2008, 49.4% in 2007).

In order to provide income in case of unemployment that would help coping and look for suitable employment, the Unemployment Insurance Fund shall pay unemployment insurance benefit. In case of collective redundancies the Unemployment Insurance Fund shall pay for the employer part of the redundancy payment helping so prevent the company having solvency problems. If the employees have not received all wages and compensations due to the employer's bankruptcy, the Unemployment Insurance Fund shall pay a benefit upon insolvency of employer. The Unemployment Insurance Fund is formed of unemployment insurance premiums paid by employees and employers (unemployment insurance premium rate for the employees is 0.5 to 2.0, currently 0.6% and for the employers 0.25% to 1%, currently 0.3% of the payroll) and of investment income of reserves.

According to the Social Welfare Act, a rural municipality or city government shall also provide social counselling services to the applicants for subsistence benefit and their family members in need of assistance. The provision of national labour market services and the payment of labour market benefits in Estonia is organised by the Estonian Labour Market Board through its regional departments, which are located in every county. Since 1 May 2009, labour market services

²⁸ Võrk, A., Paulus, A. 2007. Peredele suunatud rahaliste toetuste mõju vaesuse leevendamisele Eestis: analüüs mikrosimulatsioonimeetodil (Effect of financial benefits to families to alleviate poverty in Estonia: an analysis with the help of a microsimulation method). Uurimisraport (A research report). Center for Policy Research Praxis.

provision procedure will change significantly and the task of implementing active labour market policies will go as a result of the changes from the Labour Market Board (LMB) to the Unemployment Insurance Fund (UIF). The provision and payment of such services and benefits is regulated by the Labour Market Services and Benefits Act (entered into force on 1 January 2006). Additionally labour market services are provided under ESF programme 'Increasing the Supply of a Qualified Labour Force 2007-2013' (hereafter named as The Programme). The Programme enables to provide labour market measures with longer duration to widened labour market risk groups. The regional departments of the LMB provide assistance and advice not only to the unemployed, but also to those thinking about changing jobs, as well as to employers.

The labour market services which are suitable for a client are selected in accordance with their individual needs:

- Providing information about the situation on the labour market and about labour market services and benefits regarding the status of and changes on the labour market (e.g. information on vacancies in various sectors and areas, labour market situation in the respective region, new enterprises in the region, labour market statistics etc.) as well as the nature of labour market services and the conditions for receiving such services and labour market benefits.
- Job mediation is a service in which the LMB finds suitable positions for job-seekers and the unemployed and also assists employers by looking for workers who meet the criteria. This service is free of charge for job-seekers, the unemployed and employers alike (information about working abroad is available from the LMB's EURES consultants).
- Labour market training is professional training organised for the unemployed people in which they obtain or develop professional and other skills designed to make it easier for them to find a job. The training can last for up to one year. Trainees' existing skills and knowledge, the positions which are available on the market – or are due to become available – and the requirements of potential future positions are all taken into account when selecting the most appropriate form of training. Those taking part in training can apply for transport and accommodation allowances, in case of training lasting for more than 40 hours, participants can also receive a grant.
- Career counselling is designed to support people in making and implementing informed decisions relating to their career development. The service seeks to resolve issues associated with a person's choice of jobs and professions, their professional career and finding or losing jobs. The counsellor guides them through education, training and employment options appropriate to their character, educational background and skills. An objective of career counselling is to support career development related knowledgeable decision-making and carrying them out. In order to achieve a result the career counsellor may use different methods: counselling interview, testing, individual or group tasks etc. Career counselling is provided to all who want it – it is only necessary to register at a LMB office. Career counselling may occur either individually or in a group.
- Work practice is a labour market service provided to people to gain practical experience in the work place. Participants spend time working for an employer under the guidance of a supervisor. In some cases (available for disabled unemployed) the maximum length of a work experience placement is six months (implemented

through the Programme). Otherwise the practice duration is 4 month. Those taking part receive a grant, while the supervisor is also paid a fee. Participants are also eligible to apply for transport and accommodation benefits.

- Public work is temporary paid work that does not require professional or special training. Unemployed people can only be asked to do public work if they wish to do so. Public work is organised by local government departments, non-profit organisations and foundations, which pay the participant at least the hourly rate of the minimum wage for their work. An unemployed person may do public work up to 10 days but no more than 50 hours per months and no more than 25 hours a week. Adult persons may do public work up to 8 hours, 16-17-year old up to 7 hours per day. The LMB can advise an unemployed person who is willing to do that work to public work.
- Work exercise is a labour market service designed to either get people used to working for the first time or to reintroduce them to work. It aims to prepare the unemployed to take part in labour market programmes and activities or take on work. Work exercise normally involves simple tasks that do not require special knowledge or for which the necessary skills can be learnt in the course of the work under the guidance of a supervisor. The service is provided for a maximum of six months (The Programme) at any one time. Participants are also eligible to apply for transport and accommodation benefits. Those taking part receive a grant.
- Wage subsidy is a benefit paid to employers who hire an unemployed person. It is paid in the case of unemployed people who were released from prison in the 12 months prior to registering as unemployed and those who have been registered as unemployed for more than 12 consecutive months and have not found work during that time. The benefit may also be paid if an unemployed person between the ages of 16 and 24 is hired who has been registered as unemployed for more than six consecutive months and has not found work during that time.
- Registered unemployed are eligible to apply for up to 70,000 EEK in business start-up subsidy, while those who are not registered as unemployed (if person is inactive in labour market meaning) are eligible to apply for up to 50,000 EEK in support. This means that company start-up support can be obtained by both registered unemployed people and people (up to 75 years) who have not registered themselves as unemployed but who do not have a job, or who have received notification of their redundancy and have approached the LMB regarding its services. Recipients must have the following: business training, business experience or higher/vocational education in economics. In order to obtain support you must submit the following to the LMB: an application, a business plan and copies of documents evidencing business training, business experience or higher/vocational education in economics.
- Adaptation of work premises and equipment is a service designed for both employed and unemployed people with disabilities in which an employer's premises, working area or equipment are rendered accessible to people with disabilities so that they are able to use them in their work. Disabled that are employed obtain service under the Programme.
- The 'special aids and equipment' service provides equipment to people with disabilities without which they would otherwise be unable to do their job. This does

not include equipment required for the completion of tasks unrelated to the person's disability or equipment which the person requires in order to be able to cope in everyday life. The technical aids provided as part of the service can be used for a period of up to three years and after that the extension of the period is possible. Service is provided for both employed and unemployed people with disabilities. Disabled that are employed obtain service under the Programme.

- Communication support at interviews is a service provided to unemployed people with disabilities who need help communicating with a potential employer due to their disability.
- The 'working with a support person' service is provided to unemployed people with disabilities who need assistance and supervision while working due to the nature of their disability. The service is designed to increase the ability of the person to work independently and is therefore provided in decreasing amounts over time: up to 8 hours a day during the first month; up to 4 hours a day during the second month; and up to 2 hours a day during the third and fourth months, but not more than 700 hours per year. The LMB pays employers a fee for the work of a support person. In case of change in the disabled person's official duties, the Programme enables to use the repetitive 'working with a support person' service.

The above labour market services were elaborated when the labour market indices were excellent and the cooling of the economy had not yet exerted any effect on employment or unemployment. The economic growth in recent years accompanied by increasing labour demand in 2007 and early in 2008 brought record many people to employment. The economic and financial crisis has drastically changed the situation in the labour market (according to the Ministry of Social Affairs, 33,339 unemployed persons were registered during the first quarter of 2009 and compared to the first quarter of 2008, the registered unemployment increased 182.2%). Hence, it is of primary significance to further develop the system of labour market services, so as these would in a greater degree satisfy the actual needs.

1.3.2 Support to minimum income schemes in terms of access to quality services

In addition to above mentioned labour market measures the Programme will enable to provide the following:²⁹

- Career counselling is provided as part of the programme to all job seekers. They simply need to make an appointment at one of the regional offices of the LMB. Since fall 2009 career service rooms will be opened. This enables to provide information that concern career planning in a wider range.
- The redundancy response service is designed to help people who are to be made redundant find another job as quickly as possible. Information days are held as soon as possible for those set to lose their jobs due to redundancy in order to inform them of their rights and options both before and after their employment is terminated. Job search training commences at the same time. Employment mediation services are also provided to help them find a suitable new job as quickly as possible. In the case of collective redundancies, meetings are organised with potential new employers so

²⁹ More detailed information about the nature of the programme and the measures it offers is available from the Labour Market Board (<http://www.tt.ee>).

as to introduce them to those who are to be made redundant. Such meetings make applying for new positions much quicker and easier for these workers. Career advice and psychological counselling can also be provided to those being made redundant, as well as specialist training required for new jobs.

- Psychological counselling is designed to help people come to terms with the problems in their personal lives which are affecting their ability to find a job and to help deal with these problems. The target groups for the counselling as part of this programme are people with disabilities, people with care burden those who have been unemployed for long periods of time, young people, older people and those who have been made redundant. Counselling is provided by experienced psychologists on a one-to-one basis.
- The job club is designed to offer young people additional ways of obtaining information about what is happening on the labour market. As members of the club they can produce CVs for themselves, learn how best to handle job interviews, share their experiences with one another and more. This service is provided by experienced specialists contracted by the LMB. Between 3 and 15 young people from the ages of 15 to 24 attend the club at the same time. Club meetings are held once a week (on a working day) over a period of 4 to 6 weeks. Each meeting can last up to four hours. The job club for older people differs from the one for young people, being more specialised on psychological aspects of participation in the labour market.
- Follow-up counselling for the newly employed is designed to help those who have been unemployed for a long period – who then find a job – avoid losing their job again. The service is extended to clients of the LMB who were out of work for a long time but who have found a job and require psychological support in order to keep it. Counselling is provided by experienced psychologists on a one-to-one basis.
- Long-term work experience is a labour market service for unemployed people with disabilities. It is designed to provide them with the additional skills and knowledge they need in order to find a permanent job. The work experience can last up to six months and is provided by private companies and legal entities, sole proprietors or local government agencies. The individual in charge of providing the work experience is remunerated for their supervision. This fee is paid on the basis of the number of work experience hours worked by each participant: 100% of the hourly rate of the minimum salary in the first month, 75% in the second month and 50% in the third, fourth, fifth and sixth months. Those taking part in the work experience receive a grant and (where required) transport and accommodation allowances. The amount of the grant is calculated on the basis of the single hourly rate of the grant in the first month, 1.5 times the hourly rate of the grant in the second month and double hourly rate of the grant in the third, fourth, fifth and sixth months.
- In order to ensure a business person's development and competitiveness, those who have received a business start-up subsidy can add to their professional skills through professional training. This service is designed for people who have received enterprise support from the LMB but require additional skills and knowledge for further development of their business.

- Recipients of enterprise support looking for additional assistance from experienced business people in the early stages of start-up business can obtain the help of a mentor. These mentors are previous recipients of enterprise support from the LMB who have successfully built up their businesses. They are able to predict the bottlenecks which people starting up their own businesses may encounter.
- The exceptional solution service is designed to enable people with disabilities to take part in labour market services and to find or maintain a job. The service is offered to disabled people who require special measures for training, finding a job or maintaining a position once they have found it. For example, acquiring a technical aid for training; taking part in work experience that will support later employment; different services in order to participate in labour market training, including sign language translators, personal assistants and transport for the disabled; and such transport to work in the first two months of a new job.
- The LMB compensates for the costs incurred by those who have a duty of care services while getting labour market services (e.g. labour market training and work experience) and in their first three months in a new job.
- Social rehabilitation is a labour market service for young people, older people, pensioners, people with disabilities and people who have been unemployed for a long period of time. It is designed to help people whose ability to work is restricted due to alcoholism, so as to improve their ability to cope independently and to facilitate their work or chances of finding a job. In order to obtain the service a person must personally want to overcome their addiction to alcohol and find work. People are referred to this service by the LMB career adviser. The LMB may cover the cost of three consultations and installation of the ampoule and pay for any services which are not covered by the Health Insurance Fund. The LMB works with specialist agencies who provide the service. Since there is no cut-and-dried means of treating alcohol addiction, services supporting social rehabilitation (employment mediation, career advice, work experience etc) precede and follow the treatment, helping people return to an ordinary way of life and acquire the skills they need to get a job.

Active labour market measures and unemployment benefits to the unemployed are financed from the state budget and from ESF.³⁰ The ESF enabled to increase funding of active labour market measures and at the same time, a 2.5-fold growth in unemployment benefit rates (in 2009, the daily unemployment benefit rate is 32.9 EEK)³¹ increased also the expenditure on passive measures. In 2007, expenditures on labour market policies totalled 309.3 million EEK, of which 27% were spent on passive measures and 73% on active measures (Annex, Table 6).

In 2007, expenditures on passive measures increased and taking into consideration the data on the first half of 2008, the growing trend of these expenditures continued also in 2008.³² Though the expenditure on labour market policies have been growing since 2004, their share in GDP has not changed in recent years (0.13%), due to the faster growth of GDP. The growth in the share of

³⁰ Active labour policy costs include also the administrative costs of the Labour Market Board, which are needed for rendering active labour market measures, including job mediation to the unemployed.

³¹ Töötutoetuse määramise ja maksmise teenusstandard töötule (Service standard for grant and payment of unemployment benefits to the unemployed). 2009. Tööturuameti peadirektori käskkiri, January 30.

³² Raadom, K. 2008. Aktiivne tööturupoliitika (Active labour market policies). In: Töövaldkonna areng 2007 (Employment development 2007). Sotsiaalministeeriumi toimetised (Proceedings of the Ministry of Social Affairs).

passive labour market measures has been due to the rise in the labour market benefit rate (since 2007 1,000 EEK (63.9 EUR), before 400 EEK) as well as the number of the unemployed who have the requisite length of employment for getting unemployment benefits upon registering themselves as unemployed has increased. Also the falling unemployment rate has constantly reduced the number of unemployment benefit recipients (from 31,347 in 2005 to 17,769 in 2007).³³ And the LMB paid 34.5% less unemployment insurance benefits than in 2005. The number of those who received payment for collective termination of employment contracts remained on the level of 2005 (2,448 people) and the number of those who received compensation for insolvency of the employer dropped 46.8% in comparison with 2005. The main reason for the decline in expenditure on active labour market measures was the smaller unemployment in 2007 compared to preceding years.

According to the Ministry of Social Affairs, the significant decrease in expenditure on labour market training in 2007 in comparison with 2006, as well as relatively small expenditure also in the first half of 2008 are due to the complications in the first phase of implementing the ESF-funded programme 'Increasing the Supply of a Qualified Labour Force 2007–2013', because they could not provide measures as fast and as much as it would have been necessary. Based on recent years' trends and data on the first half of 2008, rapidly growing measures are the enterprise support, unemployment benefit and social tax for special cases (paid for unemployment benefit recipients and for other unemployed) to provide relevant health insurance.

According to the Ministry of Social Affairs, the most frequently provided labour market measures to the unemployed were career counselling (20.6% of the unemployed) and labour market training (13.7% of the unemployed).³⁴ Another service where provision increased the most was work exercise (for persons working first time or reintroduced to work) (Annex, Table 7).

The main problems in active labour market policy are identified as follows:

- narrow target group, services are provided only to the registered unemployed, excl. Within the ESF programme, and the preventive activities are missing, e.g. employees in risk of redundancy, working disabled people and people in retirement age;
- short duration – maximum 1 year, in practice adaptation training 2 weeks to 1 month, special training 3-4 months, average 172 hours in 2006;
- weak linkage to professional examination, e.g. in 2006 only 1-2% of the long-term unemployed who had had training passed the professional examination;
- weak relationship with formal school system;
- effect of active labour market policies, incl. 2006 reform, is not known, as there are few studies, only a few qualitative studies within ESF projects;
- data quality is low and the cross-usage of registers is complicated;
- allocation of funds not flexible enough (risk groups vs collective redundancies).³⁵

In connection with the risk that as a result of entering into force of the new Employment Contracts Act on 1 July 2009 including smaller lay-off compensations a major wave of lay-offs might start, it would be important to pay greater attention to preventive activity.

³³ Tervis, töö ja sotsiaalelu 2007 (Health, work and social life 2007). 2008. Ministry of Social Affairs. <http://www.sm.ee>.

³⁴ Ibid.

³⁵ Leetmaa, R. 2009. Aktiivne tööpoliitika Eestis (Active labour market policy in Estonia). Center for Policy Research Praxis.

Annex – Tables 1-7

Table 1. The subsistence level and supplementary social benefit in Estonia in 1993-2009, EEK

	1993	1994	1996	01.01.97	01.11.97	2005	2006	2007	2008	2009
Subsistence level per month per member	280	320	390	460	500	750	750	900	1000	1000
Supplementary social benefit per month	-	-	-	-	-	200	200	200	200	200

Source: The Ministry of Social Affairs

Table 2. The use of subsistence benefit funds, the number of satisfied applications and the average amount of benefit in Estonia in 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
Subsistence benefit to maintain subsistence level								
used funds, million EEK	353.3	326.6	308.2	216.8	207.8	135.5	95.2	88.9
families-beneficiaries, thousand*	70.4	69.3	51.1	33.2	26.8	19.2	13.0	11.4
share of families-beneficiaries in all families, %	12.4	12.2	9.0	5.9	4.7	3.4	2.2	..
number of applications granted per year, thousand	443.3	385.7	313.4	214.6	174.4	113.0	72.5	59.6
average benefit per application, EEK	797	847	984	1010	1192	1199	1312	1492
Supplementary benefit, million EEK	1.0	21.3	16.9	18.2	43.9	57.3	41.7	31.8

Source: Ministry of Social Affairs

* Shows all families who have received a benefit irrespective of the number of occasions.

Table 3. Structure of families who received subsistence benefits during the year* in Estonia in 2001-2006

	2001	2002	2003	2004	2005	2006
Total number of subsistence benefit applications	443265	385705	313360	214593	174406	112990
with an unemployed person	59.1	56.6	61.4	72.4	70.3	66.3
with an unemployment benefit recipient	31.5	26.5	26.1	27.8	26.9	23.7
with a long-term unemployed, unemployed job-seeker	27.6	30.1	35.3	44.6	43.4	42.6
with children	38.3	34.1	38.7	43.4	39.1	36.4
with a pensioner	7.7	7.9	7.6	6.7	9.3	10.9
with student	16.7	21.7	14.6	1.9	1.7	1.8
with a disabled person	5.8	5.7	6.3	6.4	8.0	8.7

Source: Mäe, Ü., Karpovitš, S. 2008. Toimetulekutoetus (Subsistence benefit).

Notes: Calculated on the basis of applications accepted. One and the same family may belong to different types of family, e.g. a family with an unemployed person and with children, and therefore the sum of shares of different types of family is not equal to 100 per cent.

Table 4. Comparison of the subsistence level with the absolute poverty line and cost of minimum food basket in Estonia in 2004-2007

	2004	2005	2006	2007
Absolute poverty line for one-member household, EEK	1836	1938	2081	2341
Cost of minimum food basket per 30 days, EEK	762	816	888	1031
Subsistence level per month per member, EEK	500	750	750	900
Share of subsistence level in cost of minimum food basket, %	65.6	91.9	84.5	87.3

Source: author's calculations based on the latest data of the Statistics Estonia

Table 5. Subsistence level and level of some national indicators in Estonia in 2001-2007

	2001	2002	2003	2004	2005	2006	2007	Share of subsistence level, in 2007, times	Change 2007/2001, times
Subsistence level per month per member, EEK	500	500	500	500	750	750	900	1.0	1.8
Disposable income per household member per month, EEK	2289	2500	2789	3029	3476	4343	5286	5.9	2.3
Consumption expenditure per household member per month, EEK	2321	2465	2540	2799	3189	3712	4358	4.8	1.9
Average gross wage per month, EEK	5510	6144	6723	7287	8073	9407	11336	12.6	2.1
Old age pension per month, EEK	1583	1758	1985	2244	2558	3027	3541	3.9	2.2
Minimum wage per month, EEK	1600	1850	2160	2480	2690	3000	3600	4.0	2.3
Disposable income in I income decile, EEK	608	652	754	805	975	1319	1591	1.8	2.6
At-risk-of-poverty threshold per month, EEK	1575	1731	1936	2332	2846	3479
Consumer price index, change in comparison with preceding year, %	5.8	3.6	1.3	3.0	4.1	4.4	6.6	..	1.3

Source: author's calculations based on latest data of the Statistics Estonia

Table 6. Expenditure on labour market policies in Estonia in 2000, 2002 and 2004-2007, million EEK

	2000	2002	2004	2005		2006		2007	
				total	among this ESF	total	among this ESF	total	among this ESF
Total expenditure on passive labour market policies	220.5	129.3	64.5	52.7	-	38.8	-	83.6	-
incl. unemployment benefit	119.8	104.1	55.0	42.5	-	24.7	-	52.3	-
Total expenditure on active labour market policies	65.8	88.4	102.2	207.2	92.5	233.8	114.9	225.7	83.9
incl. labour market services	37.5	50.6	51.1	76.9	32.3	87.0	42.0	62.0	3.2
allowances (grants, transport etc.)	10.4	11.3	13.6	19.2	5.4	21.6	5.0	15.7	0.2
Total expenditure on labour market policies	286.3	217.7	166.7	259.9	92.5	272.6	114.9	309.3	83.9
incl. active labour market policies, %	23.0	40.6	61.3	79.7	..	85.8	..	73.0	..
Proportion of expenditure on labour market policies in GDP, %	0.31	0.15	0.11	0.15	..	0.13	..	0.13	..

Source: Tervis, töö ja sotsiaalelu 2007 (Health, employment and social life 2007). 2008. Ministry of Social Affairs. <http://www.sm.ee>.

Table 7. Participation in active labour market measures in Estonia in 2000, 2002 and 2004-2007

	2000	2002	2004	2005	2006	2007
Total participation in labour market services, excl. career counselling	12740	11079	8058	11087	9001	8062
Labour market training	8156	10021	6968	9852	7073	5503
Community placement	3954	453	353	188	-	-
Business start-up subsidy	441	375	296	320	289	141
Wage subsidy	189	230	441	727	238	127
Career counselling	2055	8130	7877	9494	8356	8272
Public work	-	-	-	-	170	231
Work practice under the guidance	-	-	-	-	446	1208
Work exercise for working first time etc.	-	-	-	-	676	792
Measure for disabled persons	-	-	-	-	109	60
New unemployed registered annually	81482	64537	51361	42618	26329	28312
Share of participants in labour market services of new the unemployed, %	16	17	16	26	34	28

Source: Tervis, töö ja sotsiaalelu 2007 (Health, work and social life). 2008. Ministry of Social Affairs. <http://www.sm.ee>.

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