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Independent Experts
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Assessment of the implementation of
the European Commission
Recommendation on **active
inclusion**

A Study of National Policies

Estonia

Social Europe

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Assessment of the implementation of the
European Commission Recommendation on
active inclusion

A Study of National Policies

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TALLINN UNIVERSITY OF TECHNOLOGY

COUNTRY REPORT – ESTONIA

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Summary

An integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining, in a balanced way, adequate income support, inclusive labour markets and access to quality services has not yet been designed in Estonia. However, a quite integrated and comprehensive approach to the active inclusion of people excluded from the labour market was typical of reforms, measures and activities introduced since 2008 under each of the three strands. The service oriented approach in the field of social protection and social inclusion with the main emphasis on the quality labour market, education and social welfare services has been quite successfully carried out in Estonia since 2008. However, the individual's basic right to resources and social assistance sufficient to lead a life that would be compatible with human dignity is not guaranteed.

In recent years the integration and coordination in implementation of different strategies has significantly improved in Estonia. An example of recent positive developments in vertical coordination of social policies might be the elaboration of recommended guidelines to local governments for providing welfare services so as to ensure availability and quality requirements of minimal required social services in every municipality. The reforms and measures outlined and those implemented in Estonia in general have to a large extent taken into consideration the European Commission Recommendation on the active inclusion of people most excluded from the labour market, since the significance of integration has been considered under the three strands of the strategy; however, for achieving the Recommendation objective more completely an active inclusion strategy for Estonia still has to be worked out.

Despite the rise in the subsistence level in 2011 this is still extremely low, lower even than the minimum food basket cost (85.1 euro per month in 2011). Activity requirements in the social protection system apply mainly to registered unemployed, including the recipients of unemployment insurance benefit and unemployment allowance, and to a lesser extent also to subsistence benefit recipients. In general the benefits paid in Estonia in case of unemployment are small and therefore it is more beneficial for people to work; a problem is rather a high poverty risk among the unemployed and low share of benefit recipients. Analysis showed that the potential benefit from working will be the biggest to unemployed working-age people and young people who live alone, where even working for minimum wages would increase income on average twofold in comparison with living on subsistence benefit.

There are many measures and activities taken in Estonia since 2008 to ensure that persons whose conditions render them fit for work receive help to enter or re-enter and stay in employment, especially active and preventive labour market measures for long-term unemployed, young unemployed people, for persons with social or economic coping difficulties, for persons with special needs have been developed in recent years. To improve welfare services to correspond better to the needs and to increase satisfaction with their provision advisory guidelines to local governments were worked out in 2012 for minimal required social services that every local government should provide, but local governments with a small income base have big problems ensuring availability of various services.

Total amount of funding for the priority to support increase in employment and improve the quality of working life ('Good-quality and long working life') in 2007-2013 is 157.2 million euro, incl. EU funds 132.4 million euro (to increase provision of active labour market measures to the unemployed, as well as partial extension of active measures to employed people, more extensive utilisation of various flexible work forms, improvement of employment opportunities for risk groups).

1. Integrated comprehensive strategies

1.1 Comprehensive policy design

An integrated comprehensive strategy for the active inclusion of people excluded from the labour market combining, in a balanced way, adequate income support, inclusive labour markets and access to quality services has not yet been designed in Estonia and therefore not implemented either. However, quite integrated and comprehensive approach to the active inclusion of people excluded from the labour market was typical of reforms, measures and activities introduced since 2008 under each of the three strands.

As Europe 2020 National Reform Programme 'Estonia 2020' (NRP) focuses mainly on economic growth and increasing the competitive ability of the state, then the active inclusion is there mainly discussed in the context of labour market, including actively involving all groups in society and offering qualified workforce and the quality and availability of education at all educational levels. Also the Estonian National Social Report (NSR) focuses on the major 2012-2013 reforms and measures in the social sphere which support people entering the labour market, staying in the labour market and independent coping.

In the framework of the NRP Estonian government has adopted already or is planning to implement in the coming years the following major reforms:

- making work-related formal education exempt from the tax on fringe benefits as of 2012;
- lowering the upper limit on the income tax incentive as of 2012;
- reducing the personal income tax rate as of 2015;
- reform of public service benefits and increasing the transparency of the salary system as of 2012;
- implementation of the first stage of special pension reform as of 2012;
- higher education reform to change the principles of funding higher education and increase the number of student places funded from the state budget as of 2012.

A number of new initiatives have been taken for the purpose of increasing the flexibility and effectiveness of active labour market measures. In comparison with the period of crisis, in provision of the active labour market measures more emphasis has been laid on training and on improving the level on skills of the unemployed. The 'Employment programme 2012-2013'¹ allows for the provision of labour market services on more favourable terms than those provided in the legislation. Thus the programme contributes to the reduction of unemployment among young people, increases the circle of service recipients and provides new labour market services that help to overcome the obstacles that hinder the long-term unemployed in finding a job.² Implementation of the following measures started in 2012:

- measures to support unemployed people to increase their competitiveness in the labour market:
 - expansion and enlargement of flexibility of individual job placement service;

¹ *Tööhõiveprogramm 2012-2013 (Employment programme 2012-2013)*. 2011. Riigi Teataja.

² *Financing of active labour market measures has risen from 0.29% of the GDP in 2009 to 0.34% in 2011 and is expected to rise further in 2012.*

- increasing the flexibility of wage support payments in order to facilitate the temporary and short-term work to tackle long-term unemployment;
- in order to increase the impact, the enabling of participation in labour market services until the end (even when the person gets employed in the meantime);
- provision of additional training and retraining in order to support people who may lose their jobs due to deteriorating health;
- using the labour market services and grants endowment (allocations from state budget and unemployment tax) which was created in 2011 in order to fund labour market services;
- creation of an occupational accident and disease insurance system together with the disability insurance scheme;
- development and implementation of the action plan to reduce gender pay gap.

To tackle unemployment and the social consequences of the crisis and to promote the growth and competitiveness, among others the following reforms and initiatives are planned to implement as of 2013:

- lowering the unemployment insurance premium rate in order to reduce the tax burden on the workforce;
- establishing occupational and professional health insurance along with a new insurance scheme for incapacity for work;
- development of new programmes for improving employment among youth with low competitiveness;
- modernisation of vocational education curricula;
- reform of the upper secondary school network and launching a programme of investments for raising the quality of the school system;
- amendment of the Preschool Child Care Institution Act.

A more individual and flexible approach is used in the provision of employment services and implementation of supporting measures in order to prevent unemployment and inactivity. In order to reduce the obstacles people encounter when entering the labour market the number of support services that support employment services is increased. Two programmes ('Welfare Measures Supporting Access to Employment 2010-2011' and 'Welfare Measures Supporting Access to Employment 2012-2013') are focused on increasing the employment of persons with social or economic difficulties with coping, persons with special needs and members of their families. The accessibility and quality of welfare services is improved in order to enable employment for unemployed and inactive persons. In order to support risk groups on the labour market, welfare services that specifically meet their needs and support their entering the labour market and employment are developed and implemented, giving attention to developing partnership and network engagement.

The following activities to reduce poverty and social exclusion have been recently carried out:

- The survey on financial sustainability of social protection schemes was completed in 2011, which is one of the basic documents for reforms of social protection systems (pensions, unemployment insurance, health insurance, disability insurance);

- The Ministry of Social Affairs elaborated and published a voluntary quality framework for local government social services that supports local governments and service providers to develop and implement services on similar basis in every region in Estonia (in 2011);
- The minimum wage was raised to 290 euro per month starting from 2012 (has been 278,02 euro since 2008);
- Estonian parliament adopted a law to ratify the UN Convention on the rights of persons with disabilities (as of 21.03.2012), according to which Estonia will promote, protect and assure protection of human rights of people with disabilities;
- The cooperation memorandum between the government and Chamber of People with Disabilities (representative of organisation of people with disabilities) was signed in March 2012;
- The Ministry of Social Affairs initiated ratification of article 30 of the European Social Charter (the right to protection against poverty and social exclusion) in 2011.³ Article 30 was ratified in May 2012 and Estonia commits to systematically combat poverty, i.e. set relevant objectives, plan measures and activities for their achievement, regularly monitor the situation, which essentially means development of a national strategy for combating poverty and social exclusion.

According to the Ministry of Social Affairs (the draft of the NSR 2012), the following reforms and initiatives to help improve the situation in social protection and social inclusion in Estonia are foreseen:

- amendment and modernization of the Child Protection Act;
- elaboration of a new concept (green paper) of benefits and services for children and families;
- implementation of a pilot project and elaboration of the concept of services to support the employment of people with multiple social problems;
- amendment of the disability granting system and rehabilitation services reform;
- elaboration of implementation strategy for the UN convention on the rights of persons with disabilities;
- elaboration of the strategy for active ageing 2013–2020.

Many comprehensive reforms and initiatives have been implemented already and also foreseen for coming years for two strands of active inclusion (inclusive labour markets

³ Estonia ratified the amended European Social Charter in September 2000 and 19 out of 98 chapters of the amended Charter are not yet approved, including Article 30. European Committee of Social Rights delegation in November 2010 noted that although poverty is not defined in Estonian legislation (the Riigikogu establishes a subsistence level for each budget year, which can basically be considered the poverty line) and the at-risk-of-poverty rate is rather high in Estonia, policies for combating poverty have been worked out and various measures have been planned in the framework of various development plans (e.g. national reports and action plans on strategies for social protection and social inclusion under the open method of coordination, Competitiveness strategy 'Estonia 2020', etc.), which seems to satisfy the requirements in Article 30. Hence it was concluded that Estonia might ratify Article 30 (Ratifitseerimata, 2010).

and access to quality services), but steps⁴ concerning adequate income are still insufficient (see also 2.1).

The above confirms that the service oriented approach in the field of social protection and social inclusion with the main emphasis on the quality labour market, education and social welfare services⁵ has been quite successfully carried out in Estonia since 2008. However, the individual's basic right to resources and social assistance sufficient to lead a life that would be compatible with human dignity is not guaranteed.

1.2 Integrated implementation

Despite the absence of an integrated and comprehensive strategy for the active inclusion in Estonia there has been a relatively integrated implementation across the three strands of the active inclusion strategy. This can be stated notwithstanding that the report by OECD, analysing the organisation of Estonia public services,⁶ draws attention to the need to develop cooperation between different levels and sectors in Estonia. In recent years the integration and coordination in implementation of different strategies has significantly improved, examples of which might be implementation of the relevant objectives of the NRP, NSR (draft) measures implementation plans, as well as implementation of action plans in other relevant policy areas. E.g. vice-chancellors in the domains of the Ministry of Social Affairs (health, employment and social sphere) ensure coherence between development plans, strategies, concepts and legislation, their completeness and unity, and harmony with national development plans; they also coordinate cooperation with non-ministerial institutions and stakeholders.⁷

The NRP underlines that better cooperation with local government institutions plays a significant role in preventing and reducing long-term unemployment and unemployment among young people (activation measures, solving of social problems etc.). To increase efficiency of service provision the NRP underlines better specification of institutional cooperation and division of roles between the Ministry of Education and Research, Ministry of Social Affairs, Unemployment Insurance Fund and local governments. E.g. the merging of the Unemployment Insurance Fund and the Labour Market Board has already yielded positive results in better provision of services.

An example of enhanced coordination between public agencies and services which contribute to delivering active inclusion policies is cooperation in the implementation of the Development plan for children and families 2012-2020 'Smart parents, nice children, string society'. Since family and employment policy objectives are closely interlinked and in order to develop services to satisfy the population needs it is necessary to contribute more than so far into cooperation between the social and employment area and combined measures, as well as more clearly define the areas of responsibility, then for the implementation of the objectives of the Development plan for children and families 2012-2020 the Ministry of Education and Research, Ministry of Economic Research, Ministry of Justice and Ministry of Finance, local governments and their representative organisations, representatives of public and private sector,

4 *The State Budget Act, starting from 2011, set the subsistence level at 76.7 euro per month for a person living alone or the first member of a family (in 2008-2010, it was 63.9 euro) and 61.36 euro for the second and each subsequent member of the family. Subsistence benefit recipient who has all family members minors, has the right to get supplementary social benefit of 15 euro in addition to subsistence benefit, and this shall be paid by local government from central government budget.*

5 *Estonian National Strategy for Social Protection and Social Inclusion 2008-2010. 2008. Ministry of Social Affairs. <http://www.sm.ee/tegevus/sotsiaalne-kaasatus/sotsiaalse-kaitse-ja-kaasatuse-riiklikud-aruanded.html>*

6 *OECD Public Governance Reviews: Estonia. Towards a single government approach. 2011. OECD.*

7 *Sotsiaalministeeriumi põhimäärus (Statute of the Ministry of Social Affairs), § 11. 2004. Redaktsioon jõustunud (Redaction entered into force) 08.03.2010.*

research institutions, children's and youth representative organisations are cooperating for the achievement of the objectives.

1.3 Vertical policy coordination

Public sector has the most substantial role in elaborating and implementing social policies in Estonia. Provision of services is based on the principle of subsidiarity, according to what public duties in general are performed preferably by closest government institutions to the citizen and first the closest (primary) level resources to those in need shall be used, i.e. the main providers of services and support are local governments.⁸ To provide effective labour market services to the target group whose mobility is limited by the loss or reduction of income the Unemployment Insurance Fund has 15 county departments with a total of 27 customer service bureaus.⁹

According to the recommendations made in the OECD report,¹⁰ Estonia needs to provide possibilities for a more coordinated functioning of public services; for that purpose the flexibility of government administration should be increased in handling priority subjects, reorganising departments and managing the resources. The report also underlined that public services need to be provided more comprehensively, to improve access to them throughout the country.

At the national level the common interests of local governments are represented by two national local government associations: Association of Estonian Cities and Association of Municipalities of Estonia, and for the negotiations with central government a council constituted by these associations – the Cooperation Council of Local Governments.¹¹ Local government associations take part in the elaboration and protection of local government policies that influence social life, health care, education and other local living conditions. Local governments are independent in organising local life, but their administrative capacities are quite different. Local governments with a small income base have big problems ensuring availability of various services. A customer survey of the welfare system¹² demonstrated that the users of services are most numerous in East-Viru county towns, followed by rural settlements, the third come other towns, the fourth are people living in Tallinn and the smallest number of welfare service users are among village people. In the situation where the administrative capacity of local governments is varying and local governments with a small income base are not able to hire a sufficient number of professional specialists, one possibility to ensure availability of quality services is to create regional advisory centres.

An example of recent positive developments in vertical coordination of social policies might be the elaboration of recommended guidelines to local governments for providing welfare services so as to ensure availability and quality requirements of

8 According to the Constitution, all local issues shall be resolved and managed by local governments, which shall operate independently pursuant to law. There are 226 local municipalities in Estonia, including 33 urban and 193 rural. Based on the Local Government Organisation Act (1993) the functions of a local government include the organisation of social assistance and services, welfare services for the elderly, youth work, etc. as well as maintenance of pre-school child care institutions, basic schools, secondary schools, hobby schools, libraries, community centres, museums, sports facilities, shelters, care homes, health care institutions and other local agencies if such agencies are in the ownership of the local government.

9 Eesti sotsiaalkaitse süsteemi korralduse efektiivsuse analüüs. Lõppraport (Analysis of the effectiveness of Estonian social protection system management. Final report). 2011. Praxis.

10 OECD Public Governance Reviews: Estonia. Towards a single government approach. 2011. OECD.

11 Association of Estonian Cities; Association of Municipalities of Estonia; Kohalike Omavalitsuste Koostöökogu (Cooperation Council of Local Governments).

12 Hoolekandesüsteemi kliendiuuringu aruanne, kevad 2004 (Welfare system customer survey report, spring 2004). 2004. Saar Poll OÜ.

minimal required social services¹³ in every municipality.¹⁴ Also founding of regional advisory centres for children and families for coordinated provision of services in the process of updating the national child care system and for more effective organisation of child welfare; provision of systematic continuing training to improve competences of child protection specialists and to ensure their work quality and providing relevant assisting materials and guidelines. In the provision of employment measures and other supporting activities joint activities are developed with different local partners in order to increase the efficiency of the networking that supports the provision of the service. Despite the above mentioned positive examples of policy coordination among local and national authorities, we have to agree with the OECD suggestions that Estonia needs to improve efficiency of government contribution at the regional level, revising the tasks of counties and integrating the administrative regions; to increase the efficiency and improve quality of services provided by local governments voluntary cooperation between local governments should be promoted more than so far and more attention should be focused on the elaboration of complete regional programmes.

The reforms and measures outlined and those implemented in Estonia in general have to a large extent taken into consideration the European Commission Recommendation on the active inclusion of people most excluded from the labour market, since the significance of integration has been considered under the three strands of the strategy; however, for achieving the Recommendation objective more completely an active inclusion strategy for Estonia still has to be worked out.

1.4 Active participation of relevant actors

The newest data to assess the recent developments in connection with the participation of relevant actors date back to the policy analysis made by the citizen initiative Government Guards at the initiative of the Centre for Policy Studies Praxis as of May 2012.¹⁵ The Guards¹⁶ believe the quality of legislative drafting can be improved by a more extensive involvement of non-governmental organisations and stakeholders; however, excessive hurrying and lack of system in proceeding and adopting draft laws has been noticeable also in the past year (e.g., at the end of 2011 numerous law amendments were passed and as of 1 January 2012, out of nearly current 400 pieces of legislation of Estonia more than 120 amended new law redactions entered into force).

The Guards have pointed out as a good example of the inclusive policy design the Development plan for children and families 2012-2020 'Smart parents, nice children, string society,' which was prepared in cooperation between different government institutions and stakeholders and is revealed in its content as well as in the vision covering a wider picture. At the same time, excessive hurry in the preparation of the higher education reform concept led to that many stakeholders involved in the reform preparation (students, rectors, parents, opposition parties) are still discontent,

13 Nursing service; personal assistant service; home service child care service; social advice service; social transportation service; support person service for a child; support person service for an adult; child shelter service; violence victim shelter service; safe house service; debt advisory service; family reconciliations service.

14 Kohalike omavalitsuste sotsiaalteenuste soovituslikud juhised (Recommended guidelines for local government for providing social services). 2012. Ministry of Social Affairs.

15 Valitsemise esimene tegevusaasta - vahekokkuvõtted (Government's first year - mid-term review). 2012. Valitsemise valvurite poliitikaanalüüs (Policy analysis by government guards).

16 Government Guards is a web environment where one can watch how the government's action programme is implemented or everyday activity of the national governance. Government Guards is a part of wider citizens' initiative with the purpose of having a wiser voter and better governance. The Government Guards are politically independent professionals who assess how the government plans are realised in reality.

implying bottlenecks in the draft law, as well as that their recommendations have not been sufficiently taken into consideration. Despite that the president decided to refuse to proclaim the new law and to remit it to the Riigikogu for further discussions, no in-depth public analyses have followed so far etc. At the example of the disabled people's representative organisations it is possible to point out the problem of formal involvement; representatives of these organisations do not feel that they were much included in the national decision-making process as the government has claimed.

The Guards pointed out several negative examples about the inclusion of social partners in the sphere of labour market:

- not changing the unemployment insurance contribution in 2012 notwithstanding the proposals made by social partners;
- commingling of the reserves of Unemployment Insurance Fund and Health Insurance Fund into the state budget, which led to a standstill in the Unemployment Insurance Fund council's work, since trade unions and representatives of employers withdrew from the council's activity.

The NSR as a programme directly involved with active inclusion measures has been developed in a close partnership with national authorities, but in a quite weak partnership with regional and local authorities. Regional and local authorities have been represented mainly by the minister of regional affairs and representatives of local government umbrella organisations (Association of Estonian Cities and Association of Municipalities of Estonia). Notwithstanding the attempts to unify the quality of government institutions engagement practices (an objective of the updated good engagement practices¹⁷ is to enhance transparency of the decision-making and reliability of the government sector in relationships with stakeholders and wider public), the stakeholder involvement (social partners, NGOs, people experiencing poverty and social exclusion) in the process of policy design, implementation and monitoring has remained formal (mainly due to engagements in a too late stage, insufficient information communication or short deadlines). Although public debates in Estonia can be held in the participation web¹⁸, the comments there are extremely few. Due to the formal involvement of stakeholders, the NRP has not been discussed in the public and there has been no kind of public debate over the NRP. It is good to recognise that suggestions made by the parliamentary committees (the European Union Affairs Committee, Economic Affairs Committee, Cultural Affairs Committee and Social Affairs Committee) were taken into consideration when the first version of the NRP was amended. Although in general the content of the political debate has essentially changed over the past year, since increasingly more different stakeholders have started to draw attention to the social consequences of political decisions, i.e. the most vulnerable, people experiencing poverty and social exclusion, it should be pointed out still that there has been no kind of political debate over the NRP.

¹⁷ *Kaasamise hea tava (Good engagement practices) (2011). Government Office.*

¹⁸ *Osale.ee (Participate.ee).*

2. Description and assessment of the impact and cost effectiveness of measures introduced or planned under the 3 strands

2.1 Adequate income support

Resources are adequate

A research¹⁹ conducted in 2011 on the impact of using *subsistence allowances*²⁰ on poverty in 2005-2010 showed that in the period January 2005 – August 2008, the number of households who received a subsistence benefit diminished nearly 4 fold, and as a result of the economic crisis the number of households who received subsistence benefit increased in the period September 2008 – February 2010 to the level that was at the beginning of 2005 (nearly 3.5 fold). According to the Ministry of Social Affairs, 24,332 households received subsistence benefit in 2011 (in 2008, 11,391 households), which is nearly 4.2% of the Estonian households. The above research showed the tendency that the share of households with an unemployed member has increased in the structure of subsistence benefit recipients (at the beginning of 2010 more than 80% of the benefit recipients) and the share of families with children and disabled people decreased. By type of household, the share of young single member households increased among the allowance recipients, which is primarily due to the rise in the unemployment rate in the youth age group.

Despite the rise in the subsistence level in 2011 this is still extremely low, lower even than the minimum food basket cost (85.1 euro per month in 2011;²¹ the at-risk-of-poverty threshold, being 60% of the median equalised yearly income of household members was 279.9 euro per month in 2010²²). The above research demonstrated that subsistence benefit covered approximately two thirds of the absolute poverty line (165 euro per month for the first member of household in 2009) and was sufficient only for single elderly people to avoid poverty. Subsistence benefit was clearly insufficient to prevent poverty among families with children (subsistence benefit to families with many children was lower than half of the absolute poverty lines). Among the subsistence benefit recipients in 2009 households with income higher than the absolute poverty line accounted for approximately 10%, which means that the subsistence line is too low to rescue the household from absolute poverty. The above-named study proved that raising of the subsistence level from 63.9 euro to 76.7

19 Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamise ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. A final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja Sotsiaalpoliitika Instituut.

20 Pursuant to the Social Welfare Act, a person living alone or a family whose monthly net income after deducting the fixed expenses connected with permanent dwelling during the current month is below the subsistence level, has the right to receive a subsistence benefit (subsistence benefit is paid to ensure the subsistence minimum and to cover dwelling costs). The subsistence level is in Estonia the most common government poverty threshold. The subsistence level for a person living alone or to the first member of a family is established by the Parliament (Riigikogu) for each budget year in the state budget 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% of the subsistence level of the first member of the family. Since 2011 it is 76.70 euro per month for a person living alone or the first member of a family (in 2005-2006, 47.93 euro; in 2007, 57.52 euro; in 2008-2010 63.9 euro) and 61.36 euro for the second and each subsequent member of the family.

21 Estimated subsistence minimum, minimum estimated food basket and non-food expenditures per 30 days for one person household. 2012. Statistics Estonia. <http://pub.stat.ee/px-web.2001/Dialog/Saveshow.asp>

22 Equalised yearly disposable income and at-risk-of-poverty threshold of household members. 2012. Statistics Estonia. <http://pub.stat.ee/px-web.2001/Dialog/Saveshow.asp>

euro per month for a person living alone or for the first member of a family won't significantly increase the poverty-alleviating effect of the subsistence benefit (the number of those escaping absolute poverty increased from 11% to 17%). A hypothetical increase in subsistence level to 95.9 euro would increase the number of those escaping absolute poverty to 32%. By household types, the share of households with income higher than the poverty line among single elderly people would increase to nearly 90%; relatively the most would gain, however, single parent households with two or more children – approximately half; approximately 30% of two adult households with children. The effect still remains much smaller on households with many children and with an unemployed household member, where only less than one quarter would escape poverty. If the subsistence level is raised to 127.8 euro, more than two thirds of the households would reach higher than the poverty line and the income of nearly all single parents with two or more children would be higher than the poverty line.

Primary protection against unemployment risk in the Estonian social protection system is provided by *unemployment allowance and unemployment insurance benefit* (Labour Market Services and Benefits Act; Unemployment Insurance Act).²³ The tasks of the Estonian Unemployment Insurance Fund (EUIF)²⁴ are to help the unemployed back to employment as soon as possible. For that the EUIF is providing various labour market services to the unemployed and pays unemployment allowance and unemployment insurance benefits with the purpose of providing people with a replacement income for the period of unemployment and support their job-seeking efforts; as of 1 July 2009, EUIF pays compensation in the case of lay-offs, and upon insolvency of employers.²⁵

The Unemployment Insurance Fund's expenses were low in the first years, when unemployment was decreasing and those who qualified for unemployment insurance benefit were few. The costs increased with the growth of unemployment in 2008 and skyrocketed in 2009. The contribution rate has changed in harmony with the prognosticated benefits, but mostly lower costs than expected have enabled to create a reserve, which gives confidence that even in a period of very fast unemployment growth it is possible to provide the unemployed persons with means of subsistence and job seeking, as it happened in 2009 and 2010.²⁶

23 Objectives of the unemployment allowance are, similarly with the subsistence benefit, to provide replacement income and promote active job-seeking under the risk of unemployment; objectives of the unemployment insurance benefit are to partly compensate to the insured person the income lost in the case of unemployment for the job-seeking period. The labour market policies are carried out by the Estonian Unemployment Insurance Fund, whom the Labour Market Board's tasks were transferred to as of 1 May 2009, and hence the Fund became the main labour policy implementer in Estonia.

24 EUIF is administrating and paying the insurance benefits financed from the unemployment insurance contributions as well as labour market services and support (including unemployment allowance) to uninsured persons on the basis of the Unemployment Insurance Act, the costs of which are covered from the state budget.

25 Unemployed persons who have been employed or engaged in work or an activity equal to work (e.g. studying, compulsory military service) for at least 180 days during the twelve months prior to registration as unemployed. Unemployed persons have the right to receive unemployment insurance benefits if their unemployment insurance period is at least twelve months during the thirty-six months prior to registration as unemployed and their last employment or service relationship did not terminate upon cancellation of the contract of employment at the initiative of the employee or by agreement of the parties. Employees whose employment relationship with the employer lasted for at least five years and whose employment contract was cancelled due to a lay-off have the right for an insurance benefit in the case of lay-offs. Upon insolvency of an employer, the Unemployment Insurance Fund shall compensate to an employee for unreceived salary, unreceived holiday pay and other benefits from the period before or after the declaration of the employer as insolvent which were not received at the time of cancellation of the employment contract but which were prescribed by the Employment Contracts Act.

26 Aaviksoo, A., Kruus, P., Leppik, L., Sikkut, R., Veldre, V, Võrk, A. 2011. Eesti sotsiaalkindlustussüsteemi jätkusuutliku rahastamise võimalused (Sustainable funding of the Estonian social insurance system). Praxis.

According to the Ministry of Social Affairs, the number of unemployment allowance recipients started to fall at the beginning of 2010 and stabilised in the last months of 2011, staying slightly smaller than 10,000 unemployment allowance recipients per month.²⁷ Estonia has since 1992 used a very low unemployment allowance with equal rate for everybody; unemployment allowance in Estonia is smaller than the subsistence level (respectively 63.91 euro and 76.70 euro per month for a single person in 2012). In 2010, unemployment allowance was only 8% of average and 25% of minimum wages; hence Estonia does not comply with the Social Charter article 12 requirement²⁸. Even enforcement of a provision in the Labour Market Services and Benefits Act postponed under the economic and financial crisis from 2009 to 2013 (from 2013 a 31-fold daily unemployment allowance rate shall not be lower than 50 percent of the monthly minimum wage)²⁹ probably wouldn't help Estonia bring the unemployment allowance rate into accordance with the Social Charter requirements. The coverage of both unemployment insurance benefit and unemployment allowance is low: unemployment allowance is granted only to one third of the new registered unemployed, unemployment insurance benefit to one fifth, half of the new registered unemployed get neither, therefore a significant role in providing replacement income under the unemployment risk is played also by other benefits and support, first of all subsistence benefit.³⁰

According to the Statistics Estonia, as of 1 January 2012 pensioners accounted for more than 30% of the population in Estonia (404,525 pensioners or 30.2% of the population).³¹ The number of pension beneficiaries is growing, but their incomes are low (in comparison with 2008, *average monthly old-age pension* increased in 2011

27 During 2011, 30,449 unemployed persons were paid an unemployment allowance, which is 32.9% fewer than in 2010. Also the number of new unemployment allowance recipients decreased. The number of unemployment insurance benefit recipients increased sharply in the years of crisis, and since 2009 has exceeded also the number of unemployment allowance recipients. In 2010, a total of 61,012 unemployed persons received unemployment insurance benefit; in 2011 47% fewer or 32,104. Also the number of new unemployment insurance benefit recipients decreased in 2011 in comparison with 2010 by 39% (from 32,363 to 19,830). Average monthly unemployment insurance benefit payment in 2011 was 257 euro (in 2010, 265 euro). The number of unemployment insurance benefit recipients upon lay-off decreased considerably in 2011. In 2011, 6,040 people received unemployment insurance benefit upon lay-off, which is 43% less than in 2010. 2,598 people received benefit upon insolvency of employers in 2011, which is approximately 60% less than in 2009 and in 2010.

28 The Committee concludes that the situation in Estonia is in not in conformity with Article 12§1 of the Revised Charter on the ground that the unemployment benefit, the minimum unemployment insurance benefit, the national pension and the minimum old age and invalidity pensions are manifestly inadequate. (European Committee of Social Rights. 2010. European Social Charter (revised). Conclusions 2009 (ESTONIA)).

29 Tööturuteenuste ja -toetuste seadus (Labour Market Services and Support Act). RT I 2009, 36, 234, § 31 lõige 1.

30 Leetma, R., Masso, M., Võrk, A., Karu, M., Veldre, V., Paulus, A., Turk, P. 2012. Sotsiaalkaitsehüvitiste ja toetuste mõju töömotivatsioonile (Impact of social protection benefits and support on work motivation). Praxis.

31 The most numerous were old-age pensioners, followed by pension beneficiaries for incapacity for work (74% and 22% of the total number of pensioners, respectively); survivor's pension beneficiaries, national pension beneficiaries and superannuated pension beneficiaries accounted for 2%, 2% and 1%, respectively. During the three years the number of old-age pensioners has increased on average by 2,000 and that of pension beneficiaries for incapacity for work by 7,000 annually. That the sharp rise in the number of pension beneficiaries for incapacity for work is caused by the need induced by economic distress to use all potential sources of earning income rather than a sharp worsening of people's health is a widely known fact. The number of old-age pensioners has been increasing in three last consecutive years, on average 0.8% annually. This means that a rise in the retirement age cannot compensate for the population ageing any more. Economic cycles also have their effect: a more difficult period economically and narrow labour market contributes to early retirement (Randlepp, 2012). Also the number of early retirement pension recipients has been increasing in recent years (in 2006, early retirement pension was paid to 10,540 people, in 2011 to 19,015 already) and 6.4% of the old-age pensioners receive early retirement pension. Most of those retiring early have been previously unemployed (Leetma, et al.).

nearly 10% and was 305.1 euro³²; from 1 April 2012, the average monthly retirement pension was raised to 318.48 euro); therefore it is important to develop the available products and services. Due to the demographic changes in recent years, the employment of older people and increase in their independent coping are of great importance for sustainable social protection systems:

- The Action programme of the Government 2011–2015³³ has set the task to create for elderly people opportunities for more flexible and good-quality life after the retirement. The focus in the design of elderly policies is on the prevention of social exclusion of elderly people, promotion of active and dignified ageing, introduction of innovative solutions in welfare services for elderly people;
- in the NRP the need to offer measure for bringing older people back to the labour market, for supporting them stay in the labour market and for the promotion of active ageing are underlined and active labour market measures are suggested for increasing competitiveness of older people in the labour market;
- in June 2012, the Riigikogu passed the law establishing the parental pension system. Parental pension is an additional pension supplement to be paid to a parent for every child. The law will come into force in 2013. They want to value with this the work of raising children. A weakness of the pension system has been that staying away from employment for raising children has exerted negative influence on the parent's future pension. Parental pension is an attempt to amend this injustice by compensating for the time stayed away from the labour market;
- In 2012, elaboration of a strategy for active ageing for the years 2013–2020³⁴ was launched, which will be completed with the operational programme by the end of the year.

An audit of the *child benefits* and child care system will be conducted at the initiative of the Ministry of Social Affairs in 2012, on the basis of this to harmonise the financial benefits to families and child care system and raise its cost-efficiency. E.g. support to families with tax incentives in Estonia is not cost effective for reducing poverty.³⁵ On the basis of audit, a green book of family benefits and services development is planned to be prepared in 2013. The Minister of Social Affairs and the Prime Minister have promised in their recent speeches that child benefits will be doubled already in 2013, raising them for the first and second child to 40 euro (so far 19.18 euro) and for the third and every next child to 115 euro per month (so far 57.54 euro).³⁶

Resources are linked to activation

Activity requirements in the Estonian social protection system apply mainly to registered unemployed, including the recipients of unemployment insurance benefit and unemployment allowance, and to a lesser extent also to subsistence benefit recipients. Support to employment search and employment are the direct aims of the

32 Monthly average pension and monthly average old-age pension. 2012. Statistics Estonia.

33 Vabariigi Valitsuse tegevusprogramm 2011-2015 (Action programme of the Government of the Republic 2011–2015). Government. 2012.

34 Pevkur tutvustas Riigikogus Sotsiaalministeeriumi nägemust aktiivsest vananemise strateegiast (Pevkur presented at the Riigikogu the Ministry of Social Affairs' vision of the active ageing strategy). Ministry of Social Affairs.

35 Võrk, A., Paulus, A. 2007. Peredele suunatud rahaliste toetuste mõju vaesuse leevendamisele Eestis: analüüs mikrosimulatsioonimeetodi abil (Impact of financial benefits to families on poverty alleviation in Estonia: analysis with the help of microsimulation method). Praxis.

36 55000 lapsel võiks tulevikus suurenda lastetoetus, kinnitas 'Terevisioon' sotsiaalminister Hanno Pevkur (55,000 children could have higher child benefit in the future, confirmed in 'Terevisioon' Hanno Pevkur, minister of social affairs). 2012. Õhtuleht, June 19.

unemployment insurance benefit and unemployment allowance, that is why activity requirements have been established to get them³⁷:

- an Individual Action Plan shall be prepared for the unemployed person within thirty days from the registration of the person as unemployed, the activities necessary for finding work, which shall describe the labour market services necessary for employment;
- the unemployed person is required to follow the Individual Action Plan, including participate in labour market services, visit the Unemployment Insurance Fund at least on one occasion within a period of 30 days, to seek employment independently and be ready to accept a suitable work and to promptly commence work;
- work suitable for an unemployed person during the first twenty weeks after registration as unemployed is deemed to be employment which corresponds to the education, profession and earlier work experience of the unemployed person. A suitable work as of the twenty first week after registration as unemployed need not correspond to the education, profession or earlier work experience of the unemployed person and for which a minimum established salary is paid;
- a breach of activity requirements (including when the person refuses suitable work, if the unemployed person fails to appear at the Estonian Unemployment Insurance Fund for a visit without good reason, if the unemployed person refuses to obey the individual action plan, ceases to search for employment) may cause termination of registration as unemployed, termination of payment of unemployment insurance benefit and/or termination or suspension of unemployment allowance payments;
- all labour market services are provided to the unemployed persons based on their individual needs by a job mediation consultant or case manager. Job mediation consultants are dealing with the clients who find employment easily; their client portfolio is bigger. With clients who need more assistance than normally to find employment (e.g. services for disabled people, social services, exceptional solutions) are dealing case managers in cooperation local governments and other service providers.

Activity requirements are applied for applicants of subsistence benefit only to a little extent. Based on the Social Welfare Act, the tasks of social welfare include contributing towards the ability of a person or family to cope; in addition to social assistance also various social services are provided (including employment assistance service, rehabilitation service, assistance in everyday life service). Additionally, the Social Welfare Act enables not to pay subsistence benefit in case a person 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. In life the main activity requirements applied by local governments are sending those applying for subsistence benefit to the Unemployment Insurance Fund to register themselves as unemployed, which is required of all the unemployed; urban municipalities used more social services and public works. However, cooperation between the Unemployment Insurance Fund and local governments is not very intense; they lack a common understanding of the spheres where they might or

³⁷ *Tööturuteenuste ja -toetuste seadus (Labour Market Services and Benefits Act). Redaktsioon jõustunud (Redaction in force) 01.01.2012.; Töötuskindlustuse seadus (Unemployment Insurance Act) Redaktsioon jõustunud (Redaction in force) 21.12.2011.*

should cooperate more, there are not kind of organisational principles established for the promotion of cooperation; cooperation activity and intensity depend on specific persons.³⁸ Opinions expressed by social workers and unemployment insurance fund's consultants allow concluding that the main problem in applying the activity requirements is a high share of people who register themselves as unemployed with the purpose of getting medical insurance or unemployment allowance and are not interested in employment (the number of persons without medical insurance as of December 2011 was approximately 94,200 or 7% of the population in Estonia).³⁹

An incentive to work is preserved

The requirement of past employment contributes to people's motivation to work as confirmed, for instance by analysis of Estonian parental benefit.⁴⁰ Social benefits as a rule do not depend on past employment, with the exception of unemployment allowance. A precondition for receiving unemployment insurance benefits and unemployment allowance is registration as unemployed, which presumes that the person is not employed and is actively seeking employment. To quicken the return to employment of the benefit recipients it is possible to receive unemployment insurance benefit and unemployment allowance also in case the benefit or allowance payments are terminated earlier, for example, in connection with commencing work, but the person becomes unemployed again within 12 months of the grant of the first benefit or allowance. Various previous studies have implied that return from unemployment benefit back into employment part time or for low wages is not economically rational in Estonia since a small work contribution involves a loss of all of the unemployment insurance benefit or unemployment allowance.

Similarly with the unemployment insurance benefit and unemployment allowance, an early retirement pension is not paid if the person continues working. Such requirement applies until the person reaches the pensionable age – then the early retirement pension recipients similarly with old-age pensioners can receive pension when they continue working. This is probably due to the legislator's wish to make early retirement pension as unattractive as possible.⁴¹

A relatively new option in the Estonian social insurance benefits context is the simultaneous payments of parental benefit and wages. A parent may work or earn income during the period in which they receive the parental benefit, but if the income

38 Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamine ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. A final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja Sotsiaalpoliitika Instituut.

39 Leetma, R., Masso, M., Võrk, A., Karu, M., Veldre, V., Paulus, A., Turk, P. 2012. Sotsiaalkaitsehüvitiste ja toetuste mõju töömotivatsioonile (Impact of social protection benefits and support on work motivation). Praxis.

40 Võrk, A., Karu, M., Tiit, E-M. 2009. Vanemahüvitis: kasutamine ning mõjud tööturu- ja sündimuskäitumisele 2004-2007 (Parental benefits: use and impact on employment and fertility behaviour 2004-2007). Toimetised, 1. Praxis.

41 Leetma, R., Masso, M., Võrk, A., Karu, M., Veldre, V., Paulus, A., Turk, P. 2012. Sotsiaalkaitsehüvitiste ja toetuste mõju töömotivatsioonile (Impact of social protection benefits and support on work motivation). Praxis.

earned exceeds the rate of the benefit, the amount of the benefit for the month in question is reduced.⁴²

It is possible simultaneously with wages to get also subsistence benefit, when the person's income with remuneration is lower than the subsistence minimum (still only 5.9% of the households receive remuneration simultaneously with subsistence benefit)⁴³. It is possible to receive old-age pension simultaneously when the person continues working, which encourages older people continue working.⁴⁴ Moreover, employment when receiving old-age pension is useful also because with an additional pension qualifying period the old-age pension and early retirement pension are recalculated based on the additional period and income.

A study of the impact of social protection benefits and support on work motivation⁴⁵ demonstrated that in general the benefits paid in Estonia in case of unemployment are small and therefore it is more beneficial for people to work. A problem is rather a high poverty risk among the unemployed and low share of benefit recipients. According to the authors of the study, primarily the current preconditions for unemployment allowance payments should be reviewed to ensure sufficient income to people who have lost a job for the job-seeking period. These preconditions should be changed so that most of the people who have lost employment could get a benefit, which would reduce the poverty risk among the unemployed. According to the Ministry of Social Affairs, the above-mentioned study is an important starting point for further analysis of the current social protection system.

The study on the impact of using subsistence benefit on poverty⁴⁶ pointed out that when the subsistence minimum is raised, the motivation of the benefit recipients to work diminishes considerably (especially in the case of low wages); therefore it is necessary to find ways to increase motivation of the unemployed (including raise the minimum wage). When assessing the possible impact of changing the size of various incomes and social status of households on households' subsistence it turned out that the number of profile of subsistence benefit recipients would change in case the current unemployed would commence working for (at least) minimum wages. In that case incomes of nearly of the unemployed would be bigger than the subsistence minimum; however, it is extremely unlikely that such a situation will come true. Analysis showed that the potential benefit from working will be the biggest to unemployed working-age people and young people who live alone, where even working for minimum wages would increase income on average twofold in comparison with living on subsistence benefit. At the same time, in families with children an

42 Reducing the benefit in the case of income being earned is justified by law as being designed to maintain the income from the previous calendar year for the parent. Income covers all sums paid by employers, including bonuses, holiday pay and others. If the income earned is less than the 278.02 euro per month (base rate of the benefit for 2012), the amount of the benefit is not changed; if more than 278.02 euro is earned in a month, the amount of the benefit is reduced by a certain formula; the parental benefit is not paid if the income earned is more than five times higher than the base rate of the benefit, i.e. 1390.10 euro per month in 2012 (Parental benefit. 2012. Estonian National Insurance Board).

43 Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamine ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. A final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja Sotsiaalpoliitika Instituut.

44 According to the Social Insurance Board, nearly one fourth of the old-age pensioners were working in 2011, most of them women.

45 Leetma, R., Masso, M., Võrk, A., Karu, M., Veldre, V., Paulus, A., Turk, P. 2012. Sotsiaalkaitsehüvitiste ja toetuste mõju töömotivatsioonile (Impact of social protection benefits and support on work motivation). Praxis.

46 Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamine ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. A final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja Sotsiaalpoliitika Instituut.

advantage of working before benefits is terrifyingly small – in a full family with three children where unemployed father or mother goes to work income would increase only 10%. A 20% increase in remuneration of working household members would change little the number of benefit recipients since the number of those who earn wages are few among the benefit recipients. Potential changes in the family benefits system have a relatively small effect on households' subsistence capacity. Possible doubling of child benefits (or exclusion of child benefits from among incomes that are taken into account in the grant of benefit) would save the need of applying for the subsistence benefit only in five percent of the cases. In case both proposals were implemented (rise in child benefits and exclusion of child benefits in subsistence benefit application) the effect would be twice as big.

2.2 Inclusive labour markets

Increased investment in human capital

The NRP⁴⁷ has set an objective to bring labour qualifications into conformity with the needs of the modern labour market (including making better use of the possibilities of the EU internal market and other policies) and increase the proportion of people with specialised education at the vocational or higher education level. The main measures to achieve this objectives with many activities (starting from improvement of availability of further training and retraining for adults to career counselling for young at general, vocational and higher education levels) are:

- ensuring the availability of education and skilled labour corresponding to the modern labour market;
- supporting the educational path of young people and better supporting the professional choices, with the aim to increase the students' awareness of the working world and reduce the number of school dropouts.

Development of active and preventive labour market measures

The Estonian government action plan 2011-2015 underlines that the main focus should be on reducing the unemployment of young people and those who have been away from the labour market for a long time. In the NRP, an objective has been set to lower the long-term unemployment rate to 2.5% by 2020. Measures and activities in the NRP pay a lot of attention to the prevention and reduction of youth unemployment via high-quality education provision, reduction of school drop-out rates and better preparation for entrance to the labour market. A lot of emphasis is laid also on reducing the share of adults (25-64) without specialised professional education (vocational or university), especially among those aged 25-34; as well as on increasing the participation of the adults in life-long learning, first of all increasing the opportunities for adult continuing education and retraining and providing formal education to adults without specialised education. To prevent and decrease the duration of unemployment they plan to increase the effectiveness of the provision of active labour market measures. More attention should have been paid in the NRP to the challenges to reducing unemployment of disabled people, whereas in-work poverty has been completely neglected.

To increase the employment of persons with social or economic coping difficulties, persons with special needs and their family members the programme 'Welfare

47 National Reform Programme 'Estonia 2020'. 2012. Government Office.

measures in support of finding work 2012–2013⁴⁸ has been worked out. Objectives of this programme shall be carried out with the following activities:

- provision of counselling services to support employment;
 - provision of counselling services in the Centre for Disability Information and Aids;
 - provision of need-based services to persons with multiple problems by piloting case-by-case networking;
 - provision of debt counselling;
- provision of rehabilitation programmes that support employment;
- evaluation of capacity for work and development of ability to work ;
- provision of support person services to young persons leaving substitute homes and foster care;
- guaranteeing a good-quality welfare service by training service providers and introducing a quality management system;
 - guaranteeing a good-quality care service to reduce the care burden of family members;
 - implementation of a quality management system for rehabilitation and special care services.

A general objective of the employment programme 2012-2013⁴⁹ is to prevent unemployment, shorten duration of employment and help back into employment persons for whom this is complicated because of long-term unemployment or other specific obstacles. This programmes plans to:

- support persons in the risk of losing employment move from job to job;
- support career choices and job seeking;
- support employers find and hire suitable workers;
- support sustainability of start-up entrepreneurs;
- raise the qualifications of persons who want to find work;
- remove obstacle to employment;
- increase availability.

In addition to the Labour Market Services and Support Act provisions, the following labour market services will be established and provided on the basis of the programme:

- mediating career information;
- job seeking counselling;
- entrepreneurship support;
- individual placement;
- counselling for removing obstacles to finding employment;
- support of availability;
- support to obtaining a qualification.

⁴⁸ Programm 'Töölesaamist toetavad hoolekandemeetmed 2012–2013' (Programme 'Welfare measures in support of finding work 2012-2013'). 2012. Ministry of Social Affairs.

⁴⁹ Tööhõiveprogramm 2012-2013 (Employment programme 2012-2013). 2011. Riigi Teataja.

Continual review of incentives and disincentives resulting from tax and benefit systems

In the framework of the NRP Estonian major reforms are foreseen:

- making work-related formal education exempt from the tax on fringe benefits as of 2012;
- lowering the upper limit on the income tax incentive as of 2012;
- reducing the personal income tax rate as of 2015.

Support for the social economy and sheltered employment

Provision of the support person service to young leaving substitute home and family from under care started in 2012 with the support of the European Social Fund. An objective of providing the support person service is to support entering to the labour market of young people who leave from under care at substitute home and family and their coping in the labour market and find ways for continuing education and obtaining a profession. Expectations in connection with the project are that 30% of the young who have received the support person service have reached the labour market or keep a job and 30% of the unemployed young use labour market services. Additionally all cases were analysed within the project and on the basis of the analysis a broader continued care programme will be prepared in 2013.

Efforts to increase access to employment (See above Employment programme 2012-2013, p. 18.)

Efforts to tackle labour market segmentation, ensure quality jobs and promote job retention and advancement

A significant amendment compared to the previous NRP, in the NRP 2012, is covering of the gender inequalities problem: development and implementation of an action plan to reduce gender pay gap.

2.3 Access to quality services

Availability and accessibility of services

- The welfare measure that help find employment (e.g. information and counselling centres in counties are targeted at people with physical, mental or social special needs and their family members), to improve employment and coping in everyday life of people with special needs and their family members can be assessed good. Physical access to these services was significantly improved by that counselling happened also outside the counselling centres.⁵⁰ It would be extremely important to continue providing similar services;
- In medical rehabilitation, an own contribution rate of 15% is applied since 2010, which enables to provide more medical rehabilitation, but reduces access to patients, especially in the situation of economic recession when patients' incomes are smaller,⁵¹

⁵⁰ Programmi 'Töölesaamist toetavad hoolekandemeetmed 2007-2009' hindamine. Lõpparuanne (Assessment of the programme 'Welfare measures that contribute to finding employment 2007-2009.' Final report). 2011. Ernst&Young.

⁵¹ Ülevaade riigi vara kasutamisest ja säilimisest 2009.aastal. Riigikontrolöri kokkuvõtte aasta jooksul tähelepanudust (An overview of using and preserving state assets in 2009. National Audit Office's summary of observations during the year). 2010.

- According to the estimate of the National Audit Office, the audits conducted in recent years show that the growing problems in hospitals endanger access to and quality of health services;⁵²
- In February 2012, waiting lists in regional and central hospitals in Tallinn in specialties where in the opinion of regional departments of the Health Insurance Fund problems have been encountered with access to health services were inspected. To improve the insured persons' access to health services within the required maximum waiting time, the Health Insurance Fund makes suggestions, where necessary, to revise and amend the contracts with service providers. Medical institutions have tried to find ways to improve the access by reorganising activities and prolonging the reception hours or cooperating more with family doctors;⁵³
- Since local governments assess the disabled people's needs for assistance very differently and provide services based on their possibilities, the state's role is also important – it should consist in specifying the services to be provided by local governments and their financing sources and elaborate specific standards and criteria for the services taking into consideration first of all the needs of people and local governments' capacity to provide these services. Today the welfare of disabled people depends primarily on local governments' finances and willingness, but the state should work out for the disabled people a single package of services that the disabled people were entitled to irrespective of the place of residence. A reason for the present situation is partly unrealistic expectations of the state and local governments for each other. The state presumes that local governments provide to disabled people a wide range of services, but local governments have neither money nor competences for that;⁵⁴
- In comparison with other countries, Estonia has one of the longest highly rewarded parental leave periods; therefore the need for childcare services for younger than three year old children is smaller than in other countries. From the aspect of higher labour supply it would be more effective to provide childcare services in a greater extent and reward parental leave at a lower rate. In addition to kindergarten places the accessibility of childcare services is affected by the price of the service. Average monthly cost per child in Estonia for the parents who paid for the childcare services was 37.5 euro in 2008, which in comparison with 2004 is more than twofold bigger. In the last years just before the economic crisis, it did not exert any additional negative impact on women's employment when a mother had 3–7 year-old children or 8–12 year old children (after the impacts of their education and nationality were already counted).⁵⁵

Inclusive services

- for assisting people who have more than one obstacle that prevents them from coping with everyday life and working, needs based services are provided with the help of case based network piloting. The project 'Provision of need-based services

52 *Ülevaade riigi vara kasutamisest ja säilimisest 2010.aastal. Riigikontrolöri kokkuvõtte aasta jooksul tähelepanust (An overview of using and preserving state assets in 2010. National Audit Office's summary of observations during the year). 2011.*

53 *Tervishoiuteenuste kättesaadavus piirkondlikes ja keskhaiglates veebruaris 2012 (Accessibility of health services in regional and central hospitals in February 2012). 2012. Estonian Health Insurance Fund.*

54 *Ülevaade riigi vara kasutamisest ja säilimisest 2009.aastal. Riigikontrolöri kokkuvõtte aasta jooksul tähelepanust (An overview of using and preserving state assets in 2009. National Audit Office's summary of observations during the year). 2010.*

55 *Vörk, A., Nurmela, K., Karu, M., Osila, L. 2010. Sotsiaalkaitse roll turvalise paindlikkuse kujundamisel Eestis (Social protection systems's role in formation of flexicurity in Estonia). Praxis. Praxise Toimetised, 2.*

to persons with multiple problems by piloting case-by-case networking' helps reinforce local governments' capacity to solve more complicated client cases, support local governments using the case based networking method, develop networking (including local governments' cooperation with the Unemployment Insurance Fund and other institutions and cooperation between local governments) and improve accessibility of counselling services. Within the project regional consultants have been hired, who map support and services provided by local governments to people and families, help social workers at local governments solve complicated cases of people with multiple problems, organise and conduct relevant networking (including with service providers) and based on the mapping of support and services and experiences obtained from the project, work out a description of the case based networking process.⁵⁶

Quality of services

- The role of social worker in local welfare is crucial and depends a lot on his/her motivation, competence and activity.⁵⁷ To improve welfare services to correspond better to the needs and to increase satisfaction with their provision advisory guidelines to local governments were worked out in 2012 for minimal required social services that every local government should provide. Also the quality requirements were elaborated for these services and descriptions of welfare services (including psychological counselling, family counselling, debt counselling) and recommendations for cooperation in providing the services were formulated;
- In 2012, case based networking guidelines will be worked out, which is meant to help all those practicing social work in their work on solving complicated cases. The guidelines will help involve different networking parties to find the best possible solution and support social workers being professionals. The purpose of the guidelines is that the service providers in different regions in Estonia used similar principles;
- To manage and develop the quality of welfare services, evaluate the effectiveness of the services and to support social work competences of the service providers and local governments the Ministry of Social Affairs is thinking to establish a single social training, development competency centre;

Integrated services

- reorganisation of rehabilitation services (in connection with reform of the capacity for work assessment system) with the purpose to develop more than so far and restore independent coping of people and support job searching and job keeping. Within the reform of rehabilitation services (changes to the rehabilitation system will be submitted to the central government by the end of 2012) the system will be reorganised to ensure:
- needs based provision of services, including prevention of determining a disability, and provision of individual needs based package of services;

⁵⁶ As a result of the project, a concept of measures to support people with multiple problems find work and their employment will be completed in 2013. An objective of the project is that at least 30% of all people who have received welfare services with the help of the project will be using labour market services and 15% have found employment.

⁵⁷ Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamise ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. A final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja Sotsiaalpoliitika Instituut.

- more purposeful use of resources, reduction of bureaucracy and higher share of actual service provision;
- waiting lists will be liquidated;
- purposeful and planned choice of service providers, including implementation of a quality management system and streamlined monitoring.

Reform of rehabilitation services includes plans to shorten waiting lists for services from nearly 10,000 people as of 1 January 2012 to 1,000 people by 1 January 2016 and increase the number of institutions which have implemented the quality management system from 6 in 2011 to 50 in 2016.

User involvement

- service provision is based on the person's needs and condition, cooperation with the person, considering his/her wishes, including him/her in the decision-making concerning his/her life;
- services shall be adjusted to the needs of the particular person (individual service provision plans); measures that support independent coping, working and studying and which reduce the need for assistance in longer perspective are preferred in provision of assistance. Attempts will be made to integrate the contributions of all parties including the person him/herself, family, other members of society, state and local governments, as well as employers to improve the situation of a person who has got into difficulties. Significantly greater attention has been focused on cooperation between different parties, e.g. social worker, doctor, teacher, police, labour market expert etc.

Effective monitoring

- To improve the system of analysing and planning of the need for welfare services a social services data register STAR was introduced;
- Various studies have been ordered to get more information on the effectiveness of welfare services that influence subsistence and to get recommendations to develop services (including adequacy of the services to the person's needs, effectiveness, implementation and organisation of services).

3. Financial resources

3.1 National resources

In 2007–2010, state budget expenditure on social benefits increased 27.1%; on social security benefits 21.4%, social assistance 50.9%, whereas social benefits to government sector employees decreased 33.1%. In the total state budget in 2012, social benefits account for 31.2% or 2.05 billion euro, including social insurance benefits 1.53 billion euro or 74.4%; social assistance allowances and other benefits to individuals 498.3 billion euro or 24.3%; social benefits to public sector employees 28.2 billion euro or 1.4%. Pursuant to the procedure provided by law for pension and benefit payments, expenditure on social benefits will increase, in comparison with 2011, by a total of 174.3 million euro or 9.3%.⁵⁸

⁵⁸ 2012. aasta riigieelarveseaduse seletuskiri (Explanatory report to the 2012 state budget act). 2012. Ministry of Finance.

The major social expenditures (health, and pension insurance, family allowances, parental benefit, disabled people benefit, social tax paid by the state on special occasions, second pension pillar) that increased the most in 2007–2010 are expenditure on pension insurance – 37.8%; expenditure on parental benefit – 145.4%; on disabled people benefits – 31.4%; on social tax paid by the state on special occasions 240.4%; expenditures on health insurance have been stable during the past four years. All together, major social expenditures have increased during the past four years more than one quarter (28.2%). 1.3 billion euro are allocated for state pension insurance in 2012 (growth of expenditure in comparison with 2011 budget 71.8 million euro or 5.7% due to the rise in the pension index)⁵⁹.

The total amount of social assistance benefits and other benefits to individuals (family allowances (including parental benefit), subsistence benefits, benefits to unemployed persons, support to disabled people, education allowances and social tax paid by the state on special occasions based on the Social Tax Act, and other social assistance benefits) in 2012 is envisaged to be 498.3 million euro (growth in comparison with 2011 budget 9.4 million euro or 1.92%). 27.0 million euro are allocated to local governments for the expenditure on subsistence benefits (growth in comparison with 2011 budget 1.54 million euro or 6.1%, which is due to the increased number of the applicants). 6.4 million euro are envisaged for the unemployment allowances paid on the basis of Labour Market Services and Support Act, which in comparison with 2011 budget is 4.76 million euro or 42.6% less, since unemployment was expected to decrease in 2012 (unemployment allowance is planned to be paid for an average of 8,376 unemployed person at the daily rate of 2.11 euro, on average up to 63.91 euro monthly). 65.4 million euro are envisaged for the payment of benefits to disabled persons and their caregivers in 2012, which is 10.8 million euro or 19.7% more than in 2011 budget.

The budget of the Ministry of Social Affairs contains appropriations in the amount of 2.7 billion euro in 2012; most of this is envisaged for pension and health insurance expenditure (78% of the total). For the state contributions into the labour market services and support foundation an appropriation to the Estonian Unemployment Insurance Fund for provision of active labour market measures and payment of labour market benefits (unemployment allowance excluded) in the amount of 4.0 million euro is envisaged.⁶⁰ 1.1 million euro, including 0.05 million euro for co-financing, are envisaged for welfare measures that support job search, which seek to increase employment of people with special needs and of their family members.

Before 2008, labour policy expenses in Estonia remained smaller than 0.2% of GDP and were the smallest in comparison with EU member states. Although the unemployment rate was relatively low also, even after the difference in unemployment rates was adjusted (share of expenditure in GDP per one unemployment percent is compared) the more than five-fold difference in labour policy expenditure in comparison with countries which spend the most remained. The economic crisis and very big increase in unemployment with simultaneous GDP decline involved a very big growth in labour policy expenses, which amounted to nearly 1.4% of GDP. Most of the

⁵⁹ According to the indexation procedure, the national pension rate from 1 April 2012 is 134.10 euro and according to the index the old-age pension for a person with 44 years of pensionable service is 318.87 euro.

⁶⁰ From 2011, based on the Labour Market Services and Support Act, labour market services and support is financed from the foundation. Based on the Unemployment Insurance Act, a certain portion of unemployment insurance contributions are transferred into the labour market services and support foundation annually and this is used to finance services and support provided to the insured persons. The state makes its contribution into the foundation for financing the labour market services and support for uninsured persons.

expenditure growth was caused by increased expenditure on unemployment allowances.⁶¹

3.2 Use of EU Structural Funds

Six priorities have been defined for using structural funds in the period 2007–2013, including educated and active people; their 6 implementation areas include such areas as labour market and social security, family and population policy, education.⁶² Based on the changed economic situation and need to optimise the use of budget funds, including the European Union structural funds in the programme period 2007–2013, the amount of support allocated to the spheres of primary importance – labour market and promotion of entrepreneurship and innovation – were increased in 2010. To enable extensive and purposeful utilisation of EU assistance also under the changed economic situation and based on the national development priority objectives, new supplementary support measures were opened in 2009–2011, the assistance amounts of most purposeful measures were increased and the requirements provided in the source documents of national support measures (so-called measures regulations and programmes) for applying and using EU support.⁶³

Implementation of the European Social Fund (ESF) in the period 2007–2013 is regulated with the 'Operational Programme for the Human Resource Development', where the main objective of the priority axis 'Good-quality and long working life' is to support increase in employment and improve the quality of working life (total amount of funding 157.2 million euro, incl. EU funds 132.4 million euro).⁶⁴ The biggest portion of the priority axis budget shall be allocated to increasing supply of skilled labour or activities such as provision of active labour market measures to the unemployed, as well as partial extension of active measures to employed people, more extensive utilisation of various flexible work forms, improvement of employment opportunities for risk groups (young, elderly, disabled people etc) and addressing workforce immigration and emigration issues. The priority is carried out with the help of five measures, three of which are directly connected with the active inclusion strategy:

- 'Increase in the supply of skilled labour' with the programme 'Increasing the supply of skilled labour', which seeks to increase employment via active labour market measures, improving the availability and quality of labour market measures (a total of 127.7 million euro, incl. EU 107.4 million euro);
- 'Improvement of the quality of working life' with the programme 'Improvement of the quality of working life', which seeks to enhance clarity and flexibility of employment relations, make working environment healthy for the employees, and improve the administrative capacity of policy design in the employment sphere (a total of 7.5 million euro, incl. EU 6.4 million euro);
- 'Welfare measures to support employment' with the programme 'Welfare measures to encourage employment', which seeks to increase employment of people with special needs and their family members (a total of 10.8 million euro, incl. EU 9.1 million euro).

61 Vörk, A., Nurmela, K., Karu, M., Osila, L. 2010. *Sotsiaalkaitse roll turvalise paindlikkuse kujundamisel Eestis (Social protection systems's role in formation of flexicurity in Estonia)*. Praxis. Praxise Toimetised, 2.

62 *Under the national budget strategy 2007–2010 a sub-strategy A National Strategy for Using Structural Funds 2007–2013 was elaborated and approved, which defined the general objectives for the development of eligible areas from the EU structural funds, the respective indicators and priorities for the years 2007–2013 in Estonia. The structural funds strategy is a permanent part of the national budget strategy that is updated annually.*

63 Riigi eelarvestrateegia 2013–2016 (National budget strategy 2013–2016). 2012. Ministry of Finance.
64 Euroopa Sotsiaalfond (European Social Fund). 2012. Ministry of Social Affairs.

Caused by the crisis period measures, the planning and using of funds have been the fastest in the measure 'Increasing the supply of skilled labour' (93% of the total budget is covered with budgets and payments have been made in the amount of 67.3% of the total budget); smaller than expected has been the use of funds in the measure 'Improvement of the quality of working life' (payments have been made in the amount of 36% of total budget).⁶⁵ 80.8 million euro or 61.1% has been paid to programmes and projects as the EU support, and 118.0 million euro or 89.2% of the EU support budget is covered with obligations.⁶⁶ In 2011, a total of 36,123 people were involved with activities, 60.1% of them were women and 39.9% men. In comparison with 2010, the participants were 6,575 or 15.4% fewer, which is partly due to the very high unemployment rate in 2010 and decrease in unemployment in 2011.⁶⁷

4. Monitoring and evaluation

In Estonia, there are no special arrangements for monitoring the implementation of the active inclusion Recommendation and the impact of the measures introduced in this framework. But the most important surveys and forecasts include the analysis of the developments in the labour market. In the framework of preparation of the NRP (incl. overview of the implementation of the NRP; an overview of the implementation of the obligations of expanded euro area pact; a summary of the measures applied and activities carried out in accordance with the country specific recommendations), the State Chancellery has analysed the attainment of the goals concerning employment and poverty.

The NSR has been developed in a close partnership with national authorities, but in a quite weak partnership with regional and local authorities. Regional and local authorities have been represented mainly by the minister of regional affairs and representatives of local government umbrella organisations (Association of Estonian Cities and Association of Municipalities of Estonia). The stakeholder involvement

⁶⁵ *Pikk ja kvaliteetne tööelu. Seire aastaaruanne (Good-quality and long working life. Monitoring report). 2011. Ministry of Social Affairs.*

⁶⁶ Performance indicators 'Share of people who have found work with the help of active labour market measures of all those who have used the respective services' and 'Share of people who have found work or kept work with the help of placement support services of all those who have used the respective services' imply a relatively good efficiency of the activities since with the help of the activities more than 30% of the participants in the programmes and projects find employment or keep a job. Since effective placement has an important role in the co-effect of social welfare services and active labour market services, indicator 'Share of people sent to use active labour market measures with the help of employment support services of all those who have used the respective services' was added as an operational programme amendment, which measures further movement of the persons who have used welfare services (first of all advice) to the labour market or to active labour market measures EUIF. The smaller than expected implementation of this indicator (85.7%) was caused by that many disabled people are discouraged and are not ready to immediately go to the labour market and use active labour market services.

⁶⁷ Since the priority axis activities are directly connected with increasing labour supply, then most of the participants in these activities are unemployed - 74%, and most of them (51.9%) are long-term unemployed; 20.6% were employed people and 5.4% inactive people. Young (15-24) and older people (55-64) were represented quite equally among the participants (13.9% and 12.5% of the participants, respectively). However, if to compare the participants from vulnerable groups, the most involved in activities were (national) minorities (24.1% of the participants), handicapped people (6.6%) and other excluded persons (20.9%). By educational level the biggest portion of participants in 2011 had a post-secondary or third level education - 39.4% and third level education - 28.9%. People with the first level or secondary lower level education were fewer (17.7%), and so were those with upper secondary level education (14%). This shows that mainly people with higher educational level were participating in activities. When in 2010 the participants had mainly upper secondary or secondary vocational education, then in 2011 they had mostly vocational education on the basis of secondary education. At the same time, both in 2010 and in 2011 a relatively big share of the participants had higher education: 27.2% and 28.9%, respectively.

(social partners, NGOs, people experiencing poverty and social exclusion) in the process of policy design, implementation and monitoring has remained quite formal. Although in general the content of the political debate has essentially changed over the past year, since increasingly more different stakeholders have started to draw attention to the social consequences of political decisions, i.e. the most vulnerable, people experiencing poverty and social exclusion, it should be pointed out that the debate over the NRP was only held in the Parliamentary Committees.

An example of the use of social experimentation/innovation in the development of active inclusion measures might be from the international programme⁶⁸ with the purpose to offer better communication opportunities for the elderly who live at home, as well as social workers and institutions that provide services to elderly; a technical solution for elderly homecare, i.e. alarm button service.

Independent think tanks and state institutions have undertaken a number of analyses reflecting to some extent all or some of three strands of the active inclusion strategy.⁶⁹

5. Recommendations

5.1 Priority actions to strengthen (develop) integrated comprehensive active inclusion strategy

- Estonia should work out an integrated comprehensive strategy for the active inclusion of people excluded from the labour market, combining, in a balanced way, adequate income support, inclusive labour markets and access to quality services;
- Estonia should ensure a more effective horizontal and vertical policy coordination in the implementation across the three strands of the active inclusion strategy.

5.2 Priority actions to strengthen policies/measures under each of the 3 strands

Adequate income support

- in the establishment of subsistence level base on actual expenditures necessary for minimal subsistence and raise the subsistence level at least to the limit that would

68 VIRTU – virtual elderly care services on the Baltic islands. Central Baltic Interreg IVA Programme 2007-2013.

69 Leetma, R., Masso, M., Võrk, A., Karu, M., Veldre, V., Paulus, A., Turk, P. 2012. Sotsiaalkaitsehüvitiste ja toetuste mõju töömotivatsioonile (Impact of social protection benefits and support on work motivation). Praxis; Trumm, A., Kasearu, K. 2011. Uuring 'Toimetulekutoetuse kasutamine ja mõjud leibkonna vaesusele aastatel 2005-2010'. Uuringu lõpparuanne (Survey 'Use of subsistence benefit and its impact on alleviating poverty in 2005-2010'. Final research report). Ministry of Social Affairs, Resta, Tartu Ülikooli Sotsioloogia ja sotsiaalpoliitika Instituut; Eesti sotsiaalkaitse süsteemi korralduse efektiivsuse analüüs. Lõppraport (Analysis of the effectiveness of Estonian social protection system management (Final research report). 2011. Praxis; Aaviksoo, A., Kruus, P., Leppik, L., Sikkut, R., Veldre, V., Võrk, A. 2011. Eesti sotsiaalkindlustussüsteemi jätkusuutliku rahastamise võimalused (Sustainable funding of the Estonian social insurance system). Praxis; Anspal, S., Biin, H., Kallaste, E., Kraut, L., Rõõm, T., Turk, P. Sooline palgalõhe Eestis (Gender pay gap in Estonia). 2011. Sotsiaalministeeriumi Toimetised, 2; Noorteseire aastaraamat 2010: Noored ja tööturg (Youth monitoring yearbook 2010: Youth and labour market). 2011. Praxis; Hinsberg, H., Jürgenson, A., Kaarna, R., Kirss, L., Nurmela, K., Sikkut, R., Turk, P., Uudelepp, A., Veldre, V. 2011. Valistuse tegevusprogrammi analüüs (Analysis of Government Action Plan). Praxis. Praxise Poliitikaanalüüs, 9; Võrk, A., Kaarna, R., Nurmela, K., Osila, L., Leetmaa, R. 2010. Active labour market policy's role in formation of flexicurity in Estonia. Praxis. Praxise Toimetised, 1; Võrk, A., Nurmela, K., Karu, M., Osila, L. 2010. Sotsiaalkaitse roll turvalise paindlikkuse kujundamisel Eestis (Social protection systems's role in formation of flexicurity in Estonia). Praxis. Praxise Toimetised, 2.

ensure income at least on the verge of absolute poverty to the households who need support;

- raise the unemployment allowance rate and unemployment insurance benefit rate and/or prolong the period of payment to increase the subsistence capacity of the unemployed.

Inclusive labour markets

- to make local activation of the unemployed more effective local governments should work out and implement a complex action plan with interlinked organisation of services and principles of funding, relevant infrastructure;
- to streamline practices of involving social partners, especially in labour market initiatives.

Access to quality services

- to support local government efficiency for more uniform regional availability and quality of the services provided by them;
- to extend and diversify opportunities for attending vocational education and training, which would enable people with low qualifications participate in education and training;
- to raise efficiency of case management principles by increasing case management (not service based) based approach and finding more flexible solutions.

5.3 Actions at EU level to reinforce the implementation of the active inclusion Recommendation by Member States

Changes in the age structure of population and growing life expectancy inevitably increase the need for staying longer in employment. To ensure the possibility of longer active work life it is necessary to study in a coordinated way the related ageing problems, starting from health preservation, lifelong learning arrangement to design of work places, organisation of working time and easing work load.

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Summary tables

Table 1

To what extent has an integrated comprehensive active inclusion strategy been developed in your Member State?*												
	Comprehensive policy design			Integrated implementation			Vertical policy coordination			Active participation of relevant actors		
	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No	Yes	Somewhat	No
For those who can work			X			X			X			X
For those who cannot work			X			X			X			X

*An integrated comprehensive strategy for the active inclusion of people excluded from the labour market has not yet been designed in Estonia.

Table 2

To what extent have active inclusion policies/measures been strengthened, stayed much the same or weakened since 2008 in your Member State?									
	Adequate income support			Inclusive labour markets			Access to quality services		
	Strengthened	The same	Weakened	Strengthened	The same	Weakened	Strengthened	The same	Weakened
For those who can work		X		X			X		
For those who cannot work		X		X			X		

