



## **Poverty Watch - Estonia, 2020**

## Contents

Foreword

1. What is poverty?

2. Poverty statistics.

2.1 Absolute poverty.

2.2 Relative poverty.

2.3 Material deprivation.

3. Impact of the health and economic crisis related to the COVID-19 pandemic.

4. Major poverty related problems, as observed by members of EAPN Estonia.

Used literature

## Foreword

The Poverty Watch, prepared and published by EAPN Eesti MTÜ, is an overview of the situation of poverty and social exclusion in the Republic of Estonia.

EAPN (European Anti-Poverty Network) is a network of 31 national networks (including Estonia) of voluntary organisations and grassroots groups and 18 European organisations, active in the fight against poverty and social exclusion. It was established in 1990. All these organisations include many NGOs with similar interests. EAPN is mainly a political organization that deals with various aspects of poverty, such as access to the labor market, housing, education and various social services, and advocates for various target groups.

One of the cornerstones of EAPN is the recognition that the organization does not speak for people in need, but with them, making the voices of people living in poverty heard.

This Poverty Watch is the first such publication of the EAPN Estonia Network, but similar reports have been prepared and presented to the general public by several National Anti-Poverty Networks in other European countries. As the situation regarding poverty and social exclusion changes and hopefully improves, the EAPN Estonia Network will try to make the preparation and publication of Poverty Watch periodic.

This review was compiled by Mart-Peeter Erss and Kärt Mere, members of the board of EAPN Eesti MTÜ. The authors would like to thank all the members of EAPN who provided expert assessments, and especially MTÜ Lastekaitse Liit for the thorough input.

## 1. What is poverty?

The EAPN proceeds from the concept of multidimensional poverty, which deals with the experience of poverty and its impact on people throughout their lives. People experience poverty in various forms of deprivation - not only due to lack of money or things, but also due to absence of experiences, opportunities, services and environment that others consider normal. This deprivation may include unemployment or poor working conditions, low-paid work, restricted access to quality education and health care, social integration, family support, housing and residence status. People experiencing poverty may also suffer from stigmatisation, discrimination, isolation and social exclusion, the negative consequences of (often short-term) decisions based on severely limited resources, and poorer mental and physical health. They can be expected to have a shorter lifespan. The subjective experience of material deprivation can vary considerably in different contexts - for example, where most people are poor and share the same experiences, or situations where there are more inequalities and many people are much richer or poorer than others (1.).

Poor areas - disadvantaged neighborhoods in large cities, small towns or remote rural areas - also increase the risk of multidimensional poverty and exclusion. These are places where much of the traditional infrastructure is often lacking adequate transport means and well-paid work, quality housing, social services, good schools, leisure facilities, cultural institutions and community spaces. At times, there is also a greater risk from the environment and pollution. Children living in these poor, socially disadvantaged areas that reproduce unequal opportunities may be particularly disadvantaged. The perceived impact of poverty on coping and resilience can in many ways be increased or decreased by a number of personal factors and relationships, as well as cultural aspects. Frequent emphasis on a person's poverty, entrenched poverty and long-term poverty can weaken an individual's resilience, deepen his or her poverty and isolation (1.).

Social inclusion and exclusion address people's relationships with others in society. If material poverty is related to belonging to a "high" or "low" society, then social inclusion and exclusion must be said to be "on" or "off". Just as poverty can be absolute or relative, a distinction must be made between the weakening or complete breakdown of social ties in the case of social exclusion. People may be marginalized in society, they may experience alienation, stigmatization and discrimination by others for being different. The risk of social exclusion can be identified in three dimensions: the state, especially the welfare state, including social protection and social welfare; family and community ties, and markets (especially labor markets). These dimensions are interlinked, but one dimension cannot completely replace another in supporting meaningful participation in society (1.)

## 2. Poverty statistics and changing poverty

It's reasonable to choose the statistical period based on the economic cycle from the previous financial crisis to the current health and economic crisis. Also, the EAPN Estonia Network should note, that a large part of the statistics on social exclusion and poverty are published by Statistics Estonia with a rather long time lag - by the end of next year, therefore it is not possible to use these statistics to assess the effects of a rapidly evolving crisis.

Absolute poverty has fallen sharply in recent years, but relative poverty, which has risen since the financial crisis, has fallen by only one percentage point in 2019, well above the EU average. The Estonian social protection system is characterized by a small share of social protection expenditure in GDP compared to other countries. In 2018, for example, the share of Estonian social protection expenditures was 16.1% of GDP, while the EU average was 26.7% (2.).

Instead of hunger and homelessness, Estonia's poverty is increasingly expressed as inequality, remoteness, loneliness, lack of opportunities and uncertainty about the future. Poverty isn't only material nor is it only expressed in income disparities. It also means being deprived of freedom of choice. This is reflected, for example, in a working parent's inability to change jobs without risking a temporary drop in income (Even if the goal is finding a job that matches their real interests). Many seemingly well-off people cannot afford leaving work: in Estonia, unemployment benefits are small and the rigid system has little coverage. In 2018, only 33% of newly registered unemployed received unemployment insurance benefits. For example, voluntary redundancies and the self-employed do not qualify for support, nor is encouraged receiving benefits while having a part-time work (3).

Poverty, as a lack of opportunities, is a dependence on EHIF-funded medical care and waiting lists, because people cannot afford to go to private clinics. In 2017, 55% of those in need of assistance (i.e. only about half) had access to a specialist during the maximum waiting period established by the EHIF (Estonian Health Insurance Fund, Haigekassa). Meanwhile, waiting times for day care and inpatient hospital care are rapidly increasing. Poverty isn't just about giving up luxuries in healthcare. This cannot be said if we know that up to 30% of people have given up dental treatment for financial reasons. And if we know that the poorest fifth of the population spends almost 16 (!) times less on dental care than the richest fifth.

Poverty is also a loss of confidence that affects a person's behavior and can guide career choices. Authors, poets, choir directors, freelance actors, artists and other creative people are not guaranteed permanent social protection in Estonia. Until this is established, the state essentially equates the work of creative people with a hobby. Hobby does not guarantee a stable income or health protection (3.).

A person can adapt to deprivation and become accustomed to inequality and lack of opportunities, remoteness and insecurity. It is tolerable for him as long as he is moderately healthy and finds support from loved ones and from competent support systems. However, health is not always in our own hands, especially when it comes to mental health. There are major problems in the care of children with serious behavioral problems. This creates a situation where the young person's behavioral problems are exacerbated over time due to switching between inappropriate services (3.).

The Estonian social system, under the leadership of the Ministry of Social Affairs and with the support of numerous foundations and non-profit associations, has successfully reduced extreme poverty and supported those in need. But that is not enough. The fight against poverty must become more diverse and precise, as poverty has taken on a new face and more complex nuances (3.).

## 2.1 Absolute poverty

Table 1. Absolute poverty rate (% of population)

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Absolute poverty rate	4,7	6,3	8,7	8,1	8,4	7,6	6,3	4,3	3,2	2,7	2,2	2,3

(4.)

Absolute poverty means that a person's income is below the absolute poverty line. The absolute poverty line is calculated on the basis of equivalent net income, which takes into account the composition of the household (first adult member weight 1, each subsequent 14-year-old member 0.7 weight and all under-14 weight 0.5), i.e. total household income is divided by the sum of household consumption weights. The limit of absolute poverty is the estimated subsistence level, which expresses the financial cost of meeting the minimum needs. In 2019, this was 221.4 euros per month.

The absolute poverty rate is the share of the population whose equivalent net income is below the absolute poverty line. (5.)

By gender, 2.9% of men and 1.8% of women were in absolute poverty in 2019 (4.)

The previous economic crisis significantly increased absolute poverty, but since 2013, absolute poverty has decreased substantially. The reduction of absolute poverty was particularly rapid in 2014-2016, with significant increases in family benefits and the subsistence level.

At present, a person living in absolute poverty is most likely to be a working-age younger man, unemployed or an entrepreneur. In part, such a composite portrait can also be suspected of working abroad and wanting to optimize taxes, but at the same time we cannot rule out NEETs, interrupted education, addictions and other serious social problems. Secondly, the higher poverty rates stand out for single-parents and large family members.

In 2018-19, the absolute poverty rate has increased among children and young people, but decreased in the 50-64 age group (5.)

## 2.2 Relative poverty

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Relative poverty rate	19,7	15,8	17,5	17,5	20,7	21,8	21,6	21,7	21,0	21,9	21,7	20,7

(4.)

Relative poverty means that a person's income is below the relative poverty line. The relative poverty line is calculated on the basis of equivalent net income, which takes into account the composition of the household (first adult member weight 1, each subsequent 14-year-old member weight 0.5 and all under-14s weight 0.3), i.e. total household income is divided by the sum of household consumption weights. The relative poverty line is 60% of the median of the annual equivalent net income of household members. The relative poverty line in 2019 was 7,336.8 euros or 611.4 euros per month.

While relative poverty decreased significantly in 2009 as a result of the financial crisis, relative poverty increased substantially during the recovery from the financial crisis. The growth of relative poverty after joining the euro in 2012-2013 was particularly rapid. At that time, there was also a rather active emigration from Estonia.

Estonia's relative poverty is higher than the EU average (16.5%). There is also a constant lag with the fulfillment of the goals set in the competitiveness agenda "Estonia 2020", which was already 16.5% by 2015, the 2020 goal is 15%.

The main cause of relative poverty is low pensions. The relative poverty of the elderly in Estonia is the highest in Europe. The likely other important factors (in decline, but still higher than in the EU) are wage poverty, low levels of incapacity benefit and the gender pay gap.

In the annual comparison of 2018-2019, relative poverty has decreased the most among the elderly and children, but increased the most among the young. Relative poverty is highest in the 65- and older age group still living alone. Compared to 2018, the number of single parents living in relative poverty has decreased. However, the number of couples with at least three children living in relative poverty has increased over the same time period (7).



## 2.3 Material deprivation

In the European Union, the current approach has been using the material deprivation rate to assess the share of households that cannot afford at least three of the nine components.

These are:

- contingencies;
- a week's holiday away from home;
- payment of rent and utilities;
- eating food containing meat, fish or equivalent protein throughout the day;
- keeping the home warm enough;
- washing machine
- color TV
- telephone
- car.

The new methodology also includes five personal level components and one household level component. Previously, all components were asked at the household level, i.e. one household member answered for the whole household.

### Personal level

A person cannot afford (although he would like, i.e. deprivation is a forced deprivation, not a person's own choice):

- replacement of worn clothing with new ones;
- at least two pairs of outdoor footwear that are in good condition and needed in our climate;
- spending even a small amount on yourself each week;
- meeting with friends or relatives at least once a month to eat and drink together;
- regular participation in a paid leisure activity.

### Household level

- The household cannot afford to replace worn or damaged furniture. (8.)

According to Statistics Estonia, in 2019 7.6% and in 2020 6.5% of the population lived in material deprivation. In 2019, women accounted for 8.1% and men for 7.0%, and in 2020 women accounted for 7.0% and men for 5.9%. (4.)

The rate of deprivation was highest among those aged 50-64 (9%) and lowest among those aged 25-49 (4.7%). The biggest decrease in experiencing deprivation in 2018-19 was among the people aged 65+ who were living alone and the single parents (4.).

According to EAPN Eesti MTÜ, the actual level of material deprivation is higher, but it must be acknowledged that it is very difficult to collect this data. The decrease in deprivation in 2020, during the coronary crisis, when many peoples' incomes fell sharply, does not seem plausible.

### **3. Impact of the health and economic crisis related to the COVID-19 pandemic**

At the time of writing, only the material deprivation data for 2020 has been received, and it's showing a decrease compared to 2019. However, it is clear that the coronary crisis has reduced people's incomes (quite large wage cuts have been implemented in the real sector of the economy) and increased unemployment. At the same time, in order to solve the current crisis, Estonia has made a revolutionary change in monetary policy, which, in the opinion of EAPN Eesti MTÜ, has been a correct and crucial factor in ensuring that the effects of the current crisis have not become much more difficult. Throughout the period of re-independence, Estonia has proceeded mainly from the need for a nominally balanced state budget, which has resulted in the debt burden of the Estonian public sector being the lowest in the European Union. This has meant cuts in state and local government budgets during the crises, which have exacerbated the effects of the said crises. However, in order to deal with the current crisis, Estonia, like most European countries, decided to reduce the negative effects of the crisis by increasing its debt burden and by not cutting public spending and by allocating additional resources to the budget to cover the costs of the crisis.

In the initial phase of the crisis, Estonia applied relatively successfully wage compensation to employers whose workload either decreased significantly or temporarily disappeared, which must be assessed as a successful measure to prevent unemployment. Compensation was paid to a total of 137 514 employees, to 17553 institutions in the amount of EUR 256017813 (9.). However, the number of registered unemployed has increased from 34,400 from the end of 2019 to 53,874 by the end of 2020. The registered unemployment rate reached 8.3% in December 2020 (10.).

As a rule, those who lose their job are also paid an unemployment insurance benefit, however that was only 40-50% of salary; from 01.08.2020 it's 60% for the first 100 days (previously 50%). The period of payment of the unemployment insurance benefit depends on the insurance period and ranges from 180 to 360 days. However, in the event of voluntary redundancy or dismissal through fault of the employee, unemployment insurance benefits are not paid and that must be considered an increasing factor to the problem - and that is not particularly justified since the insurance contributions have been paid and often the employers pressure the employees to voluntary redundancies.

In the first stage of the crisis, people working in so-called precarious jobs who were not covered by the guarantees provided under employment contracts or in the public service, suffered the most. Among them were many small entrepreneurs, self-employed and the employees of the platform economy (taxi drivers, masseurs, etc.).

During 2020, the Unemployment Insurance Fund was mainly used for the partial replacement of income decreased due to the crisis. However, a significant increase in the number of applicants for state subsistence benefits was noticed in some local governments already in December 2020, as the periods of payment of unemployment insurance benefits for those who lost their jobs began to end. At the same time, national statistics show an increase of only 2.3% in the number of household members of the beneficiaries. The number of households receiving subsistence benefits is an important indicator of poverty. The number of applications has also increased in connection with the wish to apply for co-financing of institutional care for parents by local governments and in connection with the wish to register oneself as a caregiver of a relative in need of care.

The economic sectors involved in tourism have been particularly hard hit by the crisis, as has catering in general.

According to the employment register, as of 8 March 2020, i.e. before the establishment of the state of emergency, 29,130 people in Estonia were employed in the field of accommodation and food services. By the end of the state of emergency (as of 17 May 2020), slightly less than 24,000 of them had remained employed in the accommodation and food service activities. 4,000 people lost work and 1,200 people were employed in other fields of activities. To summarise the year in the accommodation and food service industry, it can be said that more than 40% of the employees who lost their jobs during the state of emergency in the spring of 2020 were still unemployed as of mid-December. Most of them have not found a job in the meantime. To a lesser extent, those who have lost their jobs have succeeded in making work episodes in predominantly service-related activities (11). However, redundancies in this sector have continued in the autumn. Other economic sectors, such as culture, sport, hobbies and entertainment, have also been hit hard. There are also setbacks in the exporting industry.

The consequences of the specific nature of the current crisis are likely to be felt for many years to come. As major problems related to the coronary crisis, which have a direct impact on the increase in poverty, EAPN Eesti MTÜ points out the following concerns:

1. Non-participation of many students in distance learning. In addition to IT tools and home conditions (quiet study space), distance learning also requires quite a lot of self-discipline. Education that may remain incomplete or is at risk of being interrupted is undoubtedly a factor in increasing poverty.
2. There are alarming signs of massive speech delays and lack of social communication skills in pre-school education. Children aged 1.5 to 2 have spent their sensitive first period of life within the walls of their homes. These children have not interacted with

their peers. Playrooms, interactions with same aged kids in playgrounds and parks, baby schools, etc. activities have not been available to them.

3. Restrictions related to the health crisis also affect the provision of social services that are meant to alleviate poverty.
4. The constraints of the crisis are increasing the loneliness and exclusion caused by poverty. The loneliness of the elderly, who have a very high relative poverty rate, is becoming a particular problem.

MTÜ Lastekaitse Liit, a member of the network, points out the following problems in connection with the health and economic crisis:

1. Rising levels of parental stress - at the request of the Ministry of Social Affairs, Turu-uuringute AS conducted a survey in April, according to which about 44% of the parents who participated in the survey considered home life due to an emergency situation to be burdensome and stressful to a greater or lesser extent. The more children, the more stress. More than half of the parents' work has been affected by the fact that kindergarteners are at home or by schoolchildren learning from distance. The need for family reconciliation services has increased (12.).
2. Deterioration of the family's economic situation - the state of emergency reduced the family's income to a greater or lesser extent and led to a deterioration of the family's economic situation - according to the above-mentioned survey, 42% of the participating families (12.).
3. An increase in the number of NEETs. According to Statistics Estonia, during the period of 01.03 - 07.06.20, the majority (a third) of those leaving the labor market were young workers under the age of 30. In times of economic downturn, young people are particularly vulnerable: they often leave the labor market first and enter it last, as they have to compete with jobseekers with more work experience in a market with fewer jobs.
4. Increasing inequality - both in income, by region, by language. For example, the possibility of remotely working was higher among Estonian-speaking parents (42%) compared to Russian-speaking parents (20%). By regions, remote work was less common in North-Eastern Estonia (Ida-Viru County, 19% of parents) and most common in Northern Estonia (Harju County, 43% of parents).

Public sector employees have greater opportunities to work remotely (60%), whereas only 30% of private sector employees admitted having that option. Inequalities were also

revealed by region, both in terms of access to services and diversity. Inequality in the acquisition of education - although it was claimed that Estonia could / will cope well with distance learning, there were large differences in Estonian schools during the state of emergency. For example, in terms of student support, there were inequalities in availability of support services and assessment, including different levels of support in Russian and Estonian language schools.

MTÜ Lastekaitse Liit runs a project "A computer for every school child", which clearly shows the lack of digital tools in families with children, especially in Eastern Estonia. The socio-economic consequences of the COVID-19 pandemic vary across sectors and regions due to different specializations. This carries the risk that the country wide differences in Estonia will increase even more.

## **4. Major poverty related problems, as observed by members of EAPN Estonia**

Those in need do not receive sufficient services prescribed by law. Authorities also disregard statutory procedures and procedural deadlines. Those in need are unaware of their rights, they are passive and conciliatory because they feel guilty about their situation.

Laws and the implementation practices have piled up a lot of bureaucracy, blocking access to services and other benefits. In addition to the already complex administrative procedures, evaluation tools are being introduced that cannot be validated scientifically. Evaluation procedures involve completing long, often degrading, questionnaires about those in need.

The evaluation of the client is carried out with great thoroughness by all the agencies through which any compensation is received, and often also by the service providers. It is exhausting for those in need. Great emphasis is also placed on the preparation of various contingency and other plans, which are signed by the client or his / her representative, which is a condition for receiving many services.

There is a growing tendency for case plans to write a lot of obligations to the client himself and few obligations to the authorities. Social workers do not have sufficient services to refer to those in need, but they are dependent on their employer and therefore try to distribute the available resources either as fairly or at worst as possible with as few problems as possible (preference is given to those who complain).

Studies have also revealed that social workers do not have a trusting relationship with clients and that the provided support is insufficient (13). According to the EAPN Estonia network, the situation cannot be improved by developing additional regulations, but more attention must be paid to the training of social workers and to the protection of social work values, which include achieving a trusting professional client relationship.

Different regions are faced with different problems. In Tallinn, for example, the situation is poor with housing services (people live in so-called social accommodation units for years, are in the queue for housing, etc.); provincial and local municipalities do not have this concern to such an extent.

The Hiiumaa Association of Disabled People noted that the poverty of older people is increased by the taxation of both pensions and salaries, although pensions are not salaries, but compensation for years of service.

MTÜ Lastekaitse Liit points out that Estonia's regional inequality and its aggravation continues to be a major challenge. The well-being and coping of households with children depends to a large extent on the type of household and the area of residence.

By regions, the equivalent net income of households with children in 2018 differed almost twice, the relative poverty rate three times. Statistics and various surveys point to health inequalities, differences in access to services, support professionals, hobby education, etc.

In its annual report to the Parliament “The Future of Essential Public Services” published in November 2020, the NAO (Riigikontroll) also emphasizes that all of Estonia outside Harju and Tartu counties is a periphery. By periphery, we mean an area where the provision of several primary services is at risk at the same time.

The picture is not quite the same by counties and occupational groups, but in general it can be said that the sustainable provision of essential services is in question everywhere except in these two counties. The reason is the large share of pensioners in several occupational groups at the same time, as well the poor prospects with offspring.



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