

Small States Social Policy

ESTONIA

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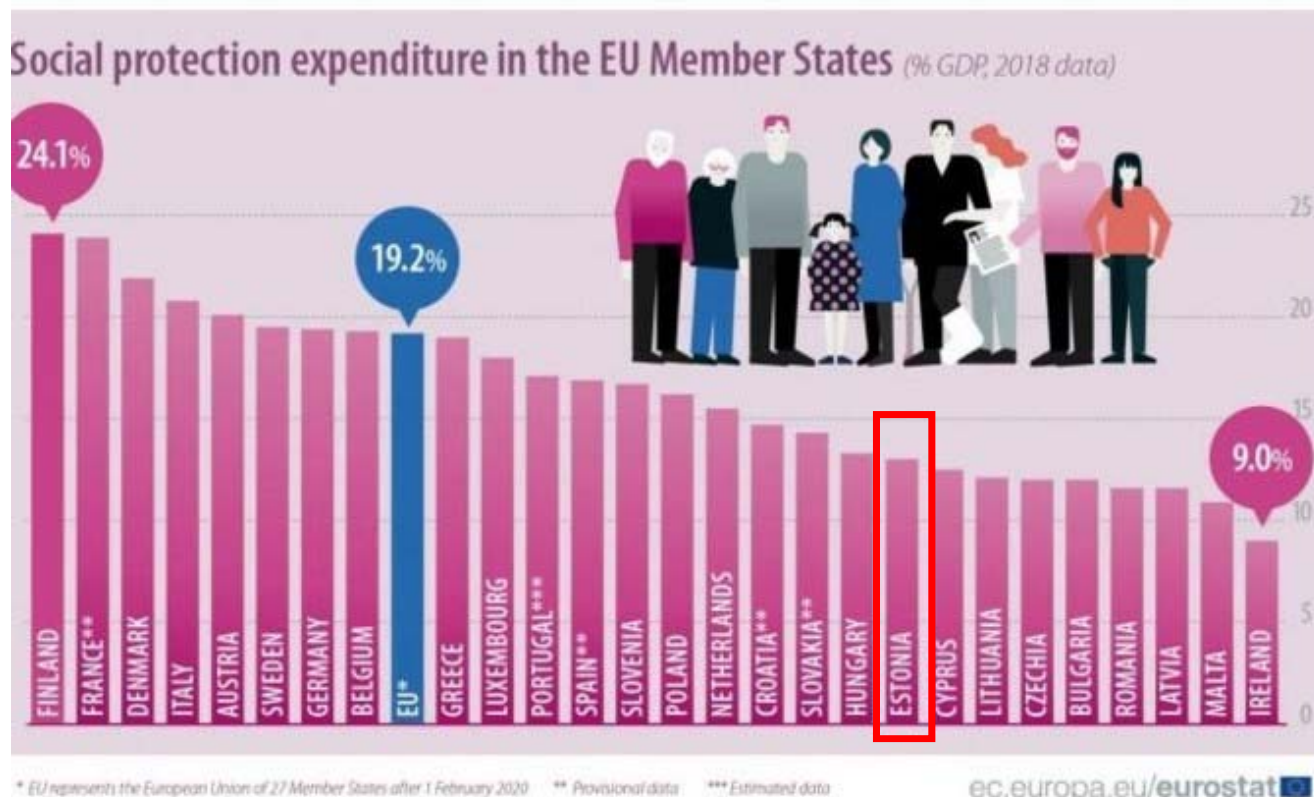
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Social policy – Welfare/Well-being model

- Estonia represents a newly emerged welfare state.
- The current Estonian welfare regime has evolved step-by-step since regaining independence in 1991.
- With the radical change of political and economic systems, all the welfare policies had to be reformed too.
- Today, Estonian welfare regime is a combination of different approaches that is closest to the liberal model.
- The social protection system is characterised by contributory social security schemes, low redistribution, and the aim of stimulating labour supply and incentivising individuals to work/to seek jobs.
- The role of private insurance schemes and employer-provided social protection is modest.

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Social policy – social (re)distributions



- Public social expenditure: 39.1 % of GDP in 2018 (Eurostat).
- With regard to the expenditure on social protection, in 2018, Estonia was 9th from the bottom in the EU (% GDP).
- Estonia spent also less than EU average on sickness and disability (2.1% vs. the EU average of 2.7%)
- However, the spending on family and child policy was higher than the EU average: 2.7% of GDP vs. 1.7% in the EU.
- Source: <https://news.err.ee/1058331/eu-figures-estonia-high-on-defense-expenditure-lower-on-social-protection>

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Social policy – social (re)distributions

- ❑ Estonia has a national mandatory **health insurance scheme** that covers about 95% of the population.
- ❑ Estonia has a three-pillar **pension system** with a general state pension as the first pillar based on redistribution.
 - In January 2020, the pension reform bill was adopted in the Parliament that made membership in the second pillar voluntary (previously mandatory for those born 1983 and later).
 - The third pillar relies on voluntary contributions to the retirement years.
- ❑ Estonia has an **unemployment insurance system** that relies on mandatory contributions, but provides limited security due to inadequate coverage.
 - There is no right to receive the unemployment insurance benefit if employment relationship is terminated at the initiative of the employee or by agreement.

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Social policy – Social protection beneficiaries

- Social policy is the responsibility of the **national level** (with Ministry of Social Affairs at lead).
- Social Insurance Board under the Ministry is responsible for pensions and different types of benefits at the national level.
- Local governments** are the main providers of social services.
- The capacity and resources of 79 local governments differ considerably.
- There is a modest role for charities and church in providing social protection.
- However, increasingly, the third sector steps in to cover the gaps in public provision.

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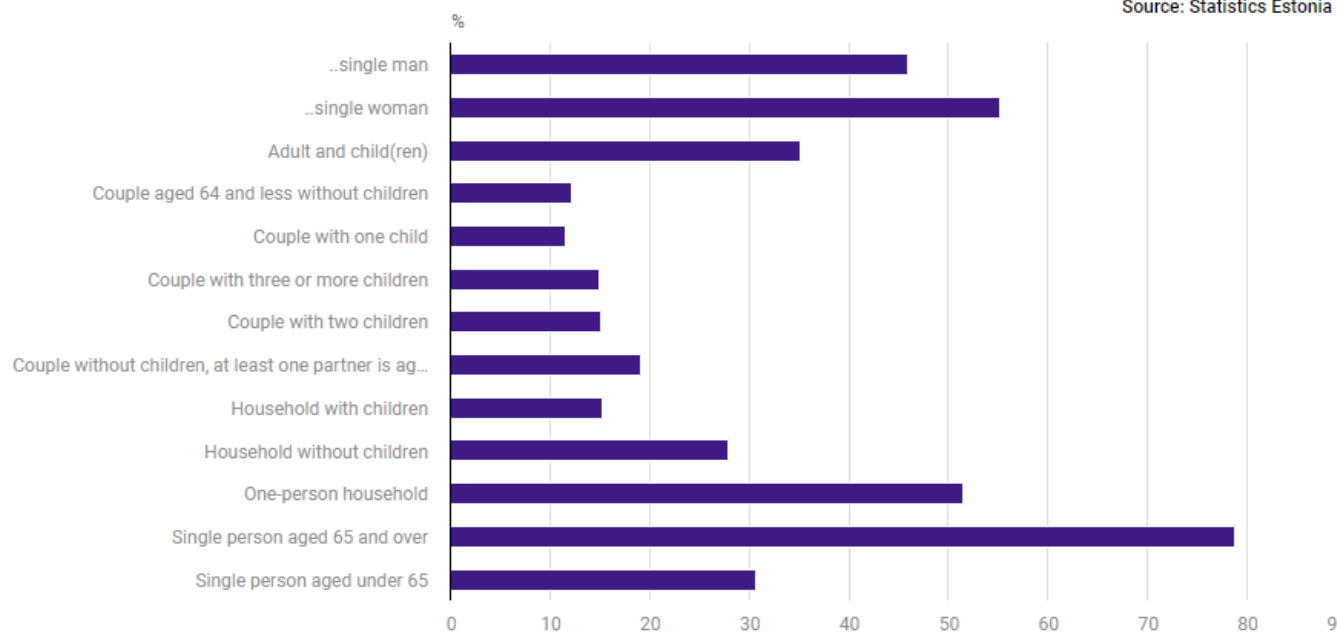
Social policy – Poverty and Social Exclusion

- According to Statistics Estonia, in 2018, 21.7% of the population was at risk of poverty (national threshold).
- The risk of poverty rate before social transfers was 39.3% including pensions and 30.2% excluding pensions.
- Retired people are the group at the highest risk of poverty in Estonia.
- A person over 65 years old and living alone had almost 80% of poverty risk in 2018.
- The other main group with a high risk of poverty are the unemployed.
- There are considerable regional differences in poverty rates and risks.
- Absolute poverty has decreased and relative poverty has increased over the years.

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Social policy – Most vulnerable groups

At-risk-of-poverty rate by household type | 2018



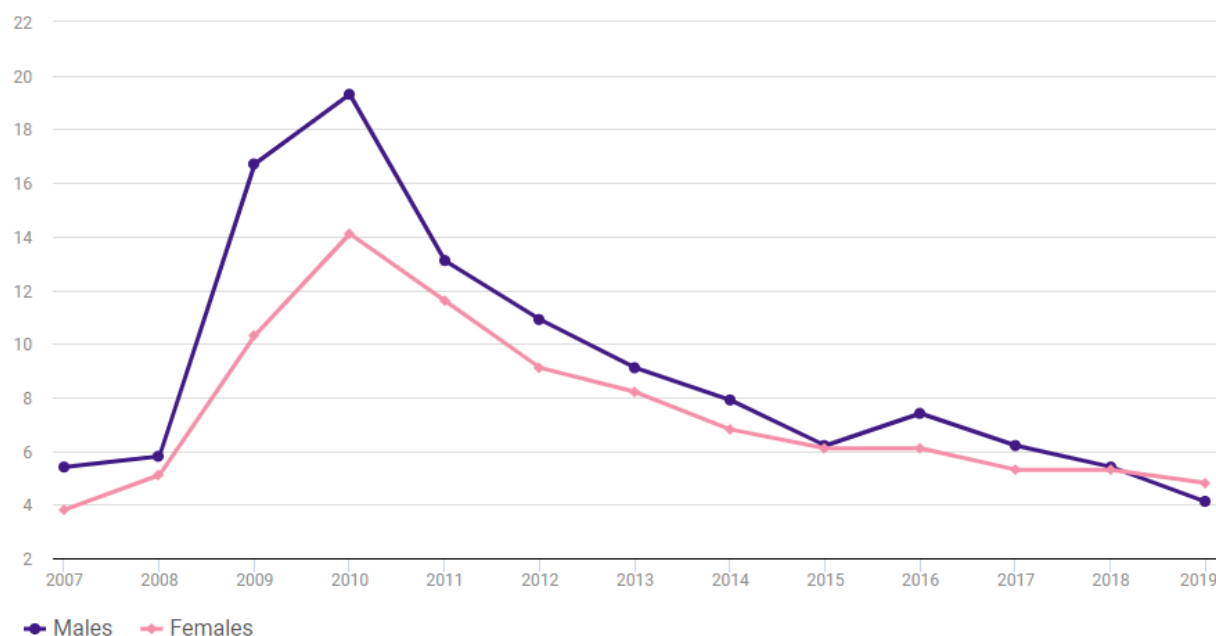
● At-risk-of-poverty rate

- With regard to unemployment, the most vulnerable groups in Estonia are young people, older workers, persons with disabilities, non-Estonians and people from remote and underdeveloped areas.

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Social policy – Unemployment

Males and females unemployment rate, 2007-2019 | 2007 - 2019



- Unemployment rate was at all time low before the COVID-19 pandemic.
- Compared to the unemployment rate of 4.4% in 2019, in the third quarter of 2020, it was 7.7%.

Source: Statistics Estonia, <https://www.stat.ee/en/find-statistics/statistics-theme/work-life/labour-market/unemployment-rate>

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Social policy – Unemployment

Unemployment and long-term unemployment in Estonia from 2000 to 2018



Source: Statistics Estonia, 2019; compiled by Hanna Heinnurm²

- ❑ The rates of unemployment and long-term unemployment have fluctuated considerably depending on the societal and economic developments, with two peaks in 2000 and 2010.
- ❑ The main risk factors for being unemployed are low qualification, ethnicity (insufficient knowledge of Estonian language), and limited capability for work due to a health condition or disability.
- ❑ In 2016, 'the ability to work reform' was launched that moved disability issues from the realm of pensions to the field of employment.
- ❑ Persons who have been accorded the status of partial or no working ability receive working ability allowance.
- ❑ Among the many active labour market services provided by the Estonian Unemployment Insurance Fund, there are a number oriented specially towards persons with a limited ability to work.

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Social policy – Child support

- ❑ There are different kinds of family allowances available.
- ❑ Estonia has a generous parental benefit system that is meant as a replacement of income for raising a child in the first years after the birth.
 - The parental benefit is payed for 435 days starting from the day following the end of the maternity leave.
 - The maximum parental benefit amount is three times the average Estonian salary from the last but one year.
- ❑ Child protection services are coordinated by the Social Insurance Board and actual services are provided by local governments.
- ❑ The quality of child support services varies considerably due to the differing capacities and resources of local governments.

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Social policy – Response to the COVID-19 pandemic

- ❑ Special measures have been adopted both in the Spring 2020 as well as Fall 2020.
- ❑ For example, during the first wave, government introduced subsidies to cover the wage costs of employers suffering from the pandemic.
- ❑ A new employment programme was adopted on 19 November 2020, that aims to alleviate the impact of COVID-19 pandemic.
- ❑ Changes to the health insurance scheme are discussed.
- The current system where the first three days of illness are not compensated creates incentives to go to work even in the case of illness, especially for the low income workers.