

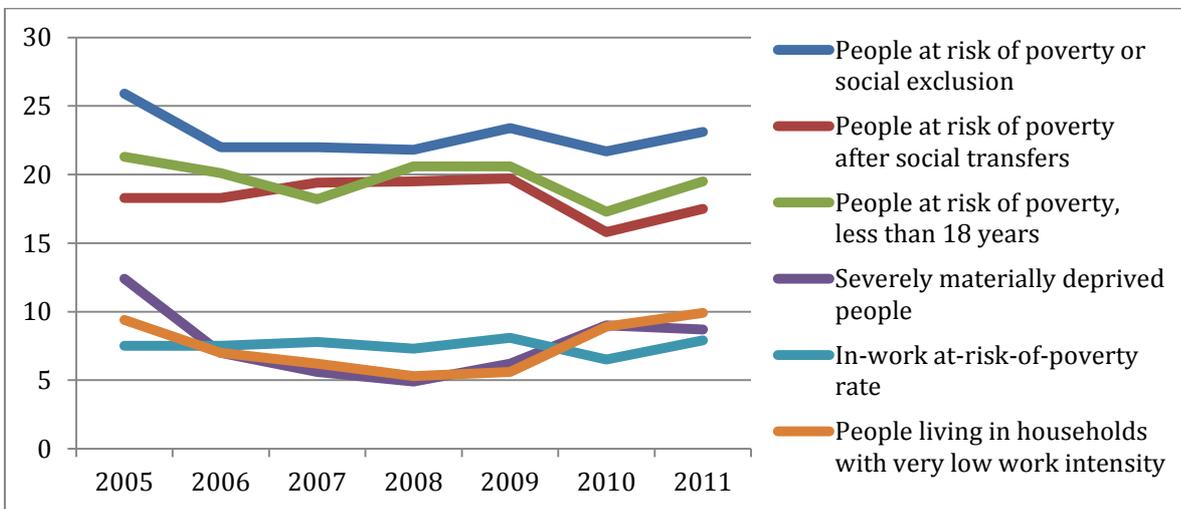
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Estonia based on Eurostat:

- While the at-risk-of-poverty rate dropped from 19.5% in 2008 to 17.5% in 2012 **severe material deprivation increased by a worrying 3.8 p.p.** from 4.9% in 2008 to 9.4% in 2012.
- While the at-risk-of-poverty rate fluctuated during the observed period, the rate rose by an alarming 7.1 p.p. among **young people aged between 18 and 24; hence, putting this age group at highest risk of poverty** (22.4% in 2011), followed by children 23.4% in 2012.
- With the exception of the rate of at-risk-of-poverty after social transfer, all indicators are just about below EU average. However, in 2009 and 2011 the share of working women at-risk-of-poverty was above EU average.

Poverty trends in Estonia (% of population):



Caritas Estonia has concentrated its activities on **alleviating poverty of young mothers** (aged 18 and younger). The organisation’s observations provide a deeper understanding of their current situation:

- Young mothers are **excluded from their families and peers for their choice to remain pregnant**, keeping their babies and bringing them up alone. Those without extended family support live in **extreme poverty**.
- Social transfers, entitlements or programmes are aimed at assisting “single mothers”, without taking into consideration the demographic subset of “young mothers”, i.e., children who have children. The subset is critically different from the whole. For example, adult single mothers have life skills, education and job prospects that young mothers do not have. Consequently, **social transfers alone do not adequately address the requirements of young mothers to help them escape the cycle of poverty**.

Furthermore, it can be observed that Estonia’s GDP decreased from 2008-2009, but increased again by 22 p.p. from 2009 to 2011. During that period, poverty indicators generally increased as well. This implies that for the last two years, **GDP trends have had an obverse effect on the alleviation of poverty in Estonia**.

1.2. Recent policy developments

Since last year the following policy developments have been registered:

The **Children's and Families' Development Plan 2012-2020** are in the early stages of implementation. It is yet too early to evaluate its impact on families' conditions.

Assessment of Estonia's NRP and policies it refers to:

The NRP made 5 recommendations for achieving the poverty reduction targets. While the general approach can be considered as positive, it appears that two recent socio-economic trends have not been taken sufficiently into account and therefore, the success of the planned measures remains doubtful. Two examples of this is the above-mentioned relationship between GDP growth and the increase of the poverty rate in 2010 and 2011 (also for 2012) or the labour emigration problem which is reducing the workforce: between 2002 and 2012 more than 75,000 emigrated from Estonia¹.

Assessment of Estonia's Country Specific Recommendations (CSRs) adopted in 2013:

All proposed CSRs are considered to have a positive impact on reducing poverty and social exclusion in Estonia.

1.3. Recommendations

- **Institute paternal financial responsibility in alleviating poverty of young mothers.** The implementation of the below recommendations should guarantee that young mothers receive support immediately after the birth of their child:
 - Paternal birth registration: paternity can be challenged or confirmed by DNA testing. The Ministry of Social Services should pay for the DNA testing of the child.
 - The child's father should be obliged to pay support in direct proportion to the median income for the geographic area in which the young mother lives.
 - The Ministry of Social Services underwrites support payments and is responsible for collecting payments from the father.
- **Reconfigure child allowance and other benefits/allowances into coupons**, which could be redeemed by the family itself or at a facility that provides childcare. This would increase the opportunity of choices for women as to how their children are cared for.

2. EMPLOYMENT

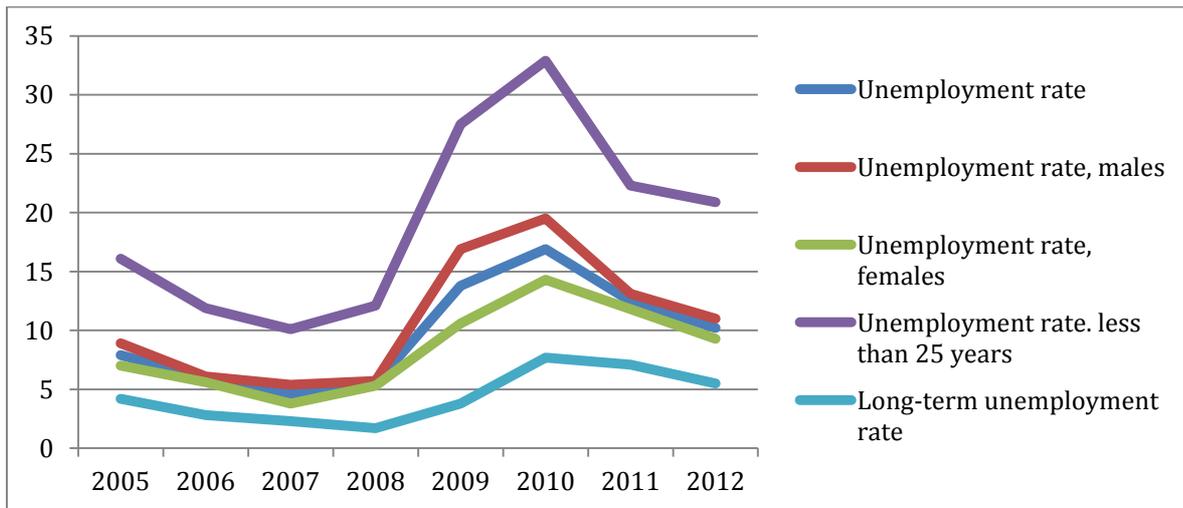
2.1. Recent trends

Developments of the employment situation in Estonia

- The **unemployment rate** increased from 5.5% in 2008 to 10.2% in 2012 and **almost doubled among men** (5.3% in 2008, 10.4% in 2012).
- **Youth unemployment peaked in 2010 (32.9%)** and dropped to 20.9% in 2012, representing an overall increase of 8.8 p.pt. during the observed period (2008-2012).
- **Long-term unemployment more than tripled between 2008 (1.7%) and 2012 (5.5%)**, with the highest proportional increase among men (1.4% in 2008, 4.9% in 2012).

¹ Statistics Estonia Press Release, 31 May 2012

Employment trends in Estonia (% of population):



The above Eurostat data can be considered as reflecting the reality of the employment situation in Estonia. However, there are oral reports of people who have given up on finding work and are therefore not included in the official unemployment figures. Furthermore, there is a **problem of undocumented labour emigration, which is said to account for 10% of the labour force**.

2.2. Recent policy developments

Since last year the following policy developments have been registered:

The **Employment Programme 2012-2013** was updated with the **National Reform Programme "Estonia 2020"**. The document states that the two central objectives of the Programme are increasing the productivity and employment in Estonia. The main focus in the coming years is on education and employment, with an emphasis on integration of long-term and young unemployed people in the labour market and on the development of their skills.

Assessment of Estonia's NRP and policies it refers to:

The NRP is in the initial implementation stages and it is therefore not possible to report on any concrete results. Without making reference to expected projections regarding achievement of its two main objectives, one might note that the same strategy elements having to do with GDP calculation have been tried in earlier policies. There has been little correlation between these types of policies and reduction in poverty.

The 2013 NRP does propose clear and, according to the Commission, attainable employment targets for Estonia.

Again, GDP and poverty indicators suggest the existence of a complexity in the unemployment/poverty paradigm, which has yet to be sufficiently decoded/articulated to more successfully resolve the social and employment problems.

The NRP does not address the issue of poverty. That said, the Council is optimistic about Estonia's GDP and employment growth. It pointed to an impending problem of a significant decrease of 100,000 in the labour force by 2030. However, this decrease will not mainly be caused by demographic implosion, but by labour emigration. The problem of 2030 needs to be addressed 20 years ahead of time, i.e. now.

Assessment of Estonia's Country Specific Recommendations (CSRs) adopted in 2013:

None of the proposals are foreseen to have a negative impact. However, the scope of the proposals is insufficient to tackle the root causes of unemployment, which are unique to Estonia. The Commission

has demonstrated understanding of The Mirrlees Review² but it is believed that Estonia's performance efforts are not fully appreciated.

2.3. Recommendations

- Establish an inter-ministerial and civil society commission to **research the root causes of poverty and under-employment**. The scope of the research should be wider than the current focus on GDP. The scope should include Estonian cultural, historical and psychological considerations.
- Regarding the **reduction of youth unemployment, the government ministries should pay special attention to young mothers**, which it is not doing at this time. The situation of young mothers requires unique resources and methodologies, which would help them to escape the cycle of poverty. Caritas Estonia has developed evidence-based programmes to facilitate their integration into society. It should be included as a line item in the Republic's Annual Budget and offered throughout the country in addition to its centres in Tallinn and Parnu.

² James Mirrlees, 2010, *Dimensions of Tax Design: The Mirrlees Review*. London: Oxford University Press.