



EMIN Context Report Estonia

Developments in relation to Minimum Income Schemes

Author: EAPN Estonia NGO
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What is EMIN?

The European Minimum Income Network (EMIN) is an informal Network of organisations and individuals committed to achieve the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes. The organisations involved include the relevant public authorities, service providers, social partners, academics, policy makers at different levels, NGOs, and fosters the involvement of people who benefit or could benefit from minimum income support.

EMIN is organised at EU and national levels, in all the Member States of the European Union and also in Iceland, Norway, Macedonia (FYROM) and Serbia.

EMIN is coordinated by the European Anti-Poverty Network (EAPN). More information on EMIN can be found at www.emin-eu.net

What is the Context Report?

In 2014 individual Country Reports were produced under the EMIN project which outlined the state of development of Minimum Income Schemes in the country concerned. These reports also set out a road map for the progressive realisation of adequate Minimum Income Schemes in that country. These Country Reports can be found on www.emin-net.eu (EMIN Publications). This Context Report gives an update on developments in relation to Minimum Income Schemes in Estonia since the publication of the Country Report.

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Author of Report: Kärt Mere, EAPN Estonia board leader

Kaili Hendla and Age Viira/ Estonian Social Ministry



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The information contained in this report does not necessarily reflect the official position of the European Commission.

Definitions used in the EMIN Project

Minimum Income Schemes are defined as, income support schemes which provide a safety net for those of working age, whether in or out of work, and who have insufficient means of financial support, and who are not eligible for insurance based social benefits or whose entitlements to these have expired. They are last resort schemes, which are intended to ensure a minimum standard of living for the concerned individuals and their dependents.

EMIN aims at the progressive realisation of the right to adequate, accessible and enabling Minimum Income Schemes.

Adequacy is defined as a level of income that is indispensable to live a life in dignity and to fully participate in society. Adequate Minimum Income Schemes are regularly updated to take account of the evolution of the cost of living.

Accessible is defined as providing comprehensive coverage for all people who need the schemes for as long as they need the support. Accessible Minimum Income Schemes have clearly defined criteria, they are non-contributory, universal and means-tested. They do not discriminate against any particular group and have straightforward application procedures. They avoid:

- institutional barriers such as bureaucratic and complex regulations and procedures and have the minimum required conditionality,
- implementation barriers by reaching out to and supporting potential beneficiaries
- personal barriers such as lack of information, shame or loss of privacy.

Enabling is defined as schemes that promote people's empowerment and participation in society and facilitates their access to quality services and inclusive labour markets.

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Section 1: Evolution in laws and regulations regarding national (or regional/local) minimum income schemes

This section indicates changes to the main minimum income scheme in the country since the EMIN1 project ended in 2014, in particular changes to schemes that were dealt with in the EMIN1 project. In countries where several minimum income schemes coexist, please give priority to minimum income schemes for the working-age population. The **country report** from the EMIN 1 project is available at <https://emin-eu.net/emin-publications/>

Changes in the legislation and regulations governing minimum income schemes in your country with regard to

- *Eligibility conditions (lack of sufficient resources, age requirements, residence...)*
- *Conditionality of the benefits (willingness to work, other conditions related to personnel attitude of recipients...)*
- *Levels of payment, uprating*
- *Links with other benefits*
- *Governance of the schemes?*

There have been some legislative changes compared to October 2014 when Estonia submitted its EMIN country report.

The subsistence benefit scheme is still the minimum income scheme in Estonia and the basic information provided in the 2014 country report still applies. The main legislative changes are the following:

1. The subsistence level has been raised.

Whereas in 2014 the subsistence level for a person living alone or the first member of a family was 90 EUR per month, as of 2016 the subsistence level is 130 EUR per month for a person living alone or the first member of a family. In 2017 the subsistence level was not raised and therefore the 130 EUR subsistence level is still in force.

The subsistence level of 130 Euros per month corresponds for the first time also with the estimated subsistence minimum calculated annually by the Estonian Statistical Office "Statistics Estonia" based on minimum expenses in real prices. The estimated subsistence minimum has slightly decreased in recent years and was in year 2016 200.1 Euros per 30 days for one person household. For comparison, in 2013 the estimated subsistence minimum was 205.3 Euros. It has to be taken into account that the estimated subsistence minimum includes also expenditure of dwelling whereas the subsistence level does not. So when to look at the cost of estimated subsistence minimum without the expenditure on housing, the total comes to 126.5 Euros per 30 days for one person household in 2016. So the subsistence level of 130 Euros covers the cost of estimated subsistence minimum without the expenditure on housing.

Table 1. Estimated subsistence minimum per 30 days for one person household, EUR, 2013-2016

	2013	2014	2015	2016
Estimated subsistence minimum	205.3	203.4	201.4	200.1
Minimum estimated food basket	92.0	92.0	91.5	91.5
Non-food expenditures	113.3	111.5	109.9	108.6
<i>housing</i>	77.1	76.0	74.9	73.6
<i>health</i>	8.0	8.3	8.6	8.7
<i>communication</i>	6.2	5.9	5.9	5.8
<i>clothing and footwear</i>	5.5	5.5	5.6	5.8
<i>transport</i>	4.4	4.3	4.0	3.9
<i>education</i>	4.8	4.0	3.2	3.0
<i>recreation, entertainment</i>	2.7	2.8	2.8	2.8
<i>household goods</i>	1.4	1.4	1.4	1.4
<i>miscellaneous goods and services</i>	3.3	3.4	3.5	3.5
Estimated subsistence minimum without the expenditure on housing	128.2	127.4	126.5	126.5

Source: Statistics Estonia

Although the subsistence level is not meant to cover expenses on housing, the housing costs are still taken into account when the subsistence benefit is calculated. Housing costs payable the given month are covered from the subsistence benefit separately, within the limits set by the local municipalities.

The Government of Estonia has decided to raise the subsistence level as of 2018 to 140 EUR per month for a person living alone or the first member of a family. The draft law has been drawn up by the Ministry of Social Affairs.

2. The equivalence scale for children has been raised in the calculation of the subsistence level of the family.

Until the end of 2014 the subsistence level for the second and each subsequent member of the family stood at 80% of the subsistence level of the first member of the family. This means equivalence scales of 1.0:0.8:0.8 were used for the purposes of calculating the subsistence level and subsequently the subsistence benefit for families/households. As of 2015 the subsistence level for minor children was raised to 100% of the subsistence level of the first member of the family. The subsistence level for second and each subsequent adult member of the family continues to be 80% of the subsistence level of the first member of the family. So the equivalence scales are now 1.0:0.8:1.0.

The Government of Estonia has decided to raise the subsistence level for minor children even more. According to plans, as of January 2018, the subsistence level for minors will be 120% of the subsistence level of the first member of the family. This means the equivalence scales will be 1.0:0.8:1.2.

Considering the increase of the subsistence level to 140 Euros per month, it means that for minor children the subsistence level will be 168 Euros per month and for each subsequent adult member of the family 112 Euros per month.

3. The list of incomes, which are not taken into account when calculating the subsistence benefit, has been widened and more discretion given to local municipalities

The Social Welfare Act lists the sources of income which are disregarded in the context of calculating the amount of subsistence benefit.

As of 2015 among these exemptions also needs-based special allowance paid on the basis of the Study Allowances and Study Loans Act and allowance paid from a special allowance fund established by an educational institution were added.

In addition the local municipalities were given the possibility not to include grants paid for a specific purpose or benefits paid to cover specific expenses or loss in the income of a person living alone or a family.

The Government of Estonia has decided to widen the list of incomes which local municipalities may disregard when calculating the income of the family. So as of January 2018 the local municipalities have more discretion in this matter.

4. The provisions regarding housing expenses taken into account upon calculating the subsistence benefit was specified and renewed.

The list of housing costs taken into account upon calculation of subsistence benefit stands as of June 2015 the following:

- 1) rent;
- 2) the administration costs of the apartment building, including costs related to repairs;
- 3) repayment of loan taken for renovation of the apartment building;
- 4) the cost of services of supplying water and leading off waste water;
- 5) the cost of thermal energy or fuel consumed for supply of hot water;
- 6) the cost of thermal energy or fuel consumed for heating;
- 7) the costs related to consumption of electricity;
- 8) the cost of household gas;
- 9) the expenses made on land tax, which is calculated based on the size of land that equals three times the area under the dwelling;
- 10) the expenses made on building insurance;
- 11) the fee for the transport of municipal waste.

As of January 2015 the provisions were added to the Social Welfare Act according to which the person who is granted a subsistence benefit to cover housing expenses is required to ensure the payment of these expenses. And if a subsistence benefit applicant who received a subsistence benefit to cover housing expenses in the previous month has not paid such expenses, the local authority has the right to pay the housing expenses out of the subsistence benefit granted to the person.

The Government of Estonia has decided to increase the discretion given to local municipalities, which means that as of January 2018 local municipalities may also take other necessary and urgent housing costs into consideration upon calculating the subsistence benefit.

Other changes planned to enforce in 2018

As of January 2018 there are also other changes planned in connection with the subsistence benefit. Some of them are connected with motivating the beneficiaries of the subsistence benefit to work. According the plans of the Government, if a beneficiary of the subsistence benefit goes to work, then for 2 months his/her salary will not be taken into consideration as income, following a 4 months period when 50% of the salary will be taken into account as income when the subsistence benefit is calculated.

In addition it is foreseen not to include salary earned by school pupils into the income of the family upon calculating the subsistence benefit.

Also there are plans to specify the linkage with active inclusion measures and reformulate the provision which enables local municipalities to not grant the subsistence benefit.

Together with the changes in the subsistence benefit it is planned to repeal the needs-based family benefit, which was introduced in 2013. In practice the number of applicants for this benefit has remained substantially lower than expected. Due to the low number of beneficiaries of needs-based family benefit, the benefit has not affected the poverty indicators of Estonia.

*Evolution with regard to **adequacy** of minimum income?*

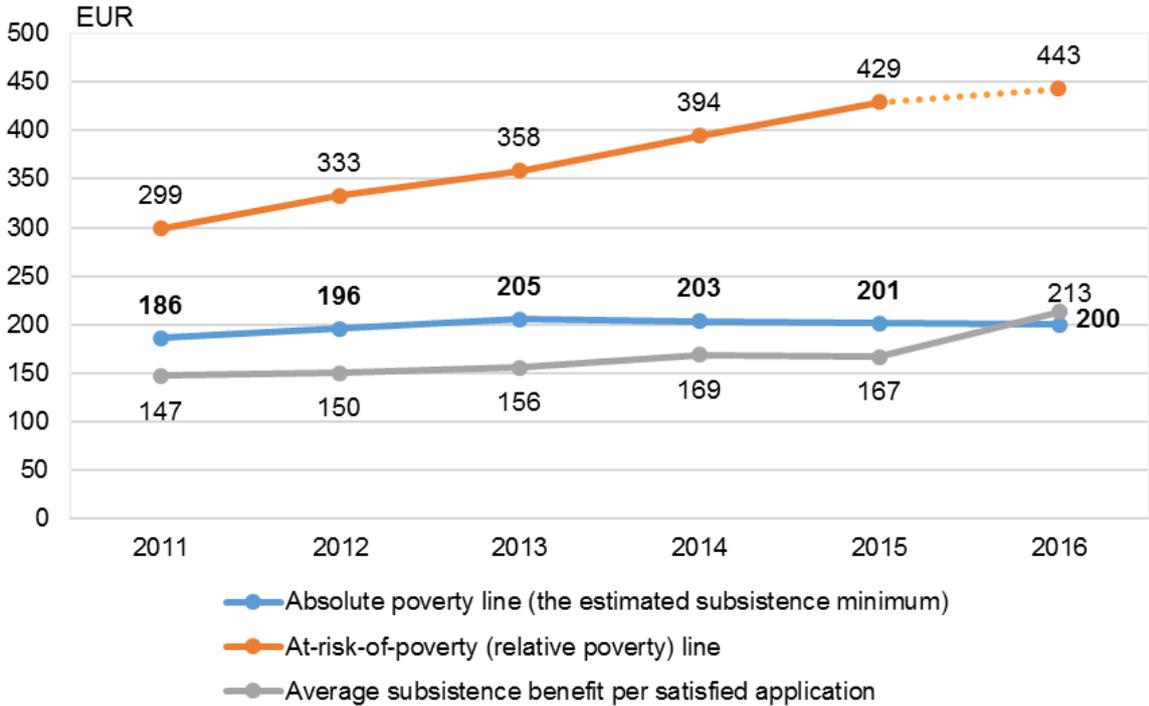
Subsistence benefit is continuing to be an important social transfer for reducing poverty. In 2015, the subsistence benefit reduced the absolute poverty¹ of the population by 0,2 percentage points or by approximately 5%. The subsistence benefit has the biggest impact on households with three or more children – in 2015 it reduced the absolute poverty of the households with three or more children by 1,3 percentage points or by approximately 17%. Bigger impact on large families with children is triggered by the changes of the legislation - the subsistence level per every minor member of household was raised to a level equivalent to subsistence level of the first family member, effective from 1 January 2015.

Figure 1 illustrates the evolution of the levels of at-risk-of-poverty (or relative poverty) and absolute poverty (or estimated subsistence minimum) thresholds and compares these with the average subsistence benefit per application. There have been some developments since 2014, when Estonia submitted its EMIN country report. In 2015 the average subsistence benefit per application was 167 euros, while absolute poverty line was 201 euros and relative poverty line 429 euros. In 2016 the average subsistence benefit per application increased to 213 euros which was 13 euros more than the absolute poverty line (or estimated subsistence minimum). Note that the amounts are not directly comparable as the poverty thresholds relate to single person households whereas the average subsistence

¹ In Estonia, **absolute poverty line** also known as subsistence minimum, is calculated on the basis of expenses. Absolute poverty line or the subsistence minimum is calculated on the basis of three components – food expenses, housing expenses and individual non-food expenses. Food expenses are calculated on the basis of the minimum shopping basket

benefit relates to the average benefit per all households. The average subsistence benefit per application for single persons is smaller (153 euros in 2016).

Figure 1. Levels of at-risk-of-poverty (or relative poverty) and absolute poverty (or estimated subsistence minimum) thresholds for single person household and average subsistence benefit satisfied application, 2011-2016*

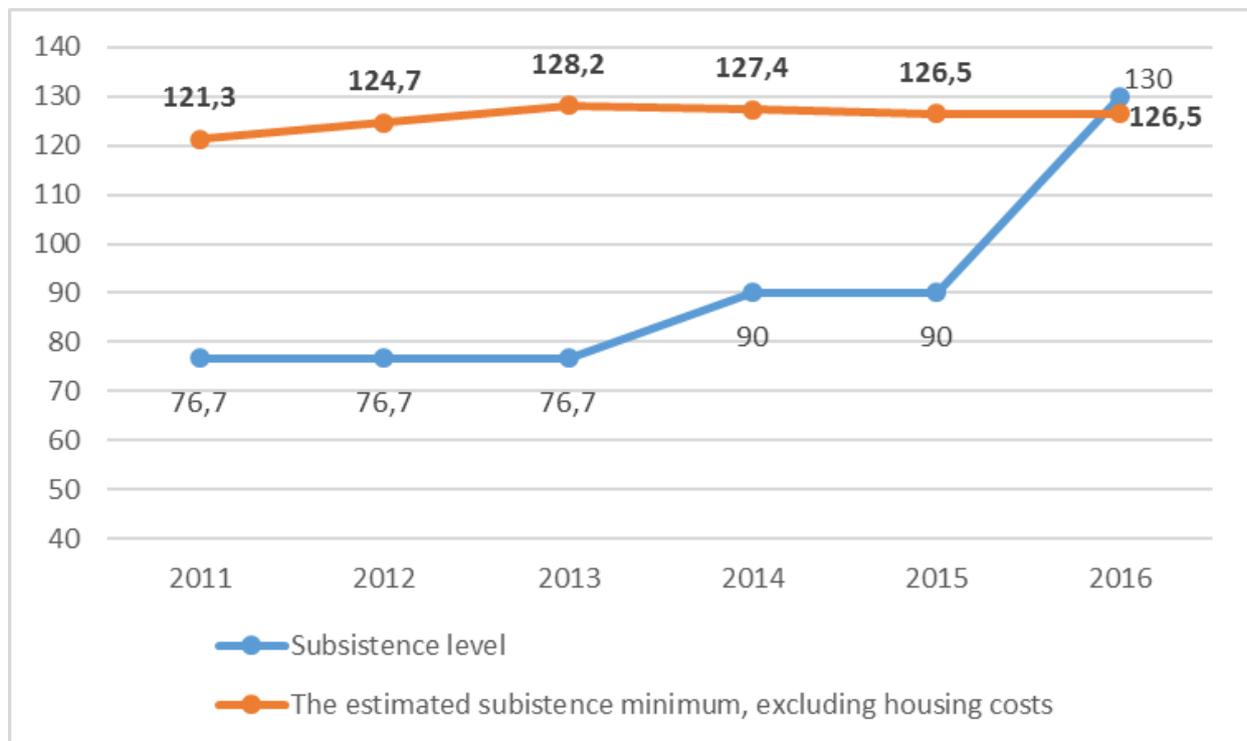


* The at-risk-of-poverty line for 2016 is based on the prognosis of Ministry of Social Affairs

Sources: Statistics Estonia and Ministry of Social Affairs

The average subsistence benefit is higher than the subsistence level as housing expenses are compensated on top of securing the subsistence level. Figure 2 compares the subsistence level with the estimated subsistence minimum (housing costs excluded). It shows that in 2016, when the subsistence level rose to 130 euros, the subsistence level covered the estimated subsistence minimum (housing costs excluded). This means that the gap between the level of estimated subsistence minimum (housing costs excluded) and subsistence level has been closing.

Figure 2. Development of the estimated subsistence minimum (housing costs excluded) and the subsistence level, 2011 - 2016

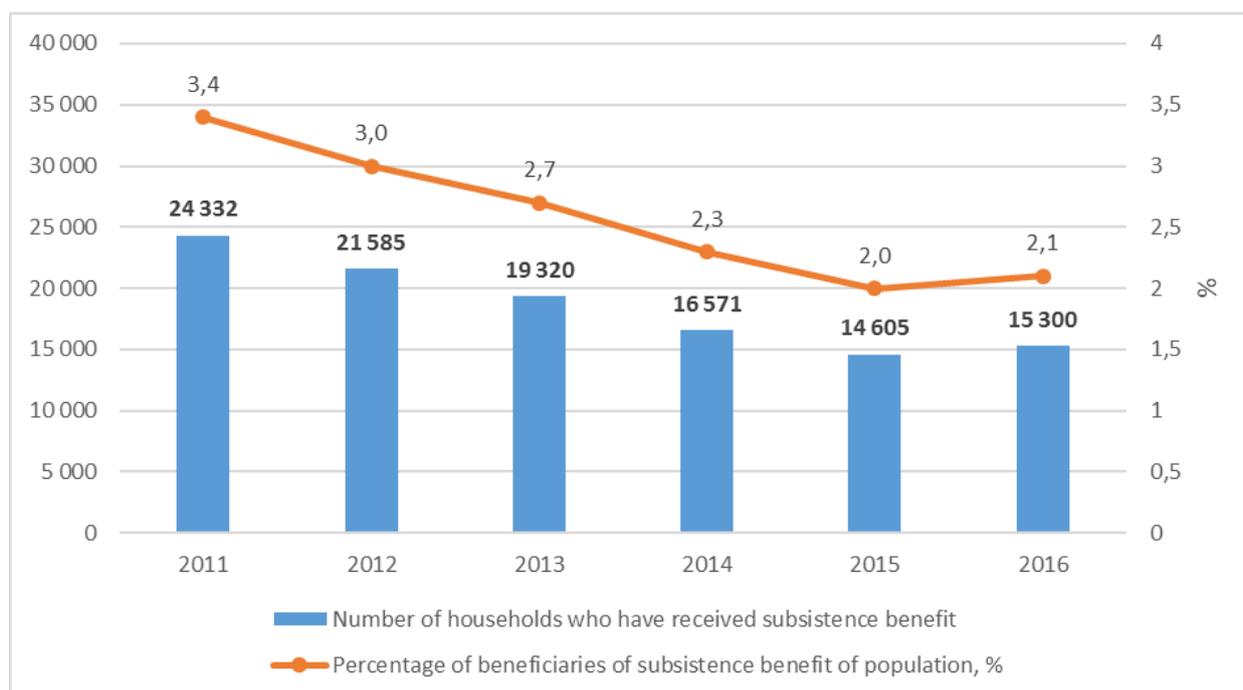


Sources: Statistics Estonia, Ministry of Social Affairs

*Evolution in terms of **coverage** or **take-up** of benefits?*

The administrative data of the Ministry of Social Affairs indicate that there was a steady decline in the number of subsistence benefit recipients from 2011 to 2015 (see figure 3). This trend was driven by favourable economic climate – increasing employment rate in the context of strong economic growth, declining unemployment, steady wage growth. In 2016 the number of beneficiaries increased slightly comparing to 2015. In 2016 the subsistence benefit was received by 15 300 different households and 27 990 beneficiaries (2,1% of Estonian population). In 2015 the subsistence benefit was paid 14 605 different households and 26 302 beneficiaries (2,0% of Estonian population). The reason for the increase of beneficiaries in 2016 was the increase in the subsistence level from 90 to 130 euros a month.

Figure 3. Number of households who have received subsistence benefit and percentage of beneficiaries of subsistence benefit from the population, 2011-2016



Source: Ministry of Social Affairs

A closer look at beneficiaries of subsistence benefit (Table 1) reveals the types of households and social groups who are the main beneficiaries of the minimum income scheme. Households with unemployed persons remain the biggest group among subsistence benefit recipients. As the registered unemployment has been decreasing in Estonia, the share of registered unemployed persons as beneficiaries of the minimum income scheme has also been decreasing over the years 2013-2016. Slightly over 30% of all households benefiting from the subsistence benefit scheme are households with children. Single parent households remain the biggest subgroup in this category. Over a quarter of all households benefiting from the subsistence benefit scheme are households with pensioners and the share of households with pensioners has been increasing over the last years. The largest group here are recipients of work-incapacity (disability) pensions. In contrast, the share of old-age pensioners among recipients of subsistence benefit is remaining to be relatively low. The old-age pension keeps most of the old-age pensioners above the subsistence level.

Table 1. Beneficiaries of subsistence benefit by household type in 2013-2016

	2013		2014		2015		2016	
	Number	%	Number	%	Number	%	Number	%
Total	19 320		16 571		14 605		15 300	
With child(ren)	6 123	31,7	5 294	31,9	4 561	31,2	4 875	31,9
with one adult (single parent)	3 956	20,5	3 480	21,0	3 038	20,8	3 226	21,1
With registered unemployed person(s)	12 244	63,4	9 742	58,8	8 308	56,9	8 126	53,1
with children	3 698	19,1	2 960	17,9	2 412	16,5	2 459	16,1
with long-term unemployed person(s)	3 499	18,1	2 318	14,0	1 708	11,7	1 482	9,7
With pensioner(s)	5 180	26,8	4 887	29,5	4 428	30,3	5 608	36,7

with old-age pensioner(s)	861	4,5	715	4,3	610	4,2	833	5,4
with pensioner(s) for incapacity for work	3 881	20,1	3 698	22,3	3 293	22,5	4 204	27,5

Note: Only the main household types are included in the table. A person may simultaneously belong to several household types, e.g. being unemployed single parent. Therefore the sum of main household types is more than 100%.

Source: Ministry of Social Affairs

Evolution with regards to the linkage between minimum income schemes, (inclusive) labour markets and (quality) services?

The gross minimum wage has been raised annually. Whereas in 2013 the gross minimum wage was 320 EUR, in 2017 the gross minimum wage is 470 EUR (net minimum wage 398 EUR). During the period the at-risk-of poverty threshold has also increased and remains higher than the net minimum wage.

2016 was the launch of work ability reform in Estonia. The goal is to change people's attitudes towards those with decreased working ability and help them find and secure employment. The Estonian Unemployment Insurance Fund has added several new services for people with decreased working ability. The services which are offered for people with decreased working ability are the following:

- assistance in job interviews;
- protected employment;
- peer support;
- working with a support person;
- work rehabilitation;
- assistive work equipment;
- commuting benefits;
- travel cost compensation for an accompanying person;
- support for continuation of employment.

1 May 2017 the Estonian Unemployment Insurance Fund started providing services aimed at prevention of unemployment. These services are targeted to employees who need support in changing jobs or remaining employed due to a lack of skills or their skills being outdated, as well as to employers to support them in finding and training suitably skilled workforce and restructuring their companies. The new services are as follows:

- a degree study allowance for an employed person or a person registered as unemployed for obtaining vocational, professional higher education or Bachelor's studies.
- labour market training with a training card for employed persons at risk of unemployment;
- support for obtaining qualifications for employed persons who have undergone labour market or other training with the support of the training benefit;

- a training grant for employers for improving the skills and knowledge of their employees upon their recruitment and helping them to adapt to changes in the employer's economic activities.

Also career counselling is offered with the aim of advising persons in matters related to the choice of employment or profession, access to employment and career formation.

In 2017 low-wage employees have a possibility to receive a new annually paid support - income tax refund for low-wage employees. The aim on this support is to increase the income of full-time low-wage employees. An employee is entitled to receive a refund of income tax the exact amount of which is calculated on the basis of the data of the income tax return of the person. The persons whose annual income (in 2016) is less than 7,817 euros are eligible for receiving the support. The support application had to be submitted to the Estonian Tax and Customs Board by 31 March 2017, together with the income tax return of a natural person. The Estonian Tax and Customs Board pays the support by 3 July 2017. The income tax refund for low-wage employees is taken account as income when calculating the subsistence benefit.

Starting 2018 the income tax refund for low-wage employees will be replaced by changes in the income tax, which means that the income tax rate will be raised to 500 euros (180 Euros in 2017). This reform is aimed at decreasing the in-work poverty and according to estimations should affect about 190 000 people.

The clause in the Social Welfare Act, which enables local municipalities to refuse granting of subsistence benefit to a person who is capable to work, but is not working or studying and has, more than once and without good reason declined an offer of suitable work or social services or training organised by the local municipality, has been updated compared to year 2014 with the link to enrol as unemployed in the Unemployment Insurance Fund. Currently the provision stands as follows: a local authority has the right to refuse to grant a subsistence benefit to a person between the age of 18 and the pensionable age with ability to work who is not working or studying and who is not registered as unemployed with the Estonian Unemployment Insurance Fund or who has, more than once and without good reason, failed to comply with the individual activity plan or turned down suitable work offered to him or her or refused to participate in social services or studies organised by the local authority to support the ability to cope independently.

As of January 2018 this provision will be modified and the linkage with active labour market measures will be strengthened even more. For example registration as a job-seeker with the Estonian Unemployment Insurance Fund will be introduced (meant for people who cannot register themselves as unemployed).

Section 2: Use of reference budgets in relation to Minimum Income and/or poverty measures

Reference budgets or budget standards are priced baskets of goods and services that represent a given living standard in a country.

In this section you will find information in relation the recent evolutions of the construction and use of reference budgets in Estonia. Information is also given on the usefulness of these reference budgets for policy making or for awareness raising campaigns.

For further information on Reference Budgets see: Storms, B., Goedemé, T., Van den Bosch, K., Penne, T., Schuerman, N., and Stockman, S., Review of current state of paly on reference budget practices at national, regional and local level, pilot project for the development of a common methodology on reference budgets in Europe, Brussels, European Commission, 2014 <http://ec.europa.eu/social/BlobServlet?docId=12544&langId=en>

Recent initiatives to develop reference budgets or to adapt existing reference budgets?

- *For what purposes are they developed or used? By whom?*

In 2015 the reference budget for the Estonian food basket and food budget was developed². The project financed by the European Commission aims to develop cross-national, comparable reference budgets in all EU Member States. Reference budgets are baskets of goods and services considered necessary for an individual household to achieve an acceptable standard of living. RBs with a common methodology can help EU Member States to design effective and adequate income support measures and to encourage mutual learning and the exchange of best practices.

- *What actors were involved in the construction? Were people experiencing poverty part of the process? Have focus groups been used?*

The food basket has been developed in accordance with nutritionist recommendations. Focus group interviews were made and people from socially diverse backgrounds participated in the focus group interviews. The construction of the reference budget involved citizens with different socio-economic backgrounds.

- *How would you evaluate the development and/or current use of the reference budgets in your country? Are they useful tools for policy purposes? For public campaigning and awareness raising?*

² Leppik, Lauri; Pitsi, Tagli (2015). Pilot project for the development of a common methodology on reference budgets in Europe: The Estonian food basket and food budget. In: (11-20). European Commission.

The reference budgets are useful tools for policy purposes in Estonia. There are three different reference budgets constructed in Estonia.

- RB for subsistence minimum³.
- RB for child maintenance costs⁴.
- RB for the Estonian food basket and food budget⁵.

The scientifically established cost of raising a child has been important reference in the policy and public debates about families with children and their standard of living. It has been reference in many political decisions about families and children in Estonia over the years. It is a tool to assess an adequate standard of living and the adequacy of social benefits.

The methodology of subsistence minimum was worked out within the project "The methodology for calculating subsistence minimum and absolute poverty line, and the updating of equivalence scales to be used in calculating social indicators" in 2004. This means that the methodology of the reference for the subsistence minimum dates back to more than 10 years and has not been updated since then. During this time society has been changing, there might be new costs and changes in the costs groups of households. According to the Statistics of Estonia, the real costs of households are bigger than the subsistence minimum. Since absolute poverty as an indicator is an important tool to provide a benchmark for assessing the adequacy of social benefits and to assess an adequate standard of living, it is important to be methodologically updated. Ministry of Social Affairs is currently working with the project to renew the methodology for subsistence minimum. New methodology should be developed for the subsistence minimum by 2018.

³ More information at the webpage of Statistics Estonia:

http://pub.stat.ee/px-web.2001/1_Databas/Social_life/06Households/02Household_budget/01Annual_expenditure/HH_24.htm

⁴ Marek Sammul, Ene-Margit Tiit, Uku Varblane (2013). Lapse ülalpidamiskulude arvutamise meetodika uuendamine ja analüüs. (The renewal and analysis of methodology for calculating the cost of raising a child). Tartu : [Tartu Ülikooli sotsiaalteaduslike rakendusuringute keskus RAKE](#)

⁵ Leppik, Lauri; Pitsi, Tagli (2015). Pilot project for the development of a common methodology on reference budgets in Europe: The Estonian food basket and food budget. In: (11-20). European Commission.

Section 3: Implementation of Country Specific Recommendations on Minimum Income and follow up through the Semester process.

As part of the EU Semester process, a number of countries have received **Country Specific Recommendations (CSR)** on their MIS or more generally on poverty. **Country Reports** can give interesting indications for countries performance with regards to Minimum **Income**. Evidence can also be found in EAPN's assessment of **National Reform Programmes 2016**. In some countries under a Macroeconomic Adjustment Programme; the **Memorandum of Understanding** has reference to MI. In this section you find information about developments in response to these reports and recommendations as well as information on how EU funds are used to support developments in relation to Minimum Income Schemes.

Policy responses to the CSR, initiatives to implement them and to improve the MIS, if there are new evolutions in this respect in your country. Other developments in relation to Minimum Income Schemes as part of the Semester Process, please add them here.

As part of the EU Semester process, Estonia in 2014-2016 received recommendations from the European Commission concerning the provision and accessibility of high quality social services at local level, inter alia, by adopting and implementing the proposed local government reform.

In 2016, Estonia enforced the new Social Welfare Act that establishes minimum quality requirements to the local government social services. The Act aims to unify the quality local government social services by establishing service-based minimum requirements, including description of the aim and content of services, local government obligations in the provision of services and requirements to service providers. In addition, the new Act clearly enforces the obligation to assess and provide appropriate support and assistance to the persons in need. The direct implementation of the new Act was supported by information days and seminars for local government officials, service providers and representatives of target groups.

The local government reform will be implemented and the number of local governments will decrease substantially. The Administrative Reform Act has been adopted and the voluntary phase of the merger of local municipalities has been completed. We believe that through larger local municipalities the quality of social services will increase. Through the rise in quality and accessibility of social services the people will get better help and therefore the need for social benefits could lessen.

In 2017 the European Commission is recommended Estonia through CSR to ensure better adequacy of the social safety net.

As already described above, the Estonian Government has decided to make changes in the subsistence benefit system. These changes, inter alia the increase of the subsistence level and rise in the equivalence scale for children, aims to improve the social safety net for the most needy persons.

The government has also decided to make the tax system more progressive as of 2018, in particular for low-income earners, by raising the basic allowance of the personal income tax system.

In addition the child allowances will continue to rise and as of 1 July 2017 families with 3 or more children will start to receive a special allowance for families with many children. The amount of this benefit is 300 euros per month for families with three to six children. Families with seven or more children receive currently a special allowance in the amount of 168,74 euros per month, but as of July 2017 will receive 400 euros per month.

Has EU funds being used to support developments in relation to Minimum Income Schemes

The measures of the European Social Fund (ESF) support participation in the labour market and reduce the caring responsibilities.

In particular, since 2012, Estonia implements the ESF funded project “Integrated services through case management network for people with multiple needs” that aims to improve coping and support labour market participation (incl entering to the labour market, retaining the job or participation in the active labour market measures) of people with multiple needs (for example debts, care burden, disability, long-term unemployment, missing vocational skills, lack of social skills, low motivation, health problems, alcoholism or drug addiction etc) and their families. Clients with coping difficulties have possibility to receive free of charge counselling services – psychological counselling, family counselling, debt counselling, legal counselling. Also, support person services, clinical psychologist services, psychiatric aid and social pedagogue services are provided.

Many of the beneficiaries of the subsistence benefit have been clients to this ESF funded project.

The work ability reform, which started in Estonia in 2016, is also supported by the ESF. The aim of the amendments is to change attitudes towards people with reduced work ability and help them find and keep a job. Instead of assessing inability to work the ability to work is assessed. The principles of the new scheme involve activity requirements for persons with partial working ability (register as unemployed, participation in labour market measures, studying or working) and integrated approach, as rehabilitation, motivation, technical aids and assistance needed to return to labour market are available from a single place. Since many beneficiaries of the subsistence benefit are with reduced work ability, the work ability reform also contributes to the Estonian minimum income scheme.

Also the Fund for European Aid to the Most Deprived (FEAD) supports beneficiaries of the subsistence benefit. The most deprived who receive food aid in Estonia are:

- Recipients of the subsistence benefit;
- Applicants of subsistence benefit who would be entitled to receive the benefit due to their income, but to whom the local municipality has refused to pay the benefit due to a discretionary decision;
- Applicants of subsistence benefit whose income after the deduction of housing costs exceeds the established subsistence level up to 15%;
- Beneficiaries of the needs-based family benefit;
- People in homeless shelters.

Section 4: Social and Political Environment and its impact on the fight against poverty and the evolution of Minimum Income Schemes

In this section there is a brief sketch of the 'mood', the atmosphere that exists in relation to poverty, people living on minimum income, and the impact on some specific groups such as migrants, Roma/Travellers, growing nationalist sentiments etc.

What kind of social and political environment exists within which the EMIN project will operate?

The latest data of Statistics Estonia shows that the income of the population increased and income inequality decreased. According to Statistics Estonia, in 2015, 21.3% of the Estonian population lived in relative poverty and 3.9% in absolute poverty. The overall percentage of people living in relative poverty decreased 0.3 percentage points compared to the previous year, the percentage of people living in absolute poverty decreased 2.4 percentage points.

In 2015, a person was considered at risk of poverty if his/her monthly equivalised disposable income was below 429 euros (394 euros in 2014), and in absolute poverty if his/her monthly equivalised disposable income was below 201 euros (203 euros in 2014).

The at-risk-of-poverty rate during the recession and economic growth years shows that relative poverty rate increased together with economic development (the boom years) and decreased during years of economic crisis. For example: the at-risk-of-poverty rate of persons aged 65 and over depends very much on the relative poverty threshold – during the economic crisis the relative poverty of persons 65 and over decreased significantly – mainly because the threshold decreased and the pensions increased despite of the economic crisis. Therefore the current at-risk-of-poverty rate as an indicator is simply not sensitive enough to show changes in social policy instruments, even when actual poverty has dropped (e.g. the absolute poverty has decreased as a result of different measures and growth of economy). It should be also noted, that since Statistics Estonia has changed their methodology (the data source changed – in addition to the Estonian EU-SILC, the register data of different benefits and data of the Tax and Customs Board is also used) for calculating poverty rates, these figures cannot be compared without caution. The estimation is, that before 2012 (income year) poverty rates were being underestimated and thus, relative poverty has not increased as much as these figures indicate.

The depth of relative poverty can characterise by the relative poverty rate upon different poverty thresholds: 40%, 50% or 70% of median equalised income (relative poverty is officially calculated 60% of median income). The threshold at 40% of median equalised income distinguish the persons with the lowest resources living in relative poverty.⁶ The Statistics Estonia data shows a positive change – the share of persons whose equalised disposable income is less than 40% of median equalised income has decreased between

⁶ Trumm, A. (2010). Kuidas vaesust mõista, määratleda ja mõõta? How to understand, define and measure poverty? *Vaesus Eestis. Poverty in Estonia*. Statistikaamet. Statistics Estonia.

2013 and 2015 (from 8.2% in 2013 to 6.2% in 2015). Also, there are a slight decrease of those, whose income comprises less than 50% of median.

Compared to 2014, the poverty rate has decreased in the case of children, young and middle aged people, but in the case of the elderly, the at-risk-of-poverty rate has increased. In 2015, 40.2% of persons aged 65 and over lived in relative poverty (35.8% in 2014). The higher relative poverty rate of elderly people is affected by their household status – usually elderly people are living alone and they don't have the possibility to share household expenditure. In order to reduce the poverty rate of old-age pensioners and support their better coping, an additional annual allowance of EUR 115 will be paid from 2017 to old-age pensioners who live alone. The Government is also planning to raise solidarity of the first pillar by making the benefit levels contingent on only contribution periods from year 2037 (and not on previous wage levels) and by changing the pension index (e.g. by basing it 100% on social security budget growth and the number of pensioners from year 2023).

In 2015, 18.5% of children under 18 lived in relative poverty or one and a half percentage points less compared to the previous year. The absolute poverty rate of children has also decreased – this indicator was 9.1% in 2014 and 4.6% in 2015.

Since 2015 Estonia has been focusing more on supporting families with children living at risk of poverty, which has had an influence on reducing poverty of children and better coping of households with children. Hereby there is a list of the most important steps undertaken in recent years by the Estonian government to tackle child poverty:

- From 1 January 2015, the child allowance⁷ for the first and second child of a family was raised to 45 euros per month (in 2014, 19.18 euros) and to 100 euros per month for third and every consecutive child (in 2014, 76.72 euros). In 2016 child allowance for the first and second child rose to 50 euros a month, in 2018 it will be 55 euros and 60 euros in 2019. Beginning July 1, 2017 families with three to six children will receive an additional 300 euros per month from July 1, besides the existing subsidy (50 euros for the first two children and 100 euros per every further child). For seven or more children, 400 euros will be paid.
- Also, the need-based family benefit⁸, available to families living in relative poverty, and importance of a child will increase when the payment of subsistence benefit⁹ have had an impact of reduction of poverty. The subsistence level per every minor member of household was raised to a level equivalent to subsistence level of the first

⁷ A child who is enrolled in a basic school or upper secondary school, or a child without secondary education enrolled in formal vocational education has the right to receive child allowance until he or she attains 19 years of age. When the child attains 19 years of age, the allowance shall be paid until the end of the school year.

⁸ Need-based family benefit is an allowance paid since 2013 to households with children that live below the income level established for need-based family benefit and also households with children that receive subsistence benefits. Income level for the first family member that will qualify the family for the need-based family benefit will be established by the Riigikogu for each budget year with the state budget. The income level to entitle households for need-based family allowance is the relative poverty line, last published by Statistics Estonia by 1 March for the year, preceding the budget year.

⁹

family member, effective from 1 January 2015. In households with one child receiving child allowance under the State Family Benefits Act, paid to an applicant of need-based family allowance or another household member, a need-based family allowance of 45 euros was available as of 2015 (in 2014, 9,59 euros). In households with at least two children receiving child allowance under the State Family Benefits Act, paid to an applicant of need-based family allowance or another household member, a need-based family allowance of 90 euros per family has been available as of 2015 (in 2014, 19,18 euros).

- In 2017, maintenance allowance fund was introduced. According to the new maintenance allowance support system, up to 100 euros will be paid to children whose separated or divorced parents have failed to pay court-ordered alimony after a four-month period. The state will generally provide the child with 100-euro alimony and will exact the sum from the parent. Applications are received by court executors.

The Estonian Government is planning or implementing several reforms also for the rest of the population in order to counter poverty and inequality. The most important of them is the Income Tax Reform. Income Tax Reform is aimed at decreasing the in-work poverty. The income tax exemption rate will significantly increase. Starting from 2018 the income tax exemption rate will be 500 Euros (180 Euros in 2017).

Despite of the favourable social and political environment to tackle poverty and important steps already taken, relative poverty and social exclusion will remain significant challenges in Estonia also in the following years.

Section 5: Developments in relation to the Estonia EMIN Network

In this section you provide information in relation to the state of development of your National EMIN Network. In particular describing social dialogue/partnership with public authorities and other stakeholders.

Is there a formal or informal steering group for your National EMIN Network (who is involved)?

Estonian Ministry of Social Affairs, the Estonian Parliament Social Commission,
Commissioner for the promotion
of equality, EAPN network of member organizations, the Confederation of Trade Unions

Have there been any contacts with potential partners that can help to build alliances for the improvement of the MIS in your country?

Meetings are planned in two universities and in smaller municipalities to introduce the EMIN project.

Has any activity been organised with regards to MI? Communications or public awareness raising, since the completion of the EMIN1 project?

We have had meeting in EAPN Estonia and meeting with citizens of Märjamaa parish and in Ida Virumaa 3 smaller towns.