Estonia: poverty and social exclusion

The main aim of this article is to present the phenomenon of poverty and social exclusion in Estonia, as well as its specificity and possible way to escape this problem. In the paper, I present the main statistical data, and I focus on gender pay gap as a significant problem for Estonian labour market, and – influencing on poverty among women. The last part of the article concerns presentation of the TAP project (Together Against Poverty).

Key words: poverty, social exclusion, gender pay gap, TAP project.

1. Poverty and social exclusion in Estonia – statistical data

According to Statistics Estonia, in 2013, 22.1 percent of the Estonian population lived in relative poverty and 8 percent in absolute poverty. However, it is of concern, that if the state benefits and pensions are not included in income, the at-risk-of-poverty rate is 40.7 percent and the absolute poverty rate an overwhelming 32.6 percent. In 2013, a person was considered to be in risk of poverty if monthly disposable income per household member was below 358 euros and in absolute poverty if it was below 205 euros. The difference between the income of the poorest and richest fifth of the population was 6.6-fold. The at-risk-of-poverty rate is highest in the case of elderly people. In 2013, 32 percent of persons aged 65 and over lived in relative poverty. The absolute poverty rate is highest in the case of children and young people (aged 0–24) and in the case of pre-retirement age people (aged 50–64) - 10 percent in both age groups. The analysis of the results also shows that the level of education significantly affects the risk of falling into poverty. Among persons with basic or lower education, every third was in the poorest and only every twelfth in the richest 20 percent of the population. At the same time, one-third of people with higher education belonged to the richest fifth.

The incomes of Estonians were higher than those of non-Estonians and the risk of poverty was lower for Estonians. In 2013, the at-risk-of-poverty rate of Estonians was nine percentage points lower than that of non-Estonians and the absolute poverty rate four percentage points lower. Of Estonians, 19.5 percent lived in relative poverty and 6.8 percent in absolute poverty, the same
indicators for non-Estonians were 28.6 percent and 11 percent. According to Statistics Estonia, 12.5% of people aged 15 to 29 did not work or study last year. Nearly a third of them were unemployed, and two thirds otherwise inactive. Compared to 2014, this number declined by 4,400, or 13%. In the last 15 years the number of young people in this risk group decreased by 26,000, or almost 50%, statistician Heidy Roosimägi wrote on the blog of Statistics Estonia.

The most popular reason given was the need to take care of children or other family members. In 2015 this share was at 43% at around 12,500 of inactive young people. The number of members of this age group officially on parental leave was 9,700, of whom 6,600 were 25 to 29 years old. Of all inactive young people, about 12% were reported as chronically ill or disabled, the highest rate in the past 15 years. 13.8% of the group were young people with primary or basic education, 12.3% had secondary education, and 10% had completed a higher degree. National statistics for Estonia indicate that married couples with children are 41.5% of all families, and parents with children represent 19.3%. 14.9% of people who raise children are single women (www.stat.ee/rel2011).

### 2. Biggest gender pay gap

Women is the most vulnerable group and in risk of poverty. Estonia is by the EU statistics the country with biggest pay gap. According to Eurostat data, across the European Union in 2013 the pay gap in Estonia amounted to 29,9% which is the highest figure of all EU countries. Gender pay gap is a complex issue, showcasing the predominant inequality of society that has been brought about by various separate and interconnected factors. Some of the causes for receiving unequal wages and the deepening of the gap are (Anspal, Rõõm 2013):

- The so-called women’s work is held in low esteem.
- Salaries are lower in the industries with a greater ratio of women in the workforce.
- Part-time, fixed-term or temporary work with lower rates of pay is more frequent among women.
- Women need to take more breaks during their careers (for example maternity leave).
- Women earn less because more men tend to work in more lucrative occupations and industries.
- Women are blocked by the so-called glass ceiling – they do not apply for advanced job positions as much as men, although they possess the same qualifications and experience levels.
- Gender role stereotypes persist. Gender division of labour still exists with jobs divided into women’s and men’s jobs.
Taking into account both the occupation and sector reduces the wage difference, which demonstrates that men work more on average in such sectors and/or occupations that are better-paid. If differences in education were the only factor impacting the pay gap, women’s wages in Estonia, therefore, should be higher than men’s wages. Women’s educational level is higher on average than men’s. Also, the gender pay gap is not due to women’s educational choices.

One of the forms of vertical gender segregation is the so-called glass ceiling effect. This glass ceiling term denotes artificial, invisible barriers that prevent women from rising to senior positions in their careers. The existence of a glass ceiling results in a situation where the share of women in senior positions or better-paid jobs is lower. A manifestation of the glass ceiling is also a greater difference between the wages of highly-paid women and highly-paid men (a gender pay gap in the upper part of the wage differential).

Pay gap does not derive only from the fact that women receive less pay for the same work, but also to a large degree from the fact that women and men do different work. Part of the gender pay gap derives from the concentration of Estonia’s female and male employees in different sectors (e.g. the proportion of men is greater in construction, of women in health care) and occupations (e.g. there are more managers amongst the men and more clerks amongst the women). Concentration into different occupations is called horizontal segregation, and into different occupational levels is called vertical segregation. Estonia holds first place in Europe for both horizontal and vertical segregation. The highest value of the index denotes the most extensive gender segregation. Both the occupational and the sectoral based segregation are amongst the highest in the EU, according to EC data (ISCO).

One possible reason for the above average gender segregation of the Estonian labour market is the apparently contradictory high employment rate for women. The female employment rate in our labour market is one of the highest compared to other EU member states, similarly to the other Baltic States and the Nordic countries (Anspal, Kraut, Rõõm, 2010).

3. Poverty definition in Estonia

In Estonia, poverty is most often defined in the context of the needs and dissatisfaction with these needs going unfulfilled, which relate to the limitations of material resources and standard of living compared to the rest of the society (Vaesus Eestis, 2010). Poverty is also treated there as a social phenomenon, which is characterized by a lower level of security and a greater degree of social inconsistency, fewer social rights and the possibility of exercising them.

The economic situation of Estonian respondents was largely due to political and structural changes taking place in the country and directly in the economy. Many years of inclusion in the
structures of the Union of Soviet Socialist Republics and the total economic dependence caused at the time of regaining independence entailed far-reaching changes in the system of functioning of the state and the need to create new structures, both public and economic. These changes meant that some employees, regardless of their profession, lost jobs. A factor that is particularly hampered the integration of the new labour market was a language barrier resulting from different nationalities and - what is common to all economies and citizens irrespective of language - the difficulty of retraining.

The processes of globalization, which largely rely on merging of economic entities in single, large organizations caused that smaller organisations lost their position on the market because they were unable to compete as far as the prices or resources were concerned, with the larger ones. Difficulties in adapting to free market conditions at the beginning of the independence of Estonia have been intensified with the appearance of the crisis on the financial markets, which all economies of the world are facing for several years. Unemployment, difficulty in getting a new job and the lack of sufficient income cause particularly difficult situation for people who are no longer sufficiently mobile, also because of their age.

An additional difficulty in the recovery process for the Estonian economy, but also for other countries of Central and Eastern Europe, are the sanctions against the Russian Federation, which resulted in closing a huge market for many products.

High unemployment, often hidden because of large emigration, causes that also young people don’t have options in looking for sources of livelihood for themselves and their families. Many of them decide for temporary work abroad, especially that the average salaries in Scandinavian countries are significantly higher. This helps to manage but also causes many problems, especially that the respondents would like to work in Estonia. Respondents underlined also the necessity of being careful with the management of own budgets, not borrowing money in order not to fall into spiral of debt, although the lack of creditworthiness for them is troublesome, especially in a situation when they want to buy a property.

Financial situation of people threatened with poverty and social exclusion in Estonia is a combination of a few main factors, among which the most important were political and structural changes and current economic crisis including worse economic relations with Russian Federation.
4. TAP project about social exclusion and poverty

On European, national and regional level, it became possible to enable many grass-root initiatives, including project financed by the European Commission. One of them is a project entitled “TAP - Together Against Poverty”, implemented by a partnership of six European countries, by organisations from Estonia (Mittetulundusühing MITRA), Spain, the Netherlands, Poland, Romania and Italy. Project is coordinated by Centre for Education and Enterprise Support from Rzeszów, which has been dealing with social issues for several years now and participate in many projects that tackle e.g. prevention of homelessness among children. The TAP project’s objective is to write two papers which describe poverty and social exclusion in the project countries and description of existing models of social security. The papers are the result of the research on the issue of poverty and social exclusion in six project countries. The key element is the description of in-depth interviews with 90 people from the target group: at risk or affected by poverty and social exclusion. Interviews were conducted at the turn of 2014 and 2015 in all participating countries (15 interviews in each country).

Respondents from Estonia described own situation in the context of social exclusion, although usually they didn’t have a feeling of experiencing such state. Their positive attitude came from frequent contacts with other people. Objective analysis showed however that in most cases they were excluded people, often without a place to live or decent accommodation conditions. Lack of knowledge of Estonian language as a factor leading to the exclusion had a meaning for people with Russian background who had difficulties with finding a job and at the same time with the reintegration on labour market. People underlined that significant for the appearance and existence of their social exclusion has lack of system support both from central and local authorities.

In the opinion of the majority of respondents, the support system don’t work properly. The pointed out that some of the forms of help were not effective. It mainly concerned the free food which on one hand was accessible for all and on the other – it didn’t solve the main problem because such help doesn’t touch the exclusion from life but allows for existence.

Big role in support was played by institutions of labour market. Their faulty functioning had key meaning to appearance and lasting of the social exclusion especially in the case of long-term unemployed. This group is the one that is threatened with poverty and social exclusion the most and yet - the support doesn’t reach them. Respondents pointed out also at the lack of flexible solutions for people running own business. Respondents underlined the complexity of procedures and huge bureaucracy in the support system which didn’t give any help. In the opinion of respondents, the contact with support institutions was limited to statistical purposes.
about how many people are in need of help. Benefits offered by the support institutions were too low in order to allow for normal life. However, the support of institutions gave beneficiaries insurance and access to free health care.

Lack of real support, large bureaucracy, low level of benefits and lack of job offers were in respondents opinion the key elements of support system functioning in Estonia. Postulated proposals of changes were limited to the increasing of benefits. However, the respondents were aware that it would be possible only in the case of improvement of economic situation of the country.

Some people among respondents in Estonia showed willingness for running own business. Part of them even undertaken some steps towards this goal but the usual obstacle was the lack of money. Lack of own resources and access to the external capital was a big difficulty. The second factor was in the respondents’ opinion, strong competitiveness, especially of the large companies. Often there was an answer that it is better to be employed than to run own business because of strong competition on the market. In some cases, the respondents directly pointed out lack of qualifications and predispositions for running own business. It was similar in the case of access to the cash needed for the start of own business, which is important especially in the current economic situation.

Estonian respondents were in majority sceptical about the idea of running own business. They pointed out at lack of access to financial resources and large competitiveness, although the same factors were taken into consideration by persons that thought about own companies. Respondents mentioned lack of entrepreneurial skills and limited knowledge in this area which also influenced the decisions about not starting own business.

The issues presented in this paper give reasons to acknowledge varying degrees of socio-economical impact on the emergence of poverty and social exclusion and exiting out of these states. The result of the research encourage to pursue them further and adding new elements like in-depth economic analysis of the phenomena, broadening the test group by adding other social groups which are less vulnerable to poverty and social exclusion.
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