ESTONIAN HUMAN DEVELOPMENT REPORT

1998

Foreword

This Human Development Report is the latest in the series of reports begun by the United Nations Development Programme in 1990. Estonia has been participating in this worldwide program since 1995.

The previous Reports have added to our compendium of knowledge and have been well received on an international level. As a natural continuation of the previous reports, the present Report also dissects issues, which are of vital importance to all of us - regarding the mechanism for social cohesion, the way to include all members of society in our everyday life and our future. In this process, the Report does not just observe Estonian society as an entity unto itself, struggling with its problems, but in an open manner and in association with the world around us.

The Report shows that for Estonia, in its transition process, the worst is indeed behind us, but we still stand face to face with many problems, the resolution of which requires internal fortitude. Estonians can be characterized, on the one hand, as having a high learning activity level, a developed media consumption, successful internationalization in its various forms, and the ability and skill to be able to utilize new opportunities. In developing these features we could raise the value of our social capital, which in turn encourages long-term economic growth.

On the other hand, differences between the generations and social groups have deepened. The "tail of society" has grown too long and straggly. Many people have not managed to adapt to market economy conditions, social and political activity has lessened. Even such an important stimulus for development as education, including further education, is tending to tear society apart. It is becoming the rule that whoever has reached a certain level of success, can manage even greater challenges. At the same time, the opportunities for those lagging behind to reduce the gap and improve their lives are fading.

As a small nation, we must be take care that Estonia's development is as widely based as possible. Therefore, the upcoming elections should not develop into a campaign that merely brings to the fore, or pushes to the rear, particular political groupings. Estonia needs an open discussion about how to build a more balanced society. This Report will provide assistance in obtaining an analysis of the true situation.

Mart Siimann
Prime Minister
of the Republic of Estonia

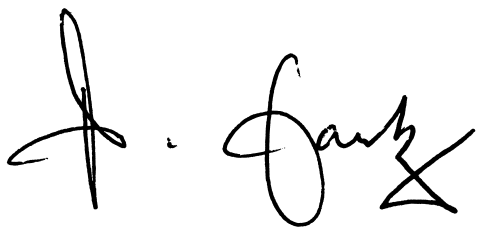
Tallinn, November 15, 1998

Acknowledgements

This is the fourth national Human Development Report published by UNDP-Estonia in cooperation with the Estonian Academy of Sciences. As in previous years, this report is the product of a team of Estonian writers and researchers, and UNDP is much indebted to the contributions of each and everyone involved. Special gratitude is extended to Mr. Erik Terk, Editor-in-Chief of this year's Report, Mr. Georg Poslawski, the Report's production manager, and to Ms. Tiia Raudma, who coordinated the translation and editing of the English-language version. Special thanks go to Mr. Linnar Viik, who has not only contributed as author but has also coordinated the project on behalf of UNDP in cooperation with Mr. Robert Juhkam.

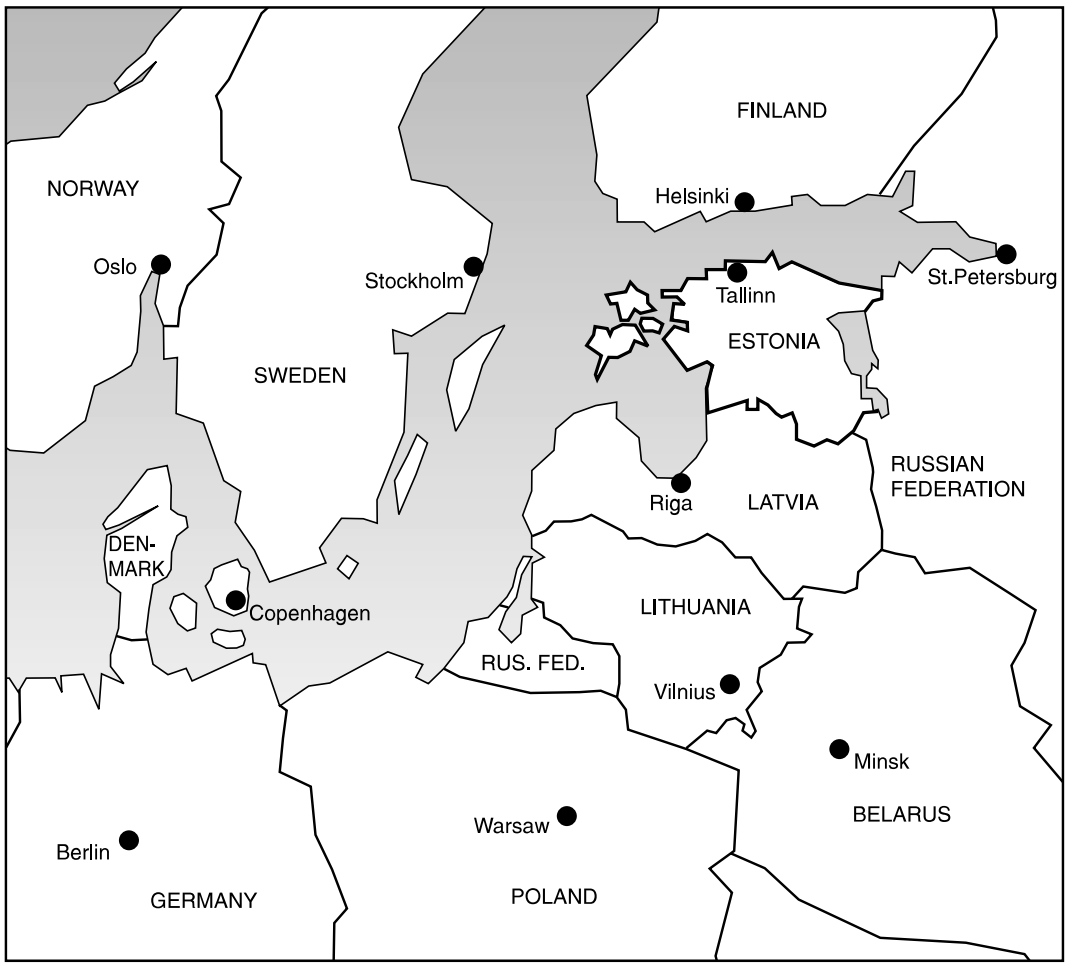
The concept of Human Development, which was first introduced in the global Human Development Report published by UNDP in 1990, means quite simply that human well-being and progress in a nation cannot be measured by economic growth alone. Economic growth is a means, not an end, to the improvement of people's lives. Other factors such as access to education and the opportunity to lead a long and healthy life are important. UNDP is proud that the winner of the 1998 Nobel Prize for Economics, Dr. Amartya Sen, has been a close collaborator in the preparation of global Human Development Reports. He provided the core conceptual framework for the notion of human development and the ways it can be measured.

During the course of publishing national Human Development Reports in Estonia, UNDP has had the opportunity to work closely with social and economic researchers and research institutions. We have been impressed by the quality, level and dynamism of ongoing research and debate. The annual publication of the Estonian Human Development Report is a way to disseminate a part of this wealth of knowledge and research to a wider public, both within and outside Estonia.



Petra Lantz-de Bernardis
UNDP Resident Representative

Tallinn, November 20, 1998



General information about Estonia

Legal name:

conventional long form	Republic of Estonia
conventional short form	Estonia
local long form	Eesti Vabariik
local short form	Eesti

Area:
45,227 sq km.

Location:
Estonia lies on the eastern shores of the Baltic Sea. Estonia is situated on the level north-western part of the East European platform, on which there are only slight variations in elevation. The elevation in south-eastern and eastern Estonia is higher than in western Estonia. The highest point (Suur Munamägi) is 318 m above sea level. Estonia has over 1,500 islands and more than 1,400 lakes.

Population:
1,453,844 (01.01.1998)

Ethnic divisions:
Estonian 65,0%, Russian 28,2%, Ukrainian 2,6%, Belarussian 1,5%, Finnish 0,9%, other 1,8% (01.01.1998)

Religious denominations:
Lutheran, Orthodox, Baptist, and others.

Languages:
Estonian (official), Russian, and others.

State independence regained:
August 20, 1991.

Independence Day:
February 24.

Constitution, adopted by referendum:
June 28, 1992.

State system:
The Constitution established the principles of the rule of law. It recognises the principle of separate and balanced powers, the independence of the courts, and guarantees of fundamental human rights and liberties according to universally recognised principles and norms. Estonia is a democratic parliamentary republic wherein the supreme power is vested in the people. The people exercise the supreme power, through citizens who have the right to vote by electing the Riigikogu – State Assembly (parliament) and by participating in referendums. The Riigikogu is comprised of one hundred and one members. Executive power rests with the Government. The head of State of Estonia is the President of the Republic.

Capital:
Tallinn (population 415,299, 01.01.1998)

Administrative divisions:
Estonia is divided into 15 counties, 206 rural municipalities, and 47 towns.

Currency:
National currency is the Estonian kroon (1 kroon = 100 sent). The kroon was issued on June 20, 1992 and is pegged to the German mark at the rate 1 DEM = 8 EEK.

Member of United Nations:
September 17, 1991.

Member of the Council of Europe:
May, 1993.

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The Estonian Human Development Report 1995, 1996, 1997 and 1998 are also available electronically through the Internet World Wide Web which may be accessed at http://www.ciesin.ee/undp/nhdr.html

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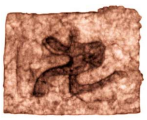

Introduction: Why Integration?

Since the start of the Estonian Human Development Reports, which have been compiled for the fourth year now with the support of the United Nations Development Programme, there has been an attempt to discuss both the human development output of social transformation (changes in life expectancy, birth rate, education level), as well as to reflect the workings of society, how and via which mechanisms it operates. Each one of the human development reports has to a certain degree focused on different aspects; for example, the 1997 Estonian report concentrated more closely on the phenomena of social coherence, social rejection, and deprivation.

When looking for a focus for the current, 1998 Estonian Human Development Report, we proceeded from a necessity to discuss the workings of Estonian society and the problems apparent in it in a more integrated manner, using more synthesis, and attempted to link the social changes taking place in Estonia to wider regional (predominantly European) and global developments and challenges. For the above reasons, it was decided to select integration as the key theme for this report.

Integration (uniting, joining, forming a whole from components or elements) is an extensive and voluminous concept with a high level of abstraction. When discussing society in the widest sense it is determined as "creating or maintaining the significant patterns of interaction or regulation present in and between social groups, political units, economic activities, forms of economy or production, etc.". (The Dictionary of Human Geography, 1994). As can be presumed from the above definition, the term "integration" is a multi-disciplinary category. In sociology, for example, it has a somewhat different meaning from that in the theory of international relations or in economics. It is common, however, that the handling of any phenomenon in the paradigm of integration and being integrated proceeds from the basic idea that the community or society under observation operates as a whole, that certain structures and patterns of activity exist, which permit integrated action, intercourse, exchange of information and various material flows, that the components and elements perform certain functions in that whole. Observation of the society in the paradigm of integration does not mean its treatment as a machine operating independently of human will. On the contrary, it is extremely important to clarify which positions and mechanisms enable the people to participate in certain exchanges or relations, how an individual feels in such a joint activity.

Dimensions of integration

Some authors consider it necessary to differentiate clearly between, on the one hand, integration in society (via socialization, recognition of certain values), and, on the other hand, integration into economic relations and power structures. It seems, however, that a rigid separation of these two levels is artificial: there is no "pure" society outside institutions, economic and power structures, but institutional relations cannot exist normally either unless the people consider them socially useful. We can discuss, however, the various dimensions of integration and their ties. W. L. Kolb (A Dictionary of Social Sciences, 1984) finds that at least four mutually linked dimensions should be singled out in the discussion of integration. These are: a) cultural integration, b) normative integration (the establishment of norms), c) social integration, i.e. the mechanisms of relating, sharing value orientations and achieving consensus, which make the declared norms actually work, and, d) integration at the level of direct cooperation, achieved via a sharing of roles, coordination of activities, etc. Specific integration mechanisms operate at every one of the above levels.

The variety of goals and forms of integration has been emphasized. The goal of integration can be unification (for example, assimilation in ethnic policy and, in political history, the

re-unification of Germany), as well as the development of variety working within a certain integrating framework (for example, multicultural approach in ethnic policy, federalism in politics, common market in economy, etc.). But integration is also the development of vital cooperation ties between independent units (for example, efficiently working free trade areas and regular sub-contractor ties between businesses). Integration as to the form of its realization can be manifested in the building of new structures and institutions to replace the fragmented previous ones (for example, the introduction of a common currency) or the elimination of existing barriers to cooperation or other activities (for example, the abolition of certain discriminating limitations in employment or the abolition of customs tariffs). Integration may be formal or informal. An example of the latter is provided by the dynamics based on markets, technologies, communications networks and social changes, which work without politically or legally binding decisions. (The Dictionary of Human Geography, 1994).

It is presumed that a well-integrated society (or any other community, for example, national culture or an economic union) need not be harmonic and free of conflicts, but that it will adjust to environmental changes and challenges (preserving oneself in new circumstances rather than dissolving or disintegrating), it maintains some level of cohesion and is effective in its operation.

Integration (and also disintegration) works at various levels. We can thus speak of integration in Estonian society, integration at the European Union level, which Estonia is striving to join, and of global economic and technological integration tendencies, in which Estonia unavoidably participates. It is extremely interesting, but also complicated to observe the integrative and disintegrative influences working between the various levels.

Integration has become a topical issue in the contemporary world as one of the values and goals of global sustainable development. For example, social integration was one of the main issues at the UN Social Development Commission experts seminar in February 1998, which concentrated on the problem of contribution to social integration via responsible governing practice, an increase in public participation in the solution of social problems, a promotion of tolerance and the realization of the ideas of social equality and justice (Expert workshop….., 1994).

Still, why is the issue of integration so particularly important in the modern world? The main reasons are as follows:

- The opportunities for isolated existence and development are diminishing in the world. Economic, technological, political etc. processes transform the world into a single entity. The world integrating at the global level inevitably causes new problems, threats and disintegrative tendencies. For example, cultural and social differences and rifts will become a serious problem. Disintegrative setbacks may produce crises, they have to be foreseen and pre-empted.
- There is an increasing understanding that benefiting for a long time (parts of the world, states, social groups, etc.) at the expense of others is no longer possible in the complex modern world, and that conflicts caused by it may threaten the entire system.
- Due to the increasingly influential economic dominant, social ties as the "cement" of society are beginning to crack. Such balancing factors as religion, local community and blood ties will no longer work with previous efficiency.
- The traditional society was, both as a whole and in its sub-systems (village, family, etc.) quite stable, autonomous, sustainable. The specialized and technological society of today has, unfortunately, lost many of these qualities. As a result, disturbances in integration and cooperation may lead to serious consequences and a collapse of the systems. The loss of stability of a society is no longer a problem merely for itself, it presents a threat to the whole international community.
- Human development and social integration can be understood via the idea of human capital. High-quality human capital can cooperate efficiently, have an effect, while low-quality human capital (a characteristic example is the deficit of confidence) can not. It is becoming increasingly clear that disintegrative society has a destructive effect on human capital, is wasteful of this vital resource.

Specific reasons for valuing integration problems also derive from the particular features of post-communist societies. A sudden increase in international openness, the rise of the market economy and other processes produce centrifugal forces, which leads to differentiation. The traditional integration mechanisms no longer work, while the new ones, typical of a civic society, have generally not yet developed.

It is difficult to give a general judgement on integration for post-communist states: some areas are dominated by integrative tendencies, others by disintegrative ones; certain factors contributing to integration in one period may become disintegrative in another, etc.

Dialectics of integration and disintegration

The cornerstone of the official ideology in the former communist countries was the forming of a monolithic classless society. Such unity of a socialist society was never achieved in this extreme form, yet that society was more uniform as differences of income, opinion or lifestyle were not tolerated. Social stratification between urban and rural areas or between the nomenklatura and ordinary citizens was kept within permitted limits and exceeding these limits was strictly controlled, even for the upper layer of party bureaucrats. Liberation from this total compaction came suddenly and created a situation, where the rapid enrichment of some and the impoverishment of others, due to a market economy regulated by only primitive legislation, was considered ideologically correct. The rapid social differentiation of the hitherto forcibly homogenous society during the post-communist reforms was seen as an inevitable by-product of the primarily positive developments – the increase of opportunities and the expansion of the social space. Only the quite extreme manifestation of the impact of uncontrolled socio-economic differentiation on human development, especially the drastic decline of the birth rate and the reduction of life expectancy, has forced closer attention to be paid to the social danger in the disintegration of society.

The range of integrative and disintegrative forces is wide and their interactions are complex. This makes it inevitable that certain narrower approaches must be selected for closer focus in the discussion of integration problems. A three-part division is used in the 1998 Estonian Human Development Report. First, the domestic social integration in Estonia is observed. In the area of wider regional integration, Estonia's accession to the European Union and the accompanying problems and attitudes has been selected as the central object for analysis. At the global level, the linking of Estonia (more precisely: the different categories of its population) to the networks associated with information technological development is observed. The report attempts to analyze the developments at various levels, as well as the links between them.

The first three chapters of this publication study to what degree Estonian society is internally integrative, uniformly operating. The authors attempt to determine which social groups drop out more frequently from the working pattern of society, suffer more than others from low income, unemployment and other social problems, who are the "winners" and the "losers", to what extent Estonian society as a whole is differentiated as to generations and other aspects. Education (incl. further education), civic society, media, the use of information and the development of institutions typical of the rule of law, are discussed as important integrative mechanisms; whether they work in an integrative or disintegrative fashion is also observed.

The fourth and fifth chapters study the disintegrative and integrative forces influencing Estonian society from the outside. The examples of European integration and entering the global information society are used to observe these influences, their perception and reception, which groups in Estonian society can go along with them and use them to increase their own influence in society. Throughout the publication, there are numerous comparisons and parallels between Estonian society and the situation in EU member countries, comparison between Estonian and EU social policies, of certain development trends in Estonian society with those considered typical of the EU or just generally European. Since the policies of the EU are characterized by a powerful movement towards strong cohesion of the Union as a whole, as well as the societies of its member countries, there is reason to presume that accession to the EU will mean for Estonia a necessity and a better opportunity to move along with that European trend.

The fifth chapter provides an overview of Estonia's progress made so far in entering the global information society; it shows the influence of the progress of the global information society on social integration, and poses a question about a possible Estonian national program for the development of an information society.

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Regarding Estonia's place in the ranking of countries according to human development level, and prospects for improvement

As is known, Estonia's ranking according to the UN Human Development Index has, like that of other post-Communist countries, significantly fallen in the 1990s. Primarily, this decline has been caused by the fall in GDP (gross domestic product) which resulted from restructuring of the economy. To a lesser extent, the decline has been due to other human development components, such as life expectancy. It is highly probable that upon completion of restructuring, followed by a pickup of the economy, these countries will again rise among other countries according to their human development index (HDI) – of course provided that economic hardships have not substantially deteriorated the indices of education and life expectancy of the population.

In the previous (1997) Estonian Human Development Report (which was compiled using UN-collected data available only up to 1994), Estonia's situation was characterized by the phrase "from retrogression to turning point". Yet, the recently published global Human Development Report 1998, though unfortunately using data from as far back as 1995, still shows Estonia's further decline by seven places (from 71st to 77th place). How is one to understand that?

It seems that Estonian GDP per capita (adjusted to purchasing power), according to UN data, dropped in 1995. According to UN data, in 1994 the per capita GDP was USD 4,294, in 1995 – USD 4,062. As it is, Estonia statistics do not corroborate the alleged decline; on the contrary, 1995 statistics show a year of economic growth. As for the indicators on education and life expectancy (drawing on data used by the UN), they did not change substantially.

A closer look at the data used shows that the alleged decline of the GDP in Estonia resulted from the fact that in 1995 the UN used a technique for adjustment of the GDP by purchasing parity power (PPP) which was different from that used in 1994.

The above addresses the ranking of countries based on 1995 comparative data. By now, i.e. autumn 1998, Estonian indicators are known also for the years 1996 and 1997, and one can as such make some forecasts for this year. At least in rough outlines it is possible to forecast what Estonia's Human Development Index (HDI) will be and where Estonia will be ranked among other countries, when conclusions are drawn on the basis of 1997 and 1998 indicators.

1996 and particularly 1997 were years of buoyant economic growth for Estonia; also in this year, economic growth appears to be in the black (regardless of problems which have arisen). Hence, the rise in GDP (adjusted by PPP) will increase the HDI – and rather significantly, too. Crossing a significant threshold (HDI value 0.8), which signifies being included in the group of countries with high human development, is realistically within grasp, if the Estonian economy continues the upward trend also in 1999. For that, the Estonian PPP-adjusted per capita GDP value must be elevated (if other HDI components remain on the same level) to ca USD 5,000. In case the overall social situation makes it possible to increase the average life expectancy by one year, even a lower GDP would suffice.

However, achievement of the above threshold would not necessarily significantly raise the place of Estonia in the ranking of countries. Other countries, especially the post-Communist countries, will also be able to increase their GDP and HDI. For example, the overtaking, on the basis of HDI, of countries like Slovenia, Czech Republic, Costa Rica and Uruguay is not realistic for Estonia in three-four years, even if it makes strong headway. With good results, it may be possible to overtake Ecuador, Brazil, Colombia, Panama and Bulgaria; with Croatia there might be tight competition.

In addition to the intervening fallen GDP levels, one of Estonia's weaknesses also includes its relatively low life expectancy (in particular due to the high mortality rate of the middle-aged). Estonia's education indicators are better than those of our competing Latin-American countries, however they are not (at least significantly) better than those of other stronger post-Communist countries.

NB! *Concerning the countries where the price levels of many goods have been fixed by the Government (North Korea, Iran, Belarus), the size of their GDP's are not comparable to those of the market economy countries. If we mechanically compare, then GDP levels tend to show in those countries an ostentatiously high living standard, whereas in actuality many goods are out of reach. When moving to a market economy, such countries will have to face both a real adjustment of the artificially ballooned purchasing power, and an actual decline of the GDP.*

Will a Cooperation-based Society Develop in Estonia?

1.1. The Individual in a Social Environment: various aspects of the treatment and measurement of integration

In assessing social cooperation and homogeneity (social cohesion, social integration), three basic approaches can be differentiated.

1) This approach proceeds from a societal level, and from the observation of some objective indicators of social welfare, e.g. the proportion of the poor in society. The method of measurement and reliability of the indicators used will greatly depend on the level of development of the society – the more developed the society, the higher the poverty line is drawn, and the more reliable are the results of the measurements achieved by using this limit.

Although the distribution of poverty in certain social groups is not a direct indicator of social integration, it does characterize the basis on which integration may or may not occur. A society that is sharply stratified according to welfare indicators cannot be expected to interact efficiently.

It is possible, within the framework of the approach proceeding from the societal level and based on welfare indicators, to consider the actual realization of the rights and opportunities of people in several spheres of life at the same time. For instance, the project "Human Dignity and Social Exclusion" (1995–1997), which was conducted under the aegis of the Council of Europe and covered all its member states, simultaneously involved spheres of life such as health, housing, employment, education and social protection.

The key problems for these spheres in all these countries separately, including Estonia (Narusk, 1997), and for Europe as a whole, were generalized in an international report "Opportunity and Risk: Trends of Social Exclusion in Europe", which was presented at the Helsinki conference in May 1998 (Opportunity and Risk: Trends of Social Exclusion in Europe, 1998). As was stressed by Mr. Hans Christian Krüger, Deputy Secretary General of the Council of Europe in his comment to the report, the results of this project will enable Europe to determine the main measures in the struggle against social exclusion.

2) Within the framework of the second approach, attention is also paid to the societal level, but this approach is concentrated on how people themselves perceive their living condi-

BOX 1.1.

Social exclusion in post-socialist countries: key problems and high-risk groups

The report of the research project "Human Dignity and Social Exclusion", commissioned by the Council of Europe, revealed that the vital problems in *health care* in post-socialist countries are the deterioration in the health of the population and early mortality, as well as the low quality of the health care system's services for the low-income groups. The main high-risk groups regarding health are young and middle-aged men.

The key problems in *employment* are the increase in long-term unemployment and the accompanying threat for a growing population group to be deprived of social security, as well as the limited coverage of an active labor market policy. The high-risk group consists mainly of workers with low qualifications. "New high-risk groups" have also emerged in the post-socialist countries - the disabled, mothers with small children, etc.).

The key problems of *social protection* in the developed countries, especially the Nordic countries, are the emergence of moral dependency on benefits, as well as the health care and pension insurance of the unemployed. In the post-socialist countries, these factors are compounded by the insufficiency of the social insurance funds for ensuring the subsistence of the people needing support. The high-risk groups are the long-term unemployed and their families, as well as the elderly who are not covered by the social insurance system, and in the post-socialist countries also families with many children or single mother families.

The key problems of *education* are the basic school drop-outs, difficulties with the transition from school to work and the threat of being deprived of education for children from low-income families or less-developed regions. The high-risk groups are children with special needs, and children from poor or asocial families. In many cases, living in peripheral areas is linked to the threat of falling into the high-risk groups.

The key problems in *housing* are the lack of small rental apartments (cheap housing), and the ever-increasing segregation of living conditions and living environment according to income. The high-risk groups are those who have been evicted from their homes and who are not entitled to claim new housing, those residing in illegally constructed housing and those without appropriate "papers" which would allow them to purchase housing.

Allikas: "Opportunity and risk: Trends of social exclusion in Europe", 1998.

tions and their relation to their social environment. This approach differentiates between absolute and relative exclusion – the former refers to complete exclusion from social relations, while the latter denotes an inequality in the exercise of (formally existing) rights and relations with institutions.

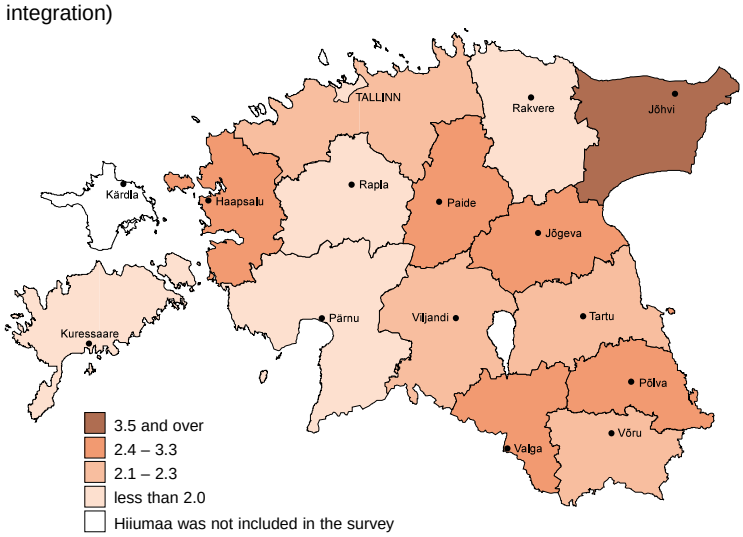
The absence of relative deprivation (i.e. a situation, where an individual cannot participate in activities or possess living conditions which are considered normal by the society where the individual lives) can be considered as a precondition for social integration. The first attempt to compare relative social deprivation, according to the above principles, in two countries – Sweden and the UK - was made in the first half of the 1990s (Halleröd, 1996). Estonia joined the comparison in 1997, using the same methodology for the measurement of social deprivation (Mack and Lansley, 1985). According to that methodology, the consumption level which is considered necessary by the population of a given country is determined regarding a particular set of basic items (consumer goods, housing, health insurance and opportunities for social intercourse). These items are considered in the calculation of the Social Deprivation Index (SDI). The comparative study shows that even when considering the different ways of life and preferences, the average SDI in Estonia is higher (2.37) than that of the UK (2.33) and substantially higher than in Sweden (1.23). According to the survey in Estonia, social deprivation does not exist only in the first SDI decile.

The average value of the Social Deprivation Index in various regions of Estonia is depicted in Figure 1.1.

In an analogous way, the deprivation levels of various social groups – men and women, the young and the old, various ethnic groups etc., and differences between them – could be shown. Here, too, much depends on regional differences. Although Estonia is a small country as to its area, regional differences are still significant. In Tallinn, for instance, the greatest differences in consumption levels or opportunities for social intercourse are based mainly on sex or age, but in Ida-Virumaa, on ethnic background.

A shortcoming of this approach is that in addition to the economic opportunities, only few opportunities for social intercourse are measured, which in turn are dependent on economic opportunities. The measurement of social integration should be wider: it should involve the entire spectrum of civil and social rights and obligations. Besides rating the economic situation, the individual's opportunities for receiving education, employment and recreation and for participation in political life, as well as the actual use of these opportunities by the people, should be taken into account. The historic-cultural peculiarities of the society's development must also be considered, as well as the individuals' satisfaction with their opportunities, rights and obligations and their perception of being integrated into the world of values and ways of life of their immediate environment.

FIGURE 1.1.
Regional differences in social deprivation
(The smaller the average SDI, the better are the preconditions for social integration)



3) The third, individual-centered approach presumes that a person is socially well integrated only when he/she feels that he/she: a) possesses all opportunities, rights and obligations considered necessary by him/her and by his/her social environment; b) has values and behavior norms that fit with those of the others; c) is an equal member in social networks (friends, acquaintances, relatives), as well as in the work and study network; d) has opportunities for free communication; e) can have formal and informal help when needed; f) has the right and obligation to participate in the making of important decisions; g) exercises his or her opportunities and rights, and fulfils his or her obligations to others.

Consequently, a member of a social group (a rural resident, an old person) can be well integrated in his/her social environment even if he/she cannot afford some consumer goods or participate in activities, which are considered important by the members of another social group (urban residents, young people). The comparison group is what matters most.

Social integration on the local level, on the level of Estonia, and for the world outside Estonia, could vary considerably for different people. For example, a person who has studied or worked outside Estonia for long periods or has been born abroad, may have more friends, school or work-mates, and relatives outside Estonia than in Estonia, and his/her values and behavior patterns may be closer to those of another society rather than Estonia. In such a case, the individual's values and behavior patterns need not coincide with those prevailing in his/her social environment. At the same time, there are many individuals who perceive themselves to be well integrated in their home district, and in Estonia as a whole, but not in the environment outside Estonia; or there are those who are equally integrated both in Estonia and in societies outside Estonia.

Information necessary for making important decisions on a societal level can be gathered only via periodic and reliable registration of social indicators. There must be accessibility to such information for all people – this is an imperative premise for the development of a participation democracy. The traditional statistical indicators or polls covering life spheres (household budgets, labor market situation) do not suffice. A proper basis for the evaluation of the integration level and its dynamics can be provided only by population studies. There is in Estonia already a certain experience in carrying out such studies. The construction of new and comparable social indicators in Europe is coordinated by the Council of Europe's Social Committee. It is mainly based on the experiences of the Nordic countries, which have been very successful in creating the information databases necessary for the development of social policy.

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1.2. The Generations in Estonia's Transition Period

Two directions can be distinguished as the leading ideas during Estonia's transition period (the end of the 1980s, the beginning of the 1990s): on the one hand, striving towards a liberal market economy, on the other, an essentially conservative drive to restore the nation state.

BOX 1.2.

Conflicts in visions of the future

The writer, Mihkel Mutt, in his novel "The Penguin and the Scavenger Cat" provides a figurative description of the two conflicting directions in people's minds: "In a strange way, Eff's fantasies were dominated by two series of images, apparently from quite different worlds. The first: in the future, there are little shops everywhere, all bursting with goods, as well as tiny tailors', shoemakers' and other kinds of workshops. All closely together and not a queue in sight. ... And on top of all that, all these vendors and craftsmen undoubtedly had friendly relations with the local residents. They were all one, in the sense that you could always ask, when going to the butcher's shop: "How's it going, Hans?" and Hans would ask in turn: "When is the daughter of the honorable sir expecting her baby?"...

Friendship and unanimity reigned.

On the other hand, the future Republic of Estonia certainly had to have long illuminated tunnels, fast and ultra-fast trains, skyscrapers and car phones, fax machines, and street cleaners with a different skin color. These would be the political refugees, admitted by the future caring Estonia as any welfare state would do."

The political and economic revolution, which took place in Estonia, coincided in time with a global information technological revolution. All this had its influence on people's careers, to be more precise, on the way society valued the experience accumulated with age. The experience of middle-aged and older people no longer had its previous value in this new situation. The generations, which had acquired their experience of life and work in the "old" circumstances, now found themselves in a situation, where previous experience was largely useless or even obstructive. Adjustment to market economic relations and ways of behavior was easier for the young people who had no old behavior patterns.

Consequently, the advantages belonged to the generation, which entered life in the early

1990s. This generation had received a more modern education than its predecessors, many had been studying or had received further training abroad. In autumn 1992, Mart Laar's cabinet came to power with the slogan "Clear out the place", which led to the replacement of a number of older and middle-aged high level officials by young ones.

A similar process took place in the economy. Alongside the older enterprises, new ones emerged, mostly launched and managed by younger people.

Therefore, the generation, which emerged in the early 1990s, received many advantages thanks to its youth. Much social research, regarding for example stratification, income, labor market, etc., shows that the social position acquired in the 1990s frequently correlates strongly with age and that the younger generation has been more adaptable and competitive in the rapidly changing situation. Society, which has given great opportunities to the younger generation, has, however, left largely unused the knowledge, experience, etc. of the older and also middle-aged generations.

To some degree, the difference or similarity of the values and views of different generations can be shown by a comparison of the generations' attitudes and views. The following material is mainly derived from an EMOR study (public opinion polling) carried out in September, 1997 and partly in the autumn of 1994.

Attention here is primarily paid to the extreme groups on the age scale. The middle-aged group (35-49 years old) has not been singled out in the following article, since their attitudes do not reveal as clear tendencies as those of the younger and older groups. Note that since we are already in 1998, the generations are already some years older, compared to the figures presented below.

"Generation of winners" (25–34 year olds)

This generation was born in the 1960s or in the beginning of the 1970s. It received its education either in the transition period or already in the Republic of Estonia. Many have been educated or received further training abroad. They are very familiar with computers and other modern technology.

Due to the major political, economic and information technological changes, this generation received an advantage in the labor market in the early years of the restoration of Estonia's independence. Young people commanded a considerable number of key positions in economy and politics. This generation has been called the generation of winners due to its successful and rapid careers and economic well-being. But the term "winner" applies primarily in the economic sense, in labor market competition, rather than in culture or sciences, for example.

Since this age group, according to data from the 1997 study, has a higher share of Estonian citizens than the others, it can be assumed that the non-Estonians in this age group have also been successful in acquiring Estonian citizenship.

So what characterizes the "generation of winners"?

- This generation has the most supporters of the liberal market economy as compared to the other groups. It is the most opposed to measures aimed at economic or social leveling. An absolute majority opposes the increase of taxes; there are relatively many supporters of proportional income tax and they oppose any protective tariffs.
- A clear majority supports Estonia's joining the European Union (it must be pointed out, however, that the EU is the most popular not with this generation but with the youngest), but the development of relations with Russia is seen as less important, as compared to the other groups.
- Among the political parties, those with right-wing and liberal views are preferred.

BOX 1.3.

Comments on the "winners' generation" by one of its members, top manager Allan Martinson

"Looking at society today, we see that amongst the winners there are indeed more 30-40 year olds. These are the people who, in 1988-1993, got their foot in the door – they could start doing something. Every business then made amazingly high profits, because with wages of 7 dollars a month, 50 earned dollars was an awful lot of money. This generation became winners thanks to history, and I don't think that the abilities were anything special. Those coming in later, the current 20 year olds, have to climb the ladder and will definitely hit their heads on our heels. We didn't have this problem, because we built this ladder."

"A good 50-70% of this generation lives well, and it is they who are the leaders in Estonia today. Because what happens up on Toompea affects those below relatively little; it is of more everyday importance what happens in the business community, and that's where our generation is represented the most."

Source: "Postimees" newspaper, cultural section, 06.05.1998.

"The new young" (15–24 year olds)

The inclusion into society of the youngest group is not as easy any more. First, the acquisition of education is becoming increasingly difficult (education is gradually becoming chargeable). On the other hand, many of those occupying the advantageous positions in society are youngish or middle-aged themselves; thus there is no point in hoping that someone retires.

The following characteristics of the youngest generation are therefore due to the above reasons.

- Support for the liberal market economy is not as absolute as for previous generations; they feel the need for measures providing social and economic protection. This group is quite tolerant regarding terms such as the civil service and import tariffs. For example, 2/3 of the young support the imposition of protective tariffs on food. At the same time, proportional income tax is supported. Key phrases such as "carrying out land reform" and "supporting agriculture" (spending money on these) are not regarded positively by this generation.
- Good relations with neighbors are considered highly important. The percentage supporting joining the EU is the highest among the youngest, as compared to all other groups. There is also a large share of those considering it important that relations with Russia are improved and who, interestingly enough, consider strengthening of the state's defenses to be important.
- This group considers, markedly more than the other age groups, the reorganization of the education system to be a vital aim.

The older generation (50 years old and older)

This generation was born either in the pre-war Republic of Estonia, during the war or in the first post-war years. Their working period largely covered the Soviet era. Having regained their much-yearned for Republic of Estonia, many members of this generation discovered that they do not have a worthy place in this long-awaited state.

- This group supports measures providing social and economic protection. An absolute majority supports progressive income tax and the implementation of protective tariffs.
- Only one third of the people of this generation support Estonia's joining the European Union. An equal number opposes joining, while more than a quarter have no clear position.
- The main tasks of the government are seen as curbing crime, the implementation of pension reform and the reduction of government costs.
- Of the political parties, they prefer the rural parties and those advocating a social market economy.

Conclusion

Generation gaps are present in all societies. The issue, however, is how large they are and how large they can be without obstructing the normal communication and functioning of society. It is perfectly obvious that the differences in opinions between the generations are great in mid-1990s Estonia. Social dialogue over various directions and forms of the society's life has turned to an excessive degree into a dialogue over generational patterns of adjustment and fixed ideas.

We should emphasize, however, that the excessive and simplified amplification of the "winners' generation" (this automatically means that there is a "losers' generation") by the media will help to psychologically embed the exclusion of the older generation and the pessimism regarding the future for the generation younger than the "winners".

Can we expect the situation to improve? The study results do give some ground for careful optimism. The youngest of the studied age groups (15–24) no longer display as much the strongly fixed extreme liberal and individualist attitudes as their predecessors; there is some valuing of social security. It can also be presumed that the more time passes since the restoration of independence, the greater will be the significance of the members of society, whose competitiveness in the market economy does not depend on the socialist past of the state, at least not directly. Until that time, society must acknowledge and find ways of supporting and integrating the older generation with its lower capacity for adjustment.

1.3. Is the Education System Integrating or Disintegrating Society?

Education - a major social institution with crucial importance to modern society - possesses a vast capacity for creating cohesion in the community. However, it is common knowledge that the education system always operates selectively, thus furthering stratification and blocking to some people or groups the way to education on higher levels. Consequently, those people will be denied access, in the social hierarchy, to top positions. The degree to which, and at which specific level of formal education, and whether integrative or selective development directions dominate, and what the nature of these are, depends on the given society and its level of development. The history of development has ample evidence that on lower levels of education integrative mechanisms are prevalent, with selective mechanisms on higher levels. Over time, the selective mechanisms have been transposed to higher educational levels. However, it is not the educational level or the domain of education, wherein the integration and selection are operative, which is crucial, but the basis on which they operate, i.e. what type of integration or selection is manifest in that education system. For example, it is evident that a society that effectively ousts from the higher levels of education entire social groups (based on race, gender, class, etc.) is essentially different from the society practicing selection on the basis of particular individual characteristics. There is also a big difference in whether the basic values underlying integration are a national culture and/or nation state, or else the integrative capacity is attributed to values like democracy, cultural pluralism, Europe and/or global citizenship, or others. All the above cases demonstrate various types of education and society, and their potential for development. Of no little significance is also the place education holds in society, and the relationship between education and the labor market. For example, in the Soviet Union a "proletarian" with relatively little education could draw higher wages and enjoy greater social recognition than a university graduate belonging to intelligentsia. For this reason, in 1987, on the threshold of regaining independence, when the Estonian teachers' congress launched a wide scale movement for the renewal of schools, the keynote slogan was "valuing education", meaning a demand that society recognize the efforts made to acquire education.

Place of education in Estonian society

For Estonians, education has traditionally meant a target worth striving for. For this tiny nation, which has since the 13th century been under foreign powers, education, which became available due to the Reformation, has also had a compensatory function (being educated made one feel more equal). In the national movement of the 19th century education became a vital source of national self-assertion and economic progress.

Surveys conducted over recent years leave no doubt about the fact that education and learning are held in high esteem in Estonian society, including amongst non-Estonians (Estonian Human Development Reports 1995, 1996). Estonia's major political forces have considered education to be of primary importance. The President of the Republic has repeatedly emphasized in his speeches the decisive role of education for the future of Estonia, initiating in his Academic Council the creation of a concept for Estonian education. This document "Learning Estonia" has now been completed. In May this year the Riigikogu (Parliament) organized a debate on education as a nationally important issue; this will be continued with the applicable document being approved.

Hence, all the prerequisites - historical-cultural, motivational and political - are available in Estonia to ensure that education could carry out this consolidating and integrative task in society.

At the same time, however, the values system for Estonian youth, including educational values, has undergone in the past dozen years an individualistic pragmatization: spiritual values have been superseded by material and social values, the vocational and professional side of education is given preference over the universal cultural component (Estonian Human Development Report 1996). This, and a host of unsolved problems for education in general, and the availability of education in particular, unequivocally imply that *those seminal factors of education which differentiate society are gaining impetus.*

Educational level of the population as the prerequisite for realization of integrative functions

The 1995 Estonian Workforce Survey provides a picture of the educational level of the Estonian population (Table 1.1.).

The quantitative indicators for the formal education of the Estonian population are strikingly good, in no way inferior to the most developed countries. This also is a precondition for education to fulfil an integrative role in Estonian society.

TABLE 1.1.

Educational level of Estonian working-age population
(in 1995, 24–56 year old women, and in 1989, 24–55 year old women; in 1995, 24–61 year old men, and in 1989, 24–60 year old men)
and working-age youth (24–33 year olds)

Formal education / level	Working-age population 1995, %	Working-age population 1989, %	Youth 1995, %
Level I	15	20	6
Basic education	3	6	1
Level II	42	38	52
General education	28	26	31
Vocational education	14	12	21
Level III	43	41	42
Secondary specialty education	25	24	27
Higher education	18	18	16

Source: ETU '95, Ministry of Education.

BOX 1.4.

Comparison of quantitative indicators for formal education, in Estonia and in developed countries

Table 1.1. reveals that in 1995 the working-age population of Estonia comprised almost 85% of people having at least level II education, i.e. either general secondary or vocational secondary education. The respective indicator for OECD countries in 1992 was 55%, in the age bracket of 25–64. For 24–33 year olds in 1995, the Estonian figure for those having at least level II education, was just above 94%. The respective indicator for the OECD in the same age bracket in 1992 was 65%. Of those working-age people possessing at least level II education, nearly half also have level III education. The same indicator for the US in 1992 was 37%, in Germany 27% and in Canada 58% (Education at a glance ...: 20). If we consider technical school education as level II, not as level III education, then in 1995 in Estonia, there would have been 21% of the working-age population who had level III education (graduated from universities or applied higher education institutions).

Educational trends in the past decades

Tracing back the history of education helps one to provide assessment to the present situation and forecast the future. Indicators available to us characterizing the quantity of formal education allow us to construct time series, characterizing the movement of learners from one educational level to the next (Table 1.2.).

Quantitative indicators for the Estonian system of formal education over the past 30 years (Table 1.2.) suggest the following trends:

- The share of those continuing education after basic school has been stable and high. It should be noted that in the soviet era the dropout rate from basic school was minimal; after the restoration of independence this rate has been on the increase.
- The general education secondary school (and upper-secondary school) has enjoyed a stable, and lately (as of 1988) a dramatically consolidating priority status, as compared to the secondary vocational educational institutions: in the past quarter of the century, after finishing basic school, no less than 56% of the school graduates have carried on, obtaining general secondary education in day or evening classes. In this aspect, the period 1985–1987 was an exception, with a large share (a quarter) of basic school graduates sent, by the so-called guidance committees, to vocational schools.
- The share of those moving from basic school to vocational school has remained relatively stable, constituting as from 1985, 20–26% of basic school graduates. Students prefer the programs at vocational schools that also offer general secondary education, keeping the doors to higher education open. 10–12% of graduates from general secondary schools have enrolled in a vocational school (Table 1.2., last column).
- The number of those enrolling in secondary specialty schools has dramatically dropped after the new Law on Education was enacted in spring 1992, providing the opportunity to obtain, besides university education, also a non-university type of higher education, allowing many former technical schools to "grow" into applied higher education institutions.
- A numerous and ever-increasing share of graduates from secondary school continue studies at the highest level of education. Enrolments for level III education are not only coming from

TABLE 1.2.

Further studies in the same autumn by graduates of basic and secondary schools, 1966–1996 (%)

Year	Further studies: Continued education for basic school graduates		Continued education for secondary school graduates			
	Total	In secondary specialty schools	At universities	at applied higher education institutions	Total at secondary specialty schools, universities, applied higher education institutions	in vocational educational institutions, level II
1966	-	24	7	-	31	-
1970	84	26	8	-	34	-
1975	94	21	9	-	31	-
1980	97	18	12	-	30	-
1985	99	22	12	-	33	-
1986	97	21	11	-	32	-
1987	97	22	12	-	33	-
1988	97	23	12	-	35	-
1989	-	24	15	-	39	-
1992	93	16	22	8	46	10
1993	95	13	21	9	44	10
1994	102*	27	30	10	67	12
1995	95**	16	45***	45***	61	12

* calculated
** in 1996
*** university and applied higher education institution

Source: Haridus Eestis. Statistikateatmik (1966–1989); Neudorf R. and Ruus V. Eesti haridussüsteem statistikapeeglis (1992-1994) and Ministry of Education Information Bulletin "Kutseharidus 1997" (1996).

upper-secondary schools, but also from graduates of the vocational education system.

• As of 1990, obtaining higher education has become more common, with the number of those enrolling in universities on a steady increase (Table 1.2.). In 1996, level III education was entered by 69% of the graduates. Besides the universities and applied higher education institutions, taking in 53% of the graduates, 16% of upper-secondary school graduates enrolled in secondary specialty schools.

In view of the trends in recent years, it could be claimed that the prerequisites for the rise of *universal post-secondary education* are emerging in Estonia, and therefore, the key role in society will be played even more by *higher education*. The avenues of development of higher education will have a major impact on what integration or selection mechanisms will be triggered in Estonian education, and society as a whole.

The high indicators characterizing the *quantity of education* imply that the problems of quality of education must become focal. As regards the quality of education – keeping in mind the changes witnessed in the past three decades – it should be emphasized that the high indicators characterizing the extent of education in the soviet period are rather deceptive, unless they are viewed in parallel to the quality of education.

Inherent to the curricula of the soviet period on all levels of education was the following: a) all subjects bore the stamp of ideology, social study and history being the worst affected; b) isolation from the spiritual development of the rest of the world; access to Western philosophy, art and science by and large through the prism of communist ideology, through the mediation of "critique"; c) aggravation of spiritual isolation due to inadequate mastery of foreign languages; d) much too strong a preference for factual, encyclopedic knowledge, primarily natural sci-

ences, as contrasted to knowledge promoting problem-solving, decision-making and triggering change; e) traditional, basically memorization-based approach to learning and an authoritarian learning process.

The breakthrough in the formation of new criteria for assessing the quality of education occurred with the approval of a new curriculum for 1989/1990 – i.e. one year before the restoration of independence. The most important changes must be considered to be the renunciation of communist ideology, the introduction of social studies to the curriculum, a decisive increase in the volume of foreign language instruction, and leaving to the discretion of the secondary schools nearly one third of the instruction time in order to form their own profile and for the pupils to be able to choose subjects. Reform of the curricula was initiated, after the restoration of independence in 1991, in vocational and higher education, and continued in general education.

BOX 1.5.

Educational factors with an integrative effect

- The Estonian population's high, and generation-wise, relatively uniform level of education
- High (formal) prestige of education in society
- Emergence of third sector educational associations (Teachers' Association), in particular the Education Forum, established in 1995, which holds annual public discussions of new and topical educational issues
- High motivation to study for students in the formal education system
- High numbers of graduates from basic and secondary school continuing their studies, in particular, upper-secondary school graduates; emergence of extensive post-secondary education, including higher education
- Growing share of general education, especially the share of general education day schools, preventing the early specialization of too many pupils, which would undermine the prerequisites for life-long continuous education
- Extensive transfer of computer technology into education, including the Tiger Leap program, under which all basic schools will have at least one, and the upper-secondary schools, two computer classrooms (Estonian Human Development Report 1996). This will make for effective modernization of teaching, and smooth the regional differences in the quality and availability of education, with the same process also occurring in other parts of the education system; the transfer of information technology into education is also instrumental in the emergence and growing popularity of distance education.
- Opening of open universities by higher education institutions. This makes it possible to obtain higher education, whilst being in full time employment, essentially through self-study and distance education.
- Expansion of adult education and emergence of an adult training market
- Positive role of international education programs (Open Estonia Foundation, Phare, Tempus, etc.) for integrating Estonia into Europe and the world
- Closing of the gap between Estonia and countries with established democracies, as regards social and educational values.

During the reform the following vital steps were taken:

- in autumn 1996 the Government of the Republic of Estonia approved the new curriculum for basic and upper-secondary schools, which emphasize problem-solving, skills of selection and use of information, formation of critical thinking and capability for independent thinking, for cooperation, wanting and being able to learn. The independence of the schools is enhanced by the requirement that they compile their own curricula, based on the principles in the state curriculum and the subject curricula. The Russian-language schools also basically operate under the new state curriculum, with a one year lag, whereas the need to preserve their cultural identity has being taken into account, and the necessary adjustments in language instruction have been made (the need to master Estonian as the state language).
- in higher education the so-called course system was superseded by subject study, allowing fulfillment of the obligatory curriculum at various rates and providing some freedom in selection of the study programs
- in vocational education the most important innovation was the establishment of vocational higher education and shifting from heavy industry specialties to the service industry.

Regarding the *management of the educational system*, as of the end of the 1980s, there was movement from soviet over-centralized education to extensive decentralization. However, from the mid-1990s – in connection with the accreditation of higher educational institutions and the introduction of state exams in upper-secondary schools – there is evidence of a new shift to centralization. Nevertheless, decentralization / centralization in education has been sporadic, unsystematic – giving rise to a situation, where some domains of education are over-centralized (the state exams as they currently operate), some domains having no clear responsibility (local governments having declarative responsibility, with which they have trouble coping).

Current situation of education: at the crossroads

Following is an attempt to view the current situation in education, as regards its possible integrative/disintegrative effect on society.

The trends that will prevail in education in the future - integrative or disintegrative - will be conditional on future trends in the development of the whole of society, which are also greatly affected by educational policy decisions.

BOX 1.6.

Educational factors with a disintegrative effect

- Inadequate situation in pre-school education. It is not clear on the level of education policy, what the quality of pre-school education should be, and what is the target. In several regions there is a shortage of vacant places in kindergartens, for many households the charge for kindergarten is much too high. Competition between kindergartens is increasing, the criterion is preparing children for school. This results in the older kindergarten groups (for 5–7 year olds) becoming increasingly similar to schools. That tendency is amplified by the hidden competition in the major Estonian towns for enrollment in grade 1. As a result, there is a strong competitive situation early in life, a widening gap between children reared in elite kindergartens, conventional kindergartens and at home, as well as in their perspectives for education and life.
- Increase in regional differences between schools (also in different suburbs of major towns). There are educational crisis districts, where the overall backwardness of the region is accompanied by the economic straits of the schools and parents, closing of schools, low quality of training and an inadequate learning environment. All this results in lower grades in state exams. In a regional sense, the level of secondary education is of crucial importance, because through this, equalization of educational opportunities may occur.
- The different orientation of schools, resulting from the above: the prestige schools act selectively, casting aside those less capable, as well as the offspring of families of modest means; the so-called ordinary schools are forced to accept all children and must therefore make greater efforts, in order to guarantee the satisfactory quality of education. The dominance of prestige schools regarding these indicators is a foregone conclusion, due to their selection of students.
- A large number of children ignore compulsory school attendance; using indirect assessments, they amount to 3.0–3.5% of the total number of compulsory school attendants. The risk groups are grades 5–8, and boys. Their prospects for obtaining a stable job are minimal, therefore that group is liable to become a source of major social problems (crime, drug addiction etc.). Data on crime suggests that this problem is already on the agenda.
- Instruction of children with special needs, including handicapped children in ordinary schools and their integration into society, is still largely an unresolved problem.
- Although there are positive shifts in the integration of Russian language schools into the Estonian education system, the problem is far from having been solved: the Russian language basic school cannot provide, for several reasons (one being a low level of qualification for teachers of Estonian working in Russian language schools) mastery of Estonian at a level needed for the school graduate to continue studies in any secondary level educational establishment. Continuing education in a Russian language upper-secondary school, however, will restrict opportunities to enroll in any Estonian higher educational institution. There is insufficient awareness, on the level of education management, of the existence of a multicultural society in Estonia, nor have there been preparations made for the self-regulatory tendency of non-Estonians to send their children to Estonian language schools.
- In education, there is an increasing gender inequality in favor of females, and that tendency is deepening. The difference is the most drastic at the highest level of education: young women who have acquired level III education (university, applied higher education institution or technical school) numbered 50.4% (18.9% with university education), the men numbering 33.5% (12.4% with university education). However, the monetary remuneration and social rewards received by women with higher education for their efforts are substantially lower than those drawn by men with the same education.
- The vocational education reform at level II of education, currently underway, is making a halting and sluggish progress, partly because the labor market is changing rapidly and continuously, and does not emit clear signals about the selection and content of specialties, and also because the self-regulatory tendencies of education, resulting in the large number of those enrolling in upper-secondary schools, hint that there is a growing awareness that in the unstable world of labor, a general secondary education is mandatory for further, i.e. continuing life-long, education and for mastering a profession, and that most of vocational education should be obtained after secondary school.
- There is no place in the education system for dropouts from basic school or for those incapable of study there.
- There is great disarray in the criteria for ascertaining the quality of education; for example, there is a contradiction in the new curriculum for the general school, whereby several subject syllabi are not compatible with the general principles of curriculum. The hidden and deeper contradictions permeating the whole education system have arisen from the outdated positivist treatment of teaching and knowledge. Given the opaque quality criteria, the losers will turn out to be first and foremost the lower strata of society, unable to find their bearings in contradictory requirements.
- Subjugation of the academic environment and the spirit of free research to corporative and narrow economic interests, and a weak link between higher education, research and the private sector; a clearly underestimating attitude to development activities pursued in the research area, inadequate transparency, corporativity and distrust in the financing of research.
- Insufficient financing of education, suggesting the deeply marginal status of education, and hence the ever present threat of a strike by teachers. The problem of salaries of the faculty and researchers working in higher education institutions, as well as the financing of research, is critical, because in the present situation one cannot reproduce the intellectual basis of society, including the pedagogic resource, to guarantee the introduction of new teachers into schools, and to supply the increasingly more extensive higher education system with teaching staff and teaching aids.
- The extent of adult training is limited, the age group very varied, hence it rather deepens the inequality originated in formal education and society. Because of particularly outdated stereotypes, the learning motivation of middle-aged and older groups in adult education is very low; it would be more precise to speak of despondency amongst those over 40 (who consider themselves too old to study) (see also the section on adult education in this publication). The limited availability of training to those who most need it increases the elitist effect of adult training.
- Pragmatization and individualization of motivation for learning.

BOX 1.7.

Prerequisites for the education scenarios

Cohesion, integration in society characterizes the society insofar as it operates as a factor uniting or dividing people and groups (different communities, circles), inclusively or exclusively.

Divisive society is strongly polarized and corporative; the super-successful are in contrast to those lagging behind, "everyone dies on their own". There is no businesslike dialog between different interest groups and people, where the interests of all parties are taken into account; prevalent are tense competitive relations. The level of trust is low, the bureaucracy is removed from the people. Society as a whole is characterized by political passivity, civic undertakings do not have much effect on the organization of the life of community.

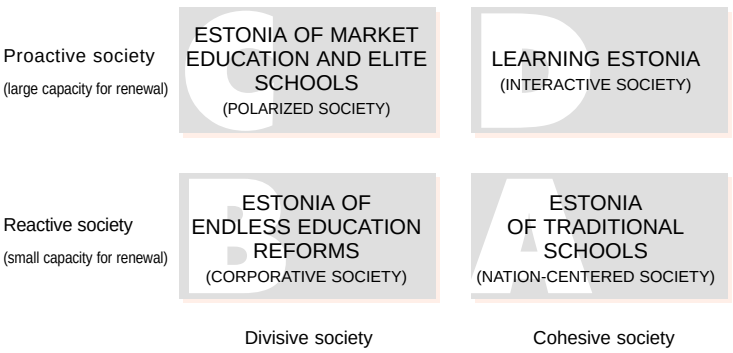
Integrating society has a high level of cohesion and a strong middle stratum, there are relatively few lagging behind, those at the top do not stand apart from the rest. Dominant are relations of cooperation and learning from one another, also between people and groups with different viewpoints and different positions. There is a strong imprint of a positive Estonian identity. The public sector is effective and transparent. Non-governmental organizations are advanced and influential, the civic associations play an essential role in making democratic decisions in organizing the life of community.

The capacity for renewal of the society is characterized by the level of innovation and strivings, that is: either one implements new ideas, technologies and skills, making the maximum use of opportunities (in the whole world), anticipating problems and avenues of development (proactive society, sustainable), or else the goal is set for survival, making do with what is available, the problems are solved after they have arisen (reactive society).

The development of a *society possessing a high capacity for renewal* involves a rapid influx and spread of high level innovations, conscientious promotion of innovations, including the testing of revolutionary inventions and new qualities, the capacity and will to learn. Of particular importance to society are strategies of innovation and development activity. Prevalent is the philosophy of excellence and success; the phosphorite war and the "singing revolution" are remembered as an example of the role of Estonia as a pathfinder, of "catching hold of the miracle". The notion "Estonia the Pathfinder" has become a trademark.

The innovation level of a *society with little capacity for renewal* is low, dominant are economic "realism" and narrow utilitarianism, the level of aspirations is predominantly low, the trust in oneself and the level of creativity are meager, one tends to compare oneself with someone even worse off. Problems and risks are likely to be avoided. Anything new, originating from the outside, meets with mistrust, the level of self-criticism is low, it is hard for one to find one's bearings in the context of the future and the past. Experimenting is left to others and solutions are used that have been found to be workable elsewhere.

FIGURE 1.2.
Four visions of Estonian education in 2015



Education scenarios

Four scenarios for future Estonian education opportunities in the year 2015 have been presented.

The operation of education is considered in the context of development of the whole of society, focusing on the institutional determination of education. Education is understood as an institutional or institutionalizing learning in the wider sense, embracing both formal education and also the learning and teaching carried out outside those areas (non-formal education, embracing several forms of adult education, hobby education, self-study etc.). Institutional development of education involves mechanisms that make it possible to amplify and recognize in the society education initiatives and renewal, including new ways and forms of study.

When drafting the education scenarios for 2015 in Estonia, two basic factors were selected as key factors determining the character of society – the cohesion, level of integration of society, and the capacity for renewal of society, the scenarios taking into account their synergistic effect.

A. *Nation-centered society and traditional school.* The opportunities accompanying globalization tendencies are not utilized, identity and integration of society, which is based on identity, are nation-state centered. Prevailing are traditional education and the closed nation-centered education system. Availability of education, in particular on its lower levels is good, the extent of education is wide. In the development of schools the Nordic example is followed. In curricula, emphasis is placed on basic skills and the acquisition of the knowledge and know-how already existent in the world. Development of a multi-faceted intellect and a person who can undertake independent and life-long study is not the goal to be achieved by the end of basic education. A passive learning environment is dominant, the advent of information technology into education has not been accompanied by the crucial renewal of either education or society. There is a contradiction between the demands of the labor market and the output of education system. Education is basically financed from the state budget. The decrease in the number of pupils in primary and basic schools (in 2005 and 2010, respectively) is used as an opportunity to increase the volume of investments per pupil, thus improving the quality of instruction. A reasonably effective cohesion in society is achieved through the education system, but not determining a direction for the future or a renewal.

B. *Corporative society and continually launched new education reforms.* Due to fragmentation in society and conflicting interests therein, there is also uncertainty in education as well. New ideas are not likely to take root easily, no innovative or success-oriented society develops; the energy in society is spent on competing with one another. Ideological confusion is prevalent in education – soviet elements are mixed with liberal ones, and no consensus has been reached regarding the (Estonian) education ideology. One would like to have a school like the one in a welfare society, while applying the education patterns inherent to a liberal society, without effective compensation mechanisms in the third sector. Contradictions appear between the curricula of various levels, between the principles worded therein and the subject syllabi, and between curricula oriented to traditional, fundamental knowledge and curricula oriented to applied knowledge. The problems accumulate, solutions are postponed, due to an inability to make a decision. The dropout rate from schools is high, economic and regional inequality is also revealed in education. The per-capita funding system is preserved – and when the numbers of pupils fall, education expenditures are cut. The higher the level of education, the more inequality is manifested in education. Adult education also compounds the inequality. A multicultural environment is ignored, integration of Estonian and Russian language schools drifts and develops of its own accord. The system is unable to reproduce quality teaching staff. The labor market is chronically deprived of workers, who are capable and able to learn.

C. *Strongly polarized society and market-centered education and elite schools.* Education is regarded as a resource of the individual, the education system providing the education service. Those more capable and materially well-off can be offered higher quality service. The education system on all levels is divided into elite and ordinary education. The dream system has been put in place: elite kindergarten - elite school - a prestigious university. The curricula are individual, designed for competition, and in higher education institutions for success on the international labor market. Elite schools differ from ordinary schools both by their treatment of subjects, by application of modern teaching methods and also through better teaching staff. Besides state resources the education system has attracted private and foreign capital – unfortunately this deepens the elitism. The school network evolves in the competition for survival between the schools, aggravating the regional inequality. However, the strong private sector and extensive institutional expansion of education ensures that there is some flexibility, and this compensates to some degree for the inequality. The increasing polarization, however, cannot ensure continuous human development; the opportunities for lifelong learning are by far not the lot of all members of the community. The labor market is strongly polarized, its requirements regarding education are contradictory. It is only the graduates of prestigious elite schools that can compete successfully on the global labor market and find employment with successful international companies.

D. *Integrative society and Learning Estonia.* The prerequisite of the learning society is the emergence of effective cooperation networks, embracing various institutions and sectors (essential are also the electronic networks), a critical analysis of the situation, capacity for problem-solving, use of contradictions as a factor stimulating novel solutions and a tolerant attitude to dissenting opinions. Human capital is the national wealth, and education is a national treasure. Political forces and organizations of the third sector have reached a consensus regarding the principles of the development of education. A rational decision has been made in favor of a balanced and sustainable development, and the national education model has been combined with this. Education has become a factor permeating the whole of society, because the organization of education takes into account such initiative, and new forms of education have been implemented. The curricula emphasize the creation of new knowledge in the process of learning, and the development of curricula has been built into the system. Thorough changes in the education and learning environment are underpinned by cooperation between the public sector and private and civic initiative sectors, by interaction between different values in society, and by effective use of opportunities made available by information technology. Available for the financing of education is a flexible multi-source system operating through several channels, pooling the resources of several sectors and attracting international funds (target financing, foundations etc.). Institutions have been set up to ensure systemic cooperation between education and the labor market.

In principle, the "seeds" of all scenarios exist in society. The development of the corporative scenario can be treated as a continuation scenario, which has a high probability to

become reality, or else be a transition scenario to another track of development, or else, to a certain combination thereof. Learning Estonia can be treated, in the opinion of the authors of the scenarios, as a coveted or "wishful scenario", the only one of the four scenarios that actually can ensure sustainable development. A wide uniform embrace by education and a high motivation for learning in formal education are clearly the tendencies pushing development towards a Learning Estonia. The ideological chaos prevalent in education, and the inability of the education system to reproduce itself, however, push society towards corporative development, the essential closed state of the education system pushes it towards the traditional school, and the economic and regional inequality manifest in education direct it towards a polarized society.

Without treating education as an activity permeating all of society, which extends further beyond the limits of the system of formal education, it is impossible to talk of a learning society, which should be the main target in the formation of education policy and strategy.

The integrative effect of education in Estonian society is by and large based on spontaneous processes; on the one hand, it can be accounted for by the traditionally high value placed on education, and on the other hand by the fear of failing in the growing competition. The decisions of education policy should support those tendencies, not suppress them. For example, it is alarming to hear the viewpoint, voiced by the education authorities, that in general secondary education places will be cut, forcing the remainder into the vocational school system – such a decision would eliminate one essential prerequisite of the learning society (emergence of mass higher education). In our opinion, the most important internal education factors, which direct society and education on to any particular development path are the following:

- ideology of education
- financing of education
- curricula linked to the criteria of quality of education

The key decisions in education policy are first and foremost associated with a social consensus regarding an ideology of education (a'la whether education is a national resource or a service, the quality of which is dependent on the availability of individual resources), which contains the idea of the sustainable development of society and of the nation. It would also be imperative that the ongoing renewal of education via the renewal of curricula, flexible financing of education, the dialogue between education and the labor market, and the production of new teachers would become systemic. A drastic decrease in the number of pupils in primary and basic schools (in 2005 and 2010, respectively) will provide an opportunity to boost investments per pupil, enhancing the quality of education, raising the level of instruction and supporting innovation in education.

From the aim of the formation of a learning society should come the criteria on which basis to assess educational policy decisions. All those education-related measures, which take us further away from a learning society, should be abandoned.

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1.4. Adult Education and Integration

In coping with the complicated tasks facing Estonia - and in order to foster the internal integration of society – education, and particularly adult education, has a key role. First and foremost, the rapid re-structuring of the Estonian economy and the implementation of new technologies requires a thorough extension of knowledge, and in many cases, re-training. It is quite common to hear employers complain that, despite the much-lauded high qualifications of Estonian workers, they are still not applicable to the needs and demands of the employer. From a future perspective, whether Estonian society develops into a learning society or not, is extremely important. The compilers of Estonia's future scenarios have considered the raising of the educational standards and life-long learning to be the vital precondi-

tion for "getting on to the Information Society development path".

The following article is based primarily on the 1997 Adult Education Survey (AES). The AES was organized as a joint project by the Institute for International and Social Studies, the University of Tartu sociology department and the Statistical Office. In October-December, 1997, 3463 20–60 year old people were surveyed across Estonia using the random selection method. The aim of the AES was to determine the opinion of Estonian inhabitants on the current state of adult education, the demand for it, the interests and needs of the possible participants, as well as the possibilities and the availability of further training.

Participation in further training

For Estonia, the re-organization of the economy and the structure of society has had quite a high social cost. Social, political and economic participation has begun to be replaced by a feeling of exclusion and social pessimism (Estonian Human Development Report 1997: 12). Although unemployment has not increased greatly, the share of the long-term unemployed has grown. Adult further training and re-training should be one of the mechanisms which enable social inclusion to be increased and exclusion reduced, assisting the integration of individuals, both in the labor market as well as in the community (Knowles, 1980; Mezirow, 1991). But these goals can be achieved by further training only if it becomes widespread.

The number of participants in further training in Estonia is, however, quite low: in the period from the start of 1996 to November 1997 only a little over one-fifth of 20–60 year olds had participated in various courses (Table 1.3.).

In previous years, the share of the unemployed among 15–24 year old young people has grown (Tööjõud Eestis 1989–1997: 27), mainly due to the continued reverse development in vocational education. While vocational education is not on a firm basis, there is a danger that both general education school dropouts, as well as young people who have graduated from basic or secondary school without a vocational certificate, will form a substantial addition to the unemployed. A variety of courses should alleviate, if only partially, the problem. The younger age groups have actually been relatively active users of training opportunities: whereas 27% of 20-39 year olds has participated in courses, this indicator reduces noticeably for the over-40 year olds (19%), and is the lowest for the 55–60 year olds (9%). In our present circumstances, the over-40 year olds consider themselves too old for study, although they have another 20 years or so to go before they retire. This age group also would need much more widespread further training and re-training.

The situation in the younger age group is also not particularly rosy. The training market for Estonian adults is currently oriented to a major degree towards persons with higher education. In contrast, individuals with only prima-

TABLE 1.3.

Participation in further training and re-training: the actual situation vs. wishes (%)

	Has participated from the start of 1996	Wishes to participate	
		generally	in job-related
All	21	36	27
Gender			
Women	24	41	30
Men	18	32	24
Ethnic origin			
Estonians	26	41	32
Russian-speakers	12	28	18
Age			
20 – 39	27	46	33
40 – 54	19	33	26
55 – 60	9	17	13
Economic status			
Working	26	39	30
Unemployed	12	38	24
Maternity leave	13	50	31
Old age and invalid pension	0.4	11	3
Other non-active	8	32	17
Education			
Primary and basic education	5	19	12
Vocational education	15	31	21
Secondary and secondary specialized education	22	39	29
Higher education	41	52	44
Social status			
Specialists, managers	41	52	44
Other white-collar	24	44	35
Blue collar	12	24	17
Material wealth			
Low	11	22	14
Medium	23	40	30
High	43	53	44
Self-assessment			
Pessimists	8	20	13
Undetermined	21	35	27
Optimists	28	45	35

Source: Adult Education Survey.

ry, basic education or vocational education have much more difficulty in either finding suitable further training or being accepted for courses. Whereas of the persons with higher education, 41% had participated in training, for persons with primary or basic education, this indicator was only 5%, and for people with vocational education it was a little higher, but still low (15%). An analogous situation exists for differences resulting from social standing: amongst workers the participation rate was over three times lower than for managers or specialists.

Therefore, in the younger age group it is not those young people who would need some kind of even basic professional preparation who are participating in courses, but those who are already in a more beneficial position to be included in the labor market due to their better preparation and higher level of education.

Further training should assist those people who are outside the labor market to again participate. Further training, unfortunately, currently covers mainly those sections of the population who are already working. The share of those participating in training who are unemployed or on maternity leave is over twice as low, not to mention those on invalid or old age pensions, of whom only some have participated in further training.

The issue of training the resident Russian-speaking population deserves separate attention. Estonian society today is characterized by the separate lives of Estonians and Russian-speakers (Eesti Tulevikutsenaariumid: 72). The integration of Russian-speakers into Estonian society should be assisted by their better Estonian language skills. At the same time, the proportion of unemployed amongst Russian-speakers is higher than for Estonians, since many Russian-speakers worked in those economic sectors (heavy machinery) or professions (engineers, highly qualified workers) which were most affected by the structural reorganization which occurred in our society. Therefore, the Russian-speakers should need both language training as well as varied retraining, but the participation rate in courses for Russian-speakers is twice as low as for the same indicator for Estonians.

On the basis of many surveys, there are currently approximately 30% of people in Estonian society who have adapted relatively well. Further training should assist in increasing the percentage of people who have adapted well to changes in society. But this requires that there be sufficient training opportunities also for people with fewer personal resources. Currently most adult education is directed at those who can afford to pay. According to data from the AES the well-off have participated about three times as frequently in further training than those who are poor. At the same time it would be too much of a simplification to assume that undertaking further training would immediately result in an increase in a person's income: getting a pay rise or finding a better paid job was mentioned relatively rarely as the aim of completing a course.

Does further training help reduce an individual's social pessimism? According to AES data, optimists participate noticeably more often in training than do pessimists. It is a separate question, however, whether further training encourages optimism or do optimists try to use training services much more enthusiastically. Since there are markedly more older people amongst pessimists, it could primarily be a connection due to age.

Therefore, further training opportunities are restricted for groups in society who have less capital (in the wider meaning, capital is not only material wealth but also youth, education, health, language skills), who should really be one of the target groups for adult education, and whose personal resource further training should help improve.

Unfortunately, neither employers nor the state are currently assisting sufficiently in ensuring that those who need training the most actually do receive it. In approximately one-fifth of the courses, training is paid by the persons themselves, but it is paradoxical that the proportion of people who have paid themselves is greater in the lowest pay bracket, i.e. the people who have the least money. Managers have the best possibility of having their training paid for. Whereas managers have to pay for only one-tenth of their training themselves, specialists have to pay about a quarter, and workers a third of the courses.

This means that the current adult education system allows those who have adapted well in Estonian society to adapt even better, leaving the rest of the groups as "orphans".

In adult education, it is job-related training that dominates: for 80% of the completed courses. Training related to interest activities is undertaken more than average by primarily the younger age groups, but also those on maternity leave. Whereas, for the entire population coping-training covers only 3% of the courses, for the unemployed, the respective

figure is 18%. This is explained by the aim of coping-training: the integration of the unemployed into the labor market and society. Unfortunately the remaining target groups of coping-training – handicapped people, women who have been on long maternity leave, etc. – have been considerably less represented than the unemployed in this type of training.

Aims of the training

Why do people participate in training, what are their aims when they choose training? The spectrum of possible aims is quite wide. The aim could be to acquire a new profession through re-training. The hope that, after the training, a pay rise or promotion would follow, is also important. In today's quite complicated socio-economic situation, aims such as increasing self-confidence, reducing tension and stress, learning how to cope with life, should also be included.

The most important training aim for all social groups in the survey (except the unemployed) was self-education and a desire to cope better with the current job. By the way, a similar result was provided by the survey carried out in 1994 with Estonian further training experts (politicians, researchers, trainers, commentators) under the umbrella of the Euro-Delphi Estonian National Committee. Increase in self-confidence was much less important as a training aim. The next most important groups of aims included goals linked with specific needs – acquire a profession, make new acquaintances, find a better paying job, etc. This result is somewhat surprising since, in changing circumstances, study with the aim of changing your profession or job, or to climb the career ladder, could be rather logical.

There are, however, certain specific features in the training aims of the unemployed and mothers on maternity leave. For the unemployed, the most important aim for training is getting a job, followed by self-education and many other motives which apparently should lessen the problems associated with the loss of a job (increase self-confidence, reduce tension and stress, to learn how to cope with life). Mothers on maternity leave have certain specific problems which are echoed in the prioritization of goals. These are self-education, followed by increasing self-confidence, finding a better paid job, etc., which would be expected with young mothers.

As has been demonstrated by many other studies (Fujita-Starck, 1996), self-education is much more important for women than for men (although it is in first place for both groups), but the aim in second place (being able to cope better with the present job) was just as important for both. In the case of Russian-speakers, one of the important training aims was to reduce the risk of becoming unemployed, which supports the claim that at least on a subjective level the Russian-speakers are in a less secure situation regarding preservation of their jobs. It could be claimed that in job-related adult education, study, which is associated with furthering general education and necessary for work, is dominant. The higher the person's level of education, the more frequently they attended training with the aim of self-education and coping better with the job. Besides self-education, coping better with the job is considered by older people to be important, whereas acquiring a profession is considered important by younger people.

… and their realization

One measuring stick for the benefits of adult education is certainly the realization of the set aims. Which aims have the participants then been able to realize? The AES data shows that the greatest success was seen as the realization of the two most important training aims – i.e. self-education and coping better with the current job. Coping with the current job was second on the priority list, but in the list of realized aims it was in first place.

Let us observe the realization of training aims according to the various groups. Both women and men mentioned most frequently coping with the current job and self-education. Besides these, women have increase in self-confidence in an important position, whereas men have receiving a higher salary in their current job. For Russian-speakers training has also provided considerable self-confidence and lessened the danger of becoming unemployed. People with higher education were more able to realize the aims, compared to the average, of self-education and coping with the current job. At the same time, people with less education had, in an important position, besides the already noted aims, the finding of a better paid job and getting a job. The issue of age regarding the realization of aims presents an interesting link. According to the respondents in the oldest age group (55–60), the training provided

the most benefit in coping with the current job. For young people, on the other hand, the self-education aim was realized the best.

One important factor in the realization of training aims is how useful the training has been in carrying out the daily work duties. The AES data shows that people who have participated in training have been able in 4 out of 5 cases to implement their acquired skills in their everyday work as well. This feature was particularly important even for the population groups who were already well integrated into the labor market (people with higher education, managers, officials): whereas workers can use skills acquired in only two-thirds of the courses in their everyday work, managers and officials can use 90%. This fact again shows the current direction in job-related training.

Therefore, two aims – self-education and coping better with the current job – clearly dominate currently, both in setting the training aims, as well as in the realization of the aims. It would apparently be useful if the setting of goals was more varied. Particular attention should be directed to the target groups less well integrated into the labor market (e.g. workers, people with primary education). There were already substantial differences in subsequent places on the priority list regarding the best realized training aims.

Training demands, with the future in mind

Demand for further training significantly exceeds the current participation level: 36% of the respondents would definitely want to participate in training. The availability of further training, however, is markedly better for a part of the population categories than others: those who have already participated in further training (primarily young people, those with higher education, specialists, Estonians) are more likely to participate in the future than those who have never participated. Women, more than men, Estonians more than Russian-speakers, 20-39 year olds more than older groups, are definitely interested in participating in the future (Table 1.3.).

Financial status affects the desire to participate in further training markedly less than participation to date. The highest participation wish percent is from those who are on maternity leave, but this does not vary much for those working, the unemployed or other non-active persons (over one-third of representatives from these categories would wish to participate in training in the future). Only for old-age and invalid pensioners is this indicator noticeably lower. Therefore, it is the unemployed and maternity leave group where the difference between the participation to date and desired participation is the greatest.

The effect of social status and level of education is similar on both to-date and desired training participation: the higher the education level, the higher the position in the social hierarchy, the greater the desire to participate in training. At the same time, the difference between the desired and actual participation is the greatest in the lower education level groups (people with primary, basic or vocational education). The higher the level of a person's financial state, the more the person wishes to participate in training. The optimists express much more desire to participate in training than pessimists.

There is a very close relationship between participation in training to date and an interest in participating in the future: whereas 60% of participants in training definitely wish to attend courses in future, this indicator is twice as low amongst non-participants.

The greatest interest is in job-related study: almost two-thirds of the courses in which people wish to participate belong to this group. Whereas participation to date in training related to interest has been modest (only one-tenth of courses), in future people wish to participate more in such courses. Those respondents who wish to participate in job-related training are more interested in interest related training as well.

Self-education and better coping with the current job were the primary aims for the completed courses as well as for the planned courses. In third place is increasing self-confidence, etc. The differences in aims between various groups (both according to socio-demographic and financial status) for planned and also undertaken training were almost the same.

Why adults might not be interested in participating in training

The high value placed upon study and education in Estonian society is a well-known fact, which has also been repeatedly noted in the

Estonian Human Development Reports. The 1997 Adult Education Survey data also confirms that in Estonia study is considered very important: over half of 20–60 year old Estonian inhabitants believed that study is a very important activity. This basis – a high value placed on study – should be beneficial for the development of adult education. However, there is a general belief amongst specialists and experts that it is primarily outdated attitudes, which are hindering the development of a learning society. One of the aims for the AES was to examine why adults are not interested in further training.

The justification amongst Estonian adults for not wanting to study could be summarized as follows: "Well, I don't have anything against study, but I really can't participate in training". The most important restriction was the shortage of personal resources (money to pay for the training; lack of time due to work or personal problems, distance from home of the training). Age and health issues were also important ("I'm too old to study", "I couldn't cope", "health reasons"). There are fewer people who are negative towards study as such (i.e. not interested in study, doubting the usefulness of study or training). The non-applicability of training to people's needs (the area I'm interested in is not taught on a course, low usefulness of training already undertaken) was mentioned rarely as a factor inhibiting the desire to learn.

Therefore, it could be claimed that, in addition to shortage of resources, participation in adult education is also limited by outdated understandings of study and training. A society, where of the 40–44 year old group every fifth person, and of the 45–49 year olds 40%, consider themselves too old for study, could hardly consider itself to be on the lifelong learning wavelength. If there is a fear (the older the person, the greater the fear) that "I won't be able to cope with study", then we may think that study is considered to be primarily cramming, and not the acquisition and development of skills in order to cope. On the level of everyday awareness, there dominates a traditional understanding of education which is in accordance with the to date generally accepted educational organization paradigm.

The dual limiting effect of the shortage of resources and outdated understandings on adult education is also apparent in the dominance of job-related training both in completed and requested training. The position "You have to study when young (in school), but later only if you actually need it at work" dominates. The differences between population groups in justifying the non-participation in training depend on their link to the labor market. The potential status also counts. Amongst those unemployed who have no intention of going to work, the attitude "I am too old to study and don't need direct (job-related) training" dominates. This means that one of the vital groups needing coping-training does not even see that training may be useful for them as well.

The resource limitations of the unemployed are primarily associated with a shortage of money, although compared to those working they are in a more beneficial condition regarding the resource of time. A source of concern is the prevalence of the attitude "I'm too old" amongst the unemployed: it is precisely those unemployed whose integration difficulties are double (related to both the labor market and age), who avoid adult education.

The justification offered by working adults also depends on whether they have previously participated in training or not. Those who had previously participated justified their lack of interest in training mainly by lack of time. Amongst those who had not participated, there were more who referred to lack of money as well as those who did not consider gaining further knowledge/skills as "directly necessary". Participation in training gives people the opportunity through personal experience to reach "new understandings", regarding the importance and use of training. As the AES data confirmed, a certain "trained segment" will most probably be created both on the labor market as well as in the community as a whole, i.e. a circle of persons for whom training is accessible, and who also actively utilize the opportunity.

Needs and opportunities

To what degree are the opportunities offered in the adult education system applicable to the needs of people consuming training and to the whole of society? Almost one-third of the respondents is of the opinion that demand and supply are just about balanced, but the percentage is almost as great for those who agree with the claim that need is greater than supply. It is particularly those interested in training for the unemployed who share this opinion markedly more than

the average (45% of these believed that demand exceeded supply). Those who believe that in Estonian adult education supply exceeds demand are definitely in the minority.

Although the submitted material showed that there were quite a number who would like in the future to also participate in interest-based courses, the majority is still of the opinion that the priority should be developing training that is job-related and for the unemployed. Whereas the development of training that is job-related and for the unemployed is considered a priority for 54% and 44%, respectively, of the respondents, then in the case of coping and interest-based training the applicable indicators are noticeably lower (27% and 6%). Regarding the fields, language and computer instruction are considered to be first priorities, followed by economy and legal training, interest-based and coping training, and extension of the opportunities to acquire a narrower specialty. As expected, the need to support computer and language instruction is supported more than the average by the younger age groups, Tallinn residents, people with higher education, managers and specialists – just those categories of the population who need this instruction the most (Table 1.4.). The development of economy and legal training is supported somewhat more by managers, and people with higher education. Workers and people with primary and basic education, however, would like to see extension of the opportunities to acquire a narrower specialty. Therefore, all Estonian population groups support more than the average the extension of training occurring particularly in the field where they themselves see the need (Table 1.4.).

TABLE 1.4.

Which training should be extended? (%)

	Language and computer studies	Economy and legal studies	Acquiring a narrow specialty
Gender			
Women	45	19	8
Men	39	23	13
Age			
20 – 29	46	23	7
30 – 49	43	20	9
50 – 60	38	20	14
Education			
Primary and basic	32	17	16
Secondary, vocational and secondary specialty	42	21	9
Higher education	50	24	7

What are the obstacles in the development of a learning society in Estonia?

Let us look at some of the more important problems which came out of the survey:

First, the attempt by people to preserve the *status quo*. We live today during such a period of Estonian society where many people have to begin study, due to changes – unpleasant for them – coming from the outside. This creates opposition in many people.

Second, the prevalence of old stereotypes. The understanding is most prevalent that education is acquired at school, that after finishing school, education is also finished, that study is for young people, that workers with a lot of work experience do not need any further training.

Third, the rise to prominence of the young generation, which accompanied the structural changes in Estonian society and the economy, the young people being the "winners", which has resulted in the attitude that the proportion of people who consider themselves too old for study increases noticeably already from the age of 40.

Fourth, the current adult education opportunities do not generally assist in the development of a learning society, since the training is offered primarily to quite specific target groups. The current further training system encourages mainly those population categories that are younger, have higher education, are located higher in the social hierarchy, whose financial situation is better than average, i.e. those who have more of all types of capital. Without denying the need for developing this type of training as well, the fact cannot be overlooked that the groups with less capital (older age groups, the unemployed, blue-collar workers, those with a lower education level, Russian-speakers, handicapped people) have become "orphans", although their integration into society particularly requires all kinds of further training and re-training. If this

situation continues, the deepening of differences could be forecast.

Fifth, the workers often have to manage on their own and train themselves. The employer tends more often to pay for the training of those employee groups who could afford to pay for it themselves (managers). In contrast, the people on lower wages have to cope themselves.

Why is study necessary, and what could be studied? Is every worker obligated to always manage on his or her own? Is this affordable for everyone? The answers to these and other similar questions cannot apparently be sought amongst merely a narrow group of specialists but through a wider community debate.

BOX 1.8.

Comments by adults

ALEKS, Tartu, 43 years old, secondary education, unemployed, former driver, plumber:
It would be really good if there were training centers. When I can no longer manage with the profession which I have worked at all my life, then I could learn something else. This should be available to all, but it isn't. Whenever there are training courses, other people are sent there. Those who attend these training courses often don't want a lower status job. They consider themselves educated people, and they just don't go.

KAJA, township, 36 years old, secondary education, private company sales:
For us to learn a new profession, that's just absurd. Even if you learn a new profession, then … I have an acquaintance who was forced to acquire a new profession. She learnt it and went to acquire work practice. Then she was told: "You have no experience. What are you doing here? You have no experience, we don't want you".

ANNELY, township, 35 years old, secondary education, secretary-personnel manager:
I've been to training courses. Assistant to the manager course. I first thought that they'd be all 18 year old lasses. When I went there, I saw that a quarter were 40–50 year old women. I think it's great that they were there. All in the name of getting some job.

AARNE, Tallinn, 34 years old, higher education, manager of a company:
I think the biggest change in recent years is that you can get further training, to develop, study, even abroad. There's simply more choice, not just St Petersburg, Moscow, Riga. Today these places are also open to us. But we also have Harvard and Oxford, and other such places, which we didn't dare dream of before. Opportunities for further training are definitely wider.

SVETA, Narva, 48 years old, secondary specialty education, unemployed:
I still feel able to work. The children are grown-up, I would like to even study some more. I say: offer me some courses. But there aren't any. There are courses for book-keepers: to improve qualifications, working with computers. But I want something for beginners. I would love to go, because I want a job. I still have enough energy that I could study anything. I have changed professions so often in life, and managed fine. I feel I have the energy, the possibilities … but no one needs me. And I don't have the right personality to start up a company … that's not for me.

NATA, Narva, 41 years old, secondary specialty education, manager:
I attended courses. Yes, I was lucky. They were business and management courses. I was satisfied with the courses, and now am working at this specialty. Generally, it's not that easy to get on a course. You register at the Labour Market Board, twice, three times, but you don't succeed. Of course, you could be lucky.

Source: Sociological study: Development of identity and social problems in Estonia, Ukraine and Uzbekistan.

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1.5. Media Use and Social Changes in Estonia

Changes in the media system in the 1990s

As in Estonian society as a whole, so have there been structural changes in the use of the media during the last 10 years – the non-awareness of which makes understanding the current situation difficult. In the 1970 and 1980s, media use in Estonia was one of the most active in the Soviet Union and was comparable to the generally very high media use in northern Europe, particularly regarding the distribution of the printed media. In 1987, there were 406 newspaper copies per 1000 inhabitants. Despite the strong pressure of the Soviet propaganda system, Estonian language journalism maintained its role as a social

integrator and played an important role as the cultural unifier for Estonians.

During the high point of political mass movements in 1988-90, the role of the media as the unifier of the people and a former of activity in politics was particularly large. The spread of newspapers and magazines reached an all-time high – circulation of up to 200 000 for Estonian language newspapers, 95 000 for Russian language ones; for magazines / journals 225 000, for the culture newspaper 91 000. The number of newspaper copies per 100 persons reached 528 (Hoyer, Lauk and Vihalemm, 1993).

After the re-establishment of independence in Estonia, the situation changed: in 1991–1993, circulation reduced very suddenly, and a slow reduction was also characteristic in 1994–1997. The circulation for national newspapers in 1997 was on average five times smaller than in 1990; the number of magazines over ten times and the number of cultural publications on an average 20 times smaller. The main reason for this was the general reduction in living standard, the greater increase in price of the printed word compared to other prices, and the change in the function of the media. The Estonian media was no longer as important as the social and cultural integrator of the people, as it had been during the Soviet period and at the start of the transition period. The developmental directions of media consumption have been associated with the general stratification and splintering of Estonian society.

At the same time the Estonian media system has grown rapidly. There are more than 40 new magazines, over 30 local radio stations, 3 national and 5 local television stations (see Baltic Media Book 1998). In 1990–1996 the volume of radio broadcasts increased 11-fold and television broadcasts 2.2 times (Vihalemm, Lauk and Lauristin, 1997: 233), and this rapid growth has continued in 1997 and 1998. The media landscape has westernized and become more varied.

BOX 1.9.

Estonians – leaders in information consumption

It has been claimed that information consumption per head of population could be considered, in expressing the development level of a country, as an indicator having the same generalization effect as does the Gross Domestic Product per inhabitant. Estonians have been, for over one hundred years, amongst the leaders in information consumption. This is seen in the high level of literacy at the end of last century, the vital role played by newspapers in the formation of Estonians into a nation in the second half of the last century, and the very high readership of books and the press during the soviet era. The surprisingly rapid computerization tempo in Estonia today is based on this tradition of active consumption of the printed word.

From the reduction in circulation, a multiple reduction of readers could be concluded. This has not actually happened. At the start of the 1980s an average Estonian regularly read 8 newspapers and magazines (Lauristin, Vihalemm, Uus and Peegel, 1987), and in 1989, according to a survey by the University of Tartu journalism department, 11 newspapers and magazines. In 1997, this figure was 6.4. The number of newspapers being read has reduced considerably - during the last few years as well, but the number of magazines being read is growing (Table 1.5.).

The way of acquiring publications to be read has changed considerably: 10 years ago publications were subscribed to or bought. In the 1990s subscriptions to newspapers and magazines has reduced markedly (Table 1.5.). There are more and more cases of periodicals subscribed to from the place of employment, or they are borrowed from neighbors, friends or from the library. Subscriptions to a home address and purchased publications form on average half the periodicals being read, according to autumn 1997 data from the BMF.

In the 1990s the number of electronic channels being watched increased, as well as the viewing time. In the middle of the 1980s an average of 2 hours a day was spent watching television (Paulson, 1986: 72), in 1993 this figure had grown to 3 hours, and, according to data from BMF, at the beginning of 1997 it was already 4 hours. In January 1998 (January, February are generally the months of the highest viewing rate), even more television was watched in Estonia - an average of 4 hours and 25 minutes a day.

The increase in television viewing has resulted in a reduction in listening to the radio (Table 1.5.), although Estonians, according to data from GEAR (Group of European Audience Researchers), were also the biggest radio listeners in Europe in 1996. It is probable that watching television has increased even more due to not undertaking other activities, to home life becoming more passive. The increase in the importance of television is apparently due to a growing need for relaxation and entertainment, for reducing work and social tensions, and commercial stations, through their all-day broadcasts of films and serials, manage to offer this to everyone.

Media use according to social groups

Differences between ethnic groups

Table 1.5 indicates major differences in media use between Estonian and non-

TABLE 1.5.

Media use in Estonia, 1993–1997

	Estonians					Non-Estonians				
	1993	**1994**	**1995**	**1996**	**1997**	**1993**	**1994**	**1995**	**1996**	**1997**
Number surveyed (N)	**918**	**1016**	**1026**	**1016**	**1051**	**613**	**579**	**585**	**557**	**516**
Average number of newspapers read*	8.7	7.7	7.3	6.3	6.3	3.9	3.7	4.3	3.8	3.1
Does not read any newspapers (%)	-	3	2	2	2	-	15	8	9	13
Average number of magazines read*	4.7	4.2	4.3	5.1	5.4	0.8	0.8	0.6	0.7	1.0
Does not read any magazines (%)	-	28	24	19	16	-	74	79	74	55
Average number of newspaper-magazine subscriptions	2.7	2.2	2.0	1.9	1.8	0.5	0.4	0.4	0.3	0.3
Average number of TV channels watched	3.4	3.8	4.1	3.5	3.8	3.2	3.8	4.5	3.4	4.8
Does not watch any TV (%)	-	6	5	4	4	-	10	5	6	5
Average time per day spent watching TV (min.)	183	176	190	214	215	237	218	244	262	261
Average number of radio stations tuned into	2.6	2.6	2.8	3.1	3.2	2.9	3.0	2.6	2.4	2.6
Does not listen to the radio (%)	-	1	2	2	2	-	6	8	10	9
Average time per day spent listening to the radio (min.)	265	269	282	243	230	174	193	197	162	162

* covers both regular and occasional reading. Data on publications regularly read by Estonians are in Table 1.6.

Source: Baltic Media Facts (BMF). Representative survey of 15-74 year old inhabitants, carried out in October, November each year.

Estonians. Already the 1980s surveys (see Lauristin, Vihalemm, Uus and Peegel, 1987) emphasized the markedly smaller role of periodicals and radio in the life of local Russians. For Estonians, the Estonian language written word was an important channel for national integration already in the 19th century.

From the time of national awakening the widespread reading of newspapers has been an important factor in the development of Estonian society and culture. Newspapers, and later magazines, radio and television, have every day and for many years re-created a common spiritual space for everyone for whom the Estonian language media has been accessible, understandable and of interest. The will to participate in this common spiritual space, and through this, to stand opposed to the soviet system, has perhaps been the basic factor why media use in Estonia (and in Latvia and Lithuania) was in the 1960s, 1970s and 1980s very widespread and became even more active in the political mass movements in the period 1988–1990. The Russian-speaking population, who had emigrated from the various Russian provinces and republics, was not associated with a common historic reading tradition. Besides this weaker reading tradition, a vital factor was of course the fact that there are relatively few Russian language newspapers and magazines being published in Estonia. The Russian-speaking population before 1991 followed, besides the local Russian language media, also the central publications of the Soviet Union. In contrast to the Estonian language media – where after the collapse of the Soviet system of journalism and the privatization of the printed publications, there was a stormy birth of new newspapers and magazines – local Russian business in the sphere of journalism has not developed. In the current market economy conditions, the basis for the appearance of new publications can only be sufficient demand. The recent appearance of a few new Russian language newspapers, and of magazines both in Estonian and in Russian, indicates that such activity is still only beginning in the Estonian media market.

But, as television viewers, the local Russian-speakers in the 1980s were already more active than Estonians. The main reason could be considered to be a more city-based and indoor lifestyle, as compared with Estonians. Almost 85% of Russians in Estonia live in large panel apartment buildings (cf. about 50% of Estonians), so that there are relatively few opportunities for practical activity in the home and garden. Therefore, in January 1998, the television viewing time for local Russians was 4 hours and 45 minutes (for Estonians, 4 hours and 13 minutes).

Differences in media consumption due to age, education and gender

Looking closer at Estonians' media use (Table 1.6.), we note marked age-related characteristics - the diversity of media use (number of watched channels) reduces for those over 50, particularly amongst those over 60, but at the same time, their television watching and radio listening times increase. Older people keep more to one certain channel, which is closest to their tastes. Magazines interest older people less, and they are also probably less accessible due to their price.

In the 1980s reading newspapers and magazines (including following cultural publications) was more extensive and more even (see Lauristin, Vihalemm, Uus and Peegel, 1987; Hion, Lauristin and Vihalemm, 1988). The rapid social economic stratification of the population in the 1990s has noticeably influenced the spread of the printed word in particular. The circulation of newspapers per 1000 inhabitants was three times less in 1996 than in 1990 and fell to 173 copies (Vihalemm, Lauk and Lauristin, 1997: 234). The effect of educational differences regarding reading the printed word has strengthened. The reading of newspapers and particularly magazines is becoming an elite activity, which is accessible and of interest to the more educated and wealthier people. That, which used to be characteristic of Estonia - the wide and relatively even distribution of the written word in all strata of society, which changed the Estonian media use model to something similar to the Nordic countries – is being replaced by the picture characteristic of southern Europe and America: where the printed word is followed primarily by the higher and middle strata, but radio and television being the basic medium for the mass consumer. However, the relatively high interest of women towards the printed word is characteristic of Estonia (see Table 1.6.). This is applicable to the relatively high education level of Estonian women and their traditionally high cultural activity.

Typology of media use

The role of the media in Estonian society during the changes which have occurred in the last 5–7 years has been particularly important, taking into account the changes in cultural models, behavior and understandings, which accompany social, economic and political revolutions. In the processes requiring social relearning, resocialization and adaptation, which occur in post-communist societies, the media plays a

TABLE 1.6.

Media use by Estonians according to social groups in October 1997

	Average	GENDER		AGE			EDUCATION		
		Men	Women	15–29	30–49	50–74	Less than secondary education	Secondary education	Higher education
Number surveyed (N)	**1013**	**484**	**529**	**298**	**392**	**323**	**225**	**567**	**221**
Average number of regularly read newspapers	3.6	3.5	3.7	3.7	4.0	3.0	2.6	3.6	4.6
Does not regularly read any newspapers (%)	8	9	7	8	7	9	12	7	4
Average number of regularly read magazines	2.8	2.4	3.3	3.3	3.4	1.7	1.7	3.0	3.6
Does not regularly read any magazines (%)	26	30	23	18	20	41	43	25	14
Average number of watched TV channels	3.8	4.1	3.6	4.2	4.0	3.2	3.3	3.9	4.3
Average time per day spent watching TV (min.)	206	199	212	208	198	211	206	212	187
Average number of radio stations tuned into	3.2	3.6	2.9	4.1	3.3	2.4	2.7	3.2	3.8
Average time per day spent listening to the radio (min.)	230	206	251	217	227	263	200	254	218

Source: Baltic Media Facts (BMF).

more active role than the relatively inert educational system. It forms a symbolist environment characteristic of a globalizing and commercializing world, and offers, in rapidly changing conditions, information about the occurring events and about persons or problems of general interest. The difference in media use amongst the population is therefore an important indicator of contact with a renewing social environment.

In the Estonian media world, we can follow the relationships of the changes that have occurred together with more general integration and disintegration processes by using a media consumer typology, created on the basis of integrated indicators of media consumption. The basis for the typology is the representative survey carried out in October 1997 by BMF for 15–74 year old inhabitants in Estonia. On the basis of indices for following various newspapers, radio stations and TV programs, 9 media consumer types were differentiated (Table 1.7.), which are characterized by their differing media use, as well as their interests, and social and ethnic structure.

Adding together those types, which are characterized by a media consumption greater and more varied than the average (A,B,C,D,E,F) and the types who are characterized by a media consumption less, and more monotonous, than the average (G,H,I), we arrive at the ratio of 4:6 for active versus passive media consumers amongst the 15–74 year olds in the population. Therefore we could assume that at least 40% of the population has and actively uses the social integration opportunity offered by the media, whereas almost 60% are more or less outside that world where the media is the intermediary.

The relationship between active and passive media consumers in the various population groups is characterized by Table 1.8. We could claim that gender differences do not influence consumption activity in Estonia. The effect of age on the reduction of media consumption becomes apparent only in the pensioner group, where the active-passive ratio is 2:8. There is a clear relationship between participation in the media world and education: persons with less than secondary education have a less than one-third share in the active media consumption types, whereas two-thirds of those with higher education are active media consumers.

The biggest difference in the method of media consumption is seen in the different ethnic groups - of Estonians, 56% are active and 44% passive media followers, whereas of non-Estonians, 85% belong to the passive media consumer types. Here it needs to be taken into account that, although following foreign - including Russian - radio and TV was used in measuring media activity, reading foreign publications was not. Taking into consideration the reading of Russian newspapers and magazines would not, however, have resulted in large

TABLE 1.7.

Types of media users

Type A	7%	Very active in using all means, with various interests. Characteristic of Estonians, young and middle-aged women in the public sector or service sector.
Type B	7%	Very active in using all means, entertainment interests. Characteristic of Estonians, young families, students.
Type C	6%	Active, oriented to the printed word, a media consumer with various interests. Characteristic of Estonians, younger and middle-aged, who live outside the large industrial towns.
Type D	6%	Active, with practical and entertainment interests. Characteristic of younger and middle-aged Estonians with a family and home oriented life-style.
Type E	9%	Active, city dweller, a media consumer type oriented to radio and television, with political interests. Characteristic of successful managerial men living in the capital, regardless of ethnic background.
Type F	8%	Active, rural dweller, a media consumer type with cultural interests. Characteristic of women living in rural areas or small towns who work in educational or cultural spheres.
Type G	30%	Passive, city-dweller, oriented to TV, entertainment interests. Characteristic of pensioners or production workers with a lower education level who live in panel buildings in Tallinn or Ida-Viru county.
Type H	11%	Passive, rural dweller, media consumer type oriented to the printed word and radio. Characteristic of middle-aged or older persons who live in rural areas or in small towns with their own small-holding and low income.
Type I	18%	Very passive, few interests. Characteristic of non-working persons with low incomes (pensioners, unemployed, home-bound).

BOX 1.10.

General media use and computer use

In media use, the cumulative principle seems to apply: the person who enthusiastically uses one particular type of media channel will want to use others as well. Analysis of Estonian media user types shows for example a strong association between the level of general media consumption and the use of the Internet. Whereas in some other countries the TV-children's generation as passive information consumers are a direct opposite to the computer-children as active information consumers, then in Estonia such a conflict does not seem to exist. The distribution of computer use is a wider social indicator, which is associated with such indicators as mental activity, dynamism, social adjustment. This is why it is particularly important that in society no distinct social line develops between those who do and do not use computers.

changes in the level of media activity – in spring 1998, only 35% of non-Estonians read something published in Russia or other CIS states. The major part of the non-Estonians' passivity as media consumers is demonstrated by their little interest in publications from Estonia (including Russian language newspapers and magazines) and the one-sidedness of media use directed towards television, primarily TV programs from the CIS and SAT-TV. The 15% of non-Estonians belonging to the active media consumer types is characterized by a greater language ability and a higher social and economic competitive ability.

Development in Estonia in the recent decade has been characterized by the rapid growth of regional differences, whereas development in Tallinn and northern Estonia has been markedly faster than in the other regions. Media activity in the different regions and types of settlements can be seen in Table 1.8. The distribution of the active types of media use in Tallinn is the same as the average in Estonia, but activity increases moving away from Tallinn to southern Estonia, and reduces markedly in Viru county. The regional differences are definitely related to ethnic distribution, but not only. In Estonia, the rural life-style seems to be related to a greater media activity. It seems that the media compensates relatively well for the participation need of the inhabitants of the rural population and those living in the county centers located far from Tallinn - thereby reducing the social and cultural distance of the provincial population from the rapidly developing capital. Being removed from the surroundings and social alienation is more a characteristic of the inhabitants of the industrial northern and northeastern Estonia.

TABLE 1.8.
Relationship between active and passive media consumer types in population groups (%)

	Active	Passive
Gender		
Men	41	59
Women	42	58
Age		
15–39	48	52
40–59	43	57
60–74	22	78
Education		
Less than secondary	28	72
Secondary	43	57
Higher	52	48
Ethnic group		
Estonians	56	44
Non-Estonians	15	85
Settlement type		
Tallinn	40	60
Tartu, Pärnu, Narva	34	66
Kohtla-Järve, county center	54	46
Small town	34	66
Rural settlement	49	51
District		
Tallinn	40	60
North and central Estonia (Harju, Rapla, Järva counties)	47	53
West Estonia (Hiiu, Saare, Lääne, Pärnu counties)	49	51
Tartu district (Tartu and Jõgeva counties)	55	45
South Estonia (Viljandi, Valga, Võru, Põlva counties)	52	48
Ida-Viru, Lääne-Viru counties	21	79

Activity in media consumption is dependent on a more general consumption activity and wealth. Taking together the indicators of the respondents' monetary income, access to goods and ownership of securities and real estate, as a wellbeing index, we are convinced of the association between the media consumption and material wellbeing indices (Figure 1.3.). The relationship between material wellbeing and information usage is particularly marked when we compare the use of the written word and material wellbeing in various media consumption types. The three wealthy and reading-friendly types A, B, C, are distinctly noticeable, as are the three relatively wealthy but with lesser newspaper reading activity, D, E, F, and the three poorer types with less newspaper reading G, H, I. TV watching activity, however, is not as directly related to material wellbeing (Figure 1.4.): there are very active TV watchers amongst the wealthy (E) as well as the poorer (G) media consumers, and there are indifferent consumer groups amongst both the wealthy (C) and the poorer (H, I). Therefore, television is more socially equalizing, but is also a media strongly reflecting the cultural differences between Estonia's inhabitants, whereas the differing attention to the written word also amplifies social differentiation.

The varying media consumption activity is part of more general participation and communication. The active mass media users are characterized by a greater foreign language ability, more frequent contact with computers, and also a more active family life. The fact that the media consumption by single people and those without children is less than that of large families (generally their material wellbeing level is lower), is yet another proof of the ability of the

media to compensate for the effect of social stratification.

In summarizing the relationship of media consumption with social integration, we can present the following trends, characteristic of Estonia.

- Media activity can be seen as a means of increasing cultural and social capital. The activity in use of the mass media channels is related to activity in other fields: work activity, enterprise, consumption activity and a greater interest towards social issues and culture. The stratification of Estonian inhabitants on the basis of cultural and social capital is less, taking into account the media consumption, than material stratification. 40% of the population belongs to the group of active media users. For the more passive groups, less media consumption and fewer used channels, is characteristic, but only a very small part of the population is completely removed from the media world.
- Although, in Estonia, the political activity, and social and material status of women is somewhat lower than for men, there is no difference in their media consumption activity.
- Media activity aids in compensating for the differences in regional development, thereby reducing the social and cultural distance between inhabitants in urban and rural areas, in the capital and in the distant regions. Passivity and non-participation in the media world tends in Estonia to characterize life in the industrial urban areas rather than life in the countryside and in the small towns.
- A greater media activity helps people working in the public sector, cultural and educational spheres, pensioners and members of large families to compensate their reduced consumer opportunities.
- The biggest difference between those who speak Estonian, and those who do not, is their media activity. Media consumption orientation outside Estonia deepens the separation of a large part of the non-Estonian speakers from life in Estonia, and hinders their integration into Estonian society.

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FIGURE 1.3.
Newspaper reading activity and material wellbeing according to media consumer types

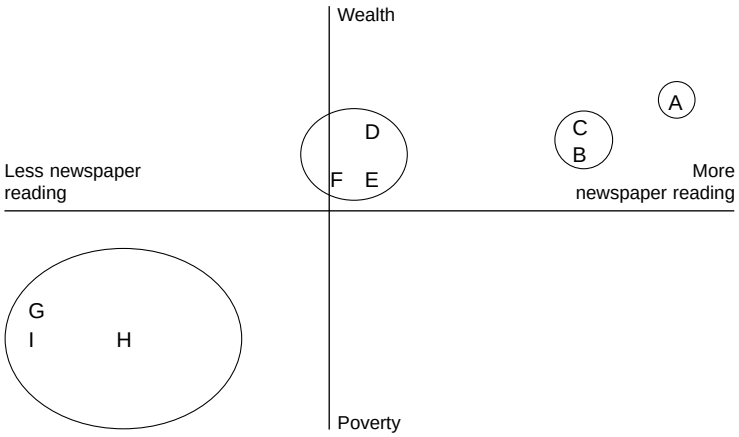
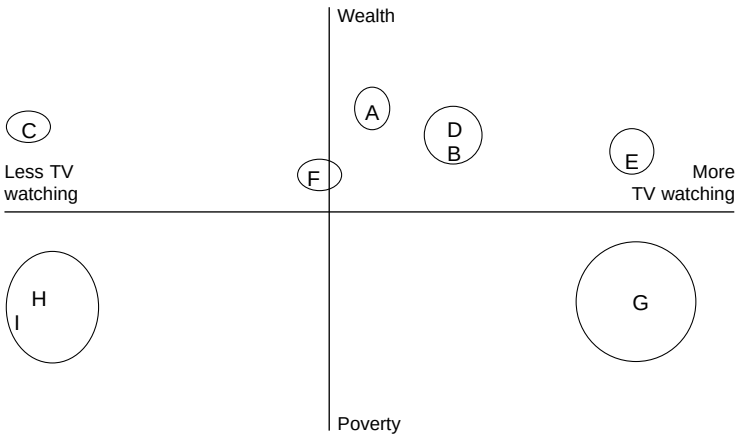


FIGURE 1.4.
TV watching activity and material wellbeing



2 Civic Society, Statehood and Legal Culture

2.1. Re-emergence of a Civic Society: Progress and Prospects

An inevitable precondition for Estonia's social consolidation – besides the development of nationhood – is the emergence of a developed civic society. Democratic freedoms and civic initiative, on the one hand, fragment society, which hitherto seemed relatively unified, but the civic society is, in the framework of relatively weak statehood, a vital resource of dialogue and cohesion.

As compared to the period of restoration of independence, the repertoire of civic initiative and social dialogue has not expanded in the years of independence, rather the contrary. Besides the founding of societies, the other forms of active social participation – pickets, signature-gathering campaigns, demonstrations, boycotts, culture fairs, carnivals, etc. have been quite rare.

The social experience supporting civic initiative in Estonia dates back predominantly to the years of annexation. Various strata formed during the restoration of Estonia's independence in the conflict of emerging interests, and they all are still exerting their various influences on the forming civic society. Unfortunately, the strategies of organization – mobilization according to identity, organization according to interests, sectoral group interests, corporative solidarity, etc. have not developed within an environment of natural dialogue and mutual enrichment. On the contrary, we can notice their limited development, and the insufficient difference between them. An example is the manifestation of the pensioners' and families' pressure group as a political party.

The civic society will adopt the role of an integrating factor building the socium primarily when it operates as a mediator for the role of the public, information, finances, skills, etc. from one sphere to another, as a social regulator of a problem situation and a finder of solutions. As such, the civic society would be something more than a mechanism for letting out steam or supporting leisure activities.

Estonian society has been organized to a quite modest degree, as compared to the old European democracies, especially the Nordic countries. The level of organization of the Estonians is somewhat higher than that of the non-Estonians. Out of the Estonians, 43 percent were members of some organization, but only 34 percent of the non-Estonians (Ruutsoo and Siisiainen, 1996). In post-communist Central Europe, Estonia remains in the second (i.e. passive) half as to its civic activity (Veivoda, 1998: 81). Estonia is facing the threat of becoming a "civic society desert" (term used by Offe, C. Arato, A. et al.).

The membership of societies and organizations has decreased in the last couple of years. Participation in several organizations – so-called overlapping membership – is infrequent, 21–25% of all members of the societies. The associations are rather homogenous ethnically – there are very few multinational societies. A tendency of recent years is the social differentiation of organizations – the emergence and development of exclusive and elitist clubs in leisure, interests and sports.

Organization

The civic initiative associations can be divided in two large groups:

- representing the members' interests, directed at local problems;
- expressing wider problems of the society.

The significance of either group on the whole will have a principal influence on Estonia's present and future social climate and political atmosphere.

While offering the freedom of mobilization to the political organizations as well as ethnic and social groups, the civic society's role in the shaping of social subjects has remained modest. Only a small percentage of the total number of workers have joined trade unions.

The present stage in the development of the civic society is characterized by the following features:

- The share of movements openly expressing citizens' political, social and economic common interests is small. There are no societies, which could efficiently organize the citizens against corruption, theft of public property/illegal privatizations, officials' misuse of power, etc. The civic society is incapable of exerting an effective influence on the state leaders. But in the absence of a continuous dialogue between the state and the civic society, the development cohesion of the socium will be reduced.
- The conflict provoked by emerging interests, defective reforms, etc. has caused the appearance of a number of civic associations, which are trying to make their problems public (apartment owners, tenants, taxpayers, pensioners, etc.). The conflict of identity mobilization and the strengthening of interests-based concentration, especially if it takes place in an atmosphere of redistribution of very limited resources, or supports an unbalanced property reform, has produced an "unhappy awareness", which is the negative side of the combination, occurring on the basis of national-romantic identity, with soviet pseudo-collectivism. This is combined with "organizing nihilism" – frustration, helplessness and the growth in individual aggressiveness, which frequently "swallows up" the constructive positive energy. The conflict of interests is also integrating the communities polarized as to the ethno-cultural identity. The "civilization" of interests is one of the main missions of Estonia's developing civic society.
- The membership of professional societies, professional associations etc. has increased lately, but has not nearly achieved the position necessary for a balanced representation of society's interests.
- Catering for leisure time, taking care of health, providing self-improvement and cultural interests have traditionally been the main sources for civic initiative and associations in Estonia. Such associations, while certainly forming an important part of the civic initiative and filling the vacuum left by the dearth of state resources, are largely "inward-oriented", aimed only at its members.
- The local government, as a factor promoting the civic initiative and interest-oriented cooperation, is largely unused as yet in Estonia. The reason is the weakness of the local governments, which turns them primarily into resource users. Consequently, Estonian inhabitants lack the experience of identity-based constructive cooperation.

Public politics

Public politics, allied with the civic initiative, plays a central role from the viewpoint of the state's stable development and legitimacy of rule. One of its bases is formed by the hegemonic structures and the other by grassroots participation in politics by the citizens/residents.

- The hegemonic structures, which integrate professional, cultural, sports and other associations in political life, have developed very weakly in Estonia and their role continues to be modest. The hegemonic structures based on social and economic conflicts, whose goal was to articulate and civilize the solving of class conflicts, have little support in Estonian society, which follows post-modernist development. The political hegemony based on ethnic mobilization has found only limited support in ethnic cultural societies, sports organizations and economic structures. Most of the larger political parties have managed to some extent to create the network of their local organizations, youth and women's organizations. One opportunity to create hegemony – organization around cultural autonomy – has gone altogether unused. But the politically indefinite and fragmented state of the cultural landscape does have some positive features from the viewpoint of Estonia's national integration. It helps to avoid the perpetuation of society splitting from the top down, to alleviate acute conflicts, etc.
- The political culture of society's mobilization on the so-called grassroots level has quite significantly changed in the years of independence. The retreat of politics from the streets is even dangerous in some sense as it "de-visualizes" the social, ethno-cultural and ideological rift, which in actuality exists in Estonian society. In 1991, 25% of the Estonians and 16% of non-Estonians attended political rallies; in 1996, it was only 3% and 2%, respectively, of the respondents (Taru, 1997). The changes in political activity are qualitative as well as quantitative.

The political culture or organizational capital of the non-Estonians favored direct action rather than work within institutions. The same tendency – orientation towards actions in order to make themselves and their problems visible – continued among non-Estonians in 1996 as well. A significant role in the continuation of the transition period political culture has certainly been played by the Estonian citizenship policy, which does not permit non-citizens to organize politically and complicates access to institutions. As the Estonians did in

the late 1980s, the non-Estonians rely on attracting international attention and gaining foreign support against the state which they consider to be alien to them. According to a 1997 poll, the non-Estonians were much more ready to hold demonstrations, both in order to gain citizenship and against possible unemployment (Rose, 1997: 35). Yet political activity among Estonians and non-Estonians has decreased as a whole. This also marks the decline of the quality of political cohesion.

Present Estonian politics have become significantly more oriented towards elections, agreements, parliamentary lobby, agitation. Participation in public protest demonstrations has decreased nearly ten times, demonstrations have retreated into the periphery of politics. A rapid decrease in the share of political pressure demonstrations is an important feature of Estonia's political life. The main reason for this is the shift towards "normal" political life. But today's Estonia is still en route from the street-oriented and identity politics towards institution-centered politics, which is also a great move towards modern integration of the society. A successful launching of institutionalized politics is one of the preconditions for cohesion in a dynamic society, involved in the handling of complex problems. The limited openness of institutions towards society is one of the problems of modern Estonia.

The bureaucratization of young party politics, the pressure of corporative structures, etc. frustrate the citizens. Alongside complaints that the banks, finance and even organized crime play an excessive role in Estonian politics, the people also find, in a paradoxical way, that the political parties have a too prominent role in politics (Saar Poll, 1997). The reason probably is that the parties are expected to perform the role of uniting Estonia, and reinforcing the social agreement – something the young parties have failed to achieve.

On the other hand, the inhabitants are relatively pessimistic about their ability to influence the alienated administrative structures. A dearth of initiative seems to prevail regarding the exertion of influence over the state and administrative structures in general. Only 22% of Estonians and 14% of non-Estonians were convinced in their ability to do anything if they feel that the local government acts against the interests of the public. Still lower percentages – 8 and 14, respectively – were of the same opinion regarding the state (Rose, 1997: 24). As compared to the poll results of 1995, the citizens' prospects of defending their interests have remained practically the same. Consequently, at a very important level, society is effectively disintegrating, since politics and civic initiative lack an efficient mechanism capable of again turning the public into a an active participator.

Prospects for the civic society as a consolidating factor in society

The six years of Estonian independence have significantly changed the face of the civic society. The so-called great narratives and classical mobilizing factors have lost their meaning. Neither the Estonians nor the Russians have a great confidence in the institutions of the civic society. Seventy-five percent of Estonians and 50% of non-Estonians have no interest in the church. Approximately 85% of the inhabitants do not feel that the Greens are advancing "their cause". Seventy-three percent of Estonians and 78% of non-Estonians feel they have little in common with the defenders of national traditions. As compared to the 1995 poll, the distance from the three "great narratives" (ethnic, religious and social) has increased. In 1995, 27% of Estonians and 12% of non-Estonians felt at least some relation to some movement or another (Rose, 1995: 41), but these ties are significantly weaker two years later. The society is demobilizing. The traditional ideologies, which used to mobilize society as recently as in the beginning of the 1990s, are quite ineffective as agents of social cohesion.

TABLE 2.1.

Persons participating in various forms of politics (1996)

	Form of participation				Number of forms of political participation experienced		
	Participation in protest march, meeting, picket	Participation in convincing friends	Participation in organization of campaign	Joining a political party	0	1	2 or more
Estonians	3%	16%	3%	2%	81%	16%	4%
Non-Estonians	2%	5%	1%	1%	92%	7%	1%

Source: Saar Poll, 1997.

Organization, previously based predominantly on identity mobilization or group interests, is adjusting, to the best of its capability, but slowly, to the market economic and official-oriented arrangement of power. Estonia is facing an important structural shift in order to stimulate the emergence of a civic society meeting the demands of an efficient post-modernist society. In order to modernize, Estonia has to overcome the relatively primitive civic society, dominated by identity and interests' associations, and to pass to the development stage of a civic society influencing society's development mechanisms and institutions. This means that the social connections will become more complex at the organizational level as well as for the association's pursuits.

The socially integrating impact of the civic associations has been seen predominantly as the combination of traditional values and social energy, so as to counterbalance the administrating and market economy oriented activity of the state. The political forces dominating in society have not actually been interested in the development of a civic society in a post-communist formation. The development of a civic society has never been a program component for any political movement in power in Estonia (with the exception of the social democrats). The two main political forces, which have shaped politics in newly independent Estonia – the conservative-corporative (Coalition Party) and the nationalist-liberal (Pro Patria and the Reform Party) – have not actually been interested in the development of civic initiative. On the contrary, the action strategies of the Coalition and Reform parties leave the impression that a well-organized civic society could become an obstruction for their plans.

It is quite likely that in Estonia, as in the whole post-communist world, no classical civic society will ever develop. The classical civic society is, after all, a result of a concrete historical development period, and it is declining in most of the European countries. The so-called third sector (non-profit associations, etc.), offering new development energy and cohesion, are still in the process of forming.

A strong civic society and third sector, in turn, can only be based on the state's legislative support. There is insufficient understanding in the state that the citizens need training, institutional support structures, etc. The state's attitude has changed somewhat in recent years and especially due to the pressure of the civic-initiative structures, which have launched legislative initiatives. The opportunities for legal entities to support tax-free associations have been expanded in a number of ways and the individuals' opportunities will also be extended soon (Hellam, 1998). Estonia's legislation has developed in two important directions – it has increased the citizens' rights and opportunities to claim tax deductions from the support of non-profit associations; on the other hand, the rights of the non-profit associations to economic activities have also been expanded. The former will increase practical support and resources, the latter will bring the local governments closer by granting an extra economic foundation for civic initiative.

In recent decades, the development of the so-called third sector has provided new quality to the interlacing of the civic initiative and economy. Such a development presents a challenge to Estonia's traditionally interest-oriented, hobby-centered club activities, which are largely inward-looking; and the economic-political thought, which is quite slowly socializing (Proos, 1998). Estonia's development in the future depends on whether Estonia can create a mechanism, which will deepen in society the communitarian aspect – to link economic and common interests, the provision of services and civic initiative, solidarity and private initiative. The social capital created in the past and accumulated through it (civic culture) with its characteristic qualities (civic virtues) plays a significant role in the development of the citizens' common future. This capital will largely provide the supportive structure, on which the state can rest while developing the third sector.

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2.2. Estonian Civic Initiative Associations on the Domestic and International Arenas

As was demonstrated by the surveys carried out in 1995–96 with societies and leaders of societies, the public awareness and recognition of civic voluntary organizations in many cases leaves much to be desired both on the regional and state level. Although the not-for-profit sector in Estonia is reasonably large (estimated at a minimum of 4000 societies, associations, foundations, etc.), many bodies dealing in the public sector, such as local government, local and national media, do not wish to take these associations seriously as partners. On the other hand it must be admitted that certainly not all civic initiative associations themselves have set as their primary goal the creation of more open social networks, assisting integration in regional life or offering social services of interest to the public. In the following article we will attempt primarily to find answers to the following three questions:

1) How do the civic initiative associations rate their integrative potential on the state and regional level?

2) What is the degree of connection of the activity of Estonian not-for-profit associations with international organizations?

3) In which way do those associations, which are connected with international organizations, differ from the remainder?

The data presented is based on the questionnaire carried out in 1997 for civic initiative associations represented in the registers compiled by the Jaan Tõnisson Institute. This was followed, as a check, in 1998 by a repeat questionnaire.

The most active respondents were the associations in the larger towns, i.e. Tallinn (37% of the respondents) and Tartu (18% of the respondents). The civic initiative associations in the four historically society-friendly towns – Pärnu, Viljandi, Kuressaare and Võru, and the Harju and Saare counties – were also relatively good respondents. Unfortunately it has to be said that a large proportion of the local societies had not, at the beginning of 1997, become aware of the opportunity to make themselves visible to others, to give information about themselves, to create a new contact network through the Internet, etc.

The question regarding information on the activity of their organization appearing in the media over the previous two years, resulted in the response that half the civic initiative associations have not been mentioned in either the local or state radio, nor on television. In 2/5 of the cases neither the county or national media has shown an interest in societies or similar associations. Approximately one-third of those associations, which aspire to be known by the public, do manage to inform the public about their activities on a regular basis.

Public awareness and recognition

Public awareness and recognition are factors, which clearly indicate the ability of a civic initiative association to create integrative style networks on both a regional and national level. Those societies located in the larger towns, and generally fulfilling the function of central societies, have realized this, but the civic initiative in the regions is in many ways isolated, atomized and with a weak integrative potential.

BOX 2.1.

The famous are far away, the locals are unknown

73% of respondents rated their public awareness on a national level as good or average. At the same time, 63% of respondents rated their local public awareness as low.

The contrast between local and national can be partially explained by the specifics of the selection, i.e. it is primarily the organization with a wider activity area that has chosen to be displayed in the not-for-profit associations registers. This definitely indicates a clear distinction between the local and national level – the way the center and periphery form separate worlds.

The study showed that approximately 4/5 of civic initiative associations do not have any noteworthy external recognition. The most recognition, according to the civic initiative associations themselves, has come from the local governments (27% of respondents) and from their own umbrella organizations (23%). These are followed by international umbrella organizations (17%). Recognition from national government institutions has been forthcoming for 12% of the civic initiative associations. From these figures, it is possible to draw the conclusion that the connection between the first and third sector in Estonia is still rather weak (Aarelaid, 1996: 126).

The tendency of Estonian civic initiative organizations to develop upwards rather than outwards is reflected in the answers to the question regarding representation in the various levels of the management bodies. Representation in the national umbrella organization (37%) is markedly greater than in the committees making decisions on a local level (29%), and participation in national committees (23%) is almost equal to participation in local government. Since the probability of participation in the management of international organizations must be considered to be markedly lower than the opportunity to participate in the work of national and local management bodies, then this previously mentioned proportion must be interpreted as a certain integrative anomaly.

It seems that umbrella organizations are more interested in being represented on an international level than in practical activities on a local level. This reflects the peculiarity regarding the organization of the re-created not-for-profit sphere – namely, that the activity of central societies created as a result of restitution or the transfer of foreign experience, has branched out in a top-down manner. Most of the central societies have not been created as a step-by-step integration on a local initiative, but often as a result of "awakening activity" guided, for example, by Nordic cities. On a local level, it is often a case of "cared-for" civic initiative (Seltsid …, 1995: 7), where the central societies are trying to find their place in the development of regional life and democracy.

The negative attitude of Estonian civic initiative to the political organization of society is astonishingly consistent: over 98% of societies state that they do not have direct links to political parties, and 47% considers this to be a purposeful avoidance of political activity. The same tendency is also apparent in the 1995 survey. Almost half, or 48%, of the respondents claim to express the interests of a definite social group (primarily children, young people and families), but at the same time they wish to manifest themselves, divorced from the political structures of society. Despite declarations of no party connections, there still seems to be a link between civic associations and the state. 12% of respondents claim that their organization has been successful in influencing parliamentary legislation, and 29% say that they have influenced decisions made by local government. 28% of the respondents believe that the highest goal of their activity is enhancing democratic attitudes on a local level. How can this apparent contradiction between a declared party-external status and yet a relatively effective influence of the state be explained? It seems that although they do not wish to tie themselves to unstable party structures, civic associations want themselves to be immediate and effective guard-dogs for democracy.

The internationalization of associations

In the previously mentioned handbook on Estonian not-for-profit associations, there is information on 725 organizations. 151 associations note their international links; of those covered by our sociological survey, we found 98 such associations.

BOX 2.2.

Membership of international organizations

Belonging to an international organization is different for differing types of organizations. There is frequent participation in the activity of international sporting associations. There is active international activity for people in handicapped associations and for those with health problems, for example, the Estonian Hearing-impaired Association being a member of the international federation. Societies associated with cultural activities have joined such organizations as the International European Theatre Meeting, the International Comparative Literature Association, the European Folk Art and Handicrafts Association, the World Esperanto Association (UEA), International Federation of Library Associations and Institutions, International Music Center and others. It is interesting to note the links between societies for non-Estonians with compatriots located outside Estonia, for example, the Armenian National Association belonging to the World Armenian Assembly, the Estonian Association of Russian Aristocracy belonging to the Russian Aristocracy Assembly, Estonian Lithuanians are linked to the World Lithuanian Association, Estonian gypsies with the Roma Union, the Ingrian-Finns with the Suomi Seura.

The activity of youth associations, particularly university student bodies, on the international arena should be emphasized. Estonian scouting organizations are members of both the World Organization of Scouting Movements (WOSM) and the YMCA and YWCA on the European and world level. The Estonian Youth Initiative Center cooperates with the European Youth Information and Counseling Association (ERICA). New-Estonia, as the youth organization dedicated to promoting national culture and rural life, continues the links formed already during the first period of independence with the international rural youth movement 4H. The Estonian Association of Young Doctors is a member of the European organization PWG since 1993. Tartu University students are participants in such organizations as the European Young Geographers Association and the European Youth Forest Action. Such important student associations as the International Association of Student Experience Exchange (IAESTE), the European Students Central Association (AEGEE), European Technical Students Assembly are represented in Estonia. Youth religious associations are very active in joining both Nordic sister organizations, as well as international movements. Young people are active in Youth Missions, the Youth for Christ association, but also with the Hare Krishnas and other non-Christian associations. It is a general observation that young people – in both religious and interest associations, as in the sub-culture networks (techno, hip-hop, various music styles) – are much more a part of the institutions and "values" structures at an international level than are the older generation, who consider adherence to traditions to be of primary importance.

In our selection, 40 noted their being a member of the management of an international organization. 53 civic associations claimed to be internationally recognized. Although the study did not cover all the organizations active on an international level, it can be stated that Estonians are no longer merely observers, but are already active participants in international organizations.

The internationalized associations: what are they like?

Comparing the self-assessments and activity directions of associations linked with the work of international organizations, with all those in the selection it becomes apparent that this is a clearly differentiated group, which is more goal-oriented, and geared for success and recognition. This group rates its public awareness on a national level at almost 1/5 higher than the others, and they are also more active in introducing their future plans: they are more keen than the average to introduce themselves via the Internet (11% more), have contact with public officials (9% more) and to compile a handbook on their activities (7% more). It also became clear from the answers to the questionnaire that it is almost impossible to gain international recognition without becoming a member of an international organization: of the 98 associations mentioned above, 53 have been successful, but for the rest, only one was successful! Recognition by state bodies and by their own umbrella organizations of associations oriented towards international cooperation was somewhat higher than for ordinary cases. The national newspapers, radio and television also cover these approximately 15% more – but this difference is not reflected in county newspapers. The activity of this civic association group is also reflected in the fact that they have more participants in national committees, but they have a less than average participation in committees working with local governments. The associations in this category are even more radical in their political attitudes than the others, and are very definite in their expressions of either political neutrality or a desire not to be involved in politics.

In comparing the age structure of civic associations who have achieved international success with the total selection, we can see a moderate domination of the middle-aged: they have fewer pensioners and under-25 year olds. Apparently, following international integration trends requires certain experience, but also energy typical of a younger age. A little over half (or over 16% more than the average) of the civic associations with international activity believes that they have been good ambassadors on an international level for the positive reputation of Estonian society and culture. They also rate themselves as being more effective in presenting their problems in the national media. The role of associations with international contacts in obtaining new information, and the connection of Estonia into a modern system of information distribution, is particularly obvious: amongst the primary results of their current activity is the provision of information of interest to the members of the society (65%, or 13% more than the average) and carrying out adult education (61%, or 10% more than the average). A typical characteristic is also less interest (-10%) in the continuation of the local traditions by the society. They consider their civic initiative association to be innovative, rather than conservative.

The structure and range of Estonian civic initiative has changed over the last ten years, but despite the changes, it is still behind the development both in the public and business sectors. The third sector has been formed in the cross effects of de-sovietization, restitution and transplantation, characteristic of the transition period, but this has not guaranteed its balanced development. In some ways, the American model is being followed – centered on the individual and concentrated on developing a network of not-for-profit associations as providers of social services. In other ways, there is a strong influence by the state-centered Nordic model, which emphasizes a collective subject. In the desire for international integration, Europe is unavoidably preferred, due to territorial proximity – particularly the umbrella organizations located in the Nordic countries, because joining these and participating in their work is more cost-efficient than activities with a global extent. But the official strategy for developing the third sector seems to be more according to the US example, i.e. regulating its activity only through taxation benefits or restrictions. As opposed to the US, our government bodies have not yet realized that directing a certain part of the state budget monies into the third sector – in order to encourage and involve civic voluntary initiative in making the development of the social services network, which is so vital to society, more effective – could be useful for both the state as well as its citizens.

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2.3. Statehood, Legal Culture, Integration

Special features in the restoration of Estonia's statehood

Compared to other post-socialist countries, the restoration of an independent Estonia in its entirety was in several respects more complicated. Throughout their political and legal evolution, Estonians had to develop the administrative system of an imperial state's province, which was even more primitive than in the Soviet Union's satellite states, into a modern political, economic and cultural environment. Estonia lacked the structure of statehood and legislation of its own, as it functioned in East and Central European states in the shape of national armed forces, government officials, border defense, etc. On the other hand, the weakness of the Soviet structures had a positive aspect – it was easier than in many Central European countries to detach oneself from the Soviet-type administrative structure which was far removed from the rule of law. In Central Europe the alien power had taken deeper root as a "native", the officials were more educated, etc. (von Beyme, 1996).

In the restoration process of Estonia's independent statehood, two tendencies – the restitutionary and the evolutionary – collided. However, with great difficulties, such a collision of these two orientations was avoided, which would have created a profound legal and political vacuum and would have split society into several parts according to various diverse legal systems.

During the subsequent period, however, a different socio-political confrontation has developed in Estonia, namely, the confrontation between the liberal and communitarian positions in society. The state of affairs in Estonia is characterized by an extreme situation where the state's role in the development of social cohesion is greatly underestimated – leaving it the role of a "night watchman".

The rule of law and integration

The restored Republic of Estonia took a direction towards a parliamentary legal order, with evolution of political guarantees and the rule of law. The new Estonian Constitution adopted by referendum on June 28, 1992 is based on liberal constitutionalism. The rule of law is such a legal environment that guarantees for every citizen and in a wider sense, for any resident of Estonia, the freedom to act, protection against lawlessness, and control over state authority. A democratic legal order creates a framework for action, merging institutions, establishments, associations, citizens, etc. into a cooperative whole.

However, the road from the birth of new institutions to well-established, consolidated democracy is long and difficult. It is characterized by people's alienation from politics and a critical attitude towards the state.

BOX 2.3.

The importance of politics as a factor for social integration has subsided

Approximately 40% of the Estonian population takes an interest in political life, with only one-tenth showing an active interest. The attitude towards the state is only too critical. According to a rather general opinion – expressed by two-thirds of the population – the state is unable to cope with its tasks. More than half of the respondents (54%) are convinced that the representatives of state power are corrupt (accept bribes) and more than two-thirds of the respondents (66%) believe that very important information is kept from them. A mere one-tenth believes that they can influence the state's policies by taking part in elections.

Source: Purga Ü., Sillaste J., 1995: 180.

Nevertheless, compared to Lithuania and Latvia, there are by far fewer people disloyal to the state in Estonia: just one-fifth of Estonians and two-thirds of non-Estonians assess life in soviet times higher than in the Republic of Estonia. (Lauristin and Vihalemm, with Rosengren and Weinbull, 1997: 312–314). Among the whole population, the proportion of those who would like to recover old times and the soviet regime is only about ten percent.

The present conviction of the majority of the Estonian population that they are unable to actively shape politics is nevertheless too high for a stable state. This tension is reflected by the fact that in order to defend one's interests, 39% of Estonians and as much as 51% of non-Estonians are ready to exchange the existing parliamentary system for the policy of an "iron hand". On an even wider level, a total 60% of non-Estonians would support the replacement of the present "system of government" with something else. A mere 20% of Estonians share this opinion. (Rose, 1997: 28–29). Therefore, the integrative power of the Estonian parliamentary system is weak. The present politically excluded position of non-

Estonians has a great destabilizing effect on society. There exists a danger that in a crisis situation, non-Estonians who have not been integrated and entertain but a slight hope of having any substantial say in politics in the nearest future, may advocate the replacement of the whole political system. The principal positive element that binds society together and legitimizes power is economic success, which at present "helps out" the political system whose regulative ability is weak.

The resource of political trust

It is mainly owing to economic success that the trust of the Estonian population towards the fundamental institutions of the economic system is sufficiently strong and has to a certain extent been transferred to the state as a whole. During the past three years, general trust in the state has been steadily growing among Estonians as well as non-Estonians, although among the latter, trust in the institutions of state power is somewhat weaker, involving a little more than half of the Russian-speaking population. Of institutions, the least trusted by the people are the court system and the police, though the distrust is not yet destabilizingly great (involving less than half the populace). (Lauristin and Vihalemm, with Rosengren and Weinbull, 1997: 312–314). The latest research results, however, confirm that investigation into corruption and illegal activities of government officials has caused trust in the police and the court to decrease even further.

Of the administration, civil servants form the section that creates the least cohesion: they are trusted by only 40% of Estonians and 16% of non-Estonians. The building of a reliable, efficiently functioning body of civil servants has indeed been the most complicated problem for the post-communist states across Central and Eastern Europe.

Trust in the political system has a different integrative effect for different ethnic groups. Estonians' support for the state of Estonia as an institution that defends their fundamental civil rights is much more obvious.

The majority of Estonians as well as non-Estonians (92% and 75% respectively) think that the Republic of Estonia guarantees their civil rights and freedoms better than the Soviet Union did (Rose, 1997: 32–33). Thus the political support for the Republic of Estonia is to a great extent based on the negative reputation of the communist regime.

BOX 2.4.

Support for the state as an institution defending civil rights

Think that... as compared to the Soviet period people have a better chance of influencing the government:
— 56% of Estonians
— 19% of non-Estonians
people have a better chance to become organized:
— 89% of Estonians
— 62% of non-Estonians
there is more freedom to form political parties:
— 86% of Estonians
— 55% of non-Estonians

Source: Rose R., 1997: 32–33.

The institutionalization of the legal order

The integrative effect of formal law is seen through its regulatory abilities. Only with the support of people's sense of justice does developing legislation connect into the system of social relations and supports it. The in-depth institutionalization of law is a historical and cultural process. Drastic social upheavals, such as that which Estonia has experienced, reduce the regulatory power of the law. The modern legal order that is being created encounters the instability of development, unsuccessful reforms (illegal privatization, wrongful restitution, underestimation of the working contribution in the past, etc.), the inadequacy of laws, and so on. This affronts people's sense of justice and the legitimate interests of too many. In a transition society that stands on the borderline between two mutually exclusive types of social order – totalitarian-communist and the rule of law – different social groups adapt to the new legal order at a different rate. Neither the ethnic conscience of the large non-native population groups nor the legal ideology derived from state socialism allows them to look upon the contemporary Estonian social order, which relies on market economy and the principle of nation state, as just. On the other hand, the people, although predominantly the native population, may develop a negative attitude in relation to the legal invasion that is occurring through the impetus of eurointegration. The Western norms that are in most cases adopted mechanically do not rely on the local, historically evolved legal culture,

BOX 2.5.

Abidance by the law

Nevertheless, most Estonians and non-Estonians, citizens and non-citizens almost equally consider the observance of Estonian laws compulsory (Geistlinger M. and Kirch A., 1995). The second half of the 1990s has involved a considerable change as regards abidance by the law. Most Estonians and non-Estonians, citizens and non-citizens accept Estonia's legal order and are ready to observe the laws. No more than a few per cent – 1% of Estonians and 3% of non-Estonians – in 1996 expressed total legal nihilism, i.e. that the legal order of Estonia was quite worthless for them.

but there is no alternative. Estonia's legislative ability is poor compared to its needs.

A new legal order based on civil liberties and human rights is only in the process of taking root in people's practical behavior. At the same time, the historical-cultural and moral social control of abidance by the law has weakened. Because of the inadequate application of legal regulation or gaps in legislation, there exist several spheres where the level of abidance by the law is relatively low (paying taxes, service in the defense forces, etc.). Estonia's legal-cultural fragmentation into two communities is combined with several civic initiative pathologies that are looked upon as characteristic of post-socialism. This may contribute to the formation of an "alternative society" whose norms and institutions exist side by side with the so-called formal society. Sociologists have noticed such tendencies in north-eastern Estonia where the state is not the only one to collect taxes, and criminal organizations compete with the police in enforcing order (Pettai, 1997). The weaker the legal guarantees offered by the public administrative institutions, the better are the chances of the "alternative" society. A particularly complicated situation evolves when "alternative societies" that are legally un-integrated – and become excluded socio-economically – form on compact territories and acquire the characteristics of a ghetto – for example, in north-eastern Estonia, Maardu and Lasnamäe.

The success of the legal political integration in Estonia is considerably hampered by the hitherto persisting discordance between the formal legal order and legal culture. Reform of the legal culture that to a great extent mediates the practical application of law is slower than the evolution of legislation. "If the Estonian SSR still exists anywhere at all, it is in certain branches of public administration which are in direct contact with citizens and other local residents. Another problem, closely associated with the above-mentioned one is that in Estonia the peculiar rigidity of bureaucratic processes is interfused with the interpretation of the rule of law. Sometimes the well-disposed civil servants in their rigid adherence to the articles of the law forget that it is the particularly rigid adherence to the law that leads to the worst injustice." (Drechsler, 1998: 17). Unfortunately, bureaucracy is often combined with governing practices characteristic of an administrative state which render the functioning mechanisms of power less transparent.

However, it seems that the administrative shortcomings, prejudices and incorrect conceptions of legal order are balanced, and society is stabilized by an ever expanding experience that Estonia is a country where civil liberties are guaranteed for everyone. Neither Estonians nor Russians have experienced that Estonia's political system violates their fundamental civil rights – the right to express one's opinion, to express one's opinion in the media, join associations, take part in demonstrations and express one's religious views.

Thus the fundamental institutions that guarantee legal order in Estonia are democratic enough and in proper correspondence with the people's social self-defense and need of expression. The legal order that sustains the Estonian public and the state's political life is an important basic structure for the integration of society. It is another matter whether these institutions always have enough regulatory power.

TABLE 2.2.

Which of your following rights or freedoms have been restricted? (%)

Rights and freedoms	Estonians	Russians	Others
Right of the family to live together	0	19	14
Right to acquire secondary education in one's mother tongue	0	13	9
Freedom to choose one's place of residence	3	28	40
Religious freedom	0	2	7
Inviolability of personal liberty	7	12	9
Freedom of speech and association	1	3	1
Right to join parties and trade unions	0	6	3
Other	4	30	26

Source: Kirch A., 1997: 61 and data from the RAS 1996 research.

Estonian nation state, citizenry and integration

The principal objective of Estonia's renascent statehood has been to ensure, for the development of the historical socio-cultural association, a supporting legal environment. The fundamental political structure is represented by the nation state, which must ensure, for the ethnos that created the state, an opportunity to shape the cultural environment, and thus build a basis for the formation of a uniform, or cohesive cultural and communicational environment.

As a liberal-parliamentary institution, the Estonian state performs an integrative role mainly on the individual level and through the evolvement of the institution of the citizen. The identity and solidarity of the Estonian population are primarily shaped on the strength of values but also through normative consciousness, social habits and psychological participation. Estonia's re-established independence nullified the basis for the mentality and legal truth of the "Soviet citizen". There is, however, a problem: the institutions that bind the Estonian population to statehood, like "citizen", "permanent resident", "temporary resident", "refugee", etc. divide them into large groups of different status.

Citizenship as a central institution that constitutes society and secures individual subjectivity began to gather social power simultaneously with the reinforcement of property rights and political democracy towards the end of the 1980s, yet its development is a long-term process.

TABLE 2.3.

Obligations of a permanent resident of Estonia towards the state

Obligation which is accepted	1995		1997	
	Estonians (%)	Russians (%)	Estonians (%)	Russians (%)
Military service	91	80	90	74
Learning the official language	99	86	98	86
Paying income tax	87	82	84	77
Respect for the national flag	98	97	98	91
Abidance by the law	99	95	95	93

Source: Rose R., (1995), New Baltic Barometer II. A Survey Study. Studies in Public Policy No. 251, pp. 38–39; Rose R., (1997), New Baltic Barometer III. A Survey Study. Studies in Public Policy No. 284, pp. 38–39.

Of the total population of Estonia, nearly one fourth are aliens. The integration of non-citizens or immigrants into Estonian society to a great extent depends on the interpretation of the institution of alien. The depth of social change and the necessity of integration on a new basis are understood through legal differentiation. At the same time, the dramatic change of status has caused deep identity crises; also, owing to the government's non-constructive policy, the self-determining stage is becoming a borderline condition for a large number of the so-called aliens. Fortunately, alienation has not given rise to any major confrontation that could reduce abidance by the law or demolish the legal order (for example, extensive refusal to apply for an alien's passport). Although it is possible to acquire Estonian citizenship quite simply, even a modest knowledge of the Estonian language which is a prerequisite for acquiring citizenship, will for some time remain a barrier that divides the population of the state into groups with different political status.

The cohesion of all the inhabitants of Estonia with society, notwithstanding their citizenship, is ensured by the separation of statehood from social, cultural and economic rights. Economic participation is available to everyone in Estonia; for example, even the purchase of land does not necessarily presuppose Estonian citizenship. Activities that rely on economic and cultural interests form quite a substantial counterbalance to the political alienation among the aliens which accompanies certain restrictions on the non-citizens' political rights. Yet the participation of non-citizens in local elections integrates non-natives into Estonian society on a wider socio-political level as well. The alien's passport guarantees for local stateless permanent residents Estonian statehood. All these levels of cohesion expedite the acquisition of political citizenship.

As the above table shows, Estonians as well as non-Estonians (regardless of citizenship) express remarkable loyalty to the Estonian state, at least in words. Paradoxically, with the strengthening of the Estonian state, the loyalty of non-Estonians seems to be dwindling rather than growing. As far as other obligations are concerned, e.g. abidance by the law, respect for the national flag, etc., the readiness of both groups to pay income tax is weakest. Since non-citizens look upon themselves as subjects of the obligations, i.e. citizens, it is understandable why namely non-citizens born in Estonia feel that the status of a permanent resident and the relevant

requirements are unjust with respect to themselves. Nearly one fifth of the non-citizens do not yet possess a residence permit, nearly half do not have a working permit either, nor do they have any intention of acquiring it. Thus a marked number of laws that regulate the relations of non-citizens and the state cannot be applied because of the non-existence of experience or tradition for their institutionalization. Nor are the requirements of the state of Estonia regarded as just or legitimate. The practical regulation of the relations between the population and the state, the introduction of a population register, etc. is inadequate and fails to embrace large population groups. According to estimates, nearly ten per cent of non-citizens (about 50 000 people) reside in Estonia without any legal basis whatsoever, i.e. without a residence permit, being without social support, medical service, etc. Persistent application of Estonian laws on residence and working permits as regards non-citizens (up to the deportation of illegals from the state) would be accompanied by a sharp rise in instability. Thus Estonia faces the following choices: the state has to find the resources and legal means to avoid the delegitimization of its principal laws as well as prevent social conflict. Estonian citizenship as an institution and the citizenry are both still in the development phase.

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2.4. Estonia's Changing Minority Paradigm

Developments in the nineties

One of the most complicated problems Estonia has had to face since the restoration of independence is the adjustment to the new population situation, which was distorted during the 50 years under Soviet rule. The share of the Estonians was reduced during that period from the pre-war 88 percent to the current 63–64 percent. As of now, one third of Estonia's population consists of non-Estonians, mostly the Soviet-period immigrants of Slavic origin. After the restoration of independence, the Estonian state needed to develop a concept about the role and position of the non-Estonian minority in Estonian society – an approach was required, which on the one hand would consider the Estonians' interests and on the other, would not cause a sharp opposition amongst the minority, and would also ensure the society's stability and development capability. Integration of the non-Estonians required a complex and well-considered approach.

The practical formation of the Estonian paradigm for the non-Estonian minority took place in a situation characterized by:

- *a traditional separation of ethnic communities.* The ethnic minorities in Estonia have historically always lived as relatively compact and separate communities. The Russian-speaking colony, which migrated into Estonia during the Soviet era did not mix with the local residents either and a Russian-speaking mini-society developed in Estonia. The relations of that society with the Estonians were not entirely free of strain, yet Estonia's recent history has no cases of direct inter-ethnic conflicts.
- *a differentiation of attitudes during the restoration of independence.* As is typical of recently liberated nations, an emotional radicalism dominated among Estonians during the period of the restoration of independence; among other things, it required a clear differentiation between the Estonians and the non-Estonians, the locals and the immigrants. At

the same time, the opinions of a majority of the non-Estonians regarding the state's further development, including such key issues as citizenship policy, language requirements, attitude towards Russia etc. significantly differed from those of Estonians (Pettai, 1997).

In this social atmosphere Estonia chose a road which reflected the will of the radical majority of Estonians. The Soviet-period immigrants were defined as aliens, who have to observe certain requirements to integrate in the local life of the society – to learn Estonian, to apply for citizenship, to adapt to the Estonian cultural space. The relatively strict drawing of lines and the introduction of entry rules on the one hand relieved various stresses in the Estonian community, while on the other, further reinforced the "one state, two societies" pattern, which was already operating in the Soviet period.

Under the influence of the minority paradigm developed at the beginning of the 1990s, society has today reached a new situation. On the one hand it is characterized by a nationally more assured Estonian community with prospects of development, and on the other, a relatively uncertain and legally differentiated community of aliens. The VERA inter-university study group defined the minority paradigm in Estonia as a "tacit separation", which reflects the historic tradition and the social situation of the early 1990s, but is anything but a rational solution for Estonia in the long term (Järve, 1997). Indeed, in 1998 there are Russian schools and Russian churches, Russian parties and Russian newspapers, Russian factories and Russian towns in Estonia, i.e. a separate Russian community is operating in Estonia. It is not difficult to envisage the dangers, which may accompany the perpetuation of this hardly integrational path of development, especially regarding national security and the safety of everyday life. Also considering that a significant share of the non-Estonians (up to 50 000 individuals, according to R. Ruutsoo in this publication) are residing in the country effectively as illegal immigrants.

As compared to the early 1990s, the attitudes and views dominating in society in 1998 have become significantly more pragmatic. A growing share of Estonians is characterized by the understanding that a large, mainly Russian-speaking community will remain in Estonia and that their involvement in all the spheres of social affairs will be in the interests of both parties. A majority of the non-Estonians has also accepted the new situation, and despite the still widespread hesitation and distrust towards the Estonian government and bureaucracy, there are clear attempts to move closer to Estonian society. It is clear for most of the non-Estonians that there is virtually no alternative to integration into Estonia's life. It is also important that a majority of the non-Estonians has managed economically. The changes accompanying the restructuring of the economy hit the non-Estonians somewhat harder than the Estonians, but the general labor situation has now improved. As for the income level, there are no major differences between Estonians and non-Estonians in this respect. A readiness for actual integration has deepened among Estonians as well as non-Estonians, but the barriers preventing the non-Estonians from participating in society's affairs are still there: command of the language, absence of citizenship, vague prospects regarding labor and education, etc. At the end of the 90s, the ground is ripe for a movement towards integration. What is needed is concrete action to reduce the barriers, including state measures.

BOX 2.6.

A new stage in the regulation of the ethnic minority issue

The document titled "Integration of non-Estonians into Estonian society" stipulates: "The changed domestic and foreign situation presumes a further move for Estonia's minority policy. This move must proceed from our current national and social interests, the goal of ensuring a rapid modernization of society within the context of joining the European Union, maintaining both domestic stability and the orientation towards the protection and further development of Estonian culture. The contents of this new move must be the replacement of the hitherto largely spontaneous development by a national strategy, which is clearly oriented at the integration of the non-Estonians into Estonian society."

Creating a state minorities policy

A peculiarity of the Estonian minority policy was, for a long time, the absence of a clear goal for the state. Until this year, the main actors on the integration stage were international organizations, funds, foreign embassies. The first systematic approach to the Estonian

integration process (Integration of Aliens…, 1997) was drafted at the initiative of the UNDP. The Open Estonia Foundation has allocated millions of kroons in support of integration-related projects, and embassies of several foreign nations in Estonia have been active as well.

The first document defining the interests and goals of the Estonian state on the issue of the non-Estonian minority was approved by Mart Siimann's government on February 10, 1998.

The government paper hopefully marks a significant change of attitudes on the minority issue. Instead of the hesitant and ignoring attitude of the state, which was evident so far, there are clearly defined goals and a framework for their realization, including the establishment of a national integration program from 1999.

In a situation, where the movement towards an integrated Estonia has been defined as a national goal, the question of the actual meaning of the integrated social model for Estonia is becoming topical. According to the principles worked out by the VERA research program (Heidmets, Lauristin, 1998: 14), integration should be treated as a "process, within which the non-Estonians residing in Estonia will join the local society's affairs as full-fledged participants. Integration means a gradual disappearance of these barriers, which are currently preventing many non-Estonians from becoming competitive in the Estonian labor market, benefiting from the education opportunities, participating in the local cultural and political affairs. These barriers are primarily linked to command of the Estonian language, knowledge of local culture, legal status, as well as fears and prejudices caused by the rapid changes in society. Integration is not an change of ethnic identity; integration is not a loss of something, but the acquisition of new qualities necessary for survival in a modern Estonia."

According to this approach, Estonia should reach in the near future an organization of society, where the ethnic differences serve neither as sources of strain or barriers to advancement in life, where both the Estonians' fears about national decline and restriction of cultural space, and the non-Estonians' uncertainty about the future for them and their children, have been reduced. This will be a society, where the minority community has unambiguously adopted its bicultural and bilingual role in Estonia and as such has been fully accepted by the Estonian society and the state. In other words, "a mutual acceptance has taken place, where the general communication is conducted in Estonian and all the residents are loyal to the Estonian state." (The integration of non-Estonians … 1997: 3).

It is clear that achieving the integration goals is long-term work, which requires readiness and efforts from both parties. Consequently, the Estonian national integration policy is primarily aimed at the growing generation, "… with a goal that the generation growing in Estonia at present will become the body of citizens in the coming century, who will consider the Estonian state and land as its home and will value it. Attention and also material resources must be primarily directed towards kindergartens, schools, hobby and interest groups, summer camps." (1998: 4). "The Foundation for integration of non-Estonians" began operating in May 1998, mediating state support to the projects and programs promoting integration. This will hopefully become a significant addition to the integration activities hitherto conducted mainly with foreign support.

The success of the goals established at the national level is primarily dependent on the acceptance by Estonians of the development of a multicultural society in Estonia. As well as the readiness of the non-Estonians to accept their prospects as a bicultural and bilingual community in Estonia. As compared to the beginning of the 1990s, a clear change of attitudes towards support for integration has taken place in Estonia. Now is the time to add to these right words effective practical activities as well.

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Estonia Today: Economic Reality and Integration

3.1. Differences in the Distribution of Income in Estonia

Of the indicators for social welfare – the condition of which clearly forms the background for general integration problems – the level of income and the distribution of income are two of the most important.

The income situation in general

The income situation for the transition period[1] is characterized by the general low level of the nominal income of families. The size of the income, however, is also greatly dependent on the size of the family, the social group it belongs to and the region it lives in. In 1997, the net income per family member for an average Estonian family (2.3 members), calculated into US dollars, was 1416 USD. The Latvian average income per family member in the same year was one-fifth less than in Estonia. The same value for Lithuania was one-third less than for Estonia. In real terms, the net income per family member in Estonia in 1997 grew, compared to 1996, quite rapidly – by 4% per month.

The main reason for the general low level for family income was the fact that the main part of the income is from salaried employment (in 1997 it formed 61% of the net income per family member per month), but the level of wages is relatively low (287 USD per month in the 4th quarter of 1997) and also differs markedly according to region (Table 3.1.). When pensions and support payments were raised, the share of benefits in the net income per family member did rise to a quarter, but, compared to Latvia and Lithuania, the Estonian family still receives a substantial majority (almost 3/4) of its income from employed activity. It could be said that the average Estonian family member's markedly higher income compared to the other Baltic States results mainly from the greater economic activity of Estonian families. Particularly at the start of the transition period, the reduction of family incomes resulting from the drop in economic activity was compensated via the social security system in Latvia to a greater degree than in Estonia and Lithuania – higher pensions and benefits were paid out. In Latvia, the social security system has, to a certain degree, inhibited the entrepreneurship and responsibility of families.

TABLE 3.1.

Wage levels in Estonian regions (gross wage in 4th quarter, 1997, compared to wage level in Tallinn, %)

Region	% Tallinn wage level
Tallinn	100
North and central Estonia	74
North-east Estonia	70
West Estonia	67
South Estonia	65

Source: Palk 2/97. Statistical Office. Tallinn, 1997.

Factors causing income differentiation

The size of the income of a family member is generally determined by the type and size of the family, because, depending on these, the families have different income sources (Table 3.2.). In Estonia, incomes have been higher than average in families with two adults, singles, and married couples with one child, and lower in families with many children and families with a single parent. In families with children, most of the income (78% in families with a married couple with one or two children) was derived from salaried employment, but since there are few income generators in these families, and the child support benefits are low, the incomes were lower than the average (except in families with one

[1] The income situation of families is viewed on the basis of data from the standing study covering the income and expenditures of households, organized by the Statistical Office. In the interests of brevity, the concept "family" is used instead of "household". A family is seen as a group of persons living at the same address and jointly using monetary income, and where the members see themselves as one family.

TABLE 3.2.

Average net income for families of various types and size, 1997, %

Family type	1 adult	1 parent and child(ren)	Married couple	Married couple with children	with children			Other
					1	2	>2	
Average number of members	1.0	2.5	2.0	3.8	3.0	4.0	5.3	3.4
Income from salaried employment	44	60	49	74	78	78	54	68
Work activity of an individual	9	9	16	11	9	8	24	10
Benefits	44	27	32	11	8	10	20	20
Other income	1	1	2	2	3	2	1	1
Non-monetary income	2	3	1	2	3	3	2	1
Net income share of family average, %	119	80	128	93	108	93	68	93

Source: Based on data from the standing study carried out by the Statistical Office on the income and expenditures of households.

child). The net income of a single person (one member family) was comprised of the same proportions for income received from salaried employment and benefits. Income received from individual work activity has been the most important in families with many children, and has provided almost a quarter of the net income per family member for families with three or more children. This demonstrates the special situation for families with children – at the time of bringing up the children, when in many families there is only one income provider and, due to the children, there are certain restrictions in the choice of a job, the family cannot survive on only income from salaried work.

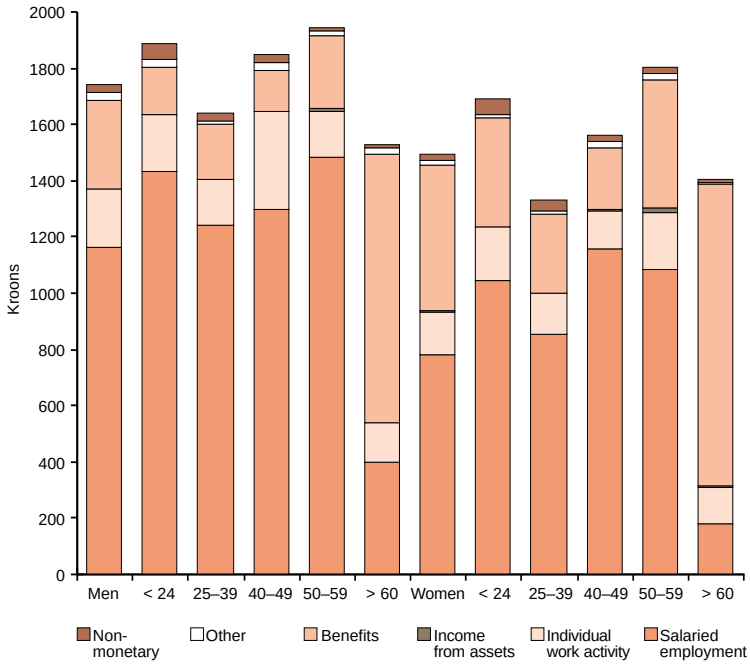
Family incomes also differ according to the counties. In Põlva county, the net income per family member per month did not even reach the subsistence minimum (1141 EEK in the 4th quarter of 1997). The income per family member in Tallinn was one-third higher than the Estonian average. Incomes in Harju and Rapla counties were a little higher than average, but in all other counties they were below the Estonian average. Comparing the net income for families between Tallinn and other regions, one can see that the income per family member in north-east and south Estonia is 40% less than in Tallinn, and 30% less in north, central and western Estonia. In contrast to the beginning of the transition period, the size of the family income depends much more on the size of the family and the head of the household's (the family member with the highest income) gender, age, ethnic group, education and social status.

The gender inequality in the distribution of incomes is conspicuous. It was families with a male family head, in most age groups (except for 60 year olds and older), who received a markedly higher income. In families with a female family head, a higher income was received only in the 50–59 year old age group. On an average, the income per family member for families with a female family head in 1997 was 14% lower than for a family member with a male family head, and this was a result of the different character and share of the sources forming their families' incomes (Figure 3.1.). The incomes of these so-called men's and women's families differed the most in the 25–39 year old age group. The incomes of women in the best period of their lives are markedly lower than those of the men of the same age. Also, the member of a family with a

FIGURE 3.1.

Net income per family member per month, depending on the age and gender of the family head, 1997, kroons

Source: Data from a standing study carried out by the Statistical Office on household incomes and expenditures.



25–39 year old male family head received 84% of income from work activity and only 12% from benefits. A member of a family with a female family head of the same age had income comprising almost a quarter of benefits. The lower level of income for families with a female family head can be explained by the relatively low wages of the spheres of activity and professions which are characteristic to women (for example, teachers, medical and service personnel), and also by the reduced opportunities to actively participate in labor market competition due to the obligations of child rearing and looking after the family.

It could be claimed that the special role of women has not been fairly valued by society. The support currently paid during absence from work due to the birth of a child is not even at the coping level, let alone at the subsistence minimum level (currently twice the coping level). This is the start of the drop in the living standard for a young family, particularly for single mothers. During the child-raising period, many women are forced to select a job, not according to their capabilities and education, but a job, which is possible to manage together with a home and family. Generally this means a reduction in income. Women's smaller than average incomes result in their lower standard of living or a life style dependent on men.

On the other hand, women's incomes are distributed more equally than men's due to the character of their sources (the part of salaries is markedly smaller and the part of benefits larger than for men). Since the level, and standard deviation, of women's incomes is lower than the average, but the share of the benefits is large and the dispersion of the benefits is relatively narrow, this reduces the general inequality of the income distribution.

The ethnic identity of the head of the family has not influenced the income of the household member as much as gender or age. In a family with a non-Estonian head, the income of a family member is on average 7% less; in an Estonian family it is 3% higher. In comparison to families with an Estonian head, the part of the income received from individual paid work in the structure of incomes of non-Estonian family members is larger and the part of benefits is smaller. The share of salaried work is also greater than in Estonians' families. The lower than average income level of families with a non-Estonian family head is explained primarily by their differing fields of activity and the levels of wages there.

BOX 3.1.

Women's incomes as a problem

The role of women in society, which in many ways determines their lower income compared to men, can only change when the values system changes. Society should place more value on the mother's role. The low incomes of women, due to which the majority of families living in poverty are families with children or single mothers, as well as the continual drop in birth rates, should force a change in the situation. Raising the level of child support or setting up special support for motherhood would not only be a family policy decision but would also have a beneficial effect on women's self-esteem and help form a positive attitude to life.

Income and education

The size of incomes is associated not only with a person's economic coping ability and quality of life. Through one of the most important parts of incomes – salary – society gives an assessment to human capital (assesses his or her education level, professional skills, health, motivation, etc.). The level of education is one indicator of the quality of the work force, which, however, is associated with the salary level, so that the rise in the education level is generally accompanied by an increase in salary.

In 1997, 66% of families were part of the workforce due to the economic activity of the family head. More than half of the families had a head with secondary education, 16% had higher education and 12% had education up to elementary education. Analysis has shown that the incomes of families have quite a range, depending on the education level of the family head. This reflects a new direction in society – education is now being valued, but unfortunately not sufficiently. This is particularly clearly reflected by the low salaries in the education sector. According to wages data from the Statistical Office, the salaries of educational workers from 1994–1997 were, in the third quarter, the lowest in the country (due to seasonal factors, to a certain extent), and formed only 55–67% of the average gross wage.

In a family where the family head has higher education and is working in his or her trained specialty, the net income per family member in 1997 was 41% more than a member of an average family, and 10% more for a family member where the head has secondary education. The income per family member in families where the head has an elementary, basic or vocational education, however, was 15% less than the average income. In families where the head has secondary education, the net income of a family member was one-third higher than in a family where the head has elementary or basic education. Vocational education based on basic education did not increase incomes, but secondary specialty education did. A member of the family, where the head has higher

education and is working in his or her specialty, received the largest share of salaried work (73% of net income) and the smallest share of benefits (16%) – in the case of these families, the share of asset income and other incomes was more noticeable than in the families with other education levels (Figure 3.2.). In families where the head has elementary education, the main source of income was benefits (67% of the net income of the family member), and salaried employment provided a smaller share of income (19%). It can be assumed that the family heads with elementary education are primarily older people, living on the pension. Analysis of the incomes of family members shows that the higher the education level, the more varied are the incomes. This means that a rise in education is accompanied by a more active attitude and a greater ability to take coping responsibility. The choices are also more varied.

The largest differences in the level and structure of families is caused by the social status of the head of the family, which generally is itself associated with the education level. A family member in a family with a head who is an entrepreneur has a net income 25% greater than an average family member. With a head who is a salaried employee, the income is 8% higher. A member of a farmer's or pensioner's family received 20% less than the average, and a member of a family belonging to other social statuses received almost 50% less income. The large differences were due to the sources of the formation of the income for these social groups (Figure 3.3.). Income received from salaried employment (depends directly upon the level of the salary) provided 3/4 of the income of the salaried employee's family, and only 13% of the income of a farmer's family. 59% of the income of an entrepreneur's family was formed by salaried employment and 19% from the individual work activity. The share of benefits was of course the highest in the income of pensioners' families (87%) and also farmer's families (25%).

BOX 3.2.

Probability factors for a less than average income

A family member has an income, markedly less than average, if the family:

- has many children
- has a single parent
- has a family head with elementary education
- has a family head with basic education
- has a farmer as family head
- has a family head who is a pensioner
- has a family head who is a 25–39 year old female
- lives in south-east or north-east Estonia.

The variation from the average income may be particularly large if there are a number of these factors existing simultaneously in the family, and there are also unemployed people in the family.

FIGURE 3.2.

The structure of the monthly net income of a family member, depending on education, 1997, kroons

Source: Data from the standing study conducted by the Statistical Office on the incomes and expenditures of households.

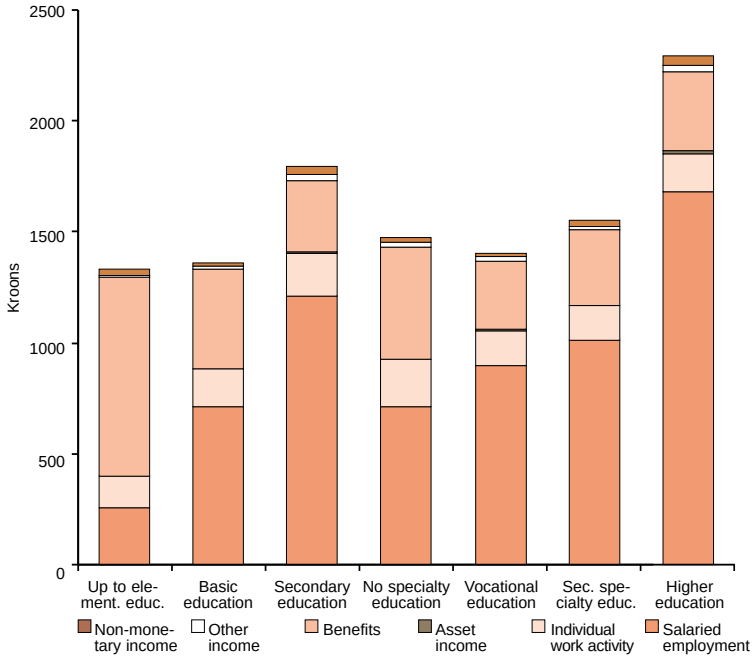
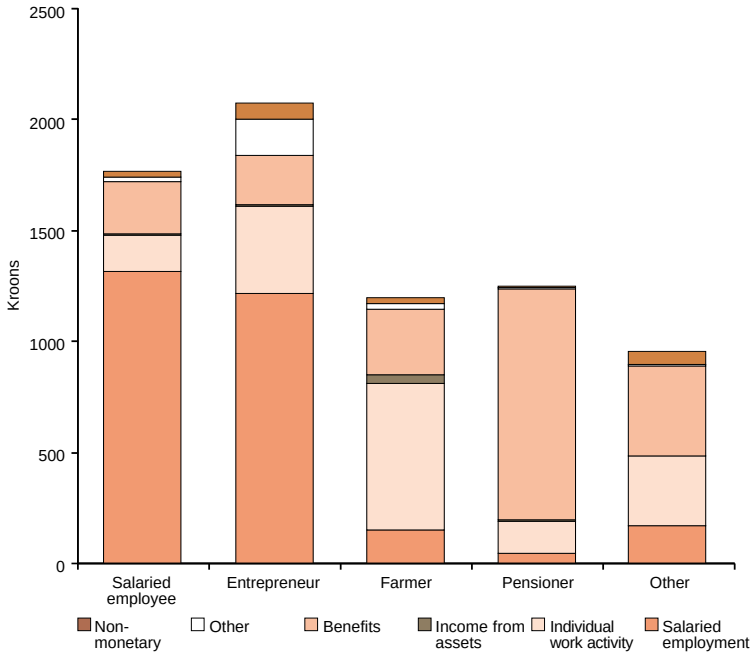


FIGURE 3.3.

Net income per family member per month, according to the social status of the head of the family, 1997, kroons

Source: Data from the standing study conducted by the Statistical Office on the income and expenditure of households.



Income distribution

1997 is characterized by the deepening of the economic inequality of families. Whereas in the first quarter, the difference between the net income of a member of a family in the tenth and the first decile was 9.6 fold, in the third quarter the difference was 15.7 fold. In the fourth quarter, for all years under observation since 1993, the inequality in the distribution of income has lessened, due to seasonal differences. In the third quarter of 1997, a member of the poorer 40% of families received 18.5% of the average net income, and a member of the wealthier 20% of families received 46.4% (in the first quarter, 21.0% and 41.1% respectively). In comparison to Latvia and Lithuania, the inequality between the incomes of Estonian families has been greater. Comparing Estonia to Great Britain, the most unequal of the European Union member states regarding income distribution, it becomes apparent that the incomes of Estonian families were distributed more evenly. However, it should be taken into account that incomes of families in Great Britain depend more than other European Union states on asset income; income from property and business are always distributed much more unequally than income received from salaried employment. The unequal distribution of income for Estonian families is amplified by the low level of the average income.

Due to a number of reasons (the unwillingness of families to declare all income, methodological problems with the study, etc.) the actual economic differences of families are reflected better in the level of expenditures rather than in the distribution of incomes. The Estonian Statistical Office determines the inequality of expenditures using the Gin coefficient, as of the first quarter of 1997. Although, in the previous years, it did seem that the rise in the Gin coefficient had ended, in 1997 we had to admit that it was rising – i.e. inequality had increased, and also that, in the distribution of expenditures, inequality had increased during 1997: in the first quarter G=0.34, fourth quarter G=0.38.

The wealthiest and the poorest

The social complement of those belonging to the two extreme income deciles (first and tenth) is completely different, and this is apparently the reason for the large difference in incomes. In the first quarter of 1997, the lowest income decile included: the majority of the unemployed, in comparison to the second decile, markedly more families with children and many children, relatively many families from villages or remote farms, relatively many families with non-working age members (children, pensioners), more families where family heads have low education levels, families with members in activities with lower salary levels (agriculture, forestry, fishing) and positions (manual laborers, skilled laborers, commercial and service workers). The size of the income of families also depended more, than for the other deciles, on benefits (unemployment benefits, child and coping support, pensions).

The decile with larger incomes comprised mainly urban families, families with a small number of dependents and a higher level of employed, well-paid salaried employees (top managers and specialists, and middle-level specialists), families with self-employed workers and company owners. In comparison with the other deciles, there were more families with members active in the civil service, finance and real estate companies, and families with a high level of education. The income of a family depended mainly on the success of economic activity.

Poverty

Due to the relatively low average level of incomes, and the deepening inequality of their distribution, the extent and intensity of poverty has increased. In the Soviet era, poverty as a phenomenon was less discernable. The poor, as a certain stratum of the country's population, are still being formed. Therefore, the problem is to avoid the creation of the root of poverty. The fight against poverty is made more difficult by the self-propagation of poverty – most poor families become poorer year by year. Since the children of poor families do not receive sufficient education, parental guidance or care, it is difficult for them to rise to a higher level of material wellbeing. A lifestyle characteristic of the poor is developed, from which only the very strong manage to tear themselves away.

Assessing poverty as a relative phenomenon depends on the criteria. The current subsistence level, due to its characteristic (depends mainly on the state's economic possibilities and does not cover expenditures on food, even at the level of the minimal basket of food cost), cannot be taken as the basis for the assessment of either absolute or relative poverty.

Although, during the time of its calculation in 1993, the coping level (poverty line) was according to the assessment criteria of relative poverty used by EUROSTAT, it has not been possible – due to the limited economic possibilities of the state – to raise it according to the rise in the cost of living. The current coping level does not presently form even one third of average consumer expenditures. The coping level, as of November 1, 1997, is (compared to September 1993) 192 EEK, i.e. 68.6% of the level set in 1993 (Table 3.3.). Starting from October, 1994, the

TABLE 3.3.

Changes in the level of coping support, 1993–1997

Date set	Level of support		Family member's average over previous three months		Cost of minimum food basket, EEK	Share of coping support, %		
	Nominal, EEK	Actual (relative to Sept.1993), EEK	For consumer costs, EEK	For housing costs, EEK		In consumer costs	In housing costs	In cost of minimum food basket
2.09.1993.	280	280	591.6	77.2	224	47.3	362.5	125.2
1.04.1994.	280	202	657.9	119.1	275	42.6	235.1	101.8
1.10.1994.	320	210	853.4	126.4	285	37.5	253.2	112.3
1.02.1996.	390	180	1220.2	245.6	...	32.0	158.8	...
1.01.1997.	460	195	1401.0	310.3	545	32.8	148.2	84.4
1.11.1997.	500	192	1629.0	266.0	571	30.7	188.0	87.6

Source: Calculations using data from EMOR and ESA.

coping level cannot even be seen as the absolute poverty line, because incomes at that level do not cover the required expenditures of the cost of even the physiological minimum food basket.

The calculation and implementation of the subsistence minimum from the third quarter of 1997 as a result of the trilateral (government, Central Association of Employers and trade unions) negotiations, provides a justifiable basis for the assessment of the extent and intensity of poverty (percentage difference of the indicator selected for measuring net income and poverty) (Figure 3.4.). On the basis of the subsistence minimum, relative poverty included 30% of families, and the poverty intensity in families of the first income decile was over 50%, in families of the second income decile 21%, and 4% in the families of the third income decile. By measuring relative poverty against the 50% level of the net income of an average family member, it is seen that, in 1997, 10% of families had an income less than this, and the poverty intensity was 37%.

The poverty of families is also reflected in their consumer behavior, and the consumption structure is formed depending on the size of the income. Whereas in 1997 food costs formed an average 38% of the net income of a family member, they formed 77% for families in the first income decile, 54% for families in the second income decile, and 20% for families in the tenth income decile. Family members spent an average 19% of net income on housing: a family member in the first income decile spent 27%, and a family member belonging to the tenth income decile spent 14%.

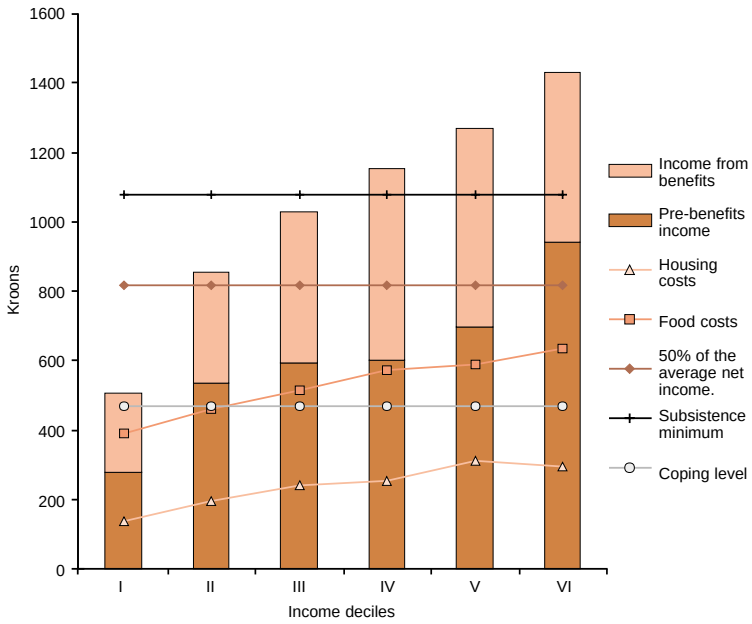
The extent and intensity of poverty has been reduced through the help of the state's social policy measures. Without benefits, the extent of relative poverty according to the subsistence minimum would have included 60% of families, because it was only in the seventh income decile where the pre-benefits income of a family member exceeded the subsistence minimum. In Estonia it has been currently possible to implement only social policies with narrow bounds and low social expenditures. Such a social care system offers protection primarily to those people who suffer great economic deprivation.

Apparently it would be better to direct efforts to create a special purpose support system, which would reduce the share of general coping support in the improvement of the economic situation of families, and would be oriented directly to those needing support. Such a policy would ensure a more effective use of the state's resources, and although it

FIGURE 3.4.

Poverty intensity in families with low incomes, 1997, kroons

Source: Data from the standing study conducted by the Statistical Office on the incomes and expenditures of households.



would not compensate for the general inability to cope, it would assist in overcoming economic difficulties due to a particular reason (old age, unemployment, becoming an invalid, raising children, etc.). Since it is known that in the decile with the smallest family incomes there are predominantly families with children, pensioners or the unemployed, then it depends on a socio-political decision whether these families suffering deficiencies are allocated monetary resources as a general coping support, or as special purpose support (child support, unemployment support, pension). The larger the part of social care needs that is covered by special purpose support, the less the need for coping support. Depending on the criteria, a 60% (to ensure families with low incomes a net income at the coping level) to 400% (to raise incomes to the subsistence minimum) increase in social care resources is needed, in comparison to the level allocated in the current state budget.

With the aid of social policy, it is possible – to a certain degree – to smooth out the self-regulatory function of economic development, as well as the excessive differences in income levels, which have occurred as a result of decisions regarding the labor market, education and other policy decisions.

3.2. Pensioners – a Slow Improvement in the Economic Situation

In transition economies, pensioners are without doubt one of the social groups that suffers the most. In the first half of the 1990s, as compared to other states, the average pension in Estonia was unprecedentedly low (almost 25% of gross wages), both on the absolute level as well as by comparison with average wages, which gave credence to claims that Estonia was carrying out its economic reforms at the cost of the elderly. The low level of pensions was probably one of the principal motives why the social and political attitudes of the older generation so drastically differed from those of the younger generation (see Chapter 1.2). Let us have a look at the recent changes in pension rates in Estonia.

TABLE 3.4.
Number and share of pensioners in the population
(in thousands, by the end of the year)

	1993	1994	1995	1996	1997
Population	1 506.9	1 491.6	1 476.3	1 462.1	1453.8
Total number of pensioners	387.2	381.7	374.3	370.5	366.9
Old-age pensioners	308.3	302.1	297.0	291.1	286.2
Loss of provider pensions	20.7	21.3	16.1	15.9	15.3
Invalid pensioners	50.0	52.3	55.3	57.6	59.9
Retirement pensions	5.9	4.2	3.8	3.8	3.6
National pensions	2.3	1.8	2.1	2.1	1.9
Share of pensioners in the population, %	25.7	25.6	25.4	25.3	25.2

Source: Statistical Office of Estonia. Pensioners.

At the end of 1996, there were 370 500 pensioners who made up 25.3% of the total population of Estonia (see Table 3.4.). Most of the pensioners – nearly 80% – are entitled to the old-age pension. In connection with the rise of the retirement age, the number of old-age pensioners has dropped recently while that of invalid pensioners has grown. Almost 40% of the 15 900 persons who retired on a pension in 1997 applied for an invalid pension. By 1997 the number of invalid pensioners had grown by 19.9% as compared to 1993. In view of the continuous rise of the pension age, the number of invalid pensioners is also likely to grow in the future which, by the way, will reduce the economic effect expected from the rise of the retirement age.

Because of the low retirement age in Estonia, the employment of pensioners was previously quite high. Thus in 1990, 28.4% and in 1992, 25.3% of pensioners worked. Changes in the labor market and the emergence of unemployment have steadily reduced pensioners' employment, which in 1996 amounted to 15%. The employment of pensioners would make a substantial contribution towards raising the generally low standard of living of pensioners and their families, but in the present labor market situation this is quite difficult.

Pensions are paid in Estonia according to the temporary Law on State Allowances that

was adopted in 1993. The law provides four types of pension: old-age pension, invalid pension, loss of provider pension and national pension. A special case of the latter is the retirement pension, which is paid to certain professions. The rate of the old-age pension is calculated as a sum of two components: one of which is the flat-rate basic pension and the other depends on the number of worked years. Other pensions depend on the rate of the basic pension only and are equal to all recipients.

All pensions are paid from the social tax (20% of gross wages) through the state social insurance budget. In Estonia, pensions are not financed from the state budget or local budgets.

The adoption of the new pension law has been on the agenda for years. The elaboration of the pension law was hampered by not only technical problems but it was also difficult to define the state's economic potential for the application of the new law at present and in the near future – how much resources can be collected for pensions and to what extent and in whose interest they should be redistributed.

On June 19, 1998, the new Law on State Pension Insurance was adopted by the Riigikogu. According to the law, a three-pillar pension insurance system will be implemented in Estonia. The pillars are:

- state pension insurance, which will be implemented in the form of state compulsory pension insurance
- compulsory individual savings insurance, which is based on private financing
- voluntary savings insurance

The new state pension insurance law comes into effect on January 1, 2000, and the compulsory savings insurance should enter into force on January 1, 2001. Voluntary insurance agreements may already be concluded with numerous life insurance companies.

Since the introduction of the Estonian kroon, the average pension has increased 4.5 times as compared to the first quarter of 1993 and 6.8 times as compared to 1992. In the first quarter of 1993 the average pension was 229 kroons and made up 25.5% of the average gross wages. In the fourth quarter of 1997 it was 1052 kroons or 26% of the average wages. Thus we can say that the growth of average pensions and wages has more or less kept pace with each other. Until April 1, 1995, pensions were increased by raising the basic pension rate, and subsequently by increasing the coefficient that depends on the number of worked years. Therefore, since the second quarter of 1995, the old-age pension grew faster than any other type of pension. In the first quarter of 1993, the old-age pension formed 25.5% of the average wages and in the fourth quarter of 1997 – 28.3% of the average wages. The pensions rate has grown in connection with their regular annual or semi-annual readjustments (see Table 3.5.).

TABLE 3.5.

Average pensions in Estonia in 1993–1997, 1st and 2nd quarter, kroons

	National pension	Old-age pension	Loss of provider pension	Invalid pension	Retirement pension	Average pension
1993	254	318	233	281	276	309
1994	278	455	309	362	372	431
1995	375	670	447	536	501	637
1996	462	953	559	706	689	889
1997	542	1 110	613	797	757	1 027
1998 1st and 2nd quarter	618	1227	685	886	819	1133

Source: State Social Insurance Board.

Changes in the actual purchasing power of pensioners in Estonia can be characterized by the real pension indicator. Figure 3.5. characterizes the change in real wages and real pensions in Estonia since 1993. As compared to the average wage, the growth of real pensions, old-age pensions in particular, has surpassed the growth

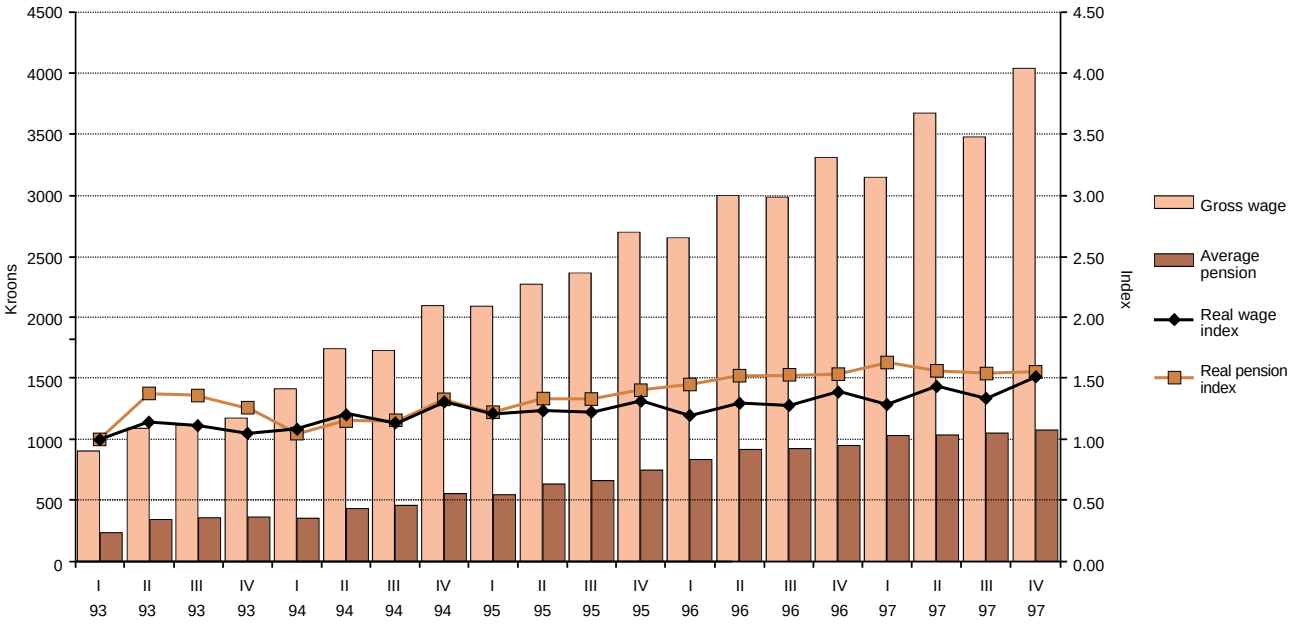
BOX 3.3.

Social consequences of a small pension

Despite the relative improvements in the economic situation for pensioners over the recent years, the risk for social exclusion of elderly people has remained high (Estonian Human Development Report 1997). The slight rise in income has not managed to make good the major drop in the welfare level, which occurred in the whirlwind of social and economic changes at the beginning of the 1990s. The consumption structure of elderly people is mainly dependent on the costs for food and housing. In the case of pensioners, the biggest sources of poverty are indeed the high housing costs, often forming more than half of their income. Therefore, pensioners are forced to accept a less substantial and less varied selection of food, to restrict expenditures on health and medicines, and to essentially give up all kinds of social expenditures (purchase of newspapers and books, visits and issuing invitations). A severe material shortage can damage an elderly person's health, increase isolation, and the growing feeling of injustice increases alienation from society.

Source: Poverty in Estonia: analysis of development patterns, models and reasons. UNDP project report for "Developing a national strategy for the alleviation of poverty in Estonia". University of Tartu Family Studies laboratory, 1998.

FIGURE 3.5.
Wages versus pensions



of real wages. The average real pension in the fourth quarter of 1997 was 66% higher than in the first quarter of 1993 while average real wages had grown by 49%.

In observing the growth of wages and pensions, we can see that the highest wages occur in the last quarter of the year. The regulation of pensions generally occurs on April 1, which means that the highest rise is in the second quarter. In conditions of rapid inflation, the real pension index in 1993 dropped during the year, but the changes later have been more even.

In conclusion we can say that in contrast to the other population groups, the economic position of pensioners has indeed improved, though slowly. Improving the standard of living of the elderly continues to be a serious task in the future as well.

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3.3. Various Population Groups on the Labor Market

From the viewpoint of social integration, particularly in so-called transition economies, it is vitally important whether and how people manage to find their place in the changing labor market.

In the following we analyze, on the basis of data from the labor market study (ETU)[1] carried out in 1995, the movement of workers on the labor market in the period 1989–1994. This period enables the analysis of changes in the labor market at the time before the transition period (1989–1990), during the time of rapid changes (1991–1992), and during the first years of reform after the revolutionary changes (1993–1994). The results of the analysis cannot reflect tendencies, which are currently occurring on the labor market, but it is nevertheless possible to achieve on this basis a good picture of what has happened on the labor market in the period of economic restructuring, and how the various social groups have coped with the revolutionary changes. Since these rapid changes are now behind us and stabilization has occurred on the labor market, then,

[1] The survey covered 10 000 people between the ages 16–75. For the methodology used in the study, refer to Pettai, U., Eamets, R., 1997.

with a certain level of risk, we could consider the condition of the labor market, which formed in the last year of the period under observation, to be relatively similar to the current situation.
The characteristic of the methodology is the differentiation between three conditions:

- people working
- people looking for work
- people not working or looking for work.

The first two categories could conditionally be called active, the third passive. It could be claimed that activity from the standpoint of the labor market also reflects the wider integration of people into the economy and society, an orientation towards participation, and a readiness to find one's place. Due to the rise in activity on the labor market we may conclude that Estonian society is able to tolerate change well and is able to adapt. Increase in non-activity shows people's "disassociation" from the economy. Since the passive group is a potential applicant for social support, this means an extra burden for the state's social policies, but from the standpoint of effectiveness of society, it also shows growth in alienation.

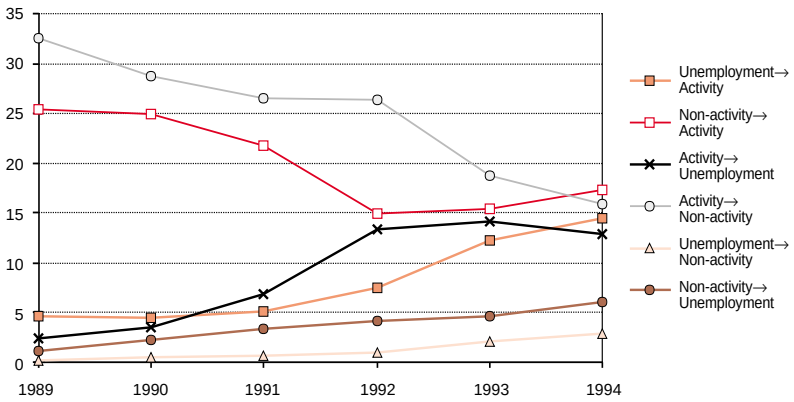
Movement of the workforce as a whole

The most important tendencies are as follows:

- Movement in the labor market from activity to non-activity is the greatest movement in the labor market in most of the period under observation, although, in the period under observation, it has constantly lessened compared to the other movements. Movement from non-activity to activity lessened up to 1993, after which it has been increasing.
- Movement from activity to unemployment up to 1994, and from unemployment to activity during the entire period, has increased. As of 1994, movement from activity to unemployment has started to decrease.
- Movements from non-activity to unemployment, and from unemployment to non-activity, although both are increasing, are still on a lower level in absolute terms.

Figure 3.6 shows that the relative activity of the workforce, and therefore the association with the labor market, has increased in the period under observation. Movement from activity to non-activity has reduced and from non-activity to unemployment has grown. It can therefore be claimed that people in Estonia can tolerate social changes quite well. At the same time is must be noted that, as expressed in absolute terms, the non-active category has constantly increased.

FIGURE 3.6.
Movement of the workforce from one labor market category to another, 1989–1994 (%)
Source: Eamets R., Kulikov D., Philips K. Estonian Labor Market Study 1995. Structural Changes on the Estonian Labor Market 1989–1994. Statistical Office, Tallinn-Viljandi, p. 156, 1997.



The major change in labor market behavior occurred in 1992, when monetary reform was carried out and which was also the lowest level in the fall of the economy. Due to the fall in the economy and the need to restructure, agriculture and industry found themselves in a particularly difficult situation. Structural changes in those sectors where the majority of the workforce was employed caused the changes in the behavior patterns of the workers, as shown by Figure 3.6.

It can be seen from the Figure that movement from unemployment to activity has grown more rapidly than movement from activity to unemployment. On the one hand, the economy has managed to offer sufficient new jobs, and on the other hand, it must be taken into account that unemployment has in the entire period under observation grown in absolute terms. The reason for this is primarily the growth in structural unemployment. People do not have the necessary education or qualifications for working in the jobs on offer, or if they have the qualification, there is no applicable work close to home.

The increase in non-active people is due mainly to the fact that movement from non-activity to activity was smaller up to 1994 than movement in the opposite direction, i.e. from activity to non-activity. Therefore, despite the positive directions in the behavior of the workforce, the number of non-active persons increased during the period under observation. This situation is relatively common in transition economies.

It is also logical that movement from unemployment to non-activity has grown markedly. This movement has increased the most – 28-fold. Most of those "giving up" are the long-term unemployed, who have given up looking for

TABLE 3.6.

Basic Indicators of the Estonian Labor Market, %

Year	Participation rate	Unemployment rate	Non-activity rate		
			Total	Men	Women
1989	76.9	0.6	23.1	17.5	28.4
1990	75.5	0.6	24.5	18.0	30.5
1991	74.3	1.5	25.7	18.4	32.4
1992	72.2	3.7	27.8	19.5	35.3
1993	70.2	6.5	29.8	22.0	36.9
1994	70.1	7.6	29.9	22.1	37.0
1995	68.5	9.7	31.5	24.1	38.3
1996	68.1	10.0	31.9	25.0	38.2
1997	68.1	9.7	31.9	24.7	38.3

Note: *Participation rate = Workforce / Population of working age*
Unemployment rate = Unemployed / Workforce
Workforce = Unemployed + Active
Non-activity rate = Outside the workforce / Population of working age
Population of working age = 16–75 year olds

Source: *Statistical Office.*

work. It could be claimed that these people have suffered the most as a result of the social changes. At the same time, the opposite movement – from non-activity to unemployment – increased only 5–fold. It should however be noted that the share of these movements is relatively small compared to the total movements.

Analyzing the relative movements, it is also important to look at the absolute changes (Table 3.6.). As can be seen, the reduction in activity has to a degree changed into a growth in non-activity. Therefore, many people who previously had some application have now given up looking for work.

Changes in work activity, according to language, gender, age and education

Besides general integration into the labor market for a person, the integration of age, gender and minority groups into the labor market is also important.

It is quickly apparent that the non-activity of women has grown more rapidly than the non-activity of men. This can be explained by economic reasons, since unemployment in the period 1895–1995 was greater for women than for men. It also should be taken into account that on the labor market there is a discriminatory attitude towards women.

In Estonia, the biggest minority group is the multi-ethnic Russian-speaking population. For the labor market analysis, language differentiation is a more suitable basis than ethnic category, so we therefore use the first of these two. In employing a person, the employer does not generally inquire regarding the ethnic group of the applicant, but is primarily interested in which languages the applicant can speak, and the ability to speak the state language is particularly important. In 1989, 65.6% of the active working population had Estonian as their main language; the rest can generally be considered as being part of the Russian-speaking population.

From the standpoint of the labor market tendencies, the movement between activity and unemployment is the most important, and therefore, of the possible combinations of changes in status in the labor market, only this movement is closely examined here.

With the aid of regression analysis, presumed probabilities were calculated regarding the share of certain age, gender or language groups in the movements between activity and non-activity. As can be seen from the data, the biggest movers from activity to unemployment were middle-aged, Russian-speaking men with little education. It could also be claimed that their activity in the labor market, on the whole, compared to other groups was the greatest, because if we look at the opposite, the movement from unemployment to activity, we can see that here the Russian-speaking men with little education "move" the most. As a whole, the movement activity of younger people on the labor market is greater than for older people.

Movement from activity to unemployment (Figure 3.7.)

This movement is characterized by the following general trends:

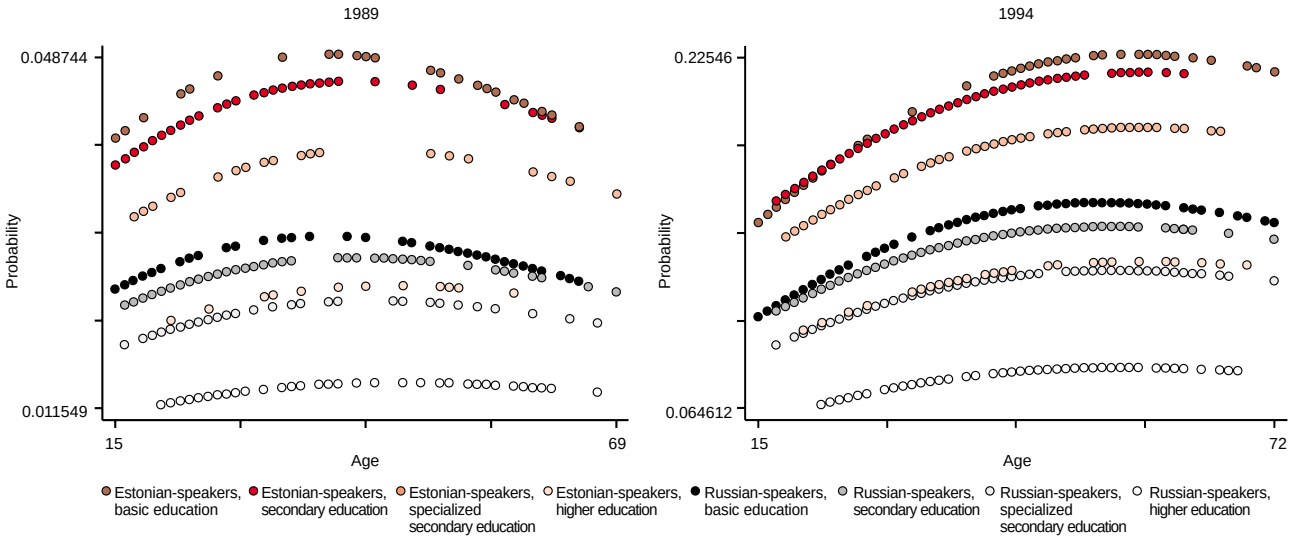
- The average movement probability for men, on all education levels, is greater than for women.
- Compared to 1989, in 1994 the probability to move from activity to unemployment has markedly grown, for both men and women.
- The lowest movement probability is for people with the highest level of education.
- The probability to move from activity to unemployment, for almost all education levels (except for higher education), is the highest for Russian-speakers.

Since the trends for men's and women's movements are generally similar, the illustrative figures chosen are for men.

From Figure 3.8, we can clearly see that the probability relationship between age and move-

FIGURE 3.7.

Movement from activity to unemployment. The presumed probability of men's movement according to education level and age.



ment from activity to unemployment has changed. Whereas in 1989 the probability increase was clearly apparent for both men and women up to the age of 45–50, and thereafter followed a reduction, then in 1994 the probability increased almost constantly until the pension age. One of the differences which is apparent in the comparison between men and women is that with men the greatest probability for a movement in this direction is for men with the lowest education level (up to basic education), then for women, the biggest probability is for women with secondary education. Of course, it must be said that particularly in 1989, the difference in the probability of movement for the two education groups of women was minimal.

The greater mobility of non-Estonian speakers, mainly Russian-speakers, is at least partially due to the different structure, regarding ethnic background (and as a result, language), of the various economic spheres.

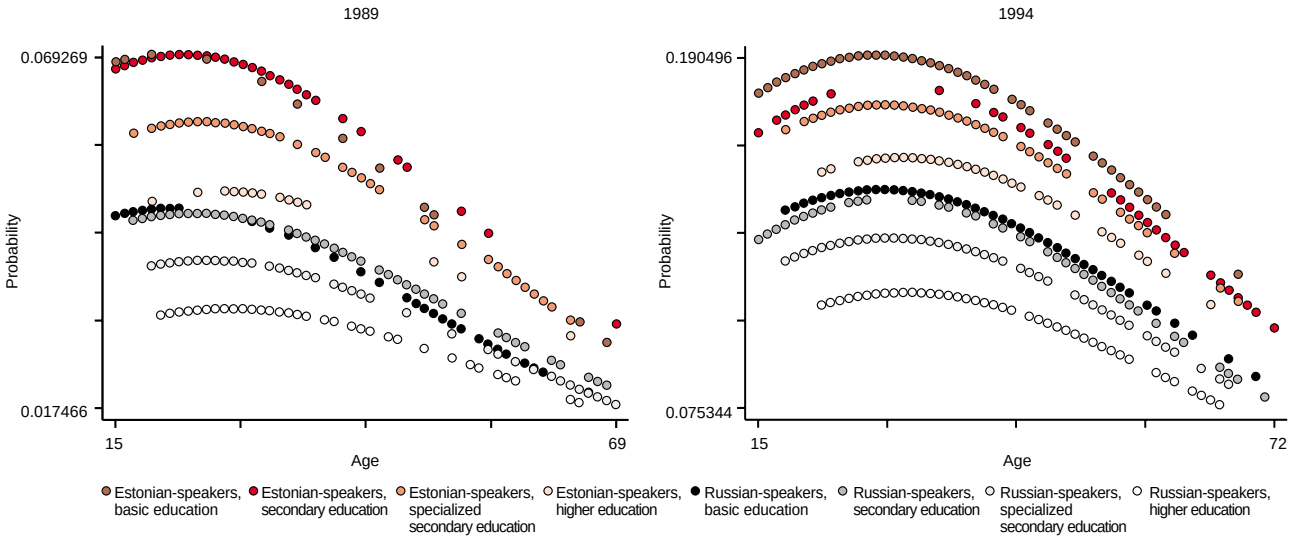
Movement from unemployment to activity

The general characteristics of this movement type are the following:

- The probability to move from unemployment to activity reduces as the age increases.
- Movement probability is, on almost all education levels (except for higher education),

FIGURE 3.8.

Movement from unemployment to activity. The presumed probability for women, according to education level and age.



greater for Russian-speakers. This tendency has deepened, so the labor market condition for the Russian-speaking population has improved for this indicator. 1994 data already shows that the probability for Russian-speaking women with higher education moving from unemployment to activity is greater than the movement probability for Estonian-speaking women with a lower education level.

- In 1994, the movement probability from unemployment to activity has increased, compared to 1989, but this almost twice as slowly as the probability for movement in the opposite direction.

The difference between this and the previous movement becomes apparent when we look at the effect of age on getting back into workforce activity: as the age increases, the probability to move from unemployment to activity reduces. In 1994, women were the only exception. As can be seen from the Figure, the probability to move from unemployment to activity increases up to the age of 23–25, and thereafter it constantly reduces as the age increases.

In conclusion, it could be said that language, education and age are vital influences in movement from both activity to unemployment, as well as from unemployment to activity. One of the possible explanations is definitely the location of the workforce with various language backgrounds in particular economic sectors. It is probably important that a large part of the Russian-speaking workforce is located in the so-called fading economic sectors, which due to the rapid structural changes are losing their importance, or where the numbers of active employees are being radically reduced. Due to this, the activity of Russian-speakers on the labor market is higher, because they are forced to find themselves new jobs. Regional differences do not seem to be as important, since Tallinn, where a large part of the Russian-speaking workforce is located, is above the Estonian average regarding investments and salary levels. If regional differences had had a very great effect on the activity of movement, the high indicator for Tallinn should have leveled out the differences in the movements between Estonian-speakers and non-Estonian speakers.

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3.4. Adaptation as an Indicator of Integration

The adaptation of people, both with the market economy, as with a continually changing economic, social and technological environment, is a vital factor in integration into society. On the basis of the 1996 nationwide sociological study, it is possible to divide the Estonian population into 5 groups, according to their ability to adapt to a market economy (Table 3.7.). The basis taken was the respondent's own assessment of their success and competitive ability, their actual socio-economic position (area of activity and level of incomes and consumption), and their method of adaptation – how actively or passively the person adapts to a market economy.

Successfully adapted (23%). This group has adapted smoothly and its members have the highest socio-economic status (company owners, specialists and service sector workers with good qualifications). They do not have to compete on the labor market and they receive almost half of all the population's income. They are characterized by the highest level of education, very good professional training and they are overwhelmingly young (39% are under 30 years old). They are resident mainly in Tallinn and in other larger towns. Estonians are well in the majority (80%).

The level of integration into society of this stratum is markedly higher than the other strata and their effect on that which occurs in Estonian society is pivotal, because they have leading positions in government, politics, the economy, in cultural and educational spheres – thereby participating directly in decision-making and management.

TABLE 3.7.

Adaptation to the market economy – a typology

Type	Social level	Education level	Ethnic group	Age
A Economic elite stratum 8%	* Owners * Business managers, company owners * Creative intellectuals * Top specialists, service sector workers * High civil servants	Higher education 72%. No person with basic, or less than basic education.	Estonians 75%. Non-Estonians 25%.	Under 30 years old 29%, 31–50 years old 49%. Over 50 years old 22%.
B Higher middle stratum 15%	* Middle level civil servants * Middle level managers * Small business owners * Specialists and service sector workers with good qualifications	Higher education 25%. Basic or less than basic education 9%.	Estonians 84%. Non-Estonians 16%.	Under 30 year olds 43%, 31–50 year olds 22%. Over 50 year old 35%.
C Lower middle stratum 33%	* Specialists and service sector workers with average qualifications * Civil servants * Worker aristocracy * Small business owners * Working pensioners	Higher education 24%. Basic or less than basic education 12%.	Estonians 64%. Non-Estonians 36%.	Under 30 year olds 20%. 31–50 year olds 65%. Over 50 year olds 15%.
D Higher low stratum 32%	* Workers with low or no qualifications * Farmers * Farm workers * Workers in small service sectors and so-called small specialists * Pensioners	Higher education 3%. Basic or less than basic education 14%.	Estonians 48%. Non-Estonians 52%.	Under 30 year olds 14%. 31–50 year olds 31%. Over 50 year olds 55%.
E Lower low stratum 12%	* Chronic unemployed * Non-working invalids * Minimaalset pensioni omavad pensionärid * Lastega suured pered	Basic or less than basic education 30%. Secondary or secondary specialist education 70%.	Estonians 47%. Non-Estonians 53%.	Under 30 year olds 43%. 31–50 year olds 45%. Over 50 year olds 12%.

BOX 3.4.

Division of the Estonian population

The Estonian population divides into three wider strata:

1. Successfully adapted elite stratum and higher middle stratum – 23%
2. Lower middle stratum that has adapted with some effort – 33%
3. Low stratum that has adapted with great difficulty – 44%

This stratum's advantage is, on the one hand, a high education level, good professional training, and, on the other hand, a better level of being informed, a higher level of activity and willingness to take risks. 43% have started their own company or have undertaken business projects. Half work permanently at a number of jobs. They have quickly acquired a market economy way of thinking, values and lifestyle. Almost half have undertaken further training during the previous year.

Adapted with some effort (33%). The people in this group have had reasonably satisfactory results in adapting to the market economy examination, and they have their heads above water. Their socio-economic status is

Estonia's average. This group includes specialists and service sector workers with average qualifications, and the worker aristocracy. They have approximately 30% of the total population's income and on the labor market they can choose those jobs which are left over from the first group.

People in this stratum have a relatively low educational level, with only every fourth person having higher education. Their professional training is also meager and during the previous year only 15% undertook further training to raise their qualifications. One third lives in Tallinn, the second third in other larger towns, the rest in small towns. Estonians form 65%, non-Estonians 35% (as in the population as a whole).

The effect of this stratum on the processes occurring in Estonia are indirect and conditional (participation in elections). A low position in the workplace also does not generally enable participation in decisions there. The representatives of this stratum are not directly excluded by Estonian society, but they are also not adequately included in the formation of processes occurring in society.

Compared to stratum I, stratum II is less integrated into Estonian society. The basic social needs, such as recognition, status, self-realization, are mostly unrealized. There is no secure material and social position, or certainty and a sense of security about the future. The stratum as a whole is still seeking its place in market economy Estonia. What is positive, however, is the quite high level of activity – every fourth person has set up his or her company or started up a major business project. One third works many jobs.

The lower level of integration is due to a meager professional training. There is no money or time to undergo further training. Two-thirds are women who do not have time due to family duties.

Great difficulty in adapting (44%). This group has adapted into the market economy only relatively superficially. Problems are caused due to coping with daily economic problems, paying utility bills, etc. On the labor market, people belonging to this stratum are in an excluded situation. Every fourth person is a chronic unemployed or anti-social. They end up with the jobs on the labor market, which require the lowest qualifications. Often they have to work part-time, temporarily, for the lowest wages, etc. Their socio-economic status is low – workers with low qualifications, also service sector workers and specialists with low qualifications, and pensioners. Of total population income, they make up only one fifth.

The group is characterized by the lowest level of education, a relatively large share of non-Estonians (52%) and older people (over half are 50 years and older). Every fourth person lives in Tallinn, every third in Narva or Kohtla-Jarve.

The effect of the persons in this stratum on processes occurring in Estonian society is very indirect and minimal, and the people mostly feel themselves to be excluded. Their integration level into society is very weak. The reason is due to the low education level (only 3% have higher education), and a weak specialty training, and also a lack of adaptation skills and knowledge regarding the market economy, as well as passivity. Their adaptation style has generally been a restriction of their needs and extreme thrift. There have not been attempts at launching business projects, to work a number of jobs, etc; this due to lack of skills, entrepreneurial abilities or willingness to risk. The lowest 12% of this stratum (Table 3.7.) is completely unable to adapt.

The stratum, which has integrated well and is successful, comprises only 23%, and almost half of the population has integrated weakly. Based on the above, Estonia can be considered to be amongst the still developing countries, where utilization of the social resource (the people) is primitive, because almost half the population is only partially active, and does not feel secure.

In a liberal market economy such as Estonia, those with low education, the older and low-paid workers, and service workers, pensioners, feel themselves insecure. Many do not have the training or the characteristics, which would enable them to get an influential and high-income job. They are in an excluded situation on the labor market and easily replaceable as a workforce. For this reason, many of them are not interested in the speedy victory of the market economy, which they know would bring new adaptation tasks.

People with more education and a higher social and material status feel much better in a market economy. They are less dependent on others, they can cope with their lives themselves, are more active and more entrepreneurial. They can more easily follow innovations and change, and feel themselves to be responsible for Estonia's welfare.

The key issue in Estonian society is the rapid widening of the well-integrated stratum.

For the normal working of society, 50–60% is required in the educated, entrepreneurial stratum – those with a mission (i.e. the middle class, which wishes to serve society) – and this would then be the critical mass for all areas: economy, education, culture, health sector etc. A stratum of only 23% involved in a developing society is not able, as a critical mass, to effectively influence all of society or to develop all areas equally.

Integrating into Europe and the World

4.1. Social Space as a Factor of European Integration

In describing the changes, which have occurred during the last 10 years in Estonia, it is also important to characterize them from a spatial aspect. After the fall of the Iron Curtain, the social distance between Estonia and other countries and peoples has changed: many of them have become closer for Estonia, have become more familiar and significant, while others have moved further away and have become strangers.

The collapse of communist regimes has significantly changed spatial relations in Europe; the expansion of the European Union, which will probably take place in the next decade, will change them further still. Every post-communist country is already developing the configuration of its relations with other countries – its unique social space. Social proximity does not coincide with geographical proximity, although it is strongly influenced by the latter. But the social distance between countries is influenced also by political and economic, historical and cultural factors.

The different configuration of spatial relations helps to explain various peculiarities in the development of post-communist countries. It can be claimed that the faster development of the Visegrad countries as compared to the Balkan countries, and that of the Baltic states as compared to the CIS countries, is largely explained by the closer ties between these countries and the developed western nations, while the closer ties in turn are explained by the fact that these (Visegrad and Baltic) countries historically belong to the western civilization (Lauristin, 1997).

The main issues to be analyzed in this article:

Which countries have dominated in Estonia's social space in the middle of the 1990s (1994–1997)? What is the tendency of change in the social distance between the countries – which countries have come closer to Estonia recently and which are moving away? Are these changes coinciding with European integration and are they contributing to it? How similar is Estonia's social space to that of Latvia and Lithuania, and is this similarity increasing or decreasing? Are Estonia's relations with countries important to it symmetrical, i.e. is Estonia as important to them as these countries are to Estonia?

Estonia's social space, 1994–1997

Five different levels can be determined in the international social space: 1) political space, 2) economic space, 3) cultural space, 4) individual practical contacts space, and 5) attitudes and preferences space. The first three can be viewed as a societal (institutional) space, the last two as personal space (Vihalemm, 1997).

Based on national and official statistics, interview results and data from an Estonian-Swedish joint study (Balticom Project – Rosengren and Weibull, 1997), carried out in 1991–1995, we have characterized Estonia's social space for the recent years with 18 empirical indicators: three for political space, three for economic space, three for cultural space, five for individual contacts space, and four for attitudes and preferences space (Vihalemm, 1997).

The analysis enables us to claim that Russia, Finland, Sweden, the other Baltic countries, USA, Germany and Denmark are very important in Estonia's political space.

Estonia's economic space is dominated by Finland, Sweden and Russia.

The top place in Estonia's cultural space is occupied by the Nordic countries, especially Finland.

Finland is also predominant in the individual contacts space, both regarding foreigners' contacts with Estonia and Estonians' practical contacts with other countries (travel, letters, telephone conversations). Although the use of English has grown very rapidly in recent years, more Estonians still spoke Finnish than English in 1997 (Baltic Media Book 1998: 19).

In the Estonians' interests and attitudes towards other countries, Russia holds an important position, as well as the other Baltic states, and Finland and Sweden. Russia is predominant in the interests and attitudes space of the Russians living in Estonia.

If we combine the various spatial relations indicators into an index of social distance, we can see that the Estonian social space is dominated by Finland, Russia and Sweden. When comparing the index with a similar one from the year 1991, we notice that Finland has occupied the place of the closest country to Estonia only in the last 4–5 years (Table 4.1.).

Change in spatial relations, 1991–1997

In order to present the tendencies of change in social space and the special features of Estonia, Latvia and Lithuania on the basis of empirical data, we compiled an index of spatial relations. Unfortunately, all 18 indicators we used to characterize the Estonian social space in the mid 1990s could not be included in the index as we lacked comparative data for many indicators from the beginning of the 1990s, or from the other Baltic states. Consequently, we had to limit ourselves to 7 indicators characterizing economic and personal space: export, import, foreign investments, reception of foreign tourists, visits to other countries, interest in news from other countries and attitude towards other countries as a potential residence (where the subject would live if he/she left Estonia). According to these indicators, we formed priority lists of countries, where the top ten countries were considered in the index of closeness of relations, the top of the list receiving 10 points, the following one 9 etc., with the tenth on the list scoring 1 point. The maximum value of the index, revealing the greatest social proximity, was thus 70 points.

As we can see from Table 4.1., according to the index compiled in this way, Russia greatly dominated the economic and personal space of Estonia as late as in 1991, when Moscow's political control over Estonia had already been severed (this occurred in the early spring of 1990, more than one year before the official restoration of independence). The dominating group of nations were the republics of the Soviet Union; besides Russia, the group of very important countries included 4 Soviet republics (with the exception of Latvia and Lithuania). But the top ten important countries already included Finland, Sweden, the US and Germany.

TABLE 4.1.

Estonian social space (economic and personal), 1991 and 1994-1997

A priority list of countries important to Estonia, based on the social proximity index (the index has been compiled on the basis of 7 indicators, with the maximum value of 70 points)

1991*		1994–1997**	
1. Russia	62 points	1. Finland	61 points
2.-3. Finland	42	2. Russia	57
2.-3. Ukraine	42	3. Sweden	52
4. Latvia	39	4. Germany	39
5. Sweden	37	5. USA	33
6. Lithuania	36	6. Latvia	27
7. USA	28	7.-8. UK	22
8. Germany	27	7.-8. Lithuania	22
9. Byelorus	17	9. Norway	17
10. Kazakhstan	9	10. Denmark	16

Point totals in groups of countries

Other Union republics, except Baltic states	130	Põhjamaad	146
		European Union (except Finland, Sweden, Denmark)	72
Nordic countries	84	CIS	71
Other Baltic states	75		
Countries outside Europe	48	Other Baltic states	49
European Union (except Finland, Sweden, Denmark)	33	Countries outside Europe	43
Visegrad countries, Balkans	13	Visegrad countries, Balkans	5

** The index has been compiled on the basis of the following indicators: 1) export 1991 (priority list on the basis of export, 1st place = 10 points, 10th place = 1 point); 2) import 1991; 3) direct foreign investments as of June 30, 1992; 4) reception of foreign tourists 1991; 5) countries visited at least once during lifetime 1991; 6) interest in news from other countries 1991; 7) attitude towards other countries as a potential residence (where would they live if they left Estonia) 1991.*

*** The index has been compiled on the basis of the following indicators: 1) export 1997; 2) import 1997; 3) direct foreign investments as of 30.09.1997; 4) reception of foreign tourists 1996; 5) countries visited at least once during lifetime 1994; 6) interest in news from other countries 1994; 7) attitude towards other countries as a potential residence 1994.*

Source: Statistical Yearbook of Estonia 1992, 1993, 1997. Estonian Statistics No. 1, 1998, Bank of Estonia. Liuhto, 1995; Vihalemm, 1997.

Some years later, in the period of economic and cultural stabilization in 1994–1997, Estonia's economic and personal space had changed significantly. Finland has occupied the top position, and although social distance with Russia has only slightly increased according to this index (social distance would have been much greater if cultural space indicators could have been considered as well), there has been a significant distancing from the former Soviet republics (Figure 4.1.).

FIGURE 4.1.

Estonia's social space (economic and personal), 1991 and 1994–1997 (values of social proximity index)

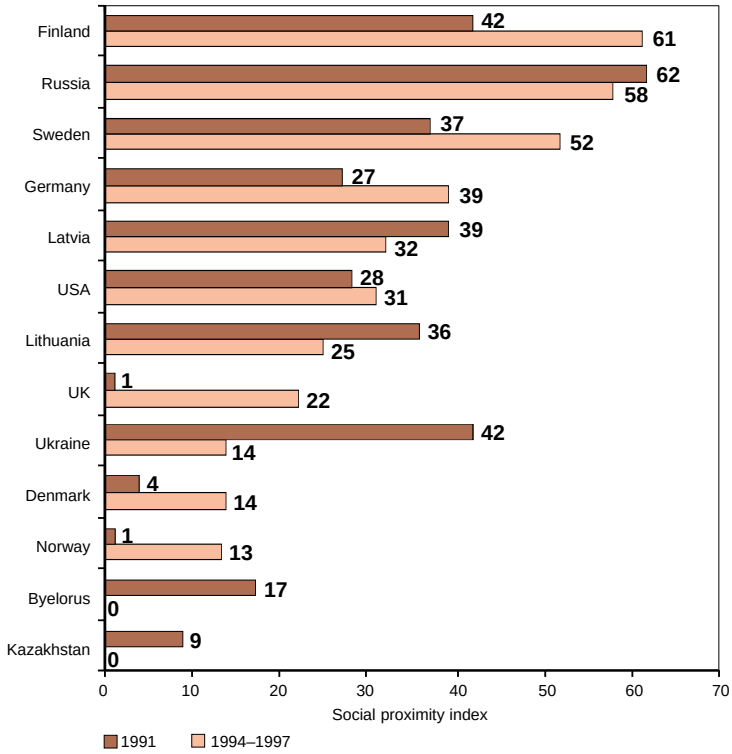
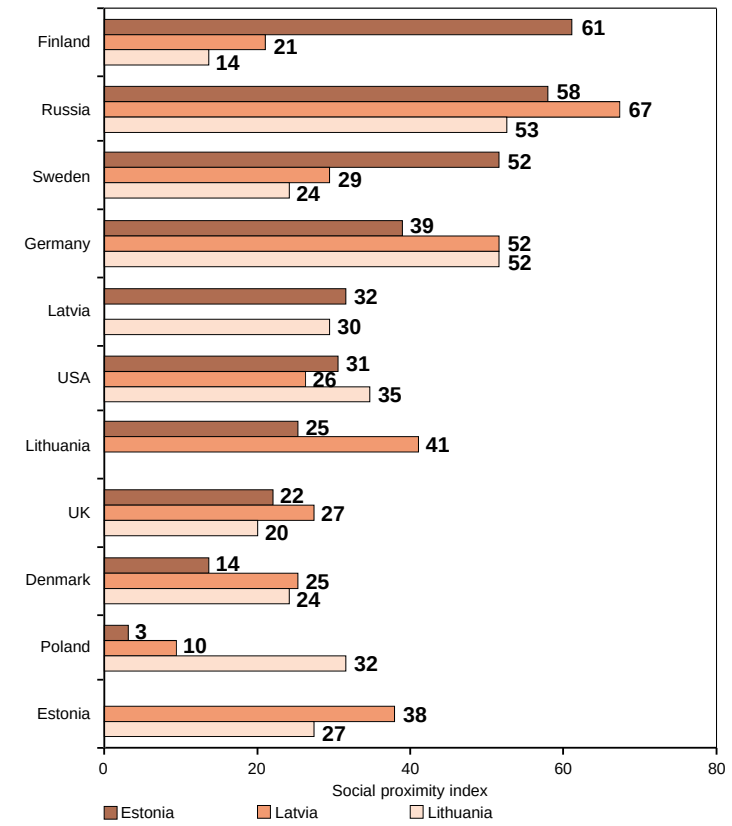


FIGURE 4.2.

Social space of Estonia, Latvia and Lithuania, 1994–1997 (values of social proximity index)



The total value of the CIS member states has decreased almost two-fold. Somewhat surprisingly we also notice social distancing from Latvia and Lithuania. The other post-communist countries (the Visegrad and Balkan countries), which were quite remote from Estonia in 1991, have become even more so.

The Nordic countries have moved significantly closer: all four of the Nordic countries are featured among the top ten of social proximity. Economic and personal contacts with the UK and Germany have also become significantly more frequent.

These changes reflect Estonia's return to the Western world in general, from which it had been forcibly cut off for 40 years. On the other hand, this reflects the start in Estonia of integration into the EU and the peculiarity of Estonia's approach, as compared to Latvia and Lithuania – the move towards the EU via the Nordic countries, especially Finland and Sweden.

Social space of Latvia and Lithuania, 1994–1997

Based on analogous data from Latvia and Lithuania, we formed an index of social space exactly comparable to Estonia. Table 4.2. and Figure 4.2. show the important differences in the configuration of spatial relations between the Baltic states, especially between Estonia and Lithuania.

The Nordic countries are significantly less important in the social space of Latvia and especially Lithuania, as compared to Estonia. Finland does not make the top ten of social proximity in Lithuania, and the social distance to Sweden is also much greater. On the other hand, Poland, relatively insignificant for Estonia and Latvia, is close to Lithuania. Lithuania's political and economic cooperation with Poland and the other Visegrad countries has become significantly more active in recent years. According to Lithuanian leaders, they "value highly Baltic solidarity, but also feel part of Central Europe". Latvia and Lithuania also have significantly closer ties with Germany as compared to Estonia.

Russia is still greatly dominating Latvia's social space. Latvia, unlike its northern and southern neighbors, does not seem to have its unique way to the European Union. While Estonia is approaching the EU via Finland and Sweden, and Lithuania via Poland, Latvia has no partner of its own. Perhaps Germany could perform that role, considering the Germans' very close ties to Latvia throughout 700 years?

The increasingly clear differences in the development paths of Estonia, Latvia and Lithuania are somewhat balanced by the tendencies in the formation of the common Baltic economic space (Kokk, 1997). Ever more Estonian enterprises are active on the Latvian and Lithuanian markets. Estonia has been the most active among the post-communist countries as to capital outflow – 1.8 billion EEK was invested outside Estonia in 1997, of this 71% in Latvia and Lithuania (*Postimees*, April 3, 1998). Estonia has risen to among the top ten investors in the other Baltic states, holding tenth position in Latvia and ninth place in Lithuania, as of 1.10.1997.

It should be noted that, according to the social distance index, Baltic cooperation seems to be more important for Latvia than for Estonia or Lithuania. Lithuania is among the three socially closest nations for Latvia.

TABLE 4.2.

Social space (economic and personal) for Latvia and Lithuania, 1994–1997

Priority list of countries important to Latvia and Lithuania based on social proximity index (the index has been compiled based on 7 indicators*, the maximum value of the index is 70 points)

Latvia 1994–1997			Lithuania 1994–1997		
1.	Russia	67 points	1.	Russia	53 points
2.	Germany	52	2.	Germany	52
3.	Lithuania	41	3.	USA	35
4.	Estonia	38	4.	Poland	32
5.	Sweden	29	5.	Latvia	30
6.	UK	27	6.	Byelorus	29
7.	USA	26	7.	Estonia	27
8.	Denmark	25	8.–9.	Sweden	24
9.	Finland	21	8.–9.	Denmark	24
10.	Ukraine	18	10.	UK	20

Total of points in groups of countries

CIS	96	CIS	98
European Union (except Finland, Sweden, Denmark)	90	European Union (except Finland, Sweden, Denmark)	94
Other Baltic states	79	Nordic countries	62
Nordic countries	75	Other Baltic states	57
Countries outside Europe	39	Countries outside Europe	36
Visegrad countries	10	Visegrad countries	35

** The same indicators have been used in compiling this index as were used in calculating the social proximity for Estonia, 1994–1997 (Table 4.1.).*

Source: Statistical Yearbook of Latvia 1997.
Statistical Yearbook of Lithuania 1997.
Monthly Bulletin of Latvian Statistics, No. 1, 1998.
Economic and Social Development in Lithuania, No. 1, 1998.
Vihalemm, 1997.

The Baltic states' position in the social space of Finland and Sweden

We also compiled an index, similar to the above, to characterize the social space of Finland and Sweden. Unfortunately, data concerning all indicators was not available and, as a result, the Finnish and Swedish index combined only 5 indicators instead of 7. The index included in both cases import, export, the number of foreign tourists received and interest in news from other countries. The fifth indicator was, in Finland's case, overnight foreign trips, and in Sweden's case, attitude towards other countries as a potential residence.

Table 4.3. reveals that Sweden's economic and social space is clearly close to the other Nordic countries, Germany, the US and the UK. All the Baltic countries, including Estonia, are socially very remote from Sweden. The proximity was slightly higher during the Baltic independence movement in 1990–1991, but the interest has abated since the restoration of independence (Weibull and Rosengren, 1997).

Finland's social space is different from that of Sweden: not all Nordic countries are equally important for Finland – Denmark does not even make it into the top ten. Russia holds a very important position in Finland's social space. Like the Baltic states, Finland is located on the East-West border and relations with Russia are especially significant.

Although Estonia is included among the nations significant for Finland – Estonia is socially closer to Finland than the other Baltic states – Estonian-Finnish relations are asymmetrical: Finland is far more important to Estonia than vice versa. This is partly a result of the relations between a larger and a smaller partner (the larger partner is always more important to the smaller partner than vice versa) and the historical tradition – relations between Finland and Sweden are also asymmetrical as can be clearly seen in Table 4.3. But it seems to be partly caused by the general type of relations between the developed western and post-communist countries.

The social distance between the western countries and those annexed into the Soviet empire was asymmetrical even as early as during the Cold War. The Iron Curtain was nearly impenetrable as seen from the West, but much

TABLE 4.3.

Social space (economic and personal) for Finland and Sweden, 1994–1996

Priority list of countries important to Finland and Sweden based on the social proximity index (the index has been compiled using 5 indicators, the maximum value of the indicator is 50 points)

	Finland 1994–1996*			Sweden 1994–1996**	
1.	Sweden	47 points	1.	Norway	43 points
2.	Germany	42	2.	Germany	40
3.	Russia	38	3.	Denmark	39
4.	UK	30	4.	USA	36
5.	USA	28	5.	UK	35
6.	Norway	18	6.	Finland	25
7.–8.	France	16	7.	Holland	14
7.–8.	Estonia	16	8.	France	10
9.	Japan	11	9.	Australia	7
10.	Holland	7	10.	Italy	6

Total of points for groups of countries

European Union countries (except Sweden and Denmark)	108	European Union countries (except Finland and Denmark)	114
Nordic countries	69	Nordic countries	107
Countries outside Europe	39	Countries outside Europe	47
CIS	38	CIS	4
Baltic states	16	Baltic states	3

** The index has been compiled based on the following indicators: 1) export 1996; 2) import 1996; 3) reception of foreign tourists 1996; 4) interest in news from other countries 1994; 5) foreign trips with over-night stay 1996.*
*** The index has been compiled based on the following indicators: 1) export 1996; 2) import 1996; 3) reception of foreign tourists 1995; 4) interest in news from other countries 1994; 5) attitude towards other countries as a potential residence 1994.*
Source: Statistical Yearbook of Finland 1997.
Statistical Yearbook of Sweden 1997.
Invest in Sweden: Report 1997.
Suhonen, 1997; Weibull and Rosengren, 1997.

more transparent for a glance directed westward from the East. The residents in the East, especially those adjacent to the border and culturally part of the Western world (the Visegrad countries and the Baltic states) managed to be informed of developments in the West to a significant degree. At the same time, developments in the East remained hidden, mystical and confusing for the West, even for experts. Social time moved at a different rate for both sides of the border between the two worlds, developing a common postwar Europe at an increasing rate in the western part – a common cultural memory where there was no place for those lost behind the Iron Curtain.

After the collapse of the Curtain, the social distance between the East and the West has begun to contract, primarily westward from the East, but the rejoining of the two worlds may take decades. Not only economic, but also a cultural and social gap will remain between the post-communist countries and the western nations for many years to come.

The main meaning for European integration in the post-communist countries is, besides the security and political considerations, a determined and rapid bridging of this gap. Regional integration with Finland and Sweden will provide extra opportunities for Estonia and their use will accelerate the speed of European integration.

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4.2. Integration With the European Union: Some External and Internal Implications

"Turnaround to the West" and the European Union

Restoration of independence in Estonia in 1991 signaled the imperative need to integrate with various international structures – first and foremost, with western structures. It must be acknowledged, however, that at first the European Union (then the European Community) did not conspicuously stand out among other international structures. As pointed out by I. Raig, public attention was initially directed to the first official contacts with the International Monetary Fond and the World Bank, and later to the admission of Estonia into the Council of Europe, with the accompanying right for the Riigikogu delegation to fully participate in sessions of the Council of Europe Parliamentary Assembly (Eesti tee …, 1995). The signing of the Maastricht Treaty, although a highlight in the process of European integration, failed to draw much attention in the Estonian media. Nor was there any significant echo in domestic policy of the 1992 trade and economic cooperation agreement between Estonia and the EU. However, when the question of accession to the EU began to become a tangible reality, though still a distant possibility, the situation changed – with integration into the EU becoming a priority in accession to European structures. Accession found support from the majority of Estonia's economic and political elite. Originally, accession also enjoyed very strong public support.

In the case of Estonia, a significant motive in favor of accession to the EU is the fear of finding itself in the so-called 'gray zone'. This fear is amplified by the difficulties Estonia is facing in joining the security-ensuring NATO.

A quantum leap for Estonia was the conclusion of a free trade agreement with the EU. Later, the agreement became part of Estonia's Europe Agreement. It should, however, be emphasized that Estonia moved to a free trade agreement with the EU from the situation of having such agreements with its closest neighbors Finland and Sweden. The share of the above countries in the foreign trade of Estonia had become dominant in the first half of the 1990s. Hence we could claim that Finland and Sweden, in acceding to the EU, were instrumental in easing Estonia into free trade relations with that economic block. The above by no means downplays the efforts of Estonia in achieving a radical as possible version of a free trade regime (more liberal than the other countries have with the EU), nor belittles the good will of the EU, which was not directly obligated, when accepting the Nordic countries as members, to preserve their free trade with non-member countries.

Euro-integration and globalization

Euro-integration as an entity has been construed as one way towards the globalization of the whole economy and other communications, but

BOX 4.1.

Options for integration

One of Estonia's top intellectuals Rein Raud claims that, regarding the last 10–12 years, one can talk of two principal integration scenarios in Estonia (besides the EU). In the 80s there existed a theoretical possibility that this area, currently fearing becoming a gray zone, could evolve into a space – pursuing a politically, culturally and socially original policy – which could serve as an interface between two dramatically different economic and cultural environments, but being capable of maintaining contacts with both of them. Such an alternative did not materialize, given the way the Soviet Union deteriorated and collapsed. Secondly, the Nordic countries could have continued integration among themselves, without joining the EU – then, Estonia could have possibly, in some distant future, joined that culturally suitable space. With Finland and Sweden entering the EU, that second potential non-EU common space disappeared for Estonia. Hence, currently only two alternatives are left: either the European Union, or the gray zone, with all its related dangers, including the looming threat to be drawn into the economic and political space dominated by Russia.

Source: Raud, R. Euro-shadow over Estonia. "Postimees", Nov. 6, 1998.

at the same time also as a certain regional countermeasure to globalization due to the dominance of the US and Japan. There exists a simultaneous internal liberalization of economic ties together with a certain restriction in the outward direction. As compared with some other economic blocks (NAFTA, Latin-America's Mercosur) the externally projected protectionism is still rather moderate. For example, in the period 1990–1996 exports outside the free trade areas of NAFTA and Mercosur decreased compared to total exports; in the European Union, on the contrary, there was an increase. It should be noted, however, that intra-block exports occupy a more important place for EU countries than, for example, for NAFTA (The Economist, August 1998).

It has been claimed that the basic factor creating and molding the unification of Europe in this age is still globalization, but this process is occurring today through European institutions themselves, which are endowed with historically molded specificity and tend to set political, rather than economic goals (Castells, 1998).

It is important to point out that our information age does not globalize the whole economy – rather, it globalizes the strategic components of the economy. The electronically interconnected networks channel the exchange of capital, goods and information. Although a large section of employment remains regional, national or even local, the processes shaping the countenance of the economy are nevertheless global, not regional. "In cyberspace, there is no Europe", was the slogan fleetingly recorded recently in the Estonian press.

For Estonia, the opposition between the global and European level approach has already become apparent on a number of occasions. A telling example is the recent Catch 22 situation for Estonia, in the negotiations between the EU and WTO on audio-visual media. Time and again, Brussels has indicated to Estonia's representatives that the free trade relations that Estonia is trying to apply to various countries are laudatory in principle, but Estonia, as a country seeking to accede to the EU, should take care lest relations with third countries become more favorable than the ones Estonia has with the EU.

Nevertheless, it is not correct to regard the EU as a closed block, absolutely indifferent to everything lying outside its borders. Quite the contrary, recent developments have revealed the increased interest of the EU towards adjacent territories. In one direction, this concerns the Mediterranean cooperation of the southern flank of the EU with the North-African countries; and an example of cooperation in the opposite direction is the recent Finnish initiative to strengthen the so-called Nordic dimension of the EU. The substance of the latter initiative is the involvement of North-West Russia in the economic relations of the space, both to achieve economic goals, and to foster the strengthening of stability. Estonia has supported this said initiative.

The second half of 1997 witnessed a decision of primary importance for Estonia: inclusion of Estonia into the first round of the group of countries with which the EU started accession negotiations. In parallel with work on harmonizing Estonian legislation with that of the EU, 1998 witnessed the so-called screening, together with EU officials, of various conditions and rules, in order to ascertain the basic problem areas, which may impede accession. At the beginning of November, the executive body of the EU, the European Commission, published its interim report, assessing the readiness of the candidate countries to accede to the EU, as well as the work performed in the past year and a half in increasing the degree of accession-readiness. The situation and achievements of Estonia were assessed as being relatively positive, although not as highly as for Hungary and Poland. Shortcomings were seen in the lack of order regarding the internal market, delays in land reform, the weakness of the judicial system, and the need to legislate regarding the granting of citizenship through naturalization to children of aliens.

The general estimate regarding progress in Estonia was positive, rather than negative. By the end of 1998 accession negotiations between Estonia and the EU can be elevated to a higher level, i.e. to the level of ministers.

In 1998 the euro-integration process in Estonia became more in-depth and specific. It should be noted that, within the framework of the screening process, a true, detailed and extensive picture of the differences and contradictions between Estonian and EU legislation was revealed for the first time. The actual harmonization of laws continued, although not at the desired rate. For the first time, there were attempts to calculate how much the application in Estonia of certain principles of social policy used in the EU countries would cost. At the same time, it is justified to claim that if Estonia's euro-integration of Estonia is treated as the adaptation of the whole economy and society so that it can operate in the EU, rather than as intensifying commerce and other economic relations (this may occur even without Estonia

becoming a full EU member), Estonia is still in the initial stages of the integration process. Several problems of substance (e.g. free movement of labor, the question of common currency) have not yet reached the stage of serious discussion, nor have realistic options and alternatives been determined. Although people do have some social experience of transition to a market economy, as it occurred in Estonia, there is no experience of an European-style regulated economy and society.

BOX 4.2.

Superstructure and locality

One cannot assume that people want to live in a Europe with a bureaucratic superstructure. They constantly look for ties with regional, religious and ethnic communities. They seek a foothold where they feel they originally belong: in a homeland small enough to be encompassed, in the community of a familiar church, familiar concerns and native tongue, origin and history. Perhaps the era of the classic nation state is ending, but the need for structures that can be embraced, that can offer an individual more than just some bureaucratic service, will persist.

Source: Paper delivered by Michael Stolleis, "Legal Roots of Europe and its Future Constitution", in the University of Tartu Hall, 1997.

Internal development dilemmas in the European Union

Candidate countries, including Estonia, have to reckon with the fact that European integration is both the state and the process. The community of countries, currently dubbed the European Union, has evolved more or less continuously over a period of almost five decades. Many issues regulated by the Community, originally deemed utopian, have by now become reality. At the same time the countries are not at all ready to promptly waive the right to make sovereign decisions in certain questions like security, foreign policy and state defense. Consequently, notwithstanding the deepening and widening of integration, there are still areas remaining, where inter-governmental cooperation seems to be the sole possibility. The Amsterdam Treaty did make some headway on the path of closer integration, and brought some inter-governmental issues under the competency of the Community.

In the situation where the power of bureaucracy, located "far away", tends to increase and its efficiency remains low, there is a danger that the citizens of the member states of the EU will be disappointed by the idea of integration which envelops the continent. It is not only a question of opposition: nation state contra the Brussels bureaucracy, but that of the erosion of footholds, necessary for the 'man on the street'.

Currently no candidate country, nor a member country, for that matter, knows exactly what the regulations, institutions and competency of the European Union will be at the moment of accession. The collection of European Union norms, rules and administrative practice, i.e. *acquis communautaire* is not a fixed size, but a so-called moving target, requiring consensus between the members for any changes or additions. This is indeed the source of the risk that the EU may eventually hold up enlargement – in the interests of its internal development.

The opportunity to have a say in the development of the European Union has been naturally reserved primarily for the member states. European countries, whose economic partner the European Union is, must put up with the results, although they, too have their own vital interests, which they want to safeguard, using all possible diplomatic and other channels. The above problem range has been pointed out by the Norwegians, for example, who themselves voted at the last moment against membership.

Member states of the European Union have come to an understanding that the number of members cannot grow without renewing the procedures reorganizing the representation. Reorganization is also highly necessary for the interests of the efficiency of the European Union, because the Community must be able to hold on to its position in the world market.

A crucial aspect, related to membership in the European Union, is the identity of the state and the people.

Some Estonians have expressed the fear that the identity of Estonia as a nation will be diluted and ultimately dissolved in the European Union. It is impossible to conclusively do away with those apprehensions without tangible proofs, which will only come with time. Furthermore, when traveling in Europe and communicating with other Europeans, Estonians cannot help noticing that the surroundings are far from being unified and standard. One can hardly expect contacts with officials in Germany and Portugal to be similar, or that an Italian and an Englishman would react in the same way, when asked the time by a lady. At issue is not which trait of national character could easily be erased, but rather what type of developing multicultural environment should be accepted, and what type should not.

The topic of free movement of people, as one of the four basic pillars of the internal mar-

ket, has also been recently raised in Estonia. This issue concerns, on the one hand, the penetration of foreign labor and, on the other hand, the brain drain. The free movement of people contains the core principle that any citizen of a member state may, if he or she finds a job in another member state, become employed without bureaucratic restrictions. The opportunity to freely choose a job does not mean the chance to indulge in "unemployment benefits tourism".

The number of people who will be shuttling to and from Estonia can presently only be estimated. When making estimates, the experience of countries who acceded to the EU during the past enlargement rounds can be drawn on – keeping in mind that all of them had a much more advanced economy and welfare. According to the data contained in the European Commission's document "An Action Plan for Free Movement of Workers" (Brussels, 12.11.1997), only 5 million people in the EU reside outside their home country, and only 2% of the EU working age population is employed outside their home country, although those figures vary from country to country.

The European Union has accorded high priority to measures for unifying levels of development and increasing cohesion, both on the level of the Union as an entity, as well as at member state level. It can even be claimed that contrary to the differentiation in terms of property and otherwise, as evidenced in the world by and large in the recent decades, the EU has striven to pursue the opposite policy – be it successful or not. In actual fact, without such a policy there would not be much sense in speaking about the goal of strengthening the European identity. Europe would just be divided into a rich man's Europe and a poor man's Europe. The policy of unification is, however, seriously counteracted by the globalization of the economy. Investments tend to flow out of countries with high social costs and rising wages, and head for the cheaper countries, far away from Europe. Counterbalancing that tendency can only be the promotion of infrastructures and education in the countries being "helped along". It is the former socialist countries, including Estonia, that are facing a serious dilemma: how to enhance the quality of life, the degree of equality and solidarity of citizens, in a way which would preserve the motivation for rapid economic growth.

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4.3. Attitudes of Estonia's Population Towards Estonia's Accession to the European Union

Estonia's accession to the European Union may be treated as a geo-political or geo-economic process, but it can take place only if the population of Estonia desires it. The attitudes of Estonia's population, however, are undergoing a dynamic change, despite a generally positive trend. Depending on what people imagine accession means – the information they possess, their expectations – their support to accession changes.

We shall observe below, according to public opinion polls held in 1991–1997, which groups in Estonia's population support joining the EU, what motives are linked to their expectations and fears and what is the dynamics of the attitudes. The analysis is based on the results of the Euro-Barometer study, initiated by EU institutions, as well as those of studies conducted by Estonia itself.

General attitudes, based on the Euro-Barometer study

After the collapse of the former Soviet Union sphere of influence in Central and Eastern Europe, an interest emerged in the possibility of the states of that region joining the European structures. The goal of the international studies thus initiated was to determine the attitude of the population of these countries towards the prospects of their countries'

possible accession to the EU. Estonia was included in the study quite early after the restoration of independence. The results of the monitoring, however, failed to win any significant attention among Estonia's political public until the mid-1990s. Estonia's political elite was apparently unable to judge the importance of these studies, but it should be also pointed out that Estonia's interests regarding accession to the EU were still expressed as very general political declarations at that time and it was consequently difficult to correlate the study results to concrete political steps.

The Republic of Estonia submitted its application for membership in 1995 and the monitoring correspondingly turned into an important instrument of interpretation of public opinion and evaluation of readiness for admission.

Based on the results of the study it can be claimed that up to 1995 Estonian public opinion was in the euphoric stage of Euro-awareness. Critical attitudes towards the EU, to the extent they existed at all, were expressed cautiously and there were attempts not to dramatize the emerging problems, but at least to maintain neutrality. The share of definite supporters of EU membership continually exceeded 40%, while that of the opponents was less than 20%.

The years 1995–1996 are characterized by a concentration on problems and retreat from abstract discussions and Euro-euphoric attitudes. The process reached a cognitive stage, where possible problems accompanying the integration process were being acknowledged and own interests were being formulated. The decreasing support to the accession, revealed in the European barometer poll in 1996, was quite a surprise. In an imaginary Euro-referendum held in 1996, only 29% of those polled would have voted "yes" (44% in November 1995). A closer analysis and the following studies did show, however, that the figures revealed an expanding wait and see attitude due to new conditions providing better information, rather than an increased opposition to the EU. Among other factors, it was the impact of a somewhat delayed acknowledgment that the EU is not a defense organization and thus cannot replace NATO for Estonia. The decreasing support to the EU in that period was temporary, however, and as has been noted above, the setback was caused by the Euro-debate reaching the pragmatic phase in Estonia.

According to the results of the Estonian European barometer study in the first week of November, 1997, 40% of the respondents supported joining the EU. Twelve percent of the respondents opposed the idea and the share of those undecided was 36%. The share of people who said they would not vote was pleasingly small – only one eighth.

As far as the last couple of years are concerned, a positive trend in attitudes regarding European integration can be noticed in Estonia. This can be explained, at least partly, by closer European contacts at various levels and the generally increased Euro-awareness among the public. There is quite high interest in Estonia about the consequences of accession to the EU, especially for the man on the street. The picture is slowly clearing, but at a too slow rate.

Hopes and fears of Estonians and Russians

One of the first studies concerning public attitude towards the EU in Estonia was the detailed study conducted by the Institute for Open Society in June 1995, which looked at the priorities of the EU and NATO in Estonia. It was repeated a year later, but extensive information about the polls reached the Estonian public only in the spring of 1997 (Proos, 1997).

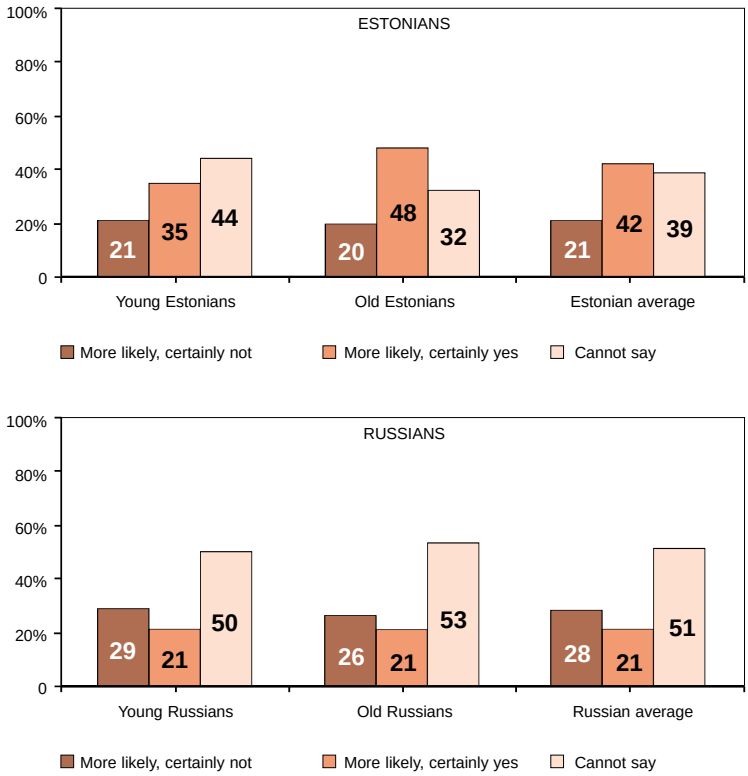
Approximately half of the respondents considered accession to the EU necessary, while in the opinion of every seventh person, Estonia had no special reason to join. One third of the respondents had no well-founded opinion on the accession issue.

The attitude towards the EU of the Russians living in Estonia as the largest group of non-Estonians was more favorable than that of Estonians. The reason for the significant difference is probably the fact that the Russians, unlike the Estonians, have no fear of the ethno-cultural influence of the integration of Estonia as a small nation in the EU.

Since the issue of national and ethnic identity is one of the most central ones in Estonia's attitude towards the EU, a study by the Institute for International and Social Studies (RASI) in March 1996 tried to clarify to what extent the fears and hopes characterizing Estonians and Russians are of a ethno-political basis. (Ruutsoo, Kirch, 1998).

It was apparent that the fear for one's cultural identity in a European Union without borders characterized a large percentage of Estonians at that time. The question "would

FIGURE 4.3.
"Will accession to the European Union result in Estonia, as a small nation, dissolving in a Europe without borders?" (March 1996)
Source: RASI.



accession to the EU bring about the dissolving of Estonia in a Europe without borders" received a positive answer from 42% of the Estonians and 21% of the Russians (Figure 4.3.). This and several other differences permit the claim that the Russians consider the European Union an ideal future for Estonia. The issue here is not only a Europe without borders, which outwardly coincides with the administrative organization of the Soviet Union, where there were no borders between the constituent republics. The Russians perceive the European Union as a factor developing a political regime, thanks to which all residents here will receive an equal status via European citizenship, and they will consequently be freed in a certain sense from the somewhat restrictive alien status in Estonia.

If Estonia should join the EU, every fourth young Russians and every fifth in the older generation hope to benefit from it economically, while the hopes of Estonians were relatively more restrained. The Russians presume the emergence of a stable economic space and the increase of individual welfare in Estonia as an EU member country.

The Estonians' hopes for security guarantees accompanying accession to the EU were clearly better defined as compared to the opinions of the Russians. The Estonians consider the security guarantees granted by the EU as a warranty for the preservation of Estonia's national independence and ethnic identity.

It is significant that the hopes concerning Estonia's future development in connection with the EU are relatively high. Yet half of the Russians and one third of the Estonians declined to answer individual questions about the EU at that time, referring to a lack of information.

What do people expect?

New information about the tensions, expectations and apprehensions connected with the EU was provided by the research project "Estonia and the European Union", completed in cooperation between RASI and the Estonian Government. As a result of the project, the book "Estonia on the Threshold of the EU" was completed.

The study involved interviews with 300 individuals in Tallinn, Tartu and Ida-Viru county in late October – early November 1997 by the RASI Center of European Studies and ARIKO MG.

The European Union has primarily achieved a good reputation as a developed economic environment. It is thus hardly surprising that a large share (73%) of the urban respondents in Estonia (primarily persons with some wealth – 83%) hope that the EU will have a positive influence on economic development and the state of Estonia's foreign trade balance (Table 4.4.).

Estonians also have high hopes regarding the EU role in providing security guarantees, and this is a result of Estonia's geopolitical position and threatened situation. The hopes for the improvement of security – both domestic and foreign, as well as military – have been compounded by hopes that job opportunities will improve after Estonia joins the EU.

The importance of the labor market and especially the trade union movement in the responses show that the Estonians' knowledge of the EU as an economic cooperation space of states oriented at a social market economy has widened.

The study showed that the two most significant fears are, first, the fear that EU acces-

TABLE 4.4.

Expected support from the EU for Estonia's development (October–November 1997)

Expectation that EU accession will improve…	Average (%)	Income group		Age group		
		Up to 1500 kroons per month	More than 3500 kroons per month	Up to 29	30–49	Over 50
1. Economic development	73	65*	83*	78	74	68
2. Military security	66	61	70	68	66	62
3. Foreign trade	64	55*	71*	74*	64	54*
4. Environmental state	50	46	55	49	50	49
5. Position of trade unions in society	44	36*	54*	47*	48*	35*
6. Social security	42	35*	49*	36	45	44
7. General living standards	41	32*	52*	39	41	44
8. Job opportunities	36	33	39	34	38	34
9. National culture development opportunities	31	29	35	30	32	31
10. Situation of non-citizens	29	30	27	32	27	27
11. Situation of pensioners	27	23	32	22	29	29
12. Agricultural situation	27	24	32	31	26	25

** Differences are statistically significant.*

sion will threaten development of agriculture in Estonia, and, secondly, that relations with Russia will deteriorate as a result of joining the EU. These two fears are priorities among 40% of the respondents. Experts, however, are of the opinion that these threats in the social consciousness are clearly exaggerated. A successful reform of Estonian agriculture outside the EU would certainly be more problematic than with European assistance; it can be also presumed that the relations of Estonia as an EU member country with Russia will be better than at present.

It can be summed up that the level of fears among the population connected with the EU is significantly lower than that of the positive expectations.

Although more than half the respondents considered themselves adequately informed about Estonia's European integration problems, the level of information still plays a quite important role in the shaping of opti-

BOX 4.3.

Regional differences in attitudes towards the EU in Estonia

If we view Estonia as three regions with different development potentials – rapidly developing North and West Estonia, stagnating South Estonia and the "desperately optimistic" Ida-Virumaa, the presence of the following tendencies can be confirmed:

• The "Euro-self-confidence" of Tallinn is largely based on a much more positive evaluation of European social and environmental policies. The background to this is better information. The future of agriculture is also seen optimistically. The expectations of the Tallinners regarding the future of Estonia's agriculture are significantly more optimistic than those of residents of other cities. The positive role of Tallinn and West Estonia in European integration is not only in a greater support to the "yes" option at a referendum. Tallinn as the capital is also ready to provide an example and to relay knowledge – to inform the entire country about the positive aspects of EU accession.

• The "Euro-optimism" of Ida-Virumaa deserves the term primarily due to the positive mental attitude: the Estonians living in the region believe that the general standard of living will improve and do not expect European integration to threaten ethnic culture. According to Ida-Virumaa, Estonia's accession to the EU would be a major political step, which could probably balance the negativity of Estonian-Russian relations and would expand the positive influence of Estonian-Russian trade for the region.

• The "Euro-caution" of Tartu and southern Estonian residents is based on fear for the future of Estonia's agriculture, doubts about the pensioners' future and the general social security and job opportunities.

Source: RASI Center for European Studies.

mistic or pessimistic attitudes. Several of the expectations and opportunities can be perceived by observers with common experience or elementary understanding of economics. But understanding the peculiarities of EU social policy, for instance, requires special experience and knowledge. The underestimation of the various opportunities offered by the EU is caused by the lack of knowledge.

The elite is less skeptical than the people

The actual integration process and further shaping of public opinion will significantly depend on the political, economic and cultural elite. Studies of the elite will provide a picture of the attitudes of the persons who make the actual decisions and shape the opinions, as well as the motives determining their positions. Important information about them is provided by the interviews with European affairs experts conducted by the RASI ethnic policy group in June-July 1996. The study of the European integration strategy of the Estonian, Latvian and Lithuanian elite covered 51 European experts in Estonia, 30 in Latvia and 55 in Lithuania.

The European experts' study concentrated on the attitude towards the EU and accession by the respective nation. The study revealed a hopeful attitude towards European integration among the Baltic states' elite. More than three-quarters of the respondents thought that their country should join the EU. The percentage of accession supporters in Estonia was 76% and more than 80% in Latvia and Lithuania. There were approximately five times fewer doubters among the experts as compared to the average skepticism in the polls held during the same period. The Estonian elite is quite unanimous in considering the nation's accession to the EU as a rational and well-founded choice. This view was confirmed by a repeated study of the European experts held in Estonia in February 1997: as many as 88% of the Estonian experts supported accession to the EU!

A large part of these representatives of the Estonian socio-economic and political elite associate Estonia's joining the EU with the "examination" of the various dysfunctions connected to the process and the adjustment of conditions, standards and rules ill-fitted to Estonia. But their optimism is based on the expectation that the Estonian negotiation delegation is capable and willing to defend their interests. This is the main basis for the development of their attitudes towards the EU. The study of the focus groups held 1.5 years later (autumn 1997) confirmed the previous results.

Estonia's special interests and their defense

The RASI Center for European Studies and ARIKO MG study conducted in October–November 1997 also asked for public opinion on the areas where Estonia should defend its special interests. These opinions were divided between several groups, with the economic concerns being dominant – primarily concerning employment and the competitiveness of Estonian production, in industry as well as agriculture. The third area of special interest was the future of the Estonian language and culture, but this was of significantly less importance for Estonians. Consequently, the fear that national culture could face strong pressure in Europe has not yet forcefully manifested itself in Estonia. It is possible that the threat to Estonian culture from the united Europe has been exaggerated.

The fourth area of Estonian European integration, where there could be problems, was the social situation and the educational sphere, as well as statehood and citizenship issues. But these problems are of much less concern to the respondents.

It is somewhat surprising that the need for defending special interests is the least acknowledged regarding the statehood and citizenship issues. It seems that the Estonian residents are confident in the ability of the state structures to defend Estonia's laws against the pressure of Brussels bureaucrats, or do not consider it important at all. It can be presumed that many people do not realize that Estonia's Citizenship Act is one of the most vulnerable areas in connection with the gradual implementation of European Union citizenship on the territory of Estonia as a future EU member country.

Who will decide the referendum issue?

The RASI Center for European Studies poll conducted in October–November 1997 also

asked people how they would vote in a referendum deciding Estonia's accession to the EU.

The most active voters at the possible referendum would be people in their fifties (up to retirement age). Approximately 80% of them would participate in the voting and ¾ would vote in favor. Out of the pensioners, however, less than half would vote (only 39% would support Estonia's joining the EU).

The study showed that primarily the people considering themselves well-informed would participate in the referendum and vote "yes". (Figure 4.4.).

Consequently, the most influential group in deciding the EU membership for Estonia is the aging wage-earner group. The apprehension of elderly people is caused by the lack of information about pensions, the trade union movement and other social opportunities. Security and retirement for the generation nearing retirement are much better in the EU than in today's Estonia. The age of 50–60 is the watershed, where the attitude towards the EU undergoes a sharp change.

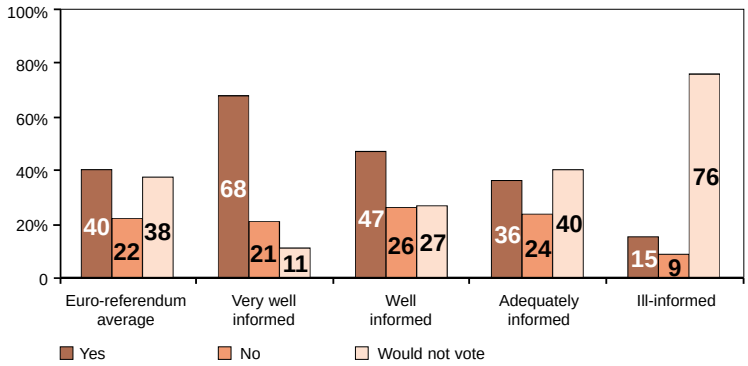
The better-off people (owners and top professionals) were much more supportive about Estonia joining the EU. More than half of the group of owners and professionals interviewed in November 1997 would support Estonia's accession at a future referendum. The background of this position includes a "cultural capital" accompanying the higher social status, which ensures good prospects for success in the EU as well. Consequently, the continued rapid economic progress in Estonia during the last few years has won new efficient and competent supporters for the EU.

European integration and the stratification of society

The connections working in Estonia between the process of social stratification and positive attitudes towards the EU show convincingly that quite clear ties have developed between economic security and a positive attitude towards the EU. The people better off (with a monthly income of 3500 kroons or more per family member) strongly supported Estonian accession.

Studies in recent years create an impression that quite a large part of the pensioners and wage-earners are characterized by vague expectations of the future and even fear of the threats likely to emerge with accession to the EU.

FIGURE 4.4.
If the referendum on Estonia's accession to the EU took place tomorrow how would you vote? (according to the general average and level of information groups, October 1997).



It cannot be stated, however, that the people less secure socially and economically, as well as the present pensioners, are against joining the EU. According to the present opinion polls, no more than half of them would participate in the possible European referendum, if it took place immediately. Their more hesitant position is largely caused by the uncertainty in the present Estonian labor market and the fact that they are less informed about the opportunities the EU could offer to the "losers". Euro-pessimism is more widespread among the pensioners, as compared to the other strata. Forty percent of them are certain or more or less convinced that they would be among the "losers" due to European integration, and this is caused by their lack of knowledge about the environment Estonia would be in after joining the EU. At the same time, the pensioners are not responsible for the development of this situation in Estonia, where there was no integrated social policy or even, until recently, a law on pensions. The implementation of the so-called three-pillar pension insurance system should make Estonia socially more secure in the future. The EU socio-political direction is known, aiming, over the years, at turning part of today's "losers" – the pensioners – into modest "winners". This would naturally mean an optimum connection of Estonia's internal resources with support from the EU social funds.

The main issue, and also a most complicated one, concerns the possible changes in the welfare of Estonia's residents and in social stratification in connection with gradual integration into the EU economic and social space. Some forecasts can be made, with possible parallels with the develop-

ments in Finland and Austria. The rapid social stratification in Estonia is becoming more acute and is accompanied by a polarization of the development levels in some Estonian regions. The social development level of Tallinn and its nearest environs, as well as Pärnu and Tartu has improved, but that of most of the other regions has not. But EU regional policy follows an opposite direction, i.e. attempts to gradually level the regional polarization tendency.

The farmers as the only active stratum in Estonia's agriculture also have the prospect of becoming socially "viable" in the near future due to the support funds of the EU common agricultural policy. Every third resident of Estonia, according to current opinion polls, considers Estonian agriculture to be the greatest loser on joining the EU. In order to overcome this negative attitude in the nearest future, the first moves should be to determine the reasons for the negative social and economic processes in the countryside (the departure of young people to city schools, the decline in jobs with a future, the economic harassment of dairy farmers by the processing plants, etc.) and to create new opportunities, especially to formulate a socio-political program for inducing the population of working age to stay in the rural areas, so as to increase the social adjustment and adaptation capability of the Estonian rural population in the process of integration with the European Union.

Conclusion

It is understandable that in the first stage of negotiations, Estonia will primarily confront European demands, which will reinforce the positions of the Euro-skeptics. Positive public opinion will be formed by cooperation projects, investments, benefits, which will begin only in several years time. The logic of European integration may thus work against the accession process, which will also be reflected in public opinion.

Consequently, the position of Estonian intellectuals, and the strategy for the future therein, will be important in the shaping of public opinion. A characteristic feature of the Estonian elite, with its own interpretation of European integration, is pragmatism. This behavioral trend has become increasingly apparent in recent years. The socio-economic development of Estonia and the pragmatism of the political elite allow the presumption that there should be no major obstacles from the Estonian side to the Euro-negotiations.

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4.4. Social Protection in Estonia Compared to the EU

We can assume that social policy, social protection in particular, will be one of the key issues in the process of preparation for integration with the European Union (EU). During the years of independence, Estonia has done much to build a contemporary social protection system. Estonia was one of the first transition states to adopt health insurance, as well as the procedures to pay coping support. Systems for unemployment support and retraining the jobless have been introduced. The principles in force in EU member states have been taken into account. However, we have to admit that there is still much to do.

As a rule, the following spheres of social protection are distinguished: pension insurance, health insurance, maternity, child and family allowances, unemployment insurance and retraining the unemployed, and various other social benefits. Assessment of the level and scope of a state's social protection is usually restricted to these spheres. Medical and health

insurance concern practically all people regardless of their age or economic and social position. Old-age and invalid pensions, as well as child and family allowances have their specific, though quite extensive target groups. In every state, other types of benefits enfold a less extensive circle of people, mainly individuals whose economic or social position is weaker.

Social protection expenditures

The level of a state's social protection in general is characterized by the relative importance of social protection in the Gross Domestic Product (GDP). In 1996 social protection expenditures in Estonia made up 16.6% of GDP. In the EU countries (12 states without Austria, Finland and Sweden), social expenditures in 1993 amounted to 28.7% on an average (Soziale, 1995), from 16.3% (Greece) and 18.3% (Portugal) to 33.6% (Holland). Thus, the proportion of GDP spent on social protection in Estonia is considerably smaller than in the EU countries with the exception of Greece.

An even bigger disparity between Estonia and the EU countries manifests itself in social expenditures per capita. In 1993 the EU per capita average was 4200 ECU while in 1996 in Estonia the per capita equivalent was a mere 382 ECU (5754 kroons) which is over ten times lower. Considering purchasing power, the per capita social protection expenses are highest in Luxembourg (6600 ECU) and lowest in Greece (1600 ECU). Estonia could be compared to the latter.

The high level of social protection in European countries is a result of decades-long social policy, the aim of which is to guarantee the people's welfare. Recently, however, excessive social protection expenditures as compared to economic capacity have grown into an alarming tendency in several EU states. In 1990–1993, the relative importance of social expenditures in GDP grew by 0.8% a year on an average in the EU states. It is conspicuous that the growth is faster in less-developed countries like Spain and Portugal whose goal is to catch up to the more developed states. In countries where the level of social protection is high, like Germany, Belgium and Sweden, the relative importance of social expenditures in GDP has changed very little. In Estonia, social protection expenditures grew by 0.4% a year between 1994 and 1996. Thus, despite the relatively low level of social protection, Estonia falls behind the EU states with respect to growth of expenditures. Unlike the recent tendencies in the social policies of the less-developed EU states, it shows that in Estonia, social protection has been overlooked. In order to approach the EU level, we should look for additional resources to finance social protection.

TABLE 4.5.

Social expenditures per category

	% of total expenses		% of GDP	
	Estonia	EU average	Estonia	EU average
Pension insurance	40.1	42.3	6.7	11.9
Medical and health care	31.7	23.2	5.3	6.7
Sickness benefits and invalid pensions	10.6	10.4	1.8	2.6
Unemployment insurance and retraining costs	0.8	8.5	0.1	2.1
Child and family allowances	9.2	7.4	1.5	2.2
Housing benefits	3.2	1.9	0.5	0.5
Coping and other support	1.7	1.7	0.3	1.1
Other expenditures	2.7	4.5	0.4	1.3
Total	100.0	100.0	16.6	28.7

Source: Soziale Sicherheit in Europa. Europäische Kommission. Brüssel. Luxemburg, 1996; Eesti sotsiaalsüsteemi kujundamine. Eesti Majanduse Instituut. Tallinn, 1997.

Of social protection expenditures, in Estonia and in all the EU countries, pension insurance forms the major part. Table 4.5. provides the structure of social expenditures in Estonia and the EU countries (average of 12 states) according to the categories. Regarding the distribution, the structure of Estonian social expenditures is quite similar to that of the EU countries while the most marked discrepancy is contained in the smaller relative importance of unemployment insurance and other unemployment-related costs in Estonia. In view of the small number of registered unemployed in Estonia on one hand, and the exceptionally small unemployment benefit as compared to the EU countries on the other, this is only logical. In comparison with the EU countries, the proportion of health care expenditures is relatively bigger in Estonia. Health care organization differs greatly within the EU where the share of health care costs in total social expenditures range from 14% in Greece to 28% in Ireland (Sozialraum, 1995).

Sources for financing social protection

Social protection is financed through the budget system the income of which is formed basically by tax receipts. The biggest and relatively stable tax yield of the budget system is the social tax. The rate of social tax in Estonia is 33% of gross earnings, 20% of which is directed to the social security budget and 13% to the medical insurance budget. By comparing it with the relevant indicators in the EU countries – the total tax rate is lowest in Great Britain (22.2%) and Ireland (21.2%) where the general tax revenues play a substantial role in covering the social expenditures, and highest in Sweden (64%) and Italy (55.5%) (MISSOC, 1997) – we can see that the 33% social tax applicable in Estonia can be considered low rather than high. Also, in the former East European states the tax rate is generally higher than in Estonia (60.5% in Hungary, 48.5% in the Czech Republic) (Financing, 1995).

Indeed, in Estonia the principal source of defraying the social protection costs is the social and medical insurance budget (covers over 80% of these). Part of the social protection expenses are also covered by the state budget and local budgets, thus by the general tax proceeds. The role of the latter has been gradually decreasing over the years, since the scope and level of the state's social protection is determined by the rate and receipts of social tax.

In most EU countries, the bulk of social expenditures is covered by the social tax (defraying 65% of the costs on an average), with the exception of Denmark, Ireland and Great Britain where most of the social costs are covered by the general tax revenues (in Denmark, 15%, and in Ireland and Great Britain, 35% are covered by the social tax). In all the EU states, the deduction of social tax is divided between employers and employees at an average ratio of 2:1 in favor of the former, and in order to increase the responsibility of employees and cut the employers' tax burden (including the reduction of labor costs), the role of employees in paying social tax has grown in many countries these recent years.

We will now look at the principal categories of social protection in Estonia: pension insurance, health insurance, child and family allowances, unemployment insurance and coping benefits.

Pension insurance

We can attempt to compare Estonia with the EU countries with respect to the size of pensions or the structure of the pensions system. However, as regards the pension size, it is difficult to speak about any collation since the discrepancies in living standards are considerable (see Chapter 2.3 for more information on pensions in Estonia).

The EU countries have adopted certain minimum standards of social protection and the principle of equal treatment of the citizens of contracting states in reference to the rights of social insurance, yet there exist major differences in the pensions systems of member states.

Pension insurance in the EU countries relies on two basic systems: a system based on the insurance principle and a national pension system.

In the former case, old-age pensions are financed from the social tax and the pension rate is closely pegged to the measure of taxes paid by the beneficiary. The insurance principle can be applied in two ways:

1) The principle of solidarity where the person pays insurance fees (or payments are made to his or her savings account) into the pension fund and is then able to withdraw part of those savings upon retirement. The money deposited into the pension fund is actually not kept there but is used for paying pensions to other pensioners.

2) The principle of capital accumulation where money is collected into the person's personal deposit account in a pension fund. The takings accumulate interests until the person reaches the retirement age. The interest will have to recompense the inflation in the period between the receipts of the insurance fee and the disbursement of the pension.

As regards the national pension system, all people receive a flat-rate national pension without respect to their working contribution or number of working years. It is small and for the most part covers the subsistence minimum only. The national pension is financed partly by general taxes and partly by social tax.

Most EU countries have adopted pension insurance systems that simultaneously rely on several principles: in addition to the basic state pension there exists a compulsory as well as a voluntary supplementary pension system. As a rule, basic insurance is built on the solidarity principle while the supplementary systems rely both on the solidarity as well as the capital accumulation principles.

The conceptual bases for pension reform, which was approved by the Government of the Republic in June 1997, regarding a 3-pillar pension system, is a step towards creating a modern European pension insurance system in Estonia. However, we must stress that due to the economic level of Estonia currently and in the near future, we cannot hope, even when the new pensions system is applied, for a rapid increase in pensions or for a substantial improvement in the condition of pensioners.

The practice of adjusting pensions in the EU countries may be of interest (see Chapter 2.3 for Estonia's practice).

In the EU countries, the pension rate is adjusted on the basis of either the consumer price index (Belgium, Spain, Ireland, Italy, Greece, Luxembourg, Portugal, France and Sweden) or the growth of the average wages in the economy (Austria, Holland, Germany and Denmark). There are also states (e.g. Finland) where national pensions are readjusted on the basis of the consumer price index and supplementary pensions on the basis of the TEL-index (considers the rise in prices as well as the increase in the average wage).

Medical insurance and health care

Estonia was one of the first transition states to adopt in the health care system a medical insurance system. The reforms commenced in January 1992 with the adoption of the Law on Medical Insurance, and in the subsequent years the law has been amended on several occasions. In 1994, the Law on the Organization of Health Care came into effect. Reforms in health care have necessitated a substantial cut in hospitals and hospital beds. In 1996 there were 79 hospitals in Estonia (66% as compared to 1990), including six private hospitals, and 11 200 hospital beds (60% of the relevant figure in 1990), 218 of them in private hospitals. In 1990 there were 116, and in 1996 – 76.5 hospital beds per 10 000 inhabitants. In West European countries, in 1994 the average number of hospital beds per every 10 000 resident was 78. Similarly, the number of doctors has decreased in recent years – in 1996 there were 30.5 doctors per 10 000 residents, i.e. almost 15 % less than in 1990. By way of comparison – in Finland, there were 26.9 and in Sweden 32 doctors per 10 000 residents. Under the new circumstances, the number of people per every 10 000 residents who needed hospital treatment has not changed much, but the duration of treatment has grown shorter. The number of polyclinic visits per resident has also dropped.

FIGURE 4.5.
Medical insurance expenditures

The most significant change the health care system has undergone was transition from financing hospitals from the state budget to a post-service financing system. Beginning in 1992, the main source of health care financing is the medical insurance budget based on the social tax.

The greatest expenditures in the medical insurance budget are payments for medical services (over 60%), and sickness benefits (16% of the budget funds in 1997).

Comparing the structure of Estonia's medical insurance budget expenditures with Germany, we see that in Germany substantially less is spent on paying sickness benefits and more on medicines. In Germany, as in many EU states (Belgium, Italy, Luxembourg, Holland, etc.) a large part of the sickness benefits is paid by the employer. Medicines are practically free in Holland, and in other countries payment for medicines is only partially the obligation of medical insurance.

In 1996 the per capita payments for medical services amounted to 1241 kroons, sickness benefits – 313 kroons and subsidized medicines – 127 kroons. As compared to 1993, compensation for the cost of subsidized medicines grew most – 3.4 times. The growth was smallest (2.4 times) in per capita payments for medical services.

It is still difficult to compare the level and organization of health care in Estonia with that of the EU countries, since the restructuring of the system is still in the initial phase. In the EU member states, the growth of health care expenses was fastest in 1985–1990 – 3.5% per person a year on average. As a result of various organizational measures the growth has slowed down in the subsequent years. For years, the EU countries have been striving to eliminate the differences in their health care systems, focusing on a better harmonization of needs and facilities, which would ultimately lead to a reduction in health care spending. In order to rise to the level of EU countries, Estonia will have to continue the organizational restructuring of its health care system.

Child and family allowances

As of October 1, 1990, benefits to children, students and mothers on maternity leave were introduced as partial compensation for the rapid rise in prices due to inflation. That was the first step towards the system of child allowances in Estonia.

In 1996, 1.5% of the GDP was spent on child allowances with nearly 360 000 children – 24% of the total population of Estonia – receiving financial support. Child allowances, nine types of them at present, are divided into lump-sum and monthly benefits. Lump-sum benefits are: birth grant, allowance at the beginning of the school year, and start in life support for young people leaving orphanages. All children up to 16 years of age (students up to 19 years of age) are paid monthly allowances. The single parent benefit, serviceman support and child guardianship support are also paid on a monthly basis. The benefit paid to a parent on maternity leave and supplementary allowances to families with four or more children, and to a parent of a handicapped child can also be treated as family allowances. As compared to 1993, the number of beneficiaries in the monthly child allowance scheme has dropped in Estonia. However, since new lump-sum allowances have been introduced recently, there are more of those who are entitled to one-off child allowances.

The monthly child allowance rate depends on the number of children in the family. In recent years the differentiation of child allowances in favor of large families has grown. When the system of child allowances was introduced, all children were entitled to flat-rate support. Since 1994, benefits paid to the third and each subsequent child have grown faster. At present the child allowance for the first child is 150 kroons, for the second child – 225 kroons and for each subsequent child – 300 kroons a month.

Child and family allowances are also paid in all the EU states. In general, the monthly allowances are differentiated. In most states, the rate of the allowance grows in proportion to the number of children while in Great Britain the biggest allowance is paid to the first child. In Italy, the number and income of family members is taken into consideration. Child benefits are paid until 16–18 years of age, maximum 27 years of age in case of post-graduate studies (Austria and Germany). Child allowances are highest in Luxembourg, Belgium and Holland, lowest in Spain and Greece. Child allowances in Europe are modest as a rule. When comparing the average monthly allowance of a child with the average net salary in the respective country we see that the allowance paid to one child forms 2–8%.

In Estonia, the rates of monthly child allowances have not changed much over the years. The average monthly support per child has grown 1.4 times in four years. At the end of 1992, it formed 10.2% of the average salary while by the fourth quarter of 1994 the percentage had dropped to 4.2. This means that the real value of the child allowance has diminished substantially.

Household budget research shows that a considerable part of large families belong to the lowest income group (first income decile). In such families, social insurance benefits yielded slightly less than half of the total income of the family while child allowances formed 50% of the latter. Thus, child allowances, though rather small, are a major source of income for large families, and we can say that an increase in child allowances in proportion to the number of children is a positive tendency in Estonia's social policy.

Social protection for the unemployed

In all European countries, unemployment is a serious and rapidly expanding economic and social problem, the regulation of which receives considerable attention. Unemployment has evolved into a considerable problem in Estonia, too. Even though, according to the criteria used in Estonia's statistics, at the end of 1997 the unem-

ployed formed a mere 2.1% of the working-age population, sociological research shows that the actual unemployment rate is approximately 10%.

In order to guarantee social protection for the unemployed, unemployment benefits were introduced as of April 1, 1992, and in 1996 there were 44 400 recipients of unemployment benefits. In Europe unemployment insurance is regulated by laws on a national level and the system embraces the whole working-age population. A crucial issue is, to what extent the unemployed have to be socially protected, on the one hand to ensure that their primary needs are met, and on the other hand, to provide motivation to seek a job.

The unemployed in Estonia are paid a flat-rate unemployment benefit which is fixed by law. Originally the unemployment benefit was pegged to the minimum wage: in October 1992 the rate was fixed at 180 kroons which at that time made up 60% of the minimum wage. The rate was not changed until July 1996 when it was raised to 240 kroons. At present (since March 1, 1998) the unemployment benefit is 300 kroons per month. In order to encourage the retraining of the unemployed, in 1997 a retraining grant of 450 kroons per month was introduced. In the EU countries, the rate of the unemployment benefit generally depends on the beneficiary's previous earnings and differs substantially from country to country. The period during which the benefit is paid is of limited duration in all states and is generally longer than the six months (as an exception, nine months) effective in Estonia.

Assessing the rate of the unemployment benefit in Estonia in relation to the minimum and average wages, we can see that between 1993–1997 the real benefit has sunk close to zero. While originally the benefits formed approximately 17% of the average wage, by the end of 1996 they had dropped to 8%, and by the end of 1997 – to 6.7%.

In contrast with the EU countries, social protection of the unemployed is a problem that Estonia has failed to solve efficiently, and as a result, poverty has deepened in certain regions and among certain population groups.

Coping benefits

Coping benefits were introduced in Estonia in 1993 when transition to a market economy aggravated the inequality of income. Coping benefits were seen as supplementary social assistance and material support to families in need whose income remained below the established coping level (initially the poverty line concept was used). The poverty line was set at 280 kroons per family member and it was to be revised every six months, according to the changes in the cost of living (based on the fixed consumer price index). Until 1997, housing allowance for families with low income existed side by side with the coping benefit and was intended as partial compensation for the housing costs.

At the time it was developed, the poverty line corresponded to the Estonian criteria according to which the coping benefit should form about 50% of consumption expenditures. Since in real life the poverty line has been readjusted on four occasions only, the ratio of the coping benefit to consumption expenditures decreased steadily in subsequent years, and the coping benefit now makes up one third of the consumption expenditures.

In 1996, 18 800 families (3.2% of total families) received coping benefits while 81 000 families (13.7%) received housing benefits. The average coping benefit amounted to 394 kroons while the housing benefit was 286 kroons.

Most EU countries pay coping and housing benefits. These benefits do not exist in Greece, Italy and Portugal, i.e. the poorer states of the union. However, owing to their cultural peculiarities, family ties are stronger in these states and it is considered only natural to support family and relatives who have financial difficulties. In other states, the percentage of recipients of these benefits ranges from 0.05% of the total population in Spain to 10% in Great Britain and 11% in Finland. Coping benefits form the largest part of overall social expenditures in Great Britain (predominantly housing allowances) and Finland (family allowances).

Conclusion

In emphasizing Estonia's rapid progress in its transition to a market economy, there is often reference made to its high social cost. The report on Estonia's readiness for integration with the EU also referred to shortcomings in social policy, the implementation of social reforms in particular. Up to now the idea, that the solution of social problems will be guaranteed by the further development of the economy and increasing economic growth, has prevailed in Estonia. However, as far as social problems are concerned, we cannot proceed only from the present opportunities and postpone the solution of the problems. The social protection systems of all states face tensions between the financing of costs and the need for social benefits, and being

able to supply these needs. We will have to find ways and means to resolve the most important social issues or else they may turn into a stumbling block on Estonia's way to the EU.

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4.5. Estonian Labor Market Potential and Labor Market Policy in the Context of the European Union

It is useful to evaluate the Estonian labor market situation from the viewpoint of the premises for joining the EU, in which case the issue of the Estonian employment structure's suitability for joining the EU would be raised. It would also be of interest to know which policies aimed at the improvement of the EU employment situation would probably expand to Estonia as a future member of the Union.

Employment and its changes, according to economic sectors

We shall now examine the Estonian employment structure as compared to the other Eastern European countries, according to the corresponding labor market data bases of the OECD (OECD, 1997).

We observe Estonia's closest neighbors and also our competitors Latvia and Lithuania, as well as Hungary, the Czech Republic, Poland and Slovenia, as the countries seeking EU membership together with Estonia. The aim is to display Estonia's position in EU negotiations from the labor supply position. Estonia's data derives from the 1995 and 1997 labor studies (ETU 1995, ETU 1997).

Table 4.6. reveals first of all that the share of employment in agriculture has dropped in Estonia to approximately the level of the developed European countries. Estonia's agriculture has undergone the greatest decline as compared to its closest neighbors. The number employed in 1996 has decreased by 55.7% as compared to 1992[1].

In the same period, the decline of the corresponding employment in Latvia was 11.3%[2] , while employment in agriculture in Lithuania has even increased by 10.1%. This tendency reflects the rapid economic restructuring, which has taken place in Estonia, as a result of the shock of the altered economic conditions. It is another issue, of course, how viable and efficient the new economic structures are that replaced the former collective farms system. Whereas the low employment level in agriculture in the developed countries is primarily based on high efficiency, the situation in Estonia simply reveals a decrease in production. But the low share of agriculture in itself is undoubtedly a factor favorable to admission to the EU as a full member. Agriculture (including fishery and forestry) employed 10.0% in 1996. This share is more or less equal to that of Slovenia and Hungary.

The greatest absolute decline in industry during the four-year period has taken place in Latvia and Lithuania. In Estonia, the decline of employment in industry has been significantly lower – 14.7% (Table 4.7.). But the lower decline means that the share of industrial employment out of total employment in Estonia is higher as compared to the other Baltic states. Estonia is quite comparable to Poland and Hungary as to the share of industrial employment.

The building industry employed 5.7% of labor in Estonia in 1996, approximately equal to

[1] A similar decrease can be observed in the Czech Republic in 1989–1993 as employment in agriculture dropped 31% (Gottvald, J., Pedersen, J.P. et al, 1994, p3).

[2] In the period 1991–1995.

TABLE 4.6.

Comparison of employment, according to economic sector, in East European countries and Estonia (%)

Economic sector	Romania (1st quarter 1996)	Hungary (1996)	Czech Republic (1996)	Slovenia (2nd quarter 1996)	Poland (1996)	Estonia (1996)	Latvia (1996)	Lithuania (1996)
Agriculture*	38.0	8.4	6.2	10.3	22.1	**10.0**	18.5	24.2
Mining	2.2	0.9	1.8	1.0	2.8	**1.4**	0.3	0.2
Industry	23.0	23.6	28.9	34.5	20.9	**23.9**	17.5	17.4
Energy	2.1	2.5	2.0	1.5	1.8	**2.5**	1.4	2.5
Building	4.3	6.0	9.5	5.4	6.1	**5.7**	6.0	7.2
Commerce**	9.0	16.7	16.1	15.7	14.0	**16.0**	16.1	13.8
Transport	5.3	8.9	7.8	5.9	5.9	**10.0**	8.8	5.7
Finance***	2.4	5.9	7.0	6.5	1.9	**6.0**	6.5	3.5
Health care****	7.1	15.1	11.8	11.3	13.3	**14.3**	15.0	15.1
Public administration	4.7	7.3	5.4	4.7	5.0	**5.4**	4.7	4.1
Other services	2.0	4.7	3.5	3.1	6.1	**4.7**	5.3	6.3
Total	100	100	100	100	100	**100**	100	100

* including fishery
** including restaurants and hotels
*** including real estate and business services
**** including education.

Source: Statistical Offices of Estonia, Latvia and Lithuania, OECD, authors' calculations.

Latvia, Hungary and Slovenia and somewhat less than in the Czech Republic. The actual decrease of employment in the building industry is probably somewhat lower than depicted in Table 4.7; the possible causes of the distortion are the changes made in the selection during the study.

The fastest increase has taken place in the commerce sector (including hotels and catering). The four year growth in Estonia was 15.4% and commerce employed 16.0% in 1996. The other comparable East European countries are also on the same level, with the exception of Lithuania, Poland and Romania.

As compared to the other Baltic states, employment in the finance sector (including real estate and business services) has also rapidly increased in Estonia. Estonia's growth in the 1992–1996 period was 14.3%, while Lithuania remained at the same level and Latvia's employment actually decreased by 9.4%. Out of the total employed, 6.5% worked in the financial sector in Latvia and 6.0% in Estonia. Estonia is enjoying a certain advantage as to its neighbors due to the rapid increase in the financial sector. This is also the reason for the intervention of Estonian financial institutions on the Latvian and Lithuanian markets and the dependence of the Riga and Vilnius stock exchanges on developments on the Tallinn Stock Exchange. The earlier development in Estonia also means that financial crises hit Estonia first and, after a certain delay, Latvia and Lithuania[1].

TABLE 4.7.

Change of employment in the economic sectors of the three Baltic states (1995 as compared to 1991 in Estonia and Latvia; 1996 as compared to 1992 in Lithuania) (%)

Economic sector	Estonia	Latvia	Lithuania
Agriculture*	**–55.7**	–11.3	10.1
Mining	**–27.2**	–25.0	–41.7
Industry	**–14.7**	–41.6	–42.2
Energy	**–8.8**	54.5	38.7
Building	**–39.3**	–45.4	–29.7
Commerce**	**15.4**	7.3	16.3
Transport	**5.3**	–1.9	–23.5
Finance***	**14.9**	–9.4	0.9
Health care****	**–5.4**	11.3	3.6
Public administration	**7.9**	133.3	37.9
Other services	**–8.9**	–33.0	–10.7
Total	**–15.7**	–14.9	–10.6

* including fishery
** including hotels and restaurants
*** including real estate and business services
**** including education

Source: Statistical Offices of Estonia, Latvia and Lithuania, OECD, authors' calculations.

The share of employment in the public sector is the highest in Estonia (5.4%) out of the

[1] For example, the 1992–1993 banking crisis and the 1997 stock market crash.

FIGURE 4.6.

Estonia's employment in three main economic sectors as compared to other East European countries

Source: OECD.

Note: the period is the same as in Table 4.7 (1995 as compared to 1991 in Estonia and Latvia; 1996 as compared to 1992 in Lithuania).

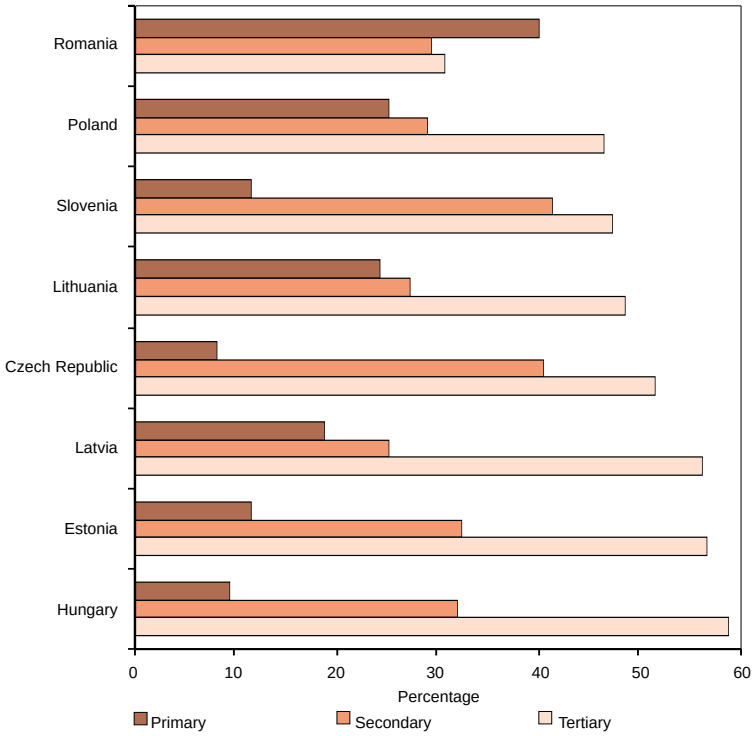
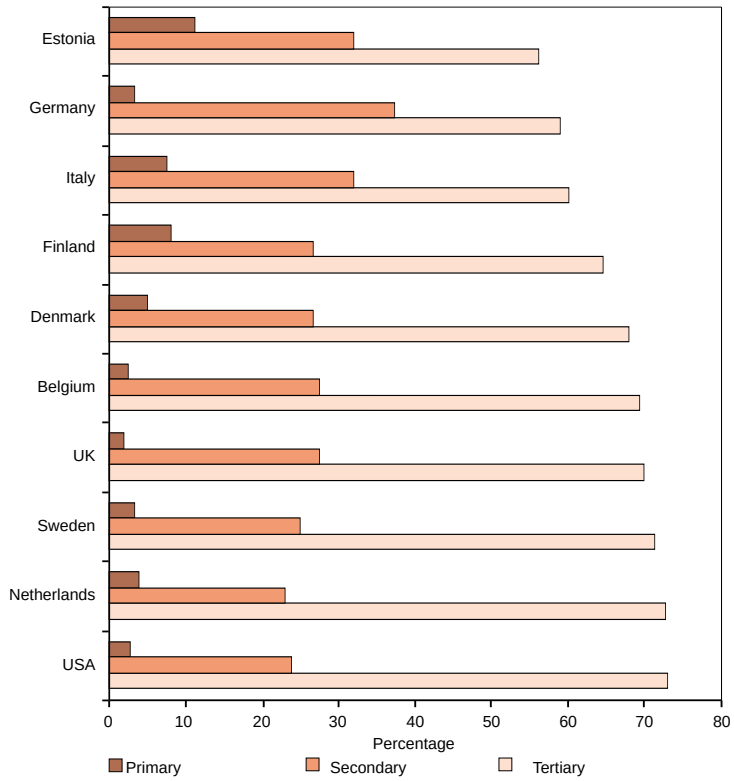


FIGURE 4.7.

Estonia's employment per economic sector as compared to some developed industrial nations

Source : OECD.

Note: Estonia's data from 1996; others from 1994.



three Baltic states. This figure is even higher in the other Central and East European countries, for example, 7.3% in Hungary. But the increase in employment in the public sector was the highest in Latvia with 133.3% (as compared to 37.9% in Lithuania and only 7.9% in Estonia).

If we observe employment as to the main sectors of economy, we can see that the highest share of employment in the services sector (tertiary sector) is in Hungary, followed by Estonia and Latvia. Estonia is the most similar to Hungary as to the structure of employment (Figure 4.6.). While the primary sector employs 11.4% of the total workforce in Estonia, the corresponding figure in Hungary is 9.3%. The share of employment in the secondary sector is 32.1% for both Estonia and Hungary, while that in the services sectors is, respectively, 56.5% and 58.6%.

Summarizing, we could claim that a rapid restructuring, regarding employment, has taken place in the Estonian economy. The structure of employment as per sector in Estonia is approaching the average indicators of the European Union. Another aspect positive to Estonia is that employment in industry has decreased the least as compared to the other Baltic states. The rapid development of the financial sector in Estonia is also testified to by the very rapid increase of employment in this sector. It has to be admitted, though, that the rapid decline of employment in agriculture may cause extra social problems in the rural areas.

When comparing Estonia to the EU member countries we can see that there the share of the primary sector out of total employment is even lower. For example, in 1994 the primary sector employed 5.1% of the workforce in Denmark, 4.0% in the Netherlands, 7.7% in Italy, 3.3% in Germany, 8.3% in Finland, 3.4% in Sweden (Figure 4.7.).

The share of the primary sector is greater, compared to Estonia, in Greece, Portugal and Ireland.

But the share of the services sector in Estonia must increase from 55% to approximately 70% in order to reach the level of the leading EU member countries.

Employment according to education level

One of the most significant parameters, according to which the suitability of the Estonian labor for working in the common European economic space can be evaluated, is certainly the education level of the workforce. The share

of workers with higher education is relatively high in Estonia: 18.9% (Table 4.8.). At the same time, the division of our workers as to their education is quite comparable to the corresponding indicators of Latvia and to some extent, those of Russia. All this refers to the common education system of the Soviet Union and its remaining influence. As for the high share of workers with specialized secondary education, we have to take into account here that the skills and knowledge of these workers may lag behind the rapidly changing demands of the economy more easily than those of workers with higher education. By the way, OECD traditional categories do not differentiate between secondary and specialized secondary education.

Estonia is favorably placed among the countries in the table by the fact that the share of workers with basic education is one of the lowest.

It can be presumed that the share of workers with higher education will increase further, primarily thanks to the larger number of higher education institutions as compared to previously, as well as the more varied study opportunities. The share of workers with specialized education may decrease somewhat in the future. But the vocational education system will certainly need serious reforms, in order to prepare specialists capable of reacting more flexibly to market needs.

TABEL 4.8.

Employment according to education level* (%)

	Higher education	Secondary education	Specialized secondary education	Basic education
Hungary (1996)	16.2	30.7	30.5	22.6
Czech Republic (1996)	10.9	32.3	46.1	10.7
Slovenia (2nd quarter 1996)	14.6	29.1	33.2	23.1
Poland (1996)	14.9	30.4	33.9	20.8
Latvia (2nd quarter 1996)	19.5	21.4	45.5	13.6
Estonia (1st quarter 1995)	**18.9**	**24.8**	**41.7**	**14.5**
Austria (1990)	7.1	6.3	57.8	28.8
France (1989)	14.6	46.0	-	35.3
Ireland (1989)	17.5	55.5	-	26.8
Netherlands (1989)	19.7	61.3	-	12.6
Greece (1989)	11.4	35.3	-	52.6

** According to the OECD classification, pre-secondary school education is considered basic education. Secondary education includes graduation from a secondary or a professional school in the same time period. Specialized secondary education presumes certain extra specialized education in addition to secondary education. Higher education refers to education starting from applied higher education.*

Source: ETU 95, OECD data, author's calculations.

Main directions of EU labor policy and Estonia's labor market policy

We shall now analyze the strategic directions of EU labor policy, which were approved at the EU member country summit in November 1997 in Luxembourg and which will serve as the basis for the member countries' labor policy planning in the coming years.

We shall also observe the situation of Estonian labor policy in the context of these strategic plans and analyze Estonia's prospects in the adjustment of its labor policy to the corresponding plans of the EU.

The new main directions of EU labor market policy are based on four basic pillars:

- new policies towards businesses, the so-called new business culture
- new policies of employment
- policies of adjustment to innovations
- policies of creating equal opportunities

The new business culture

The "old business culture" of Europe is considered to be characterized by a high level of bureaucracy and high costs in creating new jobs, which, together, are said to result in high unemployment. One of the most important priorities of the new business culture is simplifying company start-up. Starting a business should be guided by simple, clear and stable rules. The member countries are charged with reducing bureaucracy as regards small business. Since the labor turnover costs (for hiring, firing and training of staff) are very high in Europe, the goal is set as the reduction of the cost of a job, so as to promote the creation of new jobs.

The reduction in the cost of creating new jobs provides the entrepreneur with an incentive to hire more people. The development of entrepreneurship also means that people are granted more opportunities for operating as individual entrepreneurs.

The development of a corresponding risk capital market is also seen as a goal in the EU. There are plans to create an all-European securities exchange for medium and small business. This would make it easier for the small business owners to find initial capital and risk capital.

Recommendations were made to the member countries streamline their tax systems and to make them more business-friendly.

TABLE 4.9.

Labor market policy expenditures in Estonia, 1997 (thousand kroons).

Type of expenditure	Thousand kroons	%
Benefits paid	50 140.0	47.4
Expenditure on labor market offices, administration	15 330.8	14.5
Further training	27 755.7	26.2
Further training scholarships paid	5 341.9	5.0
Expenditure on relief work	2306.9	2.2
Expenditure on labor market support as start-up capital for the unemployed	3 947.2	3.7
Support paid to employers	961.4	0.9
Total expenditures	**105 783.9**	**100.0**

Source: Labor Market Board.

It is possible in Estonia to begin business as a private individual entrepreneur. The legal system for this is not complicated, and the main problem for small business operators is the absence of corresponding risk capital funds, and the higher loan interests caused by the general macro-economic situation, which make it difficult for small business owners to take loans.

Business allowances can be applied for via the employment agencies; the sum is currently 10 000 kroons. According to labor market board specialists, the minimum necessary sum is at least 20 000 kroons. Although the allowance sum is insufficient for the actual launching of a business, applying for this support is relatively popular among the unemployed.

New employment policies

The need for new policies here is caused by the ever-increasing gap between the actual skills and knowledge of labor and the requirements for modern jobs. Increasing structural unemployment is one of the main types of unemployment in a rapidly developing modern economy. An average 20% of young people in the EU complete their education (including further training courses) without specialty qualifications. Many posts remain vacant due to the absence of specialists with the corresponding training.

There are a number of social groups, which face serious difficulties in finding employment. The reasons are either the absence of previous experience (the young entering the labor market) or the outdating of previous skills (long-term unemployed).

Unemployment among the young is frequently connected to early termination of studies. In order to reduce this group with incomplete secondary education, the member countries are accepting a commitment to cut the rate of dropouts from schools by almost a half. One of the measures for the reduction of youth unemployment is to make the vocational education system more modern and flexible, as well as to use the corresponding study (trial) periods more extensively, so as to help the young to adjust to the labor market less painfully.

In a generalized form, this means the increase of the share of active labor policy to the detriment of passive labor market measures. In order to reach this goal, it is intended to increase the number of the unemployed undergoing further training, from the current 10% to up to 25% of all unemployed, within the next five years.

Of the resources spent on Estonia's labor policy, an excessive part (47.4%) is still directed to passive measures, primarily the payment of unemployment benefits (Table 4.9.). Unemployment benefits in Estonia are low (240 kroons per month as recently as in 1997; increased to 300 kroons per month at the beginning of 1998) and if it were increased to the subsistence minimum, the share of passive labor policy measures in the budget would increase still further. It is extremely important, however, that the share of active labor market policy be increased in the future.

Some institutional measures have been proposed in Estonia in order to increase the efficiency of the active labor market policy. The two most significant are:

- turning the coping (adaptation) course into a priority of the labor market offices
- the restoration of the vocational consultation system. The consultation system could be entirely integrated into the labor offices provided they receive the necessary resources and staff. An alternative would be to divide them between advisory centers subordinated to the Ministry of Education (younger than 16 years old) and the labor offices system (over 16). The final decision should be made by the corresponding experts.

Labor market policy in Estonia needs to be differentiated. As we observe the distribution of active resources between the various measures of active labor market policy, we can see that the majority of the funds is spent on training programs, primarily adult training programs. As a result of the increasing training expenditures the number of people who

TABLE 4.10.

Distribution of active labor market policy measures in various EU member countries and Estonia

	1	2	3	4	5
Belgium (1989)	16%	13%	1%	56%	14%
Denmark (1989)	7%	48%	19%	2%	24%
Finland (1990)	11%	27%	5%	45%	13%
France (1989)	16%	44%	27%	5%	7%
Germany (1990)	22%	37%	4%	15%	23%
Greece (1989)	19%	42%	9%	28%	2%
Ireland (1990)	11%	33%	27%	20%	10%
Italy (1988)	10%	4%	86%	-	-
Netherlands (1990)	8%	19%	6%	5%	62%
Norway (1990)	13%	36%	12%	18%	20%
Estonia (1997)	27%	60%	-	13%	-

Note: *1. Employment offices and administrative expenses.*
2. Further training.
3. Youth-oriented labor market programs.
4. Subsidized employment (incl. business support for the unemployed, wage subsidies to enterprises), in Estonia this includes expenditures on relief work.
5. Programs for the disabled.

Source: *Labor Market Board and OECD Employment Outlook, July 1991, pp. 237–246.*

have an opportunity to participate in labor market training is actually decreasing. The domination of the training expenses among the active labor market policy measures is also typical of many EU member countries. Only Belgium and Finland allocate a relatively large share of active labor policy funds to support entrepreneurship, but this area is of relatively small significance in Estonia, due to the lack of funds.

The plans to raise the levels of qualifications in the EU are also linked to the reduction of expenditures concerning the employment of unskilled labor. There are attempts to reduce the employers' expenses on the training of workers by offering them the opportunity to train the workers through state-run programs.

The development of a new social partnership in the EU is also important in order to reach this goal. Various parties, the employers and the trade unions, must solve the further and re-training problems together. In order to improve this cooperation, framework agreements on training must be developed, which would cover the employers and employees of the EU member countries.

The realization of this ideology of social partnership is only in the initial stage in Estonia. While some cooperation exists between the central organizations, there is practically no local cooperation between employers and employees. One very simple reason is the absence of regional offices in many areas of the country. The employers' organizations, for example, are represented only in some major county centres (for example Tartu) outside Tallinn. Consequently, there are practically no opportunities for mutual exchange of information and coordination of activities at the county level. Therefore, one of the primary tasks in Estonia would accordingly be the development of a regional network of representative offices of the employers' and employees' organizations.

It is important in Estonia's conditions to improve the vocational education system and to change the general priorities regarding education, which have taken root in the mind of the public. The vocational education system is changing its study programs and introducing new curricula, but the changes are not rapid enough as compared to the dynamically changing economic environment. There is also a need for basic business surveys, which would enable the planning of the structure of specialties needed in the future and to draw up the education programs accordingly. Attitudes towards certain types of education must also change, to a certain degree. According to the currently popular attitudes, an extremely high percentage of young people (approximately 80%) prefer to continue their education in secondary and upper-sec-

ondary schools instead of acquiring a profession. The result is an excess of persons with secondary education, who cannot find employment on the labor market. According to labor studies, approximately 50% of the unemployed have secondary education.

The adjustment of legislation is another important aspect. The amendments to legislation should concern the following areas:

- persons at home with children under 7 years of age are as a rule unwilling to find actual work, but they have registered as unemployed simply in order to qualify for unemployment benefits. This social welfare role of the labor offices should be reduced and the people in need of benefits should be referred to the local governments, which should be allocated the corresponding funds
- the present legislation does not enable the labor offices to deal with the training of the people who are still working. But such preventative training is urgently needed and would help people to better adjust to the changed conditions in the labor market.

Policies for adjustment to the new conditions

The goal is the adjustment of the participants in the labor market to the conditions of rapid technological changes and a changing market situation. In order to achieve this goal, the principles of social partnership in the EU are being developed, and more flexible working conditions (including working time) are being negotiated. The introduction of more flexible working conditions also means that part-time workers and others with flexible schedules are granted more extensive social guarantees than previously. The guiding principle is that part-time working should not limit career opportunities.

EU member states need to implement fiscal measures in order to make investments in human capital more attractive. Using tax benefits, internal company training should be encouraged. Labor market policy monetary resources should be directed towards the creation of stable jobs and programs to modernize the labor force.

Besides other measures in Estonia's labor market policies, the procedures for paying wages support should be simplified. In paying this wages support, the principle is currently valid that the employment office pays, during the first half year, 100% wages support to the extent of the minimum wage, and 50% in the second half year to those employers who employ people from a risk group. If the current procedures were simplified, so that the employer had fewer accounting problems, the interest shown by the employers in utilizing workers from risk groups would increase.

The creation of new jobs and the reduction of unemployment in Estonia is closely associated with regional policy issues. The following measures should therefore be implemented:

- creation of nationwide databases, which through a computer network would enable an overview to be obtained of the available jobs and people looking for work, across the country
- financing business based surveys. There is currently no overview of the needs or future plans regarding labor for employers in various regions. Such a database is only possible as a result of regional business surveys
- corresponding relocation allowances, targeted towards certain groups who decide to move to live and work in areas where people with that qualification are needed. The aim of the support payments is to increase people's mobility.

Policies to create equal opportunities

Reducing gender discrimination on the labor market is considered an important goal in the EU. Reducing the differences in men's and women's unemployment is being financed, and the creation of new jobs for women are being stimulated. Member states should be able to guarantee workers sufficient free time so that they could care for children and other dependents. People should have more opportunities to spend time with their families.

It is recommended that countries lagging in this field increase the corresponding social protection expenditures to the level of the better members. Conditions for women to return to work after maternity leave should be improved, by implementing special training programs, which would enable them to adapt to the changed market conditions.

Labor market studies show that in Estonia, unemployment is greater for men than women – this is a relatively exceptional phenomenon in the EU context. One reason is definitely the fact that in Estonia the share of the non-active population in the total working age population has rapidly increased in the transition period. A

large part (63%, according to data from the second quarter of 1997) of the non-active population are women, who in many cases have given up looking for a job, but prefer the non-active status to unemployment.

At the same time, amongst the registered unemployed in Estonia, the share of women is substantially higher than for men. The difference between registered unemployed and actual unemployed is due to the fact that in certain circumstances (existence of children under 7, etc.), according to Estonian legislation, it is possible for women to register repeatedly as unemployed, but men, after a certain period, lose the right to register and are excluded from the registered unemployed. Women at home with children are often interested only in support payments, not finding work, so the labor market boards actually fulfil a social care function and not their basic task.

Guaranteeing equal opportunities is undeniably important in Estonia as well. But it is also important that the non-active women first become job-seekers. Then it would be possible to assist them through training, and in the long term, the rise in qualifications would result in the reduction of gender differences in incomes.

The realization of labor policies presumes the existence of able institutions, with the task of developing and implementing development plans and strategies, and participation in social dialog. Generally, in most countries, such a state structure is a Ministry of Labor. In Estonia, the Ministry of Social Affairs and the Labor Market Board deal with unemployment and workforce issues. Unfortunately the status of the latter has been for some time the subject of debate, and this has meant that concentration on strategic issues has not been possible. The area of competence for the Ministry of Social Affairs, however, is very extensive, from health care to social insurance, which means that there is not sufficient money or officials to deal with labor market issues. One possibility would be to restore in Estonia the Ministry of Labor, which would coordinate and organize issues associated with labor policies.

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4.6. Estonian Local Governments in Europe

In the long and many-faceted process of integrating into Europe it must not be forgotten that it is the Estonian people as a whole who are joining the European Union (EU), and not just the Riigikogu and the government. Non-governmental organizations and local governments have an important role in changing Estonian society into one suitable for Europe, and in achieving a widespread readiness for Europe.

It is often said, regarding the European Union, that it is not so much a union of states as a union of local governments and regions. The concept of foreign contacts which was inherited from the Soviet era – as a strictly vertical hierarchical system – is gradually changing in Estonia to become an understanding that in Europe most of the international contacts by local governments are on a horizontal level via various cooperation net-

works and partner contacts. It is now being realized that international ties do not develop in a manner where their usefulness and extent is decided higher up, but by also keeping in mind the mutual interests and usefulness on the basis of local government solidarity. Estonian local governments, however, have yet much to learn, regarding how to make themselves interesting and useful to potential partners in Europe.

The marked widening of the geographical international ties of local governments is particularly important. Following on from the restoration of independence, contacts and agreements increased very rapidly, primarily with local governments in Finland, which was then not yet a member of the EU. Overviews of this period were presented in 1996 in Pärnu at the meeting of Estonian and Finnish twinned towns and districts. There the conclusion was reached that in the near future the current bilateral relations should be made multilateral, where, in addition to the existing partners, other local governments from more distant EU member states would participate. In the coming years the main content of the cooperation would be to implement updated experiences from those years when Finnish local governments were preparing for membership in the EU.

Amongst the foreign contacts by Estonian local governments, Finland is in first place. 75% of partnership agreements have been concluded with Finnish local governments. Sweden is in second place with 15% of agreements. The share of Danish, Dutch and German local governments is in the range of 3–5%. Presumably, the share of Belgian and British local governments in the international network of Estonian towns and districts will begin to increase.

At the regular meeting in September 1998 in Tampere for Finnish and Estonian twinned towns and districts, the main topic actually was "Local government and membership of the EU". 220 Estonian local governments have cooperation ties across the Finnish Gulf. It should be noted that a good one-sixth of the twinning partnerships concluded by Finnish local governments (total of 1300) are concluded with Estonian local governments. These contacts have over the years become quite intensive (Box 4.4.).

In September 1995, the Estonian Association of Towns was restored. This created organizational and institutional preconditions for participation in the opportunities offered by international local government networks. One of the most important is the town twinning program funded by the Council of European Municipalities and Regions (CEMR), which has amongst its aims "the opening of the door to Europe for young people and local (small) businesses". An example of this activity is the Estonian-Belgian joint seminar held in November 1996, which formed the basis of the Estonian local government move into the "distant" Europe. One result of the seminar was the founding of the twinning market for Estonian and Flemish local governments.

BOX 4.4.

How frequent are the contacts?

The contact intensity between Finnish and Estonian twinned towns and districts

Frequency of contacts	Share of the total number of local governments who have twinning contacts with Estonia, %
Every week	4
More than eight times a year	20
Three to eight times a year	38
One to two times a year	33
Less frequently	5

BOX 4.5.

A typical example of international cooperation by local governments

One example from among many similar

In 1994, the first contacts between the municipal authorities located in Rapla and Värnamo (in Norköpping county, Sweden) were made. Step by step cooperation in the field of heat energy was achieved. Joint seminars and an exchange of specialists resulted in the application of Swedish experience in the operation of the Rapla heating boiler plants. This cooperation has extended further into public housing, electricity provision and the business sector. Since this joint activity has proved to be successful, there will be further financing by the EU through the ECOS-Ouverture program.

The international cooperation and networking process for local governments is supported both by the European Commission, the executive body of the EU, as well as by the Council of Europe, which has created numerous decentralized programs for local governments. Decentralization means that local governments may directly apply for monetary support for their undertakings, without asking permission from the central government, and without worrying about the central government's procedural interference or negative stance. It is just considered important that local governments from at least two, but preferably more states participate in the financed project, and that the benefit is multilateral.

An example of this approach is the joint EU and CEMR program "ECOS-Ouverture".

As part of the ECOS-Ouverture program, an 18-month project "Energy ESTONIA" was begun in May 1996. The name, by the way, does not indicate Estonia, as would be assumed, but: "Energy Efficient Strategies and Technologies Of Northern Island Authorities". The project participants were, on the part of the EU: the Orkney, Shetland, Bornholm, Gotland and Aland islands, and from Estonia: Saaremaa and Hiiumaa. The aim was to create long-term contacts in the field of information exchange in energy know-how, taking into account the conditions on islands, and to help Estonia plan local energy policy in market economy conditions.

In May last year, specialists from Gotland carried out an audit of heat usage and heat loss in public buildings on Hiiumaa. A similar audit was carried out on Saaremaa by energy experts from Bornholm. A report was compiled on every checked building, where the experts presented their opinions on the best measures to re-organize the heat supply systems. The reports were translated into Estonian, so that they could be used by the local organizers of the heating systems as everyday operating instructions. The results of the audit in Kuressaare were used in the reconstruction of the central heating systems. The audits are also base data in planning investments directed to the energy sector, and in starting operations at the Hiiumaa energy consulting center.

Another completed project within the ECOS-Ouverture program is the "Int-SME" project, which ran from September 1996 to January this year. The aim of this project was to initiate and develop international cooperation amongst small enterprises through local government cooperation. The local governments from four countries participated: Mark and Ulrikehamn from Sweden, Lempäälä and Kangasala from Finland, Longford from Ireland, and Kohtla-Järve and Viljandi from Estonia. A study on small enterprises was carried out with all partners, where the opinions of entrepreneurs on their competition, on markets and possible directions and forms of extending internationally, were surveyed. Thereafter, small enterprises interested in international contacts were selected, and they were assisted in finding cooperation partners in partner towns, and help was provided in making their first business trips. Many small enterprises managed to already conclude concrete partner contacts during the project. The participation of the Estonian party was judged a success.

A completely different field is covered by the DEECDE project (Designing Centers for Distance Education in Estonia), planned and implemented in cooperation between five regions. The participants are Norrtälje (together with Stockholm county) from Sweden, Etelä-Länsi regional council from Finland, Rostock from Germany, and local governments from Lääne, Hiiumaa and Saaremaa counties in Estonia. The aim is to create adult further education centers in western Estonia, in order to increase people's competitiveness on the labor market. This program is aimed at extending the operating activity of the Haapsalu Further Training Center and the Tuuru Training Center.

4.7. On the Geography of Estonia's Cultural Exchange

Much has been written and spoken about Estonia as a country with European cultural traditions, about Estonians' historic ties to Occidental emotions and ways of thinking, about Estonians as a nation with a German cultural background. But besides the cultural influence in the wider sense, it would be useful to examine Estonian cultural contacts on the level of specific exhibitions, performances, foreign study, etc. Which are the countries we have cultural relations with, and how much does it cost us?

Estonian cultural "export"

Let us observe the distribution of cultural contacts based on data from two major sponsors of cultural contacts, the Culture Capital Fund (Kultuurkapital) and the Open Estonia Foundation (OEF). While being aware that the inclusion of more sponsors in the analysis would have provided a more accurate picture, we still presume that the main features of cultural contacts can be determined by analyzing the two previously mentioned main investors. In the analysis, we differentiate between two important means of cultural relations – performances by Estonian cultural figures (concerts, exhibitions, conference presentations, performances, participation in international competitions, etc.) and study (in higher education institutions, but also individual further study) (Table 4.11.).

The orientation of Estonian arts professionals towards the older European cultural centres, prestigious events and well-known festivals is obvious. The most money in 1997 was used for the presentation of Estonian culture at Western European cultural events; the sum covering the participation costs of a number of varying types of events. Southern Europe came next and actually surpassed the Western Europe region as to the total sum of money, but this may have well been a one-time effect. Nearly ¾ of the amount was used on the expenses connected with the Venice Graphic Arts Biennial, including the financing of the visitors' tickets. One may have expected a more active attendance by our cultural figures in events in the Nordic culture area, but the table does not confirm this. We have to take into account, however, that travel to this area is not as expensive as to the "Old Europe". The Nordic countries are also more generous in their support to us. Our participation in the Central European cultural life has been relatively modest, although we should have many more problems and ideas in common with the former Eastern bloc nations in our search for new identities. Relations with a major cultural nation like Russia have been somewhat ignored, although the lack of private interest has been compensated, to some extent, by the official Estonian culture festival in Russia; this amounted to ¾ of the expenses allocated in that direction. As for the more remote countries, we sought contacts with Japan in 1997 and sent our representatives there in the context of a cultural festival.

The desire among younger people to "storm" the Western European educational institutions was also somewhat surprising, since a preference for the Nordic countries could have been expected. It was also interesting that the Culture Capital

TABLE 4.11.

Preferences in culture financing, according to European regions, 1997 (kroons)

Region	Performance, presentation			Study		
	Culture Capital Fund	Open Estonia Foundation	Total of two sponsors	Culture Capital Fund	Open Estonia Foundation	Total of two sponsors
Northern Europe	199 000	-	199 000	827 000	49 000	876 000
Western Europe	1 047 000	212 000	1 259 000	857 000	853 000	1 700 000
Southern Europe	1 189 000	89 000	1 279 000	239 000	46 000	285 000
Central Europe	130 000	-	130 000	80 000	54 000	135 000
Russia	424 000	-	449 000	88 000	-	88 000
Ukraine et al.	25 000					
Others			265 000			

Fund and the Open Estonia Foundation were nearly equal in the financing of the "Westerners" and the joint efforts of both managed to make this direction nearly twice as successful as the Nordic one. Southern Europe – the Mecca of singers and artists – came third. The support of studies in Central Europe, a priority of the OEF, was also substantial, but that region was not very popular as a whole. The same applies to Russia, where mainly only theatre specialists have gone to study. Besides the two above-mentioned major funds, some smaller private funds also contributed to the scholarships.

"Import" of culture into Estonia

The use of the fund money for the purchase of cultural imports necessary for the development of Estonian culture was significantly more modest as compared to the "export". Theatres and the Estonian Music Academy dominated the allocations in the Culture Capital Fund, which used the money for visiting stage directors and lecturers. As to the figurative arts, an exhibition of Polish avant-garde art and one of the exhibitions from the above-mentioned Venice Biennial (young Nordic architects) were brought to Estonia with the assistance of Estonian funding. The funds also met the expenses of several academic conferences held in Estonia, the most important of them being the Congress of European Open Air Museums.

Using the information published in the cultural weekly "Sirp", we attempted to monitor the performances of European cultural figures in Tallinn and Estonia in general. These were reflected in a total of 30 items. Eleven cases concerned Finnish representatives, mainly artists, exhibition organizers. There were also six other art events from the Nordic countries. Central Europe was represented by Poland and Hungary, the Western European region by the UK, France, Spain, Italy, Germany and Austria. According to this information, Estonia cannot really be considered a country where artists arrive in great numbers to perform and to show their works.

Agreements and cooperation programs

According to data from the Ministry of Culture, we had international agreements with 18 countries in 1997, specific cooperation programs with 9 nations (Latvia, Lithuania, Germany, Russia, Hungary, Poland, Finland, and independently from Russia, also Komi and Mari-El). Agreements were also concluded with Flanders and Italy. Estonia participates in the Nordic exchange of artists and writers in Visby. Besides the previously mentioned cultural festivals in Russia and Japan, the government helped to finance, as major projects, an Estonian cinema week in Ukraine, a Polish art exhibition in Estonia, a festival and meetings for Finno-Ugric peoples. The Estonian Institute has been founded for the representation of our culture abroad; its head office is in Tallinn and it has branch offices in Finland and Budapest. Their allocations from the state budget (1 725 000) are comparable to the sums that Estonian young people have received for continued study at Western European universities (1.7 million kroons); the Estonian Institute has also received allocations for publications introducing Estonia.

Participation in international organizations and conventions is relatively expensive (for example, the Berne Convention for protecting copyright); this cost a total of 900 000 kroons in 1997. Besides that there was the more than half a million kroon support for the activities of the UNESCO National Commission, and also for the start of the repayment of the state's debt. The 1997 report for UNESCO's Estonian National Commission showed that three important international conferences were held in Estonia. In 13 cases, people from Estonia were sent to UNESCO-organized events, while 9 high-ranking foreign guests were received in Estonia. The Secretariat members themselves visited mainly Paris as cultural couriers – a total of 8 times.

Who and where?

In combining the geographic distribution of Estonian cultural contacts with the cultural spheres, we used – besides the above information – data from the Tallinn Culture Board and several other culture societies. The data has been presented (Table 4.12.) per country and by using the Culture Capital Fund method of division into cultural spheres.

It appears that Estonia's best cultural representative is music. Considering the fact that most of the folk culture subsection consists of amateur choirs performing at festivals, we have to again admit that Estonians are seen in Europe as a musical nation. Besides Finland, the favorite venues for Estonian musicians include prestigious contests in Germany,

TABLE 4.12.

Geography of Estonian cultural figures' foreign performances, 1997 (number of performances)

	Architecture	Music	Literature	Performing arts	Folk culture	Interdepartmental	Audiovisual	Figurative art	Total
UK	9	1	2	11	1	1	1	4	30
Ireland	3	-	1	1	2	-	-	-	7
Germany	3	17	-	2	7	2	3	6	40
France	3	8	-	2	7	2	3	6	31
Holland	2	12	1	-	-	3	1	-	19
Belgium	-	2	-	-	-	3	-	1	6
Switzerland	-	2	-	-	-	2	1	-	5
Austria	-	11	-	-	4	-	-	-	15
Finland	6	20	-	10	2	5	4	16	63
Norway	-	5	-	-	2	-	-	-	7
Sweden	1	7	1	1	30	3	-	2	45
Denmark	-	6	-	4	1	1	1	6	19
Iceland	-	-	-	2	-	-	-	-	2
Spain	-	6	-	2	2	-	-	2	12
Portugal	-	-	-	-	-	-	-	-	0
Greece	-	-	-	-	-	-	-	-	0
Italy	1	4	-	8	6	4	2	10	35
Poland	-	1	1	2	-	-	-	1	5
Czech Republic	-	-	-	3	1	-	1	2	7
Hungary	-	1	1	1	-	1	1	2	7
Slovenia	-	-	-	1	1	-	-	-	2
Slovakia	-	2	-	-	-	1	-	-	3
Russia	-	6	-	2	1	-	1	1	11
Total	28	111	7	52	67	28	19	59	371

Holland, France and Austria. Estonian performers participated in large numbers, and successfully, in choral festivals in Giessen (Germany), Gotland (Sweden) and Rome (Italy). The favorite countries for the figurative artists are, besides Finland, also Germany, France and Italy, and for the actors – the UK. Cultural relations in other areas are not sufficiently active so as to be able to point out geographical preferences.

When observing cultural contacts as to the countries, we have to repeat the well-known fact that we attract the greatest interest in Finland, then Sweden and Germany. It is true that these three nations have played a determining role in the development of Estonian culture, although in the opposite order. The next group of nations interested in Estonian culture consists of the powerful cornerstones of the European culture – Italy, France and Great Britain. The third group is made up of Holland, Denmark and Austria. Amazingly, Russia lags even behind Spain. Estonia's cultural relations with its Central European partners in fate, and the smaller Western nations, are not particularly intensive; Portugal, Malta and Greece have remained quite outside the sphere of relations.

In conclusion, we could say that Estonian intellectuals have been infected by a real travel passion after long years spent in a closed system. Relations with the Central European countries were quite close in the 1970s–1980s; that area was in those days a bridge to the attractive and avant-garde real Europe, besides the "window" to Finland. Now, we have been racing across that bridge without stopping for some time, in order to have access to the world of long-suppressed dreams. The young are much more successful in this than the middle-aged or the elderly. In only a few more years the Estonian intelligentsia will receive a significant reinforcement from the people who have studied in the famous European centers. The greatest obstacle in the integration of Estonian culture into the arts, science, literary, theatre etc. world of post-modernist Europe is money. Table 4.11.

shows that the funds the cultural figures can use in integration with Europe are limited and can be measured in only millions of kroons, or $1 million. At the same time, the entry of European culture into Estonia seems significantly more restrained than we would like it to be. The main cultural exchange takes place primarily with the Nordic countries, especially Finland. As for the Western and Southern European regions, translated literature is the most accessible. Bringing art exhibitions, theatre stars, elite films etc. to the cash-strapped Estonian public will mostly remain a dream for the time being.

5 Estonia on the Threshold of the Information Society

5.1. Innovation in the Economy and in Society

The 1997 Estonian Human Development Report ended with the following paragraph: "One of the main postulates of sustainable human development is that the options of the future generations may not be fewer as compared to the present generation. Thanks to new technological solutions, it should be in the power of the present, and future generations in particular, to not just avoid the lessening of options but even to increase them."

It should certainly be stated, however, that technology (including information technology) on its own does not solve the problems of mankind and cannot guarantee the sustainability of society. The inclusion of the options offered by technology among the various sustainable solutions is tied to the readiness and ability of society to use the opportunities of technology. Successful use of technology is not possible without the re-evaluation of fossilized paradigms.

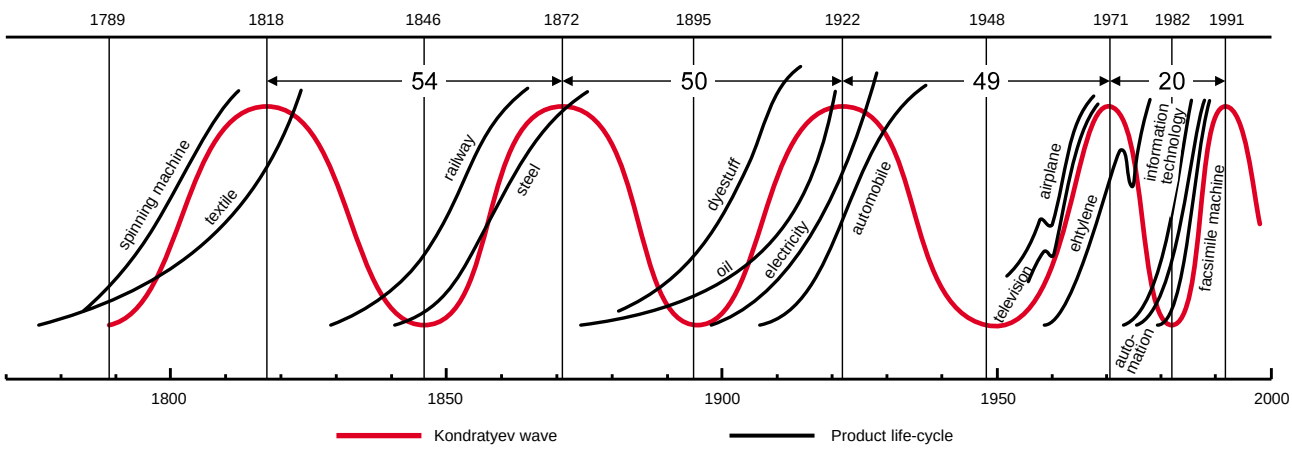
Cycles of development and the use of the opportunities therein

Nikolai Kondratyev, a Russian agricultural economist, noticed at the beginning of this century that cycles with a period of 50–64 years can be observed in the development of the world economy. J. Schumpeter, the British economist, who developed a theory explaining these cycles, recommended they be named K-waves or Kondratyev waves (Figure 5.1.).

According to the Schumpeter theory, the reason for the long-wave periods of economic rise and fall is the concentration of social and economic innovation into certain periods. The exhaustion of the energy of an innovation cluster will result in the bottom of the wave. The „engines" of every rise have been the clusters of various technological innovations. According to Modelski and Thompson, the engines of the K17 wave, which began in 1850, were electricity and steel. Those of the K18 wave beginning in 1914 were electronics, automobiles and airplanes, while the locomotive of the K19 wave, beginning in 1973, is information technology.

Opinions vary about future developments. Some authors predict a stagnation of the information technology wave in the coming years. Others, who link the K-waves to the duration of a product life cycle and an essential change in the world market – the world market comprising of national markets will be replaced by a united global market – think that the current (informa-

FIGURE 5.1
Kondratyev waves and the life-cycle of products
Source: Modelski and Thompson, 1996: 137.



tion technological) rise will last indefinitely. The future will show, which of these opposing theories will prove right, but when planning Estonia's possible futures, it would certainly be practical to consider these and other relevant theories and mechanisms, as well as to analyze the basic features of the Estonian economy and society.

One popular theory about the emergence and spread of innovation is the so-called single file theory by R. Vernon (Vernon, 1996). When analyzing the processes for creation and the spread of innovative products, Vernon discovered that, as a rule, the new products are implemented (commercialized) in places with a dynamic (receptive) solvent (domestic) market, with entrepreneurs and industry of a high potential, and where a close feedback exists between the market and industry. Thanks to these circumstances, the production and sale as well as export of new, as yet non-standardized products generally begins in the US. American entrepreneurs also skim the "first and fattest" profit from the new products. After production and export have been launched in the US, Western Europe and the other advanced countries also "wake up" and join the production in its standardization stage – they, too, have a highly qualified work force and sufficient credit resources to compete with Americans in that phase of product development. As US labor is the most expensive in the world, American firms can no longer compete with their foreign colleagues in the emerging competition, and US exports decline. Consequently, a significant part of the "secondary derivative" from the new product is won by the advanced countries. After the product has become fully standardized and all problems concerning its production and marketing have been solved (a stable demand in the world market has developed), the developing nations with cheap and not as highly qualified labor will use their opportunity. The developing nations then launch cheap standardized mass production, and in future both the US and the other advanced nations import the goods flow from those countries.

What should then be Estonia's niche, considering the above? One of the options would be to stay with the "predetermined" model for a developing country, to accept that Estonia's role is and will be in the future (besides producing services for the local market and transit trade) to produce standardized goods, first and foremost. Development so far seems to confirm this hypothesis as the main models for Estonia's industry, including production for export (with the exception of the food products industry), have been subcontracts and in some cases less demanding assembly work. The production of components and assembly also amounts to the main volume of Estonian exports in electronics and information technology. The share of, for example, software manufacturers in Estonia's success has been much more modest.

But there are also justified arguments against the above logic. The Future Scenarios for Estonia (to 2010) have shown that in the conditions of an increasingly expensive economy (a result of the inevitable price rise in the cost of public sector services, typical of the post-socialist countries, as well as the wage rise caused by the former factor and the needs of European integration), Estonia may begin to lose its previous niches in the export markets, based on relatively primitive subcontracts, while the low-level technology users may also face problems in the tight competition on the transit services market. Estonia as a manufacturer of standardized products is not exploiting its relatively high general educational potential, advanced standards of information consumption, parameters of the use of information technology (Chapter 5.3.). To sum up: it is questionable, whether and how long the growth based on these branches of industry can continue. It would apparently be necessary to develop in the Estonian economy the economic areas better suited to the information society – a high technology cluster. The coming years must demonstrate, whether or not the Estonian information industry sector, which has successfully started with computer exports, can also seize other market segments of IT and move one place forward in the single file of innovation.

Very interesting opportunities can be found in the innovation of the public sector, including the use of the new opportunities provided by information technology. A program launched in the USA in 1993 can serve as a model here; it aims at the development of a government (in a wider sense: the public sector), which would "work better, cost less and get results Americans care about". There will be an attempt to develop government institutions into "learning organizations". Learning organizations differ from the rest due to the following characteristics: a) they introduce standards (ISO and others); b) they have introduced quality awards for their staff and they participate in quality awards contests themselves; c) they compile "learning tales", i.e. reports of how their organization has been learning; and d) they are constantly aware of, analyze and improve their activities.

The launching of an innovative renovation of the public sector, "discovering the state

anew" in Estonia should be considered one of the first priorities in the development of an information society. Besides the direct profit to be gained from an efficient government apparatus, we could also consider the export potential of products created as a result of the development of new technologies. As a concrete example, we can here name only the planned introduction of a three-pillar pension insurance system based on modern information technology – the use of a processor card. A re-launch of this project, which was started several years ago, should certainly be considered. Launching the planned system would be an interesting experience on the global scale, it would significantly improve the efficiency of the state and the gained experience could most certainly be exported. The creation of an innovative social insurance system is to a certain extent a model exercise, which Estonia should be able to solve. Thanks to the small public sector, the implementation of new technologies and logistics in Estonia could be much easier than, for instance, in France or elsewhere. Estonia could serve as a "pilot country" or a testing ground for new information technologies in the development of an information society. We have some significant examples and experience in that area to give us hope that we can skip a few places in the single file of innovation.

Does Estonia need government policies for innovation?

The Estonian state has not yet clearly formulated its structural policy priorities or the main tasks of technological modernization.

There has obviously been a desire to avoid preferential treatment – everyone must prove their viability in the (world) market. Besides the absence of government preferences, the state financing of research and development activities aimed at the development of new products has also been clearly inadequate, while the interest and investments of the private sector have been limited. It is true that a draft Estonian National Innovation Program was developed in 1997, but the fact is obvious: no purposeful efficient innovation activity has yet been launched. The larger successful enterprises are engaged in the renovation (i.e. copying) of traditional "old and simple" product technologies, while the small businesses, which started in the area of high technology, have not yet reached the growth phase. The academic community is very careful about developmental activities, considering it better to concentrate on traditional academic research rather than to face the extra problems connected with launching new applied research activities. In a situation like that it is more realistic and less risky for Estonian entrepreneurs to target the last places in the single file of innovation, rather than to attempt anything complicated. But nations like Taiwan, South Korea and Ireland, for example, have chosen another path and have followed a clear policy of innovation priorities.

The influence of state guidance or support policies in the development of the Estonian information technology sector has not been significant either. The Association of Computer Companies and major enterprises have even now and again raised the issue of the state's role in supporting the development of the information industry, but these raised problems have remained at the level of spontaneous remarks in the absence of a clearly formulated program. The skeptical attitude of the key figures in the Estonian information technology industry about possible moves by the public sector are characterized by statements like "if it's not broken, don't fix it" or "state interference could make matters worse". Cooperation with the state could be beneficial in a transition to research intensive products or the move by small firms to export markets, but no common interest by the companies has been observed in these areas.

The attitude is more favorable in creating the basic legislation necessary for the development of an information society. Estonian information industry companies are interested in a more rapid legislative process and are participating in it themselves.

The Estonian Riigikogu approved on May 13, 1998, a document titled "Basic Principles of Estonia's Information Policy". This general document will be followed as the next logical step by the Information Policy Framework Program – spanning a five-year period. The program, the observance of which should be discussed by the Information Sciences Council annually (including making amendments and improvements to the Program), should serve as the foundation to concrete measures needing realization.

The experience of other countries shows that the development of territorial innovation clusters plays an important role in the modernization of the entire economy. The world's best-known innovation cluster is certainly Silicon Valley in California, but examples could also be found closer to Estonia. The Finnish are proud of Oulu, which has played a leading role in the development of the Nokia mobile telephones, etc. The Tartu Science Park and the Tallinn.-Mustamäe

BOX 5.1.

Transferring digital documents

Regarding concrete legislation issues, the work done on solving the legal problems with electronic documents should be pointed out. The presence of electronic documents will lay a solid foundation for a rapid introduction of electronic public administration as well as electronic trade. Their wider introduction in various spheres of life has even been described as one of the main premises for the transition to an information society. But the introduction of electronic documents requires the solving of a host of complicated technological, legal and organizational problems. This work has been launched in Estonia. The Electronic Document Legislation Commission was formed by the State Secretary in April 1997, charged with drafting the legal acts regulating the use of electronic documents. The main problems to be solved by the commission are the following:

- determining the terms, which allow a collection of digital information to be considered a document
- granting digital signatures and time stamps a legal power equal to the traditional signature
- formulating the principles of the infrastructure necessary for signing, and the realization of the time stamp service.

science township have been cited in Estonia, but, as has been said, these flickering sparks have not (yet) turned into flames and it is hard to believe that the flame will be fanned by a casual breeze (blowing from abroad?). It seems reasonable that we ourselves should also nurture these existing sparks …

The innovative society

The implementation of technology, including information technology, depends on state policies, the ability for institutional cooperation as well as the general attitude of society.

Society's ability for renewal is characterized by innovative capacity and the level of its ambitions. A society with a high renewal capacity orients itself towards the implementation of new ideas, technologies and skills, the prediction of problems and development opportunities (an anticipating, sustainable society). A society with a low renewal capacity orients itself towards survival, is satisfied with the existing situation and solves problems after they have emerged (reactive society).

The development of a society with a high renewal capacity is accompanied by a conscious support for innovation and a high learning ability. Programs for innovation and development activities have been created in the society. Ambitions, confidence and business morale are high. "Trailblazer Estonia" has become a trademark.

The innovative capacity of a society with a low renewal ability is low, it is dominated by economic "realism" and narrow utilitarianism, it lacks confidence and creativity. Problems and risks are avoided. Everything new or from abroad is received with suspicion, there is a lack of (self-) criticism. Experimenting is left to others and only that is done, which has been proven to work elsewhere.

A rise to a higher level of innovation requires from society an ability for social mobilization, which in turn presumes sufficient coherence in society, the presence of integrative mechanisms.

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5.2. Will the Information Society Disperse the Nation State?

The Information Society has become a central term, in the light of which the development of the human race is assessed. The possession and administration of the components of the communication system – operating on the basis of achievement in information technology – is becoming the center of competition between world powers. All this, however, has brought a number of new problems to the fore.

On the one hand, what are the game rules which are global and span national borders (and ignore them) in the developing new economic-political situation and what is their effect on the social sphere? Will already existing international

organizations (UN, WTO, IMF, etc.) or associations of influential states (G-7) be adapted for this purpose, or will there be an attempt to create new ones? There is already heated discussion over the question: who should benefit from the distribution of Internet root addresses – national authorized organizations or global (USA-type) structures? And which trademarked terms are protected on the Internet level as well? Since a vital advertising component is at issue, business is trying again to get the upper hand against the state – to curtail the state's opportunity to control. This is a painful issue for politicians, not to mention for democracy.

On the other hand, since the output of global activity is outside the legislation and effective control of the state, attempts at "genuine free market competition" on the Internet level have strengthened. This is accompanied by the questions known already from the earlier development of capitalism: should it not be necessary to follow some principles of "fair play"? How to avoid the creation of monopolistic control on the electronic market? Who will be standing at the gate, permitting entrance and exit and how much is it all going to cost? Anarchy is seen in the shadows behind this lack of organization, but organizing to the utmost degree is haunted by the specter of power in the hands of a few. How to stay in the balanced middle, in a situation where the machinery is already operating and it is not possible to restart, and honorably, from the beginning? This is particularly important for states, who have not been (at least, not since World War II) amongst industrial capitalism's strivings towards wellbeing. Both developing countries and post-Socialist states belong to the group of those who have been included in the circle of such information technological use – but not amongst its creators. And this is the reason for the painful emergence of inequality, and the conflicts between those who have been left behind and those who can keep up. Will the stragglers be eventually integrated (on certain conditions of serfdom) into the Information Society of the future, or will they be simply cast aside? Who will take up the mantle? Who will cream off the best in this paradigm revolution? And will the joint efforts of the economy, technology and monetary capital be sufficient to achieve a new condition of balance for the human race, or will social and cultural factors step forward as vital players?

Estonia can be comprehended only through the prism of nationhood, because otherwise (as a region, city-state) it loses, to a great degree, its cultural basis and internal cohesion. At the same time it is clear that it will not survive alone in the global winds. Therefore, cooperation and integration is necessary, which, however, assumes cohesive forces both at the national (national unity) and European level (we have all belonged there for millennia; there has never been an emotional or cognitive border between us and Europe). The globalization of information, in turn, seemingly opens all locks and bolts. The long-term and relatively smooth workings of the basic components of the world system's geo-culture – nationalism plus scientism / universalism / liberalism – is reaching a level, where the cohesive force of the current beliefs / constructs, both institutional and symbolic, is decreasing. There is hope that this may be overcome with a new information society paradigm, where all kinds of flows (mainly information) on the basis of networks will rise to the fore. This new reality, however, has many negative characteristics due to inhibiting the sense of time and space, both on the level for entire peoples (loss of historical sense; dominance of cosmopolitanism) as for the individual (only the moment is permanent, my home is anywhere in the world); uncontrolled money flow and the resulting insecurity and chaos of economic developments (worldwide casino); the more temporary character of work, the loss of permanent jobs, therefore, the end of worker solidarity and the expansion of social unrest; the replacement of real time by virtual time, electronic-democracy, etc. Internet brings us more opportunity to play (including role plays), but at the same time, it enables, more and more, the spread of unpunished (virtual) evil. Many studies have shown that heavy users, who have submerged themselves in the information technology networks, are far from happy in their world.

BOX 5.2.

The negative side of Internet use

It has been claimed in a recently published study by Pittsburgh University that people who have overly indulged in the Internet simply become isolated from the real world, but do not find in virtual reality substitutes of equal value for real living.

The web-site surfers, as well as those who are active in electronic communication through chat rooms and e-mail, are just as lonely.

Source: Postimees, September 1, 1998.

A nation state, in the middle of this world openness, which is deepened by multicultural contacts and institutions, can no longer "stand up" for its people in every case. On the one hand, a certain humane priority is being formed (human rights before self-determination for a nation), which ignores the current political custom. On the other

BOX 5.3.

Effect of information technology on national culture: *for and against*

In the recently published discussion between two prominent figures, Shimon Peres and Bill Gates, interestingly different connections between the development of information technology and the preservation of national cultures were registered. It was emphasized that, with the help of interactive multimedia, it will become possible for people with similar views to find one another and have contact – no matter where they live on Planet Earth. In such a world, the borders forming our identity, being a citizen of this or that state, no longer hold their previous importance. According to Bill Gates: in such an interconnected free world there are exactly as many societies, communities with common interests as there are people who make choices. Peres takes a more skeptical view, asking whether Internet is not merely an American culture medium, and whether English has to be the only language of freedom. Gates provides as a counter-argument the example of Microsoft's multi-nation employees, who "as soon as they arrive at work, they check the Internet to see what is happening in their homelands. They follow news from Israel, India, China. They send e-mail to their friends, family and colleagues, and read their responses. Although they work in Seattle, they retain a connection with their own cultures". Gates claims that as long as attention is paid, in software development, to supporting all world languages and alphabets, Internet will become the carrier of diversity, including cultural diversity.

Since it can be assumed that the relationship between information technology specialists living and working in Seattle, for example, and their distant land of origin cannot really take a very active form, Bill Gates presents an extra argument. In about ten years time, a substantial portion of the service sector jobs in developed countries will be virtual, i.e. also accessible to people living in the developed world. This is of course as long as their education level is appropriate to the job on offer. Therefore, the development of information technology will begin to substantially help reduce the differences in wages levels between various countries. People with information technology jobs, i.e. educated people, can earn a living in their homeland, participate in its culture and directly help in its development.

Source: End of the Century Reflections. Shimon Peres talks to Bill Gates. Los Angeles Times Syndicate, 1998.

hand, this is amplified substantially by the growing internationalization of money flows and economic institutions. Is becoming a European, being a European, one manifestation of this development, as world regions move to the level of states, or even form broad-based regional economic-technological associations (Europe coincidentally happens to be one of these)? The current core of the activity of the state – guaranteeing security within its borders to its citizens – is reducing noticeably. Together with the transfer of the economy to the intercontinental level, the security guarantee is more likely to be transferred to the workforce rather than to the areas inhabited by the nation. Capital is global, the workforce local, but with a greater mobility than formerly. If the local worker seems to be too demanding, foreign workers are brought in, or the enterprise is transferred to another place in the world. Effectiveness is more important than, for example, business loyalty. Interpol as well has more authority than ever before. And possessing citizenship of some state will lose its current meaning. Europe seems to be becoming a experimental-site, where the new better world will be tested. Optimists at least believe that there are better infrastructure and educational preconditions for success here than elsewhere. The promise to defeat the current bane of unemployment, based on information technological development, and to overcome in the near future the threat of workforce shortage due to the graying of the population, has been sown on fertile ground. The ironic spirit who is used to the welfare society, still receives the scientific promises of the creation of paradise on earth with a certain sigh of relief. There is a belief in science and a faith in robot slaves. Including computers. Universalism peers at laws, looking for agreement, not for specific implementation: the bigger the group for whom they apply, the less specific they are, therefore enabling greater arbitrariness than is possible in laws with a local flavor. The harmonization of European Union laws is a good example of this (despite the fact that a strawberry growing in the Low Countries grows fatter and more porous than a Nordic strawberry, which is smaller and denser).

The blurring of the state in these conditions could be an escape for capital which has found other self-defense mechanisms, or has simply transformed into a net-flow (which is less painful than lying to your competitor's face). But what will happen to national self-awareness and self-determination? The state and language are those components, which have not yet allowed the Internet effect to be taken to the limit (the European Internet has English in first place as its language of use – but with only a 20% share). But if one of these becomes ineffective, then the other one (language, in this case) will also not have a long life. The replacement of variety with whatever mobile universal efficiency creates poverty both in nature and in the human world. Therefore, the question must be asked: does economic-political integration take the responsibility, but also the life-blood, from our hands, or does it form a new framework for the rise of new style characteristics, which will replace the

disappearance of the old. It is understandable that Europeans want to give the European Parliament a greater role in decision-making.

It is still generally believed that Europe will manage to keep hold of the reigns, and institutionalize into a "net-state", where in addition to a common currency, a common agreement regarding the usefulness of all types of negotiations and discussions will prevail, where sovereignty will not be transferred to a so-called higher level, but will be adjusted and distributed between the participants depending on the dynamically changing needs. Power will be the same for all in this network of institutions being created and will take into account national traditions, and other factors due to cultural practices. At the same time, the uniformity of legislative norms will be followed. Estonia would be well suited to such a structure, where its voice could occasionally be heard from some node in the network.

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5.3. Computer Use and Computer Users in Estonia

The use of computers becoming a massive phenomenon is probably one of the most significant revolutions in Estonia in the first half of the 1990s. While the computer was still something relatively rare and exotic for an average white-collar worker at the time of the restoration of Estonia's independence in 1991, it had clearly become a widespread phenomenon by 1994. Private firms imported large numbers of computers into Estonia and also assembled units locally. Estonia's computerization also received some support from foreign aid in the first years of independence. Both the private and public sectors were rapidly computerized. Computer use was quite soon accepted as an inevitable requirement for success in one's chosen field. The younger generation learned the use of computers easily and without major difficulties, while it was somewhat more complicated for older workers.

BOX 5.4.

As long as they can be bothered or want to learn

AIN, Tallinn, 48, higher education, entrepreneur:
Using a computer is now so simple that you can learn the basics in half an hour with some assistance. Using computers now affects everyone, as long as they can be bothered or want to learn.

From the exception to the rule

VYATCHESLAV, Tallinn, 48, higher education, commerce director of an enterprise:
Earlier, only programmers worked with computers. Who had a computer at work ten years ago? The occasional large enterprise could afford one but then only for the accounting department. Five years ago, nearly all accounting departments had one. Now, very many workplaces have computers.

Source: Interviews carried out within the framework of the study conducted by the Institute for International and Social Studies.

It seems that in Estonian society, the problem is not so much the ability to handle computers, but rather the fact that the primitive products and services provided do not permit a more efficient use of high computer expertise and access to information. As is typical of cheap labor countries, Estonia is dominated by industrial subcontracts, simple assembly, and the very high share of computerizable simple services in the services sector.

From the viewpoint of integration, the key issue of this human development report, Internet use in Estonia – as a phenomenon connected with globalization – provides great interest.

As is seen in Figure 5.2, the number of Internet users in Estonia has increased more than tenfold in the last four years. The major breakthrough years were 1994–1995, when Internet became the de facto data communication platform for the Estonian public sector and its active use in the private sector also accelerated.

As of now, Estonia is probably the most successful state in the former Eastern bloc in this aspect, having passed the previous leader, Slovenia, and being ahead, as to the per capita number of computers with Internet access, of even such countries like Ireland, France and Italy (RIPE, Meediamaa, http://www.ciesin.ee/ESTONIA/esto.html).

According to a study conducted by Balti Meediateabe AS in February 1997, approximately one third (33%) of Estonia's population between the ages of 15 to 74 had used a personal computer sometime in their lives, but the figure had increased to 37% by autumn (September) of the same year. The group of

most active users continues to be young people in the age range of 15–19 years (75% of the age group). But computer use among the slightly older age group has also significantly increased. Whereas in February 1997, the ratio of individuals with and without computer experience was 1:5 within the 40–49 year-old group, the autumn results showed that every third respondent had used a computer at least once on their lives.

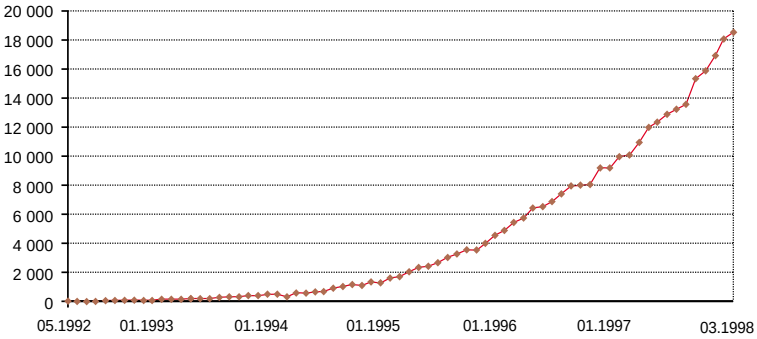
Sociology of computer use

The following main features can be noted when reviewing the socio-demographic breakdown of computer users (Meediateabe AS data):

- There is a global trend showing a slow decline of male predominance among computer users. This also applies to Estonia: men do predominate among computer users, but the number of users among women is increasing as well (39% as compared to 35%), while the spring result was 35% versus 31%.
- Although computer use has increased among both Estonians and non-Estonians, Estonians still enjoy a significant lead – 40% of Estonians have used computers as compared to 30% of non-Estonians.
- According to the "nationality-sex-age" group breakdown, the most frequent computer users are young (15–29) Estonian men (73%), young non-Estonian men (62%), young Estonian women (67%) and young non-Estonian women (54%). The lowest figures are for non-Estonian women of 50 years or older.
- Regarding the representatives of various specialties, the most significant change has taken place among the executives (48% in spring, 62% in autumn). But the biggest group of computer users are still students, although their usage percentage has decreased slightly (80% in spring, 75% in autumn). Specialists (60%) and self-employed (56%) can also be considered as heavy users, although the percentage of computer use has somewhat decreased among the latter in the last 6 months. It is also interesting that every third housewife has used a computer at least once.

Looking at computer use according to education level, it can be seen that people with higher education are still the most frequent users, but some growth can also be noticed among the others (57% versus 64%). Among those with secondary education every third has used a computer, while among those with less than secondary education, slightly more than every fifth person.

FIGURE 5.2.
Number of Internet-connected Computers in Estonia



BOX 5.5.

Bill Gates on the relationship between Internet use and society

Bill Gates, the head of Microsoft Corporation, claims that just as happened with books, new information technologies will become less and less expensive, and this will result in the extension of users' social base. But this future prospect is not quite problem-free. "Just as with any new technological achievement, not everyone will be able to use the Internet on the first day. Therefore, it cannot be denied that some will get a head start. This means that questions about the conflict between rich and poor, urban and rural dwellers, old and young, are absolutely appropriate. If the market cannot guarantee society achieving all its goals, then government must find the resources. Every society must decide where it wants to end up."

Source: *End of the Century Reflections. Shimon Peres' interview with Bill Gates, Los Angeles Times Syndicate, 1998.*

BOX 5.6

Do you or your family have a personal computer?

There are still fewer computers at home in Estonia than in the developed Western countries, but the figure is rapidly increasing. In 1994, only 2% of Estonia's households had a home computer, while in March 1995, 5% of Estonia's population between the ages 18 and 74 had a computer. The results of an adult education survey held in October-December 1997 showed that 7% of persons between 20 and 60 years of age had a computer at home.

The high professional position of the computer owners (every third is a manager, every fifth a top professional) and high education level (nearly half have higher education) show that the computer is not a matter of popular fashion for them, but an everyday and necessary component of the working environment.

Computer owners are already living in the "learning Estonia": they command several foreign languages, actively participate in adult education and intend to continue this in the future. Most computer owners are experienced users and consequently have little need for computer training.

Nearly half the owners admit that they are economically comfortable (while only every seventh of the non-computer owners claims to be well off), their home environment as a whole is more modern than that of persons without a home computer. Computer owners are significantly more optimistic than the others. There are only a few among them claiming that they have "missed the train" (every third adult without a computer is of that opinion). They dare make long-term plans and most of them are not of the opinion that "things happen as they happen, and we can't change anything".

• The use of computers among rural residents has increased slightly (25% in spring, 28% in autumn), but the increase among urban residents has been significantly larger (36% in spring, 45% in autumn), which shows that there are many more opportunities in the towns for using computers.

• There is also an association between income level and computer use: 70% of households with income above 2500 kroons per family member have used computers, while the share of computer users in the groups with income of up to 800 kroons or those with income of 801–1500 kroons per family member is nearly equal – slightly less than every third has ever used a computer.

Non-users, users, heavy users

A significant indicator in the conscious use of information technology is the emergence of clearly defined user groups, which in turn may point out a deepening segmentation in the development of the information society. We shall now attempt to describe what differentiates active and less active computer users. The heavy user group is characterized by the following indicators: 77% of them are between 20 and 49 years of age (half of then between 30 and 49). It could be pointed out as a significant tendency that the greatest growth in their share has occurred among the very young 15–19 year old users (from 6% to 13%), and for the somewhat older ones, 40–49 year olds (from 15% to 23%). These changes show that on the one hand the younger generation has more opportunities to use computers frequently, while on the other hand, that the generation of their parents is also turning to computers.

While the February 1997 study showed that the share of secondary school and higher education graduates was nearly equal among the heavy users (47% vs. 48%), the results of another study seven months later showed the growth in the share of the higher education graduate users to 52% and a decrease in the secondary school graduate users to 40%. More than half of them were either managers or office workers, while the winter study showed most as professionals (35%). The ratio had turned in favor of the office workers by autumn (36% vs. 19%) and the greatest change had occurred namely among these (from 11% to 36%). More than half the heavy users (56%) have an income per family member of over 2800 kroons, while those with income of up to 800 kroons number only 7%.

Out of the ethnic-background-sex-age groups, Estonian women between 30 and 49 (22%) and young Estonian men between 15 and 29 (20%) could be noted.

The less active user is usually a women (57%), and the share of the non-Estonians is also relatively high as compared to the other activity groups (32%). The share of persons between 30 and 39 has significantly increased (from 15% to 29%). The share of rural residents has also increased to nearly one third, showing that although the opportunities for computer use are not yet widespread in the rural regions, the residents there still have access to computers now and then. The main users are either workers (27%) or students (18%), with secondary education (56%) and half of them have an income per family member of less than 1500 kroons.

It is important to know, considering further movement towards the information society, whether and to what extent the current non-users intend to join the trend. The study results show that the motivation (or hope) to catch up of those lagging behind is unfortunately not particularly high. Four percent of these have certain plans to begin using a computer within the next 12 months. A possible group of users may be formed by the 10% of non-users, who perhaps will use a computer. Consequently, if we can trust the responses, some 95 000 new users may reinforce the existing 400 000 computer users.

The number of those, who are certainly not going to begin using computers in the coming 12 months, is the same as in the February study, approximately 69% of the total current non-users. At the time of the later study, a further 15% were not sure. The intention to become a user is more or less equal among the Estonian and non-Estonian non-users – approximately 13% intend to do it within the next 12 months. Forty-one percent of the 15–19 year old respondents, who are not yet using computers, claimed in February 1998 that they plan to do it within the next 12 months – the share of these young people with a positive attitude towards computer use has now decreased to 32%. The prospective computer users also include 27% of the 20–29 age group, 20% of the 30–39 age group, and the indicator has somewhat increased even among the 60–74 age group – from 1% to 3%. In the work field, the same attitude is also apparent among 32% of managers without computers, 24% of

the self-employed and among 20% of office workers – yet the figure is the greatest among students – 42%. Thirty-seven percent of non-Estonians in the 15–29 age group, 29% of Estonian and non-Estonian women of the same age, and every fifth of the Estonian 15–49 age group also intends to become computer users in the near future.

More on Internet use

Ten percent of all Estonian residents between 15 and 74 years of age and 36% of computer users have used the Internet by the beginning of 1998 – a total of 116 000 individuals. As compared to the February 1997 study, the number of Internet users has significantly increased – from 6% to 10% of Estonia's residents.

Of all Estonian residents between 15 and 74 years of age, 6% use the Internet regularly every week (64 000 individuals), i.e. 20% of all computer users and more than half of those, who have used the Internet within the last 6 months (56%). These figures have significantly increased as compared to the study conducted 7 months ago – in February, there were 12% of weekly Internet users among computer users and 49% out of all Internet users.

As compared to the February 1997 study, the gender breakdown of Internet users has become even more equal – then the share of men was 62%. This has now decreased to 56%, which shows that men and women are using the Internet on a nearly equal basis. As to the age breakdown, in Estonia as in the rest of the world the main user group is the15–29 year olds (61%). But it should be pointed out as an important tendency that the share of users between 40 and 49 has increased from 4% to 11%. This change corresponds to the global trend, according to which the older generation (senior citizens) is one of the fastest-growing "on-line" sectors. This most rapidly increasing group is still somewhat younger in Estonia than in the rest of the world. In case of the senior users, the main motivation for Internet use is finding of new hobbies, and the improvement and increase of existing contacts (NUA Internet Surveys).

If we review the Internet users as to their length of experience or the beginning of their use, we can state that more than one tenth of them (12%) read the Internet homepages for the first time more than two years ago – they can be considered experienced Internet users.

BOX 5.7.

Internet use in Estonia - against an international background

A study published in March 1998 by "The Industry Internet Almanac" showed that Finland's residents are the heaviest Internet users – nearly 25% of Finland's population are regular Internet users. Although there are more Internet users in the USA than in any other country (54% of all users), there are more per capita users in Finland. Norway came second with 231 Internet users per 1000 individuals, while Iceland was third (227) and the USA was only the fourth (203). The world average is 16.9 (NUA Internet Surveys). Estonia's corresponding figure is 105 Internet users per 1000 residents between 15 and 74 years of age, which is significantly above the world average, but nearly two times lower than the figure of the leading countries.

The share of experienced users has remained more or less the same as compared to the results revealed in February – therefore, there are 29 000 individuals in Estonia with a long-term experience of Internet use. Approximately 2/3 of them are men with higher education, 90% are Estonians and 45% are in the age group of 20–29 years.

Forty-six percent of Internet users began in the last half-year. As for the so-called newcomers (those, who have first encountered Internet within the last month), the gender breakdown here is the same as among the general Internet users: 2/3 are in the 15–29 age group and nearly half have higher education.

More than one quarter (27%) of Internet users had last used it on the day of the study or on the preceding day, and 60% at least within the last week. But there were also 17% of users, who had last looked at a website more than a month ago, and 10% more than 3 months ago.

To sum up, the studies on computer use show, on the one hand, some expansion of its social basis (widening Internet use among women and rural residents), but also that those who have lagged behind in this socially important skill, may face major problems in closing the gap. "The last train" has not yet left, but the first ones are far ahead.

Computer training today: helping latecomers catch up?

A quite interesting picture of the possible expansion of the army of computer users can be found in the studies concerning adult training.

The study by the Institute for International and Social Studies (RASI) shows that a predominant majority of people in Estonia consider computer training very important and find that it should be expanded. Only 8% of those between 20 and 60 years of age think that this is not necessary. It is not only managers and white-collar workers who sense the need for computer training, but also blue-collar workers, most of whom have had no contact with information technology. Yet they sense the necessity for this type of training and fear to "miss the train". At the same time, turnout at computer training courses has not been extensive in recent years. According to the RASI study on adult education, only 2% of the 20–60 age group in Estonia attended computer training courses between the beginning of 1996 and the end of 1997. The share of those, who taught themselves to use computers, in the same time period, was almost the same. The actual situation is not as bad as it looks. Many of the 20–29 age group have received computer training in the general or higher education systems. The peak of computer training in Estonia probably took place in 1992–1995. Many of the present everyday computer users have probably acquired their skills independently before 1996.

Out of the computer class attendees in 1996–1997, top and middle-level managers predominate; most of them do not have a computer at home. Three quarters of them are women, mostly in the 30–44 age group, Estonians predominate greatly as compared to other ethnic groups and the share of Tallinn residents is above average.

The RASI study shows that the individuals, who have taught themselves to use computers in recent years, have a higher social position and income than the participants of the computer classes in the same years. The RASI researchers consider these to belong predominantly to the "winners" group, while the "late class participants" mostly do not fall under that classification.

According to the RASI study, approximately one fourth of residents of the 20–60 age group desired to receive computer training in 1997. The following aspects characterize the demand:

- they mostly wanted a basic course; there was very little need for classes concerning the use of computers in some concrete specialty (computer-aided design, accounting, computer graphics, etc.).
- they have not attended computer classes mainly due to the lack of money or initiative
- the primary goal was stated mainly as being self-improvement, frequently a desire to handle current tasks better; a significantly less frequent motive was to improve self-confidence or to reduce the threat of unemployment
- computer training was seen as professional self-improvement, but significant changes in work were usually not set as goals: no change of job, specialty or acquisition of a new specialty
- the individuals wanting computer training have less frequently made concrete moves to attend training classes of interest to them, as compared to applicants for other types of adult training; 70% have not yet made a move.

Consequently, the present demand for computer training can be characterized as a "general" type of demand, which is caused by an understanding of corresponding basic skills, but whose realization has been obstructed (and probably is still being obstructed) by insufficient definition of the desire to act.

It seems that the core group of applicants for computer training is made up by the persons who did not face an urgent need for computer skills until now. They are predominantly younger persons (half of them belong to the 20–34 age group), who are still facing a long career and will certainly need computer skills. The potential necessity of computer classes is understood (besides the traditionally study-minded women with higher education) also by women with specialized secondary education. Female officials and service staff may also provide a significant addition to the specialists learning computer skills. Women on maternity leave are also expressing an above average interest in computer training. Potential attendants of computer classes are wealthier and more successful than average, but they are not nearly as big "winners" as computer owners or those who have taught themselves to use computers. The demand for computer skills is shifting towards the "average adult". Even if the present potential learners make some concrete moves towards the realization of their wishes, the acquisition of computer skills certainly will not mean inclusion amongst the "chosen few" or necessarily a significant change in income or career. At best, this will mean that they have caught up with the changing background.

References:

Survey by Balti Meediateabe: "Arvutite ja Interneti kasutamisest". 1997. Tallinn.

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5.4. Fundamental Changes in Education through Information Technology

Information technology in schools

The application of information technology does not only assume training and education in this field but also creates in turn opportunities for the fundamental reorganization and increased effectiveness of the education system, as well as for widening the scope of the tasks and methods of education. A good example of this is the Tiger Leap program, which has now been running for a number of years.

The Tiger Leap is a national special purpose program, the aim of which is to modernize the Estonian educational system, creating conditions for the formation of an open learning environment, and for coping better with the demands presented by the Information Society. The program is geared mainly towards general education, but also covers pre-school, vocational and higher education, and of course the further training of teachers.

The basis is the understanding that children – who after a few years will be the molders of society – are open to change and are able to use the opportunities of modern information technology at times even better than adults. The use of suit-

BOX 5.8.

What are the benefits of Tiger Leap?

The Tiger Leap program:

- helps Estonian teachers acquire elementary computer skills and guides them in the use of modern information technology opportunities in teaching their subjects
- builds a distance and continuous training structure for teachers and students
- supports development of curricula, with the aid of a learning environment which is interactive and develops learning skills
- connects the Estonian educational system with international information databases
- promotes the development of original software related to the Estonian language, culture, history and nature, in accordance with the state curricula
- establishes a regional computer education center in every county, with the assistance of the PHARE ISE program
- assists the counties to develop the schools' information technological infrastructure, taking the development plans of the schools, and their association with the development of the regions, as the basis

FIGURE 5.3.

Investments in supplying Estonian general education schools with information technology (1992–1998), million kroons

Source: Tiger Leap Foundation, 1998.

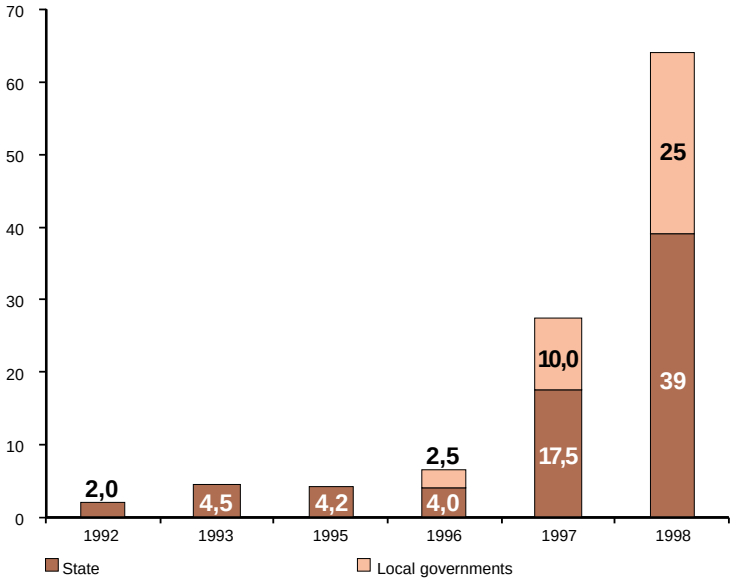
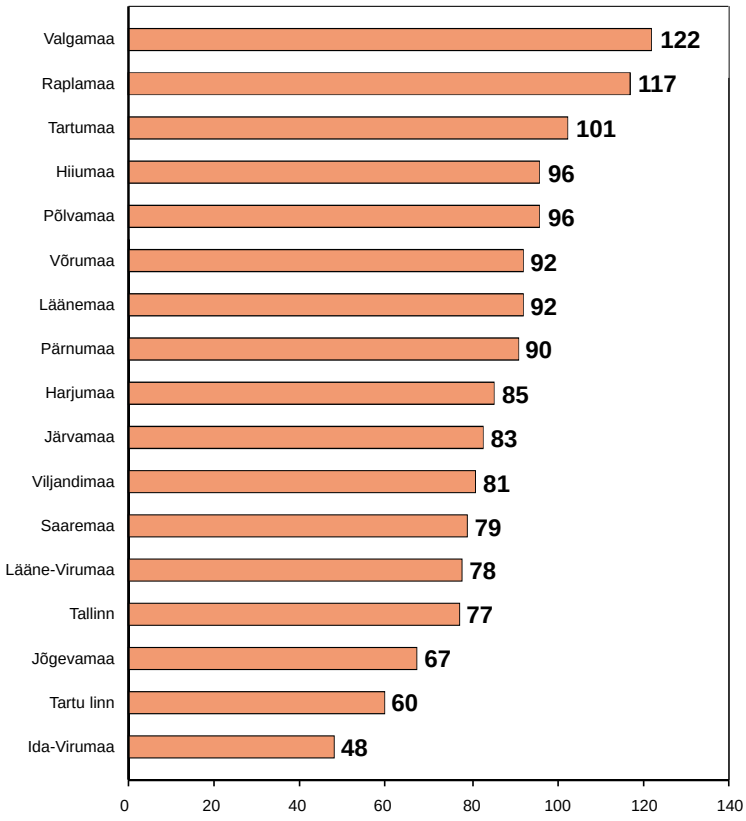


FIGURE 5.4.

Services and resources per student per county provided through the Tiger Leap Foundation, kroons

Source: Tiger Leap Foundation, 1998.



able learning software, and the latest information available from the Internet, makes both learning and teaching more creative.

The vital precondition for the success of the program is effective cooperation between schools, universities, local governments, private enterprise, state institutions and the third sector (funds, foundations).

Currently, in 1998, the Tiger Leap program, in addition to the initial focus – providing schools with computers and data communication connections, and basic computer training – is directing more attention towards developing educational software. This is no longer software to learn how to use a computer, but a means for using information technology to acquire subjects such as mother tongue, geography, or biology.

Here it should be noted that Estonia is just as new at this as is the rest of the world, where experimental solutions exist in some countries and fields, but wide-ranging, generally accepted implementations do not.

In the case of certain subjects, there is not much point in developing homegrown learning software, since the Estonian education market is not able to commission many products containing expensive multimedia solutions, particularly since such an industry is also currently in its development phase. These are often subject areas, which are generally valid everywhere – learning software describing the solar system or illustrating photosynthesis is useable everywhere in the world and would need only localization, or Estonianization. Estonian history, Estonian language and many other courses existent only in Estonia's educational system, would definitely be areas for the serious attention of local educational software developers. Since the creation of educational software is still a new activity at the start of its development path, as was stated previously, Estonian success in this cannot be excluded. Software could be developed to cover some of the more universal subjects – and if this succeeds, then export markets could be attempted.

Further progress with the Tiger Leap program requires new thinking regarding the role of education, school and teachers, proceeding from the needs of the information society. This can only be a long-term process, and until then one can agree with the position of many skeptics who claim sadly that the involvement of computers in schools as part of the learning process is currently restricted mostly to elementary computer studies and the relatively limited use of the opportunities of information technology.

The development of information technology offers opportunities in education to connect into genuinely global cooperation networks. One of the best examples of international cooperation between general education schools is participation in the international environment program GLOBE (Global Learning and Observations to Benefit Environment).

BOX 5.9.

What is GLOBE?

GLOBE is an international environment program based on the participation of general education schools, which unites children, teachers and scientists across the world for the purpose of increasing environmental knowledge, to increase the scientific understanding of the global problems of Earth, and to support a higher standard of education in the natural sciences and mathematics.

Estonia officially joined the GLOBE program on June 19, 1996, when the Minister of Education Jaak Aaviksoo and the US Ambassador Lawrence Taylor signed the applicable agreement. 28 schools have voluntarily registered for participation from almost all Estonian regions. Amongst those who have applied are biology, geography, computer studies and chemistry teachers, and each registered school has at least the minimum communication means for working in the computer network. The first measurements were carried out in January 1997. In June 1998, US Vice President Al Gore wrote to thank the Estonian Minister of Education and the participating schools for the active participation in the activities of GLOBE.

The program operates on a number of levels. Regular environmental measurements and observation are the basis, and the students from grades 5–12 carry these out in the vicinity of their school in geographically exactly determined measurement locations. The results are notified via the Internet to the GLOBE center and they form a global database, which is used by both scientists as well as the GLOBE schools in their class work or school projects. The center offers daily visual overviews and maps produced by NOAA and NASA, which are based on the students' measurements. Suggestions and instructions are provided on how to retrieve and use the necessary material from the Internet, and consideration is also given to those schools who do not have an on-line Internet connection.

Within the GLOBE framework, teaching materials have been developed, which explain the background to the measurements, and offer ideas

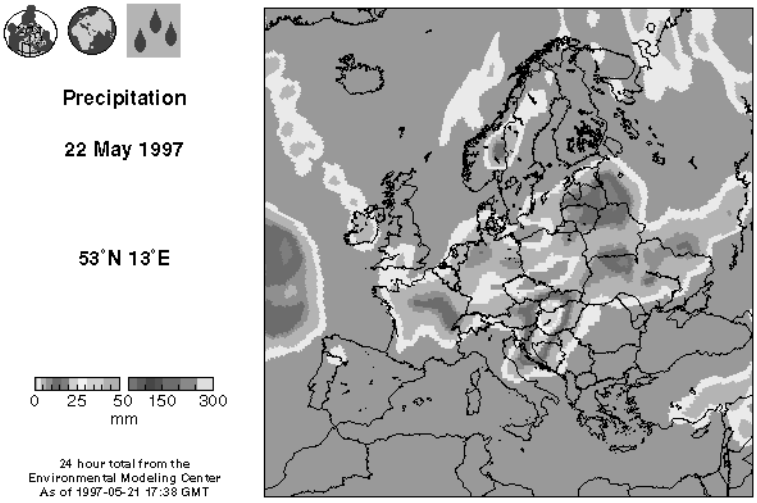
and methodology for carrying out the lessons. Estonian GLOBE schools receive a 600 page collection of teaching materials.

Discussion on the topic „information society and education" has moved from its previous basic themes – information technology and solutions for data communication in schools – to issues dealing much more with content, i.e. the nature of education in the Information Society. Much research has been dedicated to this highly important topic, and the theme has been tackled at most of the conferences and seminars dealing with the future of education which have been held in Estonia over the previous years.

The arrival of computers in classrooms has prompted many new questions regarding the role of information technology in education. What is the best way to use Internet in education? How does one guarantee that the education acquired with the assistance of information technology is of the same or better quality than the education acquired through the current means? The key issue is definitely the inclusion of teachers into the opportunities provided by information technology. In 1997, more than 3500 teachers were trained through the Tiger Leap program to use the Internet for communication and for obtaining information. Subject teachers have been provided with Internet teaching materials. Since these are experiments based on the personal initiative of teachers, it is not yet possible to measure the results of such curricula. Teachers have in many ways discovered a new role for themselves – to be the assessors of information found in the Internet, and then to recommend it to their students – but they have found themselves in a difficult situation due to the thicket of academic schools. In addition, the ability to teach students to be able to assess the quality of information in the Internet, as well from elsewhere, is becoming ever more important.

By placing information technology and data communications under the command of students, higher education has discovered for itself a completely new competitor – distance learning via the Internet. This does not affect basic studies as much as specialized study or continuous learning in those fields where internationally recognized higher education institutions have developed chargeable distance learning courses, where the standards in fields that develop particularly rapidly are so high

Figure 5.5.
GLOBE rainfall map (http://www.physic.ut.ee/globe/kaardid/)



that teaching staff often have trouble competing. Thus, many Estonian university students acquire their specialty education through the Internet, while simultaneously also studying in Estonian higher education institutions. As an example, there are courses for the implementation of information technology, for software and communications technology, international law, intellectual property, biotechnology, media and many other disciplines, where there are also „on the ground" faculties in Estonia. The globalization of education presents ever greater demands on Estonian higher education institutions and teaching staff, who respond by inviting guest lecturers and organizing their own Internet courses. The media faculty at the Concordia International University is already planning in 1998 to offer courses via the Internet. But students who participate in Internet courses must still take into account the surrounding environment – in the implementation of their knowledge as well – because the Estonian academic climate reflects the topics and implementations that have been created locally with local priorities in mind.

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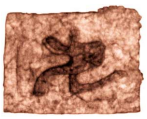


Suggested Required Tables

Profile of human development

Life expectancy at birth	Maternal mortality rate (per 100 000 live births)	Population per doctor	Scientists and technicians (per 10,000 people)	Enrolment ratio for all levels (% age 6-23)	Tertiary full time equivalent gross enrolment ratio		Daily newspapers (copies per 100 people)	Televisions (per 100 people)	Real GDP per capita (PPP USD)	GNP per capita (USD)
					Total (%)	Female (%)				
1996	1996	1996	1996	1996	1996	1996		1994	1996	1996
70.0	**0.0**	**328**	**33.9***	**73.5**	**42.0**	**45.5**	**...**	**31.6**	**4431****	**2969**

* only public sector
** Source: OECD

Profile of human distress

Unemployment rate		Adults with less than upper-secondary education (as % of age 15-64)	Ratio of income of highest 20% of households to lowest 20%	Female wages (as % of male wages)	Consumer price index (change, %)	Years of life lost to premature death (per 1000 people)	Injuries from road accidents (per 100 000 people)	Intentional homicides (per 100 000 people)	Reported rapes (per 100 000 women age 15-59)	Sulphur and nitrogen emissions (kg of NOx and SO_2 per capita)
Total (%)	Youth (15-24, %)									
1996	1996	1989	1996	Oct. 1996	1996		1996	1996	1996	1996
10	**16**	**34.8**	**6.3**	**72.6**	**23**	**...**	**120**	**18.2**	**20.5**	**90.9**

Trends in human development

Life expectancyat birth (years)		Tertiary full-time equivalent gross enrolment ratio (%)		Real GDP per capita (PPP USD)*		GNP per capita (USD)		Total education expenditure (as % of GDP)		Total health expenditure (as % of GDP)	
1992	1996	1992	1996	1992	1996	1993	1996	1993	1996	1993	1996
69.1	**70.0**	**35.0**	**42.0**	**3842**	**4431**	**1067**	**2969**	**7.3**	**8.7**	**5.4**	**7.7**

* Source: OECD

Female-male gaps

Females as percentage of males									
Life expectancy	Population	Years of schooling	Secondary enrolment	Upper secondary graduates	University full-time equivalent enrolment	Natural and applied science enrolment	Labour force	Unemployment	Wages
1996	1996		1996	1996	1996	1996	1996	1996	Oct. 1996
117.1	**114.7**	**...**	**104.8**	**126.2**	**113.0**	**69.1**	**91.0**	**78.2**	**72.6**

Status of women

Life expectancy at birth (years)	Average age at first marriage (years)	Maternal mortality rate (per 100 000 live births)	Secondary net enrolment ratio (%)	Upper secondary graduates (as % of females of normal graduate age)	Tertiary full-time equivalent gross enrolment ratio (%)	Tertiary natural and applied science enrolment (as % of female tertiary)	Women in labour force (as % of total labour force)	Administrators and managers (% females)	Parliament (% of seats occupied by women)
1996	1996	1996	1996	1996	1996	1996	1996	1996	1995
75.5	**23.7**	**0.0**	**81.4**	**85.7**	**45.5**	**32.6**	**47.6**	**36.5**	**11.9**

Demographic profile

Estimated population (millions)			Annual population growth rate (%)		Total fertility rate	Fertility rate over time (1996 as % of 1960)	Contraceptive prevalence rate (%)	Dependency ratio (%)	Population aged 60 and over (%)	Life expectancy at age 60 (years)	
										Female	Male
1960	1996	2000	1970-1995	1996-2000	1996			1996	1996	1996	1996
1.2	**1.5**	**1.4**	**0.34**	**-0.19**	**1.30**	**67**	**...**	**50.6**	**19**	**14.8**	**20.1**

Health profile

Years of life lost to premature death (per 1000 people)	Deaths from circulatory system diseases (as % of all causes)	Deaths from malignant cancers (as % of all causes)	AIDS cases (per 100 000 people)	Alcohol consumption (litres per adult)	Tobacco consumption (pieces per adult)	Population per doctor	Health bills paid by public insurance (%)	Public expenditure on health (as % of total public expenditure)	Total expenditure on health (as % of GDP)	Private expenditure on health (as % of total health expenditure)
	1996	1996	1996	1996	1996	1996		1996	1996	1996
...	**55.3**	**17.3**	**0.5**	**11.5**	**879**	**328**	**...**	**14.3**	**7.7**	**16.2**

Education profile

Enrolment ratio for all levels (% age 6-23)	Upper-secondary full-time equivalent gross enrolment ratio (%)	Upper secondary technical enrolment (as % of total upper-secondary)	19-year olds still in full-time education (%)	Tertiary full-time equivalent gross enrolment ratio (%)	Tertiary natural and applied science enrolment (as % of total tertiary)	Expenditure on tertiary education (as % of all levels)	Public expenditure per tertiary student (PPP USD)	Total education expenditure (as % of GDP)	Public expenditure on education (as % of GDP)
1996	1996	1996	1996	1996	1996			1996	1996
73.5	**88.7**	**32.2**	**38.0***	**42.0**	**42.7**	**...**	**...**	**8.7**	**7.5**

* Expert estimation

Human capital formation

Mean years of schooling			Scientists and technicians (per 1000 people)	R&D scientists and technicians (per 10 000 people)	Expenditure on research and development (as % of GNP)	Upper secondary graduates (as % of population of normal graduate age)	Tertiary graduates as % of population of normal graduate age)	Science graduates (as % of total graduates)		
Total	Female	Male						kokku	naised	mehed
			1996	1996	1996	1996	1996	1996	1996	1996
...	**...**	**...**	**3.4**	**33.9**	**0.6**	**75.5**	**29.9**	**43.5**	**37.0**	**53.7**

Employment

Labour force (as % of total population)	Percentage of labour force in			Future labour force replacement ratio	Earnings per employee annual growth rate (%)	Earnings disparity: ratio of earnings of upper half to lower half of labour force	Percentage of labour force unionized	Weekly hours of work (per person in manufacturing)	Expenditure on labour market programmes (as % of GDP)
	Agriculture	Industry	Services						
1996	1996	1996	1996	1996	1996			1995	1996
48.8	**11.4**	**32.1**	**56.5**	**98.4**	**25.7**	**...**	**...**	**33.3**	**0.14**

Unemployment

Unemployed persons (thousands)	Unemployment rate (%)					Unemployment benefits expenditure (as % of total government expenditure	Incidence of long term unemployment (as % of total)		Regional unemployment disparity (25% worst regions versus 25% best)	Ratio of unemployment rate of those not completing secondary school to rate of those graduating from third level	
	Total	Total including discouraged workers	Female	Youth (15-24)	Male youth (15-19)		üle 6 kuu	üle 12 kuu		mehed	naised
1996	1996	1996	1996	1996		1996	1996	1996	1996	1996	1996
71.9	**10.0**	**12.2**	**9.2**	**16.0**	**...**	**0.18**	**70.4**	**55.4**	**2.1**	**2.3**	**1.3**

Military expenditure and resource use imbalances

Military expenditure (as % of GDP)	Military expenditure (as % of combined education and health expenditure)	ODA disbursed (as % of military expenditure)	Average annual exports of non-nuclear arms to developing countries		Armed forces		
			USD millions	Percentage share	Per 1000 people	Per teacher	Per doctor
1996	1996				1994	1994	1994
1.0	**7.6**	**-**	**-**	**-**	**2.6***	**0.2***	**0.8***

* Source: Ministry of Defence

Natural resources balance sheet

Land area (thousands of km^2)	Population density (people per km^2)	Arable land and permanent cropland (as % of land area)	Permanent grassland (as % of land area)	Forest and wooded land (as % of land area)	Irrigated land (as % of arable land area)	Internal renewable water resources per capita (1000 m^3 per year)	Annual fresh water withdrawals	
							As % of water resources	Per capita (m^3)
1996	1996	1996	1996	1996				1996
45.2	**32.5**	**25.1**	**5.9**	**44.0**	**-**	**...**	**...**	**1158**

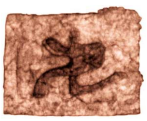
National income accounts

Total GDP (USD billions)	Agri-cultural produc-tion (as % of GDP)	Industrial produc-tion (as % of GDP)	Services (as % of GDP)	Consumption		Gross domestic investment (as % of GDP)	Gross domestic savings (as % of GDP)	Tax revenue (as % of GNP)	Central govern-ment expendi-ture (as % of GNP)	Exports (as % of GDP)	Imports (as % of GDP)
				Private (as % of GDP)	Govern-ment (as % of GDP)						
1996	1996	1996	1996	1996	1996	1996	1996	1996	1996	1996	1996
4.359	**7.4**	**22.9**	**69.7**	**60.7**	**24.1**	**26.7**	**18.9**	**36.3**	**40.0**	**66.6**	**78.7**

Trends in economic performance

Total GNP		GNP per capita annual growth rate (%)	Consumer price index (change, %)	Exports as % of GDP (% annual growth rate)	Tax revenue as % of GNP (% annual growth rate)	Direct taxes as % of total taxes	Overall budget surplus/deficit (as % of GNP)
USD billions	Annual growth rate (%)						
1996	1995		1996	1996	1996	1996	1995
4.362	**4.0**	**5**	**23**	**-5.7**	**-0.8**	**31.5**	**-1.6***

* Source: Ministry of Finance



Suggested Optional Tables

Weakening social fabric

Prisoners (per 100 000 people)	Juveniles (as % of total prisoners)	Intentional homicides (per 100 000 people)	Reported rapes (per 100 000 women age 15-59)	Drug crimes (per 100 000 people)	Asylum applications received (thousands)	Divorces (as % of marriages contracted)	Births outside marriage (%)	Single-female-parent homes (%)	Suicides by men (per 100 000)
1996	1996	1996	1996	1996			1996	1989	1996
197	**2.5**	**18.2**	**20.5**	**7.8**	**...**	**102.5**	**48.1**	**18.9**	**64.3**

Wealth, poverty and social investment development

Real GDP per capita (PPP USD)	GNP per capita (USD)	Share of industrial GNP (%)	Income share		Expenditure on payments of social security expenditure (as % of GDP)	Total education expenditure (as % of GDP)	Total health expenditure (as % of GDP)
			Lowest 40% of households (%)	Ratio of highest 20% to lowest 20%			
1993	1996		1996	1996	1996	1996	1996
4431*	**2969**	**...**	**19.3**	**6.3**	**10.6**	**8.7**	**7.7**

* Source: OECD

Communication profile

Radios (per 100 people)	Tele-visions (per 100 people)	Annual cinema atten-dances (per person)	Annual museum atten-dances (per person)	Registered library users (%)	Daily news-papers (copies per 100 people)	Book titles published (per 100 000 people)	Printing and writing paper consumed (metric tons per 1000 people)	Letters posted (per capita)	Tele-phones (per 100 people)	Interna-tional telephone calls (minutes per capita)	Passen-ger cars (per 100 people)
1996	1994	1996	1996	1996		1996		1996	1996	1996	1996
...	**31.6**	**0.68**	**0.78**	**38.2**	**...**	**178.9**	**...**	**26.3**	**30.1**	**39.6**	**27.8**

Energy consumption

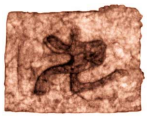
Commercial energy consumption		Share of world commercial energy consumption	Annual rate of change in commercial energy consumption	Commercial energy efficiency GDP output per kg of oil equivalent (USD))
Total (thousand tons of oil equivalent)	Per capita (kg of oil equivalent)			
1996	1996		1992-1996	1996
2.664	**1813**	**...**	**-5.4**	**1.64**

Urbanization

Urban population (as % of total)			Urban population annual growth rate (%)		Populationin largest city (as % of urban)	Population in cities of more than 1 million (as % of urban)	Population in cities of more than 1 million (as % of total)	Major city with highest population density		Population exposed to 60+ decibels of road traffic noise (%)
								City	Population per km^2	
1960	1996	2000	1970-1995	1996-2000	1996				1996	
57.1	**69.4**	**69.0**	**0.63**	**-0.41**	**41.4**	**-**	**-**	**Tallinn**	**2657**	**...**

Environment and pollution

Major city with highest concentration of SO_2		Sulphur and nitrogen emissions (kg of NO_X and SO_2 per capita)	Share of global emissions (greenhouse index)		Pesticide consumption (metric tons per 1000 people)	Nuclear waste from spent fuel (metric tons of heavy metal per 1000 km^2)	Hazardous and special waste production (metric tons per km^2)	Generation of municipal waste (kg per capita)	Population served by municipal waste services (%)	Waste recycling (as % of consumption)	
City	Micrograms of SO_2 per m^3		Absolute share (%)	Per 10 million people						Paper and cardboard	Glass
1995	1995	1996			1994		1996	1996			
Tallinn	**7.6**	**90.9**	**...**	**...**	**0.14**	**...**	**0.22**	**354**	**...**	**...**	**...**



Country Human Development Indicators

	1992	1993	1994	1995	1996
Population (thousands)	1544.4	1516.7	1499.3	1483.9	1469.2
Land area (km^2)	45227	45227	45227	45227	45227
GDP (billions USD)	...	1.633	2.286	3.550	4.359
Human Development					
Life expectancy (years)	69.1	68.1	66.9	67.9	70.0
Maternal mortality rate (per 100,000 births)	22.2	33.0	56.4	51.6	-
Enrolment ratio for all levels (age 6-23, %)	68.3	68.3	69.5	71.2	73.5
Tertiary full-time equivalent gross enrolment ratio (%)	35.0	34.5	34.9	38.1	42.0
GNP total (USD billions)	...	1.619	2.257	3.553	4.362
GNP per capita (USD)	...	1067	1505	2394	2969
Real GDP per capita (PPP USD)	...	3803	3842*	4138*	4431*
Exchange rate (EEK / USD)	...	13.234**	12.970**	11.465**	12.031**
Human Distress					
Injuries from road accidents (per 100,000 people)	102	120	153	150	120
Intentional homicides by men (per 100,000 people)	15.5	21.6	24.3	20.5	18.2
Drug crimes (per 100,000 people)	1.4	1.8	2.2	3.4	7.8
Reported rapes (per 100,000 women age 15-59)	15.1	22.2	26.6	22.0	20.5
Adults with less than upper secondary education (age 15-64, %)	34.8***	...	...	...	

* Source: OECD
** Source: Bank of Estonia
*** Census data of 1989

	1992	1993	1994	1995	1996
Unemployment rate (%)	3.7	6.5	7.6	9.7	10.0
Consumer price index (change, %)	1076	90	48	29	23
Ratio of income of highest 20% to lowest 20% of households (%)	765*	735*	783*	768*	633
Sulfur and nitrogen emissions (kg NOx and SO2 per capita) SO_2	116.0	95.6	94.1	74.3	79.8
NO_X	9.6	7.9	9.7	10.0	11.1
Life expectancy and health					
Life expectancy at birth (years)	69.1	68.1	66.9	67.9	70.0
Population per doctor	280	292	319	322	328
Maternal mortality rate (per 100,000 births)	22.2	33.0	56.4	51.6	-
Deaths from circulatory system diseases (as % of total deaths)	57.8	56.5	55.2	54.9	55.3
Deaths from malignant cancers (as % of total deaths)	16.5	16.1	14.8	15.7	17.3
Public expenditure on health (as % of total public expenditure)	...	14.2	15.4	14.6	14.3
Wealth / poverty					
Ratio of income of highest 20% to lowest 20% of households (%)	765*	735*	783*	768*	633
Lowest 40% of households (% share of income)	16.7*	16.8*	16.4*	16.9*	19.3
GNP total (USD billions)	...	1.619	2.257	3.553	4.362
GNP per capita (USD)	...	1067	1505	2394	2969
Real GDP per capita (PPP USD)	...	3803	3842**	4138**	4431**
Exchange rate (EEK / USD)	...	13.234***	12.970***	11.465***	12.031***
Consumer price index (change, %)	1076	90	48	29	23

* Source: Estonian Market and Opinion Research Centre Ltd
** Source: OECD
*** Source: Bank of Estonia

	1992	1993	1994	1995	1996
Demography					
Total population (millions)	1.54	1.52	1.50	1.48	1.47
annual growth rate (%)	-2.3	-1.3	-1.0	-1.0	-1.0
Population aged 60 and over (%)	17.9	18.2	18.4	18.6	19.0
Life expectancy at age 60 (years)	17.6	17.3	17.2	17.7	17.8
female	19.8	19.3	19.3	19.9	20.1
male	14.6	14.1	14.1	14.5	14.8
Fertility rate	1.69	1.45	1.37	1.32	1.30
Fertility rate over time (1992 - 1996 as % of 1960)	87	75	71	68	67
Dependency ratio (%)	51.3	51.3	51.1	50.9	50.6
Weakening social fabric					
Suicides by men (per 100,000)	52.1	64.5	70.7	67.6	64.3
Reported rapes (per 100,000 women age 15-59)	15.1	22.2	26.6	22.0	20.5
Drug crimes (per 100,000 people)	1.4	1.8	2.2	3.4	7.8
Prisoners (per 100,000 people)	191	169	174	170	197
Juvenile prisoners (as % of total prisoners)	1.4	0.9	1.3	1.4	2.5
Births outside of marriage (%)	34.0	38.2	40.9	44.1	48.1
Single-female parent homes (%)	18.9*	...	...	...	...
Divorces (as % of marriages contracted)	74.9	74.3	76.0	106.4	102.5
Education					
Enrolment ratio for all levels (age 6-23, %)	68.3	68.3	69.5	71.2	73.5
Upper secondary full-time equivalent gross enrolment ratio (%)	76.2	78.6	84.4	85.4	88.7
Female secondary net enrolment ratio (%)	...	83.8	85.3	82.3	81.4
Upper secondary technical enrolment (as % of total upper secondary)	35.0	33.1	31.0	31.4	32.2

* Census data of 1989

	1992	1993	1994	1995	1996
Upper secondary female graduates (as % of females of normal graduate age)	83.4	86.8	68.8	81.7	85.7
Tertiary graduates (as % of population of normal graduate age)	33.0	35.2	31.3	26.6	29.9
Tertiary full-time equivalent gross enrolment ratio (%)	35.0	34.5	34.9	38.1	42.0
female (as % of total tertiary)	51.3	51.7	52.9	52.6	53.4
Tertiary natural & applied science enrolment (as % of total tertiary)	57.2	52.4	46.6	43.6	42.7
Science graduates (as % of total graduates)	59.2	56.7	54.9	45.3	45.3
female (as % of total science graduates)	50.1	41.2	45.4	56.8	52.3
male (as % of total science graduates)	49.9	58.8	54.6	43.2	47.7
R&D scientists and technicians (per 10,000 people)	37.2	37.7	39.7	35.4	33.9
Communication					
Televisions (per 100 people)	...	...	31.6	...	...
Telephones (per 100 people)	25	27	29.5	27.9	30.1
International telephone calls (minutes per capita)	29.0	27.4	32.3	35.8	39.6
Passenger cars (per 100 people)	18.6	21.1	22.6	26.0	27.8
Registered library users (%)	35.4	33.7	36.1	37.7	38.2
Annual museum attendances (per person)	0.53	0.52	0.54	0.66	0.78
Employment					
Labour force (as % of total population)	50.9	49.6	49.7	48.7	48.8
Percentage of labour force in agriculture	20.6	18.2	16.2	11.9	11.4
Percentage of labour force in industry	33.9	31.4	30.7	32.7	32.1
Percentage of labour force in services	45.5	50.4	53.1	55.4	56.5
Future labour force replacement ratio (%)	108.0	105.8	103.5	101.0	98.4
Women in labour force (as % of total labour force)	47.1	47.2	47.2	47.3	47.6
Female administrators and managers (as % of total)	39.3	38.5	37.4	36.4	36.5
Female wages (as % of male wages)	...	72.1*	71.1*	73.3*	72.6*
Unemployment (thousands)	29.1	49.6	56.7	70.9	71.9
Unemployment rate (%)	3.7	6.5	7.6	9.7	10.0
female (as % of total)	3.4	6.6	7.9	8.8	9.2
youth (as % of total, age 15-24)	7.4	11.0	11.6	14.1	16.0

* Data of November 1993 and data of October 1994 to 1996

	1992	1993	1994	1995	1996
Long term unemployment rate more than 12 months (as % of total)	0.7	1.8	3.0	3.1	5.5
Unemployment rate including discouraged workers (%)	4.5	7.8	9.1	11.5	12.2
Regional unemployment disparity (25% worst regions versus 25% best)	1.8	2.2	1.9	2.9	2.1
Ratio of unemployment rate of those not completing secondary school to rate of those graduating from 3rd level	1.9	2.1	2.1	2.1	2.0
female (as % of total)	1.3	1.6	1.8	1.3	1.3
male (as % of total)	2.5	2.8	2.7	2.5	2.3
Natural resource balance sheet					
Commercial energy consumption, total (thousand tons of oil equivalent)	3370	2808	2830	2619	2664
per capita (kg of oil equivalent)	2182	1852	1888	1765	1813
GDP output per kg of oil equivalent (USD)	...	0.58	0.81	1.36	1.64
Pesticide consumption (metric tons per 1,000 people)	0.30	0.13	0.14	...	...
Generation of municipal waste (kg per capita)	...	204	315	352	354
International trade					
Export-import ratio (%)	...	94.2	88.0	90.3	84.6
Trade dependency (exports+imports as % of GDP)	...	142.0	167.9	159.7	145.1
Gross international reserves (end of period, millions USD)	193.2*	377.4*	431.1*	576.1*	636.6*
Current account balance (USD millions)	35.7*	21.6*	-165.2*	-165.6*	-442.7*
Policy options					
Education expenditure (as % of GDP)	...	7.3	7.0	7.5	7.5
Health expenditure (as % of GDP)	...	5.4	6.1	6.0	6.0
Military expenditure (as % of GDP)	...	0.7	1.0	1.0	1.0
Military expenditure (as % of education and health expenditure)	...	7.1	7.8	7.6	7.6
Armed forces per 1000 people	...	2.0	2.6	...	...
per teacher	...	0.18	0.22	...	...
per doctor	...	0.59	0.83	...	...

* Source: Bank of Estonia