Estonian Human Development Report 2006

Estonian Human Development Report 2006

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Editor-in-chief: **M. Heidmets**

Chapter I

Editor **R. Vetik**

Authors: **R. Vetik** (1.1.); **L. Hansson** and **N. Derman** (1.2.); **M. Unt** and **E. Saar** (1.3.); **T. Roosalu** (1.4.) ; **E. Saar** and and **L. Helemäe** (1.5.); **A. Allaste** and **A. Kurbatova** (1.6.);

chapter II

Editor **J. Kivirähk**

Authors: **J. Kivirähk** (2.1. and 2.6.); **J. Hämmal** (2.2. and 2.5.); **R. Vöörmann** (2.3.); **M. Lauristin** (2.4.);

Chapter III

Editor **E. Terk**

Authors: E. Terk (3.1. and 3.4.); J. Sepp (3.1. and 3.2.); **P. Pruulmann-Vengerfeldt** (3.1. and 3.3.), **P. Vihalemm** (3.3.), **A. Viia** (3.3.)

Chapter IV

Editor and author **M. Heidmets**

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Dear Reader.

Throughout history, in addition to describing long-term processes, scientists, writers and artists have focused on capturing the moment. Each properly captured and recorded instant says a lot about each dynamic process—in what direction and at what speed are we moving; are we moving in the proper direction and at the proper speed? Thus, the process can be managed and the necessary corrections made.

Between these covers you will find the Estonian Human Development Report, the current state of the Estonian Republic's economic and social development anno 2006. Several years have passed since the last such work and publication. I wish to thank the authors, compilers, and editors of the compendium for their substantial work and the Public Understanding Foundation for financing the project.

Whether the current state was analyzed from the correct angle and with the necessary acuteness and whether conclusions can be drawn and correct decisions made based thereon will be demonstrated by the shifts that appear in subsequent reports.

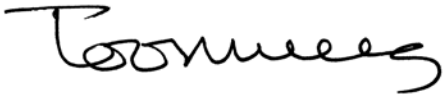
Surveys based on similar methodology allow us to compare Estonia to other countries in Europe and the world. This indicates the rung of the ladder on which we are currently standing. Comparisons with other Soviet Republics have not satisfied us for a long time, and actually have never satisfied us during the last fifteen years. Estonia has other yardsticks; we have another ladder, the unit of measure for which is Finland and Germany, not Moldova or Tajikistan. This is what has carried us to the European Union and NATO.

In the foreword to the Estonian Human Development Report 1996, President Lennart Meri wrote, "Critical discussions in democratic countries are self-critical discussions. Everything that we rate positively has been achieved by our collective strength and collective intelligence, and we, and we alone, can proudly take credit for this. Provided we also acknowledge the reverse side – everything that we rate negatively has been born of our collective spirit and collective responsibility, and we do not have the right to blame anyone except ourselves."

Therefore, ten years later, let's take pride in this report, as well as in the economic growth and improving earnings and pensions reported elsewhere, but let's finally find a solution that will enable every Estonian resident to participate in making the decisions that affect our collective destiny. Let's appreciate Estonia's strong position with respect to the expansion of the Internet, which serves to broaden our horizons, but let's also finish building strong and two-way bridges between Estonia's different communities.

An Estonian society that attunes itself to the fundamental values of the European way of life provides the joy of exploration and discovery to our researchers, as well as those from abroad. Undoubtedly, there is room for development in this praiseworthy work for setting new goals and refining methodologies and analyses.

Not every ladder is worth climbing or every mountaintop worth conquering. Let's choose the right and necessary goals and find the best road to lead us there in the course of an open and critical exchange of ideas that is inherent in democracy. Let this compendium be a guidepost on that road.



Toomas Hendrik Ilves

President of the Republic

Preface

Since 1990, the United Nations Development Programme (UNDP) has issued the Human Development Report, intended to provide a view of the changing world in the context of human welfare and reflecting both the diversity and the problems of the contemporary world. According to the report, "human development is first and foremost about allowing people to lead a life that they value and enabling them to realize their potential as human beings" (Human Development Report, 2006, 5). The UNDP reports, which value of life and well-being on all the continents, have become one of the most widely quoted documents on development in the world. Traditionally the reports include a comparison of countries on the basis of both the Human Development Index and, increasingly, other human development parameters.

Many countries publish surveys on their human development, analysing both the achievements in the field and the related problems and setbacks. In Estonia, human development reports have been issued since 1995, and nine reports have been published altogether. After a break of several years, the Public Understanding Foundation took it upon themselves to prepare the 2006 report. Estonia's celebration of the fifteenth anniversary of the restoration of its independence in 2006 urges us to ask questions regarding the progress our country has made since regaining independence. The concept of the Estonian Human Development Report 2006 is to consider Estonia in a broader context and ask ourselves – where is Estonia?

We can evaluate our development primarily through comparing Estonia to other countries and nations. Comparison is the central approach of this report. Hopefully placing Estonia in a broader context will help us evaluate ourselves better and overcome both our misconceptions and some egocentricity. Estonia has done well, but not so well as to think of today as the end of history and believe that the models that have applied so far are everlasting. International comparisons also reveal our weaknesses. Estonia would be wise to address these problems honestly and deal with them. This is not as easy as it might seem, however, as it is much more pleasant to keep focusing on our success in the rankings and believe that all of the headaches will simply take care of themselves.

The Estonian Human Development Report 2006 consists of four chapters. The first chapter is devoted to the Human Development Index and its components – education, health and economic development. The second chapter examines the current state and development trends of Estonian public opinion. In the third chapter, the report looks at Estonia's position in the context of various development indicators, focusing on economic development and the adoption of information and communication technology. The fourth and final chapter deals with Estonia against the background of the European Union, pointing out both our strengths and weaknesses.

The report is intended for a wide readership comprising everyone who is interested in Estonia's current situation and the dynamics of our society. The publishers and authors of the report are grateful for any observations submitted by readers and also suggestions regarding potential future reports.

Mati Heidmets

Professor of the Tallinn University,

Editor-in-chief of the Estonian Human Development Report 2006

CHAPTER 1

About Estonia's Human Development

1.1. The Estonian Human Development Index in comparison with other countries

The global Human Development Index, which has been compiled since 1990, consists of three components: health (average life expectancy at birth), education (adult literacy along with opportunities for obtaining education) and economic welfare (gross domestic product per capita at purchasing power parity). The index has the advantage of simplicity, while overcoming the problem of one-sidedness inherent in comparisons made solely on the basis of GDP.

It has to be taken into account however, that the Human Development Index is an aggregated indicator and therefore unavoidably superficial. Thus a more detailed analysis of human development should include a further in-depth treatment of the abovementioned areas in addition to the presentation of numerical data related to the index and the comparison of different countries. The present chapter will attempt to provide such treatment, focusing on the ranking compiled based on the global Human Development Index and Estonia's position compared to other countries, along with the most significant social problems related to the components of the Human Development Index evident in contemporary Estonia. The authors of the chapter's subsections include Leeni Hansson, Niina Derman, Alina Allaste, Aljona Kurbatova, Marge Unt, Ellu Saar, Triin Roosalu, Leena Helemäe and Raivo Vetik.

When analysing the present level of human development in Estonia, it is useful to compare our country not only to its neighbours but also to other post-socialist nations. The figures provided in Table 1.1. show that Estonia's Human Development Index has thrived during the past decade and is currently at its highest level – 0.858. Estonia has fallen behind a couple of places in the rankings in the last few years, but this does not affect the general situation. The data shows that our rapid development is fuelled by strong economic growth – Estonia's GDP per capita at purchasing power parity is already nearing 15,000 US dollars. A similar development trend is also characteristic of Latvia and Lithuania who are trailing behind Estonia in the Human Development Index by a couple of places. Our northern neighbours, Finland and Sweden however, have traditionally belonged to the top of the rankings, but their development dynamic is considerably slower due to their higher initial position. Russia, our neighbour to the east, whose dynamic is also much slower than that of the Baltic states due to several socioeconomic and political factors, numbers among countries with average human development.

The Human Development Index is based on three sub-indices. Table 2.2. comprises the Human Development Index sub-indices of our neighbouring countries and those Eastern European countries which have higher human development indicators than Estonia and could therefore provide instructive material for comparison. These countries include Slovenia, the Czech Republic and Hungary. The table indicates that compared to Eastern European states with higher scores, the weakest point of Estonia's total index is the Life Expectancy Index, with Estonia's GDP Index also being somewhat lower than that of other countries. A similar tendency becomes evident when comparing Estonia's indices to the average figures of the group of countries with high human development scores. While the average life expectancy of an Estonian is 72 years, and Estonia's GDP per capita at purchasing power parity equals 14,555 US dollars, the corresponding average figures of the high human development countries are 78 years and 26,568 US dollars. This means that Estonia is still relatively far from the average of high human development countries. Catching up with them depends not only on economic growth, but also on general social advancement, which affects both people's health and their ability to contribute to the economy.

The weak point of the Human Development Index can be said to be to a certain extent, the overrating of the relative importance of the GDP in the total index. As a result, the index says little about the social prob-

lems of the Estonian society which have been outlined in many other studies, and which increasingly affect our economic growth. Estonia has reached the stage in its development where fast economic growth can no longer occur at the expense of social development – progress in these areas must take place simultaneously. Unbalanced economic and social development is not a unique phenomenon, however, as is indicated by the fact that our close neighbours in the Human Development Index rankings include countries like Bahrain, Brunei, Kuwait, etc. These countries have a poorer level of literacy and fewer opportunities of obtaining an education compared to Estonia, but they surpass us in the areas of both life expectancy and natural resources, which serve as the basis for their relatively successful economies. It is highly important to balance our advances in economic and social areas if Estonia does not want to base its development model on the aforementioned countries.

One indicator of social development is the level of inequality in a society. The data regarding income inequality provided in Table 3.3. proves, on the one hand, our similarity to the other Baltic states and Russia, while on the other hand, it indicates that we differ significantly from both our highly developed northern neighbours and the post-socialist countries that are ahead of us in the Human Development Index rankings. Socio-economic stratification is the best indicator of the type of development model a certain group of countries is oriented towards. While Hungary, the Czech Republic and Slovenia represent a relatively equal-opportunity development model that concentrates on involving as many people as possible in developing the society, Estonia and other Baltic states have thus far followed a development model based on extreme liberalism. Fifteen years ago, all former socialist countries had a fairly equal starting position with regards to social inequality. By now, however, we have reached a situation where post-socialist countries that are more successful than Estonia bear more resemblance to our neighbours to the north, while Estonia and the other Baltic states still resemble our eastern neighbour.

While it is true that this development model has facilitated fast economic growth, it has also created a lot of new social problems. Most importantly, there are several health indicators, whereby Estonia could be categorised not as a developed country, but rather as a developing country. The most drastic instance of this is the high percentage of people who have contracted HIV, which is added to by a relatively high tuberculosis incidence (also see the Report section 1.3.). At the same time, Estonia's expenditure on healthcare per capita (4.1% of the GDP) is significantly lower than that of the more successful Slovenia (6.7%), Czech Republic (6.8%) or Hungary (6.1%), not to mention our northern neighbours. Compared to other developed countries, our men's life expectancy is exceptionally low (66 years), which is the result of not only health issues, but also social problems.

TABLE 1.1. **THE PLACES HELD BY BALTIC AND NORDIC STATES AND RUSSIA IN THE HUMAN DEVELOPMENT RANKINGS OF 1995 – 2004**

	1995	2000	2004
Estonia	45. (0.793)	45. (0.831)	40. (0.858)
Lithuania	46. (0.789)	46. (0.830)	41. (0.857)
Latvia	54. (0.769)	48. (0.815)	45. (0.845)
Sweden	3.–4. (0.933)	2. (0.949)	5. (0.951)
Finland	13. (0.917)	12. (0.938)	11. (0.947)
Russia	61. (0.771)	62. (0.785)	65. (0.797)

Source: Global Human Development Report 2006

TABLE 1.2. **2004 HDI SUB-INDICES FOR THE BALTIC STATES, THE NORDIC COUNTRIES, RUSSIA AND EASTERN EUROPEAN COUNTRIES WITH THE HIGHEST HDI SCORES**

	Life Expectancy	Education	GDP Index
Estonia	0.78	0.97	0.83
Lithuania	0.79	0.97	0.81
Latvia	0.78	0.96	0.79
Finland	0.89	0.99	0.95
Sweden	0.92	0.98	0.95
Slovenia	0.86	0.98	0.89
Czech Republic	0.85	0.93	0.88
Hungary	0.80	0.95	0.86
Russia	0.67	0.95	0.77

Source: Global Human Development Report 2006

TABLE 1.3. **INCOME INEQUALITY INDICATORS 2004**

	The richest 10% compared to the	The richest 20% compared to the	GINI coefficient
Estonia	10.8	6.4	35.8
Lithuania	10.4	6.3	36.0
Latvia	11.6	6.8	37.7
Finland	5.6	3.8	26.9
Sweden	6.2	4.0	25.0
Slovenia	5.9	3.9	28.4
Czech Republic	5.2	3.5	25.4
Hungary	5.5	3.8	26.9
Russia	12.7	7.6	39.9

Source: Global Human Development Report 2006

Both the previous analysis and the following chapter are based on the notion that the attention devoted to human assets and social capital in Estonia is lacking and superficial, with politicians focusing primarily on macroeconomic values. The simplified ideological pattern that dominates Estonian politics is based on the dilemma of equality and efficiency, i.e. on the premise that increasing economic equality decreases the efficiency of the economy. Actually, the development analyses of many countries and also the rankings compiled on the basis of the Human Development Index indicate that there is a positive connection between equality and economic growth. In societies with higher standards of equality, a smaller number of people create a burden for society, and human potential is used with greater efficiency. Since it is people who are becoming the primary development resource for advancing the economy, they have to be taken into account when modelling national policy. The main features of Estonia's future development model are formulated in the national development strategy "Sustainable Estonia 21" which is based on the premise that the prosperity of the individual and of the society as a whole is interrelated. Our main development tool – favouring individual activeness – has to be complemented by a balanced society and cooperation. An improvement in the figures characterising health, education, and other human development will also benefit the economy and ultimately the society as a whole.

1.2. Work-related stress and health

Compared to developed countries, Estonia's average human life expectancy is significantly lower, which is also the main reason why it is difficult for Estonia to substantially improve its position in the Human Development Index rankings. While in Finland, for example, the average life expectancy is 82 years for women and 75 years for men, in Estonia the corresponding figures are 77 and 66 years. This means that there is something seriously wrong with the health of Estonians. As the data shows, the differences are smaller in the case of the average life expectancy of Estonian and Finnish women than they are in the case of men. Several health studies have also ascertained another important fact. While the leading cause of loss of years of productive life in Estonia is cardiovascular disease both in case of men and women, the second most frequent cause of loss of years is tumoral diseases for women and external factors, such as accidents, poisoning, suicide, death by becoming a victim of a crime, etc., for men. For men aged 45 and under, external factors represent the most significant cause of loss of years of productive life (for more detail, see *Haiguskoormuse …* 2004).

Different risk factors have been highlighted in the context of loss of years of productive life due to premature death. Smoking, lack of physical activity, obesity and unhealthy eating habits are primarily connected with cardiovascular disease. The consumption of alcohol and drugs, however, is related more to external factors, such as traffic injuries, suicides, etc., but excessive consumption of alcohol is also connected with numerous diseases. The estimated number of deaths connected with alcohol per year is approximately 2000.

It can be said that the effect of the abovementioned risk factors on one's health and their role in the loss of years of productive life is a well-known fact, both at the levels of the society and the individual. This raises the question of why people who are familiar with the previously mentioned health risks disregard them and submit to activities that harm their health. Next, we will examine another risk factor that has hitherto been discussed relatively little in Estonia – stress. Despite the fact that studies concerning the health behaviour of Estonia's adult population (the latest of which was completed in 2004) have shown that more than one fifth of men and women have suffered from high stress levels during the last 30 days, so far the role of stress, especially work-related stress, in causing not only various illnesses and health problems but also other important risk factors (smoking, alcohol consumption, lacking physical activity, overeating, etc.), has been discussed relatively infrequently.

Work-related stress, also known as stress at work, is considered to be a state of stress caused by the working environment, social relationships at the workplace or work-related demands which exceed the employee's coping ability. According to the European Agency for Safety and Health at Work (Facts 32), nearly every fourth employee in the European Union suffers from work-related stress. Stress is not an illness, but long term high stress levels may lead to serious health problems. Thus, many studies have proved that stress at work can be considered a risk factor contributing not only to work-related accidents, but also to cardiovascular disease. As previously stated, cardiovascular diseases are the chief cause of death in Estonia. Work-related stress is not a second-rate problem, or one that concerns only the individual and their family, but instead a significantly broader problem. This fact is confirmed by data indicating that 50 – 60% of working hours lost due to illness in Europe, including one fourth of absences from work that last for more than two weeks, are related to stress in one way or another (Cox et al. 2000). A European study of work conditions conducted in 2000 showed that stress at work follows

TABLE 1.4. **PERCENTAGE OF MEN AND WOMEN WHO EXHIBIT THE FOLLOWING STRESS SYMPTOMS AT LEAST ONCE OR TWICE A WEEK; WORKING POPULATION AGED 18 – 64**

At least once or twice a week	Estonia				Finland			
	Men		Women		Men		Women	
Headache	11	15	27	23	12	12	19	23
Stomach ache, indigestion	8	10	11	10	11	12	10	13
Heart complaints	5	4	11	7	3	4	5	8
Dizziness	3	5	7	8	3	4	6	10
Exhaustion	31	38	39	44	24	27	34	41
Sleeping disorders	17	25	22	27	20	27	21	36
Irritation	30	29	37	34	14	15	15	19
Depression	13	18	23	23	3	4	4	6
A feeling of being overwhelmed	5	6	11	11	4	5	6	10

Sources: Population surveys "Eesti 93" and "Eesti 2003"; Työolotutkimus 2003

back pains as the second leading work-related health problem (*Third European…*, 2001).

SYMPTOMS OF WORK-RELATED STRESS

Different indicator systems are used to measure work-related stress. In 1977 Finland's occupational health specialists adopted a model for evaluating the level of stress at work. This stress evaluation model measures two types of indicators. One type includes the frequency of potential physical health problems, such as head aches and arrhythmias. The other type comprises indicators characterising the psychological state of the employee, including sleeping disorders, depression, etc. (for more details, see Table 1.4.).

In Estonia a similar stress evaluation model has been used in population surveys conducted by the Institute of International and Social Studies at Tallinn University since 1993. As the population surveys have been conducted regularly, we can use them as a basis for analysing the amount and nature of change in the stress levels of employees during the past decade. The following analysis involves the working population under 65 years of age. The Estonian data comes from population surveys "Töö, kodu ja vaba aeg", conducted in 1993 and 2003 (henceforth the code names "Eesti 93" and "Eesti 2003" will be used), while the comparable data concerning Finland was collected in 1990 and 2003, and has been obtained from the report of a study, named *Työolotutkimus 2003*, concerning Finland's working conditions in 2003 (for more detailed information on the Finnish study, see Lehto and Sutela 2004).

A comparison of the survey result indicates that in Estonia and Finland alike, the listed stress symptoms are exhibited somewhat more by women than men. It is characteristic of both men and women to complain much less about physical health problems than psychological problems. A comparison of the data from the two survey years shows that the percentage of men and women complaining about physical problems has remained relatively stable, while notable changes have occurred in the case of several psychological problems. In 2003, most complaints by Estonians concerned exhaustion and irritation, while Finns complained primarily about exhaustion and sleeping disorders. The percentage of Estonian men and women suffering from sleeping disorders has grown, but the sharp increase in the percentage of Finnish women suffering from sleeping disorders is especially conspicuous. Finland's occupational health specialists have started discussing sleeping disorders as an increasingly serious problem among the labour force.

A scale of 9 (no stress symptoms) to 45 (high stress level) was constructed on the basis of the indicators described above. Based on the scale, we can determine that the general stress level of both Estonian and Finnish women is somewhat higher than that of the men. The fact that women are under more stress is related to the problems of reconciliation of work and family life. A comparison between the countries reveals that Estonians have a higher level of stress, both in the case of men and women. Meanwhile, we have to recognise that during the years 1993 – 2003, the average stress level of Estonian men increased more than that of the women, which has led to a decrease in the differences between the stress levels of men and women.

CAUSES OF WORK-RELATED STRESS

The causes of work-related stress are divided into four groups: (1) organisational factors, e.g. an excessive workload, overtime, being in a constant hurry, insufficient opportunities for the employees to voice their opinion in work-related questions, etc., (2) fac-

tors related to the psychosocial work environment, e.g. carelessness exhibited by the employer towards employees, conflicts among employees or between employees and management, problems related to persecution or harassment, etc., (3) tensions related to the specific nature of the assignment or job, e.g. for nurses, police officers, public transportation drivers, etc., and (4) off-hour factors, e.g. low social esteem of the job, low wages, etc. The data gathered through the population surveys allows us to analyse the connections between the nature of the job and the work environment and the average stress level of the employees.

It will probably not surprise anyone that the stress levels of men and women who constantly work overtime or have several jobs is higher than those of people working normal hours. The Estonian and Finnish data also corroborates the findings of European work condition studies which show that employees are under more stress if their work entails frequent conflicts. A comparison of the results of polls conducted at the beginning of the 1990s (Finland 1990 and Estonia 1993) shows that social relations in the workplace were quite similar in Estonia and Finland at the beginning of the 1990s. At the same time, the comparison of surveys conducted in 2003 shows that the percentage of employees who experience conflicts between employees and management, and especially conflicts among the employees, has increased notably in Estonia. In Finland, only minimal changes have occurred in the psychosocial environment of workplaces during the years 1990 – 2003. This is probably one of the reasons for the increase in the stress levels of our employees as compared to Finnish employees.

Work-related studies show that even though work has become physically less demanding and working and living conditions of employees have improved, the intensity and speed of work have increased and employees have less control over their work than before. A comparative analysis of the 1993 and 2003 survey data indicates that the percentage of employees doing fast-paced and intensive work has grown from 45% to 63%. The increase is observed in practically every occupation group. Meanwhile, the percentage of employees who can decide for themselves how best to organise their work has fallen from 55% to 29%.

Evaluations of work-related stress use an assessment model based on two aspects related to the nature of the work – (1) the intensity and speed of the work, and (2) control over one's work, i.e. if and to what extent the employee has a say in the organisation of their working and rest time, the manner of doing their job, etc. According to this model, jobs are divided into active or passive, highstrain or lowstrain (see Figure 1.1.). An active job is fast-paced and intensive, but the employees have sufficient autonomy over the subject of deadlines and methods used to better organise their work. A passive job is not demanding for the employee with regard to speed or intensity, but the opportunities for the employee to influence work-related issues are limited. A highstrain job is fast-paced and intensive, with the employees only having little say in work-related matters. A lowstrain job, on the other hand, requires little effort on the part of the employee, who is also often allowed to decide when or how to fulfil professional assignments.

Figure 1.1. indicates that if in 1993 one fifth of Estonian employees had a highstrain job, ten years later the percentage has more than doubled. In a parallel manner, the percentage of people whose job could be considered non-strenuous has decreased significantly.

Executives and top specialists are generally involved in active jobs. Passive jobs, conversely, require only a low level of education and involve a large portion of unskilled workers. Regarding the division of jobs on the lowstrain – highstrain scale, however, the population surveys provide rather interesting results. In 1993, a large number of civil servants and specialists with vocational, secondary and higher education belonged to the category of employees with lowstrain jobs, i.e. they did not consider their job fast-paced or intensive, yet they found they had a relatively large amount of control over their work. By 2003, the majority of these employees had shifted to the highstrain job group. This is the so-called opposite group, where the work is fast-paced and intensive and control over one's work is limited. Various studies have found highstrain jobs to be the greatest risk factor related to stress. Evidently, the increase in the percentage of people with highstrain jobs is one of the reasons for the rise in Estonian stress levels.

A comparison of the surveys conducted in 1993 – 2003 shows that changes have also occurred in the average stress levels of the different groups (Figure 2.2.). In 1993, the highest average stress level was attributed to employees with active jobs, i.e. people whose job, while being fast-paced and intensive, allowed them control over their work. In 2003, employees with highstrain jobs, where the level of stress had increased compared to 1993, were distinguished as the group with the highest average stress level. In this regard, the nature of work in Estonia has come closer to the so-called European models, since studies conducted in other EU countries have found that strenuous jobs are a more frequent cause of stress than active jobs.

It can be concluded based on research results that urgent work assignments or stringent deadlines by themselves are not a primary source of stress. In the case of fast-paced jobs, it is important for the employee to retain control over work and be able to influence the work process. In the case of both years under discussion, the lowest average stress level was exhibited by employees with passive jobs, i.e. people whose work was not very demanding and who usually had decisions made for them by others.

THE COSTS OF WORK-RELATED STRESS

It is said that a certain amount of stress is good for work efficiency. At the same time, a high level of stress and working in a constant state of stress are serious risk factors for one's health. At an individual level,

stress can bring about a number of health-related problems, cause burnout and constitute a great hindrance to one's career. Constant stress can also cause numerous problems when employees are not at work, including tensions in family relations and the weakening of the employee's social network. On an organisational level, work-related stress can lead to absenteeism, an increase in the frequency of accidents at work, a growth of staff turnover and an increase in the costs related to the training of new employees or temporary staff, etc. A significant price is also paid for work-related stress at the level of the society, examples being an increase in expenditure related to paying for healthcare and incapacity pensions, the loss of persons of working age from the labour force, the spreading of unhealthy habits indulged in to relieve stress (alcohol, smoking, drugs), and even an increase in mortality from illnesses caused by stress.

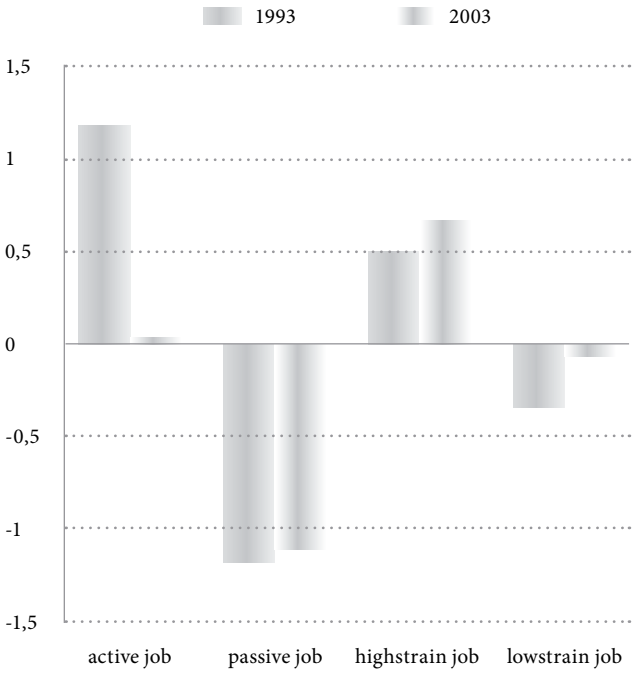
In conclusion it can be said that work-related health risks are not only problems of an individual or the family, but also cause economic and social problems for both the employer and the society as a whole. What can be done about this problem? It must first be acknowledged that working conditions and the work environment have a very significant influence on a person's health, both in the physical and psychological sense. Therefore it would be necessary to analyse the stress risks of different occupation groups, and to chart the work environment and working stock of various organisations in order to better understand and prevent work-related stress. Secondly, we should prepare a more detailed analysis of the influence of stress, both direct and indirect (i.e. as a cause of other risk factors, such as smoking, excessive use of alcohol, eating disorders), on the health of the population of Estonia, which is why questions related to stress should be included in future health studies and analyses. Thirdly, we should learn from our neighbours' experiences. Member states of the European Union devote much attention to improving the work environment, to work-related stress and to occupational health as a whole. Considering the fact that Estonia is a country with an ageing population, and problems related to the labour force are already clearly perceptible, it must be understood that work-related stress is a serious problem which must be dealt with at the levels of the individual, the organisation and the state. A good example of this approach exists on the northern shore of the Gulf of Finland. Reducing stress-related health risks should provide us with a positive result leading to a decrease in morbidity and an increase in the average life expectancy without any large financial investments.

FIGURE 1.1. **DIVISION OF EMPLOYEES BY NATURE OF THE JOB, ESTONIA 1993 AND 2003**

Job control	Job demands: Low	Job demands: High
High	Lowstrain job 1993 – 30% 2003 – 11%	Active job 1993 – 25% 2003 – 18%
Low	Passive job 1993 – 25% 2003 – 26%	Highstrain job 1993 – 20% 2003 – 44%

Sources: "Eesti 93" and "Eesti 2003"

FIGURE 1.2. **DIFFERENCES IN AVERAGE STRESS LEVELS IN CASE OF JOBS WITH DIFFERENT NATURES, 1993 AND 2003 (AVERAGE STRESS LEVEL = 0)**

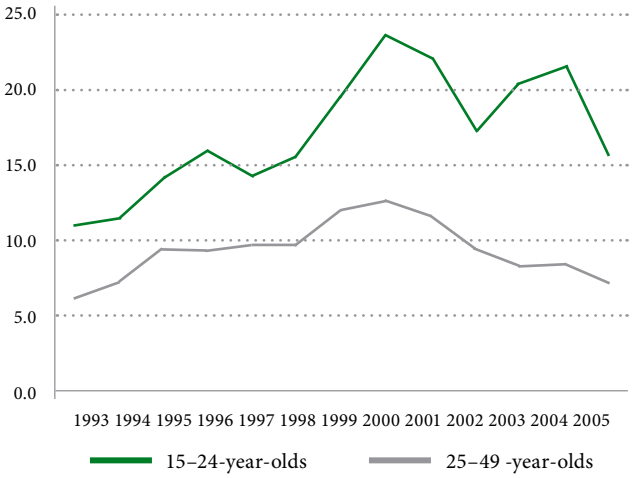


Sources: "Eesti 93" and "Eesti 2003

1.3. Labour market flexibility and youth entry into employment

The year 2006 is characterised by the highest employment rate of the last 12 years with fast economic growth and an all-time low in unemployment. Increasingly, labour shortage instead of unemployment is the topic of the day. However, the risk of unemployment is not spread equally throughout the society. Young people constitute one group for whom finding employment is problematic. Unemployment among 15 – 24-year-olds has remained at a level that is more than twice as high as that of the group in their prime working age (see Figure 1.3.). In a parallel manner, there has been a constant increase in the differences between the levels of unemployment among Estonian young people and young people of foreign descent (Figure 1.4.). Thus the question of including young people in the labour market still remains topical in Estonia. The insufficient flexibility of the labour market is usually mentioned as a typical cause of unemployment.

FIGURE 1.3. **THE LEVEL OF UNEMPLOYMENT OF 15 – 24 AND 25 – 49-YEAR-OLDS IN ESTONIA, 1993 – 2005 (%)**



Source: Statistical Office of Estonia

FIGURE 1.4. **THE LEVEL OF UNEMPLOYMENT OF 15 – 24-YEAR-OLD ESTONIANS AND PEOPLE OF FOREIGN DESCENT, 1997 – 2005 (%)**

Source: Statistical Office of Estonia

FLEXIBILITY, ECONOMIC GROWTH AND YOUNG PEOPLE

During the last few years, there has been more and more talk of flexibility, both in the case of the economy in general, in the labour market, and also in the education system. The subject has been covered by employers, journalists and scholars. An important prerequisite for flexibility is an active labour market policy (see e.g. Aiginger 2005). No European country at the forefront of economic development has limited itself to decreasing the regulation of the labour market, while placing its hopes on the miraculous effect of market forces. The decrease in the regulation of the labour market which is favourable for the employers (making it easier to fire employees, making use of fixed-term contracts more frequent, etc.) has brought about an increase in the security for employees. This is due to the fact that the replacement rate of the compensations for the unemployed has grown, investments into an active labour market policy have increased, etc. There are three kinds of employee security that can be differentiated: firstly, job security (the employee is guaranteed the opportunity to continue doing the same job, with strong labour market protection as the main regulative mechanism); secondly, employment security (the employee is primarily guaranteed the opportunity to remain employed, aided by an active labour market policy, education policy, etc.); thirdly, income security (the employee is guaranteed sufficient income in case of unemployment, illness, etc., provided by a high rate of unemployment compensations and the system of social guarantees in general) (Bredgaard et al. 2005).

In the case of European countries, three types of labour market flexibility and employee security combinations have been distinguished (Pochic et al. 2003). In liberal countries (the United Kingdom, for example), security is low for all employees and the labour market is considered very flexible. In Denmark, the protection of employees is combined with labour market flexibility (simple firing procedures, wide use of flexible contracts of employment) – this has been named *flexicurity*. In the case of Sweden, the constantly increasing use of fixed-term contracts and part-time work has been accompanied

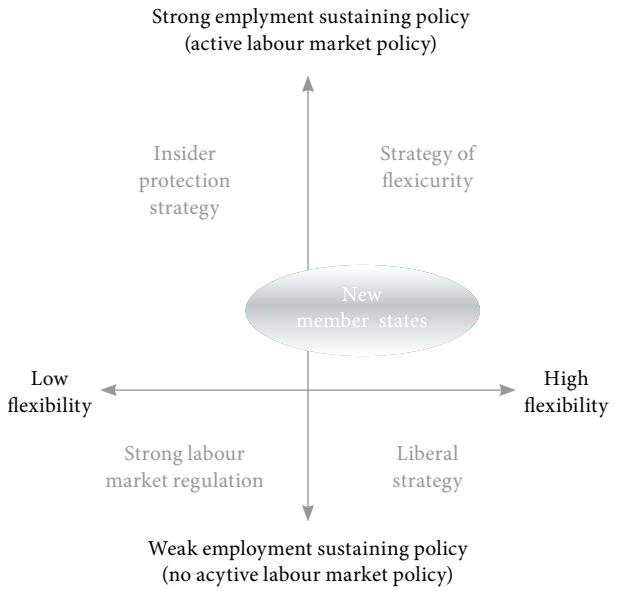
by the strengthening of dismissal restrictions with regard to such contracts of employment. Also, large investments into labour market policy, i.e. increases in flexibility, have not occurred separately from the general labour market policy. In Central and Southern European countries, the labour market is rigidly regulated and the employee protection level is medium (see Figure 1.5.). Unfortunately, the inflexibility has brought about the segmentation of the labour market into insiders and outsiders. In France and Spain, for instance, flexibility is a danger principally to young people – it is increasingly difficult for them to enter the labour market, they are often compelled to enter fixed-term contracts, they are left with jobs that require fewer qualifications and produce less income (see DiPrete et al. 2001). New labour market entrants differ from the rest of the people in the labour market in that they lack or have little work experience. According to the insiders-outsiders theory, these people are outsiders (Lindbeck & Snower 2002). The main question is whether and at what age young people manage to escape the status of an outsider, i.e. whether they experience unemployment and "bad" jobs as a temporary phenomenon or remain perpetually in a worse position compared to more experienced workers. Post-socialist countries are located at the centre of the flexibility scale. The security of employees in post-socialist countries, however, is very low.

YOUNG PEOPLE AS A RISK GROUP IN THE ESTONIAN LABOUR MARKET

Previously our goal was to create a society with full employment, but it has become increasingly obvious that a reasonable unemployment level in itself does not constitute a problem for the economy or for the society. It is rather more important that the period of searching for work is not so drawn out that the worker begins losing professional skills, and loses hope. Short periods of seeking work are normal and do not endanger a person's professional habits or wellbeing. Labour market mobility is also beneficial for the functioning of the economy. If, however, people who have been unemployed remain unable to find work, they might face social marginalisation, which in turn affects the future opportunities of children growing in their families. The worst case scenario would be the emerging of a vicious circle of poverty: the parents cannot make sufficient investment in the education of their children, resulting in the inability of the next generation to cope in the labour market. It would also be good if the experience of unemployment were "democratised", i.e. would affect all social groups more or less equally.

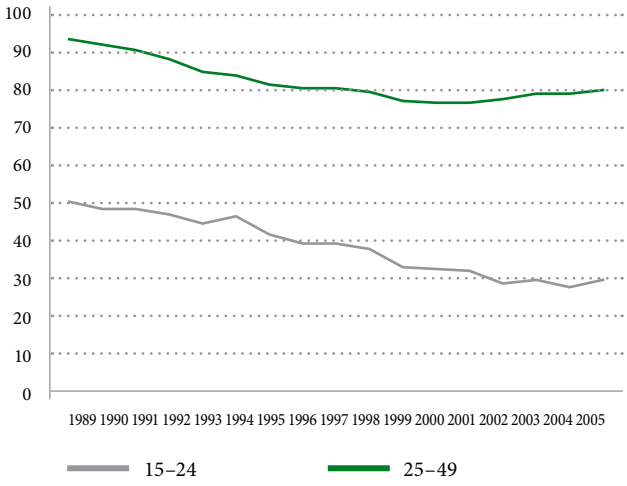
The changes that occurred in the economic behaviour of Estonia's working age population during the first half of the 1990s also affected young people. Their levels of economic activity and employment decreased, while unemployment increased. Meanwhile, there were some peculiarities in the economic behaviour of the 15 – 24 age group. In 1990 – 1995 the *economic activity* of the population decreased primarily due to older employees leaving the labour force. The *level of employment* of 15 – 24-year-olds and 25 – 49-year-olds fell at a similar rate. During

FIGURE 1.5. **TYPES OF COUNTRIES WITH REGARD TO THE FLEXIBILITY OF LABOUR MARKETS AND THE SECURITY OF EMPLOYEES**



Source: Bukodi et al. (2006)

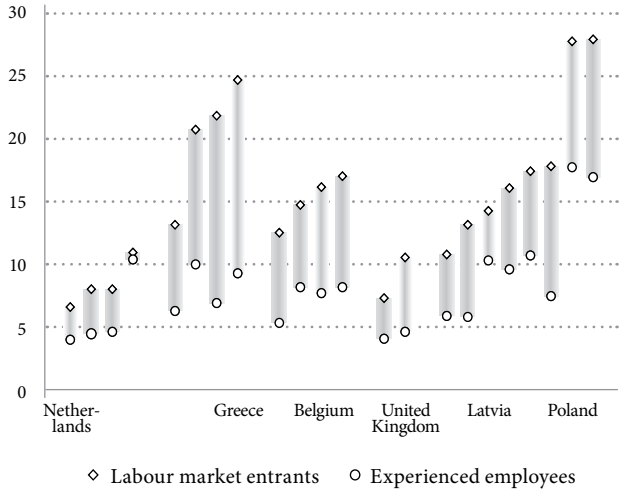
FIGURE 1.6. **EMPLOYMENT RATE, AGE GROUPS 15 – 24 AND 25 – 49, 1989 – 2005 (%)**



Source: Statistical Office of Estonia

the first half of the decade the changes were felt more by the "main age group" (25 – 49-year-olds), while during the second half of the decade the trend was reversed. The level of employment decreased somewhat more quickly in the case of young people, primarily due to the growth in the percentage of students in the younger age group. The sudden increase in the relative importance of students has been connected both to the expansion of education, and the claim that lengthening their education is mainly an

FIGURE 1.7. **UNEMPLOYMENT AMONG LABOUR MARKET ENTRANTS AND EXPERIENCED WORKERS IN THE EU, 2004 (%)**



Source: EU Labour Force Study 2004

alternative choice for young people, which has resulted in the education system becoming a reservoir for young people who would otherwise have to face unemployment (Collins 1979; Beck 1994 jne.)

The unemployment rate of young people has been higher than that of senior workers in the labour market already since the beginning of the 1990s (see Drawing 5). At the same time, the period was also characterised by employers favouring young people, guaranteeing most of them a quick exit from unemployment. The people driven out of the labour market mainly comprised older generations and especially persons who were involved in fields like agriculture or industry, which underwent major transformations. After the Russian economic crisis of 1998, the general level of unemployment in Estonia rose, but there was an especially sudden increase in young people seeking work. Earlier studies of economic cycles of Western countries have shown that during difficult times the labour market risks mainly affect the weaker groups, such as young people and ethnic minorities. After the effects of the Russian economic crisis had been overcome, the general level of unemployment has decreased gradually. However, the level of unemployment among young people has remained significantly above the average, especially in the case of non-Estonian young people.

THE SUCCESS OF YOUNG LABOUR MARKET ENTRANTS: A COMPARISON OF COUNTRIES

Young people's ability to join the labour market is affected by several factors, most significantly the educational system and the organisation of the labour market (Müller 2005). Vocational education is often focused on when describing education systems: in countries where the majority of students obtain their secondary education in vocational schools and education is provided in close cooperation with employers, the graduates possess very specific skills that enable them to find work quickly. Since the organisation of education sends clear "signals" to employers, the latter base their decisions mainly on professional certificates and the earlier experience of the employee is not considered to be of primary importance. This is contrasted by the type of education system where secondary school graduates attain a general education and training takes place in the workplace. Experience is very highly valued in a system like this, as the employer has to cover the costs associated with training an employee. Nevertheless, the effect of the organisation of the education system on the ability of young people to join the labour market is not that straightforward – studies differentiate between short term and long term effects, i.e. it may be easy for young people to enter the labour market, but once in the market, they have to undertake unstable jobs that require little qualification for a long period of time.

In addition to the organisation of the education system, the decisions of the employers regarding the employment of workers are affected by labour market regulations. The more costly it is to fire an employee, the longer an employer will deliberate before hiring new employees. This especially affects young people's chances of finding work, since they are associated with higher risks: they require training and possess no work experience. Furthermore, the rigid regulation of the labour market might lessen the opportunities of young people to find work by decreasing the mobility in effect in the labour market and thereby also the chances of every unemployed person of becoming employed (Bertola & Rogerson 1997; Gregg & Manning 1997; Gangl 2003a, 2003b). However, strong labour market protection and especially strong trade unions and cooperation between various institutions can also create the conditions necessary for providing young people with access to the labour market (Estevez-Abe et al. 2001).

Next we will cover the issue of the level of unemployment of young people in Estonia and their becoming employed as compared with the other member states of the European Union. Since in addition to finding work, the stability and position of the job is also important, we will examine the rate of fixed-term contracts of employment and the labour market position of young people in comparison with experienced employees.

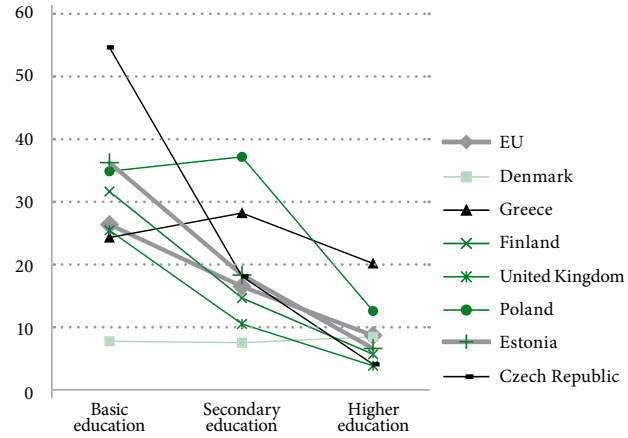
There is a large-scale variation of unemployment patterns in European countries (see Figure 1.7.). Germany, the Netherlands, Denmark and Austria, where the labour market and the education system are closely connected, have low youth unemployment rates and also exhibit minimal differences between young and experienced employees. The majority of students acquire their secondary education in vocational schools and practical training is carried out in relevant companies. Young people also have better access to the most liberal labour markets of the old Europe, such as those of the United Kingdom and Ireland. It is considerably harder for young people to find work in

the Nordic countries and France, where the education system is aimed more at general knowledge and training is provided in the workplace. Compared to the liberal systems, these countries also have a more regulated labour market. The situation is the most difficult for young people in Southern Europe, where youth labour is clearly in a weaker position compared to experienced employees. The education system is aimed at general knowledge and the position of labour market participants is firmly protected. In Greece, for example, nearly every fourth young person is seeking employment, while only 9% of senior labour market participants are unemployed. Looking at the new member states, differences between unemployment rates of young people and more experienced workers are average in Hungary and the Baltic states, despite the fact that most students obtain a general secondary education. Work experience plays a far more significant role in the Czech Republic and Slovenia, where the youth unemployment rate is considerably higher than that of experienced workers. It seems that although the majority of young people in the Czech Republic and Slovenia also obtain vocational training in addition to secondary education, this does not guarantee their smooth entry into the labour market in the manner of Germany or Austria. Youth labour has the greatest difficulties in entering the labour market in Poland and Slovakia, where nearly a fourth of young people are unemployed and the youth unemployment rate is 10% higher than that of older workers.

How much effect does the level of education of young people have on their unemployment, however (see Drawing 10)? After all, education is the main resource the labour market entrant can offer to the employer. In Poland, Lithuania and Slovenia, young people's level of education does not have a significant effect on their success in the labour market, similarly to Southern European countries. In Slovakia, the Czech Republic, Latvia, Estonia and Hungary on the other hand, an entrant's level of education plays an above average role in their success, just as it does in the United Kingdom. In Estonia, the unemployment rate of labour market entrants with secondary education is half that of entrants with basic education. In the case of young people with higher education, the difference in unemployment compared to those with inferior training is nearly six fold. The unemployment rate of young people with higher education in the new member states is equivalent to the European average, but the youth with lower education are marginalised to a considerably greater degree. The situation is especially bad for young people in Slovakia and the Czech Republic who have entered the labour market after acquiring either basic or secondary education.

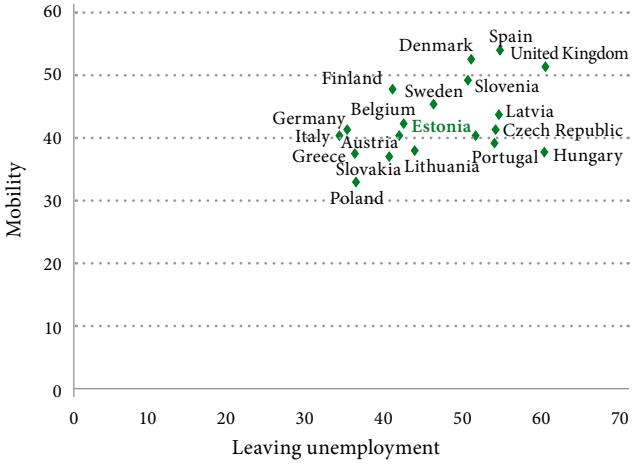
One indicator of the flexibility of a labour market is the time it takes for a person seeking work to find employment. Although labour market entrants face a greater risk of unemployment, in most countries they also have a greater chance of finding work. A high probability of leaving unemployment is characteristic of both the liberal United Kingdom and Denmark, where flexibility is combined with employee security. Of the new member states, Hungary has one of the most dynamic labour markets

FIGURE 1.8. **THE EFFECT OF EDUCATION ON YOUTH UNEMPLOYMENT IN THE EU, 2004 (%)**



Source: EU Labour Force Study 2004

FIGURE 1.9. **YOUTH MOBILITY AND MOVEMENT FROM UNEMPLOYMENT TO EMPLOYMENT IN EU MEMBER STATES, 2004 (%)**



Source: EU Labour Force Study 2004

– over a half of Hungary's unemployed find work in less than a year, regardless of their work experience. In the Baltic states, the Czech Republic and Slovenia, the rate of youth leaving unemployment is on par with the average rate of the European Union. Escaping unemployment is most difficult in Slovakia and Poland where, in a similar manner to Greece, over half of the people seeking work are unable to find employment within one year. An analysis of labour market mobility and leaving unemployment indicates that Estonia occupies an average position against the background of other European Union member states. Our country is not notable for a higher than average or lower than average mobility of labour market entrants. Nevertheless, we are clearly behind Denmark, the United Kingdom and also Spain, where labour markets appear to be considerably more flexible.

TABLE 1.5. **THE ENTRY OF YOUNG PEOPLE INTO THE LABOUR MARKET IN EU MEMBER STATES**

Country	Unemployment rate		Fixed-term contracts of employment		Socioeconomic status: ratio (labour market entrants *vs.* experienced employees)
	Labour market entrants	Ratio (labour market entrants *vs.* experienced	Labour market entrants	Ratio (labour market entrants *vs.* experienced employees)	
New EU member states					
Estonia	16,2	1,74	4,9	2,04	0,87
Latvia	14,1	1,40	13,4	1,47	0,90
Lithuania	16,6	1,55	9,0	1,48	0,86
Hungary	10,4	1,79	11,5	1,85	0,85
Czech Republic	17,9	2,42	16,4	2,56	0,80
Slovakia	26,8	1,60	9,5	2,26	0,83
Poland	28,1	1,61	41,6	2,34	0,85
Slovenia	13,4	2,44	58,6	5,33	0,80
Old EU member states					
Germany	11,0	1,07	45,2	7,41	0,92
Denmark	7,7	1,67	19,9	3,49	0,90
Belgium	15,5	2,07	25,4	4,31	0,82
Sweden	12,5	2,40	41,7	4,26	0,83
United Kingdom	10,5	2,33	11,8	2,36	0,94
Spain	19,8	2,02	59,5	2,02	0,81
Portugal	13,1	2,15	43,5	2,72	0,79
Italy	22,0	3,14	33,4	3,59	0,73
Greece	24,7	2,68	25,0	2,48	0,79

Source: EU Labour Force Study 2004

In addition to finding employment, the stability and position of the job are also very important. Fixed-term contracts and the socioeconomic status of an individual are a reflection of this (see Table 1.5.). For employers, fixed-term contracts represent an opportunity to reduce the risks involved in hiring an inexperienced employee in a situation that makes it very costly to fire employees with permanent contracts. In this sense, Slovenia is very similar to Spain and Finland, where the flexibility of the comparatively rigid labour markets is increased by the use of fixed-term contracts especially common when hiring young people. These countries also require young workers to start from a considerably lower position compared to older employees. Young people also start from lower professional position in the Czech Republic. In contrast to most old EU countries, other new member states (with the exception of Poland) make relatively little use of fixed-term contracts. In Poland, Slovakia, Hungary and the Baltic states the status of young people starting work in relation to the status of more experienced employees is comparable with their comparative status in Ireland, being somewhat lower than in Germany and Denmark, but higher than in Southern European countries.

YOUNG PEOPLE AS OUTSIDERS OF THE ESTONIAN LABOUR MARKET?

The Estonian labour market has been considered very flexible due to there being very few barriers that affect entering and leaving the labour market (Freytag 2002). At the same time, it has been observed that the large-scale job mobility that was characteristic of the 1990s has clearly decreased (Lehman et al. 2005). Young people, as the traditionally most mobile group in the labour market, should be considered one of the indicators of the flexibility of the labour market.

The competition between new labour market entrants and experienced employees is quite vigorous in Estonia. Yet the level of education of the market entrants also plays a very important role in this competition. The higher their level of education, the better opportunities the young people have. In Estonia, the situation seems favourable for labour market entrants with higher levels of education, since their risk of losing a job is not greater than that of experienced employees, and they have a significantly better chance than the latter of re-entering employment. The main problem with young people with higher education is entering the labour market. Once the new entrants have managed to find their first job, they are able to compete with older labour market participants. Finding their place in the labour market is most difficult for young people with basic education or a lower than basic level of education. It is very difficult for them to find work at first, and even later they are in considerably greater danger of losing their job than experienced employees with an equivalent level of education. This is a very dangerous tendency, as the number of students dropping out of basic school has been relatively large during the last decade. Also, the percentage among 18 – 24-year-olds of people who have only acquired basic education and are no longer studying has not dropped substantially, remaining close to 15%. Furthermore, the percentage of early dropouts from school was 3.5 times greater among non-Estonian youth compared to Estonian youth (European Commission 2006: 70). A higher unemployment rate is not the only indicator of the limited opportunities of young people with lower levels of education. There also exists the danger that these young people must take on "bad" jobs, i.e. temporary contracts of employment, very limited opportunities for in-service training, etc. Thus in Estonia the threat of becoming labour market outsiders primarily affects youth with levels of education lower than secondary education and the segmentation of the labour market has taken place on the basis of education. It is especially alarming that the number of young people belonging to the risk group has not decreased during the last years, despite favourable economic conditions.

1.4. Flexible working time

Reasonable working time that allows enough opportunities for relaxing, devoting attention to one's family and loved ones and also engaging in one's hobbies and interests is an important indicator of the quality of life. It contrasts to strenuous work, constant overtime work and insufficient leisure time. In the following chapter we will examine the member states of the European Union with regard to the actual working time and working time preferences of people, and study Estonia's position in relation to other European countries.

Fourastie expressed the idea that working time should be shortened already in 1965; a synoptical summary of the development of treatments of working time from 1965 up to now, presented by Naegele and his colleagues (Naegele et al. 2003: 25 – 32), reaches the contemporary concept of *flexicurity*, which attempts to incorporate adequate labour market protection and flexible labour market regulation. Although the more flexible labour regulations correspond better with the preferences and needs of people than earlier systems, they entail new social risks. The emergence of such risks leads to the conclusion that a social security system not only adapts to changes in lifestyle and the sphere of work, but also affects both directly through its normativity. Nowadays, life has come to be characterised by uncertainty, a decrease in security and the growth of instability, the combination of which is described by the term "risk society". Due to these developments, work has changed from a stable activity to an increasingly unstable, non-traditional and changeable phenomenon (see also Pavelson & Karotom 2004, 7). In a parallel manner to the flexible organisation of working time, flexibility can also be applied to employee location (e.g. an employee working outside the workplace of the employer) and contracts, in which case employment is based on, for example, a contract for services instead of a contract of employment without a fixed term. Flexible organisation of working time can be applied both in the case of fixed or flexible contracts, with or without the fixed location, and both in full-time and part-time employment(see Table 1.6.).

It is important to realise that the flexible organisation of working time encompasses both dimensions: the varying length of working time and the varying distribution of work hours by working day, different periods and also one's life cycle. The organisation of working time is the topic we will concentrate on next.

WORKING TIME IN ESTONIA IN COMPARISON WITH OTHER EUROPEAN COUNTRIES

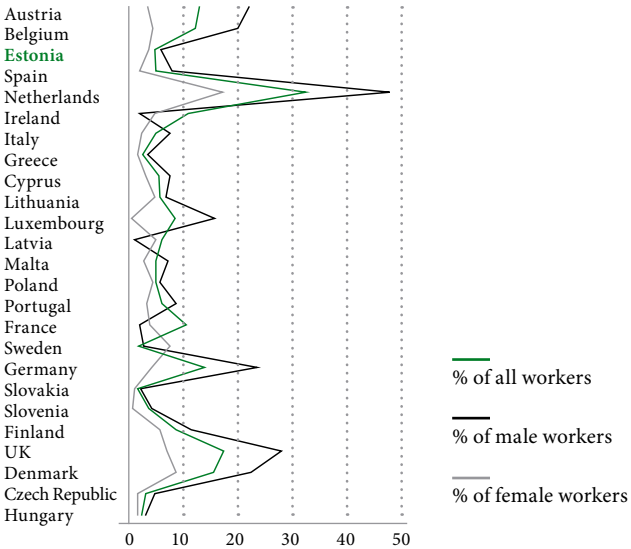
Looking at the percentage of people working part-time in EU member states (Figure 1.10.) reveals that despite the large variations in the popularity of part-time work from country to country, it remains a predominantly gender-specific phenomenon: in many countries the number of women working as part-time employees greatly exceeds

TABLE 1.6. **DIMENSIONS OF VARIATION OF FLEXIBLE WORKING-TIME OPTIONS**

Duration of working hours	Distribution of working hours: Timing of daily	Distribution of
Duration of working hours is agreed by contract. Duration may be determined in the first instance, or lengthened or shortened, by means of statute or collective agreement. Duration may be the same for all employees or else differ by category of employee.	The timing of working hours indicates the start and finish of work to be performed.	Working hours contractually agreed may be distributed equally or un equally over days, weeks or months in a flexible manner.
Possible variants are: • Part-time work • Part-time work during partial retirement • Job-sharing • Exces work/ overtime • Short-time work • etc.	**Possible variants are:** • Shift systems • Reserve pool employees • Multiple occupancy of jobs • Flexitime and action periods • etc.	**Possible variants are:** • Annual working time • Optional working • Bandwidth models • working time based on trust • Teleworking

Source: Naegele et al. 2003: 126

FIGURE 1.10. **PART-TIME EMPLOYEES BY COUNTRY, EU 27 AND NORWAY 2006, % OF ALL EMPLOYEES OVER THE AGE OF 15**



Source: EUROSTAT online database, Labour Force Survey

FIGURE 1.11. **AVERAGE WEEKLY WORKING HOURS BY COUNTRY, EU 27 AND NORWAY, 2006, DATA CONCERNING ALL WORKERS OVER THE AGE OF 15**

Source: EUROSTAT online database

TABLE 1.7. **WORKING BASED ON GENDER AND THE AGE OF THE YOUNGEST CHILD OF THE FAMILY, AS A PERCENTAGE OF 20 – 49-YEAR-OLDS, ESTONIA**

Age of the	men		women	
		working part-		working part-
Less than 1 year old	93%	1,7%	23%	21,4%
1–2 years old	91%	1,6%	40%	18,8%
3–6 years old	93%	2,0%	81%	4,9%
7–12 years old	94%	2,6%	90%	6,1%
13–18 years old	92%	1,9%	90%	8,1%
Do not have children under the age of 18	69%	5,7%	68%	10,1%

Source: Estonian Labour Force Survey 2004, 2005

that of men. In the case of some countries (including Estonia) however, the part-time work rates of women and men are relatively similar (or rather similarly low when compared to other countries), and in many countries the use of female and male part-time labour is related.

Figure 1.11. illustrates the great variability of working hours by states. The longest full-time hours (weekly average over 44 hours) are worked in Greece and Austria, while the Norwegians and Lithuanians are the most quick to fulfil their duties (weekly average less than 40 hours). In Estonia, the weekly average on full-time hours is 41.5; however, it must be noted that these averages may well reflect the habit of many full-time workers in Nordic countries and Lithuania to work even less, and, at the same time, there must be a considerable amount of Greek, Austrian and British full-time employees who work even longer hours. The diagram also points to extremes in the case of part-time hours: while in Germany, Ireland and Slovenia the average weekly hours of those in part-time employment do not exceed 18 hours, the average is 25 hours in Sweden and more than 27 hours in Romania. It could also be assumed that the difference between the average full-time and part-time hours, which is about 24 hours in Slovenia, Austria, Germany and Great Britan but is limited to 16 hours in Sweden and Lithuania and only 14 hours in Romania, indicates the different significance and nature of part-timing in different countries. The gender dimension described in Figure 1.10. should be taken into account for certain.

The data presented in the Estonian Labour Force Survey 2004 – 2005 reveal that while over 90% of mothers with children over the age of 7 are working (the same percentage of all fathers are employed), then of the mothers with children under the age of 1, 23% are working (compared to 93% of the fathers), along with 40% of the mothers with children between 1 and 2 and 81% of the mothers with children between 3 and 6 (see Table 1.7.). Of the women and men who do not have children under 18 living at home, nearly 70% work. Thus in Estonia, children affect the participation of women in the labour market for only a very short period of time and it is more accurate to say that women participate in the labour market equally with men. However, analysing the flexibility of working time and the part-time work of men and women in Estonia reveals that in the case of fathers these indicators are not related to the age of their children, but that men who do not have children under the age of 18 are somewhat more frequently involved in part-time work than other men (see Table 1.7.). In the case of women, the connection between working part-time and the age of children is clearer: nearly one fifth of mothers with children under the age of three do part-time work, with the percentage becoming significantly lower among mothers with pre-school children or children who have recently started school and stabilising at 10% in the case of women without children.

How do the people of Estonia feel about their working time, which is quite long when compared to working time in other countries? The answer to this question is provided by Table 1.8. which shows that unlike workers in other countries, over 80% of employees in Estonia prefer the type of working time they have. The (in)consistency of desires and reality in the case of part-time work is relatively similar in Estonia to that of part-time employees in other countries (more than 40% of part-time employees would like to do more work, which indicates that many part-time workers are underemployed and evidently also points to the fact that the part-time jobs belong to the secondary labour market). Meanwhile, the percentage of people in Estonia who work extremely long hours and are satisfied with their working time is two times higher than in the European countries serving as a basis for comparison. It is true that in the case of long work weeks more than half of the people

TABLE 1.8. **ACTUAL WORKING TIME AND THE CORRESPONDING PREFERENCES (EU15 AVERAGE AND ESTONIA, 2002)**

Percentage…		Would prefer to work...				
		…over 5 hours less during the week	…1 – 5 hours less during the week	The current number of hours	…1 – 5 hours more during the week	…over 5 hours more during the week
…of all employed persons	EU 15 + Norway	35	15	38	3	8
	Estonia	7	2	84	1	7
…of persons working less than 20 hours a week	EU 15 + Norway	2	3	48	7	41
	Estonia	0	1	55	3	41
…of persons working more than 45 hours a week	EU 15 + Norway	69	9	19	1	2
	Estonia	56	1	40	1	2

Source: on EU15+Norway - Bielenski et al. 2001, 2002; on Estonia Estonian Labour Force Survey 2002

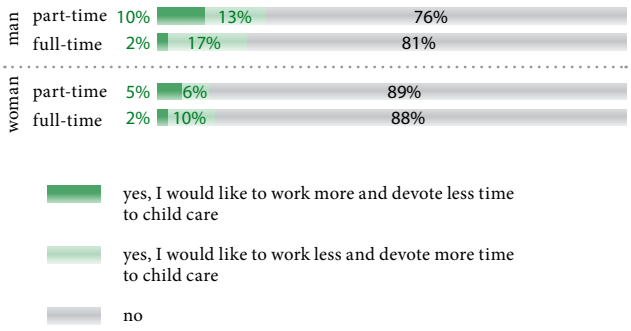
of Estonia would still prefer a shorter working time, but of their European colleagues nearly 80% would like to shorten their work weeks that exceed 45 hours.

It can be concluded on the basis of the table that people in Estonia prefer longer working time compared to the inhabitants of the other European countries under observation. Based on the 2005 Labour Force Survey data (Figure 1.12.) it can be said that a large majority of men consider the time they spend on work-related and private obligations to be balanced. Among women, the level of contentment is somewhat lower.

Compared to part-time employees, the group working full-time included slightly more men and women who expressed the desire to work fewer hours, but the number of people willing to work less was also significant in the case of male and female part-time employees. In both cases, however, the proportion of people willing to decrease their work load was larger than those willing to increase it. Of full-time employees, as many as one fifth of the mothers and one tenth of the fathers were of the opinion that they would like to devote more time to their children, if work so permitted.

FIGURE 1.12. **THE DESIRE TO CHANGE THE DISTRIBUTION OF TIME SPENT ON PAID EMPLOYMENT AND CHILD CARE, ESTONIA, 2005**

Working men and women between 20 and 49 who are caring for at least one child under the age of 14



Source: Estonian Labour Force Survey 2005, author's calculations

HOW TO INCREASE THE FLEXIBILITY OF ESTONIA'S TRADITIONAL WORKING TIME ORGANISATION?

According to Naegele (see Naegele et al. 2003: 45) female labour market entrants in contemporary European countries prefer a different, more flexible working time organisation than men and have developed or will soon develop enough opportunities to realise their preferences. Naegele also asserts that the practice of flexible working time has either already started evolving or will soon start evolving among men as well. **On the basis of the abovementioned analysis, Estonia is clearly different from the other countries in that the women of Estonia who actively participate in the labour market do not seem to prefer more flexible working time, and there are no signs in practice of expectations regarding shorter working time and longer leisure time spreading among the men.** At this point it is probably necessary to analyse the peculiarities of post-socialist countries, (see, for example, Drobnič 1997, Hofmeister 2002: 24) which result from the fact that during the socialist period working full time jobs was the norm, rather than an opportunity, and people usually lacked individual control over their working time. Hofmeister states that in post-socialist countries the number of part-time jobs on offer has remained small to this day and that it is more common for people to have to choose between working and not working than between full-time and part-time work. It can also be assumed that shortened hours would leave the already-low income insufficient for subsistence. Moreover, the activity of women on the labour market was very high in post-socialist countries during the socialist era, which means that the question of bringing women into the labour market and the related need for flexible ways of working time organisation is not as topical as in other European

states, since women are already participating in the labour market and have thus accepted the existing working conditions. **It can therefore be speculated that Estonian women might prefer shorter working hours or at least a more flexible organisation of working time, but neither they, nor obviously the employers, believe that such changes are really possible.**

Comparisons of countries have shown that women are more prone to participating in the labour market if they have a good education and are therefore more competitive in the labour market (Blossfeld & Hakim 1997: 11). According to the theory of human capital (Schömann & Becker, 1995: 188), acquiring an education can be viewed as an investment into human capital which will yield profit during one's later working life and various periods of one's career. An analysis of women's participation in the labour market in European countries (see Blossfeld 1997: 322) clearly indicated that a higher level of education increased the employment rate of women both in the case of part-time and full-time work. Education and competitiveness allow a woman to achieving better working conditions and opportunities for combining their work and family life. **This might provide one explanation for the peculiar labour market behaviour of women in Estonia: the educated women of Estonia see working on an equal basis with men not simply as a necessity for guaranteeing the livelihood of the family, but rather as self-realisation.**

It can therefore be presumed that women in Estonia will not decrease their time spent at work or devote more attention to other aspects of life – at least not before this becomes normal work behaviour and all work relations come to be characterised by a shorter or somewhat more flexible working time. We should thus try to avoid the "feminisation" of flexible organisation of work, i.e. it becoming an issue related only to women, especially because in reality men need and would prefer to have more time to spend with their family or on hobbies as well.

The survey of gender equality conducted in Estonia in 2005 (for more details, see EV Sotsiaalministeerium 2006: 44 – 46) revealed that over 80% of the respondents feel that women have a double work load in Estonia, having to work both at work and at home, unlike men. The survey also revealed that 20% of women and 25% of men are also of the opinion that this is perfectly natural, while 65% of women and 49% of men think that the situation should be different. Competitiveness in the labour market could be the goods, so to say, that the woman can exchange for the strain of home work and the equalisation of the relationship of power at home (see Blossfeld & Hakim 1997: 11). Changes in such basic attitudes also require a suitably organised institutional framework. Combining one's work and family life, for example, requires the development of corresponding measures (the application of flexible organisation of work and working time, rest leave schemes, training for employees returning from parental leave, etc.) for both women and men, taking into account the increase of significance of the role of the father in family life. This would also be a precondition for a more equal distribution of work at home.

Thus, it is important to stress that working time organisation that is more flexible than traditional, although not necessarily involving the implementation of a shorter work week (see Table 1.6. based on Naegele 2003, but also Fagan 2003 and European Foundation… 2002 (a) and (b)), should be available as an option for all positions in all fields on reasonable terms, allowing for sufficient income. It should be available for all women and men without a decrease in the quality of social guarantees and career opportunities, and without fearing the ridicule of neighbours, the scorn of colleagues or the disapproval of superiors. Freedom such as this would raise people's quality of life, satisfaction with their private life and work, and consequently also their productivity.

1.5. Secondary vocational education in Estonia

Estonian employers' associations often reproach young people for preferring to apply to secondary schools, rather than obtain a vocational education. The main problem is believed to be the poor reputation of vocational education among the youth and their parents. The proposed solutions range from advertising campaigns related to the usefulness of vocational education to even more drastic measures, such as instituting restrictions on the number of students allowed to continue their studies at upper secondary schools (or universities) (as proposed some years ago by the head education officials of Estonian counties). Attention is not paid to the fact that vocational education has a good reputation in areas (a) where this type of education provides young people with better protection from labour market risks than general secondary education and (b) where reliable institutional preconditions have been created (by both the state and the employers) for the improvement of the reputation of vocational education.

It also seems that this fact was not taken into account when preparing the action plan for the development of Estonian vocational education for 2001 – 2004. The action plan intended for vocational education to be available to 50% of basic school graduates (including preparatory vocational training at upper secondary schools) and 50% of secondary school graduates, including students with special needs. In actuality, however, only 28% of daytime study basic school graduates and about 20% of secondary school graduates continued their studies at vocational education institutions in 2004. Plans for 2008 foresee 38% of basic school graduates acquiring vocational education

(The Estonian Action Plan for Growth and Jobs 2005–2007, 2005: 43). What are the institutional preconditions that would motivate young people to prefer secondary vocational education to general secondary education to a much greater degree than they do at present?

THE STRENGTH AND WEAKNESS OF VOCATIONAL EDUCATION

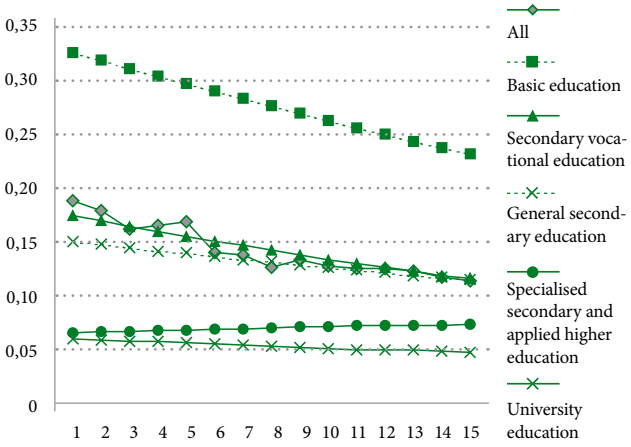
Discussions on vocational education have stressed its positive role in preparing young people for entering the labour market and providing them with skills that are needed in the labour market. Studies have verified this especially in case of the so-called apprenticeship system (see also Unt & Saar. Labour market flexibility and youth's entry into the world of work). It is during the first years after finishing the apprenticeship, that the ***advantages*** of this type of secondary vocational education are revealed: low risk of unemployment, high probability of finding work, and therefore also the relatively rare and brief nature of any episodes of unemployment. As a result, people who have acquired a secondary vocational education can feel relatively secure in the labour market. This sense of security is reinforced by the strong social protection of the unemployed that is characteristic of countries that provide apprenticeship-type secondary vocational education: unemployment does not bring about a significant decrease in an individual's quality of life.

However, certain ***risks*** are also inherent to vocational education. In the longer run, vocational education limits the opportunities of continuing an individual's studies and thereby also the enhancement of their occupational mobility, which ultimately imposes certain restrictions on the potential increase in their income. Furthermore, at an older age it is the people who have received a vocational education who face problems due to their knowledge and skills becoming obsolete. The results of earlier studies have indicated that when various countries are compared both the positive and negative qualities of vocational education manifest themselves simultaneously and with greater clarity in German-speaking countries (i.e. the countries that use the apprenticeship-based secondary vocational education) (Shavit & Müller 2000).

What is the situation like in Estonia? The unemployment rate of people with a vocational education is considerably lower than that of people who were limited to basic education (see Figure 1.13.), but the unemployment rates of respondents with general secondary education and secondary vocational education are practically equal, remaining at a substantially higher level than that of the respondents with higher education. This leads to the conclusion that higher education (usually received on the basis of general secondary education) provides noticeably better protection against labour market risks compared to vocational education.

The same conclusion can be made on the basis of Figure 1.14. that shows an individual's probability of entry into unemployed within one year. For employees with vocational education, the danger of becoming unemployed is two times lower than for employees with basic education, but is also two times greater than that of employees with higher education. The differences between people with secondary vocational education and general secondary education are not significant. Exit from unemployment, however, is noticeably easier for people with general secondary education. In the

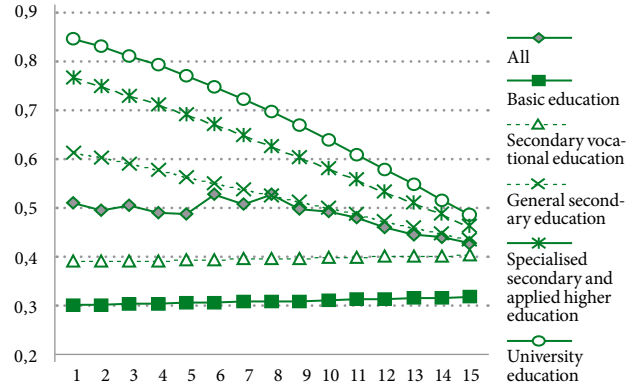
FIGURE 1.13. **PROBABILITY OF UNEMPLOYMENT BY WORK EXPERIENCE AND LEVEL OF EDUCATION**



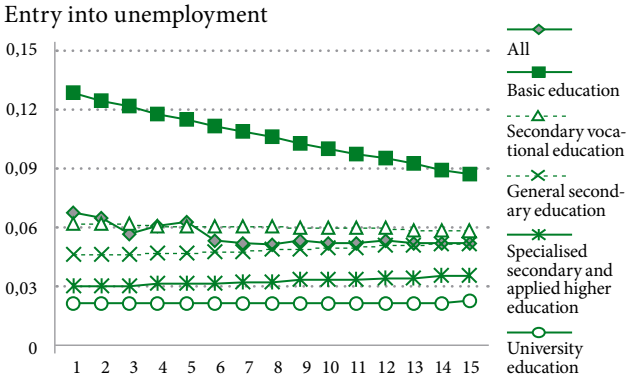
Source: authors' calculations based on Estonian Labour Force Survey 2003

FIGURE 1.14. **THE PROBABILITY OF EXIT FROM UNEMPLOYMENT AND ENTRY INTO UNEMPLOYMENT BY WORK EXPERIENCE AND LEVEL OF EDUCATION**

Exit from unemployment

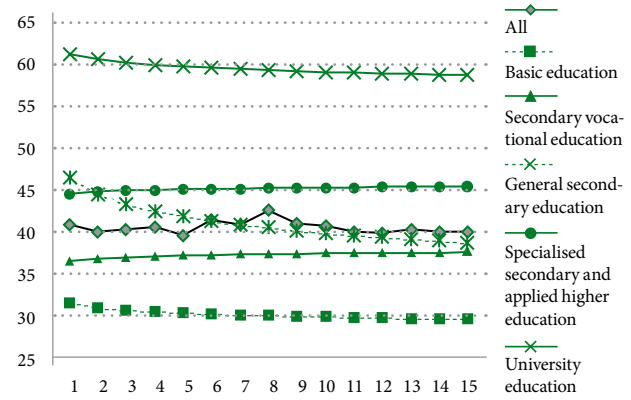


Entry into unemployment



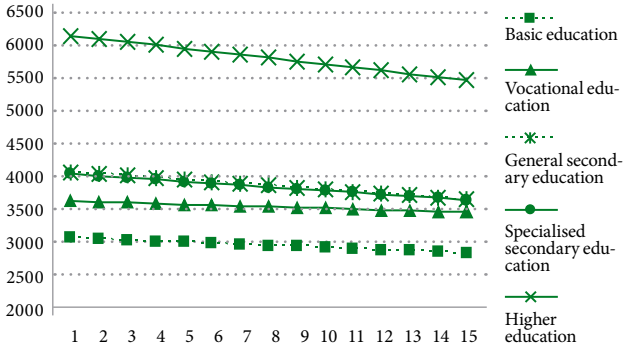
Source: authors' calculations based on Estonian Labour Force Survey 2003

FIGURE 1.15. **SOCIO-ECONOMIC INDEX BY WORK EXPERIENCE AND LEVEL OF EDUCATION**



Source: authors' calculations based on Estonian Labour Force Survey 2003

FIGURE 1.16. **WAGES BY WORK EXPERIENCE AND LEVEL OF EDUCATION**



Source: authors' calculations based on Estonian Labour Force Survey 2003

case of employees with little work experience, the difference is 1.5-fold: if among unemployed persons with secondary vocational education the probability of finding a job within a year is 0.39, then among unemployed persons with general secondary education the probability is markedly higher – 0.62. Unemployed individuals with higher education are best equipped to escape unemployment (in the case of university education the probability is 0.85 and in the case of applied higher education it is 0.78).

It is apparent in the case of Estonia (see Figure 1.15.) that individuals who have received a vocational education begin their career path from a considerably lower social position than young people who have received a general secondary education[1]. In the case of employees with a more extensive work experience, however, the differences between these two groups are smaller, not necessarily as the result of work experience, but rather their generational affiliation. The social status of respondents with university education, but also applied higher education, is significantly higher.

Figure 1.16. indicates that with regard to wages, vocational education is profitable only compared to basic education. General secondary education (not to mention higher education) allows for significantly higher wages. This applies in the case of employees at the start, at the peak and at the end of their career.

All of the data provided above prove that in the Estonian labour market, the value of vocational education is, with regard to both protection from unemployment and benefits associated with work:

- higher than that of basic education;
- clearly lower than that of general secondary education.

Therefore, favouring general secondary education over vocational education is absolutely reasonable in Estonia. This trend is also contributed to by the especially high value of higher education on the Estonian labour market: it is considerably less likely for a secondary vocational school graduate (compared to a general secondary school graduate) to continue their studies at an institute of higher education[2]. Nevertheless, the prospects of individuals who have received a secondary vocational education are significantly better compared to those of basic school graduates.

When one views the situation of secondary vocational education and general secondary education in Estonia a substantial contrast appears to German-speaking countries and of course Germany in particular, where vocational education provides an individual with a clear advantage: people who have received a vocational education are much less threatened by unemployment than employees with general secondary education. As Shavit and Müller (2000) points out, vocational education has the function of a "safety net" in these countries. Also, the difference in Estonia between the risk of

[1] The International Socio-Economic Index of Occupational Status (ISEI) is often used in studies to describe the social status of an individual. The methodology of Ganzeboom and Treiman (1996) has been used in converting the occupational groups of the ISCO-88 classification used in Estonian labour force surveys to ISEI status scores. ISEI reflects the effect of professional position on the ability to convert education into income (Bergman & Joye 2002).

[2] It is noted in the mid-term review of the development plan of the Estonian vocational education system for 2005 – 2008 (http://www.hm.ee/index.php?popup=download&id=5287) that the situation has improved during recent years. According to the review, about 16% of the students who started their undergraduate studies in 2005 had a background of vocational education. Of the 2005 graduates of vocational schools, 7% of those who had received their vocational education on the basis of basic education and 11% of those who had received their vocational education on the basis of secondary education continued their studies immediately. Regrettably, the review does not show the level at which the students have continued their studies, nor does it indicate how many of the vocational school graduates continued their studies as non-state-commissioned students.

unemployment faced by respondents with vocational or secondary education and those with higher education is much greater than in Germany.

Consequently, unlike in the case of dual vocational education systems, vocational education does not seem to hold any advantages in the Estonian context, only disadvantages. Why does our vocational education exhibit such poor efficiency? The shortest answer would be that the positive role of vocational education is realised only in certain types of institutional frameworks.

EFFICIENCY OF VOCATIONAL EDUCATION

According to theory, young people prefer to invest in vocational education if it guarantees their smoother entry into the labour market and decreases the risk of unemployment. Companies are also interested in investing in vocational education and in-service training on the condition that it pays off, i.e. the inter-firm job shifts are low. This is a situation characteristic of a coordinated market economy. In other words, vocational education can be efficient within the institutional framework specific to the coordinated market economy. The coordinated system is based on relationships built on mutual trust (see Table 1.9.). Bussiness associations are strong, the inter-company network is well developed, and social partners play an important role in the system. The legislation requires employees to participate in the making of strategic decisions within the companies. The state participates in regulating the labour market and labour market protection is strong.

The development of vocational education does not receive much attention in the liberal economic system. In contrast to the coordinated economic system, social relations in liberal systems are based on a low degree of a mutual trust. Instead, the liberal economic system is characterised by mass production based mainly on low-skilled labour. Inter-company coordination is limited. Obligations between different social partners have usually been defined to a very small extent. The state is mostly an outsider in the management of relationships between the employer and the employee. The coordination of the interests of the management and the workers is weak. This is accompanied by the scarcity of investments by both employees and companies in vocational education and in-service training. The low level of standardisation of the education system prevents the existence of generally recognised education certificates (in the field of vocational education and in-service training) that would be accepted across firms. Since the protection of the labour market is weak, it is not practical for employees to invest in vocational education and training. An individual who has become unemployed will be more likely to find a new job on the basis of a more general education.

As the Estonian ***secondary education system*** is based on the German model (i.e. characteristic for the coordinated economy), we also have a stratified and differentiated education system, although the extent of differentiation is lower in Estonia than in Germany, since German students are divided into different educational tracks at a noticeably earlier age than their Estonian counterparts

TABLE 1.9. **DIFFERENT TYPES OF MARKET ECONOMY: LIBERAL VS. COORDINATED MARKET ECONOMY**

	Liberal	Coordinated market
Economic Governance	Limited business coordination	Strong business associations, inter-company networks
Production system	Production is mainly based on low-skilled workers Mass production Numerical flexibility	Production is mainly based on skilled workers High-quality products Flexible specialisation
Labour relations	Decentralised bargaining Low trust/coordination	Coordinated bargaining Statutory worker representation
Labour market regulation	Minimalist state; weak employment protection, low/short-term unemployment benefits	Interventionist state, strong employment protection, high/long-term unemployment benefits
Education and training	General education, on-the-job training, low coordination between employers and the education system	Vocational education; Strong coordination between employers and the education system
Job shifts	High inter-firm mobility, short tenure, unstable careers, domination of short-term unemployment	Low inter-firm mobility, long tenure, stable careers, domination of long-term unemployment
Mobility	Upward and downward mobility	Primarily upward mobility
Entry into the labour market	Interrupted	Smooth

Source: Ebbinghaus and Manow 2003; Mayer 2004.

(already at the age of 12). Compared to German-speaking countries, connections between the labour market and the education system are very weak in Estonia. With regard to the level of stratification, the Estonian education system is similar to the education systems of Belgium, France and South European countries.

Labour market institutions. According to the evaluation of Employment Protection Legislation by the World Bank, Estonia is among EU countries with middle-range level of employment protection (Riboud et al. 2002: 6). Although the World Bank considers Estonia to be among countries with the medium level of co-ordination between the employers and trade unions, development of coordination to wage agreements (Riboud et al. 2002: 49), our collective bargaining system is still poorly developed on enterprise, branch as well as state level. Individual wage agreements dominate.

The Estonian labour market is considered very flexible, unlike that of Germany, as there are very few barriers restricting an individual's entry into and exit from the

labour market (Freytag 2002). Both regarding the small percentage of unionised workers and the low coverage by collective agreements, the country most similar to Estonia in the European Union is the United Kingdom, which represents the liberal economic system model.

The social protection of the unemployed was very inefficient in Estonia until recently (when unemployment insurance was implemented). Yet, unemployment insurance has its own problems: a relatively limited segment of unemployed individuals are qualified to receive it.

Consequently, the education system of Estonia has characteristics similar to that of a country with a coordinated economy (such as Germany), yet our employment relations are similar instead to liberal economic systems that do not support vocational education, such as the United Kingdom and Ireland. In other words, due to low level of coordination of labour relations as well as low level of coordination between schools and corporate actors, Estonia lacks institutional prerequisites for vocational education to play a role of a "safety net" for young people in the labour market. Unlike the situation in liberal countries, vocational education also does not guarantee a relatively high social position upon entry to the labour market. The difference between employment opportunities for people with higher education and people with secondary or vocational education is also noticeably large (being much greater than the corresponding differences in German-speaking countries or countries with liberal economies).

CONCLUSIONS

The choice of forced advancement of the secondary vocational education system also requires certain type of employment relations, a significantly more active and real participation of social partners in directing the work of vocational schools, along with the willingness of the state to minimise social costs.

The best example of the effectiveness of a vocational education system is dual education in Germany, where young people receive the lessons of their secondary vocational course at vocational schools and the practical training at companies, with the state providing support for those companies that participate in the education process. This arrangement facilitates the smooth entry of young people into the labour market. As the unemployment rate of individuals with vocational education is substantially lower than that of individuals with general secondary education, vocational education plays the role of a "safety net". Also, vocational education protects people from downward mobility.

How has Germany been able to guarantee the functioning of this system? Their labour market, which is very large by Estonian standards, allows for the narrow specialisation of the labour force. Strong employment protection ensures that young people actually apply to vocational schools, knowing that the acquired occupational skills will not leave them unemployed. The active and long-time involvement of both employers' associations and trade unions in shaping vocational education has helped vocational education become prestigious in the eyes of employers, young people and their parents. In a labour market situation that is becoming increasingly unstable, vocational education decreases the risk of unemployment for the youth in Germany, providing them with greater protection. This is an important factor that has contributed to the prestige of vocational education among young people.

Why could we not adopt the system that is successful in Germany? If we choose to follow the German model, we have to understand that this necessitates the active participation of trade unions and employers in guiding the education process. Furthermore, a much higher level of labour market regulation than is currently implemented in Estonia would be required. Finally, labour market should be structured by occupations, and young people are expected to accept wages that are considerably lower than those of senior employees, etc. We have a significantly smaller labour market than Germany, and cannot therefore afford narrow and early specialisation. The current weak protection of the unemployed does not motivate young people to make a choice in favour of vocational schools. Administratively posed limitations (decreasing the number of people accepted by upper secondary schools and institutes of higher education) will not enhance the prestige of vocational education; they will rather counter that effect. The best way to enhance the prestige of vocational education would be to provide young people with adequate protection against labour market risks.

At the same time, it is important for the vocational education system to allow people to continue their studies. This opportunity should be provided not only formally by creating the necessary bases (laws and regulations, links in the educational system, etc), but also by actively supporting such educational pathways. The world's education experts are also very critical of the negative consequences of the early selection occurring in the German education system (students have to choose between vocational or general secondary education at the age of only 11 or 12). This education system stratifies young people at an early age, limiting their choices and affecting their entire future life course. Since this jeopardises mainly young people from families of a lower socioeconomic status, the situation is considered to be deepening educational inequality. Thus the need to reform the system is being stressed on the EU level (European Commission 2006: 6).

Increasing the attractiveness of vocational education is connected to the (re)organisation of an initial vocational education that would facilitate the smooth transition of students within the education system, including the option of receiving a higher education (Leney 2004). Several European countries have already switched to either linked or unified secondary education systems (Howieson and Raffe 1999). In the case of a linked system, separate vocational and general secondary education tracks exist in the secondary education, but these tracks have been brought as close to each other as possible. The linked systems are characterised by an identical or very similar structure; the credentials obtained from both types of schools differ very little; young people can

move from one track to the other. Several measures have been taken during the past 10 years to bring the separate tracks even closer together (for example, attempts have been made to simplify the transition between the tracks, as seen in France where most young people receive a "dual qualification" upon graduating a secondary school, meaning that they can either start work or continue their studies at institutions of higher education).

In the case of a unified system, for example, in education systems of Sweden and Norway, there are no separate vocational and general school tracks in secondary education at all.

The United Kingdom did try to follow the example of Germany to raise the status of vocational education and increase its attractiveness for young people, but it failed. The failure was mainly due to the fact that the broader institutional context did not support the process. This brought about the adoption of notably more radical reforms, which in turn led to the substitution in secondary education of the two-track system with a linked system in England and a unified system in Scotland at the end of the 1990s (see also Raffe 2001). The goal of both reforms was to increase the number of students in the vocational education, while simultaneously eliminating barriers between general and vocation education and providing more opportunities for continuing one's studies in the higher education system after the completion of initial studies (Brannen et al. 1999).

The situation in Estonia also provides grounds for speculating that more young people will want to opt for vocational education only if initial vocational education ceases to be a "forced choice". The goal could be furthered by moving towards objective 8 established in the development plan of the Estonian vocational education system for 2005 – 2008: "Vocational education is better connected to other types and levels of education". This can only be accomplished, however, if the state, the employers and the employees can reach compromises that are satisfactory for all parties. Such compromises on the subject of labour market protection would encourage people to receive vocational education. Besides, it is important that all of the aforementioned parties make coordinated investments in vocational education.

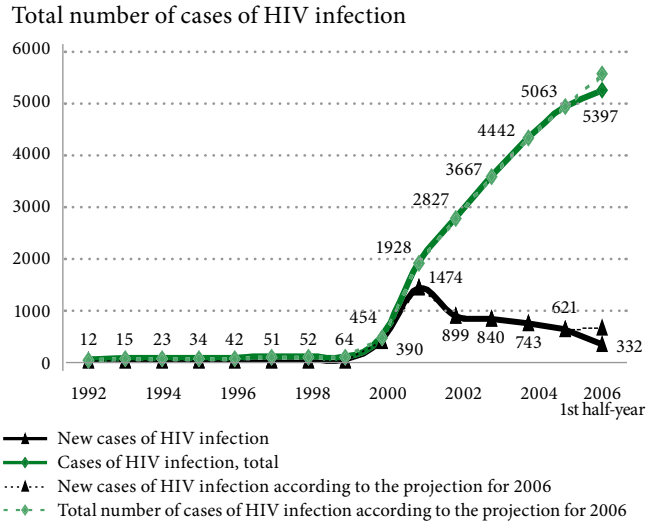
1.6. Addiction and recovery

In Estonia, problematic drug use remains an issue that requires both intervention by the state and an organised solution. According to the latest estimates, Estonia has about 13,800 injecting drug addicts, most of whom live in or near Tallinn and in Ida-Viru county (Uusküla et al. 2005). Compared to other countries, the ratio of problematic drug users to the entire population is very high, e.g. Finland has roughly 16,000 – 21,000 problematic drug users (Partanen et al. 2004). The issue, however, is not confined to helping and re-integrating only one marginalised group into society. Injecting drug use is connected to the HIV/AIDS epidemic that has swept over Estonia. Although the number of new cases of HIV infection has decreased since 2002, the total number of people with HIV infections keeps rising every year. Over the years, a total of 5590 people have been diagnosed with HIV (as of October 31, 2006), and 112 people have been diagnosed with AIDS.

Estonia has a concentrated HIV epidemic, characterised by a high rate of HIV contraction among injecting drug users. The percentage of injecting drug users among the registered HIV-positive population has fallen over the years, but is still high (HIV/AIDSi ennetamise riiklik strateegia).

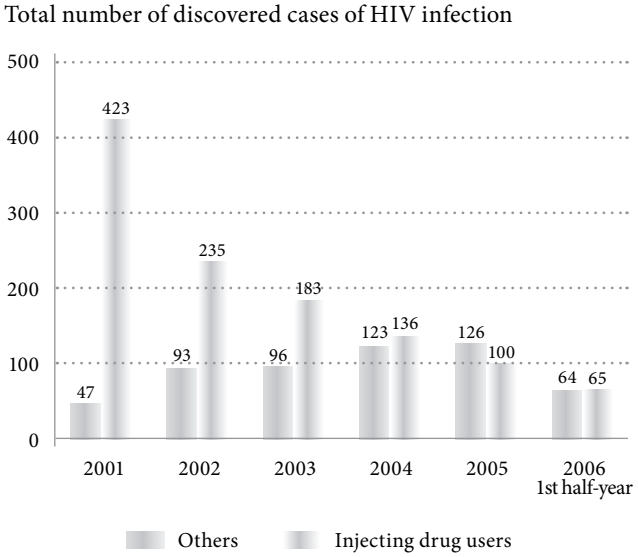
According to estimates, 54% of injecting drug users are HIV positive in Tallinn, 90% in Kohtla-Järve, and the estimated average for the entire country is 62% (Uusküla et al. 2005). One of the key areas for halting the spread of HIV infection is the work with injecting drug users. Dealing with problematic drug addicts includes several phases. The ideal solution would naturally be the recovery from addiction and destructive habits of as many people as possible. Nevertheless, the danger posed to the society as a whole is reduced even if addicts who have not yet recovered become aware of

FIGURE 1.17. **NEW CASES OF HIV INFECTION AND CUMULATIVE CASES OF HIV INFECTION DURING 1992 – 2006**



Source: Health Protection Inspectorat

FIGURE 1.18. **CASES OF HIV INFECTION AMONG INJECTING DRUG USERS AND OTHER PATIENTS AT HIV VOLUNTARY COUNSELLING AND TESTING SITES IN ESTONIA DURING 2001 – 2005**



Source: Reports from anonymous testing sites, National Institute for Health Development

safer drug-use methods (using clean syringes, using safer injection methods). Such behaviour is less hazardous to other people and the society from the perspective of public health. When working with drug addicts, it is important to develop a deeper understanding of their situation and provide them with versatile help.

ADDICTION AS A SOCIAL PHENOMENON

It can be said, based on various statistics and open interviews with heroin users in Tallinn and Ida-Viru county (for more details, see Allaste, Lagerspetz, Kurbatova 2005), that addicts often come from marginalised communities and generally support themselves through criminal activities. The majority of problematic drug users belong to the Russian-speaking community of Estonia. This is in no way related to the national or cultural characteristics of Russians, but rather to the position of the Russian-speaking community in the Estonian society (Allaste & Lagerspetz 2006). The interviews reveal that young people who start using heroin become addicted very quickly. In the case of young people from a marginalised community, the development of addiction is facilitated by the fact that drug users often lack any other common interests besides using drugs and have not found a meaningful role in society.

Drug addiction is frequently equated with illness and according to the clinical definition, addiction is characterised by diminished control over the duration and methods of drug use and the amount of drugs used, the concentration of attention on obtaining and using drugs rather than on other areas of life, along with the use of drugs regardless of their negative effect on one's organism and thought process. Addiction can also be viewed as habitual behaviour, which is repeated constantly by the addict, and which is interpreted as addiction either collectively or individually. In addition to a physical and psychological state, addiction also constitutes an interactive connection between a person, their experience, and the situation of drug use. Beside physical treatment, it is also important to change the values and environment of the addict (Peele & Brodsky 1991).

In Estonia, the addiction to a drug, the routines involved in obtaining and using the drug and the people in whose company the drug is used provide a person who has been part of the bottom rung of society with a new role – that of an addict. Addiction, however, is not limited only to physical addiction, but also encompasses the life style involved with drug use (Allaste & Lagerspetz 2006). The alienation of opiate users from society is not limited to their subjective experience. Problematic drug users who mainly come from the Russian-speaking community in Tallinn or Ida-Viru county are often also stateless. Officially, stateless persons have the same economic and social guarantees as citizens (Lagerspetz & Joons 2006: 187), while statistically stateless persons are at a disadvantage compared to citizens on the labour market (Asari 2002). This is likely to have a direct influence on their feeling of belonging to the society and favours their separation from it.

The everyday routine of problematic drug users in Estonia is different from that of drug users living in Western European countries, especially compared to the Nordic countries. In the case of the latter, the everyday life of a problematic user revolves around treatment or harm reduction services, while in Estonia drug users are more firmly shut into their own subcultures outside the general society. Although such a lifestyle can help them find a subjective meaning for life within the subculture, it stigmatises the problematic drug users for society in general, putting them into a position from which it is difficult to escape.

RECOVERY FROM ADDICTION

Buchanan and Young have distinguished four phases that problematic drug users must pass in order to be reintegrated into society. During the chaotic phase, the drug users lack control over their life and the will to change anything. During the second, the ambivalent phase, they wish to stop using drugs but are still held back by old habits and are likely to "slip". During the action phase, they are already set on changing their life and stop using drugs, and during the last, controlled phase, they have control over their drug use or have stopped using the drug completely. Only after going through these phases can reorientation and reintegration begin - a process that can also take years. It is very important that the former problem-

atic addicts quickly develop new routines that do not centre on drugs (Buchanan & Young 2000).

In life, a problematic drug user faces negative attitudes and discrimination from the authority of the state, various communities, the media, and also other drug users. Although the attitude of the public toward drug addicts and the problem of drug addiction in general may vary from state to state, an addict is an outcast of society in the majority of countries. Social exclusion can be defined here as a dynamic process that excludes a person, either partially or fully, from every social, economic, political and cultural system necessary for the social involvement of a person in the society. This means that in order to be fully reintegrated into society, an addict must not only recover from physical and psychological addiction, but also overcome social exclusion.

An addict's journey from the chaotic phase to the controlled phase is not a one-way process and is accompanied by setbacks of varying degrees. Setbacks are inevitable until the addicts have conclusively freed themselves of the status of being outcasts. In a situation where an individual lacks housing, education, a job, and the support of loved ones, drugs may appear as the only solution.

ADDICTION HELP SERVICES

The system of drug addiction treatment and rehabilitation as a whole can be viewed as a coordinated network of services aimed at different target groups and possessing different treatment goals, consisting of various elements beginning with the motivation of a drug addict for a drug-free life and ending with integration into society as an able member. (UNODC 2003). Some countries, such as the Netherlands, devote more attention to harm reduction services, while Sweden, for example, employs a drug policy aimed at temperance and concentrates on treatment services. Both countries make use of methadone treatment programmes, but these serve different goals. In the Netherlands, the most popular form of treatment is the methadone substitution treatment, while in Sweden methadone withdrawal treatment is implemented more frequently (The Drug policies of the Netherlands and Sweden 2001).

In order to reach the controlled addiction phase, a drug user has to undergo several different services. The nature of the services that have to be applied depends on the health, social status and economic situation of the given addict, including their history of drug use. At first, the drug user is not willing to seek treatment of their own initiative and might need, for instance, motivational counselling. In the *chaotic* and *ambivalent* phases, the primary goal is to reduce the harm being done to society and the individual. Western European countries, for example, have made wide use of syringe exchange, outreach work and counselling, all of which serve to provide the drug addict with the necessary instruments and information.

Based on the practice of other countries, it is possible to say that one of the most effective ways of establishing contact with drug addicts is outreach work aimed at identifying hidden target groups, contacting them, providing them with necessary information and prophylactic appliances and directing their attention towards treatment opportunities. Syringe exchange and counselling programmes, which in Estonia are currently implemented by non-profit associations, were launched in 1997. The state started funding the services in 2001, and as of 2006, Estonia has 24 stationary, mobile and outreach syringe exchange facilities (National Institute for Health Development 2006). Attempts are made in counselling centres and syringe exchange facilities to gain the trust of the addicts and motivate them to seek treatment and rehabilitation, i.e. enter the action phase.

During the *action* phase, individuals already have the will to recover from their addiction, but require constant support. They must first undergo withdrawal treatment, during which time they will recover from the physical effects of the narcotic substance. At times, a drug addict can also go through the process of withdrawal without medical help, but this requires motivation and a safe environment (Narkomaania ravijuhis. Eesti Psühhiaatrite Selts 2001). The goal of the subsequent rehabilitation is to restore the individual's health and coping ability. This can only be accomplished if the addict is no longer using psychoactive substances. The main focus is on sociopsychological methods, such as developing new attitudes, changing the individual's lifestyle, teaching them self-control and ways of handling stress, adopting alternative activities, etc. In Estonia, rehabilitation services are mainly provided either at day centres or closed facilities. Day centres accommodate patients who have successfully completed their withdrawal treatment and have a home and a family, but lack a student place or employment. Closed facilities, including therapeutic communities, usually provide services for addicts who lack the support of persons close to them.

The *controlled* phase represents recovery from addiction or participation in a long-term substitution treatment programme that enables the addicts to control their addiction. From the standpoint of thoroughly changing an individual's life, however, the creation of new daily routines and the development of daily activities are of primary importance.

CONCLUSION

For most problematic drug users in Estonia, it is very difficult to renounce their everyday routine that revolves around drugs and to enter "normal" life. The heroin users interviewed in Tallinn and Narva in 2002 and 2003 had tried doing just that on several occasions, but had not succeeded.

Although all elements of the harm reduction, treatment and rehabilitation system are applied to varying extents in Estonia, the country lacks an integrated drug addict treatment and rehabilitation system. We do not have enough resources to concentrate on motivating drug addicts who are still in the chaotic phase. Furthermore, the distribution of services is not wide enough to cover the needs of all individuals who wish to recover from addiction. The main shortcoming is the fact that the major part of drug assistance programmes – syringe exchange, counselling,

substitution treatment, and withdrawal treatment – is focused on treating physical and psychological addiction, not changing the social environment of the drug user. In order to create new routines, the former addict needs coping skills, (additional) education, housing, and occupation. Social programmes have to be developed in order to help former drug addicts learn new skills and return to the labour market, organise, if necessary, the formalisation of an identity document, provide assisted living services, social consultations, and legal aid.

In the rehabilitation units established during the last couple of years, work methods are still being developed. Results have so far remained insufficient and there are few social programmes aimed at reintegrating drug addicts who have finished rehabilitation into society.

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CHAPTER II

Estonian Public Opinion

2.1. Introduction

The human development index rates the world's countries based on quantitative statistical indicators: the gross national product per person, average life span and literacy percent. In addition, it is possible to assess a country's development based on several other parameters describing life in general and the economic environment, such as average income, crime or unemployment rate, competitiveness, etc.

However, in the case of societal development, other issues are actually more significant—namely, how do the people feel in the space described by statistical indicators? What expectations do various population groups have for life? How are they satisfied with the achieved quality of life? Public opinion research can be of help in assessing these aspects.

The success or failure of one country and society can be best assessed in comparison with other countries. Therefore, in the following paper, we will try, whenever possible, to place the data from Estonian public opinion surveys into a broader European-wide context. Special emphasis will be placed on comparisons with new European Union member states that have started from a position similar to ours. If the time has been too short to catch up with "old" Europe, then the success or failure of Estonia's development through people's opinions should be reflected upon in comparison to the former Socialist countries.

In this chapter, an analysis will be made of the satisfaction of Estonia's people in various spheres of life at both the micro and macro levels of society. The answer will be sought to how general satisfaction with life is related to the assessments of the respondents, and how it is related to the economic situation of the country, employment, social welfare, and the environment. The factors at the micro level under examination are satisfaction with the quality of life, family life, income, health, and current jobs.

Satisfaction with life is a constantly changing dimension. Therefore, it is important to deal with the dynamic aspects of satisfaction, by examining the expectations of the people for the future at both the national and household level. It is also important to examine how the general developmental directions of the country are assessed— whether things are moving in the right or wrong direction. In connection with the latter, the most important problems in Estonian life are also dealt with and their importance is compared to those of other new EU member states.

The perception of well-being is subjective, and it is assessed in comparison to the immediate surroundings, in other words to how other people next to us are doing. The second part of the chapter includes a discourse on people's understanding of social stratification in Estonia through time. Based on the survey's answers, an examination will be made on how the respondents see social stratification now, how it was assessed in the past, and what the expectations for future development are, or what social stratification model is thought to be equitable by the public.

Here, we reach the questions related to the political organization of the society. In the third part of the chapter, which is based on an Estonia-wide survey entitled, "Me. The World. The Media" in 2002 and 2005, we describe people's attitudes toward the changes that have taken place in Estonian society and toward future developments. In addition, we will explain how people treat questions of social equity, equality, and inequality in the society, and their ideological self-determinations and party sympathies. We will also examine whether Estonia's still-developing political system will be able to represent the will and expectations of the voters and promote community life in a desirable direction.

Just as people's satisfaction or dissatisfaction does not only depend on their living conditions viewed in respect to their own needs or in comparison with surrounding people, political preferences are not clearly connected to the social affiliation of citizens, but are based on their orientation toward life and their view of the world. At the end of the chapter, we introduce the results of the international RISC survey of values, which clarifies the position of Estonian people on the scale of responsibility and enjoyment, and stability and expansion of the society, in comparison with the average of all 25 European Union member states. In summary, it is these positions that will determine which political parties will receive a mandate from the voters to carry out state policies and in which direction Estonia will develop in the near future.

2.2. People's assessment of Estonian life

GENERAL SATISFACTION WITH LIFE

The most general and all-encompassing indicator of people's subjective well-being is satisfaction with life as a whole. In Estonia, the Eurobarometer surveys have most consistently dealt with this measurement. The surveys conducted after accession to the European Union show that in 2004-2006, the number of satisfied citizens in Estonia has ranged between 67% and 71%[3]. On average, the 10 new member states that joined together in the spring of 2004 are also at this level (Figure 2.1.), having remained there during the entire post-accession period. However, judged by general satisfaction, Estonia is in the second half of the ranking of European Union countries, since satisfaction in the older member states is significantly higher, at around 80%. Satisfaction in the older member states has remained at this level for decades.

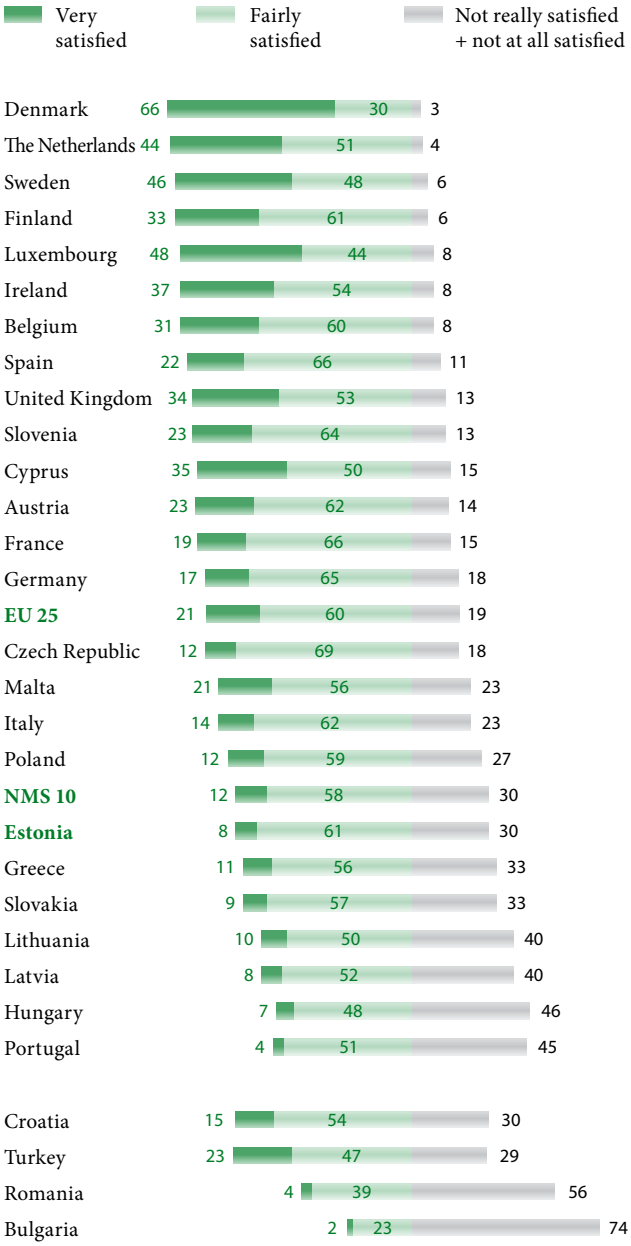
Among its Baltic neighbours, during the past few years, the ratio of satisfied people has been lower than in Estonia, although it has increased somewhat. In 2004-2006, the ratio of satisfied citizens in Latvia has increased from 55% to 60%, and in Lithuania, from 53% to 59%.

In addition, those that are less satisfied with life than Estonians include the Slovaks and Hungarians among the new member states and the southern Europeans in Greece and Portugal among the old member states. Poland, where the GDP indicates national wealth comparable to Estonia, but where high unemployment is a big problem, has demonstrated a level comparable to Estonia.

The most satisfied people in the European Union live in the countries of northern Europe. The ranking has been headed for a long time by Denmark, the Netherlands, Sweden, and Finland, as well as Luxembourg, Ireland, and Belgium. The only new member state to offer them worthy competition is Slovenia. Satisfaction in the European great powers of Germany and France has remained near the Union average of 80%, and of the post-Soviet countries, the same can be said for the Czech Republic. Dissatisfaction with life predominates in the two countries ready to join the European Union—Romania and Bulgaria. In the latter, dissatisfaction has increased during the past few years to the level where three-quarters of the population is not satisfied with life.

The ranking presented in the above figure is similar to results achieved by other researchers. For instance, based on the combined index of happiness and satisfaction ranking in 82 countries compiled by Ronald Inglehart, a political scientist and researcher of values, people in Estonia are more satisfied than the majority of those in countries that were formerly part of the Soviet Union, and less satisfied than the residents in post-Socialist European countries that did not belong

FIGURE 2.1. **SATISFACTION WITH LIFE**



Source: Eurobarometer 65.2, spring 2006, How satisfied are you with your life as a whole?

3 Since the fall of 2004, the target grop for the Eurobarometer in Estonia is permament residents who are at least 15-year-old European Union citizens, who can answer the questionnaire in Estonian or Russian. Unfortunately, there are no comparable satisfaction indicators form the period before accession to the European Union.

TABLE 2.1. **SATISFACTION WITH LIFE (COMPARED TO ESTONIA'S AVERAGE)**

Gender		Men, women	
Age	15-24-years-olds 25-39-year-olds		40-year-olds and older
Citizenship*	Estonian citizen Citizens of other countries		Russian citizens Undetermined citizenship
Level of education	Higher level of education Students		Lower level of education Middle level of education
Social status	Entrepreneurs Managers Students	White-collar	Workers Unemployed Pensioners
Residence		Tallinn Small- and average-sized towns Rural areas	Cities (Tartu, Pärnu, Narva,Kohtla-Järve)

* *Higher level of education – education ends at 20 or older, middle education level – education ends at 16-19, lower education level – education ends at 15.*

*Sources: Eurobarometer studies 2004-2006; *Non-Estonian perspectives, Saar Poll, 2006*

to the Soviet Union (Slovenia, Czech Republic, etc.) (Inglehart, 2004).

Satisfaction with life varies according to societal groups in Estonia as elsewhere in Europe. By analyzing the more important parameters in 2004-2006, we see that in Estonia, satisfaction depends on age, level of education, social status, and citizenship (see Table 2.1.).

In Estonia, in the younger age group, or among 15- to 24-year-olds, almost 20% are more satisfied than among those who are 40 years old or older. According to a survey conducted in the spring of 2006, 81% of 15- to 24-year-olds were satisfied with life, 76% of 25- to 39-year-olds, and 64% of over-54-year-olds. Satisfaction with life drops most sharply in the 40- to 60-year-old groups, or at the age when one's position in the job market becomes more uncertain. Previous studies in European countries have shown that in Estonia, as well as in the Baltic countries generally, the difference between the satisfaction of young and old people is among the greatest in Europe (Delhey, 2004). The end of the Socialist era inevitably changed the prospects for coping with life of the people who had reached middle age by that time. The age-related differentiation of satisfaction is generally characteristic of the new European Union member states and of the countries of southern Europe. However, in the developed European countries, where the satisfaction of the populations is high, such differences are practically non-existent, or satisfaction is higher among older people (Luxembourg).

In Estonia the number of satisfied people is about 20% higher among those with higher education levels in comparison to those with lower or average education levels (see Table 2.2.). While the lower satisfaction of people with lower levels of education seems understandable, the lower satisfaction of those with average levels of education is noteworthy. In Europe as a whole, the satisfaction of the group with average educational levels does not differ from the average level of satisfaction with life. At the European level, the difference in the satisfaction of people with different levels of education cannot be taken for granted. Similar to age, the satisfaction of those with different levels of education is differentiated primarily in the new member states, while such differences in the old member states are very small or even non-existent (Delhey, 2004).

Social position also affects general satisfaction more in Estonia than in Europe as a whole. Entrepreneurs, managers, and leading specialists, as well as students are significantly more satisfied than average with their lives. This is apparently caused by the greater prestige afforded to their positions by the community. Furthermore, it is determined by greater consumption possibilities, greater participation in the media society and better ability to cope with changes (Lauristin, 2004). In Europe as a whole, students are also the most satisfied group in society. One can speculate that the higher satisfaction is created by the greater than average optimism characteristic of the young—their place in society (which is an important step in entering the job market) is unexplored and the future seems to be filled with opportunities.

At the other end of the scale determined by social position are workers, the unemployed, and pensioners. In Europe as a whole, the satisfaction of pensioners does not differ significantly from the average level of satisfaction. In Estonia, the satisfaction of pensioners is lower than average, but not by much. According to the data of the Eurobarometer surveys conducted during the last two years, the level of satisfaction among pensioners is about 5% lower than the average (In the spring of 2006, 64% of pensioners were satisfied with life).

However, the most drastic difference, compared to Europe, is in the satisfaction of Estonian workers. In Europe as a whole, workers are no less satisfied than average, whereas in Estonia, they are 14-15% less satisfied than average—in the spring of 2006, 55% of workers were satisfied with life, while in Europe the figure was 79%. This group has the greatest potential for growth of satisfaction, since in Estonia, where there is already a shortage of labour in certain fields, workers'

wages, and thereby the status of workers, should start to improve.

The available European data does not allow for a comparison of satisfaction by various income groups, where the level of education and social position play a significant role in determining the level of satisfaction. It is the indicators for education, occupational position, and income that often overlap—as a rule, a better education also guarantees a better job and income. The most important source of greater satisfaction is working as an entrepreneur, manager, or leading specialist. Apparently income, in turn, determines the influence of social position on satisfaction, insofar as earlier, pre-accession research indicates that income is one of the most important factors in determining satisfaction in the new member states. However, in the older member states, occupational position is more important (Delhey, 2004).

According to surveys on the satisfaction of the residents of Estonia with various citizenships and those with undetermined citizenship, those with Estonian citizenship are the most satisfied. According to the data for 2006, 73% of them are satisfied with their life as a whole. This is followed by those with citizenships of other countries (exc. Russia), of whom 68% are satisfied with life. Sixty-three percent of Russian citizens in Estonia are satisfied, and the most dissatisfied are those with undetermined citizenship, of whom 57% expressed satisfaction (Saar Poll, 2006). Considering the relative importance of the people with various citizenships in the population (Estonian citizenship totals almost 80%, the remainder have other or undetermined citizenship), we arrive at a general satisfaction level of 71%, which conforms to the results of the Eurobarometer survey. However, we should not forget that, behind the generalizations, a certain portion of the population feels it has benefited less from Estonia's development.

Residence has significantly less influence on satisfaction with life in Estonia than the aforementioned indicators. Generally, rural and urban residents are equally satisfied. Those living in the larger towns differ somewhat, where, according to the surveys from 2004-2006, the level of satisfaction is 4-5% below average. This is affected by the low satisfaction of the residents in Narva and Kohtla-Järve, the large towns of East-Virumaa. (For more detailed tables of satisfaction indicators by socio-demographic background attributes, see Annex 2.)

If we compare the factors differentiating satisfaction in Estonia and in Europe as a whole, then pre-accession research (Delhey, 2004), as well as the aforementioned Eurobarometer data, allow us to state that, in Estonia, satisfaction with life based on socio-demographic indicators varies to a greater degree or **the differences between various social groups is greater than the European average** (see Table 2.2.). Here, Europe is taken to mean the older European Union member states, while satisfaction dependent on socio-demographic indicators in Estonia is similar to the new member states.

TABLE 2.2. **VARIANCE LEVELS OF SATISFACTION IN VARIOUS SOCIO-DEMOGRAPHIC GROUPS (%)**

	Estonia	EU25
15- to 24-year-olds vs. 55+	17	7
Lower level of education vs. higher level of education	-21	-13
Average level of education vs. higher level of education	-18	-7
Average level of education vs. students	-28	-11
Active on the labour market vs. non-active	32	24

Interpretation: the difference is shown to the advantage of the first group, i.e. the level of satisfaction among the young is divided by the level of satisfaction among those who are 55-year-old and older.

Source: Eurobarometer 65.2, spring 2006.

One may ask, what satisfaction with life shows and how realistic it is that the approximately 70% satisfaction that has persisted in Estonia during the last few years will increase. The happiness researcher Veenhoven has highlighted three theories explaining the differences in levels of satisfaction (Veenhoven, 1995):

According to the *comparison theory,* people compare their actual lives with certain standards of what life could be like. The standard or ideal may be based on how other people are doing, but also on personal experiences. With the improvement of living conditions in a country, the standard also increases and vice versa. Thus, the reality never reaches the ideal, or subjective well-being is not related to quality of life that can be measured objectively. The greater the relative deprivation people perceive, the greater their dissatisfaction.

According to the *folklore theory*, the satisfaction level of the residents is a reflection of the perception of life characteristic of a specific people. This perception is related primarily to the past, not to the reality of everyday life. According to this theory, there are pessimistic and optimistic cultures. For instance, if the previous generations have been dominated by a pessimistic view of life, than this will persist and also affect the assessments of subsequent generations. According to this theory, subjective satisfaction is also not dependent on objective living conditions.

The livability theory states that a subjective assessment of life depends on a quality of life that can be objectively measured—better living conditions also create greater satisfaction. The basic difference in this theory with respect to the two previous theories is the absolute, not the relative quality of life, or the fact that people are happy with good living conditions even when they know that they could be even better. The theory takes good living conditions to mean the satisfaction of universal human needs. The given theory had been fundamental to the explanation of differences in satisfaction until the research done in the West showed that subjective satisfaction is quite weakly connected

to objective indicators such as income, education, gender, and age.

By testing these theories, Veenhoven has found that the last, livability, theory is primarily valid in explaining the differences in subjective satisfaction with life, or higher objective satisfaction indicators (i.e. income, life span, size of living space) are related to greater subjective satisfaction with life as a whole (Veenhoven, 1995, 1996). Delhey (2004) confirms this, and, by analyzing the satisfaction of residents in European countries, finds that the connection between satisfaction and income is greater in the poorer countries—starting from a certain turning point, an increase in wealth is no longer accompanied by a the equivalent increase in subjective satisfaction.

The average level of satisfaction has remained relatively stable in the European Union starting from the middle of the 1970s, and only decreased by 3-4% with the accession of the new member states (the number of residents in the new countries was relatively small and therefore the influence on the average indicators is quite small). At the same time, satisfaction in some of the older member states—Portugal, Greece, and Spain—has increased, and this has occurred more or less, simultaneously with the improvement of economic conditions in these countries (Delhey, 2004). Delhey finds that the growth of satisfaction is likely, primarily when living conditions improve faster and to a greater degree than people expect them to. In the opposite situation, the side effects of the improvements in economic living conditions, such as pollution, stress, and the breakdown of social relations, may outweigh the positive effects (Sennet, 1998, quoted by Delhey, 2004).

In the case of Estonia, the validity of the livability theory means that the objective indicators of the quality of life in many population groups are not at a sufficient level. Thus, according to the nature of these groups, it can be assumed that this is caused by absolute deprivation caused by poorer material circumstances and not relative deprivation. In order to speak about potential growth, it is important to determine how satisfied people are with the different specific spheres of life and what their expectations are for improvements in the situation.

SATISFACTION WITH VARIOUS SPHERES OF LIFE AT THE COUNTRIES' LEVEL

The Eurobarometer surveys have measured satisfaction with the situation at both the macro and micro levels, i.e. satisfaction with family life, health, work, and monetary situation. The macro-indicators have been examined to see how people assess the economic situation in the country, the employment situation, also with respect to social welfare and the environment. The number of people that find that situation good or very good in all these spheres has increased significantly in 2004-2006[4] (Figure 2.2.).

The perception of Estonia's rapid economic development is expressed especially vividly in public opinion—during the last year and a half, the number of people in Estonia who consider the economic situation to be good, has increased by almost 20%, reaching 70% by 2006. Although the optimism of people in Europe as a whole has increased, those who consider the economic situation in their country to be good totalled less than half the population.

At the same time, the citizens of the older member states have a better opinion of their countries` economic situation than do citizens of new member states—in 2005-2006, their relative importance in the old member states increased from 38% to 43% and from 24% to 32% in the new member states. According to the data for 2005-2006, the satisfaction with the economic situation in the country was highest in those European countries where the satisfaction with life as a whole was the highest—in Denmark, Ireland, Luxembourg, and Finland (over 80%). Less than 20% were satisfied in Germany, Hungary, Greece, and Portugal. Of the residents of the new member states, Estonians are the most satisfied with the country's economy, while in Slovenia and the Czech Republic, the ratio of satisfied citizens is at the 50% level. Looking at Estonia's close neighbours Latvia and Lithuania, we see that a pessimistic assessment dominates—despite respectable economic growth in Latvia, only 20% of the citizens consider the economic situation to be good, and 40% are of the same opinion in Lithuania.

The reduction of unemployment in Estonia has been accompanied by an intermittent increase in the citizenry's **satisfaction with employment**—the number of satisfied people has doubled during the last 18 months. The fact that more than half the people see the employment situation as bad rather than good indicates there is room for improvement with regard to finding jobs or salary levels.

At the same time, the residents of both new and old Europe are pessimistic about the employment situation in their home countries—only 25% of Europeans as a whole find that the situation is good, and in their opinion, significant changes have not taken place during the last few years. However, the residents of the old member states are almost twice as optimistic as those in the new member states—the number of people with an optimistic view has persisted between 23% and 26%, while it has increased from 8% to 13% in the new member states. During the last few years, the satisfac-

4 In respect to all fields of activity at the macro-level, the number of people who indicated "very good" is marginal, near 1-2%.

tion with employment continued to be high in Ireland, Denmark, and the United Kingdom, where over half the citizens are satisfied. Satisfaction is extremely low in Greece, Slovakia, Hungary, Poland, France, Germany, and Portugal, where less than 20% of the residents are satisfied.

The correctness of the path of development chosen by Estonia is confirmed by looking at the opinions of Latvian and Lithuanian residents with respect to employment in their countries. The strongly pessimistic attitude is dominant primarily in Latvia, where approximately 15% of the residents consider the employment situation in Latvia to be good. In Lithuania, an increasing number of people perceive the situation as positive—their ratio in 2005-2006 has increased from 23% to 37%. Again, the percentage of satisfied citizens is highest in Estonia, while in the otherwise rapidly developing Czech Republic and Slovenia, only approximately 20% of the residents are positively disposed toward the employment situation.

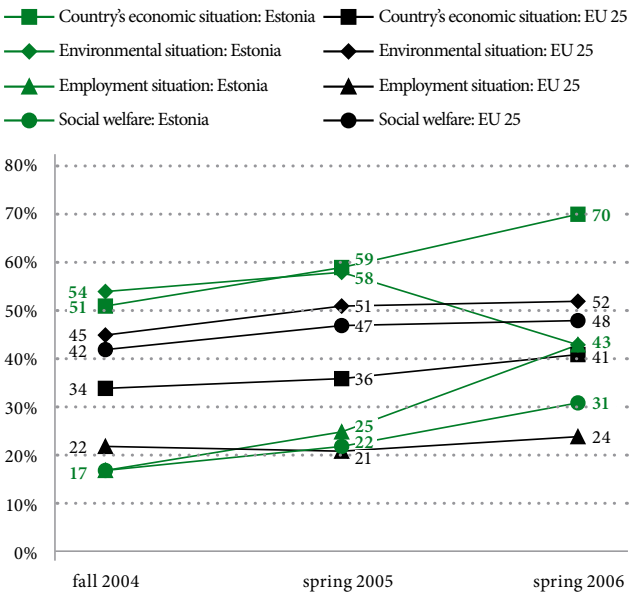
While many feel that the situation with respect to the economy and employment is good, in the case of **social welfare,** the majority of citizens find that the situation is poor. Although an ever-greater number of people perceive that their situation is improving, their number had only reached one-third by the spring of 2006. This is one of the few spheres in which, at the European level, the situation as a whole is considered to be significantly better—about half the citizens of Europe believe that the situation is good.

The situation is Estonia is quite similar to the other new member states, where in the fall of 2006, 26% felt the situation was good (53% in the old member states). Of these countries, it is the southern countries—Malta, Cyprus, and Slovenia—that are most satisfied with the social sphere. Of the Central European countries, the most satisfied is the Czech Republic (almost 40% satisfied). In Europe as a whole, the highest satisfaction with social welfare is in Denmark, Luxembourg, Belgium, Ireland, Austria, and Finland, where over 70% of the residents are satisfied. Less than 20% of the population is satisfied in Poland, Portugal, Slovakia, and Latvia. A comparison with the other Baltic countries shows that Lithuanians perceive the level of their social welfare in a similar manner to Estonians—in the spring of 2006, 29% believed it was good, while in Latvia only 15% did so.

Satisfaction with the **environmental situation** also plays an important role in forming general satisfaction. It has been discovered that people are more satisfied with democracy in countries where the environment is recognized as a value at the societal level, where there are well-functioning environmental policies, and the environment suffers less pollution (Wagner & Schneider, 2006). In Estonia during the last few years, satisfaction in this sphere has been the most unstable; this has been influenced by several specific cases of environmental pollution. Nevertheless, almost half the citizens feel that the situation is good. The assessment of the situation in Europe as a whole is similar—primarily the citizens of the older member states are satisfied (53%), and as in the case of other fields of activity, the citizens of the new member states give negative assessments more often. Satisfaction is the highest in Finland, where 90% assess the situation as good. In Sweden, Austria, Denmark, and Luxembourg, the percentage of those who are satisfied is over seventy. Satisfaction is lowest in Portugal, Malta, Hungary, and Slovakia. Here, Latvian and Lithuanian public opinion demonstrates a similar trend to the economy, employment and social welfare—the environmental situation is given a low assessment, but the situation is thought to be better in Lithuania (an increase from 23% to 29% in 2005-2006) than in Latvia (an increase from 12% to 15%).

In summary, it can be said that generally, the satisfaction of the citizens in European countries can be ranked in various fields of activity in a similar manner to their ranking for general satisfaction with life. In other words, satisfaction in each of the aforementioned spheres contributes to a greater or lesser extent to the creation of general satisfaction.

FIGURE 2.2. **SATISFACTION WITH THE MACROLEVEL (% OF THOSE WHO ASSESS THE SITUATION AS GOOD)**

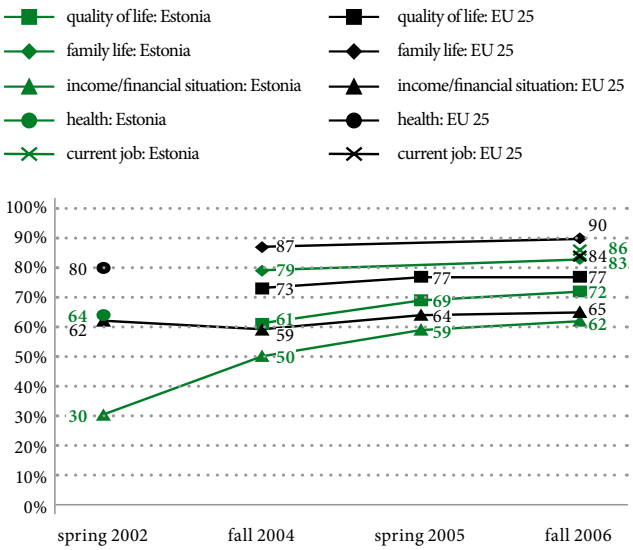


Sources: Eurobarometer 62.0, 63.4 & 65.2. How do you assess the situation in the following spheres: Very good, quite good, quite bad, very bad, don't know. In the figure good + very good are combined

SATISFACTION WITH THE VARIOUS FACETS OF LIFE AT THE INDIVIDUAL LEVEL

At the end of 2003, within the framework of the Eurobarometer survey, the significant values of the candidate nations at the time were measured. According to this survey, the top three indicators in the value

FIGURE 2.3. **SATISFACTION WITH THE MICROLEVEL (% OF THOSE WHO ASSERTED SITUATION AS GOOD)**



Sources: EBCC 2002, Eurobarometer 62.0, 63.4 & 65.2. Data is presented in the following scales: quality of life and financial situation: very good + fairly good; family life and health-very satisfied + fairly satisfaction; current job-You are satisfied with your current job: totally agree + rather agree

hierarchy for people in Estonia at the micro or individual level were[5]:

- Family, which was important to 72% of the residents
- Health, which was valued by 59%
- Work, which 44% place great importance on

For 35%, the top three also include money (*Identities...* 2004). This is similar to the values of the citizens of the ten new European Union member states as a whole, where even greater importance is placed on family, and less on work and money.

In 2006, the people of Estonia were satisfied with their families (83%) and their work (86%). In these components of satisfaction, Estonia does not fall behind the other European Union states, where, as a whole, 90% are satisfied with their family life and 84% with their work. A comparison with four years ago allows one to state that this is a stable indicator--in 2002, 79% of people in Estonia were **satisfied with family life,** as were 91% of the current member states as a whole (Figure 2.3.).

The satisfaction with family life varies relatively little by country, while the variations follow the general pattern of satisfaction to a great extent. The countries where the residents are most satisfied with family life—Ireland, Sweden, and Denmark—are also those most satisfied with life in general. On the other hand, those who are relatively dissatisfied with life are less satisfied than average with family life—in Hungary, Latvia, and Lithuania, the level of satisfaction is close to 80%.

Satisfaction with work (results for those who are employed), which measures satisfaction with one's current job also varies relatively little at the European level—starting from Slovakia (72% satisfied), Hungary (75%), Latvia (77%) and Lithuania (79%) and ending with Spain (90%), Belgium (91%) and Denmark (91%). Therefore, in Europe, where the residents in many countries are increasingly worried about employment, those who are employed are likely to be rather satisfied.

Health is one of the important ingredients in the human development index, the indicator of which is average life span. Judging by objective health indicators, Estonia clearly fared worse than the average European level. The subjective assessment of one's health seems to be in accord with reality.[6] Based on the latest available data, 63% of people in Estonia are satisfied with their health, which is less than Europe as a whole, where 80% of the residents are satisfied with their health. At the same time, the assessments of Estonians greatly coincide with assessments in the other new member states—the percentage of residents satisfied in Latvia, Lithuania, Poland, Slovakia, and Hungary was between 60% and 65%. Only in the new members states in southern Europe—Cyprus, Malta, and Slovenia—is satisfaction with health significantly higher. The surveys of the population in Estonia show that the subjective assessment of individual health is a very stable indicator—in 2002-2006, this has not changed (Suits, 2005), which is also reasonable, since the improvement of health indicators takes generations.

Increases in actual incomes also reflect people's assessment of their **monetary situation.** While in 2002, only approximately one-third of the population was satisfied with their income, in 2006, their number had doubled. Improvement in the situation is reflected to the greatest extent among the population of the new member states—in four years, the number of satisfied people has increased from 34% to 50%. However, no significant change has taken place among the residents of the older member states who enjoy a better material situation—two-thirds of the population of the older member states are satisfied with their monetary situation. Of Estonia's neighbours, Finland is among those with the highest satisfaction rate in Europe—over 80% of the residents are satisfied with their monetary situation. Satisfaction in Latvia and Lithuania is among the lowest, similar to other new member states—in 2006,

[5] In addition to the above, the list also included: partner, friend, education/studies, free time/holiday, art/culture, sports, religion, politics, and sexuality. The respondents also had the opportunity to add values not mentioned that are important to them.

[6] The comparative data at the European level on satisfaction with health comes from 2002 Eurobarometer surveys of candidate and member states.

about half the citizens were satisfied with their individual financial situations.

As a whole, it appears that Estonians feel that their **quality of life** has improved from year to year. Similar to general satisfaction with life, Estonia still ranks lower than the older European member states with respect to assessments of the quality of life (approximately 80% are satisfied), although it exceeds the average level of new member states. In Estonia, the number of people that assess their quality of life positively had increased to 72% by 2006, while in the new member states as a whole, it has only increased to 63%. In Latvia and Lithuania, an increasingly large part of the population also feels that their quality of life is improving—in 2005, Latvia saw an increase from 49% to 57% and in Lithuania, from 53% to 59%.

The aforementioned indicates that Estonians assess the various facets of the state and their personal lives increasingly positively, and often more positively than the developed Western European countries. On the other hand, it is clear that Estonia has not yet achieved its goals and is still on the road to development. This is supported by constant comparisons to European countries, such as comparisons of income levels, and the discussions on when Estonia might catch up with Europe.

In Figure 2.4., we see the assessment of citizens of the situation in various spheres as compared to Europe. In the case of most of the measured fields, the majority of the residents feel that the situation in Estonia is worse than in Europe. In comparison to Europe, Estonia is furthest behind with respect to social welfare, and many believe that the quality of life is also worse. The country's economy and employment is also assessed as not being good as compared to Europe, while the residents in both old and new member states on average rated the situation in these spheres in their countries lower than did Estonians. However, the basis for comparison is formed by people's closest environment. Thus people most often compare themselves to the Nordic countries and maybe to Great Britain and Ireland, where many Estonians have gone to work and where the local residents view the employment situation as good.

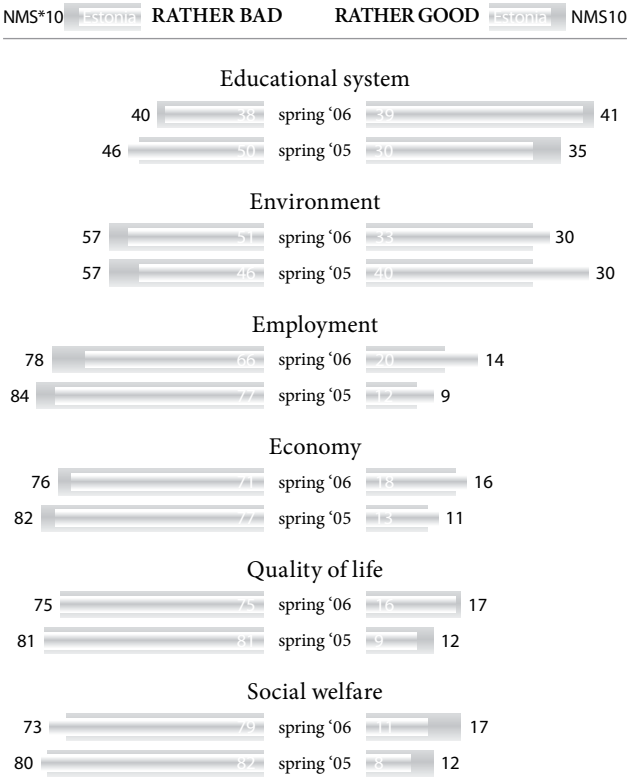
However, many Estonians view the developments in the Estonian educational system and environment as positive. In the case of the educational system, the number of those who feel the situation is better than the European average equals those who feel it is worse.

Compared to Europe, two other trends can be noted:

1. According to the residents, the situation in various spheres in comparison to Europe seems to be improving—the number of those who think that the situation has improved in the annual comparison between 2005 and 2006 has increased.

2. Generally, Estonians assess Estonia's development in comparison to Europe quite similarly to the other new member states, although in the case of employment, they are clearly more positive. At the same time, as mentioned above, Estonians do not feel that the country's economic development has helped to increase social welfare—with respect to this indicator, the new member states are somewhat more positive. The average positiveness is supported primarily by Southern Europe, while in the Central and Eastern European countries, the assessment of social welfare, as compared to the rest of Europe, tends to be lower.

FIGURE 2.4. **ASSESSMENT OF THE SITUATION IN THE COUNTRY AS COMPARED TO THE EUROPEAN UNION AVERAGE**



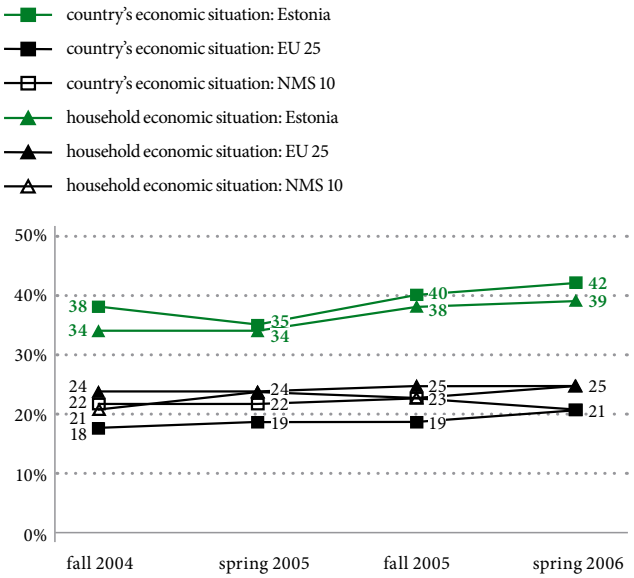
** New Member States.*

Source: Eurobarometer 65.2, spring 2006. Would you say that the situation in the following spheres in Estonia is better or worse than in the European Union on average? Much better, somewhat better, somewhat worse, definitely worse, the same, don't know. Rather good=much better + somewhat better, rather bad = somewhat worse + definitely worse

EXPECTATIONS FOR THE FUTURE AND ESTONIA'S DEVELOPMENT DIRECTIONS

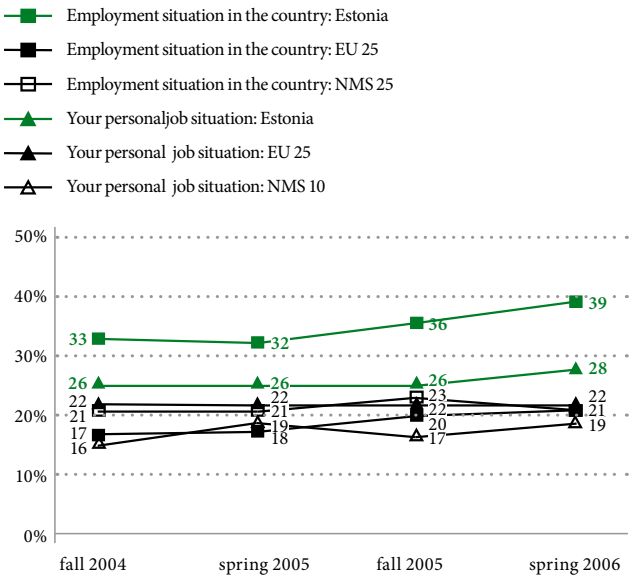
The satisfaction of the residents with life affects both their expectations for the future, as well as their rate of their fulfilment. When expectations are exceeded, it is more likely that satisfaction will increase. The measurement of the residents' expectations along with an assessment of the current situation is extremely important in projecting macroeconomic progress.

FIGURE 2.5. **EXPECTATIONS REGARDING THE ECONOMIC SITUATION OF THE COUNTRY AND THE HOUSEHOLD (% THAT SAY IT WILL IMPROVE)**



Source: Eurobarometer 62.0, 63.4, 64.2 & 65.2. What are your expectations regarding the next 12 months? Will the situation in the next 12 months improve, worsen, or stay the same?

FIGURE 2.6. **EXPECTATIONS REGARDING THE COUTRY'S EMPLOYMENT AND PERSONAL WORK SITUATION (% THAT SAY IT WILL IMPROVE)**



Source: Eurobarometer 62.0, 63.4, 64.2 & 65.2. What are your expectations regarding the next 12 months? Will the situation in the next 12 months improve, worsen, or stay the same?

By examining the projections of the trends for changes in the economic future of the state and of households, and the employment and personal work-related situation (Figures 2.5. and 2.6.), two tendencies can be highlighted:

1. There is more belief in an improvement in the situation in the short-term, than there is on average in the European Union.

2. The proportion of people who believe in positive developments in various spheres has increased from year to year (exc. in the case of the personal work-related situation, in which the proportion has not changed).

An optimistic attitude is primarily related to the state's economic development. In the context of the state's success, an improvement in one's family's financial situation is hoped for. In Estonia, there are as many who forecast a positive economic development as there are those who expect no apparent change; in the case of the financial situation of households, almost 10% believe more in stability than in positive changes. In the European Union, as well as in the new member states, on average, there are few who see the future optimistically and more who do not expect good from the future. A comparison with the new member states, where people assess their country's economic situations and their own personal material condition, on average, lower than Estonians do, does not allow us to assert that the positive expectations for the future of Estonians are related to a worse current situation. Rather the opposite, it reflects a belief that the current positive developments must continue or at least they will not be reversed.

Comparing Estonia and Europe as a whole, one can say that average Europeans believe or hope that the worsening of the economic situation in the country will not affect the financial situation in their household—if 59% believe in the improvement or stability of the state's economic situation, then 79% believe the same with respect to their households. In Estonia, these indicators are 84% and 80% respectively. Therefore, people in Estonia see a greater connection between their own well-being and the economy of the entire country.

Expectations with respect to the employment and personal work-related situation are by nature similar to the expectation for economic life and families' financial situations. In Estonia, the number of those who believe in the improvement of the employment situation is increasing, while the proportion of those who believe in stability has not changed, remaining 40%. In Europe on average, the number of those who believe in worsening (38%) and stability (36%) is equal. Negative notes are struck primarily by the citizens of the old member states, where worsening has been predicted by approximately 40% of the population during the last few years.

Generally, Estonian citizens are quite positively disposed toward their jobs. A comparison between the data for 2004 and 2005 shows approximately 80%

of the citizens believe in their ability to preserve their jobs during the coming month. Moreover, although almost 20% display some uncertainty, only 6-7% of the respondents feel very uncertain.

This sense of security is similar to the citizens of the old member states, and differs from the situation in the labour market of the new member states as a whole, which is conspicuous for its greater insecurity. In the old member states, over 80% of the residents felt secure in their jobs, while in the new member states, this proportion in 2004-2005 was close to 70%. The Latvians, Hungarians, and Poles feel less secure than average. The situation of the job market is thought to be securer than average in the Czech Republic and Slovenia (this also in comparison to the European Union average of 80%).

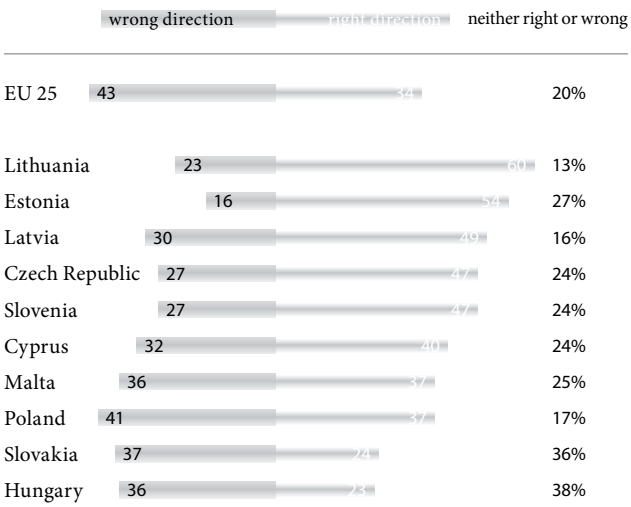
The people who look positively at future developments in the country and their own personal life are primarily those who are already satisfied with their life. In other words, the younger the person, the more he or she believes in a better future. In addition more educated people, and those who are entrepreneurs, managers, and specialists, have more positive expectations. On the other hand, older people, those who are less educated, and representatives of certain social positions (workers, unemployed, and pensioners) include a higher than average proportion with pessimistic outlooks about the future, and a larger number of them believe that life will not change significantly.

Over two-thirds of Estonian citizens are satisfied with their life and many feel that the future will be better, or at least stable. However with respect to the economy and employment, in 2006 only slightly over half the citizens thought that life in Estonia was moving in the right direction. Almost one-third thought that things were not moving in either the right or wrong direction (Figure 2.7.).

If we examine the social groups in the society that most often believe that life in Estonia is not moving in one or another direction, we see that they include more people who are older than average (primarily over-54-year-olds), those who are less educated or live in the country, who often have less ability to adapt and for whom the interpretation of changes may be complicated. They also include somewhat more entrepreneurs, who may have other reasons for having this opinion.

At the same time, the proportion of residents who think the country is developing in the wrong direction is extremely small. The citizens of other new European Union members that started from a position similar to Estonia are significantly more worried about the direction of the developments in their countries. The smallest number is in Lithuania (23%), where the largest number of citizens (60%) is also convinced that their country is on the right road to development. In Latvia, where citizen satisfaction is lower, and the assessment of the country's development in various fields of activity is lower, half the citizens nevertheless, find that things are moving in the right direction. Slovenia and the Czech Republic are new member states where

JOONIS 2.7. **EVALUATION OF WHETHER THINGS ARE MOVING IN THE RIGHT OR WRONG DIRECTION**



Source: Special Eurobarometer 251, winter 2006. Would you say that currently things in (NAME OF COUNTRY) are generally moving in the right or wrong direction?

almost half the residents believe that their country is moving in the right direction, and slightly over one-quarter are not so sure. At the same time, the majority of people in Slovakia, Malta, and Hungary are not satisfied with the direction chosen by their country. In Poland, their number is equivalent to those who are positive about the direction of development.

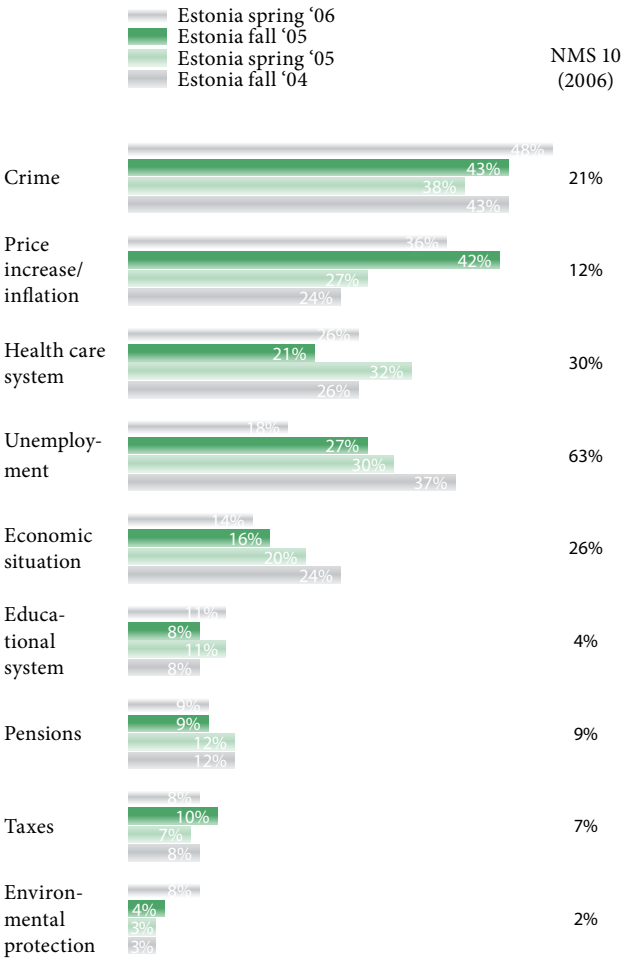
Estonia's position is also highlighted in comparison to the old member states, of which only Ireland and Denmark have more people who think the country's developmental direction is correct (65% and 59% respectively). It is less in the other countries, with Germany and France, the great powers of the European Union, being especially conspicuous, where only 36% and 19% of people, respectively believe their homeland is moving in the right direction.

ESTONIA'S PROBLEMS

If we compare the problems that seemed most important to people during the last few years in Estonia and elsewhere in Europe (Figure 2.8.), we see that the main range of problems is the same, but their ranking in various member states has differed. In Estonia, the primary shortcoming lies in social security, and crime has firmly continued in first place. In both new and old Europe, crime is mentioned as a problem almost half as often, and there are few countries where the residents worry most about their own safety and that of their property.

Concern about the health care system, which may be seen to represent problems with the availability and

FIGURE 2.8. **MOST IMPORTANT PROBLEMS IN ESTONIA**



Sources: Eurobarometer 62.0, 63.4, 64.2 & 65.2. What do you think are the two most important questions facing Estonia today? In addition to those answers on the figure, the following options were offered: public transportation, terrorism, defence and foreign policy, housing, immigration, other. The figure includes the problems mentioned most often

quality of medical care, may be interpreted as a worry about one's own safety and the safety of one's intimates. Health care systems have undergone reforms in all the new European Union member states and, in a similar manner to Estonia, the current situation does not seem to satisfy the needs of the new citizens of Europe. In the old member states, 15-17% of the residents feel that the health care system is a problem, whereas in the new member states, almost one-third do. The Irish and the Czechs perceive their health care systems most problematically. The surveys conducted in Estonia show that the primary problem for the residents is the availability of medical care—according to survey conducted in 2002-2005, almost half the residents are not satisfied with this. There is less criticism of the quality of medical care—approximately 60% of the residents are satisfied and about one-third is not (Suits, 2005).

It is interesting to note that when the residents see the country's economic situation and unemployment as increasingly less problematic spheres, this does not automatically mean a sense of economic security—a fear of constantly rising prices shows that incomes are not sufficient to confront this. Although incomes are increasing in the country, far from all social groups are enjoying the results of this growth.

In Europe as a whole, rising prices have caused significantly less concern during the last few years (remaining in new and old member states as a whole in the 12-17% range). However, concern about unemployment remains firmly in first place, which is mentioned by approximately half of all Europeans. This is a bigger problem mainly for the residents of the new member states—primarily for the Poles, Slovenians, and Hungarians--as well as for those in many of the older member states—primarily for the Germans, French, Greeks, and Portuguese. The second most important problem mentioned in Europe is the economic situation of the country, about which the new member states worry somewhat more, while crime is mentioned almost as often. Fourth and fifth places are shared by rising prices and the health care system.

In summary, Estonia is among the new European Union member states, where satisfaction with life is relatively good. The residents are very aware of the country's economic success and are more optimistic about the future than the new member states as a whole. At the same time, the majority of the residents do not feel that economic success has been transformed into an increase in social welfare. In Estonia, gaps in satisfaction reflecting the quality of life are still great—some societal groups share far less in Estonia's success than do others. Theoretically, in order for satisfaction to increase, the changes toward improvement in reality must exceed people's expectations. The fact that those who are less satisfied have lower expectations for the future allows for the anticipation of continued growth in the level of general satisfaction in Estonia.

The comparison theory seems to help explain Estonians' rate of satisfaction, which is currently still lower than in the old European member states. The material and social well-being in those countries makes a vivid comparison for the Estonians and their idea of a good life is clearly not yet fulfilled.

2.3. Stratification of Estonian society

Sustainable human development is development that not only creates economic growth but also distributes the benefits equitably (Human Development Report, 1994). What does the equitable distribution of benefits mean in practice? What should the social stratification of the society look like? By using measurable indicators (wages, income, financial status, etc.), but also other attributes (for instance, prestige) the social stratification of society has been closely examined and people have been divided into groups—rich and poor, the elite and the masses, upper-class, middle-class, and underclass, etc. Far less attention has been paid to questions of how ordinary citizens perceive the stratification of society.

Sociologists have borrowed the method applied to investigate this question—social representations—from social psychology (Moscovici, 1984; Rämmel, 1998). With the help of the five-stage diagrams depicted in Figure 2.9., the various society types are visualized and people are asked to assess them (Kelley et al, 1991; Evans et al., 1992).

ASSESSMENT OF CONTEMPORARY ESTONIA

Approximately two-thirds of the respondents think that current Estonian society is similar to type A or B (see Annex 3.). Each society is characterized by the majority of the people being on the bottom steps of the social hierarchy, while concurrently, there is a small elite at the top. In the case of these societal types, one cannot speak of a sizable middle class, as the cornerstone of a contemporary society—the middle class is too thin for this.

Only a third of the respondents considered any of the remaining three societal models—more or less egalitarian—as corresponding to reality. In the assessment of the respondents, Estonia today is a society in which a not very large wealthy group is contrasted by a relatively large mass. However, the middle class that connects them is quite modest.

The perception of Estonian society as elitist can be explained by the fact that the political and economic reorganization that started with Estonian regaining its independence were accompanied by rapid changes in the social stratification. Differences in income and wealth increased rapidly, polarization of the society took place along with the emergence of extremes—on the one hand we see a small group at the top of the hierarchy, who are called "winners", "good adapters", "those who have torn loose"; and on the other hand, we see a group that includes "losers, "poor adapters", and "those who have gotten caught in the gears of reorganization".

Still however, it should be noted that, in time, people's idea of Estonia as a very elitist society has receded somewhat. At the end of the last decade, surveys organ-

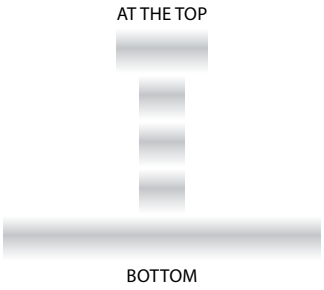
FIGURE 2.9. **SOCIAL HIERARCHY MODELS OF SOCIETIES**

TYPE A

Small elite at the top

Relatively few people in the middle

Basic mass at the bottom



Type A is a very elitist society, with a small elite at the top and a limited middle class. The main mass of people is collected at the lowest step of the social hierarchy of the society. There is great inequality in such a society. Such a social hierarchy was primarily typical of medieval agrarian societies, and this was the traditional Marxist approach toward capitalist societies.

TYPE B

Small elite at the top

more people in the middle

the majority at the bottom positions

Type B is a pyramid-like society, where there are fewer people on each subsequent step of the social hierarchy. Despite this, the position of the average person is considerably better than in the society described above. This model is similar to a traditional functionalistic societal treatment, and in the opinion of some researchers, characterizes early-capitalist societies.

TYPE C

Similar to the previous with the exception that the number at the very bottom is small

Type C is also a pyramid-like society where the differences compared to the previous societal type is the modest ratio of very poor people in the society as a whole. The average person in this society feels quite good. This moderately elitist societal model primarily characterizes contemporary capitalist welfare societies.

FIGURE 2.9. **SOCIAL HIERARCHY MODELS OF SOCIETIES**

TYPE D

Society, where the majority of people are in the middle positions

Type D represents a very egalitarian society, in which the majority of people are in the middle positions, or in other words, there are very few who are very rich or very poor. The inequality in such a society is very small, and the average person feels good. This is the society type that many feel post-Socialist states should primarily be moving toward.

TYPE E

Many people are near the top and only a few are on the level steps

Type E is also an egalitarian society, where the majority of people are gathering near the top, while simultaneously the number of those left at the lowest step of the social hierarchy is relatively small. This type corresponds primarily to the traditional socialist model of society, as well as to the model of post-Industrial societies.

In our study (an Estonia-wide questionnaire was conducted in December 2004, 15-74-year-olds were questioned), participants were asked to note which of the above diagrams describe Estonian society most exactly at the present time. They were also asked what it was like in the 1980s before the great societal changes, and which they thought was the "most equitable" stratification, the one that should be aspired to.

ized among various population groups showed that 75-80% of the respondents conceived of Estonia as a type A or B society, whereas currently the proportion has fallen slightly below 70%. The change is not very large, but it exists. Advances in society and increases in people's wealth, etc. have definitely played an important role in creating this attitude.

By characterizing the population's assessments of the current society not only by their basic socio-demographic characteristics (gender, age, education, nationality), but also by their occupational positions, we should note that men and women have fairly similar concepts of the social hierarchy of the society. In a relatively male-centred society, in which women are somewhat excluded (at least at the power level), one could have assumed that there would be more women, as compared to men, who conceive of Estonia as a type A, i.e. elitist and less egalitarian. Currently this assumption did not prove to be true.

The older the people, the greater the number of them define Estonia as a type-A society. Among the over-60-year-olds, the proportion of such people is almost half (46%), while among under-25-year-olds, they constitute only one quarter.

Educational level has little influence on people's concept of contemporary society. One-third to two-fifths of the respondents with basic, secondary and higher education found that Estonia is a type-A society, in other words, a very elitist society. If we add those who think that Estonia is a type-B (fairly elitist) society, then the proportion of those who mentioned an elitist society type reached almost 70%. Education affected answers assessing the society as type-C. Of people with higher education, one-quarter thought that currently we are dealing with a society where there are few very poor, while one-ninth of respondents with basic education are of the same opinion.

The vision of Estonian social hierarchy held by Estonians and non-Estonians is quite similar. However, there are slightly more non-Estonians who think Estonia is an elitist country, and in turn, there are more Estonians who see our society as egalitarian.

However, considerable differences appeared according to occupational positions. A general tendency that can be highlighted is the fact that the higher the position, the less our current society is seen as elitist, i.e. having a small rich group contrasting with a large mass of poor people. About a third of high-level "white-collar" workers thought that Estonia was a type-A society. Almost half of "blue-collar" workers thought so. At the same time, about 50% more high-level "white-collar" workers than "blue-collar" workers asserted that Estonian social hierarchy was similar to the type-C model, i.e. it is a pyramid-like society, in which there are few very poor and the average person feels quite good.

Therefore, those who are younger, more educated, and have higher positions, think that Estonian society today is more egalitarian than those who are older, with less education, and who do manual work.

MODEL OF THE PAST

What assessment was given to stratification in the middle of the 1980s? According to half the respondents, at that time, Estonia was either a type-D (34% of respondents) or type-C (19%) society, or in other words, an equal society, where a "socialistic middle class" dominated (see Annex 4.). People believed, at that time a score of years ago, that there were also wealthy and poor people, but neither group was very large. The concept that in the past, we had a type-E society (the majority of the people were near the top),

or a wealthy society, was supported by a tenth of the respondents. At the same time, many of the respondents thought that we had a type-A, that is an elitist society, where the two extremes—the wealthy and the poor—were sharply defined. As an aside—at that time, people's monetary revenues were relatively equally distributed in both Estonia and the entire Soviet Union, for instance, in 1984, the Gini coefficient that characterizes the differentiation of income was 0.24. After the restoration of independence and the subsequent transition period, the indicator was soon at the 0.37-0.38 level.

Since the ideology of the time did not promote excessive wealth or poverty, many think that a numerous middle class dominated. This assessment is apparently caused by the fact that, despite the period of stagnation and the deficit of goods, relative stability and social security ruled in Estonia in the 1970s and 1980s. There was no need to worry about work—it was guaranteed for everyone. Moreover, everyone was obliged to work, and those who avoided working were punished. An ordinary income was guaranteed and this enabled one to live normally. Pensions also enabled one to have a peaceful retirement. All this has created an understanding that Estonia in the 1980s was an egalitarian society of relatively equal people. Furthermore, it is important to emphasize that this position was supported quite unanimously, although some variations in this general tendency are worth noting.

Firstly, among the youngest respondents, there were clearly fewer of those who thought that a score of years ago we had a traditional middle-class (type-D model) society. Many of the young people (as mentioned above) did not express an opinion due to their lack of personal experience. The number of those among older generations, who think that a society with a large middle class existed at that time, was above average. This opinion—that a society of equal people existed in the 1980s—was also more often shared by those with secondary education. Secondly, the idea of a type-A, elitist society in the past was supported more often than average by men, those with higher education, by Estonians, and high-level "white-collar" workers. This may also be caused by the perception of one's own higher position in this society, or vice versa, experience with certain limitations or obstacles, which did not allow one to realize all one's plans, and therefore, caused one to make the corresponding assessment of the social hierarchy in Estonia at the time.

EQUITABLE STRATIFICATION

Our research shows that the people in Estonia are not satisfied with the stratification of society in Estonia today, but at the same time do not see the past as an ideal. The ideal is to be found elsewhere, and this is the goal to strive for, although the realization may not be achieved. Nevertheless, it is interesting to analyze what is seen as ideal social stratification in Estonia.

The respondents imagine that, in an equitable Estonian society, the majority of people should be located in the middle positions of the society or be gathered around the top. In other words, the social hierarchy of Estonian society should be expressed as in the type-D (47%) and type-E (27%) models (see Annex 5.). Many of the respondents probably had Western welfare societies in mind and thought that Estonians should strive to be like them.

As might be expected, the elitist type of society did not have a large number of supporters. Only one in five respondents thought that Estonian society should be type A, B, or C. If we deduct the type-C society—pyramid-like, where there are few poor, or in other words, conditionally elitist—then a relatively small number of people support typically elitist models. Essentially, type-A was totally ignored as an ideal for the social hierarchy of society.

The socio-demographic characteristics of the respondents had relatively little effect on the assessments of the societal ideal. The greatest differences of various groups compared to the average appeared in the assessment of the type-D society of equals. This was thought to be the ideal type of society by 51% of women and 42% of men (women's greater support for egalitarian societies has also been noticed earlier). One should note that more respondents than average thought that type D was the most equitable society; these included the "stagnation period generation" (born 1946-1961), as well as people with higher education, non-Estonians, and higher grade "white-collar" workers. In the assessment of societal types, such differences between groups were not observed.

In summary, Estonian people's concept of the stratification of society in the present, past (i.e. the 1980s), and in an ideal/equitable society are very different. **People are the most critical about our current societal model; the majority of people see this as a small wealthy group confronting a relatively large mass who are poorly indemnified.** According to this concept, people who are moderately well off exist, but there are few of them. The assessment of social inequality in the 1980s is considerably more lenient. Although ten percent thought that an elitist society existed twenty years ago, almost half of the respondents assert that much more equality existed at that time—the majority of people were in middle positions or even gathered around the top. People do not see the 1980s as an ideal. For Estonians, people in an "equitable" society must be in middle positions or gathered near the top of the social hierarchy.

2.4. World-view and support for political parties

Against the background of Estonia's rapid economic development, the satisfaction of people in Estonia is increasing and expectations for the future are high. At the same time, the attitudes toward stratification models described above show that the majority of the population would like to see smaller social differences. The realization of these and other expectations depends primarily on political decisions, because ideally people's expectations should be realized through the policies of political parties.

Unfortunately, people in Estonia do not believe that they can do much to influence what happens in the society. One of the expressions of this belief is the limited participation in elections. Less than half of the franchised voters cast their votes in the 2005 local government elections. However, the realization of people's social expectations should be guaranteed by connections between the voters and political parties, and the ability of various interest groups to influence politics.

Political scientists agree that a weak institutional foundation is characteristic of Estonia, as is of other post-Communist countries—underdeveloped political parties, insufficient state credibility, and limited civil participation. David Arter has highlighted the special "hostility toward political parties" in Estonian political culture (Arter 1995, 1996).

The "thin" political culture and the lack of permanent partisan preferences based on experienced political values and various socio-economic interests has been considered one of the reasons for the weakness of democracy in post-Communist countries. Election researchers have pointed out the great fickleness (volatility) of the Estonian electorate. This fickleness has been promoted by changes within the political parties themselves—mergers and break-ups, name changes and the appearance and disappearance of new political parties. Estonian public opinion also accepts the truism that Estonia lacks a stable party system based on the socio-economic interests and ideological preferences of the electorate. However, a more thorough review of the data from the conducted sociological survey allows us to argue against this truism.

THE DIVISION IN THE POLITICAL LANDSCAPE

The results of two representative Estonia-wide surveys[7] in our possession allow us, for the first time, to delve into the background for the people's concept of the world and their partisan preferences, and to highlight the social and ideological factors affecting Estonia's political landscape.

In our study, we did not proceed from voting preferences, which are definitely formed under pre-election circumstances related to specific election promises and the attractiveness of the candidates. We were interested in people's general attitudes toward their concepts of the world, and their connection, on the one hand, to socio-economic status and, on the other hand, to their partisan preferences. In Estonia today, how are people's concepts of the world affected by social status, education, and nationality?

In developed democratic systems, political parties must be a medium for representing the electorate's (people's) interests, a developer of rational choices in the important spheres of the society, and provider of output for various interests. There is reason to question the ability of Estonian political parties to represent various interests, needs, and understandings. Or in other words, do people's partisan preferences have an objective foundation in the social relationships of society?

An answer to this question cannot be found by looking at the membership of the parties or by just ranking the results of opinion surveys reflecting single attitudes. Comprehensive answers can also not be provided by an analysis of the electorate, because elections are influenced by a large number of specific circumstances, such as the a candidate's personality and one or another "hot topic" of the period, the attractiveness of specific election promises that may not necessary coincide with the party's ideology, etc. Rather, we will find the representative power or representativeness of Estonia's political party system if we make an in-depth study of people's values, views, as well as social and economic position, and then connect these to partiality towards specific political parties.

The world-view, interests, and preferences of the supporters of political parties are not just important from the viewpoint of electoral success for political parties. The development of the entire nation and the readiness of Estonian society for fundamental political reforms and social innovations depend on the "political order" submitted by the people to the political parties.

7 Within the framework of the research carried out by the UT Journalism and Communications Department, entitled "Development of a 21st Century Media Society in Estonia", a Estonia-wide poll entitled Mina.Maailm.Meedia (Me.World.Media) (hereinafter MeeMa) was conducted by Faktum in December 2002-January 2003 and November 2005 among a representative sample of Estonian- and Russian-speaking respondents. Each time, about 1,500 people were polled between the ages of 15 and 74. For more details, see Kalmus, Lauristin, Pruulmann-Vengerfeldt 2004.

ATTITUDES TOWARDS THE CHANGES THAT HAVE TAKEN PLACE IN ESTONIAN SOCIETY AND TOWARD FUTURE DEVELOPMENTS

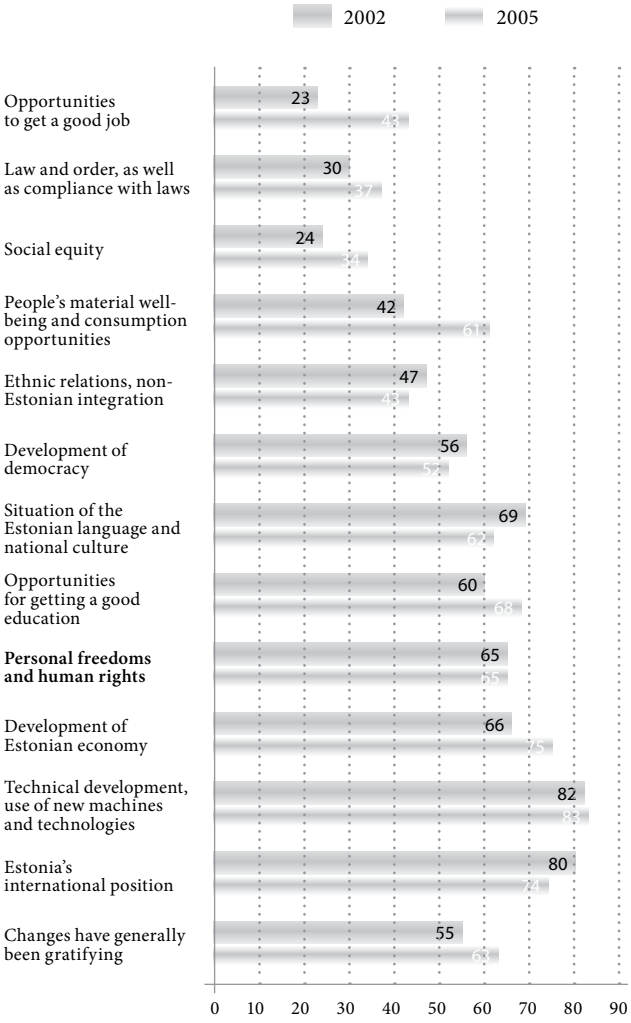
Just like the surveys described at the beginning of this chapter, the MeeMa data indicates a general increase in satisfaction with life after Estonia's accession to the European Union. During three years (2002-2005), important positive changes have taken place in Estonian public opinion in the fields of welfare and social equality, which have been assessed most critically in the past (Figure 2.10.).

Along with general changes, it is important to compare the assessments of Estonians and non-Estonians, because great pessimism and negative attitudes have been observed for years among the Russian-speaking minority. Comparing the data for various spheres of Estonian life in 2002 and 2005 (see Annex 6.), we see that during three years, the ratio of positive assessments in several spheres increased more among non-Estonians than among Estonians—Estonian economic development (Estonians + 4%, non-Estonians +12%); personal freedoms and human rights (-3% and + 4%); educational opportunities (+6% and +11%); law and order (+7% and +8%). The greatest increase in the satisfaction of Estonians and non-Estonians was demonstrated in the opportunities for material consumption (Estonians by 19%, non-Estonians by 20%). The increase in satisfaction with social equality, and educational and work opportunities was also noteworthy. We can say that the atmosphere in Estonian society after the accession to the European Union is characterized by an increased satisfaction with material well-being and social security (although the latter is still considered to be insufficient).

At the same time, we see that there are fields of activity, where satisfaction with the changes has not increased but rather decreased. This includes Estonia's international position, the situation of Estonia's national culture, the development of democracy and ethnic relations. Although increases in the positive attitudes of the Russian-speaking population can be observed in almost all fields of activity, the levels of satisfaction among the non-Estonian minority with respect to well-being, security, and the development of democracy are still lower then among Estonians, which shows that there is still a long road to travel to achieve social integration. In fact, dissatisfaction with integration is noticeable among both Estonians and non-Estonians.

Despite the growing optimism in the society, in 2005, the negative effects of the job market opening to the West and increasing international competition have started to appear in public attitudes, which are expressed as tendencies threatening Estonian development. While in the period prior to accession, one of the most serious concerns was the danger of losing one's job, after accession to the European Union, the efflux of labour from Estonia is a threat that has come to the fore. At the end of 2005, both Estonians and non-Estonians (Figure 2.11.) saw this as the greatest threat to Estonia.

FIGURE 2.10. **ASSESSMENT OF CHANGES IN ESTONIAN DEVELOPMENT (% OF POSITIVE ASSESSMENTS)**

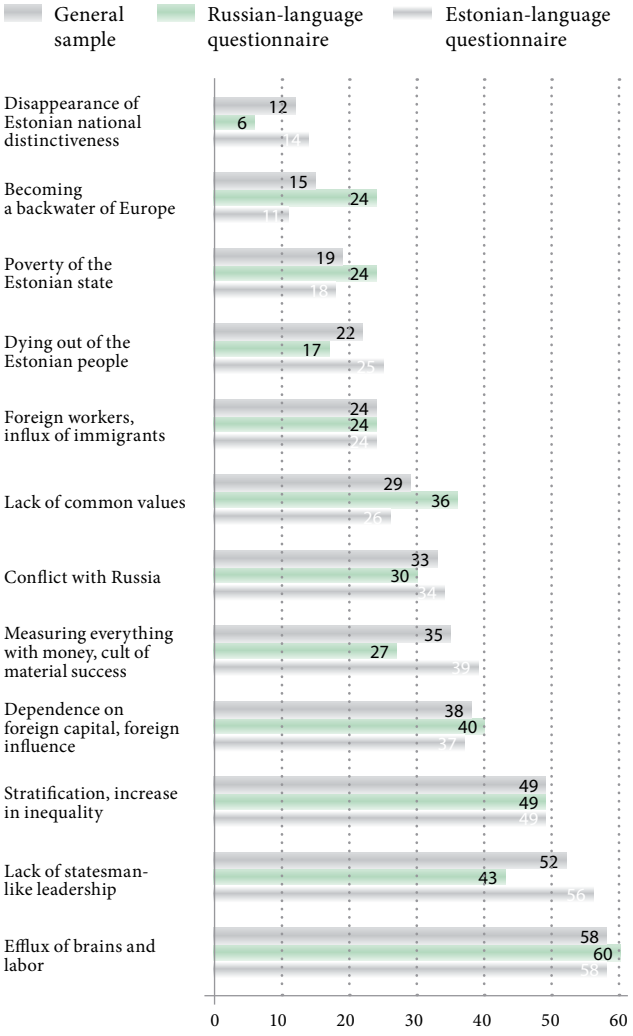


Source: MeeMa 2002, 2005

The dissatisfaction with politicians and the development of democracy that has taken hold in the society is also reflected in the fact that, at the end of 2005, the lack of statesmanship was treated as just as great a threat to Estonia's future as social inequality. We can interpret the appearance of problems related to values in public debate as a mark of ethical crisis.

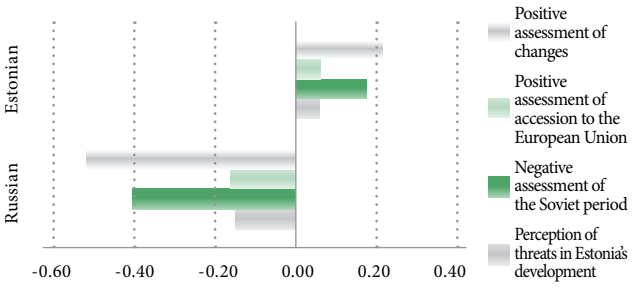
In the assessment of threats related to the country and values, clear differences between the identities of Estonians and non-Estonians appear—the non-Estonians who identify less with the Estonian nation are not as bothered by problems in the management of the country as they are by the lack of values that connect the two communities. More Estonians are afraid that Estonia will remain a poor European backwater. On

FIGURE 2.11. **ASSESSMENT OF THREATS TO ESTONIAN DEVELOPMENT (% OF THOSE WHO ASSESSED THREATS AS IMPORTANT)**



Source: MeeMa 2005

FIGURE 2.12 **ATTITUDES TOWARDS SOCIETAL CHANGES BY ETHNIC GROUPS (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

the other hand, the efflux of labour, social inequality, and influx of foreign workers is equally worrying for Estonians and non-Estonians.

To get a more generalized picture of the assessments of various social groups of the societal developments taking place in Estonia, we compiled an enumeration of the single characteristics of the answers and five composite indexes.

By adding all the positive and negative assessment of changes taking place in the fields of activity shown in Figure 2.10., a **composite index of attitudes toward changes** was found; by adding all the assessments of threats shown in Figure 2.11., a **composite index of the perception of threats** was found; based on the four questions regarding assessment of life in the USSR, a **composite index of attitudes toward the past** was found; based on all the questions dealing with the effects of accession to the European Union, a **composite index of attitudes toward the European Union** was found; and an **optimism index** was compiled based on the positive expectations for the future.

All the composite indexes were reduced to a five-point evaluation scale, in which case the middle (3) expressed the most popular "average" attitude, and by moving towards each side, the respondents with more positive or more negative attitudes are differentiated. This allows for a more generalized comparison of attitudes of various population groups (see Figures 2.12. – 2.17.).

The generalized attitudes of Estonians and non-Estonians are characterized by a generally more positive of attitude of Estonians and also a greater concern with respect to the changes taking place in Estonia. Estonians are also more critical in their assessments of the Soviet period (Figure 2.12.).

It is also noteworthy that a similar assessment pattern appears in the assessments of men and women—compared to men, women manifest a greater pessimism and criticism of what is taking place in society, as well as a more positive assessment of the Soviet period. At the same time women are also more concerned about threats (Figure 2.13.).

In the case of various income groups (Figure 2.14.), it is predictable that the wealthiest are most positively inclined toward the developments that have taken place, and those with the smallest income are the most negatively inclined. Wealthier people tend also to be less concerned about threats than those whose incomes do not instil confidence with respect to coping ability. The turning point towards a positive assessment takes place only considerably above a level that exceeds the average income (at the time the survey was conducted, the net average income per family member was about 3,500 kroons).

Compared to the education group (Figure 2.15.), we see that more positive than average attitudes towards contemporary developments and more criticism towards the Soviet period appear only in the group of respondents with higher education. Surprisingly, the most educated respondents do not outpace the others in anticipating threats.

When comparing age groups (Figure 2.16.), it is clear that under-30-year-olds have a smaller perception of threats than middle-aged and older respondents.

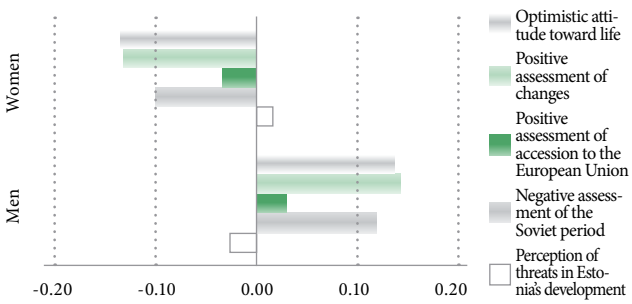
At the same time, the group that is most optimistic and most positive about changes is not the youngest group, but 20- to 29-year-olds. In the next age group of 30- to 44-year-olds, (or the so-called "generation of winners"), the assessment of changes comes closer to the average and a greater scepticism regarding the European Union becomes apparent, as well as a greater perception of threats. It should especially be emphasized that **optimism and positiveness with respect to changes decreases decisively among those who have crossed the 45-year threshold.** Simultaneously, a sense of criticism towards the Soviet period also decreases among this age group.

The divide between younger and older middle age, or the so-called **45+ syndrome points to a very serious tendency with respect to the sustainability of Estonian society—the sudden drop in a favourable attitude towards innovation and development in the mid-life cycle, among people who have years of active working life left.** We can assume that this is a result of the cultural shift that took place at the beginning of the transition period that promoted the consumer culture of young people as the creator of models of behaviour and relationships, as well as the shortage of programs to lengthen active working life. The uncertainty reigning in a transitional society is also vividly expressed by the great concern about the future of the pre-pension age group (55- to 64-year-olds).

On the other hand, the older group of people, who envisages threats, is very positive about changes. The general social activism of this group is conspicuous for its political interests and consumption of information. This age group, who is notably energetic, concerned, and open to societal problems, and who 15 years ago was the backbone of the "singing revolution", will also form an active and energetic class of pensioners in Estonia in the next decades. These pensioners will no longer be passive and manipulatable needy people, but will be members of the society who have adapted well to social change and want to participate in society. This portends significant changes during the next decades in the attitude towards the role in society of older people, as well as their opportunities and needs.

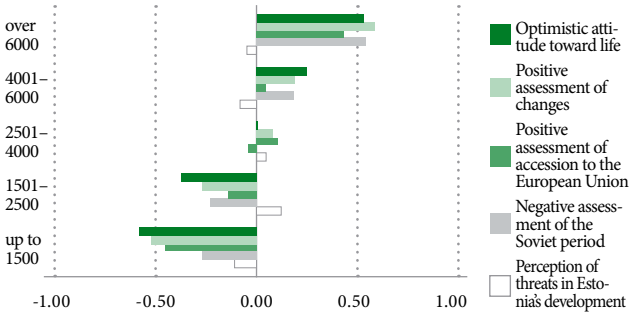
Comparing the figures above, one is struck by a common tendency—those in the lowest positions of society, or groups with the least influence (minorities, women, low-income people, and people with less education) are more concerned about threats, more pessimistic about developments in the society, and more tolerant of the Soviet past. In this tendency, we see the mentality of a transitional society which has emphasized unilateral success and competitiveness as the highest values for fifteen years. At the same time, it is typical that the Estonians among whom this success cult has gained greater acceptance compared to non-

FIGURE 2.13. **ATTITUDES TOWARD SOCIETAL CHANGES BY GENDER (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



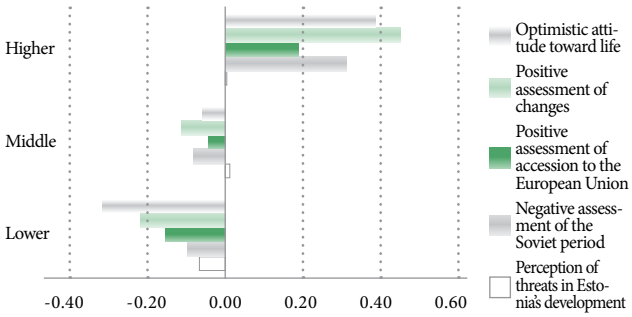
Source: MeeMa 2005

FIGURE 2.14. **ATTITUDES TOWARD SOCIETAL CHANGES BY INCOME (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

FIGURE 2.15. **ATTITUDES TOWARD SOCIETAL CHANGES BY EDUCATIONAL LEVEL (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**

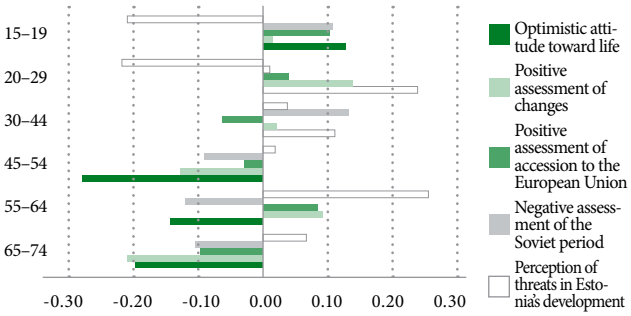


Source: MeeMa 2005

Estonians, the percentage of people who see the cult of material success as a threat has risen to 39 percent (27% among non-Estonians) (Figure 2.11.).

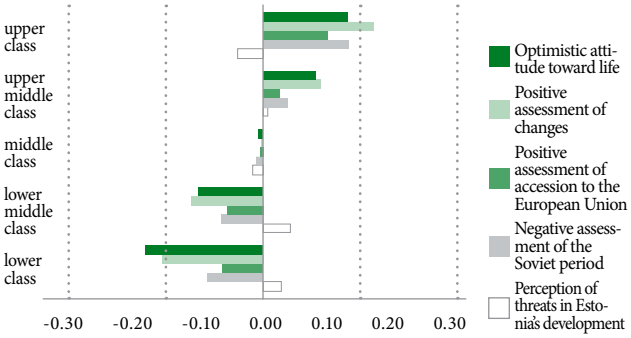
A strong connection between social status and the assessment of societal changes is also

FIGURE 2.16. **ATTITUDES TOWARD SOCIETAL CHANGES BY AGE GROUPS (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



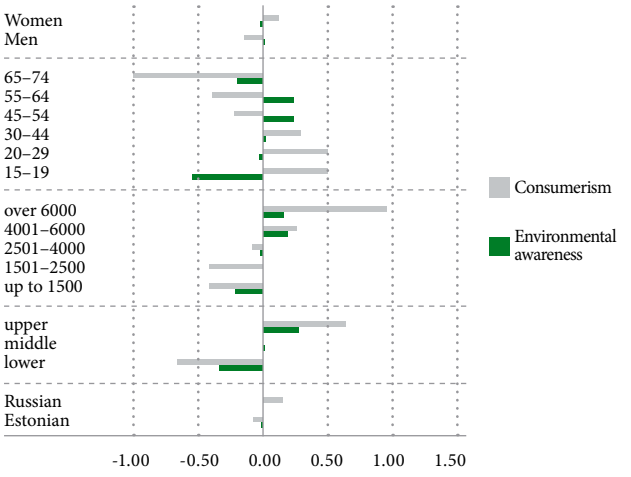
Source: MeeMa 2005

FIGURE 2.17. **ATTITUDES TOWARD SOCIETAL CHANGES BY SOCIAL CLASS (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

FIGURE 2.18. **CONSUMERISM AND ENVIRONMENTAL AWARENESS BY POPULATION GROUPS (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

confirmed by a comparison of the assessment of social classes.

If we proceed from people's self-positioning on a 10-step ladder of social status, the people who participated in the survey were divided into five groups. Those who placed themselves in the middle, or fifth step, form the middle class, the lower middle class is located on the step below and the upper middle class is on the step above. The bottom three steps of the ladder together form the group belonging to the lower class, and the top four steps are the group in the upper-class. Self-assessment of social status is determined by other factors besides wealth—education, knowledge of languages, consumer behaviour, command of information technology, mobility in and outside Estonia as opposed to an objective picture of social stratification based on material wealth, (see Lauristin 2004).

The five-step scale of social status that was formed by people's self-assessed division by the method described above is close to the normal division. In November 2005, of 15- to 74-year-olds, 12% placed themselves in the lower class, 19% in the lower middle class, 35% in the middle class, 21% in the upper middle class, and 13% in the upper class. We can see that this differs significantly from the division of Estonia's society into imaginary classes described in the last section. In the case of self-assessment, people compare themselves to those around them; however, concepts of social stratification are based on an ideal, in which case the quality of life and opportunities of the middle class are imagined to be much better, similar to the middle class in Finland or Germany.

By comparing the results of the respondents' social self-positioning with their attitudes towards social changes, we can clearly see the differences (Figure 2.17.). Those who placed themselves higher than the middle on the societal ladder are more optimistic, well adapted to changes, uncompromising about the past, and less concerned about threats. Those who have indicated their societal position as below the middle are characterized by the opposite attitudes—pessimism, negative attitude, anxiety about changes, and a more positive attitude about the Soviet past. We can surmise that people's self-assessment of their social position expresses quite unequivocally their acclimatization to the changes that have taken place in the society, and their acceptance of the success ideology characteristic of a transition period.

CONSUMERIST AND ENVIRONMENTALLY AWARE

A success-centred, transitional culture (see Kennedy 2002) has quickly carried Estonia into the current of a consumer society. "Informed consumer behaviour" has developed into a cultural phenomenon on its own, which is expressed by "brand awareness"—by the design of an environment suitable for a deliberately chosen lifestyle, by club culture, and the cultivations of certain kinds of nutrition, clothing, and makeup, etc.

(see Keller 2004). Environmentally aware "eco-consumption" has started being promoted in Estonia as a counterbalance to wasteful consumer mania. This can be treated as an alternative consumer culture, which being urban-centred differs from so-called natural or rustic approaches to nature. It appears that consumerism and environmental awareness follows the same pattern of social background as attitudes towards societal changes.

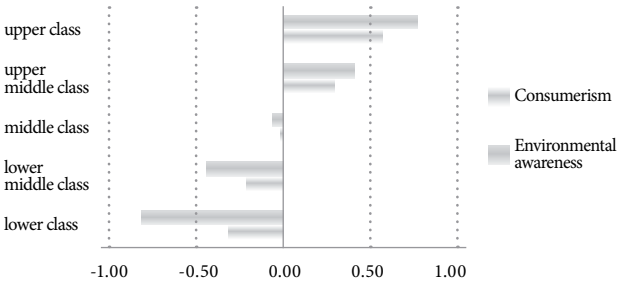
To measure consumerism we used the **consumerism index,** which we compiled by summing up the positive answers to questions about brand and fashion awareness, principles of apartment decorating, clothes buying criteria, cosmetic choices, as well as in the use of cosmetics and preferences related to tourism. The opposition to consumerism was measured based on statements that expressed a negative attitude to consumerist behaviour and emphasized the need to protect children and young people from the onslaught of consumerism.

The general readiness of respondents for innovative, ecologically friendly behaviour was measured by the **environmental awareness index,** which included seeing oneself as an ecologically friendly consumer, the conscious choice of ecologically friendly trademarks and packaging in stores, the readiness to pay more for environmentally friendly goods or services, the separation of recyclable wastes in the household, and the use of environmentally friendly products (fuel, home chemicals, etc.).

Just as a positive attitude towards societal changes is a sign of adapting to new values, assessments, and rules, so too is the acceptance of a conscious consumer behaviour. We can see this as **micro-innovativeness, a readiness to change our ordinary behaviour in accordance with new social expectations.** Brand-aware consumer behaviour assumes greater incomes and is characteristic of young people and the more educated (Figure 2.18.). At the same time, we can see that environmentally aware behaviour is also more characteristic of wealthier and more educated people, although it appears more in middle age. The greater than average consumerism of women is predictable, while somewhat surprising is the same for Russian-speaking respondents, although both are within the limits of statistical error.

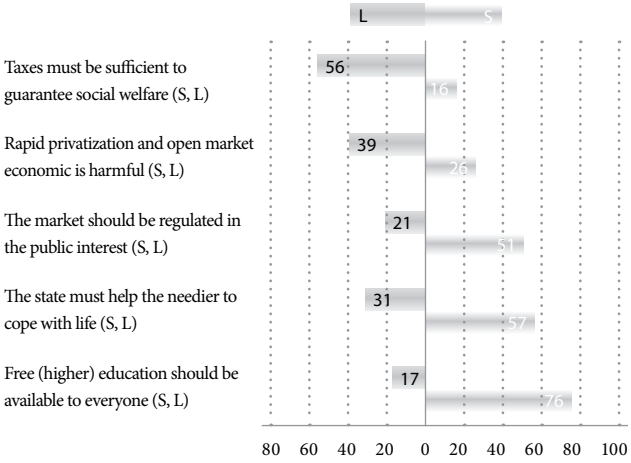
Since these parameters help to express an individual's conformity to social expectations, both consumerism as well as environmental awareness can be treated under Estonian conditions as indicators of social success or social status symbols. This is also demonstrated by the greater prevalence of both forms of conscious consumer behaviour, consumerism as well as environmental awareness, among classes with a higher social self-assessment (Figure 2.19.).

FIGURE 2.19. **CONSUMERISM AND ENVIRONMENTAL AWARENESS BY POPULATION GROUPS (VARIANCE FROM THE AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

FIGURE 2.20. **AGREEMENT WITH STATEMENTS EXPRESSING LIBERAL (L) OR SOCIAL (S) WORLD-VIEWS (% OF THOSE IN AGREEMENT)**



Source: MeeMa 2005

WORLD-VIEW POSITIONS

The previously described differences in the social attitudes of various population groups are quite clearly related to a classical understanding of the significance and influence of the social base of political parties that promote various ideologies, which are based on a traditional differentiation of left- and right-wing ideologies.

In Europe's old democracies, the differentiation of these beliefs and convictions representative of world-views is based on centuries-long traditions, which have been fixed by civic education, the press, and family traditions. In Estonia, as in other post-Communist countries, this tradition was interrupted by the establishment of the Communist one-party system. The restoration of the natural diversity of political views in the political culture of post-Communist countries is of central importance to the development of democracy.

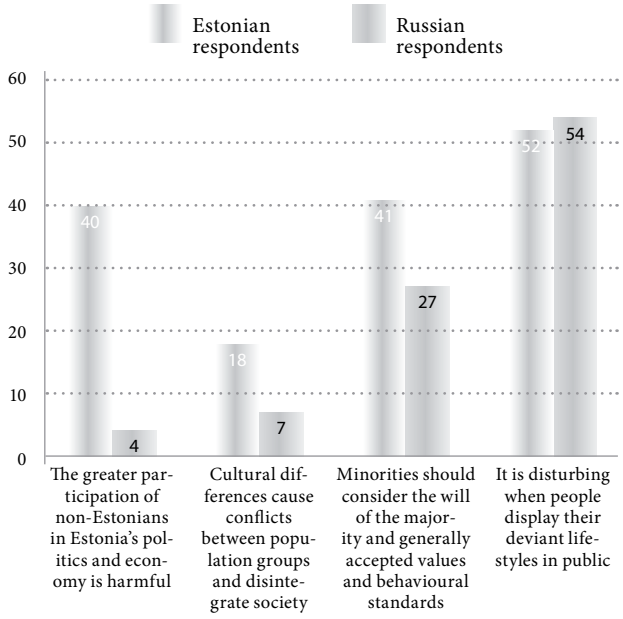
In societies that have just been freed from totalitarian one-party systems, the acknowledgement of the natural diversity of world-views and the differentiation of political parties based on classical political ideologies progress with great difficulty. Instead, a tendency to search for a new "infallible world-view"

TABLE 2.3. **THE AGREEMENT OF ESTONIANS AND NON-ESTONIANS WITH STATEMENTS EXPRESSING LIBERAL (L) OR SOCIAL (S) WORLD-VIEWS (% OF THOSE IN AGREEMENT)**

		Language of the questionnaire		
		All		
S	Free (higher) education should be available to many people	76	74	80
S	The state should help more vulnerable people cope with life	57	58	54
L	In the interests of development, it is necessary to keep taxes low	56	54	60
S	The market must be regulated in the public interest	51	45	65
L	Rapid privatization and open market economy is beneficial	39	42	32
L	People must guarantee their own well-being	31	31	33
S	Rapid privatization and open market economy is harmful	26	27	22
L	The market can regulate itself	21	25	13
L	(Higher) education is part of the market economy, one must pay for it	17	19	12
L	Taxes must be sufficient to guarantee social welfare	16	18	13

Source: MeeMa 2005

FIGURE 2.21. **CULTURAL AND NATIONAL INTOLERANCE AMONG ESTONIANS AND RUSSIANS (% IN AGREEMENT WITH THE GIVEN STATEMENT)**



Source: MeeMa 2005

can be noticed—be it market liberalism or conservative nationalism. In the name of national unity, an attempt is made to avoid placing emphasis on the differences in world-view of various political parties People can be differentiated into those who favour change with a positive attitude towards the future, or those who are disturbed by change with nostalgia for the past. This differentiation, along with classical ideological traits, plays a great role in transitional societies.

Often the public associates the left, including social democratic beliefs, with a desire for the past and with sympathy for a socialist system as existed in the Soviet past. At the same time, in the contemporary world, a new aspect has been added to classic ideological differentiations, the most important of which could be attitudes towards ethnic and sexual minorities and gender equality.

We inserted a whole series of opposing statements in the MeeMa questionnaire that contained typical pronouncements of classic ideologies (see Figure 2.20. and Table 2.3.).

By counting the positive answers of each respondent to statements with either liberal or social content, we compiled a **right- and left-wing world-view index** according to the method described above.

While liberal and social convictions educe the differentiation of people on a classic left-right spectrum, national values and attitudes toward minorities represent another important world-view differentiator.

In order to compare the world-view differentiations of social groups and political parties on this basis, we compiled a **composite index of national conservatism.** Inclusion in this index pertains to agreement with statements that emphasize national survival, and an exclusionary attitude towards other cultures and minorities. The general tendency in the attitude towards these questions demonstrates the relatively great conservatism of Estonians (see. Figure 2.21. and Annex 7.)

Considering Estonia's openness to multicultural European currents and the importance of minority integration for Estonia's democratic development, increasing tolerance and openness are important spheres of social innovation. Following are some of the questions placed in our analysis: Which social and political bearings do the efforts in this direction possess? How widespread is the concern about Estonian national survival among various social groups and the supporters of political parties? Do national conservative or more open, more liberal attitudes toward minorities prevail?

The results of the survey show that although the majority of respondents feel that cultural contact is an enriching opportunity, they do not really want to see this in their own home of Estonia. Attitudes are relatively exclusionary with respect to tolerance towards people with other values, norms, or lifestyles, and among Estonians, towards the greater participation of non-Estonians in Estonian politics and economy

THE SOCIAL BACKGROUND OF ATTITUDES RELATED TO WORLD-VIEW

We can notice three important tendencies when comparing the world-view attitudes of the groups differentiated by age, income, education, and social status (Figure 2.22.).

Firstly, the greatest differences are by age group, whereas with increased age, support for liberal concepts decreases and the portion of left-wing social convictions increases.

Secondly, a steep increase in support for liberal, right-wing views in the groups with the highest status and income is conspicuous.

Thirdly, under Estonian conditions, national conservatism and an exclusionary attitude towards minorities does not accompany right-wing ideas as is usual in the western world, but primarily accompanies age and therefore left-wing views.

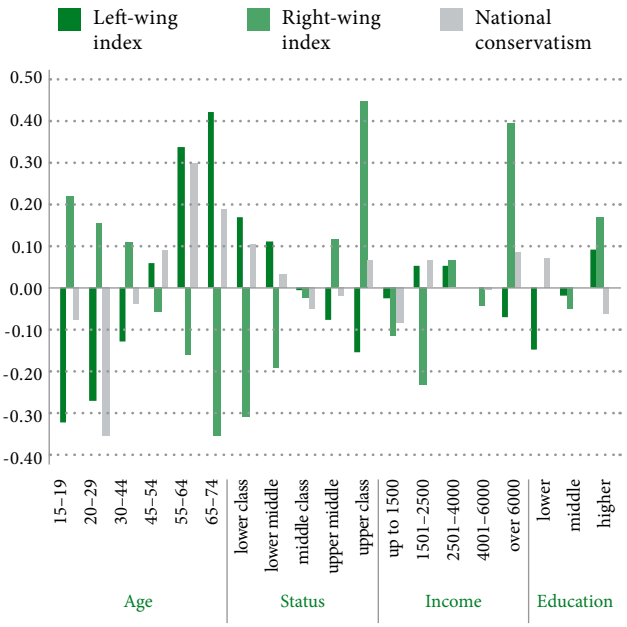
The least conservative and most tolerant are 20- to 29-year-old people with higher education and a liberal world-view that belong to the middle class, or in other words, young educated people. The most nationalist and the most exclusionary toward minorities are pre-pensioners with relatively low social self-assessments and small incomes.

It is conspicuous that in the wealthiest group with the highest self-assessment, such as the youngest age group, the value of the national conservatism index was also above average. The differences of world-view attitudes of occupational groups show, (Figure 2.23.) in the case of higher-status owners and managers, higher than average right-wing tendencies coexisting with a higher level of national conservatism. Simultaneously, at the other end of the scale, non-workers (primarily pensioners) are characterized by the co-appearance of conservatism and more left-wing attitudes.

Convictions diverge more significantly between Estonians and non-Estonians than they do between men and women (Figure 2.24.). However, a tendency can be observed whereby men and Estonians, and women and non-Estonians share the same differences. Again, we see the social domination effect characteristic of Estonia's transitional society, which was discussed above—a more positive attitude towards changes, right-wing world-view, as well as greater conservatism, and exclusionary attitude to people who are different is typical of the group in a stronger social position (Estonians and men).

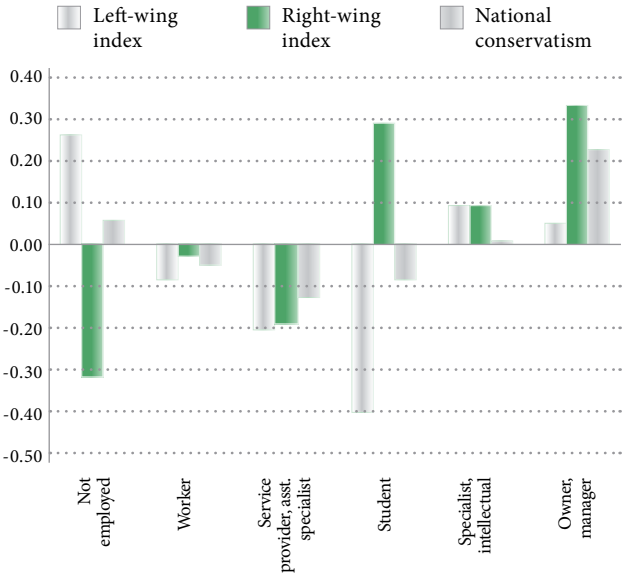
We can generalize that **in Estonian society, liberal and conservative views are more typical of groups with a strong social position, which guarantees the domination of right-wing ideology in politics.** This tendency shows the hierarchical trend of social relations in the society and the structural opposition to attempts to direct Estonian societal development from right-wing values oriented towards stiff competition to softer social values and greater consideration for minorities.

FIGURE 2.22. **THE SOCIAL BACKGROUND OF ATTITUDES RELATED TO WORLD-VIEW (VARIANCE OF THE AVERAGES OF THE SOCIAL GROUP INDICES FROM THE GENERAL AVERAGE ON A SCALE OF 5)**



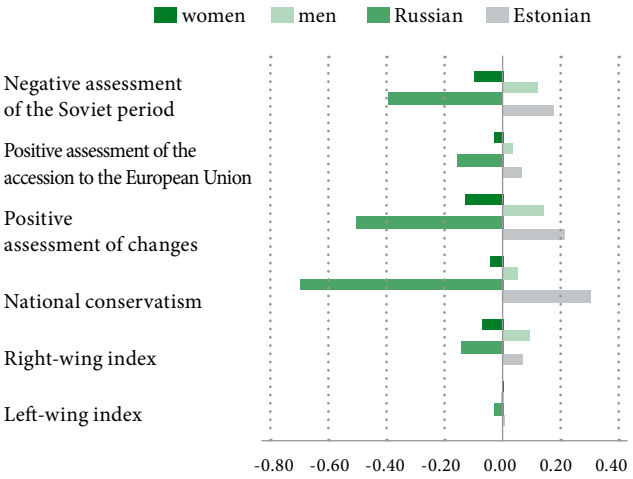
Source: MeeMa 2005

FIGURE 2.23. **DIFFERENCES OF OCCUPATIONAL GROUPS BASED ON WORLD-VIEW**



Source: MeeMa 2005

FIGURE 2.24. **ETHNIC AND GENDER DIFFERENCES IN ATTITUDES AND ASSESSMENTS RELATED TO WORLD-VIEW (THE VARIANCE OF THE AVERAGE OF THE INDICES WITH THE GENERAL AVERAGE ON A SCALE OF 5)**



Source: MeeMa 2005

TABLE 2.4. **THE INTERESTS AND POSITIONS OF WHICH ESTONIAN POLITICAL PARTIES ARE MOST SIMILAR TO YOUR OWN**

	All	Estonian	Russian
Pro Patria Union	20	28	1
Estonian Reform Party	31	37	18
Res Publica	11	13	8
Social Democratic Party	16	21	5
Centre Party	32	24	48
People's Union of Estonia	13	16	5
My views and interest are not similar to any political party	11	10	12
I am not interested in or know the views of these political parties.	20	16	31

The total for the columns does not add up to 100%, since the respondents could express their support for two political parties

Source: MeeMa 2005

SOCIAL BACKGROUND OF THE POLITICAL PARTIES

The view is widespread that the views of the supporters of Estonia's political parties do not differ significantly, and the only determining factor is the attractiveness of the parties' leading personages. The non-definition of the supporters of political parties by world-view and social vagueness is thought to be a feature of an immature democratic system. The MeeMa results do not confirm the opinion that the vagueness of the political parties' identities related to world-view hinders citizens from making clear politically motivated choices in elections.

Considering the fact that the electorate's sympathies are often not fixed on one political party, we asked the respondents to the 2005 MeeMa survey to name two political parties which they feel have ideas and interests similar to their own. Among Estonians, three-quarters have a partisan preference, whereas two-thirds named two political parties with views comparable to their own, while 12% named only one definite party. Among non-Estonians, 38% do not associate their views and interests with any political party, 22% named only one political party (mostly the Centre Party) and 40% named two parties with views comparable to theirs.

It must be acknowledged that, according to the criteria of developed democratic societies, among Estonians as well as the Russian-speaking population, the proportion of people not ready for informed political decisions and therefore potentially passive political objects, is still too large. The support of the respondents for specific political parties can be seen in Table 2.4.

The majority of preferences were related to the six parliamentary parties. Only 5% of the respondents found that their support belongs to a party that is not represented in the Riigikogu (Left Party, Christian People's Party, or a Russian political party, etc.). Therefore, we may consider Estonia's political landscape to be sufficiently crystallized. Comparing the attitudes and activism of people with specific political parties' preferences with those to whom no political party is acceptable, we can conclude that the lack of partisan self-determination is accompanied by less interest in societal problems and a lower level of activism in extra-political activities, or lower participation in non-governmental organizations.

The table above shows that people's social attitudes are divided quite clearly by their social status. Therefore, it is interesting to see whether the choice of political parties is just as clearly divided. This shows whether a stable pattern motivated by choices related to world-view has developed or is starting to develop on the Estonian political landscape.

It is thus reasonable to discuss which interests, emerging from the social characteristics of their supporters, are considered by the political parties when forming their policies. It can also be questioned how the social composition of supporters influences the activities of the political parties in raising important societal issues and finding solutions to them.

One could assume that the positions of the People's Union and Centre Party regarding changes in the society are related to the proportion of manual labourers, lower status and lower income people among their supporters. In a similar manner, the position of the right-wing parties is based on the younger and more educated makeup of their supporters. One can also question whether the greater proportion of women and intellectually inclined among the supporters of the Social Democratic Party affect the greater concern of this political party for the future of Estonia.

The potential of the left- and right-wing political parties to influence societal developments helps one to compare the "class structure" of their supporters. In other words the affiliation resulting from the occupational position and possessions with those who have greater economic freedom is compared with the power to make decisions regarding their own activities and those of others.

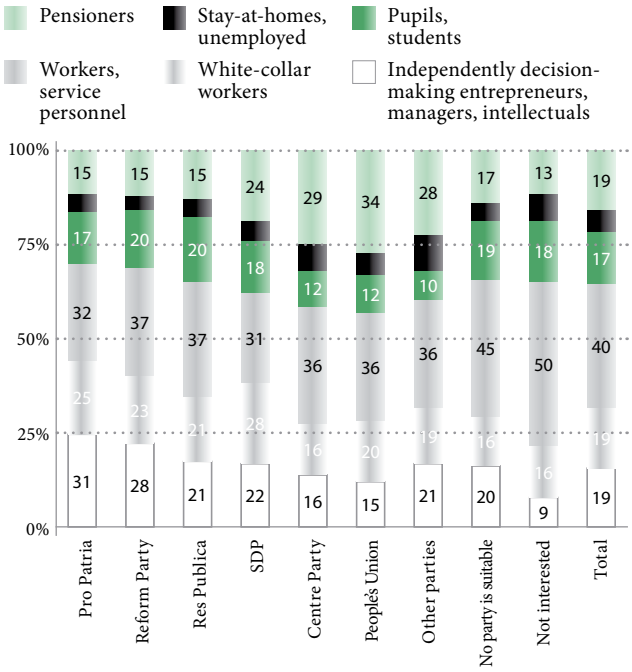
As we can see from Figure 2.25., the greatest differences are not between the supporters of specific political parties, but appear between those who do not have any partisan preference and those who have no partisan affiliation. It is obvious, that primarily workers and service personnel cannot or do not want to determine their partisan sympathies, or in other words, they do not possess sufficient will, knowledge, or experiences to make political choices.

This could also be interpreted as a sign of a tendency towards social exclusion from the Estonian political field of those who assess themselves as being in the lower classes. However, at the same time, the proportion of service personnel and workers among the supporters of political parties is lowest among the supporters of the socialists, where those with intellectual pursuits predominate. This proves once more that, compared to Finland and Germany for instance, the classic social background of the left-right spectrum has not taken shape today in Estonia.

However, there are some more notable differences in the social background of political parties that seem logically connected to classic right-left divisions. It is conspicuous that among the supporters of Pro Patria and the Reform Party, groups of so-called independent decision makers, such as, entrepreneurs, top managers, and intellectuals (artists, scientists), carry more than average weight. The experience of these groups is apparently suited best to a world-view that emphasizes individual entrepreneurial freedom. At the same time, there are fewer entrepreneurs and managers among socialist supporters, where however the largest group is white-collar, salaried workers (officials, middle-level specialists). White-collar salaried workers on the one hand, are more dependent on the development of the public sector, and on the other hand, are more prepared to consider and discuss social problems in an abstract way - not just based on their personal interests.

The supporters of the Centre Party and People's Union are differentiated by a greater proportion of pensioners, while they include fewer than average white-collar workers and independent decision makers. Therefore, we can assume that the uniting trait of Estonia's political left is representing the people with a greater degree of interest in the development of the public sector—from the viewpoint of the Social Democratic Party the views of the professional workers in this sphere are more important, while in the case of the Centre Party and People's Union, it is the viewpoint of the so-called clients of the social sphere. In this picture, Res Publica is more similar to the Reform Party, although the group of specialists and independent decision makers carries slightly less weight, due to the greater proportion of students and stay-at-homes among the supporters.

FIGURE 2.25. **OCCUPATIONAL POSITIONS OF THE SUPPORTERS OF POLITICAL PARTIES**



Source: MeeMa 2005

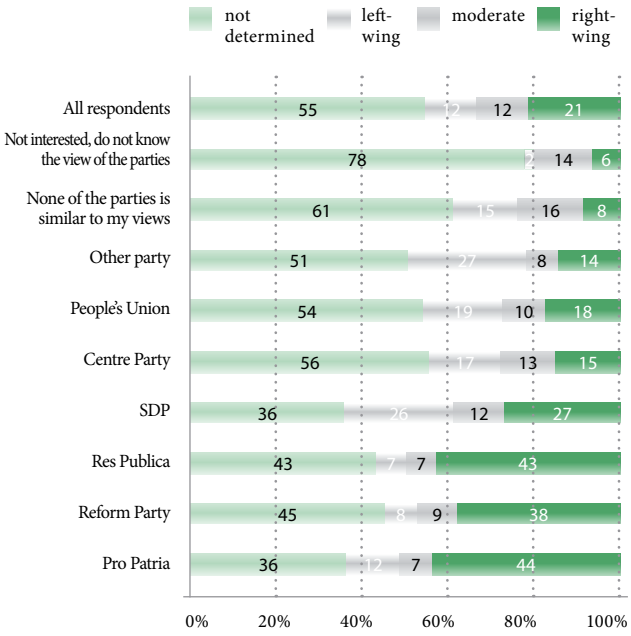
In conclusion, we can assume that social background, which is connected to various positions related to world-view, will start to have more influence on Estonia's party landscape, as it does in developed democratic societies.

PARTY SUPPORTERS ON THE LEFT-RIGHT SPECTRUM

By juxtaposing the choice of a political party with similar views and self-determination on a left-right spectrum, it became clear that, in Estonia, this plays a greater role in the political right than in the parties traditionally thought to be left wing (see Figure 2.26.). We can acknowledge that on Estonia's political landscape, the profile of the right-wing parties is more clearly defined than that of the left-wing ones.

Among the supporters of three political parties—Pro Patria, Res Publica, and the Reform Party—there are many times more people who consider themselves right-wing. However, the Social Democratic Party has the largest proportion (64%) of people who have determined their world-view. The Social Democratic Party also has the largest proportion of left-wingers of all the parliamentary parties. At the same time, however, the supporters of the Social Democratic Party include as many people with right-wing views as those with left-wing ones. The equal weight of people with a consciously left-wing world-view and those with right-

FIGURE 2.26. **SELF-DETERMINATION OF PARTY SUPPORTERS ON THE LEFT-RIGHT SPECTRUM**



Source: MeeMa 2005

wing views among the constituency of the Social Democratic Party is one reason why this party continues to have identity problems. The same left-right balance is also present among the supporters of the Centre Party and the People's Union, only, compared to the Social Democratic Party and the right-wing parties, these are characterized by a large number of people with an indeterminate world-view.

However, based on the sympathies of the supporters, we can still divide the parties active in Estonia's political field into provisionally right wing (PP, RP and Ref) and left wing (actually left-centre—the SDP, CP, PU). We can also add the Left Party, with its negligible number of supporters.

Since two parties could be chosen, then it helps to see the division of world-views more clearly if we track the consistency of preferences for either right- or left-wing parties. It turns out that, although the left-right axis is not considered to be as clear a division as it is in Europe's "old democracies", the survey results still show signs of the settling of world-views. Altogether, 41% of the respondents made their choices on the same side of the spectrum, while 29% did not base their choices on left-right differentiations, but chose one preference from one side and the other from the other side.

Of two chosen political parties, they were:

only left wing (SDP, CP, PU, LP)	22 %
only right wing (PP, RP, REF)	19 %
one from the left, one from the right	29 %
did not choose any party	30 %

This figures show that although a clearer profile of world-views is starting to develop among the supporters of Estonia's political parties, one-third of the supporters of political parties may still change their preferences within the entire spectrum. The vagueness of almost two-thirds of the voters in making left-right choices explains the caution of the parties in formulating election slogans that express world-views. Thus they show preference for general slogans, such as "Everyone wins with us!", "We will make changes!", "New politics" "For Estonia's Success".

The connection of people's convictions related to their world-view with a preference for specific parties becomes clear when we examine the concurrence of party supporters with statements that express liberal and socialist political choices.

In Table 2.5., we see that the values on the mentality index of the supporters of right- and left-wing parties is quite clearly related to the ideological image of these parties—the supporters of the Social Democratic Party, People's Union and Centre Party are more left-wing than average based on the left-wing world-view index, while the supporters of the Reform Party, Pro Patria, and Res Publica are more right-wing than average based on the right-wing index. Therefore, contrary to widely held beliefs, the world-view image of Estonia's political parties on the right-left spectrum is also a decisive factor in partiality for political parties.

On examining the differentiation of party supporters based on national conservatism, the preferences of the more conservative voters are divided between Pro Patria and the People's Union. The least conservative are the supporters of the Reform Party, and the supporters of the Centre Party and the Res Publica, and the socialists are not differentiated from the average.

It is worth noting that those who do not support any party, or who prefer some party that has been excluded from the Riigikogu, are markedly more conservative in their attitudes and even less tolerant of minorities than the parliamentary parties. At the same time, left-wing views are more typical of them than right-wing views.

THE ATTITUDES OF PARTY SUPPORTERS TOWARD DEVELOPMENTS IN ESTONIA

Since classic political ideologies on the left-right and conservatism-liberalism spectrum only partially help to determine party images, it is also important to compare the party supporters through other questions related to world-view. Here an important differentiator is provided by the past-future dimension in the MeeMa survey. This was related on the one hand to questions regarding attitudes toward the changes taking place in Estonia and the perception of future threats, and on the other hand, to attitudes toward the Soviet past, including agreement with "Sweep the place clean!" policies and the restitution of property.

TABLE 2.5. **THE RANKING OF POLITICAL PARTIES BASED ON THE MENTALITY INDEX OF THEIR SUPPORTERS**

Which Estonian parties represent interests and views that are the most similar to yours?					
Other party	3.28	Other party	3.43	Res Publica	3.20
People's Union	2.82	Social Democratic Party	2.89	Pro Patria Union	3.14
No party	2.76	People's Union	2.77	Reform Party	2.89
Pro Patria Union	2.65	No party	2.70	All Estonian respondents	2.74
Res Publica*	2.64	Centre Party	2.69	No party	2.61
Social Democratic Party*	2.62	All Estonian respondents	2.49	People's Union	2.50
Centre Party*	2.57	Pro Patria Union	2.32	Social Democratic Party	2.49
All Estonian respondents	2.56	Reform Party	2.31	Centre Party	2.44
Reform Party	2.39	Res Publica	2.09	Other party	2.21

**Difference with the general average is within the limits of statistical error*

Source: MeeMa 2005

TABLE 2.6. **THE ATTITUDES OF PARTY SUPPORTERS TOWARD THE PAST AND CHANGES IN SOCIETY**

	Pro Patria	Reform Party	Res Publica	Social Democratic Party	Centre Party	People's Union	Average
Security was greater in the ESSR	49	51	42	57	70	65	56
Well-being was better in the ESSR	36	41	39	47	61	57	48
In the ESSR, people were more caring	43	42	38	46	60	55	50
Don't agree that there was nothing good in the ESSR	51	48	46	61	66	67	56
"Sweep the place clean" slogan was correct	41	28	36	30	17	22	25
Favor Estonia's accession to the European Union	37	36	35	29	24	29	27
Assess the changes that have taken place during Estonia in the 15 years as positive	43	40	39	33	26	30	28

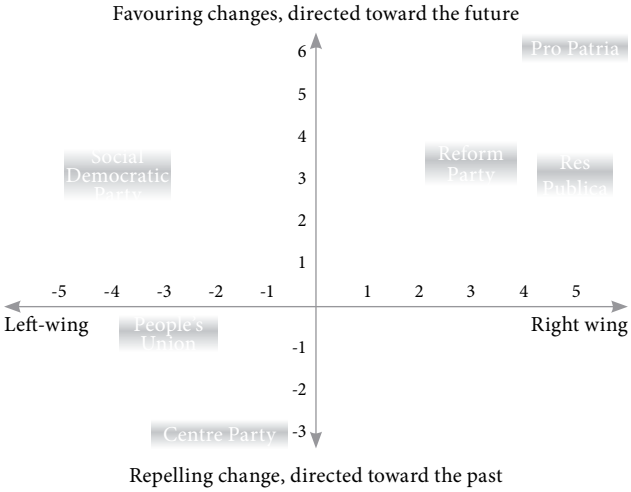
Source: MeeMa 2005

If the left-right spectrum puts the socialists, Centre Party, and People's Union on the same side, then on the past-future axis, the the supporters of the socialists are located closer to Pro Patria, the Reform Party, and Res Publica. However, the socialists perceive the threats in future development most acutely, contrasting here with the supporters of the Reform Party who are conspicuous for their unconcern. However, in their attitude towards the "Sweep the place clean!" slogan, the Reform Party is closer to the Centre Party and People's Union than to Pro Patria or Res Publica. In their attitude towards changes, the supporters of the Centre Party and People's Union rather have a negative attitude, while the socialists, along with the right-wing parties have predominantly positive attitude (see Table 2.6.).

Therefore, we can state that, at the beginning of 2006, the supporters of all Estonia's political parties differed from each other quite clearly on two axes structuring the political landscape—firstly, according to how they regard the social role of the state, which is fairly close to the classic left-right division, and secondly, the past-future axis, which unites an assessment of the past and support for the changes that have taken place in society (see Figure 2.27.).

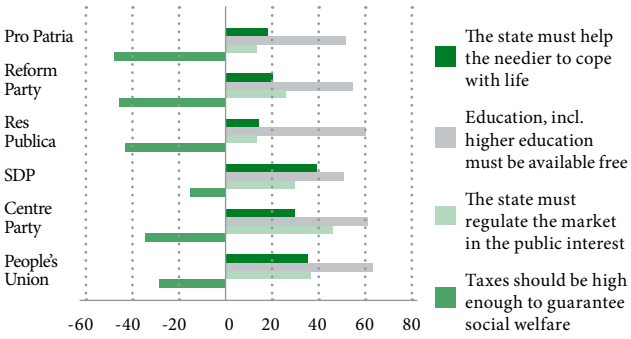
Such a political landscape structure became especially clear during the 2006 presidential campaign. Attitudes towards the Soviet past and Estonia's openness towards the West rather than left- and right-wing views became the most important division between Toomas Hendrik Ilves, the candidate of the socialists, the Reform Party, Pro Patria, and Res Publica and Arnold Rüütel, the candidate of the People's Union and Centre Party.

FIGURE 2.27. **THE ESTONIAN POLITICAL LANDSCAPE BASED ON THE ATTITUDES OF POLITICAL PARTY SUPPORTERS AT THE BEGINNING OF 2006**



Source: MeeMa 2005

FIGURE 2.28. **SOCIO-POLITICAL ATTITUDES OF PARTY SUPPORTERS (BALANCE OF THOSE WHO AGREE AND DISAGREE)**



Source: MeeMa 2005

READINESS FOR CHANGES IN POLITICAL PARTIES AND THE ESTONIAN SOCIETY

The authors of Estonia's development strategy, "Sustainable Estonia 21" believe that the precondition for Estonia's sustainability lies in a clear developmental acceleration in the next decades. This is not possible by continuing the current model of non-interfering state and liberal policies centred on economic success. Instead it presumes the softening of a social differentiation that has become too great and the implementation of more involving minority policies (Sustainable Estonia 21, 2005).

What are the preconditions for social innovation in Estonian society? Do the supporters of the political parties, who are differentiated on the left- and right-wing spectrum, differ among themselves in their desire to strengthen the principle of social redistribution? Do they wish to strengthen the role of the state in regulating the effects of market competition in order to increase the provision of public services and strengthen social protection? Do the attitudes of the voters provide the political parties with a basis for establishing a consensus on these questions?

As we can see from Figure 2.28., the left-wing parties are characterized more strongly than the right-wing ones by a dominant expectation among their supporters that the state should help needier people cope. To a slightly lesser degree, but still predominant this is the position among the supporters of the right-wing parties. The majority of all political party supporters also favour the main postulate of the social market economy—that the state should regulate market influences in the public interest.

At the same time, it is noteworthy that, even among the supporters of the most left-wing parties, the wish to keep taxes low in any case predominates. Therefore, although the ideas of a social market economy predominate, the corresponding change in financial policy is not popular. At the same time, in answer to the question on whether the state should regulate the market more in the public interest, the number of positive respondents among the supporters of all the political parties is larger than the proportion supporting a pure free-market economy and a non-interfering state. Although the majority of all the supporters of all the parties agree that education, including higher education, should be available free, this wish conflicts with the non-agreement with the statement that the state should collect more taxpayer money to guarantee free public services.

We can speak about two substantively conflicting consensuses that prevail among the Estonian public—on the one hand, a unanimous wish not to increase the taxpayers' contribution to the financing of public services, and on the other hand, a similarly unanimous expectation regarding the availability of public services provided by the state. Here we see that the **attitudes of the political party supporters do not indicate that Estonian society is ready for sweeping changes in the political paradigm.** Such an internal contradiction is symptomatic of post-Communist transitional ideology. On the one hand, one is faced with the stamp of Socialist concepts of the state's function as the insurer of well-being. On the other hand, however, one is confronted with the competitive society's individualistic values and liberalistic concepts of a "thin state", where the ideas of taxpayers' obligations and social solidarity are alien.

The second painful range of problems in Estonian society is related to the integration of non-Estonians. As stated above, in the summary of the assessments of the changes during the last three years, a critical attitude toward the success of integration predominated among both Estonians and non-Estonians. For years, social scientists have rec-

ommended that more attention be directed towards the social and economic aspects of integration and that non-Estonian citizens be more actively involved in Estonian politics.

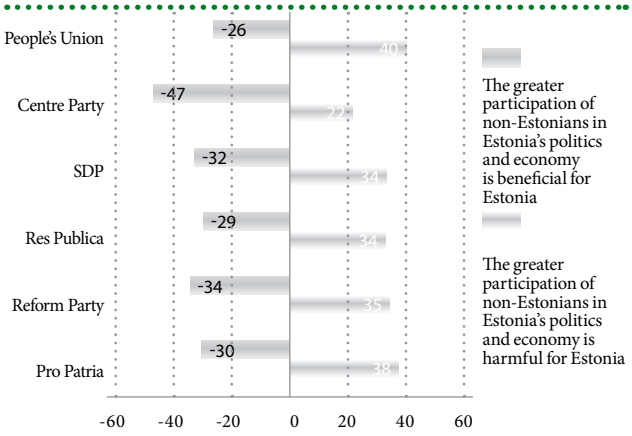
The 2005 MeeMa questionnaire included a question about the attitude towards involving non-Estonians in Estonia's politics and economy. The majority of Estonian-speaking respondents had negative views towards this, while the majority of Russian-speaking respondents thought this was necessary. Are politically active people, who identify with a political party different in this regard? Are they more prepared for social innovation, for greater openness toward "others"? As seen below, (Figure 2.29.) supporters of all political parties include those who are for and against greater involvement. However, a negative attitude towards the involvement of non-Estonians predominates slightly among the supporters of all political parties, except the Centre Party.

The research results also point to a **relatively low level of social tolerance** in Estonia's politically active population. Antipathy to publicly acknowledging minorities whose customs and values differ from generally accepted lifestyles, values, and behavioural practices is quite uniformly predominant among the supporters of all political parties. Although theoretically, contacts between cultures are favoured, people predominantly express repulsion when coming into contact with "others" in public places (see Figure 2.30.). The minimal differences between political parties in this regard indicate that the political will to increase tolerance in Estonian society is still practically lacking.

In conclusion we can acknowledge that the **Estonian political landscape is increasingly taking on a classic form based on traditional political ideologies.** Questions differentiating liberal and socialist world-views proved to be the most typical for the supporters of left-wing political parties—for instance, whether the state should regulate the operation of the free market, and whether the state should accept certain responsibilities for guaranteeing the welfare of the society members. For supporters of right-wing parties, it is typical to emphasize the smaller role of the state, while simultaneously stressing the belief in the importance of personal competitiveness in getting ahead in life, and the positive role of radical market economy reforms in Estonia's development. At the same time, one can notice a substantively contradictory consensus among both right- and left-wing voters— on the one hand, a unanimous wish exists not to increase the taxpayers' contribution to the financing of public services, while on the other hand, a similarly unanimous expectation exists regarding the better availability of public services provided by the state.

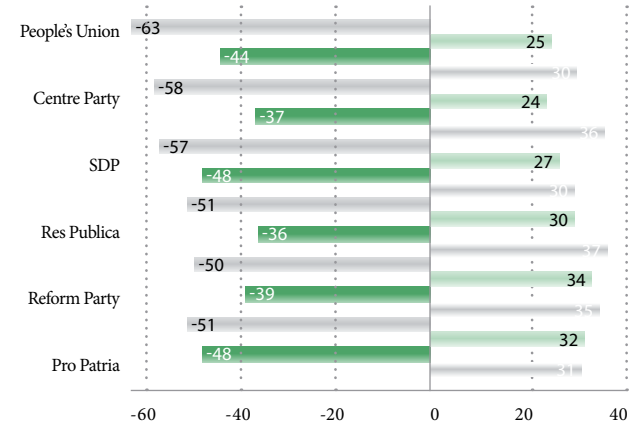
The nationalities question continues to be an important factor in forming the political landscape. The attitude towards a conservative identity policy consensus is more noticeable than a trend towards greater openness and the involvement of minorities. The increasing labour shortage and the resulting pressure to open the Estonian job market to incoming labour are in conflict with the conservative and exclusionary attitudes of the majority of voters. Such a societal background does not promote social innovation in this sphere and subverts attempts to involve minorities more actively in the innovative development of the Estonian state and economy.

FIGURE 2.29. **SATTITUDE TOWARD THE INVOLVEMENT OF NON-ESTONIANS AMONG THE SUPPORTERS OF POLITICAL PARTIES**



Source: MeeMa 2005

FIGURE 2.30. **THE ATTITUDE OF PARTY SUPPORTERS TOWARD "OTHER" LIFESTYLES AND THOSE THAT DEVIATE FROM THE GENERAL NORMS**



Source: MeeMa 2005

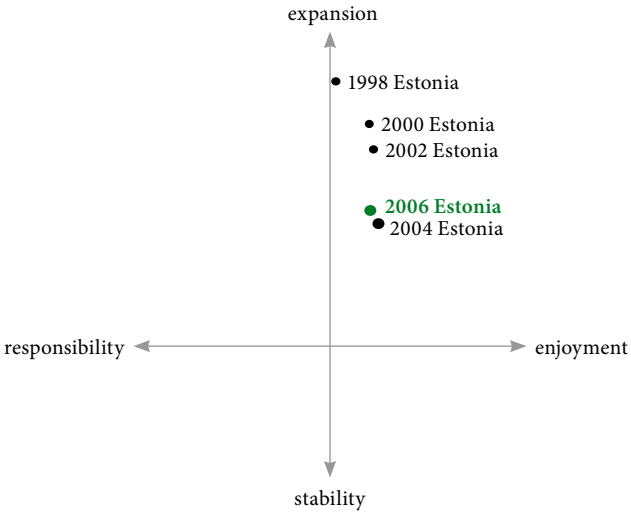
2.5. The Estonian population's world of values

In order to better understand the societal lines along which Estonia's larger political parties were placed in the above description, we must also examine the changes in the more general value judgments of Estonian people.

Value judgments are relatively stable beliefs in the goodness and rightness of some goals and behaviour. They do not influence people's behaviour directly, but are a filter which determines how people interpret information and thereby form their own behaviour.

Various methods have been developed for examining value judgments. The following treatment is based on the data of RISC study[8], which reflects the value judgments of the Estonian population through the years. If value judgments can be divided into terminal values or values related to final objectives (such as a comfortable life, friends, love, freedom, happiness, and peace) and instrumental values or ways to achieve one's final objectives (such as ambition, civility, openness, and responsibility), then the RISC study concentrates more on the latter.

FIGURE 2.31. **DYNAMICS OF THE ESTONIAN POPULATION'S VALUE JUDGEMENTS 1998-2006[9]**



Centre of the axes Europe 2002

The value judgments of the Estonian population changed significantly in 1998-2006 in the dimension of expansion (i.e. development and change) versus stability, moving year-by-year increasingly in the direction of the appreciation of stability (see Figure 2.31.). Such a relatively great shift in value judgments is characteristic of post-Socialist countries, in which the societal organization has changed radically, as opposed to developed capitalist societies where changes in value judgments take more time (Vihalemm & Masso, 2003).

The most significant shift in the direction of appreciating stability took place between 2002 and 2004, when the effect of an interim economic downturn receded and people's lives started to improve rapidly. In the period from 2004 to 2006, the movement toward stability stopped. Life in Estonia is in place, and the time for radical reforms is over. Estonia belongs to NATO and the European Union, the membership of which was achieved as a result of the efforts made after the restoration of independence. Furthermore, people's material well-being is increasing. Are Estonian residents moving along the axis to even greater appreciation of stability, where wealthy European democracies such as Germany, Great Britain, Finland, and Sweden are? Only time will tell. Excessive complacency conceals a risk of stagnation, although the Estonian population as a whole has not reached this point yet.

At the same time, certain stability may be necessary, because, although Estonians are still the Europeans most willing to change, a shift towards the appreciation of social values has not taken place during the years. While working and earning money, the softer values have inevitably been left in the background. People are more interested in short-term or immediate experiences that primarily offer enjoyment, rather than in changes that provide results over a long period. This is accompanied by an appreciation of money, since this is a means of achieving a pleasurable life and greater security for oneself and one's family.

[8] Since 1990s, the RISC (Research Institute of Social Changes) study has been conducted in Estonia by TNS Emor. It is a value study based on international methodology and nearly one hundred indicator questions dealing with principles of behaviour and attitudes towards life. The target group of the study includes Estonian residents of ages 15 – 74. The study is conducted by combining questionnaires filled out by the respondents and personal interviews at the homes of the respondents. Value studies are also conducted according to the same methodology in many other European countries, guaranteeing the comparability of the studies.

[9] The vertical axis expresses people's attitudes toward change. This differentiates people, who highly value exciting and varied lives (top of the axis) and people who prefer peaceful and routine lives (bottom of the axis). The former await excitement and challenges, the latter want constancy and security.

The enjoyment and responsibility axis express the appreciation of individualistic and collective values. Those who appreciate a pleasurable life proceed primarily from their their individualistic needs and wishes, those who appreciate responsibility are more caring and helpful.

To a certain extent, the enjoyment and responsibility axis also expresses the appreciation of individualistic and collective values. Those who appreciate a pleasurable life proceed primarily from their individualistic interests, needs, and wishes, while at the same time those who place greater importance on fellow humans, are more caring and helpful. Those who appreciate the values of responsibility are not against change, but they find it necessary to carefully consider significant changes and their possible consequences. With regards to those promoting enjoyment, the moral and ethical aspects of various activities and events are also important to them.

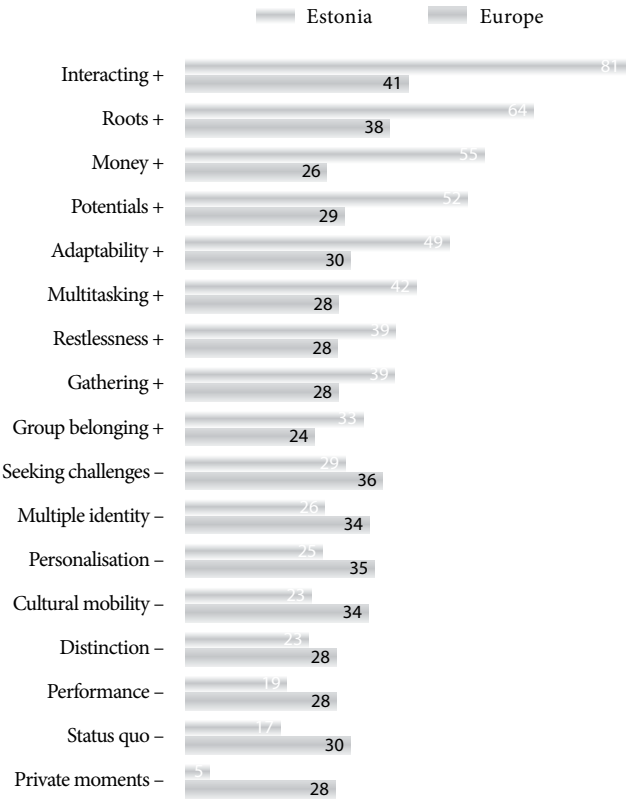
Comparing the value trends characteristic of people in Estonia and Europe[10] (see Figure 2.32.), we see that Estonians are more open to change and more used to living a fast and active life. Almost half the population takes uncertainty—that life is filled with unexpected events that one must cope with—as a challenge (value trend 'adaptability'). This reflects the actual situation—lives filled with rapid changes have inevitably prepared people to be ready for new reverses—This characterized 37% of the population in 2000, and this indicator had increased to 49% in 2006. This value trend characterizes under-30-year-old Estonians and primarily men slightly more than average.

Since people are used to living in a fast-changing work environment, people rely on acting according to the situation rather then according to definite rules and traditions. The appreciation of flexible relations (value trend 'interacting') shows that the majority of the population places great importance on equal social opportunities as opposed to structures and authorities. This trend describes the wish for a horizontal social relationship, where there are no dictators but rather people who initiate things.

At the same time, the acquisition of new experiences and self-development (value trend 'potentials') are thought to be important. It is normal to constantly do several things at once ('multitasking' characteristic of younger, under-30-year-old people), while sitting with one's hands in one's lap and pre-determined activities would be considered a waste of time (in Estonia, the value trend of 'restlessness' characterizes middle-aged and older people). In Estonia, people are significantly less satisfied than in Europe with life as it is, and there is a constant desire to move ahead and to try something new. Withdrawal from everyday activities and taking time to appreciate things, as well as being by oneself ('private moments') are not important to the greater portion of the population whereas in Europe almost one-third appreciate these activities.

The fast and active lives of people in Estonia conceal a fair dose of conservatism and being settled. The fact that people try to cope with changes does not mean that they necessarily search for them. Nor does it mean that coping with changes is seen as a way of proving

FIGURE 2.32. **VALUE TRENDS: ESTONIA COMPARED TO EUROPE**

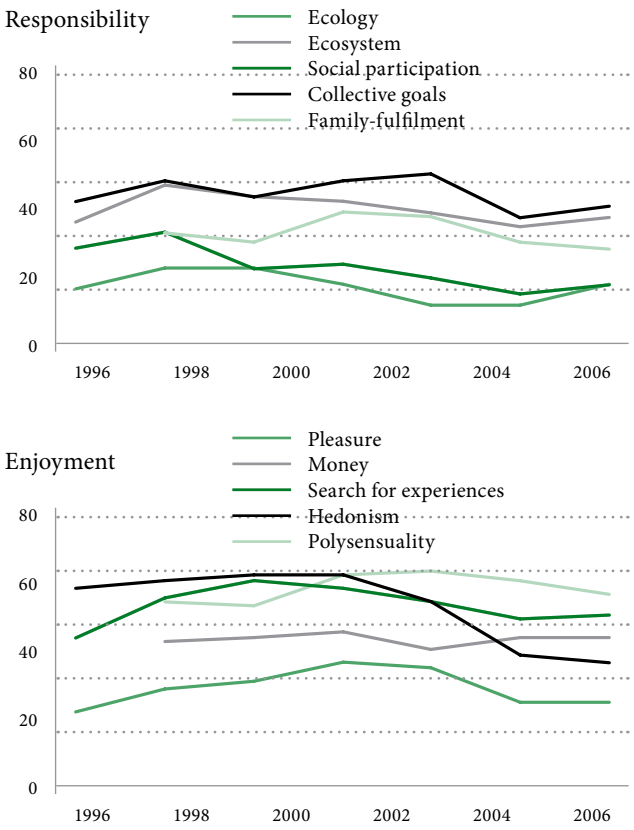


Data: RISC Estonia Survey 2006; The European average is based on 2005 and 2003 RISC date from France, Germany, Great Britain, Italy, and Spain. "+" statistically significantly more than Europe; "–" statistically significantly less then Europe

oneself. Estonians have less of a need to prove themselves, and to look for challenges, which is supposed to be the basis of innovativeness, than do Europeans. Rather people try to keep a low profile. Few people are interested in differentiating from others ('distinction'), emphasizing one's individuality ('personalisation'), or playing with one's identity ('multiple identities'). People in Estonia also have a lack of wanderlust i.e. cultural mobility, which is characterized by the readiness to go and work in another country, the knowledge of how to adapt to local traditions and customs while travelling is characteristic of only one-quarter of the population. Rather, the history and traditions of one's own country are appreciated; people are interested in the events in their hometown or area; they look for connections with the past and memories ('roots'). However, this value trend is characteristic of the older portion of the population, primarily those over 50 years old, who, due to their larger proportion, significantly influence the formation of the value picture. Affiliation with smaller

[10] Value trends are value orientations that are formed on the basis of single statements measurable on 2-3 different questionnaires.

FIGURE 2.34. **VALUE TRENDS IN ESTONIA RELATED TO RESPONSIBILITY AND ENJOYMENT**



Source: RISC Estonia surveys 1996–2006

groups is important along with people with whom one shares a common history and values. People in Estonia are good at adapting to changes, but not at risking. For instance, 87% of the population agrees with the statement that it is better to be careful in life – an attitude that was definitely instilled by 50 years of occupation.

By analyzing the single values related to the answers on enjoyment, we see that values related to enjoyment have currently exceeded the high point reached right after the turn of the century, and have either stabilized or their importance has decreased somewhat (see Figure 2.34.). Nevertheless, there are more promoters of these values than of values related to responsibility. During the last few years, certain stabilization in the decrease of responsibility values has also taken place. The largest part of the population – almost 40% – feel that it is important for the society to find common objectives and to consider both personal and collective needs ('collective goals'). A slightly smaller portion is characterized by a ecosystem value trend —an interest in closer and farther events and their influence on both current and future generations, as well as a belief that one has the power to influence the whole. Although recently, greater importance has been placed on the family, the proportion of people in the population who feel that children are an integral part of life, and are ready to devote a lot of time to family life continues to be relatively small. On comparing the situation to that in Europe's five largest countries (Germany, France, Italy, Spain, and Great Britain) in 2000, we can say this is true of Europe as a whole.

Values related to social participation have clearly been placed second to material ones. If we compare values related to caring, charity, and participation with the value trend (money) representing material values, we find less than half the people consider the soft values to be important in life. By examining the statements on which specific value trends are based, we can say that although people are ready to consider other people and their interests at a declarative level, quite a small portion of people believe they will actually do concrete actions (Figure 2.35.). Therefore, three out four people in Estonia agree to the combination of their interests with those of others, which is the basis of solidarity Yet only one-third of them are likely to be willing to give up their time and energy for charity or the development of social affairs. During the last five years, no changes have taken place in these specific attitudes.

However, the values related to caring and contributing are more important to some social groups than to others. One such group is non-Estonians, for whom the value trend of social participation is characteristic of almost one-third (less than 20% among Estonians). Non-Estonians differ primarily by the fact that they have a greater than average understanding of the need to make compromises in the name of common interests (83% agree with the statement to a greater or lesser degree), and to make an active contribution to societal life (40% agree with the statement to a greater or lesser degree).

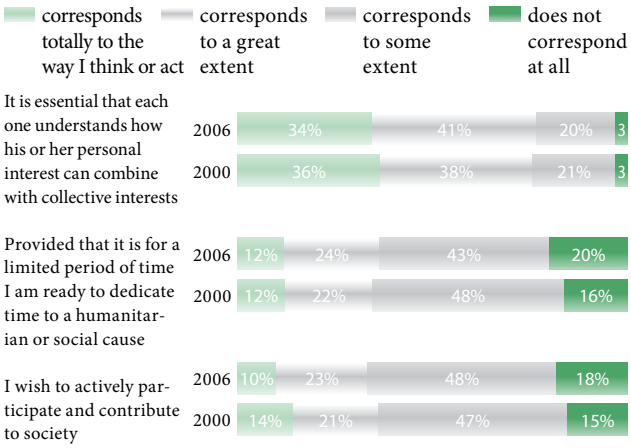
The second group to differ is 15- to 24-year-old young people, almost one-third of whom feel that social values are important—the greatest number of those to agree with the three statements shown above can be found in this group. Yet material, and individualistic values are very important for young people – money, challenges, appearance, fame, shopping and being different from others is more important than average for them. Therefore, young people are, to some extent, the promoters of quite contradictory values. Behind the appreciation of social participation may lie the desire to try different things including being socially active, which is typical of young people. It is also possible though that this activism may find a narrower expression.

A suspicion develops regarding both groups that in real life, they often lack the opportunity to realize their existing potential. For instance, non-Estonians feel more acutely that the society needs common goals, which one can devote oneself to—practically three out of four non-Estonians feels this way. However, by comparing social participation among various age groups, we can say that as age increases, the readiness to do something in the name of the common interest

decreases rapidly. Young people's thirst for discovery tends to recede into conservative materialism.

Despite the increase in economic well-being and positive expectations for the future, the majority of Estonian residents continue to be pragmatically and materialistically oriented. In order to build a more caring and cohesive society, a shift in the fundamental value judgments of the people in Estonia would be needed from the current self-centred world-view to one that places greater importance on fellow humans. Would such a shift be realistic? Its appearance in the societal groups where there is potential should be supported. The more uniform distribution of material well-being among the groups of society would definitely increase the probability of this shift. However, this may not take place, regardless of an improvement in well-being, if the readiness for the fundamentally necessary cooperation is not present in the society's consciousness. For instance, on the responsibility-enjoyment axis, wealthy Great Britain is located more to the side of the latter. In the case of Estonia, of course, the aspect that the democracy is still young and the experience of participation is thin should not be ignored. Time is needed to learn, and to date we have seen that if something is important enough, people are also ready to step forward in the name of societal development.

FIGURE 2.35. **AGREEMENT WITH SOCIAL PARTICIPATION STATEMENTS (% 15-74-YEAR-OLDS)**



Source: RISC Estonia surveys 2000 and 2006

Such experiences would be needed more often on an everyday level, one need not always want to change great things – sometimes, small ones suffice.

2.6. In summary: public opinion as a mirror on Estonian life

The general indicators characterizing satisfaction with life of Estonian people are on the rise. However, if we examine the satisfaction of the population by individual groups, it becomes clear that interpreting the situation on the basis of a general average is deceptive. There are few social groups that correspond to the average indicators. However, there are groups whose satisfaction is above average (under-40-year-olds, those with higher education, Estonian citizens, entrepreneurs, and managers) and groups who are lower than average (over-40-year-olds, Russian citizens or those without citizenship, workers, the unemployed, and pensioners).

In comparison to other European Union member states, Estonia is in the second half of the satisfaction ranking. Of the old EU states, we only surpass Greece and Portugal, and of the new members states, Slovakia, Hungary, Latvia, and Lithuania.

Although various satisfaction indicators are on the rise in Estonia, the research results, especially in spheres that are related to economic well-being and employment, show that people in Estonia do not see that the country's economic development sufficiently influences the improvement of social welfare. The gaps in satisfaction that reflect the quality of life are still quite large, and some groups of the society get less from Estonia's success than others.

From the surveys, which examine the perception of Estonia's social stratification, it becomes clear that people are not satisfied with the current stratification of Estonian society but they do not long for the past. The current societal model is seen by most people as a confrontation between a small group of the wealthy and relatively large mass of those who are poorly indemnified. According to this concept, people who are moderately well off exist, but there are few of them. For the majority of Estonian people, in an "equitable" society, people should be gathered in the middle positions or near the top of the social hierarchy.

If the majority of people want one thing, but something else is realized in reality, then apparently the will of the electorate is insufficiently represented. Like other post-Communist countries, Estonia is also characterized by the weak institutional basis of democracy, weakness of the political parties, modest activism of the voters, and limited trust in politics. Research shows that we still have many citizens who have difficulty finding appropriate representatives for their

interest from among the political parties. The credibility of political parties and politicians is low in the society.

By connecting partisan preference with people's social attitudes, it becomes clear, that despite widespread criticism that the current political parties do not represent people's world-views well enough, Estonia's political landscape is increasingly reaching better conformity with people's political beliefs and social attitudes. However, the attitudes of the political party supporters do not indicate that Estonian society is ready to significantly change the current political paradigm. One can also speak of a substantively contradictory consensus that rules Estonia's political public—on the one hand, a wish not to increase the taxpayers' contribution to the financing of public services, and on the other hand, a wish to improve the availability of public services provided by the state.

Social tolerance is also at a relatively low level in Estonian society.

At the same time, it is clear that there is a need to change the general political paradigm and that of the political parties. "Sustainable Estonia 21" the development strategy for the Estonian state and society finds that the continuation of the current market-liberal development scenario is unpromising. Partisan representation of the voters no longer suffices for the representation of increasingly varied social challenges. It is necessary to achieve a notably more comprehensive and broad-based social partnership.

Is the Estonian population ready for this change? The RISC value surveys show that support for rapid changes, which is the grounds for individual-centred economic liberalism is decreasing. Instead, the centre of gravity for the population's values is moving in the direction of social stability. Unfortunately, this has currently not been accompanied by greater social cohesion and responsibility—individualism and hedonism continue to dominate Estonian people's attitude towards life and values with social participation clearly coming in second to material values. Such an attitude towards life is fertile ground for enterprise and working in the name of greater income, but does not guarantee tolerance and solidarity in the society, and in the long term is harmful to the social cohesion of the society.

The democracy index, which was compiled by *The Economist,* places Estonia among the countries with flawed democracy (Kekic, 2006). If Freedom House calculates its democracy index based only on civil rights and human freedoms, then these also receive close to maximum points from *The Economist*—9.58 and 9.71 respectively on a scale of 10. Unfortunately, the actions of the government and political culture only receive 7.5 points, and citizen participation receives only five points.

One might ask, in the development of the political organization of society, whether we must wait to see in which direction the civic values and social attitudes of the citizens mature and develop, or with the help of smarter policies, whether it would be possible to knowingly increase people's activism and the desire to participate.

Although limited civil activism may guarantee a worry-free existence for the government for a while (no one is protesting or getting on one's nerves), in the long term, it will make the effective functioning of the government impossible. Limited civil activism is not just a problem for non-governmental organizations. Just as people's economic activism and enterprise are fostered by enterprise incubators and various start-up supports, and research parks and technological villages help to work out and realize technical innovations, similar contributions should be made to people's self-initiative, in order to encourage and promote activities that function in the public interest.

Providing Estonian society with new developmental acceleration assumes an updated political organization of the society, which would include a more extensive involvement of and independent say for interest groups and non-governmental organizations. To guarantee faster development for the society, assistance must be provided for the development of various social networks, and their activities must be supported, by guaranteeing the required level of financing as well as actual partnership in the decision-making process.

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Photo competition „Minu Eesti”

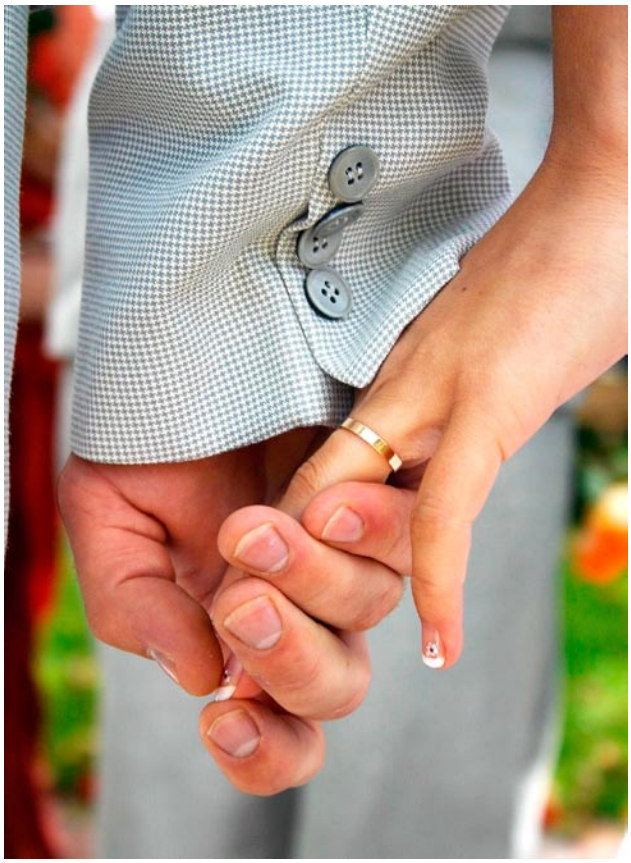
Sometimes one picture can say more than a thousand words. What was the year 2006 like in the eyes of Estonians? The photo competition “Minu Eesti” portrayed our life. The winner of the competition was Tiit Blaat with his photo “Poisid”. The winning entry is displayed on the front cover of the report.

Important things

WINNER OF THE CATEGORY

Andri Allas: "*The intoxicating taste of freedom. Summer means everything to schoolchildren, especially freedom. One spends time with friends, with loved ones or even alone. It is said that mental work is only done at school, however in reality, this is also done during the summer – it is just expressed in a different manner. At school one is forced to think, but during the summer one does it voluntarily. This is important.*"

Kadri Puna: *"The most beautiful word in life is "YES""*



Tiia Kangor: *"Our beauty – rye"*

A wealthy nation's people

WINNER OF THE CATEGORY

Elmo Riig: *"Everyone has their own burden to carry. The wealthier the country, the more children. VILJANDI FOLK MUSIC FESTIVAL"*

Andres Peets: *"The great soul of a small nation"*

Liina Päri

Birds of a feather stick together

WINNER OF THE CATEGORY

Maiki Einla

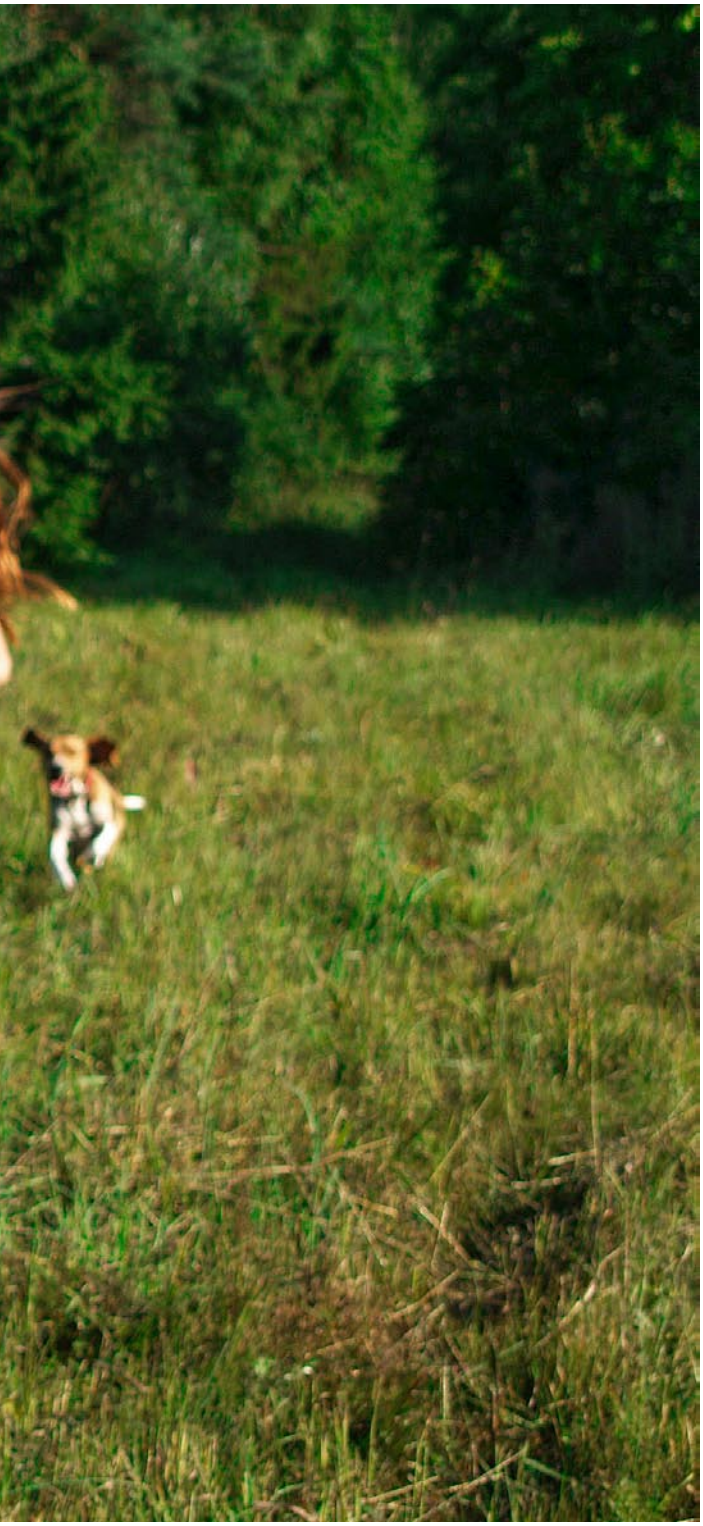
Kadri Puna: *"At least our children know that the easiest means of communication is to approach someone and caress them."*

Elmo Riig: *"A mulk is a mulk. The ceremonial unveiling of the sculpture, Mulgi Mees taking place in Abja-Paluoja. Toomas Henrik Ilves, the President of the Republic, himself a mulk is depicted here."*

My close ones

WINNER OF THE CATEGORY

Tuuli Türk: *"In Valgamaa"*



Kadri Puna: *"If you desire it, all dreams will come true. "*

Einar Tiits: *"After fishing"*

What happens at school

WINNER OF THE CATEGORY

Andres Oltjer: "*The best class - recess*"

Elmo Riig: *"Goat butting. Open house in the Olustvere School of Service and Rural Economics. Ninth-graders from the Võhma upper secondary school becoming familiar with the Olustvere School."*

Estonians in the wide world

WINNER OF THE CATEGORY

Romi Hasa: *"A 1-year-old Estonian and a 400-year-old French palace"*

Avo Seidelberg: *"At the opening of Viru Säru in Ussimäe, the old master, Veljo Tormis led the singing at an evening of runo-songs"*

Janek Puusepp: *"A young Estonian at the top of the world"*

Life is beautiful

WINNER OF THE CATEGORY

Leili Valdmets: *"To a regatta"*

Elmo Riig: *"Revival. Life comes back to the countryside. A old woman in Abja Rural Municipality is happy because her grandchildren have come back to the countryside and restored their grandfather's farm"*

Anne Oja: *"A small gymnast on the fencing around the Kalev Stadium immediately after the end of a gymnastics festival"*

CHAPTER III

Creating and Realizing Developmental Potential

3.1. Human development: goals and resources

By comparing the positions and the dynamics of various countries based on various indicators, we can better perceive how well our development is progressing. The countries ahead of us are often a developmental model for us. Based on comparisons with them, we can improve, our perception of how close or far we are from the situation we feel is ideal or desirable, as well as the rate at which we are approaching the desired situation. When making comparison, however, we encounter many difficulties. Firstly, by comparing only some facets of development, it is difficult to compile a systemic picture of development as a whole from these individual aspects.[11] Our situation can be characterized by such dissimilar indicators as living standard, ecological footprint, crime, health, consumption indicators, etc. By highlighting one or another of these, we can proclaim our development to be a success or a failure. Secondly, the indicators being used may partially overlap, being conditions or means for each other.

In addition to dividing developmental indicators into narrow, individual, and broad, as well as synthetic, we can also divide them by whether they are intended for use in measuring target status, or as indicators for measuring means, resources, potential, etc. However this differentiation can be rather relative. The Human Development Index (HDI) used by the UN is one of the most synthetic of the indicators in use, and the objective in its development has been to rank countries according to their developmental results. Education, life expectancy, as well as the level of economic development, which in the final analysis, reflect the number of opportunities that a society can allow itself, are all, in some sense, values in themselves, and, in their co-action reflect what could be called a high-quality and happy life. In some sense, the HDI elements are instrumental for each other (for instance, the effect of increased education on an increase in economic well-being and vice-versa), however, it is not possible or desirable to sacrifice some for others to any great extent.

In this chapter, we do not turn our attention to those indicators that measure the developmental levels that one or another country has achieved in guaranteeing its residents good and happy lives. Rather, we use the indicators that help us to measure potential, through which, after it has been created, we can approach the "good life". Such synthetic indicators that are instrumental include the competitiveness index, as well as various indices measuring the innovativeness (innovation potential) of various countries.

In the ensuing chapter, we have tried to examine the indicators as a system, and not only to describe them, but also the connections between them. The majority of the so-called instrumental indicators, or those related to potential, primarily have an effect on raising the levels of economic development. However, they also have a positive effect on other components of the Human Development Index (educational level apparently has the most direct effect, and life expectancy the most indirect). Attempts have been made to analyze to what extent individual instrumental indicators amplify each other and conflict with each other, and what could be the effect of social homogeneity (or the lack of it) on the elements of developmental potential. In addition to the categories of competitiveness and innovation potential, the analysis also utilizes the category of institutional development, as it is interpreted by modern institutional economics (the quality of institution is determined by the extent to which the rules of the game operating in the society help to reduce transaction costs in achieving the same result). In this case, the quality of institutional development is measured by the economic freedom index and the corruption avoidance index. In this section, the Esto-

[11] Academic treatment by Estonia's authors, in which attempts would be made to compare our development with that of other countries based on a whole series of indicators reflecting different areas of activity, are practically lacking. Some attempts have been made on the pages of the press: Terk 2005, Heidmets 2006.

nian position has been treated against the background of rankings based on four other indices in addition to the HDI components (in some of them, different versions of the similar indices have been taken into consideration).

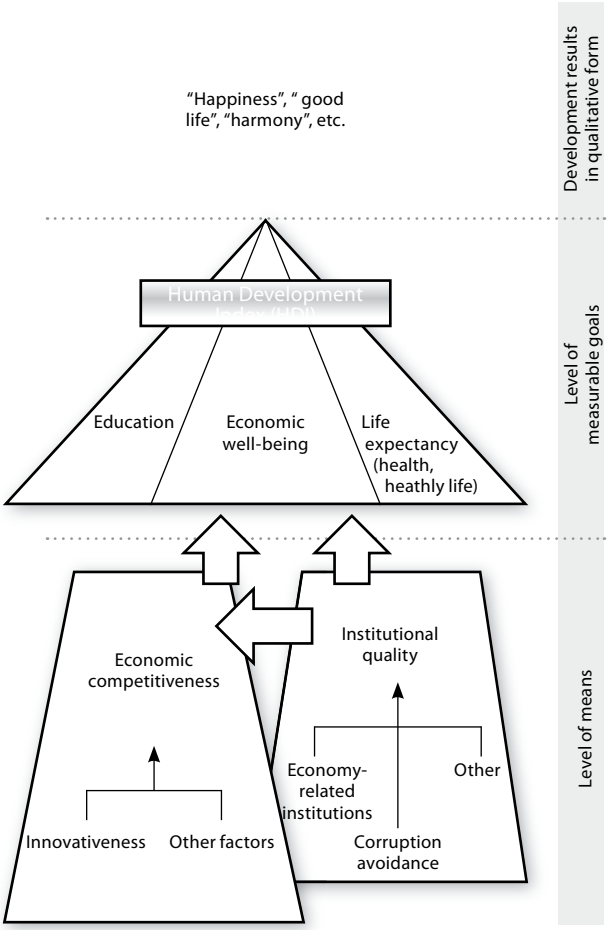
In the following, we present an analysis on the from-the-top-down principle. In other words, we will first briefly examine Estonia's position among other countries based initially on indicators reflecting the final condition, i.e. based on the HDI and economic level, thereafter on more general instrumental indices, and finally on more specific instrumental indices (the general scheme for the approach is shown in Figure 3.1.). The indicators for using ICT, treated at the end of the chapter, can be treated as second-stage indicators that show our preconditions for increasing our competitiveness and general capability for innovation.

It must also be considered that the developmental trajectory of countries is not linear and developmental factors are not universal. Successful development probably requires different developmental mechanisms and conditions at different stages of development. Even such relatively fundamental concepts as economic freedom, innovation potential, and the role of the state, may differ at various stages of development. One of the most popular logics for the division of economic development by phases is M. Porter's scheme, which divides the development phase based on the elementary use of resources. This results in three phases - the investment-based phase, the innovation-based development phase, and the wealth-based development phase. The demands on competitiveness and innovation in these stages are quite different.

First and foremost, a decrease in human development, primarily in the component related to economics, was typical of Estonia in the first half of the 90s, as it was of other countries emerging from state socialism. The education component (relatively high in all post-socialist countries) remained relatively stable, while the life expectancy started to decrease, but was only apparent after a certain time lag. Since the decrease related to the economic reconstruction period was very drastic, Estonia (as well as most of those sharing its fate) ended up in a situation where their HDI remained significantly higher then their economic development (GDP per capita) indicator for a long time. In other words, the economic decline caused the HDI to drop drastically. Later, when the decline was over and the economy started to grow again, but for a long time, the low departure level inhibited the HDI from increasing to the level of the countries that the Estonians would hardly feel inferior to.

Considering the characteristics of the countries discarding state socialism, it is logical to assume that, at some period, their rankings, or at least the rankings of those among them with the strongest developmental potential, will be significantly better in the ranking of instrumental indices than in the ranking of indicators reflecting development results (GDP per capita, but also the HDI as a whole). Such a gap characteristic of upheaval can be interpreted in two ways. Firstly,

FIGURE 3.1. **INDICATORS REFLECTING OBJECTIVES AND MEANS**



it can be seen as a certain deficiency, or "friction coefficient", based on the logic that if preconditions are good, but the end result is somewhat poor, then, for some reason, these preconditions are not being realized. We must conclude that the system contains something that does not allow good preconditions to create a good end result. For instance, the economy has a high level of freedom and the use of the ICT is developing by leaps and bounds, but economic growth is still rather low and unemployment high (the situation in Estonia five years ago). Secondly, **it can be seen** as an inevitable result of the transition from one period to another. In this case, a decrease in the indicators related to development level (GDP per capita and life expectancy) can be interpreted as "revenge" of the previous period (time spent under state socialism). Using this logic it can be stated that the realization of good preconditions just takes time. Most often in order to ascertain which logic is valid, one must simultaneously analyze both the speed of development (according to final indicators) as well as the existence or lack of disproportions in instrumental indicators and the "ability to act in unison" of the socio-economic fac-

tors and the social system. When the components of all final indicators improve, and at the same time, the elements of developmental potential exist and are being strengthened, development can be considered sustainable. However, the situation is different if rapid economic growth exists, while disproportions are noted between the remaining HDI elements or if they have suffered setbacks.

In the case of Estonia, one important question is raised. Namely, very rapid economic growth has lasted for several years, but according to the assessment of many economic analysts, this is based more on external factors (cheap credit resource, effects related to European Union membership, relatively beneficial position in the target markets) than on Estonia's own economic system. Therefore, it may be assumed that this type of development phase will become exhausted. The question is whether the economic and social systems are ready for a new development period (the existence of potential necessary for a new development period).

IN WHAT LEAGUE? INTO WHAT LEAGUE?

Below, in addition to Estonia's place in general world rankings, we analyze Estonia's position, against the background of a smaller group of countries, which could be interpreted as competitor states. The choice of a comparative background is always a delicate question. We have seen good development, compared to the first half of the 1990s, or at a time when the HDI and especially the GDP per capita of many Latin American countries were still a dream for us. Currently, we are so-to-say "out of trouble". A comparison with those who shared our fate in the USSR, the current CIS countries, may not be sufficiently productive; we can be satisfied that we have exceeded their development, but it is doubtful that a comparison with the "league" these countries are in will allow for any conclusion that will be important for the future. The requirements that we have to fulfil to guarantee our future development are considerably stricter than in these countries. At the same time, we have no basis to compare ourselves to our neighbours, the Nordic countries—the conditions, problems and development opportunities are too different. Therefore for the following analysis, we first compiled a background group consisting of other new European Union member states, and added some southern European countries (the "bottom league" of old Europe) and some countries that are similar to us as to development indicators in South America (Argentina, Uruguay, Chile) and Asia (South Korea). In reality, this is a collection of countries whose developmental level can be compared to Estonia. By comparing the position and dynamics of Estonia to these competitor states with respect to target-type and instrumental indices, it is possible to get a better idea of what is behind Estonia's rise in one or another ranking.

We will start with an analysis of the HDI and the dynamics of economic development (GDP per capita). Estonia's place in the last HDI was 40th. We are used to having Estonia placed somewhere further back for example, around sixtieth in the GDP per capita rankings published in various sources. This impression is partially deceptive, because GDP rankings usually also include such small countries (Bermuda, San Marino), for whom the HDI is not calculated but for whom GDP is; as well as Taiwan, which lacks formal recognition of the UN . If we remove these countries from the GDP rankings, we see that the lag between Estonia's position based on economic development and its HDI-based position, especially considering the rapid economic growth of the last few years, is actually disappearing.

Let us now compare Estonia to competitor states in a single table using parallel the 2006 HD ranking (note that this ranking is based on the 2004 indicators, including per capita GDP) as well as the 2003 and 2006 per capita GDP rankings. The GDP estimates were taken from the CIA factbook (http://www.cia.gov/cia/publications/factbook/); the GDP data presented by CIA and adjusted to purchasing power are higher regarding most countries than the generally used IMF data. The table clearly shows that in not very distant future Estonia can occupy a better place in the per capita GDP ranking than in the HD ranking.

HDI ranking 2006	GDP per capita ranking 2003 (USD)	GDP per capita ranking 2006 (USD)
Greece 0.921	Greece 19 900	Korea 24 200
Korea 0.912	Slovenia 18 300	Greece 23 500
Slovenia 0.910	Portugal 1800	Slovenia 22 900
Portugal 0.904	Korea 17 700	Cyprus 22 700
Cyprus 0.903	Malta 17 700	Czech Republic 21 200
Czech Republic 0.885	Cyprus 16 000	Malta 20 300
Malta 0.875	Czech Republic 15 700	Portugal 19 100
Hungary 0.869	Hungary 13 900	Estonia 19 600
Argentina 0.869	Slovakia 13 300	Slovakia 17 700
Poland 0.862	Uruguay 12 600	Hungary 17 300
Chile 0.859	Estonia 12 300	Latvia 15 400
Estonia 0.858	Argentina 11 200	Lithuania 15 100
Lithuania 0.857	Lithuania 11 200	Argentina 15 000
Slovakia 0.856	Poland 11 000	Poland 14 100
Uruguay 0.851	Latvia 10 100	Chile 12 600
Latvia 0. 845	Chile 9 900	Uruguay 10 700

Sources: Human Development Report, CIA

On examining the ranking of the competitor states based on the two aforementioned indicators, we see that, with the only exception of Estonia passing Portugal by, two "leagues" of countries have emerged, regardless whether HDI or GDP is used as a basis. Estonia, which, based on the HDI indicators, is in the middle of the second group, has risen to the top of the second group, according to the latest per capita GDP estimates. Therefore, the "league" for which we could strive in the next period, no longer consists of the best of the Latin American countries and the "mainstream"

of the Central and Eastern European countries that have joined the European Union, but rather the countries in the so-called southern flank of the European Union (including both new and old members states) and the "cream of the crop" in Central and Eastern Europe.

In the next few years, do we have a chance to rise to the top portion of the table? In principle, we do, but only if Estonia's economic growth rate exceeds the growth rate of southern European countries by the same amount, as it has done in the last few years. At the same time, the arguments, that "a people that are as educated and European as the Estonians will inevitably increase their economic and living standard and the standard of welfare will automatically continue to improve", may not work. In a situation where our general social potential, at least as reflected by components of the HDI, more or less corresponds to our standard of economic welfare, one must seriously ask, "However, what are the factors on which the increase in our economic and welfare standard, and actually the increase in human development in general, can be based tomorrow and the day after tomorrow?"

THE COMPETITION IN COMPETITIVENESS

Next, we will turn our attention to the treatment of competitiveness. We will examine two general indices of competitiveness: the one compiled by the Lausanne International Institute for Management Development (IMD) and the one compiled by the World Economic Forum (WEF). From there we will proceed to an examination of special indices, which should, in principle, fit into the concept of competitiveness, namely the index of innovation potential and the index of readiness for networking.

The international IMD competitiveness index consists of five components: the state of the domestic economy (a synthesis of such customary indicators as the volume and dynamics of GDP, volume of foreign direct investments, unemployment, etc.); internationalism of the economy (export and its growth rate, state of the current account), governmental activity (taxes, budget), finances (banking), and infrastructure. In additional to the technical infrastructure of the economy, the latter also includes infrastructure supporting research, health care, and education.

According to the data from 2004, Estonia ranked number 23 in international competitiveness, if we omit some regions within countries and Taiwan, which is not recognized by the UN, from the IMD ranking list. This position is noticeably higher than in the HDI and GDP per capita rankings, which is a hopeful sign for future development. With time, the position of this indicator for future development improved somewhat—in 2001, Estonia ranked number 26 among the same countries, and 28 in 2002. The USA, Singapore, Canada, Australia, and Iceland are at the top of the ranking.

Comparing Estonia with the Central and Eastern European competitor countries, and some other countries that are of interest to us, on other competitiveness indices, gives us the following picture:

Competitor countries:	Other countries:
←	China
Chile	
Estonia	
←	Thailand
←	India
Korea	
Portugal	
Slovakia	
Hungary	
Czech Republic	
Greece	
Slovenia	
←	Russia
Poland	
Argentina	

As we can see, Estonia is in a good position with respect to competitor countries similar to it as to HDI a nd economic development, only lagging behind Chile; i.e. compared to the current development level, we can assess our potential as good, at least based on the methodology that was used. A distinctive feature of the competitiveness ranking is that the Asian countries are in significantly better positions than in the rankings reflecting development results.

What are the strengths and weaknesses of Estonia's competitiveness? According to the IMD methodology, the strongest components are governmental activities (let us recall that in this case, primarily the government's macroeconomic policies are assessed: the balancing of the state budget, tax levels and collection of taxes, etc.). Infrastructure, however, (in its expanded meaning) is clearly weaker than the other components in Estonia.

ABOUT COMPETITIVENESS IN DIFFERENT PHASES OF ECONOMIC DEVELOPMENT

A more in-depth treatment of the question is made possible not by the IMD index, but by another competitiveness index, namely the annual Global Competitiveness Index, GCI of the World Economic Forum. In 2006, this yardstick placed Estonia in the 25th position, or a few positions below that in the 2005 IMD index. According to the GCI, last year Estonia rose one place higher compared to 2005 (Table 3.2.). Based on

the index, Switzerland was in first place, Finland second, and Sweden third.

The macroeconomic competitiveness of countries is based on nine of the "pillars" of the World Economic Forum version, which are measured with the corresponding sub-indices—institutions, infrastructures, macroeconomics, health and basic education, higher education and training, market effectiveness, technological readiness, business sophistication, and innovation. To increase the reliability of the index, the countries are compared by various so-called weight categories, in which three developmental phases are differentiated: factor-based economy, efficiency-based economy, and innovation-based economy. Based on this, the basic pillars are classified into three groups, which correspondingly predominant in each developmental phase (Table 3.1.).

The basic conditions group, which is the most important in factor-based economies, consists of the 1) institutions, 2) infrastructure, 3) macroeconomy, and 4) basic education and health pillars. In the efficiency improvement phase, the basic drivers of economic growth are 1) higher education and training, 2) market efficiency, and 3) technological readiness. In the innovation-based economy state, 1) business sophistication and 2) innovation are important.

As a simplification, the countries in various development phases are categorized based on GDP, and Estonia, together with South Korea, Taiwan, the Czech Republic, and Hungary, end up in the transitional phase from efficiency-based economies to innovation-based economies. According to this methodology, of the former Eastern Bloc countries, Slovenia has already achieved an innovation-based economy.

As we can see from the table, upon a change in the phase of economic development, the relative importance of the factors in the previous phase do not decrease suddenly, but rather a step-by-step transition is made towards the new competitive advantage factors. Progress made with the basic conditions also continues to be important in the innovation-based phase, although its relative importance has decreased, and efficiency enhancers and innovativeness have come to the fore.

According to the given competitiveness composite index, Estonia is quite successful among the aforementioned competitor states, with an index score close to that of South Korea;, the latter dropped four positions compared to 2005 whereas Estonia rose one position (see Table 3.2.). As we can see from this Table, of the other competitor states, Chile and the Czech Republic were in positions quite close to Estonia, while Latvia and Lithuania were significantly lower, and even further down were Greece and Poland.

Examining the sub-components of the global competitiveness index more closely, we see that Estonia's position differs somewhat by sub-indices—in 2006, in the basic conditions sphere, we are in 30th position, and in the innovativeness sphere in approximately the same 32nd position, and most successful, in 19th position, with respect to the efficiency enhancers. Of the individual indices, Estonia was placed highest in macroeconomic stability and technological readiness (16th position for both), and Estonia's ranked lowest in the health and basic education index (43rd place). The relatively low position resulted primarily from the health indicators, including the spreading of HIV/AIDS , in which Estonia, along with Ukraine and Russia, is among the countries with the most problems.

TABLE 3.1. **THE RELATIVE IMPORTANCE OF VARIOUS COMPETITIVE SUB-INDICES IN THE PHASES OF ECONOMIC DEVELOPMENT**

	Basic conditions	Efficiency improvers	Innovation and sophisti-
Factor-based economy	50%	40%	10%
Efficiency-based economy	40%	50%	10%
Innovation-based economy	30%	40%	30%

Source: Global Competitiveness Report 2006–2007

INNOVATION POTENTIAL. STARTING POSITION FOR MOVING TOWARD THE FUTURE

While the competitiveness index primarily measured the potential for coping at the macroeconomic level, the innovation potential index tries to show how ready one or another country is to use the opportunities necessary to become producers of more complicated, and correspondingly more expensive, products and services and to bind with the increasingly complicated modern technologies. Naturally, all this assumes the corresponding so-called non-technological innovation (creation of new behavioural patterns and processes in companies and in companies' relations with their clients, suppliers, and partner organizations (incl. universities), and more broadly, even social innovation (society must inevitably rearrange its structure, operating systems, and even concepts according to technological developments).

Sometimes, it is thought that going along with innovation is only the concern of highly developed countries and that sensible macroeconomic behaviour will suffice for countries in the catching-up phase. This logic might have been valid for Estonia, for instance in *anno* 1995, but no longer applies to the current Estonia, which is a member of the European Union and has an economy that is becoming more expensive. A survey (carried out by the European Commission) that includes the European Union and the European Economic Area states (Switzerland,

TABLE 3.2. **GENERAL COMPETITIVENESS INDICATORS IN VARIOUS COUNTRIES 2005–2006 (RANKING OF COUNTRIES ACCORDING THE COMPOSITE COMPETITIVENESS INDEX)**

	Global composite competitiveness index			Basic conditions		Efficiency enhancers		Innovativeness		Competitiveness index for companies	
	Score	Place	Place	Score	Place	Score	Place	Score	Place	Place	Place
Switzerland	5.81	1.	4.	6.02	5.	5.59	5.	5.89	2	7.	4.
Finland	5.76	2.	2.	6.10	3.	5.60	4.	5.65	6.	2.	3.
Sweden	5.74	3.	7.	5.95	7.	5.65	2.	5.66	5.	12.	7.
Denmark	5.70	4.	3.	6.15	1.	5.59	6.	5.40	7.	4.	5.
USA	5.61	6.	1.	5.41	27.	5.66	1.	5.75	4.	1.	1.
South-Korea	5.13	23.	19.	5.47	22.	5.00	25.	4.95	20.	24.	25.
Estonia	5.12	25.	26.	5.31	30.	5.18	19.	4.24	32.	26.	24.
Chile	4.85	27.	27.	5.35	28.	4.58	31.	4.22	33.	29.	29.
Czech Republic	4.74	29.	29.	4.89	42.	4.73	27.	4.47	27.	27.	32.
Slovenia	4.54	33.	30.	5.17	36.	4.58	30.	4.18	34.	32.	36.
Portugal	4.60	34.	31.	5.22	34.	4.47	37.	4.14	37.	30.	28.
Latvia	4.57	36.	39.	4.90	41.	4.48	36.	3.74	58.	48.	47.
Slovakia	4.55	37.	36.	4.70	47.	4.56	34.	3.96	43.	39.	40.
Lithuania	4.53	40.	34.	4.80	45.	4.44	38.	3.96	44.	41.	43.
Hungary	4.52	41.	35.	4.54	52.	4.57	32.	4.08	39.	34.	39.
Greece	4.33	47.	47.	4.96	40.	4.18	47.	3.89	45.	40.	49.
Poland	4.30	48.	43.	4.59	57.	4.17	48.	3.80	51.	42.	53.
Venemaa	4.08	62.	53.	4.43	66.	3.91	60.	3.55	71.	74.	79.

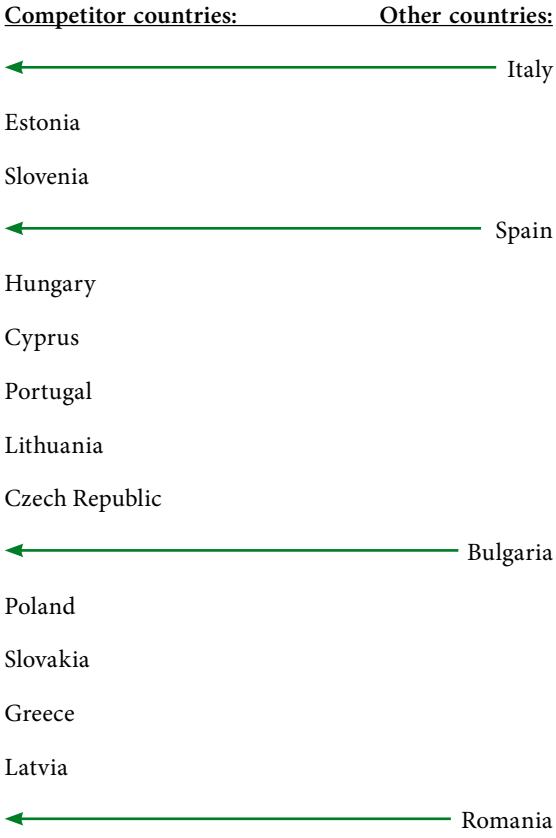
Source: Global Competitiveness Report 2006–2007

Norway, Iceland) has shown that at lower economic development levels (in this case we are talking about relatively low, i.e. low in the European context) the correlations between the general innovation index and economic growth are stronger in case of "ordinary" countries than in most wealthier nations. If the Norwegian economy is growing well while not being very innovative, at least compared to the other Nordic countries, in that case it is harder to find such examples at the lower economic development levels in Europe.

A relatively detailed methodology for the measurement of innovation potential has been worked out by the European Commission Directorate-General for Enterprise and Industry, which consists of seven components: 1. the innovations drivers—various educational indicators, including the proportion of engineering and sciences students of the students' total, as well as the coverage area of broadband Internet connections; 2. the creation of knowledge (R&D costs in the country and other innovation supports); 3. enterprise, especially the innovation activity of small- and middle-sized businesses; 4. a section called application, which includes indicators measuring the proportion of high-technology production; 5. protection of intellectual property (primarily patents); 6. general management and coordination of the innovation system in the country; and 7. domestic market demand (both by companies and the population) for innovative products and services[12].

Unfortunately, the European Commission's methodology for measuring innovation potential has only been applied in few non-European countries (USA, Japan). Therefore Estonia's place in the world ranking cannot be fixed exactly (based on rough calculations, we can assume that it is around 25th), and the table of competitors can only cover Europe.

[12] Here attention must be directed to a previously mentioned fact that measuring more- and less-developed countries with the same measure may be difficult. The patent-related indicators in all the new EU member states were so low and the problems of intellectual property not so topical, that the European Commission decided to ignore the section on "Intellectual Property" when compiling rankings that include both old and new member states.



The European countries with the highest innovation index (2005 data) are Sweden, Switzerland, Finland, Denmark, and Germany.

Certain similarities can be found between this ranking and the economic competitiveness ranking, but we should note that the innovation potential ranking is "more closed" or elitist. Countries with a low economic development level or low HDI level are not to be found in the first part of this ranking. There are no post-Socialist countries in the first half of the innovation ranking of European Union and European Economic Area countries. Ireland, which is called the Celtic Tiger and has shown strong competitiveness in the last period, also lags behind the leaders of European innovation. Of the Asian countries only Japan has any business with a top ranking. Analysts have assessed that convergence can only occur very slowly in the innovation ranking list. The notion of innovation for those at the bottom or even in the middle of the European ranking is very different from the one which the innovation leaders have focused on (so-called strategic innovation, breakthrough technologies). It is true that the general level of innovation activity of enterprises is a continual problem everywhere.

We can view the above as a potential threat for the post-Socialist countries of Europe. It could happen that the stage, where they were closing with the old countries due to low prices of production input and general macroeconomic policies, would be replaced by a period requiring very persistent and long-term work in creating a much stronger base for innovation.

Despite Estonia's relatively good position regarding innovation compared to the other new European Union member states, one can notice two problems. Firstly, Estonia's innovation potential is uneven: along with the strong elements (primarily the indicators in the innovation drivers section and the innovation activity of companies, which is reflected more in modification-type than radical innovation), there is a series of elements and their individual indicators that are just weak. In addition to a low indicator related to patents (which, as mentioned above, were not taken into account "for charity's sake"), one must definitely note the low expenditures related to innovation in the private sector and the low relative importance of the high-technology sector in Estonia's economy. Secondly, as assessed by European Commission methodology, in the last period, Estonia has lost its position in the innovation ranking. This is partially caused by the temporary shrinkage of ICT equipment production in the period under observation. Based on an assessment of the systemized statistics collected by the European Commission, one could surmise that should any of the new member states rise to disturb the peace of the European innovation elite, then it could be Hungary, which has lately shown good innovation-related progress.

ECONOMIC FREEDOM, A BASIC ATTRIBUTE OF INSTITUTIONAL DEVELOPMENT

Of the economic freedom indices, the best known are the indicators compiled by the Heritage Foundation and the Fraser Institute. Both of these have awarded Estonia high places in the top ten list, apparently the highest that Estonia has received in respect to indicators reflecting various aspects of its development.

Contrary to the popular opinion that economic freedom indices only reflect the lowness of taxes and lack of customs tariffs, these indices are somewhat more complicated constructions. For instance, the Fraser Institute index consists of five components—the size of the governmental sector (based on the ideology of the index, a large governmental sector is, of course, interpreted as a restrictor of the economy), the quality of the legal protection structures (especially the protection of property rights), the opportunity to use a reliable/stable currency and the favourableness of legislation in spheres that are of primary importance to businesses, such as credits, labour, etc.

The Fraser Economic Freedom Ranking (as of 2006) starts with Hong Kong, Singapore, Ireland, Luxembourg, Iceland, the United Kingdom, Estonia, and Denmark. Close behind are New Zealand, the USA (NB!), and Australia. Surprisingly, Finland follows close behind, sharing the next position with Canada. Since Hong Kong cannot be considered a country, Estonia is in sixth place.

The table of the competitor countries is as follows:

6. Estonia 1.75

13. Chile 1.88

15. Cyprus 1.90

← Germany 1.96

← Sweden 1.96

20 Czech Republic 2.10

22. Lithuania 2.14

← Japan 2.26

33. Slovakia 2.35

37. Latvia 2.43

41. Hungary 2.44

← France 2.51

43. Korea 2.63

44. Uruguay 2.69

55. Greece 2.80

105. Argentina 3.30

← China 3.34

← India 3.49

← Russia 3.50

The top third of the countries with economic freedom is characterized by the fact that wealthy and developed countries predominate. However, there are some exotic exceptions: Armenia, Salvador, Cabo Verde Islands , and Albania. Contrary to Estonia, these countries are not among the champions of economic growth and their place in the competitiveness table leaves something to be desired. At the same time, the high percentage of countries with an Anglo-American background in the top ten of the ranking is conspicuous. The countries of continental Europe are ranked in the twenties and thirties, and many of the countries that have a good standing in the competitiveness table, for instance China, are classified as economically not free. This indirectly shows that the assessors of competitiveness consider economic growth possible in some conditions even in case of low economic freedom.

Where are the "innovation champions" placed in the economic freedom ranking? The answer is that the Europeans are at the top of the ranking. The Asian countries with strong innovation indices are both at the top of the economic freedom ranking (Singapore[13]) and somewhat lower down (Japan, Taiwan). The picture is more complicated in respect to those that are outstanding in ICT. While the United Arab Emirates can conditionally be included among the countries that are relatively free economically (politically it is certainly not free), one can definitely not say so about Tunisia.

CORRUPTION AVOIDANCE. COMPETITION FOR THE TITLE OF THE MOST HONEST COUNTRY

While the economic freedom index is related to business and economics, the corruption prevention index, while touching on economics, has a considerably wider meaning. At the top of the ranking of this index (data from 2006) compiled by Transparency International are Finland, Iceland, New Zealand, Denmark, and Singapore. Estonia that shares 23rd position shows a good result for a post-Socialist country (the best in Central and Eastern Europe), but definitely not comparable to its positioning in the economic freedom ranking. The gap in ratings between these at the top of the ranking table and others is sufficiently large.

Competitors table:

← France 7.4

Chile 7.3

Estonia 6.7

Portugal 6.6

Slovenia 6.4

← United Arab Emirates 6.0

Uruguay 6.4

Cyprus 5.6

Hungary 5.2

Korea 5.0

Czech Republic 4.8

Lithuania 4.8

Latvia 4.7

Slovakia 4.7

Greece 4.4

← Turkey 3.8

Poland 3.7

← China 3.3

Argentina 2.9

← Kazakhstan 2.6

← Russia 2.5

[13] Doubts have been expressed about Singapore's rating as the most economically free country, because the regulatory role of the state is actually quite strong there in many spheres, e.g. concerning real estate.

One notices that the top of the table is dominated by wealthy countries. The countries with moderate incomes switch into the "competition" around 20th place. The question of whether wealth makes a country honest or honesty makes a country wealthy remains unanswered. What is more interesting is that all the leaders of the innovation ranking table are among the first couple of dozen in the corruption prevention ranking. Apparently, while temporary economic growth can also occur in corrupt economies, the cooperation necessary for the development of innovation and the institutional assistance from the state is only possible in corruption-free societies.

3.2. The role of human capital and institutions in achieving economic growth

TREATMENTS OF ECONOMIC GROWTH

Human development is not just economic growth and economic development; however, successful human development is very hard to imagine without economic development. In the European Union, the economic development level of Estonia, despite its success in the last five years, is clearly in the bottom half. Despite this, optimism still reigns with respect to the future. Different authors suggest various time periods for catching up, but it is hoped that it would not take longer than one human generation. This may be true, but there is no guarantee. The world is full of examples of the persistence of economic and social backwardness. Therefore, Estonia's developmental leap certainly assumes many preconditions and the creation of their suitable combination.

Economic theory has always searched for an answer to the question of what determines a country's developmental potential. Three more important concepts of economic growth can be differentiated:

1. Neo-classical or exogenic growth theory (Solow-Swan)
2. Endogenic growth theory (Lucas-Romer)
3. Institutional economic growth theory (North et al.)

The first of these reduces the issue of economic growth to the existence of the production factors (primarily labour and capital), with changes in labour and technical progress being exogenic parameters in the models. Here, the import of capital is the mechanism that brings faster economic growth to the poorer countries and takes them closer to absolute or relative convergence of income levels. This theory explains the various economic growth rates by country, but not economic growth within a wider system.

The second direction attempts to explain economic growth as a whole within the framework of a theoretical model. While Lucas thinks that the motor for economic growth is investments in human capital, Romer feels it is more generally investments in research and development activities (innovation). In both cases, their growth effect is derived from the positive external effect accompanying the corresponding investments.

One common feature in both growth theories is their macro-economic nature (based on aggregated economic indicators). On the one hand, this allows for the formalisation of the connections and their empirical analysis. On the other hand, however, the actual interests and stimuli of the economic subject are omitted from the examination. It is enough to allude to the relatively modest results of current development aid to be convinced of the fact that **large investments can also turn out to be wasteful if the societal preconditions for development in the form of effective institutions are lacking.** According to North's often-quoted statement, institutions are the stimulating system of society, and therefore, can foster or hinder economic growth. Therefore, any macro-economic growth theory would be left hanging in the air, so to say, if it is not supplemented by an institutional-economic analysis of growth prospects (for instance, see Voigt 2002).

The institutional environment depends on the efficient use of the factors of production (labour and capital). Bad institutions cause large transaction costs and so-called X-inefficiency—not using the factors of production in the best possible way (see Sepp 2006 a and 2006 b for more details, including an overview of the literature).

However, there is no unanimity on the question of which institutions are the best for reducing X-inefficiency. Here, two theoretical courses compete. The liberal theoreticians, who predominate among economists, emphasize the motivational aspects of institutions, and believe that the basic strength of development lies here. The best motivational motor is thought to be competition, although in a world with unlimited information, this alone does not suffice. Therefore, it is understandable that the increase of economic freedom is promoted a fundamental criterion for institutional quality. More socially oriented theoreticians, on the other hand, see the cooperation opportunities of individuals as the fundamental factor in development and emphasize the importance of various networks as communications channels and creators of reciprocal

trust. In general, social capital is described as a developmental factor. Often, social capital is also related to the concept of social cohesion, which in the economic sense means limits to inequality of the incomes of individuals.

Upon closer examination, the two aforementioned trains of thought are not contrary and include many points of contact. The first consists of placing importance on trust as a precondition for development. For liberals, along with contractual freedom, importance is placed on the performance of contracts. Only in situations, where the latter is generally guaranteed with the economic agents being able to rely on this, may one count on the effective operation of free enterprise. Actually, the connection between economic freedom and trust is even broader—**one can only speak of actual freedom when economic agents need not fear attacks on their person or assets** (Gwartney, Lawson 2006: 5). Therefore, the content of the concept of economic freedom is not so much the opportunity to do what comes into one's head, but rather as great as possible predictability, or low risk, for one's activities, including investments. On the other hand, sociologists have demonstrated that economic well-being is connected not so much to local social capital within some group, but rather to the general trust in the society with respect to other people outside one's social group (Allik, Realo 2004). The positions are also not quite contrary with respect to the equality question. In the case of liberals, equal opportunities are at the forefront, while in the socially oriented way of thinking, the end result (distribution of income) is important.

In the empirical analysis presented in this section, institutional development has been approached as if from the macro-level. Institutional development, and its connection to economic development in various countries, has been treated with the help of a comparative analysis of the data. The final objective is to specify Estonia's strengths and weaknesses in the systemic competition of countries, by attempting to **differentiate the indicators of momentary situations from the indicators of developmental potential.**

We rely on the existing data concerning human development and institutional structure. Below, we have treated the latter in two dimensions—with respect to economic freedom and the equality of distribution of income. The former is related to the creation of opportunities for individuals, and the latter to the result of their realization.

One can assume that the two aforementioned fundamental categories are causally related. At least the connection between economic freedom and one component of human development—economic development—is empirically well documented. Of course, indirect, inverse, and circular connections always exist in society, which make the analysis of relations both interesting and complicated.

HUMAN CAPITAL AND ECONOMIC DEVELOPMENT

As we know, the Human Development Index (HDI) used by the UN consists of three components, two of which reflect the fundamental aspects of human capital used by us within the terminology of human capital—health and education. The third component of human development is economic well-being, whose indicator is the calculation of GDP per capita adjusted by purchasing power. The hypothetical causal connection progresses as follows: education > economic well-being > expected life span. Although the three aspects are finally integrated into one index, it can be used as a background to test the validity of the endogenic growth theory through an examination of the connection between human capital and economic development.

Although there is a clear positive connection between these two phenomena, based on both endogenic economic theory and empirical analysis, this is definitely not strictly functional (determinate). Human capital is definitely an important factor of economic development, although its actual effect may be quite different in different developmental periods or in different countries. Barbone/Zalduendo (1996) confirms this empirically for transitional countries. Rajasalu (2003: 13–15) also does not find an unambiguous connection between human capital and economic growth.

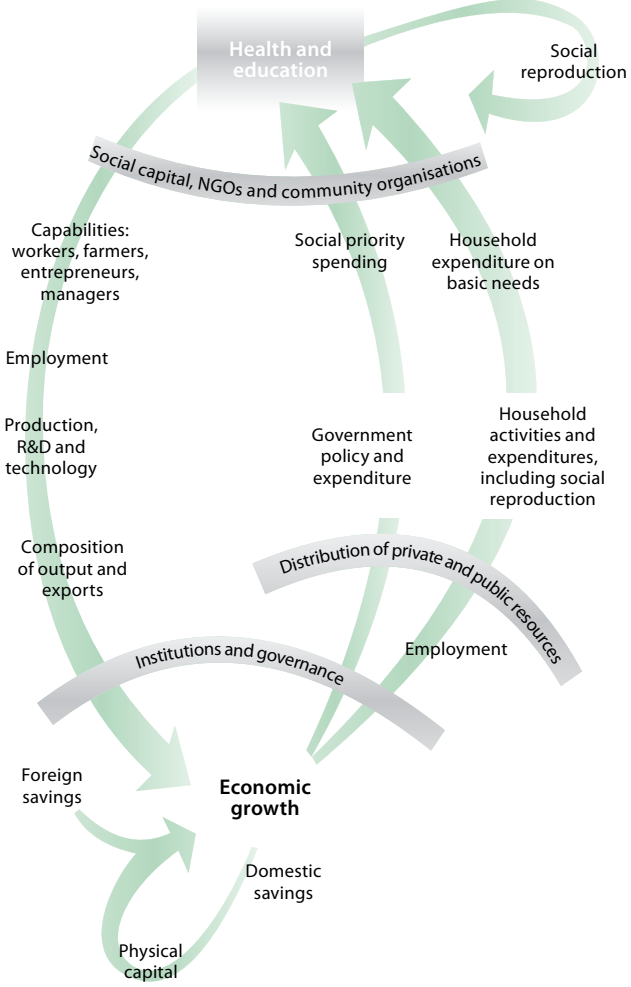
The relatively high human capital of transitional countries may be considered to be the economic growth reserve of these countries. The opportunities for using this reserve depend primarily on the institutional organization of the society. To support this statement, one need only point to Cuba, where, at least according to official statistics, high-level human capital is not realized in economic well-being.

The Human Development Report for 2003 provides a model to illustrate significant relationships, which we think also confirms the aforementioned—the importance of institutions. Namely, the reciprocal effect of the two phenomena is examined as functioning through several filters or catalysts (Figure 3.2.). The restrainers or enhancers in both directions are formal and informal, private and public institutions that direct human behaviour.[14] Therefore, while in some countries, a relatively harmonious process of human development and economic growth appears, in others, one or the other of the developmental factor becomes a restraint. The influence of economic growth on human capital is also formed by private and public decision (policies) regarding the distribution of investments. They too may relatively promote or restrain the increase of human and social capital.

The great influence of institutional factors is also confirmed by the turning point noticeable in the human development dynamics of the transitional

[14] Here one can speak of similar physical and human capital in respect to social capital (vt Erlei/Leschke/Sauerland 1999: 519).

FIGURE 3.2. **THE CONNECTION BETWEEN HUMAN CAPITAL AND ECONOMIC DEVELOPMENT (BASED ON HDR 2003)**



countries in the middle of the 1990s. This is clearly a phenomenon resulting from institutional reorganization. During the first years of the transitional period, suitable institutional frameworks for the effective use of human capital were lacking—the old ones no longer operated, and the new ones did not yet exist. Thereafter the lag behind the old European Union member states has decreased, because the HDI growth has been two to three times faster. New frameworks have enabled the potential of human capital to be realized.

ECONOMIC FREEDOM AND ECONOMIC DEVELOPMENT

The first serious comparative analysis of the direct measurement of economic freedom (by the Fraser Institute) was achieved in the mid-90s. Before that, economists tried to examine the effects of the institutional frameworks of the economy indirectly, by using the spread of democracy as an indicator. Unfortunately empirical research showed that the effect of democracy on economic development was far from unambiguous (see Voigt 2002: 148). The orientation of policies on the median voter, in and of itself, contains the risk of populism. At the same time, one cannot detect a partiality for authoritarian governments, since there the political influence on economics fluctuates at greater intervals. Yet, the economic success of the Asian "tigers" differs from the corrupt African regimes like night and day.

Based on an empirical analysis of relationships, the 2004 Fraser Institute (FI) report has established that

1) in economically free countries, economic growth is faster, investments are larger and productivity is higher;
2) the increase of economic freedom in the 1980s and 1990s has guaranteed faster economic growth in 1980–2000;
3) permanent differences in economic freedoms explain about 2/3 of the variations in GDP per capita;
4) to activate economic growth, the functioning and trustworthiness of property and contractual rights are important.

As far as the Heritage Foundation (HF) index is concerned, numerous studies have confirmed that economic freedoms have a statistically and substantively important connection to economic development—with both the level and growth of the same. Among independent researchers, for instance Erlei/Leschke/Sauerland (1999: 534) have arrived at the regression model, in which the HF index explains half the differences in transnational income levels. The same authors' assessment of the prediction capability of the FI index is lower. It is noteworthy that in both cases, the connection between economic freedom and the income level is non-linear[15]: the effect of economic freedom is strengthening—the higher the level of freedom, the greater is the effect from additional liberalization.

The HF itself has also examined the connections of the dynamics of the phenomena we are interested in: the effect of an increase in economic freedom on economic growth (Table 3.3.). The 2004 report includes an examination of the increase in economic freedom in 1997–2004 and the average growth of GDP in 1995–2002. In the 2005 report, these periods are extended by one year (to 2005 and 2003 respectively). Therefore, the differences in institutional development by country determine the fluctuations in economic growth by about 2% per year.

Estonian economists have also contributed to the research on economic freedom and growth. For instance, unlike the aforementioned works, Rajasalu (2003: 20–21) examined the connection between eco-

[15] Expressed as a quadratic or cubic function.

nomic growth (dynamics) and the level of economic freedom. First, he reached the conclusion that taking the GDP per capita as the base level, a higher level in the HF economic freedom index did not add significantly to economic growth. Upon the differentiated examination of various economic freedom components, he was able to obtain a statistically reliable (although weak[16]) connection with three factors—the assessment of economic freedom in fiscal policies, foreign investments and the financial system. Compared to the results from HF's own analysis in Table 3.3., we can conclude that a positive change in economic freedom provides greater support for economic growth than just a high base level. Economy constantly requires new impulses.

In a similar manner to Voigt, Erlei/Sauerland/Leschke (1999: 537–538) emphasize that the unconditional increase of economic freedom in all directions cannot be an objective. We are dealing with a complex phenomenon, in which excessive development of one component may harm others. The minimization of the size (expenditures) of the state, which may harm other aspects of economic freedom (for instance, law and order), cannot be an objective. For their part, Erlei/Sauerland/Leschke construct a so-called core index from the FI and HF indices' components, which only considered four of the state's most important functions in the stimulation and encouragement of economic agents:

- the guarantee of property rights (based on the HF)
- The freedom of foreign trade (HF)
- Stable currency (FI)
- Equality before the law (FI)

As a result, it was possible to bring the explanation rate for the income differences of countries to 82%.

THE SYSTEM AND EFFECTS OF THE ECONOMIC DEVELOPMENT FACTORS

Hereafter, we will try to specify the effects of some aspects of economic development, **simultaneously considering both production factors and factors related to the institutional environment.** Whereupon, two traits of economic development will be examined separately, namely the achieved income level, measured by GDP per capita, and relative economic growth.

TABLE 3.3. **ANNUAL AVERAGE ECONOMIC GROWTH (%) BY GROUPING COUNTRIES ACCORDING TO THE INCREASE OF ECONOMIC FREEDOM**

Groups of countries Reporting	1 greatest growth of eco-	2	3	4	5 smallest growth of eco-
2004	4.9	3.8	3.4	3.1	2.5
2005	4.8	4.1	3.1	2.8	2.7

Source: HF 2004, 2005.

- In the first case, an attempt was made to specify **the connection mechanism between the income level and factors ,** by differentiating the following as an innovation,

1) isolated and common effects,
2) direct and indirect effects.

- In the second case, **the visibility of institutional effects in in an extremely volatile world of short-term economic growth** was tested.[17]

THE FORMATION OF THE INCOME LEVEL

In researching the formation of the income level, we primarily used two 2005 databases: the Human Development Report offered by the UN[18] and the Heritage Foundation's (HF) economic freedom assessments[19] (thereby, cross-data). Essentially, the data characterizes the situation with a two-year lag—in 2003.

The indicators of income level are measured by the economic component of the human development index, whose formation is explained with the help of three factors:[20]

- The level of human capital is measured as a multiple of the education and health (life expectancy) components of the human development index;
- The measure of the level of economic freedom is deduced as an inverse figure of the HF index;
- The indicator of the level of income equality is deduced from the inequality Gini coefficient (1-GINI).

The correlation is described by Table 3.4. Generally all the indicators under examination are mutually pos-

16 Explained the 13% economic growth by differences between countries.

17 The latter has been questioned by Estonian researchers among others (Lutsoja, Listra, Kerem 2006).

18 http://hdr.undp.org/statistics/data/

19 http://www.heritage.org/research/features/index/

20 All the indicators are standardized at intervals (0;1), i.e. the theoretical minimum is 0 and maximum 1. The empirical basic statistics of the indicators of the data on 120 countries is presented in Annex 1.

TABLE 3.4. **THE CORRELATION MATRIX OF INCOME LEVEL AND ITS FACTORS**

	Income level	Equality	Human capital	Education	Health	Freedom
Income level	1.00					
Equality	0.34	1.00				
Human capital	0.85	0.50	1.00			
Education	0.77	0.36	0.88	1.00		
Health	0.78	0.51	0.95	0.72	1.00	
Freedom	0.73	0.25	0.61	0.49	0.56	1.00

itively correlated–**in wealthy countries, human capital is larger, economic freedom greater, and income distribution more equal.**

At the same time, the following facts are also obvious:

- economic freedom is more closely tied to income level than human capital (0.73>0.61), which allows for the assumption of a positive partial correlation, i.e. a connection assuming equal human capital;
- on the other hand, the indicator of income equality is significantly less closely tied to income level (0.34<0.50), which rather indicates a negative connection assuming equal human capital;
- the integration of education and health into one indicator of human capital is meaningful because the correlation of the combined indicator is stronger than with either component separately (0.85>0.78);
- the positive correlation between economic freedom and equality, (0.25) is minimal, which allows them to be considered as relatively independent factors.

Hereafter we examine two versions of the connection between the income level and its effects:

1) all effects of all the factors are additive and **isolated** from each other;
2) the effect of human capital and economic freedom is multiplicative (**is expressed as a multiple**) and the interpretation assumes that economic freedom is dependent upon the productivity of human capital or income generated per human capital unit. Essentially, this model corresponds to the enhancer concept shown in Figure 3.2. However, the effect of income equality is still examined in isolation.

Firstly, the results show that the assumptions based on the correlation matrix were confirmed:

- In the model with the isolated effects, the influence of economic freedom is positive (0.46)[21] and statistically significant.

On the other hand, the influence of income equality tends to be negative (-0.16), although the statistical significance is not as convincing as with economic freedom;

- The model reflecting economic freedom as an enhancer has somewhat better descriptiveness[22];
- The productivity of human capital, which in the first model was viewed as a constant (0.52), in the second, it is a linear function growing in relation to economic freedom. The productivity of human capital in non-free countries is significantly lower. In the worst case, (the economic freedom index is 0) it is 0.29. In free countries, the productivity is noticeably higher, in the best case, even 0.93. Essentially the first model reflects the average productivity of human capital in countries with varying degrees of economic freedom;
- Interestingly, the improvement of the model's quality is accompanied by a significant increase of the effect of income equality and the negative effect of this factor deepens (-0.19).

Econometric analysis enables us to make an in-depth examination of the effect of the factors that interest us on economic development (achieved income level), to decomposing it. While, **the direct, indirect, and general effect of the factors** can also be differentiated:

- The direct effect is based on the assumption that all **other changes that are inserted into the regression equation are constant;**
- The indirect effect means the **influence of factors through each other.** For instance, if economic freedom promotes the increase of human capital, in that case in addition to the direct effect of economic freedom on income (with constant human capital) a supplemental channel of influence develops through the increase of human capital;
- **The direct and indirect effects together form the general effect of the factor.**

The general effect of factors can be found in a double regression equation, which only contains the factor that specifically interests us. However, the direct effect appears from the equation, into which other factors under examination have also been inserted. The difference between direct and general effects is characterized by an indirect effect appearing by way of other factors.

[21] Here and hereafter this is a regression coefficient, which shows how many income index units are added to per one unit of change in the factor index.

[22] Based on the adjusted determination coefficient.

We will illustrate the aforementioned with an impact analysis of (economic) freedom and (income) equality. In the examination of indirect impact, we will confine ourselves to the impact achieved **through human capital.** The mutual impact of freedom and equality may be discounted due to their limited correlativity.

We will again examine two income level models. In addition to the direct effects of freedom and equality on the addible model, which we have previously examined, **the model showing general effect, in which the human capital indicator has been omitted,** is also interesting and the regression coefficients of the institutional environmental factors are also reflected by the influence expressed by human capital.[23] The effect of both factors here is positive and statistically significant[24]. Both income equality, as well as economic freedom, appears to be beneficial to income level. Therefore, it seems at least that a discrepancy develops with the earlier model (1) with respect to the effect of equality. The **negative effect of equality** (-0.16) **is here replaced as an absolute value by an even greater positive effect** (0.31). The effect of freedom has also changed significantly—the positive effect has essentially doubled (0.46 and 0.96 respectively).

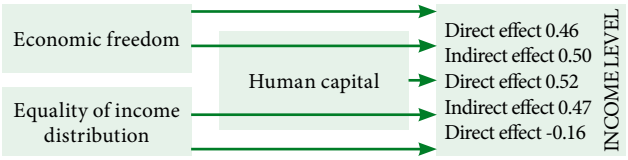
The difference is related to the **effect of freedom and equality on human capital.** In the former model, human capital is examined as a separate income factor, in the latter it is not. Therefore, the former is characterized by the direct effects of freedom and equality (in the case of constant human capital), the latter, however, by general effects, including those formed through human capital.

A concrete empirical connection between human capital and the factors that are interesting to us are shown in Annex 9. There the measures of both institutional structures turn out to be positively related to the size of human capital as expected and the extent of the influence is more or less the same. **An increase in the freedom and the equality index is accompanied by an almost equal increase in the growth of the human capital index.**

The indirect effect of equality and freedom in the income level (by promoting the level of human capital) can now be found as follows:

- equality: general effect – direct effect = 0.31 – (-0.16) = 0.47
- freedom: general effect – direct effect = 0.96 – 0.46 = 0.50

FIGURE 3.3. **EFFECTS OF INCOME LEVEL FACTORS**



This is a significantly positive effect on income level, which

a) generally, totally neutralizes the negative direct effects of equality, and

b) essentially, doubles the positive direct effect of freedom.

Figure 3.3. illustrates the above.

Naturally, the positive effect of equality and freedom on human capital and the indirect effect on economic development accompanying it are not automatic. This is still a stochastic connection. Therefore, direct effects should also be kept in mind. Based on the example of equality, one can say that only if the equalization of income in the specific country is truly accompanied by the improvement of human capital (education, health), can one generally ignore the accompanying negative direct effects. In this case, one can say that **the rise of the human capital's capability to generate economic well-being compensates for the decrease in motivation in the society accompanying equalization.**

FORMATION OF ECONOMIC GROWTH

When explaining economic growth, investments are central to traditional growth theories. In convergence theories, slower growth is often explained by a higher base level, in which case, the so-called beta-convergence is spoken of. At the same time, institutional advocates emphasize that it is the quantity of formal and informal norms that are directing the economy, the quality of the latter often being characterized by the level and/or dynamics of the achieved economic freedom.

Hereafter, we will examine the effect of the aforementioned factors within the framework of one model, which is assessed on the basis of World Bank panel data on 140 countries during 4 years (2001–2004)[25]. In total, 560 observations were used. In this model, the annual economic growth (%) depended upon the income level

[23] It is true that some portion of the general effect is still left out, namely what effect freedom has on income level by way of equality, and also the possible effect of equality on income level by way of freedom. However, the given institutional factors have relatively little correlation (r=0.25), and this simplification can be considered insignificant. Furthermore, it is relatively difficult to find a dominant direction of causality in the relationship between freedom and equality.

[24] The equation explains 55% of total variation of income level.

[25] http://devdata.worldbank.org/data-query/

TABLE 3.5. **CORRELATION MATRIX OF ECONOMIC GROWTH AND ITS INFLUENCING FACTORS**

Indicator	Economic growth	Base income level	Investments	Base economic	Change in
Economic growth	1				
Base income level	-0.24	1			
Investments	0.33	-0.02	1		
Base economic freedom	-0.15	0.78	-0.04	1	
Change in economic freedom	0.13	-0.04	0.04	-0.14	1

TABLE 3.6. **PROJECTIONS OF ECONOMIC GROWTH (%) IN EXTREME COUNTRIES**[26]

Economic freedom		Non-free: v(-1) = 0		Free: v(-1) = 100	
Poor: lnY(-1) = 5	**Consuming: i=10**	2	3.5	5	3.5
	Investing: i=50	10	11.5	13	11.5
Rich: lnY(-1) = 10	**Consuming: i=10**	-2	-0.5	1	-0.5
	Investing: i=50	6	7.5	9	7.5

from the previous year [27] (% GDP) and the base level of the economic freedom index that had previously been used (from the previous year), as well as the changes in the index in the given year (%).

The basic statistics of the variables are shown in Annex 9. and the correlation matrix is shown in Table 3.5. The connections are relatively weak, except between the base income levels and economic freedom (r=0.78). Confirmation is received for the negative dependence of economic growth on base development levels or a beta-convergence (-0.24).[28] A greater effect (0.33) on economic growth is manifested by the level of investments, which somewhat surprisingly, practically lack any connection with the other variables under consideration.

The results of the regression analysis are also characterized by Annex 9.[29] For a more understandable presentation of the results, we have grouped all the countries into two categories based on the characteristics examined. Table 3.6. shows **economic growth in the countries considered extreme by every characteristic.** In the case of changes in economic freedom, it has been taken into account that the situation cannot improve in totally free countries nor worsen in totally non-free ones.

The prognosis of economic growth fluctuates from 2% to 13% by country. Theoretically, the outlook for the worst economic growth, or rather for economic downturn, exists in the rich, consumer, stable, non-free countries, although such countries do not exist. On the other hand, the **best prospects for free economic growth exist for investing countries with low base levels and stable economies** (for instance, Estonia), where annual growth of up to 13% can be counted on. Generally, the level of investment activity has the greatest effect, on which actually about 8% of economic growth depends. This is followed by the base level of economic development with 4%, and the level of economic freedom and development—both 3%. Strikingly, growth projections are similar in non-free, progressing and free, as well as regressing economic systems.

[26] Notations correspond to Annex 2.

[27] In a logarithm form.

[28] The latter apparently causes a negative connection between the economic freedom base and economic growth.

[29] All the factors turned out to be statistically important. The model describes 18% of the variation in general economic growth and assigns the F-criterion a value of 31.

3.3. Digital opportunities as a developmental factor

During the last 10 to 15 years, information and communication technologies (ICT) have been considered as almost the most important development engine, both in the development of economies, and more broadly, of societies. In the case of the former, there has been somewhat exaggerated talk of the arrival of a so-called new economy, and in the case of the latter, metaphors have been used, which run from a democratic global digital brotherhood to a "netocracy". During our re-independence period, ICT has also been considered as one of the fundamental components of the image of Estonia as a developmental champion - starting with the school-related Tiger's Leap program, the introduction of electronic services in banking and the Tax Board administration and ending with the Skype craze and e-elections. Meanwhile, the understanding is quite superficial of how, on the one hand, the utilization of ICT affects development and, on the other hand how various conditions, primarily social ones, affect the use of ICT.

In the next section, we will examine four aspects related to ICT problems. Firstly, we will look at the connection between ICT and Estonia's general competitiveness. Then, the population's access to digital opportunities will be compared with other countries. Thereafter, we will examine in more detail, which people in Estonia use the Internet and how they use it. In conclusion, we will provide an overview of the dynamics of Estonia's course of ICT development and problems and opportunities characterising the various stages of that development.

ICT IN THE CONTEXT OF A COUNTRY'S COMPETITIVENESS

The level and use of ICT are factors, which all constructors of general competitiveness indices have tried to insert into the composition of these indices in one way or the other. As we described above, one of the most interestingly constructed competitiveness indices is the World Economic Forum's Global Competitiveness Index (GCI), whose distinctive feature is that the importance level of the different components can be shown at the various stages of a country's development. As can be seen in 3.7., the authors of the GCI have inserted the ICT indicators into the seventh, "technological readiness" component of the index, along with the indicators characteristic of technological transfer and the use of foreign investment. In this context, the use of ICT is interpreted as a factor helping to increase effectiveness. The preconditions for coping in an innovation-based economy are not directly reflected in the indicators on ICT use, such as Internet connections and the existence of computers, but in the complexity of production processes, the nature of the value chain, cooperation between universities and businesses, business R&D expenditures, etc. It can be

TABLE 3.7. **ICT AND ITS ASSOCIATED COMPONENTS IN THE COMPOSITION OF THE COMPETITIVENESS INDEX. ESTONIA'S POSITION IN 2006**

Index compo-	Description of component	Estonia's
Basic conditions		
Institutions	Ethics and corruption in the public sector, guarantees of property rights, governance efficiency, crime rate, corporate governance quality, business ethics etc.	30.
Infra-structures	General infrastructure quality, railway, ports, energy sector infrastructure, **communications infrastructure**	30.
Macro-economy	Government deficit/surplus, savings rate, inflation, interest rates, government debt, exchange rate etc.	16.
Health and basic education	Life expectancy, infant mortality, presence of diseases e.g. malaria, tuberculosis, HIV/AIDS, primary school dropouts %	43.
Efficiency enhancers		
Higher education and training	Education quantity: percentage of secondary and tertiary education; education quality: **quality of math and science education**, business schooling quality; in-house training: availability of specialised training and research at local level, extent of employees' training.	23.
Market efficiency	Economic legislation efficiency, tax level and efficiency, ease of entrepreneurship, competition level, low market access barriers, no restrictions to foreign investments, flexibility of labour market, employer-employee relations, management efficiency, quality of money markets functioning, etc.	25.
Techno-logical readiness	Firm-level technology absorption, **laws relating to ICT**, FDI and technology transfer, **use of the Internet and computers**	16.
Innovative economy factors		
Business complexity	Quality and quantity of local suppliers, complexity of production process, control over international marketing of production, nature of competitive advantage, presence of value chains, etc.	35.
Innovation	**Quality of research institutions, enterprises' expenses on R&D, research cooperation between universities and industry, public procurement of high-tech products, availability of researchers and engineers, product patents, intellectual property protection etc.**	30.

Source: Global Competitiveness Report 2006–2007

stated that it is these factors that create the context in which ICT use, which per se, is a very significant factor in innovation-based economies, becomes a component of innovation-based economies.

Based on this, if computer use in Estonian businesses is directed at relatively elementary operations (like e-mailing, word processing, simple information searches) and the functionality of the population's computer and Internet use is not especially high (more about this in clause 3.3.), in that case we definitely cannot extract the maximum from the relatively good level of formal indicators for ICT use. This can create significant problems in the next stages of development.

The disproportionate development shown in the table according to various indicators may hamper our progress in the growth of human development as well as in making use of specific ICT opportunities. Today, we are successful with respect to ICT-based infrastructure (which is demonstrated by the good position in the technological readiness section). However, we are considerably less successful in the utilization of technological readiness. These indicators can be considered to be the economic index and education-related sub-indexes. Today, we may still have the opportunity to push the development of Estonia as a country by contributing to technology, but, if we lack a healthy population with a good education, successful technology indicators are of no use. While a strong infrastructure is of great significance, both the content of the infrastructure, and the method of using the opportunities provided are increasingly important. Firstly, we will treat this question based on two indices characterizing ICT use, and thereafter, we will concentrate more specifically on an analysis of the use of digital opportunities.

NETWORK READINESS

The readiness of the society and economy in the broadest sense to use the opportunities offered by ICT is measured by the network readiness index constructed by World Economic Forum. The index measures both the existence and level of the stakeholders (the stakeholders in this case are the business world, government, and population) in the country related to the utilization of ICT, the actual readiness of the stakeholders for ICT use, as well as the existence of the corresponding macro-economic and legal environment. According to the network readiness index, in 2005 Estonia was in 23rd place in the world (if Hong Kong and Taiwan are not considered). Therefore, its position is approximately the same as in the general innovation index. Intuitively, one could assume that thanks to the success of the Tiger's Leap from the 1990s, Estonia should be better with respect to network readiness than the general innovation; we should also consider whether we have lost momentum in our ICT-related development in the latest period.

The ranking of network readiness in the world is led by Singapore, Iceland, Finland, Denmark, and the USA.

Among the competitor countries, Estonia would have the following position with respect to network readiness:

20. Ireland
21. United Arab Emirates
22. Korea
23. Estonia
25. Malaysia
27. Spain
28. Portugal
29. Tunisia
30. Slovenia
33. Chile
35. Cyprus
36. Hungary
37. India
38. Czech Republic
39. China
40. Greece
41. Lithuania
43. Italy
46. Slovakia
54. Latvia
60. Russia
62. Uruguay
70. Poland
74. Argentina

As we can see, networking in southern Europe, and especially Latin America, is not progressing well.

Compared to the ranking of the general innovation index, it seems that the network readiness ranking is more open. Although all the developed countries are located in the top third of this ranking, some "come-from-behind" countries can also be found there: United Arab Emirates, Tunisia, and actually, also Estonia. Apparently, progress in ICT utilization is probably possible from a narrower base and with smaller expenditure, than raising the general innovation potential of the economy. Simultaneously, it provides important input for other indices, be they the innovation index or general competitiveness index.

The promotion of networking per se, as well as innovation is a somewhat narrowly focused activity compared to increasing the general institutional quality of the functioning of the economy and society. However, this quality is apparently a general background, which contributes to very different directions of development.

PEOPLE'S ACCESS TO ICT – DIGITAL OPPORTUNITY INDEX

The Global Information Society report of the International Telecommunication Union (ITU) measures the state of information society with the Digital Opportunity Index. Compared to the previous index, it has the distinctive feature of placing a greater concentration on the country's population as consumers. The components of the index are divided in three: opportunities—access and affordability; infrastructure—networks and resources; use—assesses the extent of ICT use.

Such an index allows for an assessment between two roads to an information society—by traditional fixed-line networks or mobile phone networks. According to the index, Estonia is in a relatively good position with respect to opportunities, although both the infrastructure and the use of components need development.

The use of both the Internet and mobile phones has developed very quickly in Estonia. As we can see from Table 3.9., Estonia is among the top ten countries in Europe with respect to the coverage of both means of communications. The proportion of Internet users in the population in February-March 2006 was at the same level as Great Britain and Belgium, and only lower than in the Netherlands, Nordic countries, and apparently the USA (The table has only data for the US from 2004). The increase of new Internet users is now slowing down in Estonia, concurrently with a rapid increase in the proportion of home computers and home Internet connections.

EXTENT AND DIVERSITY OF INTERNET USE

In the case of digital opportunities and technology development, it is an essentially narrow approach if the basic factors examined are that of Internet use, and access to various technologies.

Internet use is examined as a homogeneous phenomenon that increases the quality of life for all users. However, if we examine the nature of Internet users, we see that quite large differences exist between various user groups.

Hereafter, we examine Internet use and the nature thereof by age, education, and income. The rate of Internet use is also calculated by various indices, but in order to assess to what extent ICT use changes people's quality of life, it is also important to examine what people do with the Internet. By differentiating Internet use by different uses, we see that Internet use

TABLE 3.8. **ESTONIA'S SCORE BY GROUPS OF COMPONENTS OF THE DIGITAL OPPORTUNITIES INDEX**

Coverage of mobile phone networks (% of the population that is covered)	Opportunities 0.98	Digital Opportunity Index 0.63 (20th place in the world and 11th place in Europe)
Monthly Internet fees, as a % of average income		
Monthly mobile phone fees, as a % of average income		
% of households with an ordinary phone	Infrastructure 0.47	
% of households with a computer		
% of households, who have an Internet connection at home		
% of the population, who have a mobile phone		
% of the population, who have mobile Internet		
% of the population, who use the Internet	Use 0.44	
Ratio of Internet users and broadband users		
Ratio of mobile Internet users and mobile phone users		

Source: World Information Society Report 2006

per se need not provide all users with the same benefit.

The types of Internet use in the given analysis are *the versatile user, user oriented towards communications and entertainment, pragmatic work- and information-related user, user oriented towards entertainment and family information, public and practical information user, and infrequent user.*

The *versatile user* (10%) is the user type who knows how to make versatile use of the different services and information offered by the Internet. In addition to the information, entertainment, and communications environment on the Internet, the environment for purchasing and gathering information necessary for making purchases is important for this user type. The main spheres of Internet use for the *user oriented towards communications and entertainment* (18%) are related to communicating with a relatively narrow group of people and entertainment services. Concerning communications channels, one of the most important are instant messaging technologies, such as MSN. In addition, this user group is interested in forums and other public communications channels, online games, Skype, Internet radio and television. The *pragmatic work- and information-related user* (19%) primarily concentrates on using work-related and study information through the Internet and e-mail use. The *user oriented towards entertainment and family information* (14%) is a user type, for whom it is especially important to increase the quality of life for him/herself and his/her family members with information from the Internet, by searching for a better job, home, as well as information on health, relation-

TABLE 3.9. **INDICATORS OF THE DEVELOPMENT OF INFORMATION TECHNOLOGY IN VARIOUS COUNTRIES 2004–2006**

	Mobile use per 100 residents in 2005	Internet			Personal computers per 100 residents in 2004	Broadband connection subscribers per 100 residents in 2004
		Addresses per 100 residents in 2004	Users per 100 residents			
			2004	2006*		
Finland	100	2215	63	72	48	15
Sweden	93	1467	75	81	76	15
Norway	103	1918	39	?	58	15
Denmark	101	2682	60	79	65	19
Germany	96	366	43	55	48	8
Great Britain	102	698	63	62	60	11
France	79	386	41	53	49	11
Italy	123	282	50	45	31	8
Estonia	109	486	51	63	47	9
Latvia	81	259	35	50	22	2
Lithuania	127	274	28	42	15	2
Poland	76	71	23	44	19	2
Czech Republic	115	377	50	55	22	1
Slovakia	84	227	42	43	30	1
Hungary	92	479	27	34	15	4
Slovenia	89	270	48	52	36	3
Bulgaria	81	85	16	?	6	0.2
Romania	62	23	21	?	11	0.4
Russia	84	59	11	?	13	0.5
Ukraine	37	27	8	?	3	?
USA	68	6645	63	?	76	13
Japan	74	1287	50	?	54	15
China	30	1	7	?	4	2

Source: World Information Society Report 2006

Eurobarometer 251, The Future of Europe

** Has used the Internet during the last 6 months, Eurobarometer data, a survey among European Union citizens aged 15-74.*

ships, and child rearing. This type of user also uses entertainment and communications channels provided by the Internet. The *public and practical information user* (21%) primarily uses the Internet as a large library or telephone book. The *infrequent user* (18%) is not characterized by any particular activity group. They are characterized more by the lack of any specific style of use or using a style in the formation stage. Infrequent users are often people who have just recently started to use the Internet and have not yet developed clear interests. Furthermore, they often have less access to information and communications technologies.

Age, educational level, and income are the characteristics that most clearly affect the use or non-use of the Internet. In Estonia, the gender-related differences have almost disappeared, while age-related differences continue to be large. It is obvious that, as a result of state policies, use among 15- to 19-year-olds is practically at its peak, while an especially sharp drop occurs at the pension age—among over 65-year-olds, of whom only 12% are Internet users.

When viewed by educational level, it is apparent that people with higher education are greater Internet users.

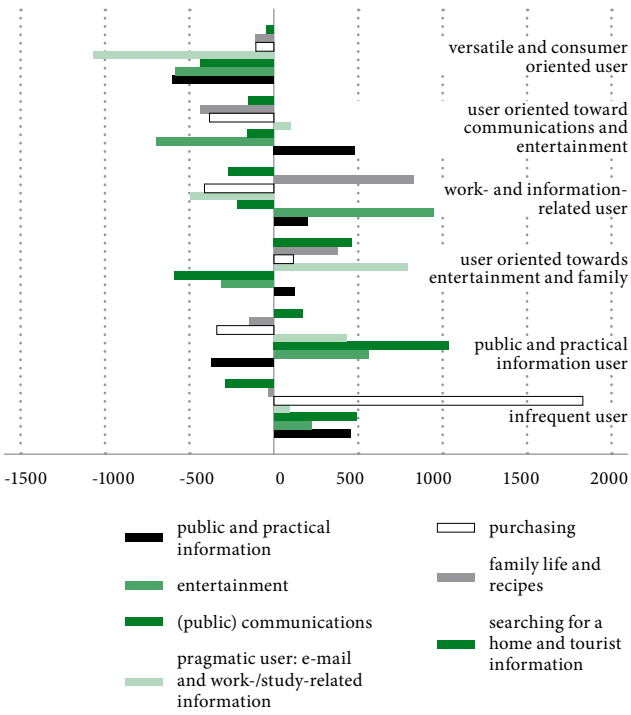
Differences among the types of Internet users can also be noticed. The greatest number of communicators is among the youngest age group while the least is among those over 55. This is apparently true because the primary communicators, the young, are still stud-

ying, and the group also includes the largest number of people with less than secondary education. The versatile user is represented in all age groups, but slightly more among the younger groups. Work- and information-related use is characteristic of working-age people and those with higher education. Family-oriented use is most popular among 30- to 44-year-olds, apparently because the quality of family life is most important at this time. Information use is highest among the older age groups and among people with higher education. There are more infrequent users among the older age groups, but this is also apparent among those with secondary education.

What income level is critical with respect to the intensity of Internet use? In the table, the first "threshold" is between the third and fourth income group. In the population group that earns more than 4,000 kroons per family member the increase in the proportion of Internet users is almost 15 percentage points as compared to those earning less than 4,000 kroons. However, for those earning more than 6,000 kroons per family member, Internet use is characteristic of more than 90%.

By income group, the largest number of versatile users is in the highest income group. Slightly more communicators and infrequent users exist in the lower income group. Work-related use is characteristic of those with incomes of more than 4,000 kroons. More entertainment and family information users can be found in middle-income groups.

FIGURE 3.4. **TYPOLOGY OF INTERNET USERS (INTENSIVENESS OF DIFFERENT TYPES OF USE, VARIANCE WITH THE AVERAGE)**



Source: Pruulmann-Vengerfeldt 2006

TABLE 3.10. **INTERNET USE AND USER TYPES BY AGE AND EDUCATIONAL LEVEL**

% of population group	Age						Current educational level			Total
Do you use the Internet?										
Yes	97	89	80	63	41	12	47	66	84	66
No	3	12	20	37	59	89	53	34	16	34
Types of Internet users										
Versatile user	12	15	10	7	3	5	15	9	10	10
User oriented towards communications and entertainment	56	27	6	4			43	18	8	18
Pragmatic work- and information-related user	8	24	20	21	15	5	4	16	31	19
User oriented towards entertainment and family information	12	13	18	15	8	10	15	18	8	14
Public and practical information user	7	10	26	25	47	41	9	15	37	21
Infrequent user	5	11	21	28	27	40	14	24	7	18

Source: University of Tartu, Department of Journalism and Communications, 2005

TABLE 3.11. **INTERNET USE AND USER TYPES BY INCOME GROUPS (%)**

Income per family member	... – 1500	1501–2500	2501–4000	4001–6000	over 6000
Do you use the Internet?					
Yes	59	56	59	74	91
No	41	44	41	26	9
Types of Internet users					
Versatile user	6	7	11	10	18
User oriented toward communications and entertainment	22	20	16	15	19
Pragmatic work- and information-related user	14	16	14	25	23
User oriented toward entertainment and family information	1	21	18	8	9
Public and practical information user	10	13	21	28	26
Infrequent user	29	23	21	15	6

Source: University of Tartu, Department of Journalism and Communications, 2005

The analysis by income group shows that in the case of the lower income group, people are more oriented towards entertainment and infrequent use. This implies there is relatively less Internet use that would be beneficial to improving the organization of people's lives. Therefore, although we tend to view ICT use as improving the quality of life, today stratification among Internet users can be noticed by activity. Such a stratification tends to perpetuate the differences that exist outside ICT usage, rather than overcome them.

The increase in the formal indicators of ICT use need not be accompanied by a leap in societal development, or an increase in people's well-being. What the Internet is essentially used for is important. A macro-approach is appropriate for inter-country comparisons, but it is insufficient for the analysis of the domestic situation. Therefore, we have added an analysis of various usage practices to this chapter, which shows that the similar differences that exist in the use and non-use of the Internet can be found in the different types of use.

In order to understand what benefits people received from the application of information and communications, it is necessary to analyze various usage practices. Versatile use and communication- or information-oriented use differ in many aspects and the more ingrained one usage practice is, the more the benefits received from other usage practices may be discarded.

ICT development and introduction should be based on strategic thinking which takes the social meaning of various usage methods into consideration.

Analysis shows (Lauristin 2004; Runnel & Pruulmann-Vengerfeldt 2004; Pruulmann-Vengerfeldt 2006) that the extent and character of Internet use is one of the most significant factors of social stratification and various lifestyles, important criteria and indicators of social success. In addition it is one of the most important factors shaping the resources and potential of development.

From the standpoint of people's well-being, Internet use cannot be viewed as a marginal activity for the chosen few, but as time goes on, more efforts must be directed at raising the versatility of Internet use. This can be done by expanding the activities of the people who already know how to use the Internet to some extent with services that improve the quality of life in a diversified way. One important opportunity is to expand the existing services, with services offered by the state and local governments, as well as the private and third sector, while informative activities are also very important.

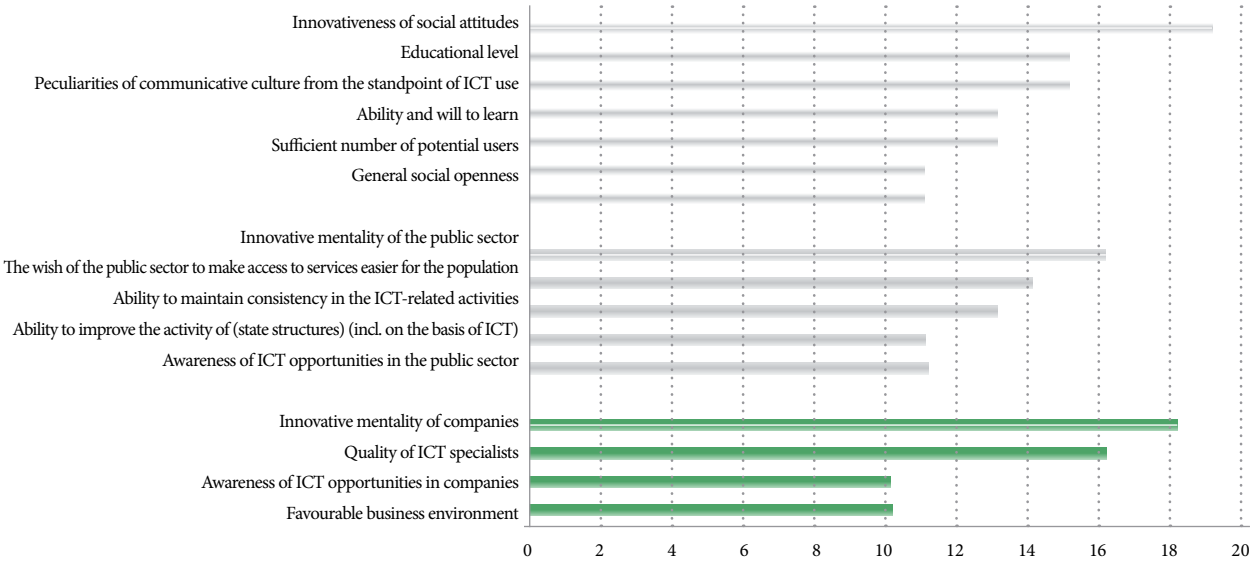
The presentation of Estonia's current ICT-related success is often more successful among foreign decision-makers than among local residents. Thus, many services offered by the state, which already exist today, are not used much because too few people know about them. There is a lack of user-friendly materials that direct people's attention to what can be found on the Internet, because, given the situation where millions of new websites are opened every day, one must understand that not only Estonian-language sites are vying for the people's attention.

Thus, it is important to educate young people, whose Internet use today is directed primarily at communicating and entertainment, about how to be a full-fledged citizen with the help of the Internet, by raising their awareness of the information and services provided on the Internet. Working-aged people, whose Internet use is centred on information, should be shown how to use various services via the Internet. The Internet will not fulfil its potential for overcoming stratification until poorer and less-educated residents have the expertise and competence to use what is provided on the Internet to improve their lives.

DYNAMICS OF ESTONIA'S ICT DEVELOPMENT. RESULTS OF EXPERTS' SURVEY

In 2005, Estonia's Futures Studies Institute carried out a survey among experts (the sample of respondents included both IT specialists and social scientists, who in one way or another had come in contact with ICT-related topics). The survey attempted to clarify what Estonia's success in ICT development is based on, explained the trends of change, factors that can be counted on in the future, and problems that need to be solved in order to continue the current success story.

FIGURE 3.5. **THE MOST IMPORTANT FACTORS THAT HAVE HELPED ESTONIA ACHIEVE SUCCESS IN THE ICT FIELD DURING THE LAST TEN YEARS**



Source: Estonian Institute for Futures Studies (EIFS)

The factors that manifested the influences, included on the experts' questionnaire, can be divided into social, economic, and organizational/institutional factors[30]. In the drawing below these factor groups are marked in different colours.

SUCCESS FACTORS TO DATE

Somewhat surprisingly, it became clear that the respondents thought the most important factors, (whose existence has **helped** Estonia to **achieve success** in the ICT field in the last ten years) have been those related to social dimensions, followed by those of an institutional nature, while the fewest saw the reason for success in economy-related factors.

Figure 3.5. shows the most important success factors in each potential chosen by the respondents.

With respect to social potential, the respondent felt that the greatest success factor was the innovative social attitude, which also received the most emphasis from the respondents in comparison to the elements of the other potentials. Along with social attitudes, the most important success factors were sufficient educational level and the peculiarities of Estonia's communicative culture from the viewpoint of ICT use (i.e. individualism, desire to communicate from a distance).

In the case of institutional potential, the respondents highlighted the innovative mentality of the public sector and its orientation towards developmental activities; this was followed by the desire of the public authorities to simplify the accessibility of services and to preserve the consistency of ICT-related activities (upon the rotation of the political cycles).

With respect to the economic dimension, the innovative mentality of business predominated, and this was followed by the quality of ICT specialists, and third, with an equal number of votes, by the favourable business environment for businesses and the introduction of ICT opportunities in companies.

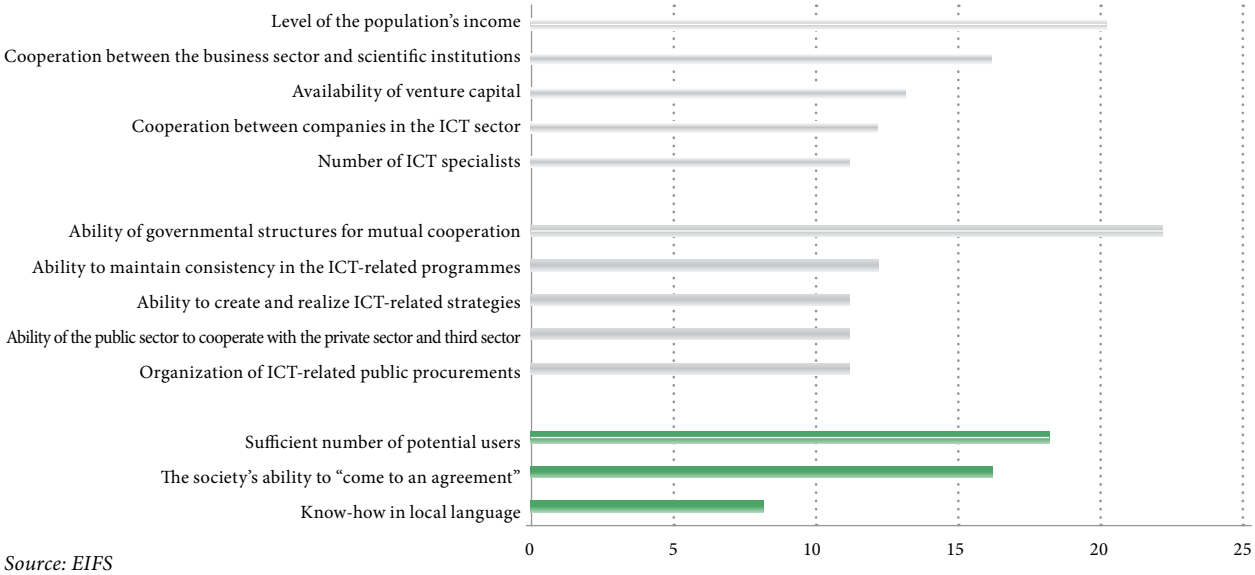
In addition, the respondents highlighted such specific factors as the innovativeness of banks' ICT policies, the early de-monopolization of the telecommunication sector, market liberalization, openness of the ICT sector to free competition. It was also noted that a strong push was apparently provided by the deficiencies of the earlier structures—in other words the development of ICT infrastructure in many spheres took place hand-in-hand with the development of basic infrastructure (e-banking along with banking generally, e-administrative structures with the creation of the new administrative system in general, etc.). Special emphasis was placed on the importance of enthusiastic entrepreneurs and the generally high motivation of the society.

WHAT HAVE BEEN THE HINDRANCES TO DATE?

In the case of hindrances, the logic is opposite to that of the success factors. The greatest obstructions have been factors related to the economic dimension, which are followed by institutional potential, and finally, after quite a large gap, by social potential.

[30] The latter primarily includes activities related to the introduction of ICT in state institutions, the environment (for instance, legislation), and ability of companies to cooperate among themselves and with the government. Therefore, the term "institutional" as used in this sub-chapter is slightly narrower in meaning than above.

FIGURE 3.6. **IMPORTANT FACTORS, WHOSE EXISTENCE HAS HINDERED THE ACHIEVEMENT OF SUCCESS IN THE ICT FIELD IN ESTONIA DURING THE LAST TEN YEARS**



Source: EIFS

Figure 3.6. shows the most important factors, chosen by the respondents, which hinder ICT development in each potential.

With respect to economic potential, the respondents feel that the greatest hindrance has been the income level of the population, which was followed by the insufficiency of cooperation between the business sector and educational institutions. Practically to the same extent, the lack of risk capital as well as the insufficiency of mutual cooperation within the ICT sector (domestic ICT cluster) proved to be a serious obstacle.

With respect to institutional potential, the respondents think that the greatest hindrance is the capability of various governmental structures for mutual cooperation (the greatest number of votes by potential). This is followed by the ability to maintain the consistency of ICT activities (despite political cycles). Insofar as the same factors were mentioned as success factors, then one possible interpretation is that the respondents have assessed consistent activities based on various moments in time. A hindering factor, mentioned almost as often as consistent activities, was the insufficient ability to work out and realize ICT-related strategies, development plans, etc. The poor organization of ICT-related public procurements, the meagre cooperation capability of the private and third sector, and the inadequacy of culture in this field, were also mentioned. The last factor deserves special attention, since various surveys[31] have quite often connected Estonia's ICT success to the fact that many things have been achieved in cooperation between the public, private, and third sector.

HINDRANCES IN THE FUTURE

Assessing the factors that **may become hindrances** to Estonia's progress in the next five years in becoming a successful ICT society, it appeared that the greatest fear is the inhibitory effect of economic factors in the future, along with institutional inability.

Figure 3.7. shows the most important factors chosen by the respondents that may hinder ICT development in each potential during the next five years.

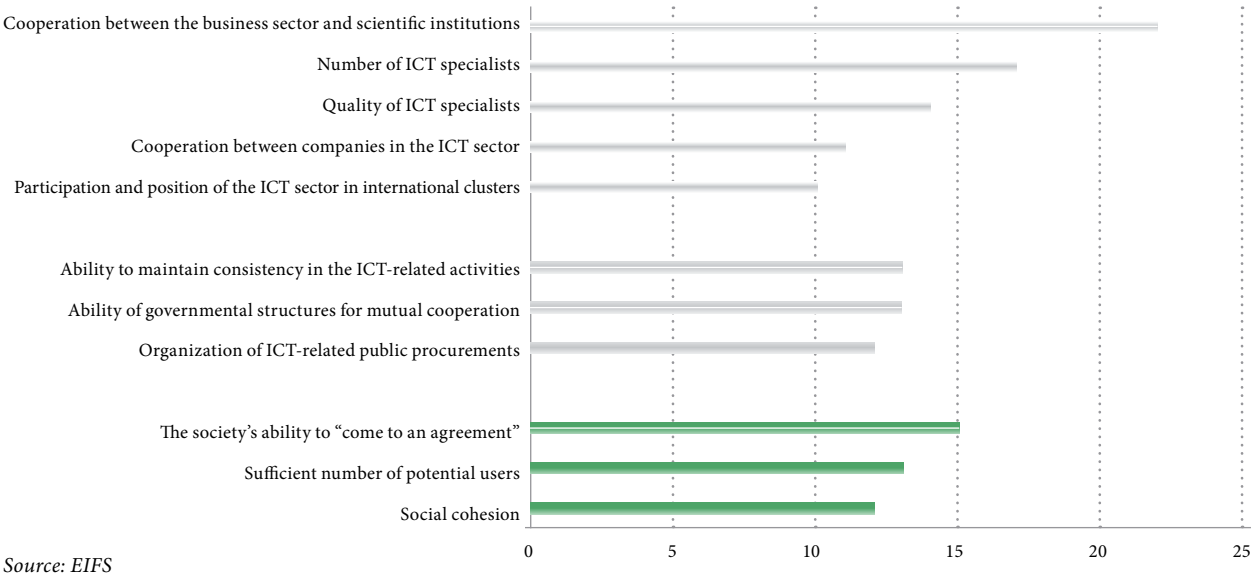
The respondents feel that, among the factors of economic potential, insufficient cooperation between the business sector and educational institutions will continue to hinder ICT development. The problems related to ICT specialists will also remain—in addition to the number of specialists (which was also noted as an inhibitory factor in the case of development during the last 10 years), it is thought that one of our current success factors, the quality of ICT specialists, may drop.

On the institutional side, the meagre cooperation of governmental structures may continue to be a hindrance, but one of the current success factors—the ability to maintain consistency of ICT activities (despite political cycles) may be just as important. The organization of ICT-related public procurements may also continue to inhibit development.

With respect to the social dimension, the respondents believe that future development may be hindered by the ability to "reach agreement" (that ICT-based development is a priority) as well as the number of users. In addition, the insufficiency of social cohesion was seen as quite a large hindrance to future development.

[31] For instance, see Krull, A. ICT Infrastructure and E-readiness Assessment Report: ESTONIA, pg. 15.

FIGURE 3.7. **MOST IMPORTANT FACTORS THAT MAY BECOME HINDRANCES TO ESTONIA'S PROGRESS TOWARDS BECOMING A SUCCESSFUL ICT SOCIETY IN THE NEXT FIVE YEARS**



Source: EIFS

FUTURE PRIORITIES

Assessing the factors that **should** primarily **be paid attention to** during the next five-years, while assuming that not only the elimination of the existing problems are dealt with, but our current strengths are also developed, the respondents found that first and foremost, the factors related to economic potential need development; the potential elements related to institutional and social dimensions need somewhat less attention.

Figure 3.8. shows the most important factors chosen by the respondents for each potential that should be developed for the promotion ICT development in the next five years.

In the case of economic potential, the assessment of the respondents is that, in the elimination of the current problems, it would make sense first of all to deal with improving cooperation between the business sector and educational institutions, as well as the training of ICT specialists, while attention should also be paid to their quality (current success factor). It should also be a main concern to make sure that the companies themselves continue to be innovation-minded (current success factor).

On the institutional side, first of all, the primary hindrances to development must be overcome. On the one hand, the solution of the question of mutual cooperation between the governmental structures needs to be surmounted, while on the other hand, attention must be paid to the ability to work out and realize strategies and development plans related to ICT. Such activity must be consistent. This was followed by a need to make development based on ICT a priority.

The three most important factors of social potential are those that have guaranteed our current success. However, in the case of the factor concerning the society's ability to "reach agreement" (that ICT-based development must be made a priority), we are dealing with an issue, which according to experts, has hindered our current development, and may continue to do so, if its importance is not understood.

SYNTHETIC PARAMETERS

The parameters used in the questionnaire (the sub-components of three potentials) may be divided into narrower and broader ones; the latter reflecting the more fundamental status of the social situation. Hereafter, we analyze the last group. Based on the more synthetic indicators, we examine which threads of Estonia's society have been the basis and hindrance of the current ICT success, and which may become a hindrance to development. The degree of priority to be given to the further development of ICT is also considered (see Table 3.12.).

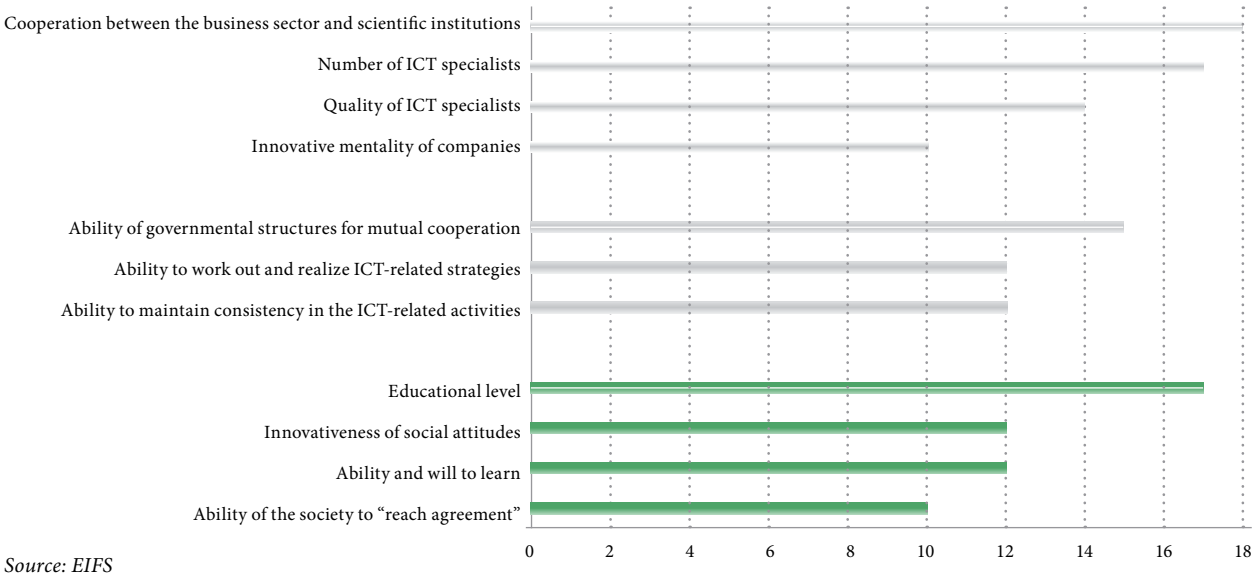
SOCIAL COHESION

This factor has hindered ICT development to a certain extent in earlier periods but not very strongly. In the future, the importance of social cohesion as a hindering factor will increase, and it is considered important to start seriously dealing with this problem (reducing its influence, compensating).

INNOVATIVENESS OF SOCIAL ATTITUDES

In the previous development, this factor was clearly one of the favourable ones, it could be said even one of the fundamental factors of ICT success. Some of the experts see a risk that in the subsequent period, this factor may become a negative influence. It is recommended that this should be specially dealt with.

FIGURE 3.8. **IMPORTANT FACTORS WHICH SHOULD BE PAID ATTENTION TO IN DEVELOPMENT DURING THE NEXT FIVE YEARS**



Source: EIFS

TABLE 3.12. **THE FACTORS THAT HAVE MOST INFLUENCED ICT DEVELOPMENT BASED ON THE RESULTS OF THE SURVEY (% OF THE RESPONDENTS WHO THOUGHT THIS FACTOR WAS AMONG THE MOST IMPORTANT)**

Factor	Current success (has helped)	Has hindered	Will start to hinder	Should be considered a priority
Social cohesion	-	14%	32%	24%
Innovativeness of societal attitudes	**51%**	-	14%	32%
Ability to "reach agreement"	19%	**43%**	**41%**	27%
Income level of the population	-	**54%**	19%	14%
Innovative mentality of businesses	**49%**	-	11%	27%
Company's purchasing and investment capability	16%	24%	-	11%
Cooperation of companies	-	32%	30%	24%
The ability to work and realize development plans	22%	30%	22%	32%
Ability for mutual cooperation among governmental structures	-	**60%**	35%	**41%**
Ability of the public sector for cooperation with the private and third sectors	-	30%	19%	22%

Comment: The list of choices was not limited to those shown in the table.

Source: EIFS

ABILITY TO AGREE ON THE PRIORITY OF ICT DEVELOPMENT AND THE PRIORITY OF THE WAYS OF REALIZING IT

In the light of history, this factor has been given conflicting assessments. Quite a few experts have declared the lack or weakness of this ability, and have seen it as a reason why ICT development in Estonia has not been faster. Some of the respondents, presumably having been impressed by the erstwhile success of the Tiger's Leap programme of the 1990s (which could be considered almost a national consensus), have considered the factor as having contributed to the positive effect (some respondents have considered it to be simultaneously positive and negative!) In the future, the inability to agree is seen as an apparent risk (one of the most real). It is considered that this should be specially dealt with.

INCOME LEVEL OF THE POPULATION

In the earlier period, this factor was considered an important hindrance of ICT development. It will

remain as a hindrance in the future, to a certain, but considerably lesser extent. The need (or opportunity) for dealing with this specially is less vital than with the previous factors.

INNOVATIVE MENTALITY OF BUSINESSES

The division of the given assessment is similar to the assessments given to the general innovation-mindedness of society—in the past, it was acknowledged more as a reason for success than a creator of difficulties; in the future, it could be viewed as a problem for some (although not many); the problem needs to be dealt with.

THE PURCHASING AND INVESTMENT ABILITY OF COMPANIES

Essentially, the purchasing and investment ability of companies is the economic basis of both the ICT sector and other companies for future steps related to ICT. Assessments of the factor's effect in the past are two-sided—there are slightly more respondents who mentioned the inhibitory effect of the factor than those who mentioned the supporting effect. It is possible that the latter saw the positive role of Estonia's commercial banks as pioneers of ICT application. The great majority do not see a problem here in the future, while they also cannot see the necessity for prioritizing this problem (the reduction or compensation of its effects).

COOPERATION OF ICT-SECTOR COMPANIES (PERSPECTIVES FOR CREATING A CLUSTER, ETC.)

In the past, this factor was recognised more as a problem creator than a basis for success and, in the opinion of quite a few, will also be a problem in the future. In the future it will need to be dealt with seriously.

ABILITY TO CREATE AND REALIZE DEVELOPMENT PLANS

With respect to the history of assessments, both the positive and negative exist, with slightly more being negative. Future risks are also seen in this factor, although not by as many experts as in the case of the "reaching agreement" risk. Dealing with the problems is deemed necessary.

ABILITY FOR MUTUAL COOPERATION BETWEEN GOVERNMENTAL STRUCTURES

Against the background of a history of generally successful ICT development, the majority of the experts assess this factor as one that has inhibited the process. There is a tendency to expand the negative assessments into the future, although not by everyone who was critical of cooperation in the past. It is assumed that in time this cooperation will improve.

THE ABILITY OF THE PUBLIC SECTOR TO COOPERATION WITH THE PRIVATE AND THIRD SECTOR

Somewhat surprisingly, it becomes clear that "historically" this has been assessed as more of an inhibiting factor in the ICT development process than an enhancing factor. Some of the experts, although not very many, see this as an important problem in the future, and if necessary, the improvement of the situation should be addressed purposefully. However, from the standpoint of defining this as a problem or a priority, the opinions of the experts are considerably weaker than in the case of the last factor.

3.4. In summary

The information treated in the third chapter of the report allows for the following, more general conclusions to be formulated:

1. To a great extent, the improvement of Estonia's human development index in recent years had taken place based on the rapid growth of the economic component of human development. Estonia's lag in human development, as in economic development with the southern European countries and the "cream" of the Central and East European countries is no longer great. Catching up with them, for instance, in the next five years, should be possible if economic growth continues and success is also achieved in the other components of human development. A reason for optimism is provided by the fact that a series of instrumental indicators (the state of competitiveness factors) in Estonia's economy and society are stronger here than in several competitor countries. At the same time, one must acknowledge that Estonia is reaching a new stage. It will no longer suffice to rely on former success factors. Besides, factors that have not been felt very strongly in the previous period may start to restrict future economic growth.
2. In the earlier period, a relatively simple "two-stroke" logic applied in connection with the increase in the human development index: a) The increase in the level of human development depends to a great

extent on an increase in GDP per capita, and b) the increase in the latter primarily results from the characteristics of the economic environment that stimulate investments in production and service provision and that depends on technologically relatively simple operations. In the next period, the position of Estonia in the GDP per capita ranking will start to come closer to our place in the HDI ranking, i.e. with the increase in HDI, and along with economic growth, the role of the other components of the HDI will start to become more important. Secondly, with Estonia moving from the stage of investment-based to innovation-based economic development, future economic growth will be connected more to the level of innovative ability and human capital, as well as social capital. Social factors will play greater role, as components of the HDI as an index reflecting the target state, as well as factors determining the strengthening of potential for further economic growth, e.g. by improving competitiveness or innovative capability.

3. As shown by the econometric analysis of the dynamics of the components of human development, high income inequality in the society also undermines the opportunities for economic growth, since it promotes the erosion of human capital (education, health) and social capital, and the ensuing negative effectis stronger than the influence of the stimulating effect on the economy from the greater effort-making motivation which characterises societies with unequal income distribution.

4. Having an environment that guarantees great economic freedom has been a very important engine for Estonia's economic development. The analysis of the development dynamics of the world's countries shows that, in the case of economies with a low base level, an economic freedom that is increasing and reaching a sufficiently high level, combined with the domination of the investment motive over the consumption motive, generally results in rapid economic growth. Against this background, the economic growth indicators, which have been in the range of 10% for a number of years in Estonia, should not be considered unusual. Rather they should be considered appropriate in the created economic environment, and theoretically, even greater growth percentages would not have been impossible. An analysis of the logic of economic growth shows that in the next development stage, such growth rates will be difficult to maintain. Firstly, at higher GDP levels, this is hard to do even if background conditions remain the same. Secondly, in time, the consumption motive strengthens in society in comparison with the investment motive, because people want to start tasting the fruits of successful economic development. Thirdly, in the new development stage, the society's ability to develop human capital and strengthen innovation potential starts to possess greater importance along with economic freedom. Although economic freedom preserves its importance as one of the fundamental indicators of the society's institutional development, attempts to increase its elements at any cost are not justified. The forcing of some elements of economic freedom, such as reducing taxes, may harmfully affect the other elements of this same economic freedom or reduce the ability of the society to carry out actions that are not doable simply through the activities of the individual market participants and competition. The development of human capital is an example of such action.

5. Increasing innovation potential, as one of the principal assignments of the next development stage, cannot be achieved only through economic freedom and the short-term motive of earning profits. Implementation of special policies are needed for it. The practices of other countries have shown that the creation of strong innovation potential have succeeded only in countries with a low corruption level, strong cooperative culture, and high institutional quality in general. Institutional quality is a significantly broader concept than just economic freedom.

6. ICT development, which has been one of the stronger aspects of Estonia's innovation potential, is currently at a crossroads. Numerous factors, which have led the way in the development process during the 1990s, such as the general innovative mentality of the society, the motivation and reputation of enterprising "pioneers", the rapid acceptance by key companies (for instance banks) of new solutions are showing signs of exhaustion. Consequently, it is necessary to define new priorities in ICT development, both in economic development as well as in the wider sense of social use. The question of the social extent (different age and income groups) of Internet use in the society and ways of using it will become increasingly important along with the quantitative factors (number of computers, Internet connections, etc.). The ways of using the Internet vary greatly in different social groups with the result that the received social benefit is also very different.

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CHAPTER IV

Where is Estonia?

For Estonia the last 15 years have been a time not simply of change but rapid and fundamental reform. Compared to 1991, almost everything has been transformed: the political and economic system, ownership relations and citizenship, friends and enemies. Estonia has reinvented itself as a country and as a society. The path we have taken has been complicated and controversial. In the fourth, summarising chapter we will dwell on the changing of Estonia and try to illustrate our current situation.

A mirror is always needed for defining and assessing oneself. This report uses comparisons with close neighbours, competing countries and the entire world to this end. With the passing of time, however, it is the European Union that is becoming the most natural mirror for Estonia. It is a harsh mirror, since most member states of the European Union have had the opportunity to make their own decisions and shape their futures for a significantly longer period than Estonia. Yet it is also a fair mirror. If we want to be a serious partner in the European Union, we will have to guide our actions on the basis of the goals and values that have developed within the EU and use them as a measure of our progress.

There are many measuring systems used today to evaluate and rank countries and nations. Some of these systems have been widely recognised and are taken seriously by researchers, politicians and the public, while some others are more exotic and less common. The final chapter will contain an overview of Estonia's position in comparison to the European Union, based on some of the gauges that are used most frequently by the instruments integral to the European Union (Eurobarometer, development reports) and also in the decision-making process of the EU. Above all, we will discuss the features that differentiate Estonia from other European Union countries as either better or worse. The questions we will answer might be phrased as follows: How do the Estonian people and the Estonian society stand out in the context of the European Union today? What is the background of our peculiarities? How do we assess our position, how do we take it into account when planning our future development? Naturally it is reasonable to view such comparisons as tentative, seeing that every rating and ranking process, even in the case of countries and nations, is arbitrary and open to various interpretations. If, however, several independent measurement methods that employ different approaches point to similar developments, it is prudent to take the results seriously. The classification "first in the EU, last in the EU" is also arbitrary, inevitably comprising value judgements based on cultural contexts which obviously differ depending on time and location. Nevertheless, this chapter will be based on the context of values used in earlier human development reports, whereby a higher GDP is better than a lower one, a long life expectancy more desirable than a short one, a lower HIV prevalence more preferred than a higher one, etc.

4.1. The peculiarities of Estonia

At least two significant indicators connected closely to human development identify Estonia as last in the European Union. These are measurements of the *average life expectancy of men* (see **Table 4.1.)** and the *prevalence of HIV/AIDS* (see **Table 4.2.**). There are several reasons for the short life expectancy of Estonian men, regrettably often including indifference towards their health and taking needless risks. As a result, the premature death of men is especially often linked to the so-called external factors: accidents, crime, suicide (see also section 1.2. of the Report). Catching up with Europe has put a great number of Estonians, especially men, under a lot of pressure. On the one hand, they face strict demands and great expectations, while possessing, on the other hand, inadequate resources and often also lacking competence for fulfilling the objectives. This produces tension and a high level of stress. Many are not able to handle the challenges and as a result drop out: into hospitals, prison, alcoholism, drug addiction. It seems that it is

principally the Estonian man who has not yet become sufficiently adept at weighing and making choices: if they have to choose between money and their health, they often pick the former. In actuality the situation is not much better with regard to the health indicators of the entire population of Estonia. Very large differences within the society in health and life expectancy are especially typical in Estonia. "Women with higher education can hope to live no less than 19 years longer than men who have received little education. The vastness of these differences is not equalled in any European country, including the East European states" (Kasmel 2005: 97).

Estonia's inability to battle HIV/AIDS has been astonishing. Currently HIV-positive individuals make up 1.3% of Estonia's adult population, which is by far the highest figure among European Union countries. According to the data presented in section 1.3. of the Report, a little over 5500 infected persons are registered in Estonia, but the international AIDS report published in 2006 considers the actual number of HIV-positive individuals in Estonia to be several times greater (Report of Global AIDS... 2006). While we are counting the babies born every month in order to receive proof of population growth, we are losing thousands of people to HIV/AIDS at the same time. On 18 September 2000 the United Nations General Assembly adopted the United Nations Millennium Declaration (United Nations… 2000). The declaration outlines development goals for 2015, which have also become know as the UN Millennium Project. The project contains eight global development goals, including reducing hunger and extreme poverty, providing everyone with the opportunity for receiving basic education, promoting gender equality, decreasing child mortality, etc. Although the Millennium Project has not received much attention in Estonia, sadly enough, it is our own country that might not be able to fulfil its goals. According to the analysis of progress regarding the Millennium Goals, published recently by the World Bank (Millennium Development… 2005: 43), Estonia is the only European Union country that is not considered likely to fulfil the objectives. This is due to goal no. 6 which expects countries to have "halted by 2015 and begun to reverse the spread of HIV/AIDS".

Contrary to popular assessments and conceptions, the *disparity between men and women* or gender inequality in Estonia is also remarkable within the European context. The most systematic indicator in this field, the OECD Gender Equality Index (that compares disparities between women and men on the basis of 42 indicators), ranks Estonia at the bottom of the European Union scale **(see Table 4.3.)**. We are also among the last in the European Union according to UNDP gender empowerment measure ranking which takes into account four indicators (percentage of women in the parliament, the number of female executives and top professionals, and differences between the incomes of men and women). (HDR 2006: 367) However, the World Economic Forum's

TABLE 4.1. **LIFE EXPECTANCY AT BIRTH, MALE, IN EU COUNTRIES, 2004 ESTIMATE**

Sweden	78,1
Italy	77,1
Austria	76,2
Cyprus	76,2
United Kingdom	76,2
Malta	76,1
Spain	76,0
France	76,0
Belgium	75,9
Germany	75,9
The Netherlands	75,8
Greece	75,7
Ireland	75,4
Finland	75,3
Luxembourg	75,3
Denmark	75,0
Portugal	74,1
Slovenia	72,9
Czech Republic	72,5
Slovakia	70,3
Poland	**70,5**
Hungary	**68,9**
Lithuania	**66,9**
Latvia	**66,1**
Estonia	**65,8**

Source: UNDP Human Development Report 2006, p 363

TABLE 4.2. **HIV PREVALENCE, % OF THE 15 – 49 AGE GROUP, 2005 ESTIMATE**

Finland	0,1
Germany	0,1
Slovenia	0,1
Czech Republic	0,1
Malta	0,1
Hungary	0,1
Poland	0,1
Luxembourg	0,2
Ireland	0,2
United Kingdom	0,2
Sweden	0,2
Greece	0,2
The Netherlands	0,2
Lithuania	0,2
Denmark	0,2
Cyprus	0,2
Belgium	0,3
Austria	0,3
France	0,4
Portugal	0,4
Italy	0,5
Spain	0,6
Latvia	0,8
Estonia	**1,3**

Source: UNDP Human Development Report, 2006, p 311

TABLE 4.3. **OECD GENDER EQUALITY INDEX IN EU COUNTRIES**

Sweden	0,95
The Netherlands	0,94
Belgium	0,94
United Kingdom	0,93
Finland	0,93
Luxembourg	0,93
Denmark	0,93
France	0,93
Ireland	0,93
Austria	0,92
Germany	0,92
Spain	0,92
Italy	0,91
Portugal	0,89
Slovenia	0,89
Greece	0,89
Czech Republic	0,87
Malta	0,87
Poland	0,85
Hungary	0,85
Estonia	0,85
Lithuania	0,84
Slovakia	0,84
Latvia	0,82
Cyprus	?

Source: OECD Gender, Institutions and Development Database (GID), http://www.oecd.org/dev/institutions/GIDdatabase

TABLE 4.4. **RESISTANCE TO MULTICULTURAL SOCIETY IN EU COUNTRIES, 2003, % OF RESPONDENTS WHO EXPRESSED RESISTANCE**

Greece	59
Estonia	51
Latvia	44
Czech Republic	39
Belgium	37
Cyprus	36
Germany	34
Lithuania	33
Slovakia	29
Austria	27
Italy	24
Finland	24
Denmark	22
France	22
Malta	22
The Netherlands	22
United Kingdom	20
Poland	20
Portugal	18
Hungary	18
Ireland	17
Luxembourg	16
Slovenia	15
Spain	15
Sweden	13

Source: Eurobarometer, 2003

gender gap index which is compiled on the basis of somewhat different attributes (women's participation in economic life, level of education, health, participation in politics) places Estonia among the European Union countries with medium gender equality (see The Global Gender… 2006: 9). Seeing that the difference of average hourly wages of Estonian women and men is much greater than the average of the European Union (the differences are 24% and 15%, respectively, see EU Integration … 2006: 54), we must also recognise this area as problematic for Estonia. Promoting gender equality is one of the key topics of development for both the European Union and the entire world (see Millennium Development Goals.... 2000) with the goal being to increase the contribution made by women to the economy and social life far beyond the traditional levels. Regrettably, the entire subject of equality has been actively handled by only a relatively small group in Estonia, while the rest of society has hesitantly ignored the matter. The 2005 Estonian Democracy Audit states that "in the field of gender equality, Estonia lags behind other developed countries by about 30 – 40 years. The notions of the roles of men and women in society that apply in Estonia were held by the rest of the world during the 1950s and 60s" (Pettai 2006: 102). The problem is real – in the context of Estonian women's high level of education, our noticeable gender inequality represents a significant waste of national resources. It can be surmised that the situation is caused, among other things, by the peculiarities of Estonia's power relations discussed in section 2.4. of the Report – the group occupying the strongest position in society customarily converts (more often covertly than overtly) its power into everyday advantages.

Against the background of the European Union, Estonia also stands out due to our opposition to moving towards a *multicultural society*. According to the 2005 Eurobarometer survey, the percentage of people in Estonia who oppose multicultural society exceeds 50%, while the average opposition level in the European Union is approximately half that **(see Table 4.4.).** Such attitudes are also confirmed by the opposition to granting citizenship to legal immigrants. In Estonia, 56% of the population opposes the granting of citizenship and among European Union member states only Malta and Latvia have higher levels of opposition to this process, with the EU average value ranging between 37% and 39% (see Majorities' attitudes… 2005: 31). It indicates that during the last 15 years Estonian society has not been able to find a constructive way of adapting to the reality where nearly one third of the country's population consists of people with non-Estonian cultural backgrounds. The results of the public opinion poll referred to in section 2.4. of the Report also point to still existing problems in this field, indicating that the number of people who approve of the interethnic relations and integration processes of Estonia has decreased during recent years both among Estonians and non-Estonians.

As evidenced by the data provided in section 2.2. of the Report, *crime* continues to be the most troubling issue for the population of Estonia. This is reflected, and perhaps to some degree also caused, by the immense number of prisoners in Estonia, which surpasses the EU average nearly threefold **(see Table 4.5.).** With respect to the percentage of prisoners per 100 000 residents, Estonia is the undisputed leader among the countries of the European Union! This situation reflects not only the tensions within Estonian society and the rather high level of economic inequality, but also our attitudes towards punishment that are not yet quite European in nature. More than crime and prison sentences, the Estonian public has paid attention to one rather specific but very visible manner of deviating from the rules – traffic offences and traffic culture in general. According to popular opinion, traffic culture is much more brutal in Estonia than in the rest of Europe. This is true if we compare our traffic situation to that of our Scandinavian neighbours. However, as for the percentage of people killed in traffic accidents, Estonian belongs to the middle of the group of European Union countries (see Annual Statistical… 2005: 6). The European Union mirror reveals that traffic is a smaller problem in Estonia than our exceedingly numerous prison population.

As we saw in chapter 3 of the Report, *economic development indicators* are a source of much more positive information on Estonia. With reference to the GDP growth rate, Estonia has been one of the leading countries in the European Union during recent years. Estonia's competitiveness and economic freedom, discussed in the same chapter, are also remarkably high in the context of the European Union (for corresponding EU comparison data **see Tables 4.6. and 4.7.).** The distribution of wealth in Estonia is still one of the most uneven in the European Union, however. Although our Gini index has decreased during recent years, we are still at the bottom of the ranking of EU countries (see HDR, 2006: 335). Estonia holds a similarly poor position in the ranking based on expenditures on social protection. With our social expenditures at only 13% of the GDP we are among the last in the European Union – Estonia's level of social expenditures is approximately half that of the EU average **(see Table 4.8.)**.

Success in the field of information technology has become an important part of the Estonian self image and section 3.3. of the Report is also devoted to this area. Looking at our position in the context of the European Union, however, we lag behind the average level of the EU in personal computer ownership and home Internet connections **(see Table 4.9.)**. Estonia's achievements and positive image are based not so much on the computerisation of our homes as on the public accessibility of the Internet and the wide-scale use of online services. Estonia has more Internet users than the European Union on average – in 2005 Eurostat estimated that 59% of Estonians use the Internet (16 – 74-year-olds who have used the Inter-

TABLE 4.5. **PRISON POPULATION RATE PER 100 000 OF NATIONAL POPULATION IN EU COUNTRIES, 2005/06**

Estonia	333
Latvia	292
Lithuania	240
Poland	232
Czech Republic	185
Luxembourg	167
Slovakia	158
Hungary	156
United Kingdom	148
Spain	145
The Netherlands	128
Portugal	121
Austria	105
Italy	104
Germany	94
Greece	90
Belgium	91
Malta	86
France	85
Sweden	82
Denmark	77

Source: International Center for Prison Studies. Kings College, University of London, http://www.kcl.ac.uk/depsta/rel/icps/worldbrief/europe.html

TABLE 4.6. **GLOBAL COMPETITIVENESS INDEX OF EU COUNTRIES, 2006**

Finland	5,76
Sweden	5,74
Denmark	5,70
Germany	5,58
The Netherlands	5,56
United Kingdom	5,54
Island	5,40
Austria	5,32
France	5,31
Belgium	5,27
Ireland	5,21
Luxembourg	5,16
Estonia	5,12
Spain	4,77
Czech Republic	4,74
Slovenia	4,64
Portugal	4,60
Latvia	4,57
Slovakia	4,55
Malta	4,54
Lithuania	4,53
Hungary	4,52
Italy	4,46
Greece	4,33

Source: Global Competitiveness Report 2006–2007, World Economic Forum, Palgrave Macmillan, 2006

TABLE 4.7. ECONOMIC FREEDOM INDEX OF EU COUNTRIES, 2006

Ireland	1.58
Luxembourg	1.60
United Kingdom	1.74
Estonia	1.75
Denmark	1.78
Finland	1.85
The Netherlands	1.90
Cyprus	1.90
Austria	1.95
Germany	1.96
Sweden	1.96
Czech Republic	2.10
Belgium	2.11
Lithuania	2.14
Malta	2.16
Portugal	2.29
Spain	2.33
Slovakia	2.35
Slovenia	2.41
Latvia	2.43
Hungary	2.44
Poland	2.49
Italy	2.50
France	2.51
Greece	2.80

Source: Heritage Foundation 2006: http://www.heritage.org/index/countries.cfm

TABLE 4.8. SOCIAL PROTECTION BENEFITS IN EU COUNTRIES, % OF GDP, 2001

Sweden	32.3
Denmark	30.0
France	29.1
Germany	29.1
Austria	28.6
Belgium	28.3
The Netherlands	26.3
Finland	26.1
United Kingdom	25.9
Greece	25.4
Italy	25.4
Slovenia	24.0
Luxembourg	23.3
Portugal	22.6
Poland	21.3
Hungary	21.0
Czech Republic	19.8
Spain	19.2
Malta	18.3
Slovakia	17.8
Cyprus	16.2
Ireland	15.8
Estonia	13.2
Latvia	13.1
Lithuania	13.1

Source: EU Integration seen through statistics. Key facts of 18 policy areas. European Communities, 2006, ISSN 1725-2784, 58

net during the past three months), while in the EU the average percentage of users was 51% (EU Integration…. 2005: 93). Estonia's innovativeness in the field of information technology lies primarily in favourable attitudes towards and enthusiasm for changing old conventions. People take care of business through the Internet, be it by adapting to e-studies, mobile parking or e-taxation, e-elections or receiving e-report cards from schools. Catching up with the most advanced EU countries in terms of the computerisation of homes will still take some time though.

TABLE 4.9. HOUSEHOLDS' ACCESS TO PERSONAL COMPUTERS IN EU COUNTRIES 2002/05 (% OF HOUSEHOLDS WITH A PERSONAL COMPUTER)

Luxembourg	87
Denmark	84
Sweden	80
The Netherlands	78
United Kingdom	70
Germany	70
Finland	64
Austria	63
Slovenia	61
Spain	55
Ireland	55
Slovakia	47
Italy	46
Cyprus	46
Estonia	43
Portugal	42
Hungary	42
Poland	40
Greece	33
Lithuania	32
Czech Republic	30
Latvia	30
France	?
Belgium	?
Malta	?

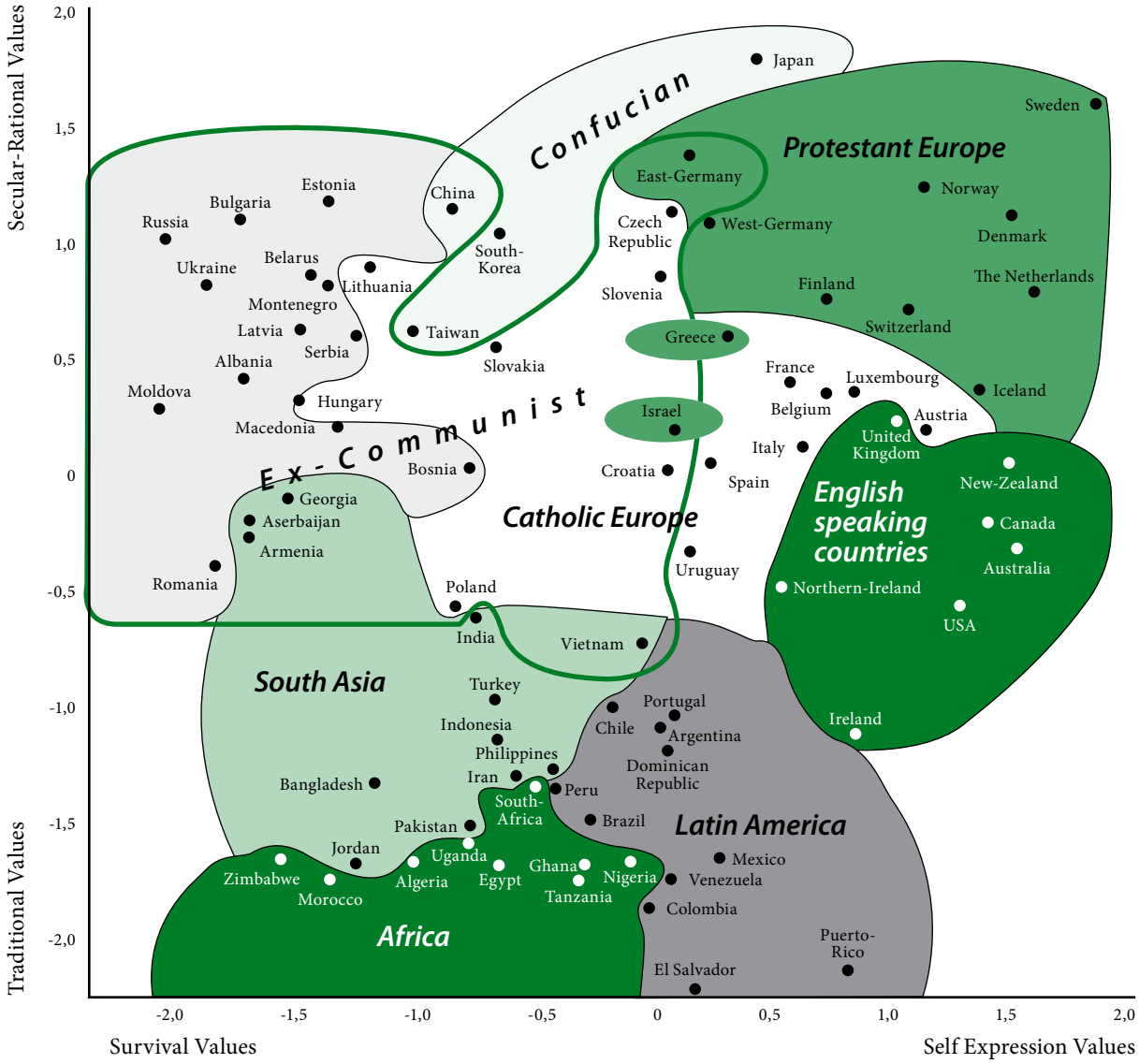
Source: Eurostat, Community survey on ICT usage in households and by individuals 2005

4.2. The world value map

The values survey project headed by Ronald Inglehart presents a quite different view of Estonia in the international context. The survey is also based on the idea of human development, but differs in some aspects from the method used by the UNDP (see Inglehart, Welzel 2005). According to this approach the general aim of human development is the shift from constraint to choice, characterised by value changes on two axes. The first is the so-called authority axis, where human development means the shift from valuing traditional authority and power relations to values that emphasise an individual's independence and rational choice. This dimension of human development signifies the "autonomisation" of the individual – the lessening of the importance and effect of limitations and guidelines based on God, fatherland, family and power on shaping one's course of life.

The second dimension describes the shift from survival values to self-expression values, i.e. a situation where emphasising individuality and the overall appreciation of diversity surpass existential problems in importance. "Self-expression values emphasize tolerance of diversity and rising

FIGURE 4.1. **THE WORLD VALUE MAP**



Source: World Values Survey: http://margaux.grandvinum.se/SebTest/wvs

demands for participation in decision making in economic and political life. The shift from survival values to self-expression values is linked with a rising sense of existential security and human autonomy, which produces a humanistic culture of tolerance and trust, where people place a relatively high value on individual freedom and self-expression and have activist political orientations" (Inglehart, Welzel 2005: 56).

According to the authors, value shifts are based on a general growth of wealth and security which expand a person's opportunities for individual action and eventually change the entire structure of society. "Favorable existential conditions contribute to emerging self-expression values that give individual liberty priority over collective discipline, human diversity over group conformity, and civic autonomy over state authority" (Inglehart, Welzel 2005: 299). According to this approach, human development denotes not only the expansion of opportunities for an individual, but is also the grounds for the creation and development of the democratic structure of society. "Democracy is not simply the result of clever elite bargaining and constitutional engineering. It depends of deep-rooted orientations among the people themselves" (Inglehart, Welzel, 2005: 2).

Human development is evaluated on the authority scale by using such indicators as an individual's degree of religiousness, the emphasis placed on patriotism, authority and teaching obedience, and also the insistence on the traditional family model; in the case of the survival/self-expression scale, however, the indicators include supporting freedom of expression, exhibiting tolerance towards diversity, emphasising political and civil liberties, trusting people and striving towards self-expression. In the course of the giant project that has lasted for already 30 years, researchers have studied people's values and the shifting thereof in over 80 countries. This has resulted in the world values map as provided in Figure 4.1., where human development is signified by an even withdrawal from the zero points of both scales. The values map describes the situation as it was at the turn of the century. The comparative material, which is both fascinating and based on an abundance of empirical data, places Estonia in a rather unique position. (Regarding the position of Estonia in the world values map, see also Taagepera 2003).

The position of Estonia on the values map is characterised by two circumstances. Firstly: Estonia's human development is one of the most advanced on the axis of traditional-secular authority. This means that values related to religion, authority, patriotism, etc., are relatively unimportant for people in Estonia, and group affiliation is not a factor that significantly limits or guides the choices of Estonians when compared to other nations. Against the background of other countries of the European Union, Estonia along with Sweden and Germany is one of the most advanced countries of the EU in this regard. On the other hand, Estonia's human development is rather backward if measured on the survival/self-expression axis. In other words, people in Estonia are not very committed to the values of tolerance of diversity, emphasising political and civil liberties, supporting and participating in the public freedom of expression, trusting people and striving towards self-expression. Compared to the rest of the European Union, Estonia is trailing behind almost every other EU country in this regard, save for Latvia and Hungary.

Estonia's position on the values map is unusual – it shows the independence of Estonian people, maybe even their exaggeration of the importance of individual freedom and self-sufficiency. For an Estonian, neither faith, fatherland nor family constitute forces that would significantly determine or limit their life choices. Yet it seems that many people have difficulties in putting their freedom to reasonable and constructive use. This is especially true if we consider acting in an original/nonconformist manner, publicly expressing one's opinion, tolerating people who are different and participating in joint undertakings. Perhaps our time of freedom has been too short for the development of the necessary resources as well as a sufficient inner culture which would guide an independent person from simpler objectives, such as earning money, towards discovering and starting to value other goals in life. Drifting away quickly from community values without having developed a level of culture that would balance the process could be viewed as a sign of danger.

The data provided in the RISC survey described in section 2.4. of the Report also points to the fact that the value system of people in Estonia is somewhat out of joint – compared to average EU levels, people in Estonia tend more towards revelling in (individual) pleasures and less towards attaching importance to (collective) responsibilities. The imbalance between freedom and responsibility is also indicated by the 2006 index of democracy compiled by The Economist and Estonia's position therein, described in section 3.1. of the Report. Estonia is ranked among the flawed democracies precisely due to the low level participation of its citizens in politics. While in terms of civil liberties and pluralism Estonia is very close to the most advanced countries in the world, in terms of participation in politics we appear mediocre. There is plenty of freedom but we lack the skills needed to use it. This is especially true in the case of broader social interests and cooperation, be it on an Estonian or European scale. The results of the 2005 Eurobarometer survey of what people primarily associate the European Union with should also be reflected on. Estonians mostly mentioned the pragmatic aspects of the European Union – the EU was said to mean more opportunities for travel and working, tourism, spending one's holidays, etc. Solidarity and cooperation in Europe came last in our list, mentioned by only 2% of Estonian respondents. The average data

for the 25 European Union countries gave the exact opposite priority rating (Future of Europe… 2005). Freedom seems to have escaped responsibility in this country.

Both statistics and research provide many answers to the question "where is Estonia". At the same time it is evident that we have a long way to go until we see the whole picture. We did not find room in this report for the treatment of a number of important dimensions (including language, culture, environment, etc.). For example, according to the Happy Planet Index (HPI), which clearly positions itself in contrast to the GDP ideology, measuring life expectancy, satisfaction with life and the ecological footprint, Estonia surprisingly ranked 173rd of the 178 countries of the world (Happy Planet…. 2006). The growing trend of happiness studies and other such research also deserves separate treatment. Hopefully, a broader and more diverse self image will come to be the subject of future human development reports. However, the material provided herein also allows us to come to certain conclusions regarding our human development along with the current state and peculiarities of the advancement of our society.

4.3. Estonia measured against Europe

When measured against Europe, Estonian society seems contradictory. On the one hand, we have fast economic growth, excellent employment levels, and a thriving digitalisation process; on the other hand we are characterised by poor health, xenophobia, incompetence in battling HIV, and overcrowded prisons. In addition, there is increasingly prominent inequality/stratification within the society in terms of money, gender, health and attitudes. The comprehensive and fast development is contrasted by the strikingly poor level of several indicators that characterise the health and strength of a society. Estonia has been successful at working hard and embracing innovations, but has regrettably disregarded the price of success and those close to her, not being able to think in broader or prolonged terms. The development of our economic sector has been significantly more successful than the advancement of the rest of our society – neither human development nor the strengthening of our society has been able to keep up with our economic success. Our human development has taken us towards freedom, but not enough responsibility and common values. The result is a fragmented and individualistic Estonia that finds it difficult to fit the conventional notions and way of life of Europe.

Our self image, especially the self image cultivated officially, naturally emphasises the positive aspects of our development. In Estonia it is customary to think of the events of the past 15 years as a success story, celebrated by the metaphors "successful little tiger" and "this is the Estonia we wanted". Quick development and innovative spirit have become the trademarks of Estonia that are used to lift our spirits and introduce ourselves internationally. This positive self image is well founded in some respects as we have fared rather well compared to our former fellow-sufferers, despite everything. Alongside areas where our self image of the innovative tiger is justified, and where Estonia is a success also in the context of the European Union, we lag behind in fields which do not appear to be connected to any special circumstances or history that would cause such backwardness. Ranking last in the European Union in terms of several important indicators is not a position that is either sufficient or appropriate for Estonia. Parallel to the image of the tiger, truth can also be found in the attitude spreading in the Western media, which indicates that East Europeans, including Estonians, have not really managed to cope in the European Union. This attitude is based on data regarding lack of innovativeness and also grim everyday cases of brothels thriving, taxi drivers stealing and homosexuals and people from different races being mistreated. We might ask whether Estonia's current sad state in terms of many important areas – health, crime, HIV/AIDS – is an inevitable reflection of the time of transition. Should we instead bear the blame for our own actions and inactions?

It is certain that a large part of the peculiarities of Estonian development and our current situation is a result of our history. As one of the smallest nations in Europe, Estonia has been notably tenacious in following its path from a 19th-century peasant society to a modern European country. During the last century, we endured two wars and five changes of political power, one of the largest proportionate losses of a population in Europe and also one of the heaviest waves of immigration. We also lived through two elite shifts during the 1940s – 1950s and the 1990s, which have been extremely taxing on the health and integrity of the society. Surviving this chaos and becoming a part of Europe's club of chosen countries, even standing out positively in some regards, is a unique accomplishment. However, this achievement has been unusually fragmented and compressed in time. It is the peculiarities of Estonia's modernisation that have given rise to most of the contradictions we see when looking into the Euro-

pean mirror. The deeper layers of Soviet-era socialisation are still present in our lives today, even if we do not want to admit it. These include the continual multi-layered playing of political participation and civil society and the power relations that were characteristic of the Soviet era, which can still be felt today.

Yet it would be too easy to explain the current situation based only on historical features. Nobody was stopping us from preparing for the onset of HIV/AIDS during the 1990s, but instead decision-makers overlooked the messages and appeals of Nelli Kalikova and others who warned them. It was not financial difficulties or hardships of the transitional period that prevented us from striving to the forefront of Europe with respect to gender equality or improving relations between Estonians and non-Estonians. We are prevented instead by our own prejudices and the persistence of the closed society mentality even now, 15 years after regaining our independence.

Explanations of our current situation in terms of history and social organisation are mainly of academic interest. In the context of human development we must ask – how do we go forward? Shall we learn from the experience of 15 years or ignore it?

4.4. The big picture and weaknesses

What should we do in order to take Estonia even to a mediocre level within the European Union with regard to indicators representing its human development and the strength of its society during the next 15 years? How could we change our image of the funny East Europeans who are supposed to rank at the bottom of every chart? Reaching the middle of the group of European Union countries is possible, but will not happen by itself or occur as an automatic side effect of economic development. An important prerequisite for the advancement of Estonian society is adjusting our current self image. The successful little tiger is a nice metaphor, but it is inaccurate and often disorienting, preventing us from setting the right goals. Since our economy is prospering, Estonia is tempted to use the figures of our economics sector – GDP growth, employment, etc. – to represent the development of Estonia as a whole. GDP is a very important indicator, but there is more to life than that. By thinking only of economic growth we may be undermining the fulfilment of considerably more significant goals. One of the opinion leaders of the Estonian business community Indrek Neivelt, the former head of Hansabank, points to dangers inherent in narrowly focusing on the economy and explains the limits of GDP as a universal measure: "...if the population is decreasing but the gross domestic product stays the same, it could be said that things are going very well. The GDP per capita is rising. Despite the fact that the primary goal of a nation state should be to guarantee the survival of the nation … the most significant indicator in the mid- to long-term perspective is orienting us to the opposite direction" (Neivelt 2006).

In order to guarantee the sustainability of Estonia, we need something other than a self definition based on individual indicators – we need the *big picture*, a self image significantly more adequate than the one subscribed to today. It would comprise the various facets of life in Estonia, knowledge of how we appear compared to the rest of the world and of the direction in which we are moving. Estonian society can not afford to concentrate on only one area of development. Without looking at the big picture we might win money but may lose Estonia. The warnings of several analysts regarding the dangerous weakening of Estonian society must be taken seriously. Raivo Vetik calls this process the dispersion of Estonia, characterised by the tendencies mentioned also in the present report: "Estonia's index of economic freedom is one of the highest, while our income levels are among the most unequal. … Many indicators show that our people's health is the worst in the EU and our population decrease the fastest, yet we also have the highest level of risk behaviour. … While Estonia has the lowest overall birth rate, it has the highest percentage of children born outside families" (Vetik, 2006: 32).

A more comprehensive self image will help us concentrate our efforts on the weak spots. One of the most clearly problematic aspects of Estonia is the fragility and inactivity of its society. Despite our frequent verbal expressions of national pride, Estonian society has one of the highest levels of inequality and stratification in the European Union. This is true in terms of income and health indicators of different population groups, but also in terms of resources and opportunities available to men/women, Estonians/non-Estonians, younger/older people. Estonian society is broken inside. In September 2005 the Riigikogu adopted the strategy "Sustainable Estonia 21", the purpose of which is to transform Estonia's development path into a more balanced and significantly more knowledge-based one. Regrettably, the decision of the parliament has not had a substantial effect on practical politics. There has been no discussion regarding Estonia's future development model, especially its central issue – to what degree is it possible for Estonia to combine fast economic growth with a European welfare society and innovativeness. Is Estonia's large internal stratification/ inequality an unavoidable side-effect of fast eco-

nomic growth, or do we simply lack the skills for setting and fulfilling complicated goals? Manuel Castells, one of the most prominent sociologists in Europe who has analysed the connections between welfare society, innovativeness and economic success is convinced that it is possible to combine all three, presenting our close neighbour Finland as an example (Castells, Himanen 2002). Both the rhetoric and practice of today's Estonia are based on the presumption of the opposite.

Along with decreasing internal inequality/stratification, the strengthening of Estonian society also means the advancement of civil society and participatory democracy. There is potential, as evidenced by the activities of the Public Understanding Foundations during the past three years. As soon as people got the chance to participate in discussing questions and offering solutions that are important for Estonia, tens of organisations and hundreds of individuals expressed their willingness to invest their time and strength into addressing our common concerns (see http://www.lepe.ee). The process was hindered, however, by the reluctance of the politicians in office to accept ideas and suggestions from the grassroots level. Several parties saw this type of broad-based participatory democracy as an act of undermining their politicians. Even if the materials submitted by people participating in the Public Understanding project are not always formulated in the most elegant manner or with the greatest legal precision, they still represent the widest participatory and learning process for developing and advancing Estonia's civil society. Taking into account our overall situation, such a process is absolutely necessary for this country.

Estonia's second weak spot is centred on topics related to tolerance and pluralism. These ideas obviously belong among the European core values and are also included in the EU Constitutional Treaty. The open and tolerant worldview has not been quick enough to take root in Estonia's everyday life, however. There are still prejudices against other nationalities/races and also intolerance of different lifestyles and attitudes. This is the field in which Estonia must strive to become nobler than its history and fate would seem to allow when dealing with the role of non-Estonians in Estonia, new immigrants or sexual minorities. Regarding new immigrants, President T.H. Ilves phrased our choice as follows: "...Estonians are wary of immigrants due to our difficult history. But the alternative is reclusion and backwardness" (Ilves 2006). In reality, the dilemma is even more substantial – will we act and set our future goals based primarily on our troubled history, or will we do it in accordance with our dreams of the future. Based on the ideas of R. Inglehart and other researchers in the field of values, which indicate that prosperity brings about a more open and solidary attitude towards life, Estonia's economic success also gives us hope for advancement in terms of tolerance.

Estonia's challenge for the next 15 years is to create a society that inspects itself thoroughly and is able to guide its development reasonably based on the results of the inspections. The following diagnosis given to Estonia by the Finnish veteran statesman Max Jakobson in 2005 must be overcome: "The dark side of Estonia's vigorous development comprises crime, drug use and drug trafficking, white slavery and prostitution, infectious diseases and alcoholism… The society has not had time to evolve to the level expected of an EU country" (Jakobson 2005). The bases for such still common diagnoses must disappear from Estonian life. Not only our economy, but the entire society must become European in a way that is also reflected in the rankings of the European Union.

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Annexes

ANNEX 1. GLOBAL HUMAN DEVELOPMENT INDEX

	Human Development Index	Life expectancy	Literacy	Educational participation	GDP per capita PPP
	Countries with a high level of development				
1. Norway	0.965	79.6	…	100	38,454
2. Iceland	0.960	80.9	…	96	33,051
3. Australia	0.957	80.5		113	30,331
4. Ireland	0.956	77.9		99	38,827
5. Sweden	0.951	80.3		96	29,541
6. Canada	0.950	80.2		93	31,263
7. Japan	0.949	82.2		85	29,251
8. USA	0.948	77.5		93	39,676
9. Switzerland	0.947	80.7		86	33,04
10. The Netherlands	0.947	78.5		98	31,789
11.Finland	0.947	78.7		100	29,951
12. Luxembourg	0.945	78.6		85	69,961
13. Belgium	0.945	79.1		95	31,096
14. Austria	0.944	79.2		91	32,276
15. Denmark	0.943	77.3		101	31,914
16. France	0.942	79.6		93	29,3
17. Italy	0.940	80.2	98.4	89	28,18
18. United Kingdom	0.940	78.5		93	30,821
19. Spain	0.938	79.7	98.0	96	25,047
20. New Zealand	0.936	79.3		100	23,413
21. Germany	0.932	78.9		89	28,303
22. Hong Kong, China (SAR)	0.927	81.8		77	30,822
23. Israel	0.927	80.0	97.1	90	24,382
24. Greece	0.921	78.3	96.0	93	22,205
25. Singapore	0.916	78.9	92.5	87	28,077
26. Republic of Korea	0.912	77.3	98.0	95	20,499
27. Slovenia	0.910	76.6		95	20,939
28. Portugal	0.904	77.5	92.0	89	19,629
29. Cyprus	0.903	78.7	96.8	79	22,805
30. Czech Republic	0.885	75.7		81	19,408
31. Barbados	0.879	75.3		89	15,72
32. Malta	0.875	78.6	87.9	81	18,879
33. Kuwait	0.871	77.1	93.3	73	19,384
34. Brunei Darussalam	0.871	76.6	92.7	77	19,21
35. Hungary	0.869	73.0		87	16,814
36. Argentina	0.863	74.6	97.2	89	13,298
37. Poland	0.862	74.6		86	12,974
38. Chile	0.859	78.1	95.7	81	10,874
39. Bahrein	0.859	74.5	86.5	85	20,758
40. Estonia	0.858	71.6	99.8	92	14,555
41. Lithuania	0.857	72.5	99.6	92	13,107
42. Slovakia	0.856	74.3	100.0	77	14,623
43. Uruguay	0.851	75.6		89	9,421
44. Croatia	0.846	75.2	98.1	73	12,191
45. Latvia	0.845	71.8	99.7	90	11,653
	Countries with a medium level of development				
65. Russia	0.797	65.2	99.4	88	9,902
114. Moldova	0.694	68.1	98.4	70	1,729
	Countries with a low level of development				
177. Nigeria	0.311	44.6	28,7	21	779

Allikas: Global Human Development Report 2006

ANNEX 2. SATISFACTION WITH LIFE AS A WHOLE BY SOCIO-DEMOGRAPHIC STRATA (%, N=1000)

	Satisfied with life as a whole		Unsatisfied with life as a whole	
All citizens, ages 15–74	70	81	30	18
Gender				
Male	71	82	28	18
Female	68	81	32	19
Age				
15–24	81	87	18	13
25–39	76	82	23	17
40–54	60	79	40	21
55+	64	80	35	20
Education*				
Lower level of education	58	74	41	26
Medium level of education	61	80	39	20
Higher level of education	79	87	20	12
Social position				
Self-employed	77	82	23	17
Employees in managerial positions	88	93	11	7
Other white collar employees	69	84	31	15
Manual workers	55	79	45	21
Domestic	72	80	28	19
Unemployed	40	60	60	40
Retired	64	78	36	21
Students	89	91	10	8
Place of residence				
Tallinn	73	-	26	-
Large towns (Tartu, Pärnu, Kohtla-Järve, Narva)	64	-	35	-
Small and medium sized towns	69	-	30	-
Rural area	69	-	30	-

Source: Eurobarometer 65, spring 2006

** higher level of education – finished acquiring education by 20 years of age or older, medium level of education – finished acquiring education at 16 – 19 years of age, lower level of education – finished acquiring education by 15 years of age.*

*** the table does not show respondents who replied 'cannot say' and thus the total percentage of a row does not always equal 100.*

ANNEX 3. IDEAS REGARDING THE PRESENT ESTONIAN SOCIETY, %

Respondent groups	MODELS OF SOCIETY						
	A	B	C	D	E	Hard to say	Total
All	38	30	17	9	3	3	100
Gender							
Male	38	27	18	11	3	3	100
Female	38	32	15	8	4	3	100
Age							
Young (born 1981 – 1989)	23	27	24	22	2	2	100
"Winners" (born 1962 – 1973)	39	24	17	10	5	5	100
"Stagnation-era" generation (born 1946 – 1961)	39	31	20	6	2	2	100
Elderly (born 1929 – 1945)	46	33	9	5	3	3	100
Education							
Basic education	40	32	11	10	2	5	100
Secondary education	39	27	17	11	5	2	100
Higher education	34	34	25	3	1	3	100
Ethnic nationality							
Estonian	36	32	16	11	2	3	100
Non-Estonian	42	25	18	6	5	4	100
Occupation							
Higher level white collar employees	32	37	21	7	1	2	100
Lower level white collar employees	43	24	20	7	2	4	100
Skilled workers	40	27	16	11	3	2	100
Unskilled workers	47	27	9	7	6	4	100
Managerial position							
Has subordinates	38	31	19	10	2	-	100
Does not have subordinates	40	29	16	8	4	3	100

Source: Tallinn University IISS Social Justice Study, December 2004

ANNEX 4. IDEAS REGARDING PAST ESTONIAN SOCIETIES, %

Respondent groups	MODELS OF SOCIETY						
	A	B	C	D	E	Hard to say	Total
All	10	8	19	34	10	19	100
Gender							
Male	12	8	19	34	9	18	100
Female	8	9	18	35	11	20	100
Age							
Young (born 1981 – 1989)	11	6	13	16	7	47	100
"Winners" (born 1962 – 1973)	9	12	18	41	7	13	100
"Stagnation-era" generation (born 1946 – 1961)	11	6	27	40	10	6	100
Elderly (born 1929 – 1945)	10	8	18	41	13	10	100
Education							
Basic education	9	7	11	26	9	28	100
Secondary education	10	9	16	39	11	16	100
Higher education	14	9	20	35	9	13	100
Ethnic nationality							
Estonian	12	10	19	34	9	16	100
Non-Estonian	7	5	17	35	10	25	100
Occupation							
Higher level white collar employees	15	8	23	35	6	13	100
Lower level white collar employees	9	6	15	38	14	18	100
Skilled workers	6	10	20	42	8	13	100
Unskilled workers	11	8	19	37	13	13	100
Managerial position							
Has subordinates	12	14	24	33	9	8	100
Does not have subordinates	10	8	19	37	10	16	100

Source: Tallinn University IISS Social Justice Study, December 2004

ANNEX 5. IDEAS REGARDING THE NORMATIVE ("FAIR") ESTONIAN SOCIETY, %

Respondent groups	MODELS OF SOCIETY						
	A	B	C	D	E	Hard to say	Total
All	1	7	13	47	27	5	100
Gender							
Male	1	9	12	42	32	4	100
Female	-	5	14	51	24	6	100
Age							
Young (born 1981 – 1989)	1	6	12	34	42	5	100
"Winners" (born 1962 – 1973)	-	8	15	47	26	4	100
"Stagnation-era" generation (born 1946 – 1961)	-	6	13	53	23	5	100
Elderly (born 1929 – 1945)	1	9	12	46	24	8	100
Education							
Basic education	1	10	11	37	34	7	100
Secondary education	-	7	15	48	26	4	100
Higher education	1	5	9	57	24	4	100
Ethnic nationality							
Estonian	1	6	13	44	33	5	100
Non-Estonian	-	9	14	52	20	5	100
Occupation							
Higher level white collar employees	1	4	8	58	26	3	100
Lower level white collar employees	-	6	14	53	20	7	100
Skilled workers	-	10	13	42	30	5	100
Unskilled workers	1	7	17	43	26	6	100
Managerial position							
Has subordinates	-	5	8	56	30	1	100
Does not have subordinates	-	7	14	46	27	6	100

Source: Tallinn University IISS Social Justice Study, December 2004

ANNEX 6. ASSESSMENT OF ESTONIANS AND NON-ESTONIANS FOR ESTONIA'S DEVELOPMENTS 2002 –2005 (% OF POSITIVE ASSESSMENTS)

	Estonians		Non-Estonians	
	2002	2005	2002	2005
Changes are generally welcome	56	72	35	43
Estonia's international position	86	80	68	60
Technical development, use of new machines and technologies	86	86	73	77
Estonia's economic development	78	82	44	56
Personal freedoms and human rights	74	71	47	51
Opportunities for acquiring a good education	70	76	39	50
State of the Estonian language and national culture	68	61	71	66
Development of democracy	62	57	45	44
Ethnic relations, integration of non-Estonians	53	48	34	33
People's material welfare and consumption opportunities	49	68	26	46
Social equity	27	37	16	24
Law and order, and compliance with laws	27	34	33	41
Opportunities for getting a good job	27	49	13	30

Source: MeeMa 2002, 2005

ANNEX 7. ATTITUDES TOWARDS CULTURAL TOLERANCE AND MINORITIES

	All	Language		Age						Education			Status (self-estimation)				
A The participation on a wider scale of non-Estonians in Estonian politics and economy is beneficial for Estonia	37	23	68	25	34	34	47	38	38	23	39	43	40	35	39	32	33
B The participation on a wider scale of non-Estonians in Estonian politics and economy is harmful for Estonia	29	40	4	38	25	28	27	30	28	35	29	24	31	27	26	29	37
A-B	8	-17	64	-13	11	6	20	8	10	-12	10	19	9	8	13	3	-4
A Contact between different cultures enriches and advances the society	57	52	69	47	47	58	62	66	62	46	57	67	64	57	56	58	60
B Differences between cultures create conflicts between groups and disintegrate the society	15	18	7	16	19	14	14	14	10	16	14	16	11	13	14	14	18
A-B	42	34	62	31	28	44	48	52	52	30	43	51	53	44	42	44	42
A It is better to allow minorities to live according to their own values, so as not to suppress the rights of an individual	35	31	44	38	39	37	32	33	31	36	34	38	33	36	33	37	39
B Minorities should take into account the will of the majority as well as the established values and conventions	37	41	27	25	28	33	45	47	46	29	38	42	38	36	38	37	37
A-B	-2	-10	17	13	11	4	-13	-12	-15	7	-4	-4	-5	0	-5	0	2
A I am not against people exhibiting their lifestyle even if it differs from what is considered normal in the society	29	30	26	48	44	30	19	17	16	30	28	29	25	25	27	32	33
B It bothers me when people publicly exhibit their deviant lifestyle	52	52	54	29	36	51	61	66	70	47	54	54	57	56	53	48	49
A-B	-23	-22	-28	19	8	-21	-42	-49	-54	-17	-26	-25	-32	-31	-26	-16	-16

Source: MeeMa 2005

ANNEX 8. THE SOCIO-DEMOGRAPHIC BACKGROUND OF THE POLITICAL PARTIES

	Pro Patria Union	Reform Party	Res Publica	Social Democratic Party	Centre Party	People's Union
Language						
Estonian	98	83	79	90	54	89
Russian	2	17	21	10	**46**	11
Gender						
Men	**52**	48	44	38	44	47
Women	48	52	56	62	56	53
Age						
Under 30	27	**35**	**34**	25	22	19
30–54	50	43	43	42	39	40
55 and older	23	22	23	34	**38**	**41**
Income per family member						
Less than 2,500	24	24	31	**28**	**38**	**37**
2500–6000	49	53	49	56	51	49
Over 6,000	**25**	**21**	**18**	16	8	12
Status						
Places oneself below the middle	22	20	24	27	**35**	**30**
Regards oneself as the middle	31	29	27	32	34	33
Places oneself above the middle	**42**	**46**	34	38	27	35
Work						
Performs manual labour	15	14	**23**	11	**25**	**24**
Basically performs intellectual work	**46**	**44**	**43**	**51**	32	34
Has higher education	**33**	30	28	**34**	19	19

Source: MeeMa 2005

FORMATION OF INCOME LEVEL

SYMBOLS

- Income level Y
- Equality of income g
- Economic freedom v
- Human capital I
- Education h
- Health t

THE FUNDAMENTAL STATISTICS ON THE INCOME LEVELS OF COUNTRIES AND ITS FACTORS

	Y	g	v	I	h	t
Average	0.67	0.60	0.41	0.58	0.80	0.68
Median	0.68	0.62	0.39	0.66	0.87	0.76
Standard variance	0.19	0.10	0.14	0.26	0.20	0.21
Minimum	0.28	0.29	0.13	0.05	0.16	0.12
Maximum	0.99	0.75	0.73	0.91	0.99	0.95

SPECIFICATIONS OF THE MODELS

1. Y' = a + bg + cv +dI

2. Y' = a + bg + (e+fv)I

3. Y' = A + Bg + Cv = 0.09 + 0.31g + 0.96v

4. I' = i + eg + fv = -0.37 + 0.91g + 0.98v

DEPENDENCE OF INCOME LEVEL ON THE EXAMINED FACTORS (T-STATISTIC IN PARENTHESES)

Model	a	B	c	d	e	f	D(%)[33]
1	0.28 (5.4)	-0.16 (-1.8)	0.46 (6.2)	0.52 (11.9)	*	*	79.5
2	0.45 (9.6)	-0.19 (-2.2)	*	*	0.29 (4.3)	0.64 (6.5)	80.0

FORMATION OF ECONOMIC GROWTH

SYMBOLS

- Economic growth k
- Base income level Y(-1)
- Investment in fixed assets i (% GDP-st)
- Base index of economic freedom v(-1)
- Change in economic freedom dv = v – v(-1)

THE FUNDAMENTAL STATISTICS ON THE ECONOMIC GROWTH OF COUNTRIES AND ITS FACTORS

Indicator	K	lnY(-1)	i	v(-1)	dv
Average	3.9	7.64	21.8	50.3	0.66
Maximum	29.8	10.74	62.5	91.5	12.9
Minimum	-12.7	4.50	7.1	9.4	-11.7
Standard variance	3.73	1.61	6.31	16.57	3.50

SPECIFICATIONS OF THE MODEL

k' = a + b*lnyY(-1) + c*i + d*v(-1) + e*dv

PARAMETERS OF THE ECONOMIC GROWTH MODEL

Factor	Vabaliige	lnY(-1)	i	v(-1)	dv
Symbol	A	b	c	d	e
Numerical value	4.2	-0.81	0.19	0.034	0.13
t-statistic	4.8	-5.7	8.4	2.5	3.2

[33] Adjusted determination multiplier

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