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Poverty in the context
of societal transitions in Estonia



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LIST OF ORIGINAL STUDIES

This dissertation is based on original publications which will be referred to in the dissertation by their respective Roman numbers.

- I** Kutsar, D., **Trumm, A.** (1993). Poverty among households in Estonia. In: *Scandinavian Journal of Social Welfare*, Vol. 2, 3, pp. 128–141.
- II** Kutsar, D., **Trumm, A.**, Oja, U. (1998). New democracy: boundaries and resources for development. In: MacPherson, S., Wong, H.-K. / Eds. *Social Development and Societies in Transition*. Aldershot: Ashgate, pp. 248–264.
- III** **Trumm, A.** (2005). Poverty in Estonia. Overview of main trends and patterns of poverty in the years 1996–2002. *Fafo-report 497*. Oslo: Fafo.
- IV** **Trumm, A.**, Ainsaar, M. (2009). The welfare system of Estonia: Past, present, future. In: Schubert, K., Hegelich, S., Bazant, U. / Eds. *The Handbook of European Welfare Systems*. Routledge, Taylor & Francis Group, pp. 155–172.
- V** Kasearu, K., Kutsar, D., **Trumm, A.** (2010). Determinants of social exclusion among the young in Estonia, Germany and United Kingdom. In: Leaman, J., Wörsching, M. / Eds. *Youth in Contemporary Europe*. Routledge, Taylor & Francis Group, pp. 17–34.

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AUTHOR'S CONTRIBUTION

The author of this dissertation made a major contribution to the five studies listed below:

- Study I:** The study is written in close co-operation with the co-author, where both authors contributed equally to all phases of study.
- Study II:** The study is written in equal partnership of three co-authors. However, the author of the current dissertation performed a leading role in formulating the research questions as well as in producing a theoretical framework for the study and interpreting the results.
- Study III:** The author of the current dissertation was the sole author of the study.
- Study IV:** As a first author of the article, the author of the current dissertation was a major contributor to all phases of the study: formulation of research questions, research design, data analysis as well as write-up of the article.
- Study V:** The author of the dissertation has contributed for all phases of the study and performing the main role in compilation of the literature review and adapting the theoretical considerations into the socio-economic context of Estonia.

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INTRODUCTION: THE AIM AND CONTEXT OF THE STUDY

The current thesis is about poverty in Estonia, focused on examining the poverty dynamics and its structure by individual and structural factors, and summarizing the results of the studies done by the author of the thesis within the period of almost twenty years.

Nobody wants to be poor, but some people around us are. They cannot meet their real needs: to buy a food they need, to pay for apartment, to replace their worn-out clothes, to visit their parents or siblings – in general, to participate in the society and enjoy the opportunities accessible for the major part of the population. As a rule, the poor lack resources and influence to improve their situation and they are forced to rely on the help from outside – from the state, community and neighborhood. Efficient and well-targeted provision of help and support requires in-depth examination of poverty as a social phenomenon and as an individual problem. By this reason, poverty research forms an essential foundation for knowledge and evidence based policy-making.

The definition as well as the measures of poverty are by no means universally accepted. Poverty has many facets and meanings and in international academic literature hundreds of somewhat different definitions of poverty are found. Different meanings are attributed to poverty in the societies with diverse socio-economic and cultural situation (**Study I and III**).

The opportunities of the poor are restricted by many interrelated factors. There is no common agreement both among the public as well as researchers with regard to the reasons and mechanisms behind the development of poverty as a social problem. Numerous studies concentrating on the causes of poverty attempt to prove the individual or structural nature of poverty by applying various approaches (Taylor-Gooby 1991, Niemelä 2008, Lepianka *et al.* 2009). In spite of that, today even the extreme individualists acknowledge that individual choices are determined by the society, and consequently poverty is a social phenomenon, and it operates in a certain social context (**Study III**).

In the current thesis, the context of transition society plays a crucial role. Transition as a concept refers "...to systemic changes on all levels of society as a whole, which will result in the emergence of a new type of society" (Lauristin 1997: 25). In particular, the post-communist transition in Central and Eastern Europe includes several parallel processes: democratisation, marketisation, transformation of welfare system, cultural values, etc. The transition process is impacted by different interrelated objective and subjective resources and barriers being specific to the socio-economic and cultural context of the particular society (**Study II**).

Rapidly transforming society implies an opportunity as well as requirement for regular examination of the same phenomenon or situation at different points in time (**Study I and III**). Several studies on poverty carried out by the author and his colleagues at different points in time have demonstrated rather different

results. The proper interpretation of the results of the study depends to a large extent on the understanding of the nature and impact of economic, social and cultural changes that have taken place in Estonia during almost 20 years.

Estonia has been considered as a country where economic transformations have been most successful (Jakubowicz 1995, Kolodko 2001, Panagiotou 2001, Norkus 2007). Hansen and Sorsa (1994) have even called Estonia as a 'shining star from the Baltics', and the metaphore of 'new Baltic tiger' has been widely used. The success has mostly been measured by GDP growth rate, sometimes supplemented by the level of economic and political freedom, economic productivity, level of privatisation, IT development, etc (Zukowski 1996, Fidrmuc 2003).

Though, despite having the fastest growing economies among the new EU members, Estonia still lags behind in the level and efficiency of social spending (**Study IV**, Trumm 2005, 2006), and have one of the highest rates of 'social diseases', such as crime, drugs, HIV and suicides (Lauristin 2003, Heidmets 2007, Eurostat 2008, Lauristin & Vihalemm 2009). Moreover, Estonia demonstrates high level of xenophobia (Heidmets 2007), low life-expectancy and poor health of the population (Aaviksoo 2009), high risk of social exclusion (Kutsar 1997, Kasearu & Trumm 2008), increasing family instability (Kutsar 1995a, Katus 2000), and finally, one of the lowest level of perceived happiness (Sanfey & Teksoz 2005) and quality of life (Easterlin 2009, Trumm & Kasearu 2009a). As Heidmets (2007: 117) concludes:

"The development of our [Estonia's] 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."

Rapid differentiation of incomes and economic assets and tremendous increase of poverty have been considered as one of the major social costs of post-communist transition (**Study I, II, and III**, Trumm 1996, Milanovič 1998, Asad 2005, Trumm 2005).

The transition and its consequences in the Eastern Europe have brought to an end not only a particular type of political and economic system but a particular type of the welfare state (Deacon 1992). In the conditions of massive poverty and cumulated social problems the main socio-political task in a transitional society was the elaboration of social guarantees for the less secured groups and the organisation of social services proceeding from the new tasks and responsibilities. The major problem was to reach the optimal balance between the economic development and social expenditures in a situation of limited resources (Kutsar & Trumm 1995). As a reaction to changed social situation and budgetary restrictions the prevailing political attitude has favoured the building of a residual social policy model (**Study III and IV**, Deacon 1993,

Simpura 1995, Trumm 2002, Aidukaite 2004, Trumm & Ainsaar 2008). Ferge (1997) has called this process as ‘individualisation of the social’.

‘The individualisation of the social’ can be noticed in a spreading social exclusion and permanent poverty among the population, and in the process of transmission of poverty from generation to generation. Young adults as transformants of intergenerational inequalities experience social exclusion from society, according to findings of the **Study V**. In spite of that, as an active social agents from early age (see e.g. Qvortrup 1991) they can break this dead-circle of inheritance. This is the case of a transitional society like Estonia where young age is highly valued and during the rapid societal transitions has been given the highest priority (**Study V** and **II**).

New social protection systems as policy responses have sprung from the societal needs in transitional societies. The most typical feature of the Estonia’s current social protection system in the context of European Union is low percentage of social expenditures from GDP (**Study IV**, Trumm 2005). By the latest Eurostat data, the social expenditures in Estonia in 2008 formed 14.9% from GDP (the EU-27 average was 26.4%). This percentage determines to a large extent the opportunities of the population here to benefit from the social protection system. As a result, Estonia still has a high number of people who are poor and are living in need; moreover, at the period of deep economic crisis the number of poor has significantly increased, and for some people the situation today may be even worse than it was before (Trumm & Kasearu 2011).

The current doctoral thesis is organised around five original studies. The aim of the current doctoral dissertation is to contribute for an in-depth understanding of poverty as a social phenomenon in Estonia in the context of post-communist transition. The thesis seeks an answer to the following research questions:

1. How the poverty can be defined and operationalised in the context of rapidly transforming society? (**Study I**).
2. What are the main resources and constraints of societal transition and how poverty, material deprivation and social exclusion impact on the speed and nature of economic and political reforms? (**Study II**).
3. How poverty as a social phenomenon has developed in the times of rapid economic growth? What are its main determinants on the individual and societal levels? (**Study III**).
4. How the developments of the social protection system have shaped poverty patterns and trends in Estonia? (**Study IV**).
5. Can poverty be inherited? What are the determinants of intergenerational transmission of poverty subjectively perceived as social exclusion in case of young adults? (**Study V**).

The aim of the **Introductory article** is to provide a systematic framework for five independent studies representing different points of time within the period of 1993–2010. It is not an easy task, because during that period many develop-

ments can be observed: in institutional structures of the society, in living standards and mental maps of its citizens, in academic understanding and knowledge about poverty and social protection systems, and at last but not least, in understandings of the author as an active participant in his research.

The structure of the **Introductory article** takes the following format: the first section of the theoretical framework introduces different perspectives for understanding post-communist transition, presents overview about different theories of poverty and social exclusion and provides with brief literature review about found interrelations between the level and structure of poverty and the developments of the welfare system. Socio-economic context, forming a basis for understanding poverty as a social phenomenon in Estonia is presented in chapter two. The third chapter focuses on methodological approaches to poverty measurement and describes the data sets used. The fourth chapter introduces main findings of each study attached in the Appendix of the introductory article, while the chapter five provides the reader with discussion. The introductory article ends with concluding remarks and is supplemented with Summary in Estonian.

I. THEORETICAL FRAMEWORK

I.1. Theoretical perspectives of post-communist transition

I.1.1. Transition as a systemic social change

Transition in a context of revolutionary changes occurred in former communist societies can be understood as a systemic societal change with defined objectives, which will result in the emergence of a new type of society (Lauristin 1997: 25). Most often the transition has been considered as moving from socialism to capitalism (Havrylyshyn 2007) and understood as a simultaneous implementation of two major reforms – political and economic. Such a dihhotomic approach was overtaken from the former studies concerning social change in southern Europe and Latin-American societies (Linz & Stephan 1996). Democratisation as a political reform includes formation of democratic institutions, establishment and implementation of human rights and foundation and development of a civil society. Marketisation as an economic reform includes large-scale privatisation, monetary reform and price liberalisation.

In the context of post-communist Central and Eastern Europe (CEE), Offe (1991, 1996) speaks about tripled simultaneous processes of post-communist changes involving state formation, marketisation as well as democratisation. Similar categories have been marked by Hardi (1994). As mentioned by Przeworski (1995) the triple transition is largely focused upon CEE countries with three mono-ethnic states (Poland, the Czech Republic and Hungary). In multiethnic and multicultural societies (like former USSR and ex-Yugoslavia) the need for shared national identity, common loyalties and trust becomes evident and achieving a strong nationhood forms a forth dimension of post-communist transition (Kuzio 2001, Lewis 2010). Most recently, Fukuyama (2010) stresses the need to pay more attention on juridical aspects of the transition and return to the rule of law.

Moreover, the collapse of the former societal system established a need for large-scale reformation of the welfare system (**Study II and IV**, Deacon 1993, Kutsar & Trumm 1995, Simpura 1995, Kapstein 1997, Ferge 1997, Trumm, 2002, Kutsar & Trumm 2003) and the welfare reform forms an additional dimension of post-communist transition.

Inspired by Huntington's theory of a clash between civilisations as shaping the geopolitical developments in the 20th century (Huntington 1993), the post-communist transition has also been interpreted as 'westernisation' (Lauristin 1997, Zaborowski 2005), including the spatial turn to the west in economic, social and cultural relations, formation of western-type of political, economic and welfare institutions, taking over values, demographic behaviour, consumption patterns, etc traditionally perceived as belonging to the western social and cultural standards (Lauristin 1997).

Last, but not least, Rothschild & Wingfield (1999) have made a wider generalisation and suggest that the field of institutional and individual opportunities has tremendously expanded and all post-communist countries have experienced a “return to diversity”.

Transition as a fundamental social change includes multiple dimensions and operates on different levels. Sztompka (1996) suggests that the processes of democratisation and marketisation proceed on both an institutional and cultural level and thus should be analysed on these two levels of change. Success of the transition largely depends on culture-building: internalisation of certain cultural codes, rules and values by members of society (**Study II**, Lauristin 1997). It is rather clear that cultural changes (according to Sztompka (1996) mainly overcoming the cultural legacy of the communist past) occur during much longer period compared with the time needed for implementation of institutional reforms.

Post-communist transition has been considered as a return to a normal track, practiced by the democratic capitalist countries (Kolodko 2001, Kornai 2005, Ost 2009). Ost (2009) in his recent study finds that the “return to normality” was interpreted as transition to the world in which private actors control the economy, which led to generalised prosperity. However, as Kutsar & Tiit (2000) argue, the transition countries should not be understood as countries that are lagging behind – they have simply undergone different social, economic and political experiences, and they need to find their own way of reaching nationally fixed aims, which implies that they need their own performance targets and indicators. Aukutsionek (1996) criticises the standpoint of many western economists who consider the problems of centrally planned development and transition to market economy as a temporary deviation from the generally accepted capitalist norm. Papava (2006) finds that the economic development of the post-communist countries is far from European-type of capitalism and form a specific post-communist type of economy. Different developments in reformation of the social protection system raise a question about the emergence of a specific East-European social model (**Study IV**, Aidukaite 2004, Fenger 2007, Cerami 2008, Neesham & Tache 2010, Toots & Bachmann 2010).

To conclude, more than twenty years after the fundamental changes in former communist bloc the nature and scope of transition there is still lack of common understanding. It is rather obvious that the transition process is far more complicated than a shift from authoritarian centrally planned economy to a market-based western-type of democracy, but includes several interrelated institutional, cultural and behavioural changes occurred in a certain socio-economic and cultural context of a particular society (figure 1).

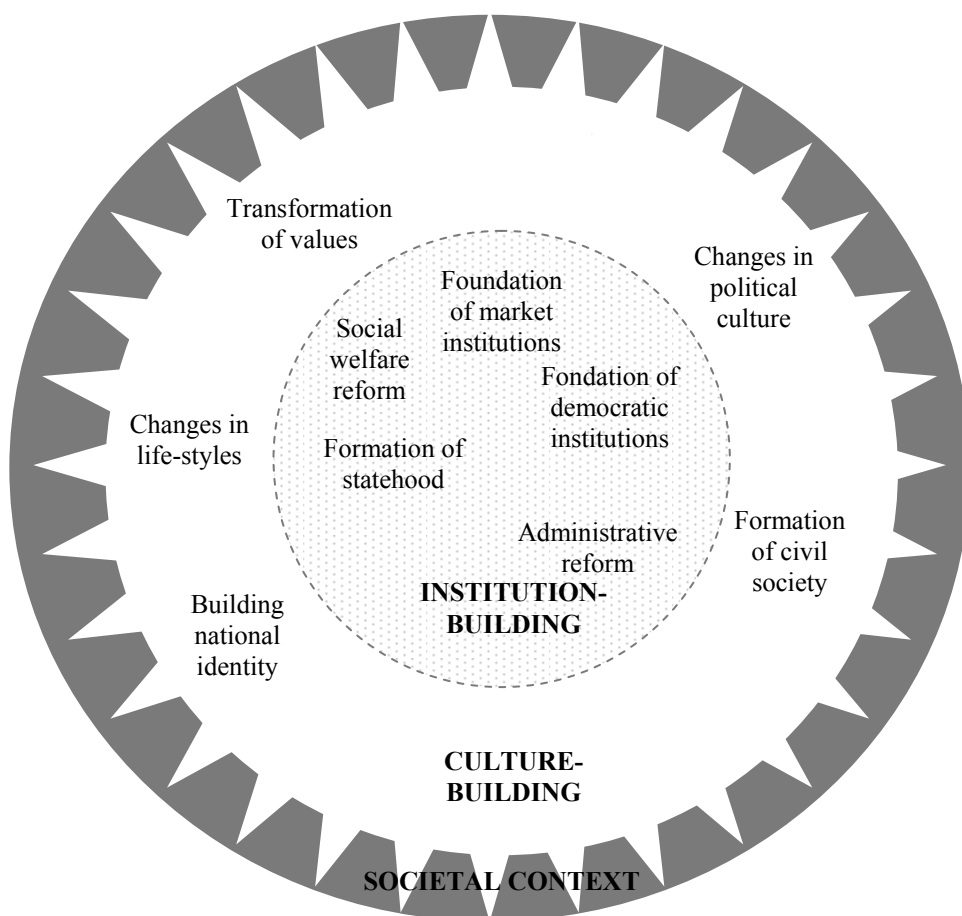


Figure 1. Imaginary scheme of post-communist transition (based on Offe 1991, 1996, Sztompka 1996 and Lauristin 1997)

1.1.2. Different tracks and experiences of transition

The transition process is not homogenous and great varieties in outcomes of the transition among the former communist countries can be found. According to the achieved outcomes, the transitional countries have been more or less successfully reforming their economic and political structures (Kolodko 2001, Papava 2006, Ekiert *et al.* 2007). Success of the transition has been operationalised mostly by economic growth, macroeconomic and political freedom, level of privatisation, lack of corruption, etc (Kopstein & Reilly 2000, Izyumov 2010). Often various multidimensional aggregated indexes (Bertelsmann transformation index, EBRD transition progress index, Freedom House index of political and civil rights, etc) are composed for better understanding of the transitional processes.

The character, scope, speed and outcome of social reformations is determined by multiple interrelated factors. Initial conditions prior to transition have formed the general playground for forthcoming economic, social and political reforms (Zukowski 1996, Ellman 2005, Popov 2007, Bitzenis & Marangos 2009). For example, several authors (Balcerowicz 1994, Milanović 1998, Papava 2006) note that the presence or lack of institutions of the statehood has considerably shaped the transition process and the formally independent countries of Central Europe (e.g. Poland and Hungary) were in much more favourable situation compared to the former republics of the Soviet Union (like Baltic countries) or ex-Yugoslavia (Slovenia, Croatia, Serbia) belonging to the federal unions. On other hand, the existence at least some elements of the private sector in Poland, Hungary, and Slovenia gave clear advantage in terms of economic reforms for those countries (Zukowski 1996). The collapse of the soviet economic system has put the economy of the Baltic countries into a very complicated situation (**Study I and II**, Kutsar & Trumm 1995, Jahn & Kuitto 2010). Cultural differences between countries have also played a relevant role. For example, Norkus (2007) by analysing differences in the outputs of economic transition in the Baltic countries has found that bigger progress achieved in Estonia can partly be explained by more established traditions of protestant work ethic and readiness to learn to act under the conditions of the market economy.

Post-communist countries have selected different strategies for implementation of reforms. In the frames of economics, the main research question concerns the difference in reform outputs achieved by the post-communist countries choosing different strategies for reformation of the economy (Zukowski 1996, Kolodko 1999 & 2001, Papava 2006, Jahn & Kuitto 2010, Izyumov 2010, Bandelj & Mahutga 2010). The implementation of social and political reforms has followed two different paths: shock therapy and gradual reforming (Papava 2002). Shock therapy is a strategy which consists in the maximisation of radical transformations in the shortest possible period of time and is identical to so-called “Washington consensus”, which, in turn, forms the basis of the IMF approach to transformational developments (Stiglitz 1998). The strategy of gradual reforms considers the need for macroeconomic and political stabilisation at different phases of implementation of the reforms (Havrylyshyn 2007).

There is no common understanding about the impact of selected strategies on the results of transition. Some authors (De Melo *et al.* 1996, Breton *et al.* 1997, Fisher & Sahay 2000, Gomulka 2000, Havrylyshyn 2007) keep an opinion that radical reformation of economy has prevented further deterioration of production systems and enabled to create necessary institutional environment in the shortest period. The relative preference of the shock-therapy strategy can be approved by the quick recovery from the crisis and remarkable economic growth of the Baltic countries (Popov 2000). On the other hand, the main advocate of the “gradualists” Grzegorz Kolodko (1999, 2001, 2004, and 2010) finds

that the strategy of shock-therapy is totally misleading and does not provide any therapy. Moreover, transition is a long-time multilayered process, containing many elements. And if even some sub-reforms of economic restructuring (e.g. privatisation) have been implemented in more radical way, the general process remains still gradual. Gradual reformation of society helps to preserve economic stability and gain necessary public support and recognition to the reforms. The best example about positive outcomes of gradual reforms is China. Finally, some authors (Ellman 2005, Popov 2007, Bitzenis & Marangos 2009) point out that the success or failure of transition is mostly explained by initial conditions prior to transition and the impact of the architecture of the reforms is statistically insignificant.

As mentioned before, Estonia represents the group of countries of most radical reforms (**Study II** and **III**), and has demonstrated good macroeconomic performance, political stability and transparency (Panagiotou 2001, Kolodko 2001, Norkus 2007, Bertelsmann 2008, Lauristin & Vihalemm 2009). Similar characterisation can principally be applied for all Central and Eastern European countries belonging to the European Union, while Russia, Ukraine, ex-Yugoslavian states have performed on moderate level and rest of the countries are clearly lagging behind (Zukowski 1996, Ekiert *et al.* 2007, Popov 2007).

In the context of the transition studies, the question “When the transition period is over?” is often raised, but rarely answered. King in his publication from 2000 found that the transition “is now over” and a new normality has been established, thus the term ‘post-communist’ is now useless. Still, Sasse (2005: 1) points out that the question ‘when is transition over?’ is a question about the stability of the new democracy and its potentials for backsliding, stating: “*When democracy is successfully consolidated when there is no significant domain of power or actors challenging the state from outside the democratic structures, and when a strong majority accepts the legitimacy of the new democracy. When there is little or no potential for reversion to authoritarianism, then, we should say the transition to democracy is over*”.

Kolodko (2010: 1), concentrating on economic aspects of transition only, is rather sceptical and finds that “...despite of the EU-membership, which in accordance with the Copenhagen Criteria means that a new member as a ‘functional market economy’ is able to compete within the European integration grouping, it does not determine true system maturity. For that it is necessary to achieve a state of market institutions and culture which would be satisfactory from this particular point of view, further development is necessary and this will take many years”.

1.1.3. Poverty as a social cost of transition

The experience of fast economic and political reforms implemented in different countries demonstrates that the emergence of various social problems and deterioration of living conditions of a vast majority of people is universal phenomenon, which is caused by the fall of production, increases in prices and decreases in real incomes (**Study I**, Standing 1997). This phenomenon is often referred to as “Transformational Fall” (Kornai 1993), “Transformational Crisis” (Zukowski 1996), “Post-Communist Great Depression” (Milanović 1998), or “Trap of Reforms” (Klaus 1997).

Ellman (2000) lists eleven main social costs of transition, which could be organised into four major categories: 1) demographic costs (decrease of average life expectancy, increase in mortality and morbidity, decline in fertility, depopulation); 2) employment costs (decline in employment, increased unemployment and inactivity); 3) economic costs (increase in inequality and poverty rates, declined living standards; and 4) moral costs (criminalisation, discrimination, growth of corruption, declined institutional and interpersonal trust).

Tremendous expansion of poverty and decline in living standards of population has been considered as the most severe social consequence of transition (**Study I**, Warzywoda-Kruszyńska & Grotowska-Leder 1993, Lamentowicz 1994, Trumm 1996, Milanović 1998, Izyumov 2010).

The UNDP report “Poverty in Transition” (1998: 6) states: *“No region in the world has suffered such reversals in the 1990s as have the countries of the Former Soviet Union and Eastern Europe. The number of poor has increased by over 150 million. To put this into perspective, the figure is greater than the total combined population of France, the United Kingdom, the Netherlands and Scandinavia.”*

Prior to transition poverty in the transition economies region was largely a non-problem. It was formally prevented by guaranteed full employment, free health care and education and heavily subsidised food, housing and utilities (**Study IV**, Deacon 2000, Asad 2005), which were rapidly dismantled with the collapse of the former economic system. From the general economic perspective, the main reasons for the explosion of poverty were transformational recession, which led to remarkable percent reduction of GDP, hyperinflation that destroyed savings of population and severely depressed real wages, increase in income inequalities across social groups, regions and sectors of economy, and disintegration of the communist-era social protection system (Izyumov 2010).

The characteristic feature of the “transitional poverty” is its massiveness and its structural nature. Ladanyi & Szelenyi (2000) conclude that during the period of transition there have been not only a substantial increase in the proportion of the population living in extreme poverty, but also the character of poverty has changed – under socialism, poverty was mainly a life-cycle phenomenon, today social class and possibly ethnicity and/ or gender appear to play a more

significant role in predicting or explaining who becomes poor. Another evidence of transition is an increase of permanent poverty and spatial segregation of the extremely poor from the rest of society (Warzywoda-Kruszyńska & Grotowska-Leder 1998, Tarkowska 2001). According to Ferge (1999), the “new poverty” (the author refers here to the early stage of the transitions in the early and mid-1990s) hits those groups most that were less prepared to face new challenges. They were probably never among the best-off, but in the former system, most of them had gained existential security and some sort of, perhaps token, self-esteem.

During the transition, all post-communist countries of the region suffered increases of poverty, but the degree of severity of the problem differed greatly. Several analyses (Ekiert *et al.* 2007, Havrylyshyn 2007, Izyumov 2010) indicate that the Central and Eastern European countries including the Baltic countries experienced smaller losses compared to the countries in South-East Europe (Bulgaria, Romania) and the 12 countries of the former USSR. Some authors (Marangos 2004, Susjan & Redek 2008, Izyumov 2010) explain these differences by relatively short and shallow recession compared with the outcomes of inconsistent shock therapy in former Soviet Union and South-Eastern Europe, others (Ellman 2005, Popov 2007, Bitzenis & Marangos 2009) by a more favourable initial conditions prior of transition.

By today, most post-communist countries have recovered from the social losses caused by the transition. Though, the former experiences have left their imprints on the developments later on and most of the transitional societies are still struggling with poverty and economic inequality.

1.2. Poverty as a field of study

It is most likely that everyone has at least once in their life experienced that their financial resources are lacking or insufficient for performing daily obligations. Despite the fact that in most cases poverty means lack or insufficiency of resources, one cannot consider temporary financial difficulties as poverty.

So what is poverty? There are hundreds of somewhat different definitions of poverty available in international academic literature. Poverty has many facets and meanings. Spicker (1999) brings forth eleven definitions of poverty, which are rationally different despite certain essential similarities. Probably the most common definition of poverty is based on the need of and dissatisfaction with basic needs, which relate to both limited material resources and standard of life lower than generally approved in the society. Poverty as a social phenomenon is also characterised by lower level of security and greater social risks; reduced social rights and opportunities to execute such rights. Lower level of rights and opportunities in comparison with other members of society increases the dependence of the poor on public institutions and other people.

Poverty also describes the position of the poor in the society and thus the people in the lowest strata of socio-economic hierarchy can be deemed as living in poverty, irrespective of their income or satisfaction of their needs. On a similar basis, poverty can be defined as deviation from the conduct based on social and cultural standards and/ or “asocial behaviour”, which means that the poor include alcohol abusers, drug addicts, homeless, criminals, etc.

The problem of poverty affects not only the person living in poverty, but also other people and the entire society. On the society level, poverty is mostly associated with social and economic inequality, which creates different conditions and opportunities for different people. The greater the inequality the higher the overall poverty risk (**Study III**). High at-risk-of-poverty rate reduces functional efficiency and sustainability of the society, mutual solidarity between members of the society and the social cohesion of entire society.

Due to the high political and public interest, the primary question in the research on poverty rate or the number of the poor. Øyen (1997) asks critically: *“For whom is it important to know how many people are poor?”*, and suggests a complex approach to poverty, that combines conceptual and operational considerations with theoretical explanations concerning structure, causes and consequences of poverty, as well as includes careful assessment of policy measures aimed at poverty reduction.

1.2.1. Conceptualisation of poverty

In its widest sense, poverty can be understood as a situation where the resources at the disposal of the individuals are insufficient for satisfying their needs. Resources include all material and immaterial resources at the disposal of individuals for ensuring their socioeconomic coping. In terms of economic performance, it is important to ensure that people can actually access these resources in a given situation. Therefore, poverty may result from insufficient means (low wages, poor living conditions, insufficient education), environment inhibiting the use of resources or (special) needs (expenses) that exceed the needs (expenses) of other members of society. That way, living in rural areas may involve high transportation expenses; higher poverty risk of families with many children is not necessarily a result of low income but may be caused by greater needs in comparison with families with a smaller number of children. Supplementary special need that increases the poverty risk of a person with reduced mobility consists of the need for adapting the life environment and/or the need for personal assistant.

Poverty is expressed in various forms, which requires the use of different aspects and definitions in poverty studies with different emphasis. Contemporary definitions of poverty can be comprised under three definition groups: (1) poverty means that a person owns less than objectively established (by absolute standard); (2) poverty means that a person owns less than other

members of society (on average / in general); and (3) poverty is a perception of having less than required for coping. (Hagenaars & de Vos 1988: 212).

Absolute and relative poverty

Main conceptual dilemma in poverty studies consists in the issue of the absolute or relative nature of poverty. Historically, the concept of absolute poverty came first. It is based on the belief that it is possible to objectively determine minimum level of basic (mostly physiological) needs and calculate the cost of meeting those needs. The first statistical observations based on the concept of absolute poverty were carried out in the United Kingdom already more than a century ago (Booth 1892, Rowntree 1901) and they were aimed at finding out the number of people whose financial resources were insufficient to maintain 'physical efficiency'. In cooperation with nutrition scientists, Rowntree developed the concept of standard food basket, taking into account both the energetic value and diversity of food, and this standard food basket was supposed to ensure full capacity for work of the working age population. Minimum food basket was supplemented with minimum rental and scant expenses on clothing and footwear. Rowntree referred to this definition of poverty as 'primary' poverty.

In modern studies on poverty the concept of absolute poverty is applied mostly when analysing the socio-economic situation in developing countries, which allows finding out the social groups living in the greatest need. In developed welfare countries, absolute poverty is interpreted as physiological or social minimum means of subsistence, which determines necessary or standard level of material resources in a given country (minimum wages, minimum pension, subsistence level, etc.).

The greatest shortcoming of the concept of absolute poverty is considered to be the uncertainty and subjectivity of determination of minimum needs – who and on what grounds should decide what counts as basic necessity and what does not (Hagenaars 1991). The needs of different social groups (such as young and old, employed and unemployed, managers and unskilled workers, people living in urban and rural areas) may be rather dissimilar and they cannot be covered by a single consumption standard. There is also variation between understanding of minimum needs and relevant consumption standards in different countries and cultures, which makes it impossible to compare the essence of absolute poverty in countries such as for example India, Estonia and Norway (Berthoud 2004, Marlier *et al.* 2007, Kangas & Ritakallio 2007).

Thus, regardless of clear attempts to provide an "absolute" and universal definition of poverty, all former approaches to absolute poverty have been more or less relative. Hagenaars (1991: 146) finds that most of the definitions of absolute poverty are actually not so absolute and objective as the authors believe them to be. The position of Rainwater and Smeeding (2004: 9) is even

more relentless: *“The more experience countries have with absolute poverty definitions, the more obvious becomes the absurdity of the rationale for them”*.

Unquestionably, the best known definition of relative poverty originates from the book “Poverty in the United Kingdom” by Peter Townsend (1979):

“Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities.” (p. 31)

The definition provided by Townsend emphasises the dependence of poverty on the overall welfare level of the society, which clearly supports the relative nature of poverty.

The factors affecting the level of absolute and relative poverty in society are somewhat dissimilar. Absolute poverty depends primarily on the general development level of society and the prosperity of members of society. The more resources there are in the society, the higher the level of satisfaction with (basic) needs of members of society. In relative poverty, the prosperity of society is irrelevant – there are poor people present in every society – instead that, the importance is attributed to the distribution of resources within society. The more even the distribution of resources in the society, the lower the possibility of having significantly lower level of resources in some social groups (White & Anderson 2001).

Thus, relative poverty is first and foremost associated with different forms of inequality (unequal distribution of income, unequal access to public resources, unequal treatment, discrimination, etc.). Inequality is also crucial in terms of absolute poverty: in case of extremely unequal distribution of resources, the opportunities of some members of society to satisfy their minimum needs may remain insufficient even in a rather wealthy country.

Objective and subjective poverty

Another source of discussion besides the question of absolute or relative nature of poverty is the approach to poverty categorised as objective or subjective. As a theoretical concept, objective poverty means the insufficiency of existing resources for satisfaction of basic needs (objective absolute poverty) or in comparison with relevant standard established in the society (objective relative poverty).

Although objective approach to poverty is prevalent in poverty studies, the objectivity of such approach is still questionable (Van Oorschot & Halman 2000, Van den Bosch 2001). What needs are objectively basic needs? How to define the level of satisfaction of needs objectively? What is the objective level

of minimum resources approved by the society? Though the search for answers to these questions excludes the attitudes, estimations and opinions of people, the 'objective' definition of different aspects of poverty still depends on the preferences and attitudes of the authors of such definition.

Subjectively perceived poverty is the estimation perceived and expressed by people with regard to the sufficiency of resources at their disposal required for minimum or normal daily coping (absolute subjective poverty) or level of resources in comparison with other members of society (relative subjective poverty).

Research (**Study III**, Kangas & Ritakallio 1998, Whelan *et al.* 2001, Bradshaw & Finch 2003, Fahey 2007) has shown that subjective poverty and objective poverty coincide only partially. On the one hand this indicates that individual evaluation standards differ from society-oriented 'objective' standards established by researchers; on the other hand this implies the reason to believe that objectivity and poverty concern different aspects of poverty as a multi-dimensional phenomenon.

In case of objective poverty, the problem consists in ignoring personal experience and evaluations of an individual, which may lead to a situation, where those persons or households that demonstrate excellent coping with limited resources due to their initiative and skills, are "labelled" as poor, and the persons or households that are only just above the established minimum standard of resources, is deemed as living out of poverty. In case of subjective poverty, the undesirable factor is uncertainty of poverty resulting from huge difference in evaluation criteria and reference basis (Sen 1981).

Relative deprivation and social exclusion – two facets of poverty

Multidimensional conceptualisation of poverty focuses mainly on the direct internal consequences of poverty – satisfaction of basic needs, material (as well as non-material) living conditions, quality of life, participation opportunities, etc. This definition of poverty is known as deprivation – material, emotional, physical or behavioural (living) conditions that are considered unsatisfactory or undesirable by the society. Thus, deprivation means lack of something desirable and necessary (income, property, health, education, etc.), which significantly reduces the welfare of people (Brown & Madge 1982). Similar to the concept of poverty, deprivation can be categorised as absolute or relative, objective or subjective.

Social exclusion has become one of the key issues in welfare and poverty studies carried out during recent decades, and it provides the framework for discussing several problems characteristic to modern society. In its widest definition, the social exclusion is considered as a process characterised by accumulation of welfare deficits and relevant problems, which causes reduction in public participation, aggravation of powerlessness and disappointment and withdrawal from social life. Sen (2000) has found that the concept of social

exclusion comprises many different social and economic problems: poverty, relative deprivation, discrimination, low social capital, lack of trust.

However, social exclusion cannot be compared to any of the aforementioned welfare deficits; it is complex in nature (**Study V**, Berghman 1995, Vranken 2001, Fløtten 2006). Exclusion stands for the lack of social integration (Alber & Fahey 2004) and inability to participate in basic political, economic and social structures (D'Ambrosio *et al.* 2002). The concept of social exclusion combines several different definitions of poverty. Brady (2009) provides a list of aspects of poverty brought forth by various researchers, comprised by the concept of social exclusion: "the poor lose social connections with the surrounding environment", "economic, social and cultural segregation of the poor", "poverty means giving up community standards", "the poor are not considered to be full members of the society", etc. Abrahamson (1995) has defined social exclusion as 'extreme poverty' – the excluded persons are the poorest of the poor, the ones in chronic poverty.

Temporary and permanent poverty

The majority of poverty studies consider poverty in a given moment of time and focus on the analysis of the scope and structure of poverty. Yet, poverty cannot be considered as onetime event, but as a process with temporal duration. Temporary poverty has been experienced by many households and its potential reasons include various one-time or temporary events – sickness, unexpected discontinuation of income, reduction in workload, etc. Risk of poverty can disappear after the 'event' has passed and the household is able to quickly restore the former standard of living. Permanent poverty denotes a situation, where household maintains the standard of living significantly below the average standard of living for a longer period, which causes serious endangerment in satisfaction of basic needs and increases the risk of social exclusion with establishment of poverty culture (Marlier *et al.* 2007).

Several studies on poverty dynamics (Whelan *et al.* 2003, Fouarge & Layte 2005, Mendola *et al.* 2009, Kasearu 2010) have confirmed the different structure, mechanisms and socio-economic consequences of temporary and permanent poverty. In the context of different member states of the European Union, the risk of permanent poverty is higher in the countries with more liberal social policy and income inequality. The risk of falling into permanent poverty is remarkably higher in families with many children and families with single parent, young adults, and long-term unemployed persons. Households living in permanent poverty are characterised by income level that is significantly lower than at-risk-of-poverty threshold and (compared to temporary poverty) by much more modest living conditions (Trumm & Kasearu 2011). Long-term poverty causes low self-esteem and lower general contentment with life (Kutsar & Trumm 2010a). People who experience long-term poverty are at risk of facing a lifetime social exclusion. Moreover, numerous studies (e.g. **Study V**, Moore

2001, Airio *et al.* 2004, Ludwig & Mayer 2006) have demonstrated that values, social norms, behavioural patterns, communication strategies are potential transmitters of poverty from generation to generation.

1.2.2. Diverse understandings to approach the causes of poverty

There is no common understanding what causes poverty. As Taylor-Gooby (1991), Niemelä (2008), Lepianka *et al.* (2009) refer, people have argued since the antiquity whether poverty is caused by personal characteristics and human behaviour or by general organisation of public life and peculiarities of its development. No one simple answer is found so far, and mostly because of its complex character. Contemporary poverty research forms an interdisciplinary field of knowledge. Vu (2010) has divided it between five disciplines: psychology, anthropology, sociology, economics and political science. The order of the disciplines presented reflects the main focus between individual behaviours vs. environmental (structural) factors that makes the approaches to causes of poverty diverse.

The roots of the psychological understandings lay in social Darwinism according to which the causes of poverty are explained by individual capacities and behaviour. ‘The poor’ are defined as people with the lowest physical and mental abilities – they are regarded as being less educated, they cannot be bothered to work or have no skills for work, they are sick and/or stand out by abnormal or non-standard behaviour (e.g. substance abuse, criminal activities, etc.) (Goldstein 1973, Murali & Obeyode 2004, Turner & Lehning 2007). In spite of that, Rainwater (1970:16) critically discusses individualistic theories of poverty as a “moralizing perspective” and notes that the poor are “afflicted with the mark of Cain”.

In the frames of anthropology, characteristics of the individual are linked to his or her culture and society. The most well-known theory applying an anthropological perspective is a theory of poverty subculture by Oscar Lewis (1959). According to him, the poor have adjusted to limited opportunities, by developing a lifestyle that is different from the majority of the society members together with accompanying attitudes and values passed down from generation to generation. The poor live in their peculiar world, where those out of poverty are not welcomed. Crossing of cultural boundaries is blocked by attitudes, customs and standards typical for the subculture. Emergence of subculture is typical in the socially or geographically isolated communities suffering from chronic poverty.

Sociologists, economists and political scientists have been inspired by a structural theory of poverty: macro-level labour market and demographic conditions put people at risk of poverty, and cross-sectional and over time differences in these structural factors account for its variations – the more people

are in vulnerable demographic or labour market circumstances, the more there poverty exists (Brady 2006: 154). Numerous empirical studies (e.g. Wilson 1996, Ravallion & Shaohua 1997, Milanović 1998, Bianchi 1999, Blank 2003, Brady 2006, Marx 2007, de Graaf-Zijl & Nolan 2011) have demonstrated the intertwined impact of economic performance, economic (re)adjustments, labour market characteristics and developments, income inequality, social stratification, mobility patterns and generosity of the welfare system as major socio-economic parameters on poverty levels and structure. In addition, socio-demographic processes, like population ageing and family destabilisation may generate new risks of impoverishment for many elderly, young people and female-headed households (**Study III**, Pearce 1978, Bonoli 2007, Smeeding *et al.* 2008, Warzywoda-Kruszyńska *et al.* 2010, Vandecasteele 2011).

Not clear whether these structural factors tend to increase or reduce poverty. For example, welfare benefits provide additional resources for the poor, and uncover risk of creating welfare dependency, and increase of minimum salary may reduce the number of the working-poor. At the same time, increase in employment costs may suppress the demand for low-skilled labour and thereby increase unemployment. Brady (2009) relates different arguments with macro-economic and political ideologies and demonstrates by empirical analyses how politics has strong impact on evolution and understanding of poverty, thus also the diverse understandings of poverty causes. On figure 2, a conceptual map adapted from Blank (2003) and Jung & Smith (2007) visualises different approaches under the cover of economics. One can see how different micro and macro level political ideologies can shape the understandings about the causes of poverty.

| | CLASSICAL ECONOMICS | POLITICAL ECONOMICS | LIBERAL & NEO-LIBERAL ECONOMICS |
|-------|--|--|---|
| MACRO | Social welfare programmes create poverty | Social and political forces cause poverty; Capitalism creates poverty | Economy is underdeveloped or insufficient |
| MICRO | Poor people make choices | – | Poor people lack skills and abilities |

Figure 2. Conceptual map of macroeconomic political theories explaining the causes of poverty (adapted from Black 2003 and Jung & Smith2007).

Kutsar *et al.* (1998) reflect the times of rapid transitional society (Estonia) and make an attempt to categorise the causes of poverty from both the social-structural as well as individual points of view. They focus on four sources of poverty – the individual, household-related, social structural and social political – as risk factors of poverty. According to them, *the individual-psychological risk factors* can be divided into achievable and ascribed risks. Achievable factors refer to personal achievements, like low level of education, insufficient professional and social skills, passiveness, lack of motivation, low self-esteem, etc. Ascribed risks are related to the individual's age (children and elderly are at higher risk of poverty), gender (women have higher poverty risk than men), ethnicity (ethnic minorities are at higher risk of falling into poverty) and physical or mental disability. Individual poverty risks may also include several unexpected life events (loss of a family member, sickness, destruction of domestic property, etc.), which may become a significant factor pushing people into poverty.

The household-related risk factors are understood by them as being first and foremost associated with the structure and development phase of the household. In case of household structure, an important poverty risk consists in the unfavourable share of employed and unemployed household members (poverty risk is higher in households with more children and/or elderly; higher poverty rate is also characteristic of households with a single parent and an unemployed or inactive household member. *The social risk factors* arise from the structural characteristics of the society (overall prosperity of the society, uneven distribution of resources, employment, general social preferences), and last not least, the *socio-political risk factors* can be connected to the general principles of organising and financing social protection, ratio of various benefits and services and the organisation of social policy (**Study IV**). Kutsar *et al.* (1998) basing on analysis of a transitional society, by referring to determinants of poverty actually highlight its structural content.

I.2.3. Consequences of poverty

Poverty is a problem for the individual *per se*, but entails also severe risks for accumulation of different welfare problems (**Study V**, Kutsar & Trumm 1995). There are a number of studies showing that welfare problems do cluster (Townsend 1979, Mack & Lansley 1985, Erikson & Tåhlin 1987, Kangas & Ritakallio 1998, Bradshaw & Finch 2003, McKay 2004, Fløtten, 2006, Böhnke 2008, Halleröd & Larsson 2008, Whelan & Maître 2008). In the assessment of the consequences that poverty may lead to, it is important to focus on the length of period during which a person and his/ her household has had to cope with the resources below the required level which is considered minimal for subsistence (absolute) or necessary for normal life (relative). The longer is the period lived in poverty the more severe are the consequences of it (Fouarge & Layte 2005, Trumm & Kasearu 2011).

In a nutshell, for an individual living in poverty implies restricted choices, entails negative stress, low self-esteem and smaller satisfaction with life, creates severe health risks, and endangers close relationships and family network (**Study V**, Kutsar & Trumm 2010a). For the society, poverty has direct price in monetary terms – health care contributions paid for uninsured persons, maintenance costs paid for the shelters intended for homeless and costs paid for social housing, benefits and services targeted to the poor, etc. But poverty has also an indirect price – additional costs related to ensuring public order, smaller than expected tax revenues, loss of human capital resulting from employment and dropping out of school, etc. All this leads to the reduced sustainability and cohesiveness of the society.

1.2.4. Welfare system serving the reduction of poverty

Poverty is an unacceptable social problem requiring intervention and all developed and developing societies are making efforts providing to poor at least some relief from poverty. These efforts are labelled under different, loosely defined concepts: social safety-net, social protection, welfare state, welfare system, etc, and are often considered as synonyms (Veit-Wilson 2000, Norton *et al.* 2002, Aidukaite 2009). For example, Haan & Conlin (2000: 3) define social protection as “a set of policies assisting people to protect themselves against shocks and risks; Devereux & Sabates-Wheeler (2004: 9) determine social safety-net as “all public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks”, Esping-Andersen (1990: 19) defines welfare state as the state’s responsibility for securing some basic modicum of welfare for its citizens, etc.

The development of welfare provisions from strictly targeted cash benefits to wide-scale insurance schemes and public services is often marked as “From the Poor Law to the Welfare State” (Lødemel & Schulte 1992). Today, the standard instruments of social protection address a broad range of risks associated with sickness, old age, maternity, family dynamics, unemployment and general neediness by means of income transfers and social services (Avramov 2002) and could be divided into two categories: social security (comprising insurance schemes and universal benefits) and social assistance (targeted benefits and services), performing preventive, protective and reactive functions in the field of poverty alleviation (de Neubourg *et al.* 2007). Considering that the primary target of social policy is to alleviate poverty and increase general welfare, the poverty indicators serve as an important tool for evaluating the performance of different social-political measures.

Within welfare research, much attention is paid to examination of potential associations between poverty and mechanisms of welfare provisions. Several authors (**Study IV**, Cantillon 1997, Korpi & Palme 1998, Kangas & Palme 2000, Klugman *et al.* 2002, Brady 2005, Trumm 2005, Marlier *et al.* 2007, Brady 2009, OECD 2009) have analysed the impact of the share of social

expenditures on the level of relative income poverty in different countries and they have established a significant statistical relation – the higher the social expenditure of a state, the lower the at-risk-of-poverty rate. Similar correlation has been found between social expenditures and the level of absolute poverty (Kenworthy 1999, Nell 2005, Scruggs & Allan 2006). Still, this relation is not very strong, which indicates that there are other qualitative characteristics of the social protection system affecting the level of poverty besides the level of social expenditure (Esping-Andersen 1990).

One potential factor affecting poverty is the structure of social expenditure, which means that the level and structure of poverty depend on the distribution of social expenditure on pensions, sickness benefits, family allowances, protection of unemployed persons, social assistance, etc. A logical conclusion would be that the greater the proportion of relevant social protection function in the total social expenditure, the lower the poverty of relevant income group: high pension expenditure reduces the relative poverty risk of the elderly (Kangas & Palme 2000); greater proportion of family allowances reduces the poverty of families with children (Bahle 2008, Trumm 2009); income-based social assistance is most efficient in improving the situation of the poorest members of society (Kuivalainen 2005, de Neubourg *et al.* 2007, Cantillon *et al.* 2008, Trumm & Kasearu 2011), and so on. The researchers are also interested in the interaction between universal and income-based benefits and services: greater proportion of universal measures in the total social expenditure leads to a lower income poverty rate (Kangas & Palme 2000, Christopher 2002). Analyses have been performed also with regard to the impact of different parameters of social protection system on the duration (Fouarge & Layte 2005) and depth of poverty (Kangas & Ritakallio 2007).

On the other hand, proceeding from the perspective of liberal political economy, several authors (e.g. Alesina & Perotti 1997, Lindbeck 1998, Blank 2003) have found that the welfare state harms economic growth and has direct and indirect aspects that actually increase poverty – welfare generosity provides an incentive for single parenthood, unemployment and labour market non-participation, contribute to labour market rigidity and inefficiency. Such a criticism is partly justified – despite of the generous welfare provisions in the high-income countries, poverty still exists. Even more – during the past decades the economic vulnerability has considerably increased, and nearly every sixth household in Europe is presently living in poverty (Eurostat 2010).

Typical explanations of that paradox concern inadequacy and inefficiency of the welfare system are the following: (1) welfare provisions in cash or in kind are insufficient to lift the poor out of poverty (**Study IV**, Cantillon 1997, Spicker 2002, Kuivalainen 2005, Trumm & Kasearu 2011), and / or (2) benefits and services are ill-targeted and the well-off groups benefit more from this compared to the poor segments of the population (Kenworthy 1999, Vörk & Paulus 2007, Brady 2009).

The criticism toward the welfare system concerns also its rigidity to socio-economic and socio-cultural transformation of the society, including the changing nature and profile of poverty (Esping-Andersen 1999, 2002, Ferrera & Rhodes 2000, Taylor-Gooby 2004, Bonoli 2005, 2007, Vandecasteele 2011). Hemerijck (2002: 173) declares clearly: “*European welfare states are in varying need of reform*”. The need of the reform is determined by several processes and ‘new social risks’ – post-industrialisation (de-industrialisation and tertiarisation of employment), individualisation and individuation, globalisation, European integration, decline of the state, marketisation, de-familisation, population ageing, de-standardisation of employment) – challenging the current welfare system, increasing overall vulnerability and re-shaping the structure of poverty (Ferge 1997, Taylor-Gooby 2004, Ferrera 2007, Bonoli 2007). Spicker (2002), highlighting the changing nature of poverty argues that there are issues that welfare systems do not address. The welfare state does not prevent people from being disadvantaged in the labour market. It does not stop inequality. Welfare systems do not guarantee full employment, social and cultural integration of immigrants or stable marriages. The new social risks call the welfare system to pay more attention on activation measures, flexicurity issues, social investments in children and youth, reinforcement of research and development activities and expansion of case-management strategies in social assistance (**Study IV**, Hemerijck 2005, Taylor-Gooby 2008).

2. SOCIO-ECONOMIC CONTEXT OF POVERTY IN ESTONIA

Poverty as a social phenomenon is essentially influenced by the processes going on in the society. Dramatic social developments which took place in the Central and Eastern Europe during the last decades have brought along an extremely rapid growth and spread of poverty since the end of the eighties and beginning of the nineties of the past century as well as a rapid growth in the living standard and a significant decrease in absolute poverty and material deprivation during 2003–2007. The fact that poverty is closely related to the general economic and social development of the society is also confirmed by a remarkable growth in the poverty risk forecasted for 2009 and 2010 (Trumm & Kasearu 2011). Taking the transition period of Estonia as a starting point, we can roughly divide the poverty development history of the past twenty years (1989–2009) into four periods: a period of transitional reforms, stabilisation period, a period of fast economic development and growth of welfare, and a period of global economic crisis.

Period of transitional reforms, 1989–1994

After the breakdown of the political and economic systems, the incomes of population decreased considerably because of inflation; general decline in employment; cuts of wages and salaries, pensions and social benefits and raised tax rates (**Study I, Study II**). Decline in the living standard was further on aggravated by the 1992 monetary reform as a result of which the earlier savings of all residents became nonexistent. Majority of the population had to give up their earlier style of living and consumption habits. During some years, the consumption structure underwent a drastic change – the share of households' expenditure on food in the total consumption increased nearly twofold, and the share of expenditure on dwelling increased fivefold (Kutsar & Trumm 1995). This led to massive poverty and deprivation: in 90% of households, expenditure on food and dwelling formed more than half of total consumption, only 10% of the wealthiest population could afford more than barely meeting the basic needs (**Study I**). Thus, the poor economic situation was evenly distributed and collectively shared, resulting in generally low living standard and in a high absolute poverty risk. As the incomes of households had been distributed rather evenly, the rate of relative income poverty was quite modest. During the first stage of transitional period, no clear social structure or risk factors of poverty could be found – almost anyone could fall into poverty due to the emergence of unfavourable circumstances.

At that time, the social security system of independent Estonia was created – new principles of social tax collection, pension insurance, health insurance and welfare services took effect (Trumm 2002). Despite the introduction of new

principles, the state was neither able to stop the decline in the level of living standard nor could it reduce massive poverty because of restricted financial resources. The Pension Act which entered into force in 1991, established considerably larger pensions than earlier, but a year later it was replaced by the State Allowances Act, which cut the expenditure on pensions to a considerable extent; the child benefits established in 1990, the value of which decreased to almost a zero during a couple of years due to hyper-inflation, was not amended because of budget restrictions (**Study III**). A failure to establish an official poverty line due to public opposition also indicates the seriousness of the situation. The statement “we are all poor” was the main counter-argument expressed. The problem was solved by replacing the term ‘poverty line’ with the term ‘subsistence level’ (Leppik 1995).

Stabilisation period, 1995–1999

The structural economic crisis in Estonia came to an end by 1995 when the gross domestic product increased for the first time compared to the previous year. The economic growth continued until the end of 1998. The growth was temporarily interrupted by the so-called Russian crisis in 1999, and continued at a faster pace than earlier in 2000. From the macro-economic perspective, the given period is characterized by a fast restructuring and privatisation of the economy, accompanied by a decline in employment and a continuously growing unemployment. In 1999, the number of unemployed population exceeded 80,000 persons and the unemployment rate crossed the 10% line (Toomse 2004).

First and foremost, the unemployment affected unskilled workers in large manufacturing enterprises and agriculture – a big share of them lost a job because of lay-offs or closure of the enterprise. Employees with basic education accounted for nearly a third of all unemployed persons (Marksoo 2002). The share of the long-term unemployed kept growing, comprising almost a half of all unemployed population during the last years of the referred period. Long-term unemployment was mostly characteristic of the periphery regions of rural areas. The cases, when practically all working-age population of a region were unemployed, were not rare at all. Such a situation involves extremely high risks causing a large loss in the human capital and capacity for work (Eamets 2001).

In 1994, right before the stabilisation period, 20% of respondents who participated in the Estonian Living Conditions Survey estimated their own condition as poor, and nearly 70% of the respondents claimed that they could barely make ends meet. Only a tenth of the respondents evaluated their condition as economically secure. At the end of the period (1999), the subjective evaluations of the population were essentially the same (Einasto 2002). Hereby, it can be concluded that according to the people’s own evaluations, the improved economic environment has not increased their welfare-related opportunities. Proceeding from that, the socio-economic reforms carried out in Central and

Eastern Europe were called by a term ‘a shock therapy’ which was interpreted as ‘a lot of shock, but little therapy’ (**Study II**).

Yet, signs indicating a substantive change in the situation of poverty could be noticed in the course of stabilisation period. During 1992–1997, the share of the population who spent more than a half of their income on food (63% and 33% respectively) decreased twice (Kutsar *et al.* 1998: 32); by 1999 compared to 1994, the number of households who had to give up consuming meat products had decreased twice. At the same time, the situation did not ease almost at all in the possibilities to make use of medicines and medical services, attend cultural events, and communicate with friends and relatives (Einasto 2002: 105).

Thus, the presented data confirm that only the extreme absolute poverty decreased considerably during the given period. A rapid economic growth and restructuring of the economy brought along the differentiation of incomes and a widening gap in material inequality which stood high during the entire observed period. Compared to earlier times, a clear-cut vertical stratification developed, and thus the social groups who managed to benefit from the social changes occupied higher positions which provided better welfare prospects, and the groups who could not adapt to changes fell down to lower strata. Younger persons and those with a higher educational level were mostly the ones who managed to be adaptable (**Study V**). The same can be said about the persons whose social activeness and enterprising spirit were not restricted by insufficient knowledge of the official language, poor state of health or family commitments. Elderly population, persons with a lower level of education and non-Estonians comprised the largest share of those who were unable to adapt to changes and were exposed to the risk of social exclusion (Kutsar 1997, Aasland & Fløtten 2001).

Clear-cut risk groups could be distinguished among the poor: the unemployed and the households with an unemployed member, families with many children and single-parent families, disabled persons and the elderly (**Study III**). For the poor population, the period of poverty lengthened and ‘exit from poverty’ became more complicated than earlier (Kutsar *et al.* 1998, Kasearu 2010). Poverty evolved into a multi-dimensional phenomenon, where different economic, social and psychological risks interweaved and cumulated. This was expressively confirmed by the interviews conducted with the social workers who handled the problems of families who had everyday difficulties with coping (Kutsar & Trumm 2003).

In summary, the observed period can be characterized as a period when, in the conditions of ever growing segmentation in the society, the confrontation between the poor and the rich transforms into the confrontation between of the winners and losers (Lauristin & Vihalemm 1997: 82).

In the field of social security, application of the Social Welfare Act (1995) and principal approval of the Conceptual Framework for Pension Reform introducing the idea of the three-pillar funded pension system by the Government in

1997 (Leppik 2006) should be mentioned. Nevertheless, Estonia's social security system rather retained the features typical of the liberal traditions of a welfare state. This is proved by a persistently small share of the social security expenditure, lowering of the income tax rate and decrease in the share of universal measures applied to the whole system of social security (Grønningsæter 1999). Pursuant to the predominant right-wing ideology, the economic growth and free enterprise framework were placed in the forefront, and reduction of inequality and development of the social security system were rather looked upon as the factors hindering economic development (**Study IV**, Kutsar & Trumm 1999b, Lauristin 2003, Trumm 2006). In part, as a result of ideological considerations and political preferences, the poverty alleviation program worked out in 1997–1999 (Kutsar & Trumm 1999a, Trumm 2000) was not officially recognised and not implemented.

Period of fast economic development and growth of welfare, 2000–2007

Beginning of the 21st century was the period of fastest economic development in the history of Estonia which is remarkable not only in the context of Estonia but of whole Europe (Trumm 2005). The gross domestic product of Estonia grew 2.5 times in the period 2000–2007, and in the context of the European Union the GDP per capita increased from 45% to 70% of the average of EU countries during the same period.

The economic success of Estonia is based on several factors: radical economic reforms which had been carried out earlier and considered successful, favourable business environment and extensive support from the European Union. Positive impact of the economic growth includes increase of income and employment as well as expanding consumption opportunities and the decline in poverty rate anchored in time (Tiit 2010). The analysis of changes in the individual living standard of the population in Estonia (Trumm & Kasearu 2009b) highlights the considerably improved living conditions, enhanced material, social and physical security as well as the satisfaction of life more fulfilled than earlier.

As a result of positive economic growth, increased incomes and improved situation on the labour market, the structural risks of poverty decreased and the absolute poverty rate declined considerably (Figure 3).

Thus, it can be concluded that the positive impact of economic growth reached even the social groups with the lowest standard of living; by widening considerably their consumption opportunities and reducing their rate of material deprivation (Peil 2010).

Although the absolute poverty showed a clear declining trend, the level of relative income poverty did practically not change over the whole period. Economic growth has not decreased the general income inequality, because the earlier public benefits distribution principles were retained, and despite the fact

that welfare-related opportunities of ‘losers’ in general lines increased, the opportunities of ‘winners’ increased at least to the same degree.

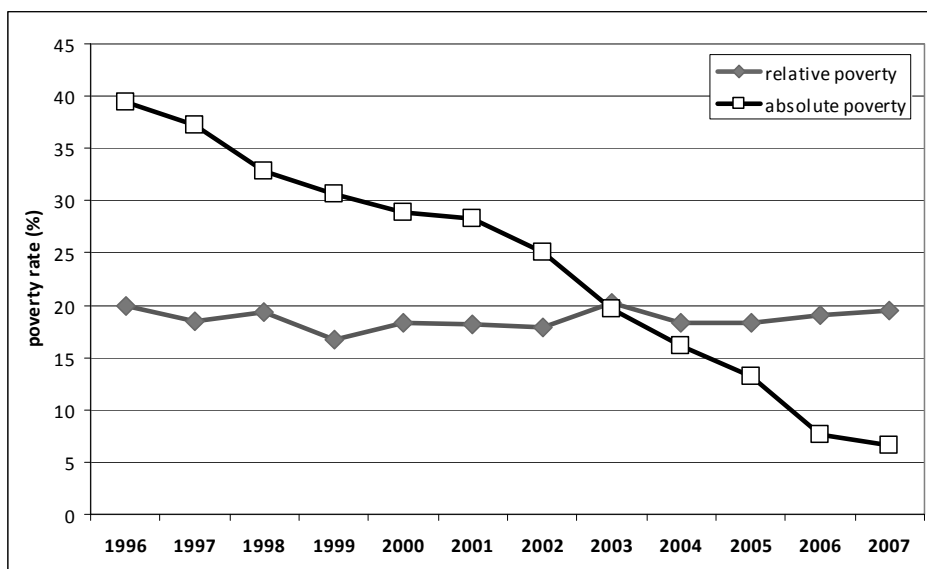


Figure 3. The dynamics of absolute and relative poverty in Estonia, 1996–2007. Source: Estonian Household Budget Survey, Estonian Social Survey (Statistics Estonia).

Still, not all members of the society could derive equal benefit from the extremely rapidly growing incomes. On the contrary, during the years of most rapid economic development, the at-risk-of-poverty risk grew considerably among the elderly and females (Randoja 2010). The different pace at which welfare grew could expressly be seen also in the case of Estonians and non-Estonians, as it was accompanied by deepening ethnic tensions and increasing risk of social exclusion (Kasearu & Trumm 2008).

Essential changes took place in the field of social security during the period under observation. During the process of accession to the European Union (2000–2003), the social security sphere of Estonia lagged notably behind in comparison with the European Union common social standards and there emerged a necessity to handle social matters more seriously than before. By signing the EU Joint Memorandum of Social Inclusion in 2003, Estonia assumed a number of different social responsibilities (Viies 2010). Such in principle new socio-political measures as unemployment insurance and parental benefit were applied, pensions and family benefits increased (Kreitzberg *et al.* 2010). The absolute expenditure on social security increased to a considerable extent, but at the same time the share of this expenditure in the gross national product, vice versa, decreased; an essential increase in the insurance-based

measures that embraced the whole social security system can be distinguished as a separate trend – reproducing rather than reducing inequality (Trumm & Ainsaar 2008, **Study IV**).

In the early 2000s, the concept of risk society increasing the general vulnerability of society and its members (Beck 1992, 1999) quickly gained recognition and popularity in Estonia. In the conditions of the ever accelerating economic growth, more and more attention was drawn to the hazards posed by the development of risk society here. Nevertheless, as pointed by Lauristin (2006: 12), “the development of Estonian society is directed rather to the opposite direction than to the risk society: in parallel with the growth and expansion of risks, the spread of a general mood of satisfaction as well as unconcerned attitude can be noticed. At the same time, uncertainty in all spheres of social life shows an increasing trend”.

Global economic crisis, 2008–...

As a result of the breakdown of the financial sector, economic growth was replaced by a rapid downturn and drastic increase in unemployment. At the end of 2009, there were over 100,000 unemployed persons in Estonia and the unemployment rate was the largest of the Estonia’s recent history. Although the share of persons with low level of education and insufficient qualification is continuously large among the unemployed, persons with higher level of education who have so far felt secure on the labour market are also in danger of losing a job. During 2009, the number of households subject to subsistence benefit was increasing immensely (Trumm & Kasearu 2011). The number of loan and leasing debtors, predominantly among young people with higher education and better income, also grew quickly. The latter formed a new untraditional risk group of poverty. One of the central ideas of the risk society concept, i.e. “everyone can be affected by social risks”, is becoming a reality (Kutsar & Trumm 2010b). The long-term impact of the crisis depends above all on the length of the period of crisis. The longer it lasts, the bigger is the risk of extensive discouragement and social exclusion. When the economic recession is replaced by new growth and accompanied by a rise in employment, the increased risk of poverty may substantially recede in some years’ time.

3. METHODOLOGICAL CONSIDERATIONS

3.1. How to measure poverty?

Like all statistical indicators, poverty measurements are not just a technical matter but also reflect social concerns and values attached to the issue that has been discussed for many years. Operationalisation of poverty determines in a large scale which individuals, households and groups are defined as being poor, and carries thereby high practical and political relevance (Hagenaars 1991, Brady 2003). Methodological debate about the poverty measurements reflects mainly conceptual discussions about the nature of poverty and concentrates on two major questions. The first tackles the basis of poverty measurement: should it be measured by income, assets, expenditures, and personal assessments of socio-economic coping, needs' satisfaction or experiences of various welfare problems? More generally speaking, the discussion concerns mainly the validity of resource-based, living conditions based and subjective (Moisio 2004); direct and indirect (Ringen 1988) or income and outcome (Perry 2002) approaches to poverty measurement. The second question concerns the determination of the poverty threshold, which separates the poor from the non-poor.

3.1.1. Direct versus indirect poverty

For majority of people poverty means low funds. This is also used as a basis in academic research where poverty is traditionally defined as insufficiency of financial resources, and the distinction between people in poverty and out of poverty is based on a certain fixed amount of money (measured as a gross or disposable equivalent household income), called the poverty line or threshold. Yet, several authors (e.g. Duncan 1984, Ringen 1988, Russell & Whelan 2004, Bradshaw 2006) have found that the definition of poverty merely on the basis of insufficiency of funds is misleading and does not reflect the entire complexity of the phenomenon.

Ringen (1988) refers to the income-based poverty definition as an indirect poverty measure and as a proxy for measuring living conditions. Although income allows estimation of the financial resources required for providing pre-requisites and opportunities to satisfy the needs and experience higher standard of living, it does not provide the means for 'measuring' the level of satisfaction of needs, actual standard of living, available choices and social involvement. In addition to that, income cannot reflect all the material resources (living conditions, possession of durable goods, non-monetary assistance provided by the society and other members of the society, etc.). Neither does income reflect the debt and financial liabilities of the households, which may have significant impact on their daily financial coping (Bradshaw 2006) nor consumption patterns, life-events, social events, etc (Perry 2002), which play significant role in shaping the actual living conditions of individuals and households and

experience or non-experience poor life as a result. Therefore the real experience of poverty as an outcome can be better captured by using direct measures of poverty.

According to Ringen (1988), measurement of poverty based on consumption is a direct method, putting both the needs satisfaction and consumption structure in focus. The most needs-oriented approach is probably the measurement of poverty where the proportion of food expenditure in total household consumption (or total household income) is calculated. Such an approach relies on the so-called Engel's Law – as income rises, the proportion of income spent on food falls, even if actual expenditure on food rises. In different studies the minimum proportion of food expenditure underlying the poverty threshold is determined differently: 25–33% (Orshansky 1965), 35% (Hagenaars & De Vos 1988), 44% (Zimmermann & Chilman 1988) or 50% (**Study I**, Tiit 2005). Hagenaars & De Vos (1988) have applied the same logic while further concentrating on so-called inevitable or fixed expenditure (food, housing costs, education, necessary transportation, etc) in household income.

People living in poverty do not measure their quality of life in monetary terms or in the amount of durable goods. Instead, their main 'measurement criteria' are related to self-perceptions of coping with current situation and making comparisons between personal living conditions with the others or with the supposed general standard of living (relative deprivation).

There are many ways to measure relative deprivation. One of the first internationally acknowledged attempts originates from Townsend (1979), who compiled an aggregated deprivation index that measured relinquishment of various physiological, economic and social needs due to insufficiency of financial means of households. The aggregated index can be constructed by using both objective (living conditions, possession of durable goods) and subjective (perceived deprivation of various opportunities) indicators. Similar logic of constructing aggregated indexes with minor methodological variations has been applied in numerous recent studies (Russell & Whelan 2004, Bradshaw & Ritakallio 2006, Fahey 2007, Marlier *et al.* 2007, Whelan & Maître 2007, Domański 2008, etc).

One problem connected to indexation of deprivation elements is the interconnected nature of source elements and the importance of their essence (Piachaud 1981), which could be partially solved by the method of consensual deprivation – establishment of significance scales is to consider people's assessments about the significance of various negative impacts on their welfare and standard of living (Goedhart *et al.* 1977, Mack & Lansley 1985, McKay 2004).

Operationalisation of poverty by subjective assessments of the population is also considered as a direct method of poverty measurement. Here the most popular indicators are a subjective evaluation of economic coping (ranging from "coping well" to "coping with great difficulties"); assessment of economic status (ranging from "rich" to "very poor"); as well as satisfaction of a house-

hold with their economic situation and/ or estimation of the sufficiency of income. All these parameters are rather similar in their meanings, have strong mutual correlation and are distributed in a relatively similar manner (Heikkilä & Sihvo 1997, Van den Bosch 2001). Thus, the choice of subjective poverty indicators depends mostly on the chosen approach and the potential interpretations of the results. Another method to be used for measuring subjective poverty is the so-called Leyden poverty line (Goedhart *et al.* 1977), which refers to households' estimation of minimum sufficient income by consensus. The persons and households with the actual income below the minimum income estimated as sufficient are deemed as poor.

Nevertheless, the measurement of poverty is still overwhelmingly based on gross or disposable income. Fløtten (2006) lists several reasons for that: popularity among the general public and simplicity of measurement, international comparability, and suitability for political interventions. She also refers to disadvantages of the direct poverty measures, like complications related to availability of reliable and comparable data and vagueness in defining the objective description of minimum living conditions and consumption standards. Finally, Oppenheim (1993: 6) agrees with the statement that "poverty is not about the shortage of money", but appends: "yet, the lack of an adequate income is at its heart".

Various analyses (Kangas & Ritakallio 1998, Bradshaw & Finch 2003, McKay 2004, Halleröd & Larsson 2007, Whelan & Maître 2008) have shown weak connection between different dimensions of poverty. Particularly low correlation is observed between relative income poverty and material deprivation; subjective poverty and perceived social exclusion. Such results lead to the conclusion that "simultaneous use of various measures maybe advisable" (Kangas & Ritakallio 1998: 199). By this reason, the researchers have increasingly emphasised the multidimensional nature of poverty in modern society and have constructed several systematic indicator systems and aggregated indices (e.g. Callan *et al.* 1993, Kangas & Ritakallio 1998, Bradshaw & Ritakallio 2006, Marlier *et al.* 2007, Fahey 2007, Dewilde 2007, Halleröd & Larsson 2008). On the whole, all authors of the analyses shown as examples have come to the conclusion that income-based measurement of poverty is insufficient in order to understand the welfare problems in modern society, which increases the need for generally approved instruments for measuring poverty.

3.1.2. Setting the poverty line

The next methodological step to operationalise poverty is to agree upon where the poverty line/ threshold representing the level of resources, below which the subjects (individuals, households, etc.) are deemed as living in poverty, should be set. The established poverty line must be regarded as reasonable in respect to the research problem, must be simple and comprehensive enough, must function

as basis for decisions to introduce measures to alleviate poverty, must enable comparisons between countries and over time and refer to social facts for which valid statistical information is easily collected (Atkinson *et al.* 2002, Fløtten 2006). According to Veit-Wilson (1998), the determination of the poverty line can be based on statistical survey evidence (*empirical poverty line*, which show the minimum income levels at which people in fact are able and do take part decently in society and avoid deprivation, or showing what the population itself reports would on average be just sufficient to ‘make ends meet’) or be based on experts’ calculations of the minimum income (*prescriptive poverty line*, which ought to be sufficient for minimally decent participation as socially defined if used according to the budgeted prescriptions based on evidence of prevailing adequate living patterns).

Depending on the applicable concept of poverty, the poverty threshold may be either absolute or relative. *Absolute poverty threshold* expresses monetary value required for satisfying minimum needs or physiological or social minimum means of subsistence and the poverty threshold is calculated on the basis of minimum expenditure incurred by households at actual price level. *Relative poverty threshold* reflects the level of resources critically lower than the average/normal level of resources approved by the society. Determination of average/normal level of resources is usually based on statistical distribution parameters – average or median income. Official at-risk-of-poverty threshold in the European Union is 60% of the median equalised yearly disposable income. *Median* represents the level of income which divides income recipients into two equal groups – the group with income 50% lower than median income and a group with income 50% higher than median income.

Proceeding from the logic that the needs of big households as well as expenditures required for satisfying these needs exceed those of smaller households and individual consumption expenditure varies by different household members, the *equivalence scales* are used in order to allow comparison of the income of households with different structures. Frankly saying, the calculation of equivalence scales serves the purpose of finding an answer to the question “How big should be the difference between the income of a household with certain size and structure and another household with certain size and structure in order to ensure equal level of welfare (standard of living) for both households (Szulc 2009).

Strict poverty lines (and respective headcounts) do not consider the fact that all poor people are not poor in the same way and do not have same income or living conditions (Atkinson *et al.* 2002, Brady 2003, Moisiu 2004, Marlier *et al.* 2007). For measurement of a depth of poverty an indicator of the *poverty gap* is implemented, expressing the distance of median income of people in poverty from at-risk-of-poverty threshold in percentages. The deeper the at-risk-of-poverty gap, the lower the income of people in poverty and the ‘deeper’ their poverty.

3.2. Data and method

In the frames of sociological poverty research, the methodological focus has traditionally set on two main topics: (1) investigation of social inequalities concentrating on social strata and classes, and mechanisms of inequalities; (2) studies on marginal groups, dealing with the homeless, people on the street, juvenile delinquency, etc (Leisering & Leibfried 1999). Both of these approaches represent clear theoretical as well as political views and values. The current thesis intends to apply less normative approach and is not aimed at validating some theory-based hypotheses; instead it combines in empirically descriptive way macroeconomic indicators and secondary data with empirical data sets from the social policy perspective.

The doctoral thesis employs different data sets and quantitative methods for analysing different aspects of poverty in Estonia.

Studies I and III are based on the data of the *Estonian Household Income and Expenditure Survey*. The method of the survey was elaborated by the Unit of Family Studies of the University of Tartu in cooperation with EMOR Ltd in 1991. In 1992–1994 the survey was carried out by EMOR Ltd (since 1995 it is coordinated by the Statistics Estonia). The survey runs regularly (in 1992–1994 monthly, in 1995–2007 quarterly) and provides information about income and expenditures of the households, about household structure as well as about family relations, employment, education, living conditions, existence of durable goods, etc. The survey considers all households living permanently in Estonia as the surveyed population (except those living in institutional households) and applies systematic random sampling based on National Population Register. Initial sample of the survey is corrected every quarter and renewed every year. According to the sample design, the unit of analysis is a household. The data of the survey are collected from the households by face-to face interviews and by diary questionnaire method, registering all monetary and non-monetary incomes as well as all expenditures on taxes, goods, services and intra- and inter-household transactions.

Study I focuses on data of 239 households from May and August 1992; **Study III** concentrates mainly on the period 1996–2002 (820 interviewed households per month). The methodology of the survey is thoroughly described in Traat *et al.* (2000) and Statistics Estonia (2005).

Both abovementioned studies apply a concept of disposable household income (Uusitalo 1992). Household income is equivalised by different standards: **Study I** applies *per capita* income and the standard OECD scales (first adult of the household has a value 1, the rest over 14 years equal to 0.7 and children up to 14 years old equal to 0.5). **Study III** employs OECD standard scales for determination of relative poverty line and uses national equivalent scales (Kutsar & Trumm 1999a) for determination of absolute poverty line (scales 1 for first member of the household and 0.8 for the rest). In **Study I**, poverty is operationalised in different ways: (1) administratively established

minimum living standard; (2) at 50% of the median disposable income; (3) at 50% of the median expenditure, and (4) at 50% expenditures on food. **Study III** applies EU-wide measure of relative income poverty (set at 60% of median disposable equivalent income); national definition of absolute poverty threshold (Kutsar & Trumm 1999a); and different assessments related to economic conditions of the households.

Study II relies on secondary data from different sources (Estonian Income and Expenditure Survey, Estonian Living Condition Survey NORBALT I (see Tamsfoss 1996 for details), Social Stress in Estonia (Kutsar 1995b), etc) to support the results of the contextual analysis of the democratisation process in Estonia.

Internationally harmonised secondary data on macroeconomic performance, income, employment, living conditions, demography, welfare provisions, etc, provided by Eurostat have extensively used in the **Studies III** and **IV**. For purposes of analysing the structure of social protection and social protection expenditure methodology and harmonised data of European System of Integrated Social Protection Statistics (ESSPROS) is applied in **Study IV**.

Study V is based on the data collected by face-to-face questionnaire method in middle-sized towns in Estonia (Pärnu), Germany (Giessen) and the United Kingdom (Loughborough) by the national teams of the EU 6th Framework Programme project PROFIT in 2006. The total sample contained 537 young adults of 24–29 years old. After removing the missing cases, the final sample consisted of 473 individuals. Analytical framework of the study follows the concept of social exclusion as a multidimensional construct defined by Bude & Lantermann (2006) and looks at its internal structures. Perceived social exclusion of young adults is measured by fifteen Likert-type statements concerning belongingness to society, social integration and empowerment. The main dimensions of perceived social exclusion are revealed by factor analysis, and the correlations between the received factors in different socio-cultural settings are controlled. Finally, linear regression models for predicting perceived social exclusion are created and processed.

4. FINDINGS

The aim of the **Study I** is to test different poverty lines in the context of rapidly transforming Estonian society and analyse the level and structure of poverty. At the very first time for Estonia, the study carried out in 1993 introduces several internationally recognised poverty lines and equivalent scales, what enables to get comparative data about the level and structure of poverty. In addition, the study introduces the concepts of relative material deprivation and social exclusion.

The analysis showed that almost all households in Estonia in 1992 spent more than 50% of all their expenditures on food and were thereby more or less excluded from the normal consumption-centred way of life. Almost all of the surveyed households spent almost nothing on consumer goods because of low income and relatively high prices. Among all households, single-parent families and families with three or more children were at the highest risk of poverty. The authors conclude that defining the poverty line in relative terms as 50% of median income or 50% of median expenditure is not that different, as everybody can spend what they have. Since wages are low, the relative poverty line is also low. In Estonia the structure of total expenditure and the percentage spent on food would be better points of departure for international comparison and more appropriate indicators of relative poverty.

The results of the Study I have played a crucial role for further development of welfare studies in Estonia as well as other Baltic countries. In particular, the methodological considerations of the **Study I** formed a basis for the elaboration of the equivalent scales and poverty threshold for the national absolute poverty line (Kutsar & Trumm 1999a, Trumm 2000).

Study II discusses objective and subjective boundaries and resources for developing democracy in a transition society. Strengthening democracy here is a difficult task, because of simultaneous implementation of civil society and free-market economic relations. The meaning of democracy and the possibilities of its realisation are related to history, culture, demographic changes, capabilities and willingness of decision-makers, economic circumstances; the rule of law, autonomy, and decentralisation efforts in the country.

The study concludes that the lack of democratic institutions and political experience obstacle public dialogue and formulation of clear-cut economic and social interests, which lead to low political participation and fragmentation of political landscape. The changing structure of property ownership and the re-orientation of the economy from Eastern to Western market have produced sharp economic decline with bringing poverty and economic survival as a main concern for a number of individuals and households. Moreover, the transforming social protection system is not able to provide sufficient support for those in need. The troublesome economic situation of the population and lack of positive prospects for the future makes many individuals unsecured and dissatisfied. Among vulnerable groups, a strong popular basis for anti-reform poli-

tics emerges, which in some cases is associated with support for interventionist, redistributive political strategies and in other cases, with nationalism, intolerance of minorities and low level of political commitment and participation.

The Study II encourages continuing the enlargement of the pro-democratic forces, continuation of reforms, strengthening of democratic institutions in Estonia.

Study III is done in the frames of a comparative research project “Poverty, social assistance and social inclusion – Developments in Estonia and Latvia” and focuses on poverty patterns and dynamics at the approximate period between completion of rapid socio-economic reforms in mid-1990s and gaining the full membership of the European Union in 2004. The aim of the study was to analyse the situation of poverty, inequality and social exclusion on the one hand and developments of respective policies in Estonia on the others.

The results demonstrate traditional structure of poverty in Estonia (unemployed, single-parent families, and families with many children, young people and retired living alone). The study brought out a significant role of social transfers in poverty reduction in 1996–2002: more than one fifth of the population was lifted out of poverty by social transfers. However, despite of the declining poverty rates in Estonia, many people did not benefit from the economic growth and development of the welfare system. In contrary, their poverty lasted longer and encompassed different economic, social and political risks, which often resulted in accumulation of social deficits, experience of social exclusion and deepening of socio-cultural marginalisation.

Study IV provides a systematic overview of the social protection system in Estonia and focuses on main factors that have shaped social policy decisions since re-gaining independence in 1991. It analyses also the main political actors in the policy processes and assesses policy outcomes.

The study concludes that the main changes in the social protection system are related to the gradual transformation from universal ‘status-based’ benefit schemes towards ‘reward-based’ insurance schemes. The second major structural shift concerns attempts to increase the proportion of active socio-political measures among all means of social protection. A decreasing role of the state in the provision of social security, increasing individual and the third sector’s responsibilities are additional peculiarities characterising the development of the social protection system in Estonia.

The welfare system in Estonia plays an important role in poverty reduction. Most of the social transfers are targeted at particular social groups (children, disabled, unemployed, etc). As a result, some groups benefit more from the social transfers and are thereby more protected from the risks of poverty. Pension payments carry the main effect in the prevention of poverty, the effect of child and family benefits as well as unemployment payments have too modest effect on the disposable income of households.

The aim of the **Study V** is to examine the young adults’ perceptions of social exclusion in the middle-sized towns of the three countries of the Euro-

pean Union (Estonia, Germany and the United Kingdom) in order to answer the research question whether the exclusion status as perceived by young adults is inherited or resulted by personal disadvantages.

The analysis revealed that the perceived status of the poor and excluded young adults is not inherited from parents (the parents' education and occupational status do not have an impact on the perception of exclusion); it is rather the culture of the parental home (parenting style, norms and values) which shapes the process of inheritance. The authors point out that as a specific feature of a transitional country, from an intergenerational perspective at the micro-level, the former patterns of transmission of material, social and cultural assets from parents to children were transformed and reconstructed according to new strategies. Children as active social actors are themselves mediators of positive and negative factors of life chances between two generations of adults, and they are active in building their own human, material and social capital.

DISCUSSION

Previous sections of the thesis outlined the theoretical framework and methodological considerations for better understanding of the phenomenon of poverty in the context of societal transition in Estonia. The discussion concentrates on the imprints of the transition on the structure and dynamics of poverty and on the development of the welfare system.

Neoliberal return to diversity

Estonia has been considered as one of the most successfully transformed societies in the post-communist world, while success of the transition has been operationalised mostly by economic growth, macroeconomic and political freedom, level of privatisation, lack of corruption, etc. At the same time researchers and several international organisations (European Commission, the World Bank, UNDP, OECD, etc) have highlighted severe problems in the sphere of social development: low life expectancy and poor health of the population, high rates of income inequality, poverty, crime, HIV, suicides and xenophobia, high risk of social exclusion, increasing family instability as well as one of the lowest level of perceived happiness in Europe. All this refers to critical imbalance between economic and social as well as institutional and cultural development of the Estonian society (Kutsar & Trumm 1999b, Lauristin 2003, 2006, Heidmets 2007, Lauristin & Vihalemm 2009, Trumm & Kasearu 2009, Kutsar & Trumm 2010b).

Rothschild & Wingfield (1999) labelled the transition period as return to diversity. This means tremendous expansion of institutional and individual opportunities, which formerly were heavily controlled by power structures. Individual, economic and political liberalisation provided not only opportunities, but also an obligation to make reasonable choices (**Study II**). On the institutional level the choices concerned political ideas and macroeconomic strategies, at individual level – coping strategies in a situation of rapid social changes (**Study V**, Kutsar 1995, 1997, Round & Williams 2010).

From the beginning of the transition, similarly to many post-communist countries, Estonian authorities gave their preference to rapid macroeconomic liberalisation using the strategy of shock-therapy (De Melo *et al.* 1996, Aslund 2002, Marangos 2007, Jahn & Kuitto 2010). Rapid and successful diffusion of neoliberalism in Central and Eastern Europe is largely explained by essential intervention of supranational organisations (like IMF and the World Bank) into national policy-making (**Study IV**, Deacon 1992, 2000, Grønningsæter 2003, Trumm 2006, Helemäe & Saar 2011b). Neoliberal strategy is permanently “legitimised” by voters of Estonia, giving their votes to right-wing political parties as a carriers of it (Lauristin & Vihalemm 2009, Adam *et al.* 2009). This could be partially explained by reaction to the legacy of the past (**Study II** and

IV), partly by external threat from neighbouring Russia (Adam *et al.* 2009), partly by relatively strong support to merit-based income inequality (Saar 2008, Toth & Keller 2011) or maybe even by traditions of “protestant ethics” (Norkus 2007).

From the perspective of neoliberal economics, poverty and related social problems are caused by economic underdevelopment and lack of human capital (Jensen 1998, Blank 2003). Poverty can be reduced by promoting economic growth and entrepreneurship, investments in education and life-long learning and well-targeted last-resort social assistance. Investments in education also correlate with the economic modernisation, which thereby promotes economic growth and also poverty reduction (Purju 2009). Neoliberal ideology lies on individual freedom and merit-based distribution of public goods.

As Ferge (1997: 22) critically notes, this approach explicitly rejects collective responsibility and interpersonal solidarity, justifies inequalities in the name of individual freedom of choice, and is not concerned about social integration. Moreover, neoliberalisation involved a side effect of stimulating negative stereotyping of social failure and poverty, which were considered as temporary phenomena that resulted partly from shortcomings of the social protection system, and partially from people’s unwillingness or inability to adapt their lives to new social and economic conditions (Kennedy 2002, Round & Williams 2010, Helemäe & Saar 2011a). Trials to implement neoliberal ideology in welfare policy resulted in severe decline of universalist and solidarity-based principles in providing social protection. Instead of universal benefits the stick was put on social insurance and targeted social assistance (**Study IV**, Trumm 2002, Aidukaite 2003). Bukodi & Róbert (2007) as well as Whelan & Maître (2010) and Neesham & Tache (2010) cluster Estonia (together with Latvia and Lithuania) into the group of post-socialist liberal welfare regime. In spite of that, several authors (Buchen 2007, Adam *et al.* 2009, Toots & Bachmann 2010) mention some deviation from neoliberal policy track – rather strong employment protection mechanisms, universal family benefits, etc (in this respect one should note that the real value of universal family benefits has permanently decreased (Trumm 2009); the employment protection legislation was liberalised in 2009). Also Bazant & Schubert (2009) confirm somewhat controversial position of the welfare system of Estonia: on one hand it reacts to individual risks, on the other hand it provides universal minimum coverage of risks.

Nevertheless, neoliberalisation is not a fully uniform process in Central and Eastern Europe. Recent studies (Bohle & Greskovits 2009, Helemäe & Saar 2011b) have examined different strategies applied in post-communist world, which have resulted in diverse outcomes. For example, Adam *et al.* (2009) while comparing Estonia and Slovenia conclude that despite of the different political strategies – Estonia represents extremely liberal shock therapy and Slovenia gradual development of corporatist welfare model – both countries are (despite of different social burden on economic development) economically the

most successful countries in Central and Eastern Europe. On the other hand, Bohle & Greskovits (2009) in their comparative analysis of Hungary and Latvia, found that despite of different strategies and social protection mechanisms, both countries were hit by the economic crisis first in the Eastern bloc.

Monetarisation and individualisation of responsibilities and risks has resulted in a dramatic increase in income inequality accompanied by a substantial reduction of earning possibilities (**Study I** and **III**, Cerami 2008). Böhnke (2008), by examining link between poverty and subjectively perceived social integration reveals the lowest level of integration in the Baltic countries and the highest level in the case of social democratic Scandinavian countries. This is an evidence how the welfare system determines solidarity and social cohesion. She also finds that people with lower incomes face higher risks of not being socially integrated. In this respect, the risk of disintegration between poor and non-poor segments of the population is the highest in the Baltic countries again. Similarly, the study of economic vulnerability by Whelan & Maître (2010) demonstrates that the levels of economic vulnerability vary systematically across welfare regimes in line with the comprehensiveness and generosity of such regimes. Levels of vulnerability increase as we move from the social democratic towards the liberal post-socialist regimes.

Beck (1992, 1999) assumes that due to global neoliberalisation and weakening of the welfare state, not only the ‘traditional losers’, and also people belonging to the higher strata of the society are affected by several risks – everybody is equally exposed. Basically, the more the risks are individualised, the greater the probability is that people will not be able to resist to the imposition of risks (Helemäe & Saar 2011b: 39). Helemäe (2011: 87) finds that Estonia with its deep and rapid neoliberalisation provides the best platform to put this assumption to test.

Individualisation of the social

Structural theories provide the best framework for understanding the patterns and dynamics of poverty in transitional society of Estonia (**Study III**). On the macro-level, poverty mirrors the efficiency of the societal developments of the country. Nevertheless, correlation between poverty and inequality, poverty and unemployment, poverty and inflation, etc is not linear, but depends on both the individual decisions made and the actions taken. Neoliberal paradigm contributes to enlargement of individual choices and freedom. Massive expansion of the field of opportunities complicates finding the optimal solution in the conditions of rapidly changing environment (**Study II**). Beck (2007: 682) makes distinction between institutionally individualized *opportunities* and institutionally individualized *obligations* to make decisions. The individualisation by Beck is related to normality – increasing numbers of deviations from the “normal” lead to increasing diversity. Moreover, it leads to “normalisation of diversity” (Beck

2007: 684). The concept of ‘active welfare state’ is a clear example of neo-liberal individualisation of the welfare system – its strategies for poverty alleviation are framed with terms of individual choices and private solutions, thus simultaneously downloading institutional responsibility and risk management solely on individuals (Brodie 2007: 162). From this point of view, the concept of functional capabilities (capability to convert individual resources into valuable and advantageous activities) by Sen (1983, 1992) re-gains its relevance by understanding poverty in the conditions of large-scale individualisation. The capability of young adults to transform the social and cultural resources of their parents into personal success in preventing social exclusion was confirmed in the **Study V**.

The effect of individualisation on poverty is twofold. On one hand, increased general vulnerability makes poverty more temporal, and more people during their life-course despite their social background are episodically exposed to the risk of impoverishment (**Study III**, Beck 1992, Leisering & Leibfried 1999, Whelan & Maître 2010). On another hand, individualisation of poverty is interpreted as a process accumulation of welfare deficits and may result in cumulated social disadvantage, permanent poverty, social exclusion or marginalisation (**Study V**, Room 2000, Vranken 2001, Moore 2001, Böhnke 2004).

Young adults as entrants to individual adulthood are considerably more exposed to the risks and vulnerability than the other social groups (**Study V**, Duncan et al 1998, Mendola *et al.* 2009, Warzywoda-Kruszyńska *et al.* 2010). In Estonia, during the initial phase of the transition, young people were given a priority, and later on were considered as the winners of transition (**Study II and V**, Titma 1998, Bohle & Greskovits 2009, Lauristin & Vihaelemm 2009). Even though their position on the labour market has not been stable and the opportunities to have a job have worsened over the years (Helemäe 2010). The cumulated risks exploded in the turmoil of the economic and financial crisis, and the unemployment rate of young people increased more rapidly compared to the other age groups (Marksoo & Masso 2010, Malk 2010). To conclude, young adults face higher than average risk of poverty (**Study III**, Randoja 2010), permanent poverty (Kasearu 2010) and last not least, become long-term recipients of social assistance (Trumm & Kasearu 2011).

Poverty measurement reconsidered

The measures of poverty as any other social indicator should meet several criteria which ensure their validity and social relevance. In particular, the poverty indicators should capture the essence of the poverty, be sensitive and reflect changes in the economic, social and policy environment, and be responsive and meaningful to policy interventions, with the least chance of getting subject of manipulation (Atkinson *et al.* 2002, Fløtten 2006, Marlier *et al.* 2007, etc). These criteria can be considered as a basis for assessment of operationalisations of poverty in the context of Estonia’s societal developments.

As demonstrated by **Study III**, the effect of remarkable economic growth and reformation of the welfare system is clearly positive in the case of absolute poverty, but insignificant for reducing relative income poverty (see also figure 3). In the context of fairly modest social security provisions in Estonia, this result may confirm the logic of “minimum intervention = minimum outcome” (i.e. the liberal welfare systems aim at protecting the poor from severe poverty by providing minimum assistance) (**Study IV**). This allows to argue that the operationalisation of poverty as an absolute concept forms a better platform for the evaluation of national policies (**Study I**). Absolute poverty measure is also sensitive to the changes occurring on the labour market – decrease of employability and increase of unemployment, decline in earnings, etc resounds instantly in increased level of absolute poverty.

Relying on the aforementioned, one can conclude, that absolute poverty measure fits better into the socio-economic and political context of Estonia. However, the concept of absolute poverty exclusively rejects the contemporary social values, political aims, as well as practices and methodological standards of the neighbouring international community and troubles international social reporting. As a full member of the European Union, Estonia has accepted to implement the principles of the European Social Model (**Study IV**, Trumm 2005, Neesham & Tache 2010) what is based on the set of commonly shared values of universal solidarity, social inclusion and sustainability, which are reflected in the concept of relative poverty. The strategy aimed at reduction of extreme poverty and the policy of marginal redistribution of resources is not sufficient for tackling social inequalities and promoting solidarity and social inclusion. Thereby the level of relative income poverty has been permanently high. The relevance of the relative income poverty measure in Estonia will probably increase in parallel with the increase of well-considered investments into inclusive strategies of social development.

CONCLUSION

The aim of the current dissertation was to contribute to in-depth understanding of poverty as a social phenomenon in Estonia in the context of post-communist transition. **Studies I–V** address different empirical evidences about this multifaceted phenomenon in the period of 1992–2007, the **Introductory article** of the thesis presents conceptual and contextual framework to these studies.

Poverty in Estonia as in any Central and Eastern European country is a structural social phenomenon and one of the main social costs of the transition, which should extensively be tackled by macro-economic and socio-political means.

Study I, which is the first internationally recognised attempt to test international methodological standards to assess the level and structure of poverty in Estonia, found that nine households out of ten in Estonia in 1992 spent more than half of their income on food and were thereby excluded from the normal consumption-centred way of life. At the same time, only about ten per cent of them had an income less than relative income poverty line. Such a result approves that operationalisation of poverty can not follow harmonised international standards only, but for getting meaningful results must consider the national context as well. This methodological understanding was later applied by elaboration of the national strategy for poverty reduction in 1997–1999.

Poverty and societal transition processes are mutually related. Emergence of massive poverty in Estonia in early 1990s as an outcome of the transition played also a crucial role in shaping and re-shaping economic, social and political environment of marketisation and democratisation. As emphasized by the **Study II**, social and material deprivation and poverty were ‘produced’ by the side-effects of transition: hyperinflation, unemployment, collapse of the welfare system, and so on. The same study underlines that experience of poverty feeds anti-reformist attitudes and non-participation; huge income disparities harm the feelings of solidarity, and institutional and interpersonal trust.

Study III has concentrated on examination of the structure and dynamics of poverty at the period of socio-economic stabilisation and accelerated economic growth in 1996–2002. The results of the study demonstrated positive impact of economic growth and expansion of the welfare system on poverty reduction. Still, the accumulated national prosperity was redistributed in unequal way thus did not reach all those in need. Contrarily it increased the individual risks of multiple deprivation and permanent poverty, and gave evidence to the individualisation of poverty.

Individualisation of poverty in a form of intergenerational transmission of perceived social exclusion by young adults was analysed in **Study V**. The study applied comparative perspective in order to explore the impact of post-communist transition on the mechanism of intergenerational transmission of inequalities. Compared with young adults from middle-sized towns in Germany and the United Kingdom, the youth from Pärnu in Estonia related their current experi-

ences of exclusion with the socio-economic conditions in their parental home to a lesser extent. The study concluded that as a specific feature of a transitional country, from an intergenerational perspective, the former patterns of inheritance of material, social and cultural assets from parents to children were transformed according to new strategies. Children as active social actors are themselves mediators of positive and negative factors of life chances between two generations of adults, and they are active in building their own human, material and social capital.

Finally, **Study IV** examined developments in the social welfare system since Estonia's re-independence in 1991 till present day. As a result, two major principal shifts were revealed in the study. The first shift concerns the gradual transformation from universal 'status-based' benefit schemes towards 'reward-based' insurance schemes; the second encapsulates attempts to increase the proportion of active socio-political measures among all means of social protection. Both developments give evidence about systematic liberalisation of the welfare system expressed by a decreasing role of the state in the provision of social security as well as about increasing responsibilities of individuals and the third sector.

The thesis of the 'individualisation of the social' was elaborated further in the **Introductory article** of the dissertation. Individualisation as a generic developmental feature of the Estonian society springs from the neoliberal paradigm introduced by the economic and political elites in the form of shock-therapy from the very beginning of the transition. The strategy of the neo-liberalism has been successful in promoting macro-economic growth and ensured solid material basis to build-up sustainable system of last-resort social assistance, protecting the population from experiencing extreme and long-term poverty. Nevertheless, this has not been sufficient to achieve the level of solidarity and social inclusion, required for meeting the criteria of the European Social Model, moral standards of the modern welfare state, and last but not least to ensure social sustainability and competitiveness of the Estonian society.

The **Introductory article** is concluded by the statement about poverty measurement. In the conditions of modest social security provision the absolute poverty measure is better indicator for the evaluation of national policies than the internationally comparable relative poverty measure. The latter is better applicable to measure the progress of universalistic solidarity-based welfare provision aimed at higher sustainability and cohesion of the society.

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SUMMARY IN ESTONIAN

Vaesus Eestis siirdeühiskonna kontekstis

Käesolev doktoritöö keskendub vaesuse kui sotsiaalse nähtuse ja probleemi ligi kahekümne aasta pikkuse arenguloo selgitamisele taasiseseisvunud Eestis siirdeühiskonna kontekstis. Dissertatsioon tugineb viiele iseseisvale uurimusele, mis on avaldatud ajavahemikus 1993–2010 ning mis keskenduvad ühiskonna siirdeperioodi erinevatele arenguetappidele. Doktoritöö eesmärgiks on avardada seniseid teadmisi vaesuse avaldumisvormidest, struktuurist ja dünaamikast, mis võimaldab paremini mõista sotsiaalsete probleemide geneesi ning planeerida ja rakendada senisest tõhusamaid sotsiaalpoliitilisi lahendusi.

Doktoriuurimuse teoreetilise raamistiku moodustavad erinevad siirdeühiskonna käsitlemised ning vaesuse struktuuralsed teooriad. Postkommunistliku siirde käsitlemisel on lähtutud Offe (1991, 1996) kolmemõõtmelisest mudelist, mis sisaldab samaaegselt, kuid erinevatel tasanditel ja eri kiirusega toimuvaid keerukaid ühiskondlikke protsesse: rahvusliku ja riikliku enesemääratluse ja identiteediga seotud muutused, riigiehituse ja õiguskorraga seonduvad muutused ning sotsiaalmajandusliku ümberjaotamisega seotud arengud (Lauristin 1997). Nimetatud muutused hõlmavad nii ühiskonna institutsionaalse kui ka kultuurilise tasandi (Sztompka 1996). Kuigi mitmed autorid (Kolodko 2001, Kornai 2005, Ost 2009) käsitlevad postkommunistlikku siiret kui vahepealse irdarengu tagasipöördumist 'normaalsesse sängi', on siirdeprotsesside loogika tunduvalt mitmetahulisem ning siirdeprotsessides osalevate riikide ajaloolistest, sotsiaalsetest ja kultuurilistest iseärasustest mõjutatud. Ühiskonna liberaliseerimisest tuleneva valikute- ja võimalustevälja olulise laienemise tõttu varasema ideoloogiliselt kontrollitud ühiskonnaga võrreldes nimetasid Rothschild ja Wingfield (1999) postkommunistlikku siiret kujunduslikult 'tagasipöördumiseks ühiskondlikku mitmekesisusse'.

Siirdeprotsesside kulg erinevates siirdeühiskondades on olnud erinev ning see on tingitud nii siirde-eelsetest lähtetingimustest (Zukowski 1996, Ellman 2005, Popov 2007, Bitzenis ja Marangos 2009) kui ka muutuste läbiviimiseks valitud strateegiatest (Zukowski 1996, Papava 2006, Jahn ja Kuitto 2010, Izyumov 2010 jt). Eesti lähtetingimused üleminekureformideks olid paljude Kesk-Euroopa siirderiikidega võrreldes tagasihoidlikud – varasem tugev poliitiline ja sotsiaalmajanduslik seotus Nõukogude Liiduga tingis vajaduse kõigi olulisemate majanduslike ja poliitiliste institutsioonide loomise järele (**Uurimus I** ja **II**, Kutsar ja Trumm 2005, Jahn ja Kuitto 2010). Ulatuslike muutuste läbiviimiseks valiti Eestis aga kõige kiirem ja radikaalsem, šokiteraapial põhinev, arengutee (**Uurimus II** ja **III**), mis tagas küll tähelepanuväärselt kiire majanduskasvu ja poliitilise stabiilsuse (Panagiotou 2001, Norkus 2007, Lauristin ja Vihalemm 2009), kuid jättis ühiskonna sotsiaalse terviklikkuse ja jätkusuut-

likkusega seonduvad probleemid piisava tähelepanuta (**Uurimus IV**, Kutsar ja Trumm 1995, Trumm 2002, Lauristin 2003).

Eelpooltoodust tulenevalt kujunes siirdeühiskonna sotsiaalne hind Eestis oluliselt kõrgemaks enamiku postkommunistlike maadega võrreldes (**Uurimus I ja II**, Lauristin 2003, Heidmets 2006), mis väljendus ühtlaselt jagatud madalas elatustasemes ja kõrges absoluutse vaesuse riskis (**Uurimus I ja II**).

Tulenevalt dissertatsiooni ülevaateartiklis esitatud kaalutlustest, käsitletakse Eesti siirdeühiskonna vaesuse arenguhooni struktuursete vaesusteooriate kontekstis, mille kohaselt on vaesus ühiskonna makrotasandil toimuvate majanduslike, demograafiliste, sotsiaalsete, poliitiliste ja kultuuriliste arengute tagajärg.

Väitekirja metodoloogilises osas analüüsitakse erinevaid võimalusi vaesuse operatsionaliseerimiseks, võttes vaatluse alla otsese ja kaudse, objektiivse ja subjektiivse ning mitmemõõtmelise vaesuse mõõtmise meetodid. Kõige levinumaks ja sagedamini kasutatavaks mõõtmisviisiks on suhtelise sissetulekuvaesuse tehnika, mida ka antud töös rakendatakse (**Uurimus I ja III**). Siiski ei võimalda nimetatud mõõtmisviis avada vaesuse kui mitmemõõtmelise sotsiaalse nähtuse kõiki tahke, mistõttu järjest populaarsemaks on muutunud vaesuse määratlemine suhtelise deprivatsiooni või sotsiaalse tõrjutusena, mille empiiriliseks mõõtmiseks kasutatakse keerukaid agregeeritud indekseid (**Uurimus V**). Mitmemõõtmeliste indeksite kasutamist komplitseerivad nii kontseptuaalsed probleemid kui ka alusandmete keeruline harmoneerimine.

Uurimus I on käsitletav esmase rahvusvaheliselt tunnustatud katsena rakendada rahvusvahelisi vaesuse mõõtmise standardeid ja tarbimiskaale Eesti siirdeühiskonna algusperioodi kontekstis. 1992. aasta leibkonna sissetulekute ja kulutuste andmestikule tuginedes hinnatakse vaesuse elavate leibkondade osakaalu suhtelise sissetuleku- ja tarbimisvaesuse, tarbimise struktuuri ja ametlikult kehtestatud elatusmiinimumi alusel. Uurimuse tulemusena selgus, et ligi 90% Eesti leibkondadest kulutab toidule enam kui poole oma sissetulekust, mis sunnib neid loobuma igapäevaselt normaalsest ja põhivajadusi rahuldavast elustiilist ning kinnitab ulatuslikku elatustaseme langust ja ühiselt jagatud absoluutset vaesust ning ilmajäetust 90te alguse Eestis. Samuti selgus, et rakendades Eesti oludes rahvusvaheliselt tunnustatud suhtelise vaesuse mõõtmise metoodikat (50% sissetulekute või kulutuste mediaanist) langeb alla vaesuspiiri vaid umbes kümnendik leibkondadest. Selline tulemus annab tunnistust sellest, et vaesuse määratlemisel tuleb rahvusvaheliselt üldtunnustatud metodoloogiliste põhimõtete kõrval arvestada ka nende majanduslike, sotsiaalsete ja poliitiliste olude ja tingimustega, mis vaesust toodavad ja kujundavad.

Vaesus ja siirdeühiskonna areng on vastastikku seotud. Vaesus on küll siirdeühiskonna tagajärg, kuid samas kujundab ja mõjutab sotsiaalmajanduslikku ja poliitilist keskkonda, milles siirdeprotsessid toimuvad. **Uurimus II** toob struktuursete vaesuse põhjustena välja hüperinflatsiooni, tööhõive vähenemise ja töötuse kasvu, sotsiaalse kaitse süsteemi 'devalveerumise' jne ning ühiskonna

demokratiseerumist ja turumajandusele üleminekut mõjutavate tegurite analüüsimisel leiab, et vaesus ja drastiliselt kahanenud elujärg on olulisteks tõukejõududeks protestimeelsuse, ühiskondliku passiivsuse ja usaldamatuse kujunemisel.

Uurimus III võtab vaatluse alla vaesuse struktuuri ja dünaamika ühiskonna sotsiaalmajandusliku stabiliseerumise ja kiireneva majanduskasvu aastatel 1996–2002. Uurimuse tulemused annavad tunnistust majanduskasvu ja sotsiaalkaitseüsteemi laienemise ja täiustumise positiivsest mõjust üldise vaesusemäära kahanemisele. Siiski ei jagunenud lisandunud ressurss ühiskonnas ühtlaselt ning materiaalse ja sotsiaalse ebavõrdsuse tase jäi varasemaga võrreldes samale tasemele. Sellises situatsioonis paljude vaeste perede elujärg mitte ei paranenud, vaid hoopis suhteliselt halvenes. Niigi kriitilise situatsiooni halvenedes suurenes inimeste haavatavus ja vastuvõtlikkus individuaalsetele sotsiaalsetele riskidele, mis sillutas teed materiaalse ja sotsiaalse ilmajätuse ja tõrjutuse väljakujunemisele ja vaesuse individualiseerumisele.

Vaesuse individualiseerumise protsessi käsitleb **Uurimus V**, mis analüüsib võrdlevalt Saksamaa, Suurbritannia ja Eesti noorte täiskasvanute (vanuses 24–29) tajutud tõrjutuse seotust nende päritoluperekonna sotsiaal-majandusliku ja kultuurilise olukorraga. Analüüsi tulemusel selgus, et vanemate sotsiaalmajandusliku staatuse ja lapsepõlvkodu majandusliku olukorra mõju noorte poolt tajutud tõrjutusele on üldiselt marginaalne. Siiski mõjutab noorte täiskasvanute tõrjutuse tajumist või mittetajumist lapsepõlvkodu kultuuriline keskkond (kasvatustüüp, normid ja väärtused). Võrdlevas perspektiivis ilmnes, et tajutud tõrjutuse põlvkondliku ülekandumise tõenäosus Eestis on väiksem kui Saksamaal ja Suurbritannias, mis on seletatav siirdeühiskonna eripäraga. Nimelt on stabiilsetes ühiskondades vanematelt ülekanduval kultuurilisel kapitalil suurem tähendus kui siirdeühiskondades. Siirdeühiskonna pidevalt muutuv olukord tingib vajaduse varasemaid põhimõtteid ja hoiakuid operatiivselt korrigeerida, mida ka Eesti noored on teinud.

Uurimus IV analüüsib Eesti sotsiaalkaitseüsteemi arengut taasiseseisvumisest alates. Analüüsi tulemus toob esile kaks olulisemat süstemaatilist nihet sotsiaalse kaitse üldises ideestikus ja korralduslikus mehhanismis. Esiteks on toimunud nihe universaalsetelt staatuspõhistelt hüvitisskeemidelt individuaalsest panusest sõltuvatele kindlustusskeemidele. Teiseks oluliseks muutuseks on sotsiaalkaitse varasemast tunduvalt suurem orienteeritus aktiveerivatele poliitikameetmetele. Mõlemad süsteemsed nihked annavad tunnistust heaolusüsteemi süvenevast liberaliseerumisest, mis avaldub riigi osaluse kahanemises ning individuaalse vastutuse ning kolmanda sektori rolli suurenemises heaolu ja sotsiaalse turvalisuse tagamisel.

Nimetatud uurimustest järelduv väide 'ühiskondliku individualiseerumisest' leiab eraldi arutlemist doktoritöö ülevaateartiklis. Individualiseerumine kui Eesti siirdeperioodi arengut kokkuvõttev märksõna on neoliberaalse maailma-vaate radikaalse elluviimise otsene tulem. Neoliberaalne šokiteraapia on olnud

edukas majanduskasvu stimuleerijana, luues vajalikud ressursid suhteliselt efektiivse vaesuse vähendamisele suunatud marginaalse heaolusüsteemi väljaarendamiseks. Siiski ei ole taoline süsteem piisav ühiskonna sotsiaalse jätkusuutlikkuse ja sidususe tagamiseks sellisel määral, mis vastaks Euroopa sotsiaalse mudeli põhimõtetele ning tänapäevase heaoluriigi moraalsetele standarditele.

Väitekirja ülevaateartiklis tõstatub ka küsimus Eesti oludesse sobivaimatest vaesuseindikaatoritest. Töös leitakse, et liberaalse heaoluriigi tingimustes on poliitikate tõhususe sobivamaks mõõdikuks absoluutse vaesuse määr, mis reageerib tundlikult ühiskonnas asetleidvatele majanduslikele, sotsiaalsetele ja sotsiaalpoliitilistele muutustele. Suhtelise vaesuse määr on aga kõnekam ühiskonna sotsiaalse sidususe ja jätkusuutlikkuse mõõtmisel.

PUBLICATIONS

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Professional employment

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Academic activities

Main research areas:

Quantitative and qualitative analysis of social exclusion, poverty, deprivation, ethnic relations, integration programmes, social policy analysis; evaluation of social policy programs.

Participation in relevant research & development projects:

2011– Member of the Estonian research team of the EU 7th FP Project FLOWS “Impact of local welfare systems on female labour force participation and social cohesion”
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| 2005–2009 | Member of the Estonian research team of the EU 6 th NoE Project EQUALSOC “Economic change, quality of life, and social cohesion” |
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1. **Veronika Kalmus.** School textbooks in the field of socialisation. Tartu, 2003, 206 p.
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3. **Kairi Kasearu.** Structural changes or individual preferences? A study of unmarried cohabitation in Estonia. Tartu, 2010, 126 p.